ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices in most European and African ports have declined with Brent values, and HSFO supply pressure has eased in the ARA hub.

Changes on the day from Friday, to 09.00 GMT today:

- VLSFO prices up in Gibraltar ($3/mt) and Durban ($1/mt), and down in Rotterdam ($7/mt)
- LSMGO prices up in Gibraltar ($12/mt), and down in Durban ($72/mt) and Rotterdam ($2/mt)
- HSFO prices down in Gibraltar ($4/mt) and Rotterdam ($3/mt)

Bunker prices across all grades have come down in Rotterdam over the weekend. A steeper fall in the port's VLSFO price has narrowed its Hi5 spread from $91/mt on Friday, to $87/mt now.

HSFO supply has improved in Rotterdam and in the wider ARA hub, a source says. Lead times of 5-7 days are advised for the grade's delivery in Rotterdam, down from 7-9 days last week. Bunker supply of other fuel grades is normal in Rotterdam, requiring lead times of 4-5 days.

Gibraltar's VLSFO price has gained over the weekend, while its HSFO price has decreased some. The diverging price moves have widened the port's Hi5 spread from $80/mt on Friday, to $87/mt now. Meanwhile, supply of HSFO is said to be normal there, a source says. Lead times of 5-7 days are advised to ensure full coverage from suppliers.

Minimal congestion has been reported in Gibraltar today, with only two vessels waiting to receive bunkers there, according to port agent MH Bland. One supplier is running 4-6 hours behind schedule there, MH Bland adds.

Brent

The front-month ICE Brent contract has lost $1.17/bbl on the day from Friday, to trade at $86.00/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained support after OPEC+ top oil producers Saudi Arabia and Russia decided to extend voluntary crude output and export cuts until the end of this year.

Russia's Deputy Prime Minister Alexander Novak said on Sunday that the country will continue additional voluntary oil export cuts of 300,000 b/d until December 2023, state-owned media agency TASS reported.

According to Novak, the country will analyse the global oil market in December to "make a decision on deepening the reduction or increasing the production of petroleum products," TASS added.

OPEC's de facto leader Saudi Arabia has also confirmed that it will continue to cut crude oil output by 1 million b/d in December, Reuters reported citing a source from the kingdom's energy ministry.

"The confirmation from these producers that they would continue with cuts shouldn't come as too much of a surprise," said two analysts from ING Bank. "However, what the market will be more interested in is if they extend these cuts into early 2024," they added.

Downward pressure:

Brent futures erased last week's gains due to easing of supply concerns in the Middle East. Despite the growing geopolitical risks from the ongoing Israel-Hamas conflict, direct physical supply remained stable.

"The Israel-Hamas conflict tells you one thing: there's no discernible supply curtailment from a contained conflict that does not bring oil-producing regional actors into the fray," said SPI Asset Management's managing partner Stephen Innes. "Oil prices have yet to react significantly to this conflict, at least not yet."

Meanwhile, oil investors are looking for fresh demand cues from China. Brent futures felt some downward pressure last week after China reported a decline in its purchasing managers' index (PMI) in October.

"Demand concerns will also put renewed downward pressure on the market, particularly after the weaker-than-expected Chinese PMI data released last week," analysts from ING Bank said in a client note.

By Manjula Nair and Aparupa Mazumder