ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained, and LSMGO availability is tight in South African ports.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam ($6/mt) and Gibraltar ($1/mt), and down in Durban ($5/mt)**
- **LSMGO prices up in Durban ($18/mt), Gibraltar ($13/mt) and Rotterdam ($10/mt)**
- **HSFO prices up in Gibraltar ($9/mt) and Rotterdam ($7/mt)**

Bunker benchmarks in major European and African ports have gained in the past day, tracking Brent's upthrust. LSMGO gains in all three ports have been slightly greater than for other grades, partly supported by gains in the front-month ICE Low-Sulphur Gasoil contract, which has gained by $16/mt in the past day.

LSMGO availability is "super tight" across Durban, Cape Town and Algoa Bay, a source says. The tightening of LSMGO supply in the region is due to one supplier running low on stock. Meanwhile, VLSFO availability is relatively better and lead times of up to seven days are still recommended for the grade.

Rotterdam's VLSFO price gain has outpaced that of Gibraltar's in the past day. The price moves have narrowed its VLSFO discount to Gibraltar from $25/mt yesterday, to $20/mt now. On the other hand, Rotterdam's HSFO is still priced at a significant discount of $53/mt to Gibraltar's HSFO.

No backlog has been reported in Ceuta, where eight vessels are scheduled to arrive for bunkers today, up from seven yesterday, according to shipping agent Jose Salama & Co. VLSFO and LSMGO availability is said to be normal in Ceuta, a source says.

Brent

The front-month ICE Brent contract has gained $0.83/bbl on the day, to trade at $89.28/bbl at 09.00 GMT.

Upward pressure:

Brent futures broke above $90/bbl for the first time since November 2022, after leading oil producers Saudi Arabia and Russia announced the extension of voluntary oil supply cuts through the end of the year

The Organization of the Petroleum Exporting Countries' (OPEC) de facto leader Saudi Arabia said it will implement a voluntary output cut of 1 million b/d through the end of 2023, state news agency SPA reported on Tuesday, citing a ministry official.

The announcement was followed by a statement from Russian Deputy Prime Minister Alexander Novak, who announced an extension of Russia's export cuts by 300,000 b/d through the end of this year.

Oil market analysts were expecting the oil-producer duo to extend production cuts into October, rather than an extension till the end of 2023.

"This move [extension of production cuts] underscores their [Saudi Arabia and Russia] heightened pricing influence within the OPEC+ alliance," commented SPI Asset Management's managing partner Stephen Innes. "The market's anticipation of this development led to a notable 2-3% surge in Brent crude oil prices, reaching $91 per barrel," he further added in a note.

Downward pressure:

The surge in Brent futures amid extension of voluntary output cuts could "prove challenging for central banks and financial markets, which were embellishing the current lower inflation groove," said Innes.

Higher oil prices could lead to another round of interest rate hike by the US Federal Reserve (Fed) in an effort to battle inflationary pressure.

A higher interest rate could reduce consumer spending and drive oil demand down.

"Rising oil prices are officially the new inflation stoker. Everyone notices that this rally feels different, suggesting that "Oil," The Great Inflationary Dragon, is not yet slain," Innes further added.

By Nithin Chandran and Aparupa Mazumder