ENGINE: Europe & Africa Bunker Fuel Market Update

15/02/24

Regional bunker benchmarks have tracked Brent’s downward slide, and rough weather conditions could impact Gibraltar's bunkering today.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($17/mt), Rotterdam ($10/mt) and Gibraltar ($8/mt)**
- **LSMGO prices down in Rotterdam ($22/mt) and Gibraltar ($15/mt)**
- **HSFO prices down in Rotterdam ($5/mt) and Gibraltar ($3/mt)**

Rotterdam’s LSMGO price has come down sharply in the past day, declining for the second consecutive day. One lower-priced LSMGO stem fixed for non-prompt delivery has added downward pressure on Rotterdam's LSMGO price. Prompt availability of LSMGO is good in the port, with 2-4 days recommended for the grade.

In Gibraltar, bad weather conditions have caused some backlogs and congestion in the port. 12 vessels are currently waiting for bunkers in Gibraltar, down from 16 yesterday, port agent MH Bland said. The area is currently witnessing strong wind gusts of up to 26 knots, which could impact bunkering in the straits and result in more congestion. Calmer weather conditions between tomorrow and Saturday could allow bunkering to run normally in Gibraltar.

In the nearby Ceuta port, nine vessels are due to arrive for bunkers today, down from 12 vessels yesterday, says shipping agent Jose Salama & Co. One bunker barge is in dry dock until March 1.

Durban’s VLSFO prices have dipped sharply, supported by two lower-priced indications recorded in the past day. Currently, VLSFO is extremely tight in the South African ports of Durban and Richard’s Bay. Lead times have varied between 10-14 days in the last few weeks for the grade.

Brent

The front-month ICE Brent contract moved $1.22/bbl lower on the day, to trade at $81.56/bbl at 09.00 GMT.

Upward pressure:

Strong oil demand projections from OPEC have exerted upward pressure on Brent prices. In its latest market report, the Organisation of the Petroleum Exporting Countries (OPEC) left its global oil demand forecast for this year unchanged at 2.2 million b/d.

“OPEC is quite aggressive with its demand growth forecasts,” said two analysts from ING Bank. The oil-producer group's demand growth projections for 2024 notably exceed the International Energy Agency's (IEA) forecast of 1.2 million b/d growth for the same period.

Meanwhile, OPEC reported that total crude oil output among its 12 core members declined by 350,000 b/d month-on-month to 26.3 million b/d. “Lower output was expected, given the additional voluntary cuts from a handful of members,” the analysts added.

OPEC members Kazakhstan and Iraq have announced plans to review their current output levels and compensate for any overproduction in January within the next four months. This initiative aims to honour the commitments made to the coalition, Reuters reported.

Downward pressure:

Brent shed the previous day’s gains after the US Energy Information Administration (EIA) reported a massive build in US crude stockpiles, bringing back worries about a lagging demand from one of the world's largest crude consumers.

Commercial crude oil inventories in the US increased by 12 million bbls to reach 439.45 million bbls on 9 February, according to the EIA. The weekly stock build was much bigger than the American Petroleum Institute's (API) projection of 8.52 million bbls build a day earlier.

“Oil prices reversed course due to a larger-than-anticipated increase in commercial stockpiles, while products registered accelerated losses due to a decline in demand,” said SPI Asset Management’s managing partner Stephen Innes.

The stock build was primarily because of a decline in refining activity in the US, “which recorded a fourth consecutive weekly decline through February 9th,” Innes added.

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