ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained over the weekend, and Rotterdam's HSFO discount to Gibraltar has narrowed.

Changes on the day from Friday, to 09.00 GMT today:

- **VLSFO prices up in Durban ($26/mt), Gibraltar ($5/mt) and Rotterdam ($2/mt)**
- **LSMGO prices up in Durban ($19/mt) and Rotterdam ($2/mt), and down in Gibraltar ($9/mt)**
- **HSFO prices up in Rotterdam ($16/mt), and down in Gibraltar ($6/mt)**

Most bunker benchmarks in European and African ports have gained over the weekend. Rotterdam's HSFO price has gained by $16/mt, while the grade's price in Gibraltar has declined by $6/mt. The diverging price moves have narrowed Rotterdam's HSFO discount to Gibraltar from $30/mt on Friday, to just $8/mt now

Gibraltar's HSFO was indicated in a wide $34/mt range on Friday, with indications at the lower end of the range weighing down the benchmark. Some suppliers in Gibraltar are even offering the grade near parity levels to Rotterdam's HSFO price, a source says.

Availability of HSFO in Gibraltar is said to be normal. Lead times of 4-6 days are recommended for the grade. Minimum congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland. One supplier is experiencing delays of 6-8 hours in Gibraltar, it says

Meanwhile, Gibraltar's VLSFO price has gained slightly over the weekend, to widen its Hi5 spread from $33/mt on Friday, to $44/mt. The port's Hi5 spread momentarily plunged to a record-low level of $13/mt last week, but has widened since then.

Bunkering is progressing normally in Algoa Bay, where one vessel is receiving bunkers, according to Rennies Ships Agency. However, strong wind gusts of up to 35 knots and heavy swells are forecast to hit the bay tomorrow and Wednesday, which could delay bunker operations or trigger suspension there

Brent

The front-month ICE Brent contract has gained $1.16/bbl on the day from Friday, to trade at $88.46/bbl at 09.00 GMT.

Upward pressure:

Brent futures extended last week's gaining streak as expectations grew that the leaders of Organisation of the Petroleum Exporting Countries and its allies (OPEC+) would continue to tighten oil supply.

Last week, Russia's deputy prime minister Alexander Novak stated that the Kremlin agreed with the OPEC members on parameters to extend production cuts. More details about the output cuts are expected this week.

Meanwhile, oil analysts expect OPEC's leader Saudi Arabia to also extend its voluntary 1 million b/d output cut into October.

"Speculation is now growing that Riyadh may extend these supply restrictions into October, further constraining global oil supply and prompting reductions in oil inventories," said SPI Asset Management's managing partner Stephen Innes.

Another round of production cut by Saudi Arabia could help Brent break above $90/bbl level, commented ING's head of commodities strategy, Warren Patterson

Downward pressure:

Meanwhile, Brent futures face some downward pressure as oil production in some OPEC member nations have increased in recent days, analysts said

This comes as OPEC members including Iran, Libya, Nigeria and Venezuela remain exempted from the group's production cuts, said Patterson

Iran is expected to increase its oil output to around 3.4 million b/d by the end of summer. This will bring Iran's oil production near pre-sanction levels of 3.8 million b/d, Patterson said in a note.

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