ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in most European and African ports have tracked Brent's downward movement, and VLSFO availability has improved in the ARA hub.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($16/mt), Rotterdam ($7/mt) and Gibraltar ($6/mt)**
- **LSMGO prices down in Gibraltar ($21/mt), Durban ($16/mt) and Rotterdam ($12/mt)**
- **HSFO prices down in Gibraltar ($19/mt) and Rotterdam ($7/mt)**

In Gibraltar, lower-priced stems booked yesterday have added more downward pressure on the port's LSMGO and HSFO benchmarks. One LSMGO stem was fixed at $865/mt, while HSFO was fixed at $520/mt.

Prompt HSFO availability is said to be tight in Gibraltar. Lead times of 6-8 are recommended for HSFO, a trader says. VLSFO is available with lead times of 5-6 days, while LSMGO requires shorter lead times of 2-4 days.

Two vessels are waiting for bunkers in Gibraltar today, unchanged from yesterday, a source says. Conducive weather conditions in the region have allowed bunkering to run smoothly this morning. However, wind gusts ranging between 22-31 knots are forecast in the area over the weekend and could disrupt bunkering in the ports there.

In the nearby Ceuta port, nine vessels are due to arrive in Ceuta for bunkers today, unchanged from yesterday, says shipping agent Jose Salama & Co. A supplier is reporting 3-4 hours of delay at one of the terminals.

In the ARA hub, VLSFO supply pressure has eased some, which has resulted in reducing lead times for the grade. Previously at 5-7 days earlier this week, lead times have now improved to 4-5 days.

In Istanbul, transits in the Bosphorus Strait have reopened this morning after being suspended yesterday due to dense fog, a source says. Calm weather is forecast in the area over the weekend.

Brent

The front-month ICE Brent contract moved $1.00/bbl lower on the day, to trade at $82.18/bbl at 09.00 GMT.

Upward pressure:

Supply tightness in the global oil market has supported Brent's upward move this week.

The Organization of the Petroleum Exporting Countries (OPEC) and its allies are expected to extend voluntary production cuts through the second quarter of this year at their upcoming meeting, which is scheduled in the first week of March, analysts said.

"The market looks ahead to OPEC's decision on the extension of its current supply agreement," said ANZ Bank's senior commodity strategist Daniel Hynes.

Brent's price will remain elevated if the Saudi-led coalition decides to extend its 2.2 million b/d supply cut into the second quarter of this year. "OPEC will extend the current supply agreement to the end of the second quarter," Rystad Energy's head of upstream research Espen Erlingsen said.

Downward pressure:

Brent futures plunged today due to concerns about slowing demand growth in the world's leading oil consumers – the US and China.

"A bearish EIA inventory report weighed on the OPEC+ supply cut expectations," said two analysts from ING Bank.

Commercial crude oil inventories in the US increased for the fifth straight week, adding 4 million bbls to reach 447.16 million bbls on 23 February, according to the US Energy Information Administration (EIA), indicating sluggish demand growth in the country.

China's state-owned National Petroleum Corporation (CNPC) expects oil demand growth in the country to ease this year due to a slow pace of post-COVID recovery.

"The corporation now expects Chinese oil demand to grow by a modest 1% to 764 mt (15.3 million b/d), the lowest demand growth forecast in at least a decade excluding the COVID-19-affected period," ING Bank's analysts added.

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