ENGINE: Europe & Africa Bunker Fuel Market Update

17/01/24

Bunker benchmarks in European and African ports have mostly declined with Brent, and inbound vessel movement has been suspended at Gibraltar port amid bad weather conditions.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($23/mt), Gibraltar ($11/mt) and Rotterdam ($8/mt)**
- **LSMGO prices up in Rotterdam ($11/mt), and down in Gibraltar ($21/mt) and Durban ($19/mt)**
- **HSFO prices down in Rotterdam ($8/mt) and Gibraltar ($1/mt)**

In Gibraltar, the inbound traffic movement has been suspended this morning due to adverse weather conditions, port agent MH Bland stated. The region is currently experiencing strong gale-force wind gusts of up to 36 knots. A window of calmer weather may allow bunkering to fully resume for a short period tomorrow before worsening again on Friday.

Meanwhile, vessels currently in the anchorage area will continue to receive bunkers. Bunkering will be available for vessels currently in the bay area, MH Bland told ENGINE. Bad weather conditions have caused a backlog of 11 vessels, which are currently waiting to receive bunkers, according to MH Bland.

In the nearby Ceuta, bad weather has pushed the earliest date for barge delivery to 21 January, a trader said. Wind gusts of 37 knots are also forecast in Ceuta today.

Meanwhile, Rotterdam’s LSMGO has moved counter to the wider market direction and gained over the past day. As a result, Rotterdam's LSMGO discount to Gibraltar's has narrowed from yesterday's $108/mt, to $76/mt now.

The other two grades in Rotterdam - HSFO and VLSFO - have both shed $8/mt.

In Huelva, bunkering is expected to remain partially suspended until Saturday due to rough weather conditions, MH Bland said. Currently, bunkering can be carried out via barge at the anchorage area.

Brent

The front-month ICE Brent contract moved $1.46/bbl lower on the day, to trade at $77.07/bbl at 09.00 GMT.

Upward pressure:

Brent futures have gained this week due to heightened geopolitical tensions in the Red Sea.

“Given the [Red Sea] uncertainty and the risk of a spillover, oil prices are likely to remain relatively well supported,” said two analysts from ING Bank.

British oil major Shell has suspended all oil shipments through the Bab al-Mandeb Strait and rerouted its tankers via the longer Cape of Good Hope route because of growing airstrikes by Iran-aligned Houthi militants, the Wall Street Journal (WSJ) reported.

This longer voyage time has increased 5-10% in overall cost of delivered goods, Shell’s chief executive officer Wael Sawan told WSJ. “We’ll have to see whether this becomes a longer-standing issue,” he added.

Downward pressure:

Brent futures pared the previous day’s gains due to weak demand projections from major global oil consumers, China and the US.

China's gross domestic product (GDP) grew by 5.2% in the fourth quarter of 2023 compared to the same period a year ago, Reuters cited data from the National Bureau of Statistics (NBS). The GDP growth fell short of Reuters analyst poll estimate of 5.3%.

“The journey to this [China’s GDP] growth has been marked by challenges, including tepid domestic demand, producer prices in deflation, and three consecutive months of consumer price declines,” SPI Asset Management’s managing partner Stephen Innes said.

The US dollar remained close to a one-month high, as comments from US Federal Reserve officials dampened market expectations of interest rate cuts in March, Reuters reported.

The strengthening of the US dollar could make commodities such as oil costlier for non-dollar buyers.

“[Downward] pressure [on Brent futures] intensified due to a strengthening U.S. dollar as investors re-calibrated their expectations for near-term rate cuts from the Federal Reserve,” Innes added.

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