

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

31/01/24

Bunker benchmarks in European and African ports have tracked Brent's upward movement, and VLSFO and LSMGO availability is very tight in Durban.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$23/mt), Rotterdam (\$7/mt) and Gibraltar (\$3/mt)**
- **LSMGO prices up in Gibraltar (\$11/mt) and Rotterdam (\$3/mt)**
- **HSFO prices up in Gibraltar (\$5/mt) and Rotterdam (\$4/mt)**

VLSFO prices have gained the most in Durban in the past day. VLSFO and LSMGO availability has been very tight in the South African ports of Durban and Richards Bay. A trader recommends lead times of up to two weeks for VLSFO to ensure coverage from suppliers. LSMGO supplies have been running lower and over 10 days of lead times are now advised.

Strong wind gusts of 23 knots are forecast to hit Durban today, which could disrupt bunkering there. The weather is forecast to remain rough throughout this week, with wind speeds forecast to intensify further and touch 38 knots on Friday.

In Algoa Bay, speculations have been rife about whether the temporary offshore bunker suspension will be lifted in February by the South African Revenue Service (SARS). Last month, a port agent claimed the suspension was likely to be lifted from 1 February. These speculations started after SARS amended its bunkering rules under the Customs and Excise Act in December last year. But there are no new updates in the situation, a port agent told ENGINE.

Gibraltar is witnessing slight congestion, with eight vessels waiting for bunkers today, up from three yesterday, according to port agent MH Bland. Strong wind gusts of 23 knots are forecast in Gibraltar today and can impact bunkering there.

## **Brent**

Front-month ICE Brent has inched \$0.13/bbl higher on the day, to \$82.47/bbl at 09.00 GMT.

### **Upward pressure:**

Market watchers are bracing for an escalation in the Middle East crisis and a potential supply disruption in the oil market. Despite the US' repeated assurance that it is "not looking for a war with Iran," the situation remains tense.

Joe Biden told a CNN reporter that he has decided his response to the attacks on US troops in Jordan. Iran's UN representative, Amir Saeid Iravani replied by saying that any attack on the country will be met with a decisive response, Iranian state-run news agency IRNA reports.

"Not only is the market bracing for a response from the Biden administration on the drone attack in Jordan that was executed by an Iranian-backed group, but also if Biden makes good on the threat to reimpose sanctions on Venezuela and the Maduro regime," Phil Flynn, commodity analyst at The PRICE Futures Group writes. "This, along with the increasing risk from geopolitical events, could cause a quick run for the exits by hedge funds that continue to favour the short side of the market," he adds.

US crude oil stocks are estimated to drop another 2.5 million bbls in the week ended 26 January, after a massive 9.2-million-bbl decline in the previous week, according to Trading Economics citing American Petroleum Institute (API) estimates.

### **Downward pressure:**

Brent's upside gains remain threatened by China's growing real estate debt crisis. If the situation worsens, it could hinder China's economic growth and harm its oil demand prospects.

Saudi Arabia has directed state-owned Aramco to maintain production capacity at 12 million b/d, which is lower than its planned target of 13 million b/d for 2027. This decision could raise concerns around global demand uncertainty and act as a downward pressure on Brent's price.

It also remains unclear whether other OPEC producers will follow Saudi Arabia to call off production expansion plans. The UAE has set a target to expand production capacity to 5 million b/d by 2027. Its production capacity was around 4.23 million b/d in December, according to the International Energy Agency.

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