ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in most European and African ports have tracked Brent's upward movement, and rough weather could impact bunkering in Gibraltar Strait ports tomorrow.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($53/mt), Gibraltar ($33/mt) and Rotterdam ($22/mt)**
- **LSMGO prices up in Durban ($74/mt), Gibraltar ($30/mt) and Rotterdam ($26/mt)**
- **HSFO prices up in Rotterdam ($38/mt) and Gibraltar ($27/mt)**

LSMGO and VLSFO prices in Durban have made steeper gains in the past day. South African ports of Durban and Richards Bay have seen an uptake in bunker demand amid vessel diversions around Africa.

LSMGO availability remains very tight in the ports of Durban and Richards Bay. Lead times of over 10 days are recommended for the grade at these ports. VLSFO is relatively better there, with shorter lead times of 5-7 days.

Ports of Nacala and Maputo in Mozambique have also seen a spike in bunker-only calls from the rerouted vessels. Prompt VLSFO and LSMGO stems can be difficult to secure in Maputo because of tight barge availability, a supplier told ENGINE.

At Nacala, availability is good for HSFO and LSMGO, but VLSFO is tight.

Rotterdam's HSFO price gain has outpaced that of its VLSFO. A higher-priced VLSFO stem fixed at Rotterdam for prompt delivery has contributed to push the grade's prices higher. The port's Hi5 spread has narrowed from $100/mt to $84/mt now.

Minimal congestion has been reported at Gibraltar today, where one vessel is waiting to receive bunkers, port agent MH Bland says. But strong winds of 27 knots are forecast at the Strait of Gibraltar on Friday, which could impact bunkering at the ports there.

Off Malta, strong gusts of 20 knots are forecast on Friday. Weather conditions are forecast to deteriorate further over the weekend and into next week.

Brent

The front-month ICE Brent contract moved $3.87/bbl higher on the day, to trade at $79.18/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained due to persistent concerns about supply disruptions amid growing tensions in the Middle East.

A senior Hamas official was reportedly killed by a recent Israeli drone strike in the Lebanese capital city of Beirut, Reuters reported. This news comes amid regular terror attacks between the Israel Defence Forces (IDF) and Lebanon-based militants Hezbollah. “The terrorist attack has the potential to heighten instability in the already volatile region,” said SPI Asset Management’s managing partner Stephen Innes.

The ongoing Israel-Hamas conflict and Houthi attacks in the Red Sea have raised concerns about potential impacts on crude flow in the region.

Separately, local protests in Libya compelled the country’s largest oil field el-Sharara to fully shut operations yesterday, Reuters reported. The el-Sharara oilfield produces about 300,000 b/d of crude and has been subjected to both local and political protests in the past. “This surge [in Brent’s price] was attributed to a combination of factors, including a supply disruption at Libya's largest oil field, El Sharara, following a series of anti-government protests,” Innes added.

The Brent rally has been further supported by the American Petroleum Institute's estimate of a significant 7.4 million bbls decline in US crude inventories in the week ended 29 December.

Downward pressure:

Some downward pressure on Brent futures this week can be attributed to weak economic data from China and the US.

The US Manufacturing Purchasing Managers Index (PMI) grew from 46.7 in November to 47.4 in December, Reuters reported citing Institute for Supply Management (ISM) data. Despite a slight improvement in manufacturing data, the PMI has remained below 50 for more than a year now, indicating a contraction in manufacturing.

Contraction in manufacturing refers to a period when the manufacturing sector experiences a decline in activity. A PMI reading below 50 typically indicates a contraction.

Moreover, China’s Manufacturing PMI declined from 49.4 in November to 49 in December 2023, as Bloomberg cited data from China’s National Bureau of Statistics (NBS).

“Global economic news proved bearish for energy demand,” Innes further added.

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