ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained with Brent values, and prompt HSFO supply is still tight in Rotterdam.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($17/mt), Gibraltar ($8/mt) and Rotterdam ($6/mt)**
- **LSMGO prices up in Rotterdam ($21/mt), Durban ($9/mt), and down in Gibraltar ($7/mt)**
- **HSFO prices up in Gibraltar ($1/mt), and down in Rotterdam ($1/mt)**

Rotterdam’s LSMGO price has increased significantly in the past day, backed by a higher-priced stem fixed in the port at $830/mt. Meanwhile, the grade's price has come down in Gibraltar. The diverging price moves have narrowed Rotterdam's discount to Gibraltar by $28/mt to $37/mt now.

Rotterdam’s VLSFO price has also gained in the past day, while its HSFO price edged down. The price moves have widened the port's Hi5 spread from $96/mt to $103/mt now. Prompt supply of HSFO is said to be tight in Rotterdam, requiring lead times of around 7-9 days, a trader says.

Meanwhile, availability of VLSFO and LSMGO grades is good in Gibraltar, with recommended lead times of 5-7 days.

No backlog has been reported in Gibraltar today, while a slight congestion has been seen in the adjacent Algeciras port, according to port agent MH Bland. One supplier is running 12-24 hours behind schedule there.

In Malta, bunkering is progressing only in bunkering area 3 amid rough weather conditions, a source says.

Meanwhile, LSMGO is still tight in Richards Bay and Durban with recommended lead times of over ten days, according to a trader. Lead times of 5-7 days are advised for VLSFO deliveries in these ports, the trader says.

Brent

The front-month ICE Brent contract has gained by $0.78/bbl on the day, to $82.36/bbl at 09.00 GMT.

Upward pressure:

Market speculation is rife that OPEC+ will impose additional production cuts while extending its existing voluntary output cuts. A significant reduction in output, based on volume, can dramatically hit already tight oil supply in the global market and push Brent higher.

Meanwhile, the threat of dwindling global oil inventories is yet another catalyst that could boost Brent prices in the near term.

“Modest upward oil price pressures in the coming months reflect a slight decline in global oil inventories in the first half of 2024 as risks of supply disruptions remain high,” the Energy Information Administration (EIA) said in its monthly oil report.

Energy-focused hedge fund investor Eric Nuttall holds a similar view. “Even assuming recession in the US and Europe, no further cuts from OPEC+, the end of HRH's [Saudi oil minister Abdulaziz bin Salman Al Saud] generous lollipop cut in Q2, and non-OPEC supply growth of 0.9MM Bbl/d [900,000 b/d], we still see inventories falling, from already multi-year lows, despite the absorption of ~288MM Bbls [288 million bbls] from the SPR,” Nuttall wrote in a social media post.

Downward pressure

US commercial crude inventories jumped by a whopping 9.05 million bbls in the week ended 17 November, Trading Economics reported citing American Petroleum Institute (API) estimates. This could offset speculations about potential OPEC+ output cuts at the joint ministerial meeting on Sunday, capping Brent's price gains.

EIA's official data on US crude oil stockpiles is scheduled to be released later today.

OPEC member UAE “is set to boost its production by 135kb/d [135,000 b/d] to 3.075mb/d [3.075 million b/d] in 2024,” ANZ senior commodity strategist Daniel Hynes said in a note.

Iran also plans to ramp up oil production to reach 3.6 million b/d by March next year, its state-owned media agency IRNA reported citing Iranian oil minister Javad Owji. Iran could theoretically supply more oil to the global market by increasing its output. However, lingering US sanctions could dent those prospects.

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