ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in European and African ports have tracked Brent's gain, and strong winds are forecast to hit Gibraltar port later today.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($31/mt), Rotterdam ($10/mt) and Gibraltar ($6/mt)**
- **LSMGO prices up in Durban ($71/mt), Gibraltar ($25/mt) and Rotterdam ($11/mt)**
- **HSFO prices up in Gibraltar ($8/mt), and down in Rotterdam ($1/mt)**

Gibraltar's LSMGO price gain has outpaced that of Rotterdam's. The price moves have widened the port's LSMGO premium over Rotterdam by $14/mt to $91/mt now.

Bunker fuel availability is normal for prompt deliveries in Gibraltar. Lead times of 3-5 days are recommended for LSMGO and VLSFO, and 2-4 days for HSFO, a source says.

Five vessels were waiting for bunkers in Gibraltar this morning, port agent MH Bland said. One supplier is experiencing delays of 10 hours there. Strong wind gusts of up to 21 knots are forecast to hit the bay later today and tomorrow. High winds could impact bunkering in the port.

In the nearby Ceuta port, bunker operations are running smoothly. Eight vessels are scheduled to arrive for bunkers in Ceuta today, according to shipping agent Jose Salama & Co.

Adverse weather conditions continue to impact bunkering off Malta in the Mediterranean. Strong wind gusts of 24 knots are forecast in periods until Thursday, which could keep bunkering limited to less weather prone bunkering area four out of the six bunkering areas.

Rotterdam's HSFO price has moved counter to the wider market direction and inched $1/mt lower. Two lower-priced HSFO stems fixed at around $455/mt since yesterday have dragged the port's benchmark lower.

Availability is normal across all grades in Rotterdam and in the wider ARA hub. Lead times of 5-7 days are recommended for HSFO and VLSFO, and shorter lead times 3-5 days for LSMGO, a source says.

Brent

The front-month ICE Brent contract has gained $1.01/bbl on the day, to trade at $78.85/bbl at 09.00 GMT.

Upward pressure:

Brent futures found some support after clashes between the Israel Defense Forces (IDF) and Palestine-based Hamas militants resumed this week, offsetting talks of a ceasefire in exchange for hostages on both sides.

“Attacks on ships in the Red Sea and Israel widening its Gaza ground offensive move oil [prices] higher,” said Price Futures Group’s senior market analyst Phil Flynn.

Meanwhile, Yemen-based militant group Houthi allegedly launched drone attacks on three vessels in the southern part of the Red Sea over the weekend, sparking fears of supply disruption in the global oil market.

Oil market analysts are speculating that these recent attacks could trail back to Iran’s involvement in the Israel-Hamas war. In that case, the US government will not hold back from imposing stricter sanctions on Iranian oil soon.

“Following recent events in Israel and the possibility of Iranian involvement, there is the risk that the US will start to enforce sanctions more strictly in future,” said two analysts from ING Bank. “If this were to happen, we could see more than 500Mbbls/d [500 million b/d] of supply lost,” they further added.

Downward pressure:

Meanwhile, OPEC+'s latest bid to bring a “balance” in the oil market has not provided much support to Brent’s price in recent days because oil traders are underconfident about the actual supply cuts that will be made in 2024.

OPEC and its allies announced voluntary supply cuts for 2024 during their joint ministerial meeting last week but failed to agree on a group-wide cut in 2024.

“We are seeing voluntary cuts from a handful of members,” analysts from ING Bank said. “Clearly, given the scale of cuts we are already seeing from the group, it is becoming increasingly more difficult for some members to stomach further cuts,” they further added.

Meanwhile, OPEC+’s latest addition Brazil that joins the group in January 2024 confirmed that it will not take part in the group’s output caps, chief executive of Brazil’s state-run oil firm Petrobras told Reuters.

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