ENGINE: Europe & Africa Bunker Fuel Market Update

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South African ports have seen more bunker demand as ships are being rerouted around the Horn of Africa to avoid Red Sea attacks.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam ($3/mt) and Gibraltar ($2/mt), and down in Durban ($8/mt)**
- **LSMGO prices up in Gibraltar ($9/mt) and Rotterdam ($5/mt), and down in Durban ($10/mt)**
- **HSFO prices up in Gibraltar ($3/mt), and down in Rotterdam ($1/mt)**

The South African ports of Durban and Richards Bay are seeing a heightened demand for bunkers as vessels are being diverted to avoid escalating tensions and attacks by the Houthi militia in the Red Sea.

These vessels would normally have taken the shorter route through the Suez Canal between Asia and Europe, but have now resorted to the longer way round the Horn of Africa.

There has been a rise in the number of bunker enquiries coming in for Durban and Richards Bay, two traders confirm. LSMGO remains in tight availability and is subject to enquiry.

Meanwhile, availability for all grades is good in Gibraltar. A trader recommends lead times of 4-5 days for HSFO. Shorter lead times of 3-5 days are recommended for LSMGO and VLSFO.

The port is experiencing congestion with five vessels waiting for bunkers amid bunker barge delays, up from three yesterday, according to port agent MH Bland.

Strong congestion continues for the second consecutive day in Algeciras amid bad weather. Suppliers are now reporting delays of between 12-16 hours. Bunkering is available at the inner anchorage as bunkering has been suspended in the outer anchorage area. Wind gusts of up to 20 knots are forecast in the port on Wednesday.

Malta continues to face adverse weather conditions, with bunkers now only being offered in one in six bunkering areas.

Brent

The front-month ICE Brent contract gained $1.13/bbl on the day, to trade at $78.10/bbl at 09.00 GMT.

Upward pressure:

Brent futures have moved up after the Israel-Hamas conflict intensified tensions in the Red Sea and forced maritime traders and shipping companies to reroute their vessels and avoid the East-West trade route through the Suez Canal.

Airstrikes and drone attacks on commercial ships by the Yemen-based militant group Houthi have brought back supply disruption concerns in the oil market, helping Brent's price gains today.

Oil major BP said it had temporarily paused all shipping operations in the Red Sea because of these attacks. Meanwhile, analysts speculate that these attacks are backed by Iran, and come in retaliation to Israel refusing to a ceasefire in Gaza.

"Not only has the [oil] market had to adjust to the Russian-Ukraine war but now because of Iranian support of Hamas and the Houthi rebels, there is a new level of risk," said Price Futures Group's senior market analyst Phil Flynn.

Downward pressure:

Some downward pressures acting on Brent today come from weak oil demand projections from China.

A recent report by market intelligence provider JLC stated that China's refinery run rates dropped in November as fuel demand in the second-largest crude importer of the world weakened and Chinese refiners "faced the constraint of quota on fuel exports and bad export margins."

China processed about 59.53 million mt of crude in November, a month-on-month decline of about 3.8%, JLC reported citing data released by China's National Bureau of Statistics (NBS).

"Muted Chinese demand amid a jump in Asia-bound cargoes is giving cause for a prompt rethink on the bullish reflationary impulse," said SPI Asset Management's managing partner Stephen Innes.

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