ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained, and Algoa Bay bunkering has been limited after authorities detained bunker barges.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($26/mt), Rotterdam ($21/mt) and Gibraltar ($3/mt)**
- **LSMGO prices up in Durban ($87/mt), Gibraltar ($12/mt) and Rotterdam ($4/mt)**
- **HSFO prices up in Rotterdam ($4/mt), and down in Gibraltar ($2/mt)**

Most bunker benchmarks in key European and African ports have gained for the second consecutive day. But LSMGO and VLSFO price gains in Durban have been greater than other regional ports. Some higher-priced indications for both grades in the port supported the benchmarks’ upward movement.

Bunkering in Algoa Bay has been limited after the South African Revenue Service (SARS) recently detained five bunker barges in the bay over alleged illegal bunker operations, multiple sources told ENGINE.

SARS is insisting that offshore bunkering companies to pay excise duties for marine fuels imported into South Africa, sources say. However, the bunkering companies argue that no duty should be levied as the fuel is transferred via ship-to-ship (STS) operations without onshore involvement.

The disagreement between SARS and bunkering companies has impacted bunker supply in Algoa Bay. One major bunker supplier in the bay has had its barges detained, while another company's barges are still operating but with limited product capacity, a source claims.

Meanwhile, ships have been diverted to other nearby bunker ports, such as Durban, where the average waiting time for bunker-only calls is about 5-6 days now, a source says. LSMGO availability is said to be tight in Durban and Richards Bay, with VLSFO supply also tightening in both ports.

Brent

The front-month ICE Brent contract has moved up $1.16/bbl on the day, to trade at $95.15/bbl at 09.00 GMT.

Upward pressures:

Brent futures erased the previous day’s losses as concerns about the tight global supply pushed oil prices higher today.

Saudi Arabia and Russia’s decision to extend oil output cuts into the fourth quarter of 2023 has prompted concerns about a supply crunch in the global market.

“Oil prices remain well supported, with ICE Brent edging closer towards $95/bbl as the market continues to become increasingly concerned over the tightness in the oil balance for the remainder of the year,” said ING’s head of commodities strategy Warren Patterson.

Commercial oil inventories in Europe, the US, and Japan are experiencing a “substantial decline”, commented SPI Asset Management’s managing partner Stephen Innes. “This sharp downturn results from a combination of remarkably resilient global demand and substantial production cuts enforced by the OPEC+ alliance, contributing to the current bullish dynamic in oil markets,” he further added.

Downward pressures:

Meanwhile, oil analysts expect the recent surge in oil prices to have a substantial impact on global inflation. Oil plays a pivotal role in major industries and with its prices on the rise, it might also influence prices for other goods and services. “The recent surge in oil prices, which have reached a 10-month high of $95/bbl, is causing ripples across the global economy and financial markets,” said Innes.

“There's a growing concern about the potential inflationary pressures this [oil prices] could exert on the global economy, potentially leading to an unfavourable shift in the global growth/inflation balance,” Innes added.

Moreover, Saudi Aramco’s chief executive Amir Nasser has lowered the company’s outlook for global oil demand, Reuters reported. The company now expects global demand to reach 110 million b/d by 2030, lower than its previous estimate of 125 million b/d. This news has added additional downward pressure on Brent futures.

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