ENGINE: Europe & Africa Bunker Fuel Market Update

05/09/23

Regional bunker benchmarks have mostly declined, and bunkering has been suspended in Algoa Bay amid bad weather.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($17/mt), Rotterdam ($11/mt) and Gibraltar ($3/mt)**
- **LSMGO prices up in Gibraltar ($2/mt), and down in Rotterdam and Durban ($28/mt)**
- **HSFO prices up in Gibraltar ($20/mt), and down in Rotterdam ($23/mt)**

Most bunker benchmarks in major European and African ports have declined in the past day. But Gibraltar’s HSFO price has moved counter to the general market direction and gained in the past day. Some higher-priced indications for the grade have supported the benchmark’s rise.

Meanwhile, Rotterdam's HSFO price has made a sizeable decline. The grade's price was indicated in a $12/mt range in the past day, with some indications in the lower price bracket (below $550/mt) contributing to drag the port’s benchmark lower.

Gibraltar’s HSFO price rise has meant that its premium over Rotterdam has widened from just $8/mt yesterday, to $51/mt now. Minimum congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland.

Meanwhile, the front-month ICE Low-Sulphur Gasoil contract has gained by $13/mt in the past day, while Rotterdam’s LSMGO price has plunged by $28/mt. The diverging price moves have flipped ICE Gasoil price to a premium of $29/mt over Rotterdam’s LSMGO. The ICE Gasoil contract was trading at a rare discount to Rotterdam’s LSMGO last week, but these discounts have been erased now.

Bunker operations have been suspended in Algoa Bay today due to adverse weather conditions, according to Rennies Ships Agency. Strong wind gusts and waves ranging up to four metres have hit the bay this morning.

Weather conditions are forecast to remain bad tomorrow as well, which could cause more delays and disruptions. One vessel is currently waiting to bunker at anchorage, and another seven vessels are scheduled to arrive for bunkers between today and tomorrow, Rennies says.

Brent

The front-month ICE Brent contract has inched down $0.01/bbl on the day, to trade at $88.45/bbl at 09.00 GMT.

Upward pressure:

The recent surge in Brent futures has been primarily driven by expectations of more supply cuts in the coming days. Oil analysts expect both Saudi Arabia and Russia to extend voluntary output cuts into October to avoid the risk of a sell-off in the oil market.

“Sentiment in the oil market remains constructive. [Brent’s] Price direction in the immediate term will be dictated by what Saudi Arabia and Russia decide to do with their supply cuts,” two analysts from ING said in a note.

“Given market expectations, it is unlikely that the two producers would stray away from an extension,” they further added

Downward pressure:

Downward pressures acting on Brent futures this week include concerns about the slow pace of economic recovery in China. Market analysts think that the world’s second-largest economy has shown a disappointing recovery from the pandemic

Growth in demand for commodities like oil has been bleak in China, despite the country pledging to roll out economic stimulus to drive consumption in ten different sectors. Moreover, a recent private-sector survey in China showed that the country’s services activity in August grew at the slowest pace in eight months, Reuters reported.

“Oil prices may be sputtering on Chinese economic slowdown concerns,” said Price Futures Group’s market analyst Phil Flynn

By Nithin Chandran and Aparupa Mazumder