

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

09/01/24

Bunker benchmarks in European and African ports have mostly declined with Brent's values, and bunker operations in Malta have been suspended due to bad weather.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$22/mt), and down in Rotterdam (\$7/mt) and Gibraltar (\$3/mt)**
- **LSMGO prices up in Gibraltar (\$9/mt) and Durban (\$8/mt), and down in Rotterdam (\$4/mt)**
- **HSFO prices down in Rotterdam (\$10/mt) and Gibraltar (\$4/mt)**

Gibraltar's LSMGO price has gained by \$9/mt, while Rotterdam's LSMGO shed \$4/mt in the past day. The diverging price moves have widened Gibraltar's LSMGO premium over Rotterdam by \$13/mt to nearly \$100/mt now.

Recommended lead times for LSMGO in the ARA hub are 4-6 days, while VLSFO lead times are 5-6 days, according to a trader.

Currently, securing prompt HSFO is difficult in Gibraltar, with a trader recommending lead times of 5-7 days as some suppliers await replenishment cargoes.

There are currently two vessels waiting for bunkers at Gibraltar amid barge loading delays, says port agent MH Bland. One supplier is reporting delays of around 2-4 hours. Moreover, strong winds of 26 knots are forecast in the Gibraltar Strait on Friday, which could impact bunkering in the ports there.

Off Malta, bunkering operations have been suspended due to adverse weather conditions. Strong winds and gusts of up to 28 knots have hit off Malta today. Calmer weather is forecast for tomorrow, which could allow bunkering to resume.

Meanwhile, African ports continue to witness high demand due to the vessels rerouted around the Cape of Good Hope. Lome anchorage off Togo and bunker areas off Ivory Coast, Congo and Walvis Bay have witnessed high bunker demand due to the vessel diversions, Simon Piredda, a senior bunker trader from Denmark-based supplier Monjasa said.

## **Brent**

The front-month ICE Brent contract moved \$1.25/bbl lower on the day, to trade at \$76.84/bbl at 09.00 GMT.

### **Upward pressure:**

The Israel-Hamas conflict might continue through 2024, as stated by the country's officials. This has led to discussions about a broader regional dispute that could threaten the global oil supply.

The situation in the Middle East remains tense as Israel stands firm on its commitment to a ground offensive in Gaza, despite Iran's warning of joining the conflict if attacks escalate.

Meanwhile, Lebanon-based militant group Hezbollah struck an air traffic control base in the northern part of Israel on Sunday and warned of "another war", the Associated Press reported citing the Israeli military.

"The increase in fighting across the border with Lebanon as Israel battles Hamas militants in Gaza gave new urgency to U.S. diplomatic efforts as Secretary of State Antony Blinken prepared to visit Israel on his latest Mideast tour," said Price Futures Group's senior market analyst Phil Flynn.

### **Downward pressure:**

The Brent futures' upward movement so far this week has been capped by indications of reduced global oil demand.

China's state-owned refineries Sinopec and PetroChina reduced their refinery run rates in December 2023, on account of muted domestic fuel demand, market intelligence provider JLC reported.

China's role as a major player in the oil market means that any indication of weakened demand in the country directly impacts Brent's price.

Meanwhile, the decision by Saudi Aramco to reduce the official selling price (OSP) of its flagship Arab Light crude to Asia in February reflects the impact of weakened demand in the oil market

"Weak demand fundamentals influenced this [Aramco] decision in the global physical oil market," said SPI Asset Management's managing partner Stephen Innes. "While the price cuts were widely anticipated, they turned out to be larger than analysts had forecasted," he further added.

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