ENGINE: Europe & Africa Bunker Fuel Market Update

05/10/23

Regional bunker prices have come down sharply, and Gibraltar's HSFO premium over Rotterdam has narrowed.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Rotterdam ($30/mt), Gibraltar ($29/mt) and Durban ($28/mt)**
- **LSMGO prices down in Gibraltar ($62/mt), Rotterdam ($47/mt) and Durban ($36/mt)**
- **HSFO prices down in Gibraltar ($43/mt) and Rotterdam ($19/mt)**

Bunker benchmarks in European and African ports have slumped on the day, tracking Brent's collapse.

Gibraltar's HSFO price has declined steeper than that of Rotterdam. Two HSFO stems fixed in the $587-591/mt price range in Gibraltar have contributed to lowering the port's benchmark. The steep price drop has narrowed its premium over Rotterdam's HSFO from $78/mt yesterday, to $54/mt. Meanwhile, HSFO availability remains very tight in Gibraltar, with recommended lead times of 10-14 days.

Fall in LSMGO prices have been greater than other grades across the region, partly because of a drop in the front-month ICE gasoil futures contract. The contract has plunged nearly $62/mt in the past day. It is currently $8/mt lower than the Rotterdam's LSMGO price, flipping from a $7/mt premium in the past day.

VLSFO is more readily available in Rotterdam. Demand for the grade has been moderate, keeping its supply stable there, a source says. Its discount to Gibraltar's VLSFO stands at $21/mt.

Minimum congestion has been reported in Gibraltar today, port agent MH Bland says. One supplier is experiencing delays of 12-16 hours there. In Ceuta, no backlog has been reported. Nine vessels are scheduled to arrive for bunkers today, according to shipping agent Jose Salama & Co.

Brent

The front-month ICE Brent contract has plunged $5.58/bbl on the day, to trade at $84.92/bbl at 09.00 GMT.

Upward pressure:

Brent futures drew some support after OPEC+ producers announced to continue their production cuts until the end of this year.

The group's top producers Saudi Arabia and Russia have decided to extend their voluntary supply cuts and export bans through this year.

“Given OPEC's pricing power, while not our base case, a push to $100 per barrel is not out of the question if OPEC+ continues to intervene in markets,” said SPI Asset Management’s managing partner Stephen Innes.

Meanwhile, the world’s third-largest importer India has urged OPEC to show “sensitivity towards consuming countries,” as the world is at a “cusp of economic recession and slowdown.”

India’s petroleum and natural gas minister Hardeep Singh Puri called on OPEC+ producers to be considerate of consuming countries like India as crude oil prices exceeded $95/bbl in September and were on track for $100/bbl.

Downward pressure:

Brent's rally towards $100/bbl was curtailed after the US Energy Information Administration (EIA) reported a massive surge in US gasoline stocks, indicating a potential decline in demand for crude oil in the future.

US Gasoline stocks gained by 6.5 million bbls on the week, to 227 million bbls on 29 September - the highest level since March.

“The current [interest] rates environment and weak gasoline market appear to have been the catalyst” to Brent’s loss, said ING Bank’s head of commodities strategy Warren Patterson.

“Gasoline inventory builds have spilled over into crude markets amid concerns about a potential 2024 recession driven by rising interest rates,” said Innes. These concerns have “caused a shift in the crude futures curve that has negatively impacted prompt crude prices,” he further added.

By Nithin Chandran and Aparupa Mazumder