ENGINE: East of Suez Physical Bunker Market Update

01/12/23

Bunker benchmarks have declined in East of Suez ports, and Indonesian bunker demand rose in November.

Changes on the day to 17.00 SGT (09.00 GMT) today:

- **VLSFO prices down in Zhoushan ($24/mt), Fujairah and Singapore ($23/mt)**
- **LSMGO prices down in Zhoushan ($37/mt), Fujairah ($35/mt) and Singapore ($29/mt)**
- **HSFO prices down in Zhoushan ($18/mt), Singapore ($15/mt) and Fujairah ($14/mt)**

All bunker benchmarks in key ports in the East of Suez region have come down sharply in the past day. The price drops have reversed some of the gains made by the benchmarks in the previous session.

VLSFO and LSMGO availability is normal in the Indonesian ports of Jakarta, Surabaya and Balikpapan. Bunker demand in Indonesian ports rose in November, after a period of slow demand in October, a source said.

Technical issues in a floating storage and offloading unit (FSO) in Balikpapan and piping issues in an oil terminal in Surabaya impacted bunker fuel loadings in October. This, in turn, affected bunker demand in October as ships turned to alternative locations for bunkers due to tight supply and delays in Indonesia, the source explains. However, the loading issues were later resolved in November, and no delays have been reported since.

Unlike Singapore, where VLSFO availability is very tight and lead times range up to 15-18 days, Jakarta is offering the grade for prompt delivery dates. Jakarta’s VLSFO is still priced about $66/mt higher than Singapore's.

LSMGO price declines in Zhoushan and Fujairah have been slightly greater than in Singapore. One higher-priced LSMGO stem fixed at $802/mt in Singapore today has helped prevent a further decline in the port’s benchmark price.

Brent

The front-month ICE Brent contract has plummeted $2.89/bbl on the day, to trade at $80.50/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures found some support after several member nations of the Organization of the Petroleum Exporting Countries and its allies (OPEC+) agreed to extend additional voluntary supply cuts in 2024, amounting to 2.2 million b/d.

OPEC's leading oil producer and de-facto leader Saudi Arabia will cut an additional 1 million b/d oil supply starting 1 January until the end of March 2024, it said. The group's top ally Russia will cut exports by an additional 500,000 b/d during January-March 2024.

Among other members, Iraq, the UAE, Kuwait, Kazakhstan, Oman, and Algeria have agreed to fulfill new production targets for 2024, the group said.

Meanwhile, Brazilian energy minister Alexandre Silveira announced yesterday that Brazil will become an official member of the OPEC+ alliance from 1 January 2024. However, it remains uncertain whether Brazil will participate in production cuts from next year because of its membership.

Downward pressure:

Brent futures plunged as voluntary oil output cuts announced by the OPEC+ producers failed to meet market expectations. The oil market remains underwhelmed despite OPEC+ reaching a consensus on production targets for 2024, analysts said.

"The oil market has faced the curse of the 'buy the rumour, sell the fact' due to uncertainty over the anticipated extended [OPEC+] oil supply cuts for 2024," said OANDA's senior market analyst Kelvin Wong. Moreover, oil investors are concerned about weak global demand amid increase in crude inventories in the US, he added.

Commercial US crude inventories grew by 1.61 million bbls to 449.66 million bbls in the week ended 24 November, according to the US Energy Information Administration (EIA).

While seven OPEC+ member countries announced additional production cuts for the first quarter of 2024, these agreed cuts are voluntary and temporary. Therefore, it is likely that some member nations may not adhere to these output quotas, according to oil market analysts.

Moreover, "Angola has 'revolted' against its new supply target and stated it will continue pumping as usual, increasing the risk that other OPEC+ members may not follow through on the latest set of agreed commitments," Wong said.

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