

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

11/01/24

Bunker benchmarks in European and African ports have mostly tracked Brent's decline, and LSMGO supply remains tight in Durban and Richards Bay.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$2/mt), and down in Gibraltar (\$11/mt) and Rotterdam (\$7/mt)**
- **LSMGO prices down in Durban (\$18/mt), Gibraltar (\$9/mt) and Rotterdam (\$3/mt)**
- **HSFO prices down in Gibraltar (\$13/mt) and Rotterdam (\$5/mt)**

Durban's VLSFO has moved counter to the wider market direction and inched slightly higher in the past day. Vessel diversions around the Cape of Good Hope since December have sparked high demand in the South African ports of Durban and Richards Bay.

VLSFO availability is good for non-prompt dates in Durban and Richards Bay. Lead times of 5-7 days are recommended for the grade, according to a trader. Durban's LSMGO price has come down sharply compared to the other two ports. Despite this, LSMGO is very tight at Durban with lead times spanning over ten days.

Meanwhile, LSMGO availability is good for prompt delivery in Rotterdam and in the wider ARA hub. Recommended lead times are 2-4 days for the bunker fuel grade, according to a trader.

Lead times of 5-7 days are recommended for HSFO and VLSFO in the ARA hub, the trader added.

In the Gibraltar Straits, wind gusts of 25 knots are forecast tomorrow, which could impact bunkering in the ports there. Minimal congestion has been reported at Gibraltar today, where one vessel is waiting to receive bunkers, port agent MH Bland says. One supplier is experiencing delays of 2-4 hours there.

In nearby Ceuta, bunker operations are progressing smoothly. Altogether, eight vessels are waiting for bunkers there, unchanged from yesterday's, says shipping agent Jose Salama & Co.

## **Brent**

The front-month ICE Brent contract shed \$0.16/bbl on the day, to trade at \$77.29/bbl at 09.00 GMT.

### **Upward pressure:**

The escalating agitations in the Middle East have supported Brent's prices this week. On Tuesday, Iran-aligned Houthi militants launched one of its largest drone and missile attacks on commercial vessels in the Red Sea.

Following the strikes, the naval ships deployed in the region by the US and UK jointly took down 21 missiles and drones launched by the Yemeni militant group, US Central Command (CENTCOM) said.

The UK's defence secretary Grant Shapps highlighted that the latest Houthi attack marked the most extensive assault in the Red Sea thus far, as the ongoing Israel-Hamas conflict extended its impact outside the Gaza Strip, Reuters reported.

The timing of the recent attack by Houthis, just days after the US and 12 other nations issued a warning to the group to cease their attacks in the Red Sea, underscores the escalating tensions in the region.

"Concerns regarding a broader escalation in the Middle East are expected to support the oil market," SPI Asset Management's managing partner Stephen Innes said.

### **Downward pressure:**

Brent futures slightly declined after the US Energy Information Administration (EIA) reported a surprise build in US crude oil stocks. According to the EIA data, commercial US crude inventories rose by 1.34 million bbls on the week, to 432.40 million bbls on 5 January.

The consecutive increase in the US distillate stocks, which include diesel and gasoil, for the seventh week, along with the second straight week gain in gasoline stocks, signals weaker demand in the world's largest oil-consuming country.

Brent futures faced a "notable selling pressure as the Energy Information Administration (EIA) reported substantial builds in U.S. crude and refined fuel stockpiles during the first week of 2024," Innes added.

This weekly crude stock build ran counter to the American Petroleum Institute's (API) American Petroleum Institute's (API) projection of a 5.2 million-bbl draw.

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