ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have increased some, and HSFO availability has improved in the ARA hub.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam, Gibraltar and Durban ($8/mt)**
- **LSMGO prices up in Durban ($5/mt) and Gibraltar ($4/mt), and down in Rotterdam ($5/mt)**
- **HSFO prices up in Gibraltar ($10/mt) and Rotterdam ($8/mt)**

Bunker benchmarks in major European and African ports have mostly gained in the past day. But Rotterdam's LSMGO price has moved counter to the general market direction and edged lower. A lower-priced indication in Rotterdam has contributed to drag the port's benchmark down.

Meanwhile, the front-month ICE Low-Sulphur Gasoil contract has jumped by nearly $23/mt in the past day. The price move has nearly erased its rare discount to Rotterdam's LSMGO. Securing LSMGO for prompt delivery dates (0-2 days) can be difficult in Rotterdam and in the wider ARA hub, two sources say.

On the other hand, HSFO availability has improved in the ARA, allowing some suppliers to reduce their lead times for stem deliveries. Rotterdam's HSFO discount to Gibraltar currently stands at $30/mt. A notable shift from the previous month when Rotterdam's HSFO was trading at an unusual premium over Gibraltar.

In Ceuta, bunkering is in progress amid conducive weather conditions, according to shipping agent Jose Salama & Co. One vessel is currently waiting to receive bunkers at anchorage, and another eight vessels are scheduled to arrive for bunkers there today.

A total of 17,000 mt of VLSFO was discharged in Ceuta earlier this week, with 11,000 mt going to one supplier and 6,000 mt to another, according to the Port of Ceuta. These replenishment cargoes are expected to boost VLSFO supply in the port.

Brent

The front-month ICE Brent has climbed upwards by $1.19/bbl on the day, to trade at $87.30/bbl at 09.00 GMT.

Upward pressure:

Brent futures have gained around 4% over the past week, reaching nearly a 4-week high above $87/bbl. The price surge has been driven primarily by concerns about tightening oil supply.

Russia’s deputy prime minister Alexander Novak confirmed that the Kremlin agreed to reduce its oil supplies to foreign markets at a meeting held by Russian President Vladimir Putin, reported Russian state agency TASS.

Russia could extend its 500,000 b/d voluntary production cut into October. Saudi Arabia is also expected to extend its 1 million b/d output cut to include October. Output cut extensions by Russia and Saudi Arabia will further squeeze oil supplies and drive Brent futures higher.

Meanwhile, US commercial crude inventories have plunged by 34 million bbls since July, according to Reuters analyst John Kemp. The country has less than 400 million bbls of oil in its emergency reserves, which could impede its ability to release more oil into the market to offset tight supply.

Downward pressure:

China’s manufacturing activity slightly improved in August but remained in the contraction territory for the fifth straight month, Caixin Global reported citing China’s official data.

China’s data “continues to paint the picture of a sluggish economy that’s showing few signs of bouncing back stronger,” OANDA’s senior market analyst, Craig Erlam has said.

Brent may weaken if oil output from Iran, Iraq and Venezuela rises and offsets some of the supply shortage in the global market. “Iran’s oil exports are well over 2 million barrels a day, currently close to 2.2 million barrels a day,” Phil Flynn, analyst at the Price Futures Group has written in a note.

“Iran, that was forced to stockpile crude oil and condensates into floating storage, saw those supplies go over 100 million barrels. Now those supplies have fallen to under 30 million barrels as the Biden team turned a blind eye to enforcement,” he added.

By Nithin Chandran and Konica Bhatt