ENGINE: Europe & Africa Bunker Fuel Market Update

14/12/23

Regional bunker benchmarks in European and African ports have followed Brent's upward swing, and upcoming rough weather could impact bunkering in Gibraltar and Algeciras.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($33/mt), Rotterdam and Gibraltar ($25/mt)**
- **LSMGO prices up in Durban ($52/mt), Gibraltar ($32/mt) and Rotterdam ($24/mt)**
- **HSFO prices up in Rotterdam ($21/mt) and Gibraltar ($18/mt)**

The increase in VLSFO prices in both Gibraltar and Rotterdam by $25/mt has kept Gibraltar's VLSFO premium over Rotterdam unchanged at $65/mt. Some higher-priced stems fixed in both ports yesterday have supported the benchmarks' price gains.

Rotterdam's Hi5 spread has widened by $4/mt to $81/mt now. All grades remain in good supply in the port, a trader says.

Currently, 10 vessels are waiting for bunkers in Gibraltar, unchanged since Tuesday, port agent MH Bland said. Bunker barge loading delays in the port have resulted in bunkering delays in the port. Two suppliers are experiencing delays of around 24 hours in Gibraltar.

Strong wind gusts of up to 30 knots are forecast to hit Gibraltar Strait tomorrow and over the weekend, which could cause prolonged delays and bunkering disruptions in Gibraltar Strait ports.

Bunkering is going ahead as usual in Ceuta, where 10 vessels are scheduled to arrive for bunkers today, according to shipping agent Jose Salama & Co.

LSMGO availability remains very tight in the South African ports of Durban and Richards Bay. Lead times of over ten days are generally recommended due to the limited supply of the grade. Some bunker suppliers are unable to confirm when replenishment cargoes will arrive to ease supply pressure. Availability of the grade has been tight since November.

Brent

The front-month ICE Brent contract gained $2.66/bbl on the day, to trade at $75.27/bbl at 09.00 GMT.

Upward pressure:

Brent's price moved up after the US Energy Information Administration reported a bigger-than-expected US crude stock draw. Commercial US crude inventories dropped by 4.26 million bbls on the week, to 440.77 million bbls on 8 December, according to the EIA.

"[Brent] prices received an early session bid from the weekly inventory report released by the Energy Information Administration [EIA]," said SPI Asset Management's managing partner Stephen Innes.

The US Federal Reserve left interest rates unchanged after it concluded the two-day Federal Open Market Committee (FOMC) meeting yesterday. However, the central bank signalled that it will consider interest rate cuts next year. The anticipation of lower interest rates further fuelled Brent's rally.

A more positive demand forecast emerged in the oil market following the Fed's 'dovish' signals of lower borrowing costs expected in 2024, analysts said. "This development [FOMC meeting] significantly reduced the likelihood of an economic slowdown in 2024 that could adversely impact demand," Innes added.

Lower interest rates reduce consumer borrowing costs, thereby stimulating economic growth and demand for oil.

Downward pressure:

Concerns about slowing demand in China topped with the latest disappointing US Consumer Price Index (CPI) report have added some downward pressure on Brent futures.

China's latest oil import data for November has disappointed the market, analysts said. Imports fell to 10.33 million b/d, a decrease of over 1 million b/d from October's import (11.53 million b/d).

The drop in Chinese oil imports could signal declining oil demand in the world's second-largest crude oil importer.

By Manjula Nair and Aparupa Mazumder