ENGINE: Europe & Africa Bunker Fuel Market Update

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Rotterdam's Hi5 spread had narrowed slightly, and HSFO availability is tight in the ARA amid terminal loading delays.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($30/mt), and down in Gibraltar ($8/mt) and Rotterdam ($7/mt)
LSMGO prices down in Rotterdam ($21/mt), Durban ($18/mt) and Gibraltar ($13/mt)
HSFO prices up in Rotterdam ($4/mt), and down in Gibraltar ($8/mt)

Rotterdam's VLSFO price has declined by $7/mt, while its HSFO price has gained by $4/mt in the past day. The diverging price moves have narrowed the port's Hi5 spread from $93/mt yesterday, to $82/mt now.

HSFO availability is very tight for prompt delivery dates in Rotterdam and in the wider ARA hub, sources say. Availability of the high-sulphur grade has tightened as a result of loading delays and congestion at oil terminals. Some barges have been waiting for nearly 10 days to load the product, a trader claims.

Lead times of 5-7 days are generally recommended for full coverage from suppliers in Rotterdam.

Meanwhile, availability of HSFO is relatively better in Gibraltar. Lead times of 4-6 days are recommended for full coverage from suppliers. Some suppliers can supply the grade with a shorter lead time of two days, a source says.

Drop in LSMGO grade prices has been greater than other grades across key regional ports. A sharp fall in the front-month ICE low-sulphur gasoil futures contract contributed to drag LSMGO prices down. The contract is heading for a 1% drop from the previous day's settlement. Rotterdam's LSMGO is priced about $11/mt lower than the front-month ICE Gasoil futures.

One vessel is awaiting bunkers in Gibraltar today, port agent MH Bland says. One supplier is experiencing delays of 4-6 hours there. In Ceuta, no backlogs have been reported, where seven vessels are scheduled to arrive for bunkers today, according to shipping agent Jose Salama & Co.

Brent

The front-month ICE Brent contract has declined by $1.81/bbl on the day, to trade at $88.25/bbl at 09.00 GMT.

Upward pressure:

Brent futures drew some support after China's top legislators issued an additional quota of government bonds worth RMB 1 trillion ($137 billion) to support the country's infrastructure. "This decision suggests a commitment to supporting economic growth and addressing fiscal challenges at various levels of government," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, US commercial crude inventories declined by 2.67 million bbls in the week ended 20 October, according to the American Petroleum Institute (API) data cited by Trading Economics. Market analysts expected a drop of 1.55 million bbls.

The API figures suggested that "strong exports were again influencing inventories and could provide some support," Innes added.

The broadly followed US government data on crude oil stockpiles from the US Energy Information Administration (EIA) is due later today.

Downward pressure:

Despite growing tensions in the Middle East amid the ongoing Israel-Hamas conflict, the flow of oil supply in the region has remained uninterrupted.

Israel has held off its ground invasion of the Gaza Strip to retrieve hostages being held by Hamas. This has put off the "imminent risk to oil supply," commented Price Futures Group's senior market analyst Phil Flynn.

"Israel might be rethinking the scope of a ground invasion in the Gaza Strip, but the crux of the matter is that there has been no interruption in the Middle East's oil supply," Innes added.

Meanwhile, the International Energy Agency (IEA) has reiterated its stance that global fossil fuels demand will peak by 2030 as the world turns towards cleaner energy.

With oil demand trading lower and key energy agencies projecting a demand peak by 2030, Brent futures' rally towards $95/bbl will be in peril, analysts said.

By Nithin Chandran and Aparupa Mazumder