

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in European and African ports have followed Brent's upward climb, and VLSFO supply is very tight in Durban and Richards Bay.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$27/mt), Rotterdam (\$22/mt), and Gibraltar (\$9/mt)**
- **LSMGO prices up in Rotterdam (\$17/mt), Durban (\$15/mt) and Gibraltar (\$12/mt)**
- **HSFO prices up in Gibraltar (\$14/mt) and Rotterdam (\$9/mt)**

Durban's VLSFO price has gained steeply in the past day, outpacing Rotterdam's price rise by \$5/mt. The grade's availability is very tight in both Durban and Richards Bay, according to a trader. Recommended lead times stretch up to two weeks for VLSFO due to lack of product availability. LSMGO is tight as well and requires lead times of over ten days.

Gibraltar's Hi5 spread has widened significantly over the past week, from \$68/mt last Thursday, to \$119/mt now.

Strong demand in Gibraltar has led to congestion at the port. Nine vessels are currently waiting for bunkers at the port today, slightly up from eight yesterday. Bunker barge loading delays have caused bunkering delays there, port agent MH Bland said.

A supplier is reporting delays of 4-8 hours at the port, MH Bland adds.

Meanwhile, congestion has eased in nearby Ceuta, where six vessels are waiting for bunkers today, down from 16 yesterday, shipping agent Jose Salama & Co says.

Bunkering is currently limited to bunkering area four off Malta due to rough weather conditions, MH Bland says. Space at area four is limited and loaded tankers are not allowed to receive bunkers there. Strong wind gusts of 29 knots are forecast in the area today, which may impact bunkering in the designated area.

Brent

The front-month ICE Brent contract moved \$0.92/bbl higher on the day, to trade at \$80.74/bbl at 09.00 GMT.

Upward pressure:

Brent futures increased after the US Energy Information Administration (EIA) reported an unexpected drop in US crude stocks.

Commercial US crude inventories fell by 9.2 million bbls on the week, to 420.68 million bbls on 19 January, as winter storms and extremely low temperatures paused refinery activity, according to the EIA. The latest data also marks the lowest stock level since October last year.

The weekly stock draw was bigger than the American Petroleum Institute's (API) projection of a 6.7 million-bbl draw a day earlier, while analysts expected a drop of 2.2 million bbls.

The Chinese central bank announced yesterday that it will reduce banks' reserve ratio by a significant amount, injecting around \$140 billion into its system, Reuters reported. This news has boosted China's economic stimulus narrative, pushing up Brent's price.

Brent's price gained due to a "more substantial-than-anticipated drawdown in United States [US] crude inventories, a weather-induced decline in US crude production, economic stimulus measures in China, and geopolitical tensions," SPI Asset Management's managing partner Stephen Innes said.

Downward pressure:

Some downward pressures acting on Brent today come from easing supply concerns in Libya and Russia.

Russia has continued crude oil shipment in its Ust-Luga port in the Baltic Sea, despite a fire in one of its fuel export terminals earlier this week. At the same time, Libya's National Oil Corp said it is going to resume production in the country's largest oil field – the El-Sharara.

The El-Sharara oilfield produces almost 300,000 b/d and has been subjected to both local and political protests in the past.

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