Dan-Bunkering
Ride the Next Wave

Weekly Market Report

August 26, 2024

Latitude
N 55°30'23.8458"
Longitude
E 9°43'44.7468"

Bunker Port Brief

Singapore

	VLSFO	HSFO	MGO
Availability			
Days of notice	10	3	6
Demand			

The Asian LSFO market is expected to see modest support this week with reduced arbitrage arrivals from the West in the second-half of September, potentially easing the recent oversupply.

The Asian HSFO market remains supported by steady downstream bunker demand, but lower Middle East power generation demand may boost exports and add to regional supplies.

The Asian gasoil market may see ease on expectations of rising supply. Gasoil stocks and exports from Singapore have increased, signalling stronger regional availability.

ARA

	VLSFO	HSFO	MGO
Availability			
Days of notice	4-5	4-5	4-5
Demand			

We see Ice gasoil discounts strengthening since last week. HSFO and VLSFO a bit tighter avails if prompt.

Fujairah

	VLSFO	HSFO	MGO
Availability			
Days of notice	7	6	3
Demand			

Due to barge capacity reducing in the UAE bunker market the over supply situation is not as heavy which has seen supplier schedules push out. Currently 7 days lead time on inq.

The availability could tighten further on the back of the UAE blockade of all Sudanese commodities and cargoes until further notice meaning reduced crude entering.

HSFO remains balanced with a lead time of 5-7 days.

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Houston

	VLSFO	HSFO	MGO
Availability	■■■■□	■■■■□	■■■■■
Days of notice	5-7	7-10	3-5
Demand	■■■■□	■■■□□	■■■■□

Port operating conditions are normal. Some minor delays seen at loading terminals due to congestion. Delays typically not exceeding 1-2 days. Recommending additional lead time for HSFO due to barge congestion. Hurricane season to run though end of October. Extra attention to forecasts and potential weather delays is advised.

New York

	VLSFO	HSFO	MGO
Availability	■■■□□	■■■□□	■■■■■
Days of notice	3	6	1
Demand	■■■□□	■■■□□	■■■□□

Port looks quiet on spot. Contract demand for .5 is very heavy into Q1 2026.

Panama

	VLSFO	HSFO	MGO
Availability	■■■□□	■■□□□	■■■□□
Days of notice	3-5	3-5	3-5
Demand	■■□□□	■■□□□	■■□□□

Light inquiries today.

Gibraltar

	VLSFO	HSFO	MGO
Availability	■■■■□	■■■■□	■■■■□
Days of notice	5-7	5-7	5-7
Demand	■■■□□	■■□□□	■■■■■

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Malta

	VLSFO	HSFO	MGO
Availability	■■■■□	■■□□□	■■■■□
Days of notice	5-7	5-7	5-7
Demand	■■■□□	■□□□□	■■■■■

Port Louis

	VLSFO	HSFO	MGO
Availability	■■■□□	■■□□□	■■■□□
Days of notice	5-7	5-7	3-5
Demand	■■■□□	■■□□□	■■■□□

Slow demand in Port Louis the last week. The major news is from the port authorities permitting bunkers to be supplied into fishing vessels' storage holds if requested.

Durban

	VLSFO	HSFO	MGO
Availability	■■■□□	■■■□□	■□□□□
Days of notice	4-6	5-7	5-7
Demand	■■□□□	■□□□□	■□□□□

Steady remand in Durban last days, with regular VLSFO demand. HSFO and LSGO (by truck) remains quiet.

Walvis Bay

	VLSFO	HSFO	MGO
Availability	■□□□□	■□□□□	■■□□□
Days of notice	10-14	10-14	4-7
Demand	■■□□□	■■□□□	■■□□□

Tight avails remain on HSFO and VLSFO stocks, with suppliers struggling to get cargoes timeously. Delays remain.

Oil market: Oil market reports point to a supply glut

In this issue of the Weekly Market Report, we discuss the geopolitical premium apparently once again being built into the oil and bunker prices. A premium that counterbalances the weak oil market balance outlook for Q4 and H1 2026, which we discussed in the last issue.

We also take a closer look at the fuel oil market, notably the HSFO market (cracks), which has been under pressure recently. The flat prices in USD and notably in EUR are starting to look attractive from a consumer perspective.

Finally, we discuss the outlook for EUA prices ahead of the September deadline for surrendering EUAs for emissions in 2024.

1. The geopolitical premium is edging higher once again

Efforts to achieve peace in Ukraine have once again stalled over the last week. According to Reuters, Putin demands control over the entire Donbas, including the areas not yet under Russian control, which, among other things, contain Ukraine's key defence facilities.

In addition, Ukraine must be neutral, and Russia will not accept that Ukraine joins NATO or hosts Western forces.

In reality, this would pave the way for renewed Russian offensives after any agreement and make Western security guarantees impossible, which is, of course, unacceptable to Ukraine and the West.

It also remains uncertain whether the meeting between Putin and Zelensky will take place. The Russians have, among other things, questioned Zelensky's legitimacy, since no elections have been held in Ukraine during the war – an ironic claim, given that nothing resembling a democratic election has been held in Russia for nearly 30 years. The US has also withdrawn from the planning of the meeting.

But the key issue from a geopolitical point of view over the last two weeks has been the step-up in Ukrainian attacks on Russian energy facilities.

In August 2025, at least 13 distinct energy installations have been hit, including eight refineries, two oil depots and two Druzhba pipeline pumping stations.

Over the weekend, the oil and LNG/LPG export terminal at Ust Luga near St Petersburg was struck. On Friday, a pumping station delivering oil to Hungary and Slovakia was attacked, only days after flows had been resumed following earlier strikes.

Many Western weapons supplied to Ukraine were previously restricted to defensive use rather than for deep strikes inside Russia. Trump has also said he cannot understand why Ukraine should fight with one arm tied behind its back. Meanwhile, Ukraine's own drone technology now enables strikes up to 2,000 km from the border, independent of foreign approval.

The consequences for Russia are significant. The Ukrainian sanctions are indeed working. According to Reuters, around 17 per cent of refinery capacity has been disrupted this month.

Russian gasoline exports are already banned (by Russia), and we continue to assess that it is only a matter of time before diesel exports are suspended as well. This would be highly significant, as diesel exports are far larger than gasoline exports. Even though Russian diesel is banned in the EU, reduced global supply would still impact diesel and MGO prices in Europe and elsewhere.

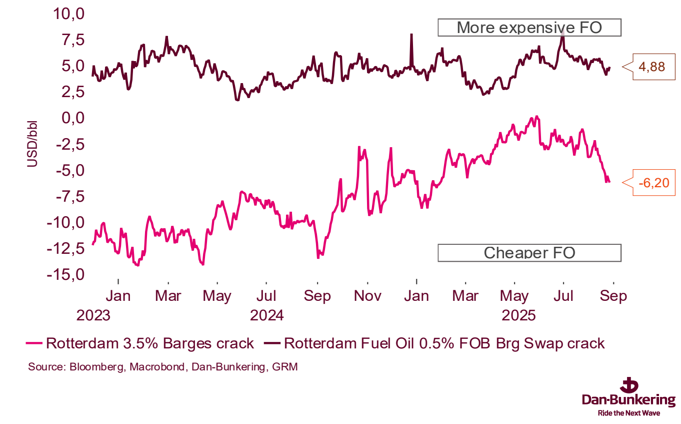
Tomorrow, August 27, the additional 25% US tariff on Indian goods for purchasing Russian oil comes into force. However, there is no indication that India intends to stop its purchases, although they appear to be declining. Nor are there signs that the US will extend the sanctions to China. Such a move would effectively halt a large share of Russian oil exports, but would also carry a clear risk of higher oil prices.

All in all, it seems that the geopolitical premium is on the rise, though it still needs to be seen if this is enough to counterweigh the weaker market balance for oil we discussed in the last issue.

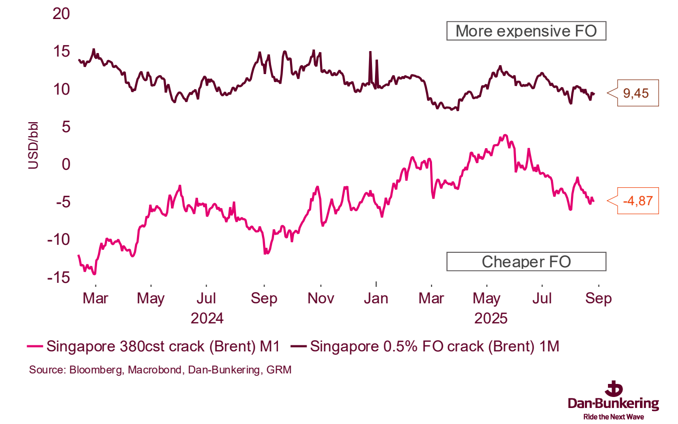
2. Weakness in fuel oil markets

In the fuel oil market, HSFO (3.5%) is under pressure relative to Brent. The HSFO crack (1M) in Rotterdam has fallen close to USD 6 per barrel or some USD 38 MT since late May. We have also observed VLSFO cracks under pressure, albeit to a much lesser degree. Cracks in Singapore have also fallen.

Fuel oil cracks in Rotterdam vs Brent 1M, USD/bbl



Fuel oil cracks in Singapore 1M, USD/bbl

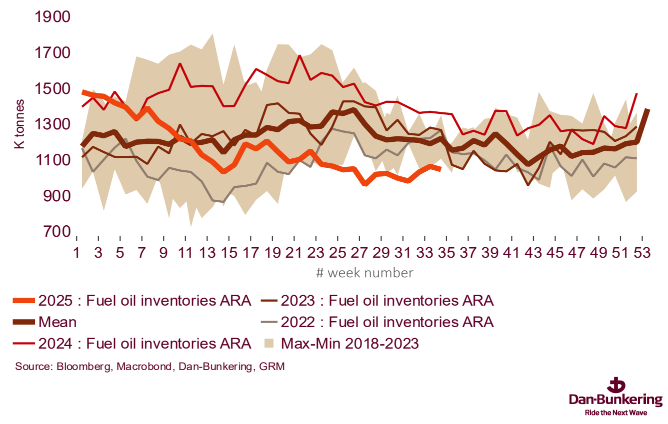


Various factors drive the weakness in the HSFO market.

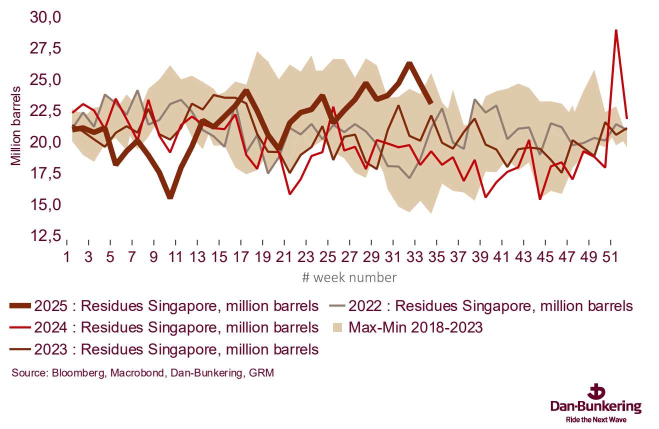
First, there is a seasonal component to the move. The market is now focusing on the expected weakening of demand in the autumn as Middle East power demand for air conditioning tapers off.

Secondly, we have also seen incipient signs of rising stocks in Rotterdam, where the market has been exceptionally tight. In Singapore, the inventories have been plentiful over the summer, but have dropped recently to an eight-week low, though they remain abundant. Notably, HSFO sales in the port of Singapore rose more than 15% in June compared to May, up 10.3% year-on-year.

Slightly better fuel oil inventory situation in ARA



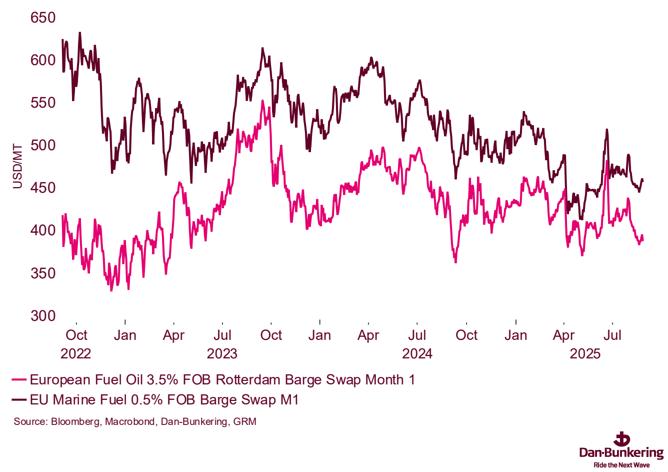
Still elevated fuel oil inventory situation in Singapore



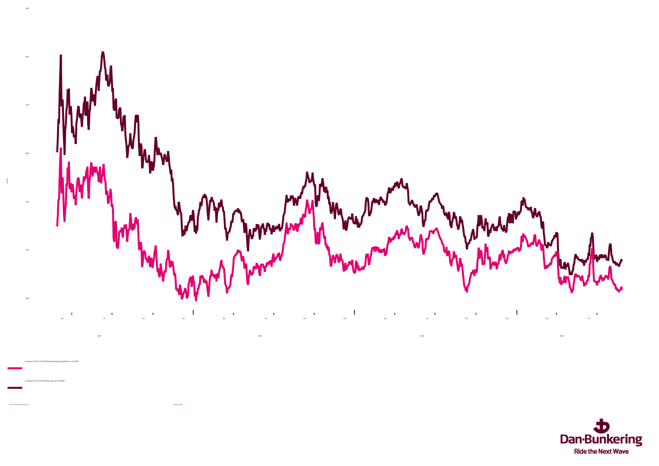
Thirdly, the rapid move lower in HSFO cracks may have triggered some forced selling. It may have been a consensus trade to be long the HSFO crack over the summer, given the strong fundamentals and the backwardated curve, which makes it cheap to position for a less negative crack. Finally, the global impact from the US tariffs may have created market concerns that bunker demand will be weaker in the autumn.

All in all, the move lower in HSFO cracks may have a final leg. But considering that inventories in Singapore are now at an eight-month high, ARA inventories remain low, and the global economy is still growing, we may be approaching an attractive price level when we consider flat prices. For buyers in EUR (DKK, NOK, SEK, GBP) the weakening of the US dollar makes the flat price level even more attractive.

Rotterdam fuel oil prices, USD/MT



Rotterdam fuel oil prices, EUR/MT



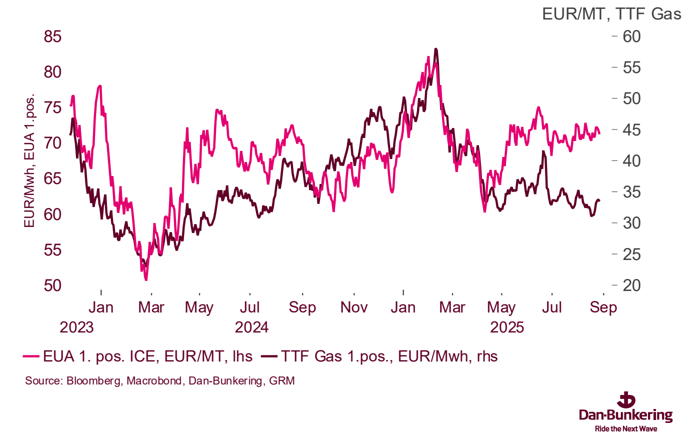
3. Tight EUA market in 2026 and 2027 to start dominating pricing in Q4

In recent months, we have seen the EUA spot price decouple from the gas price. TTF gas has been under pressure, particularly during August, while the EUA price has remained stable at around EUR 70/MT.

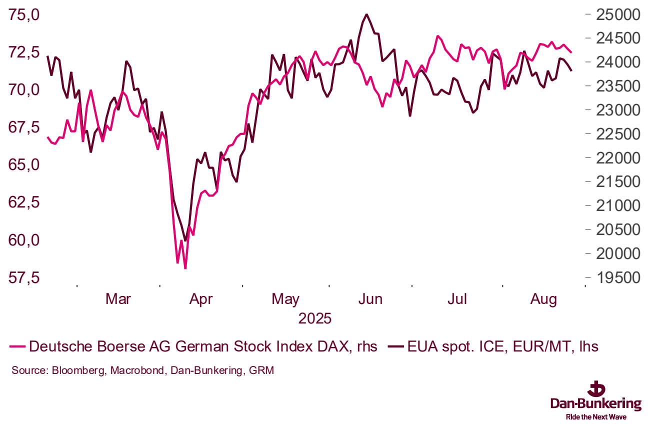
This is somewhat surprising given that storage injections have supported gas prices, whereas EUA demand is usually modest in summer when consumption of gas and coal is lower. There is more solar power in the grid during the summer, and there is no demand for heating. However, jet fuel consumption has been higher, and shipping has also shown growth in recent months ahead of the new US tariffs.

The stronger EUA market may also reflect that some buyers have not yet covered their obligations before EUAs for 2024 emissions must be surrendered at the end of September. It could also signal that the EUA market is now trading with a close correlation to the DAX index, with the price reflecting expectations of higher industrial demand, not least from the defence industry.

The correlation between gas and EUAs has weakened



But higher correlation with risk appetite (German DAX index)



The EUA market is forward-looking

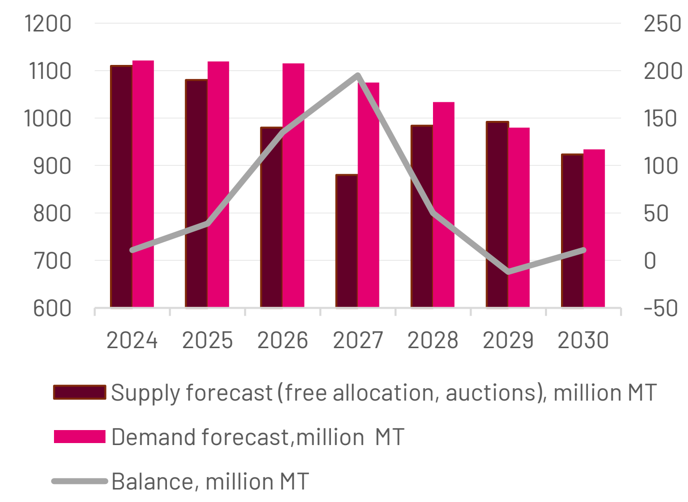
It is also possible that the market is now beginning to focus in earnest on the likelihood that the market balance will tighten in 2026 and 2027. In contrast to 2024 and 2025, when the market has been broadly balanced, there is a prospect of a significant tightening over the next two years, with demand exceeding supply. This may explain why, over the past month, we have seen speculators increase their net long position in EUAs.

The chart below shows our expectations for supply and demand through to 2030. It indicates that there will be a shortage of EUAs in the market, particularly in 2026 and 2027.

This means that the market "surplus" will fall markedly over the next two years. The EUA market is characterised by being a financial market. This means that, unlike physical commodity markets, an expected change in the future market balance affects the spot price.

If everyone in the market agrees that the market will tighten in the future and the price will rise, then the price will increase today. Otherwise, arbitrage would occur. In practice, there is, of course, no complete agreement on the market balance. There may also be liquidity-related reasons why the market does not rise today, even if there is agreement that the price should increase in the future.

The market balance for EUAs to tighten in 2026-27



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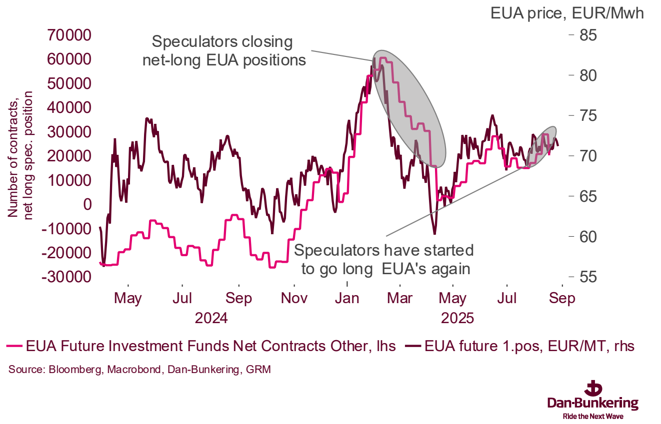


Why should we expect a tighter market balance in 206-27:

The EUA market is likely to move from a balance in 2024–25 into a clear deficit in 2026-2027.

The main reasons for this tightening are:

- Steep Linear Reduction Factor: From 2024 the Linear Reduction Factor was raised from 2.2% to 4.3% per year, and from 2028 it rises again to 4.4%. In addition, the cap was cut by a one-off "rebasing" of 90 Mt in 2024 and a further 27 Mt is planned for 2026.

- RePowerEU auction "payback": To fund energy transition projects, the EU front-loaded allowances into 2023–26. The extra auctions will stop in August 2026, adding some 29 million MT of EUAs net to the market compared to 2025.

- Market Stability Reserve (MSR): The MSR continues to absorb surplus allowances and prevent any rebuilding of the buffer. With demand rising, the reserve amplifies scarcity.

- Phase-out of free allocation: From 2026, sectors under the Carbon Border Adjustment Mechanism lose a portion of their free allowances, increasing auction demand.

- Demand expansion: Maritime shipping must cover 100% of its emissions from 2026 (40% in 2025 and 70% in 2025), adding 70–80 Mt of annual EUA demand. Furthermore, the cancellation of EUAs from the shipping sector has been delayed to 2026.

We recommend a high hedging ratio for EUA exposure

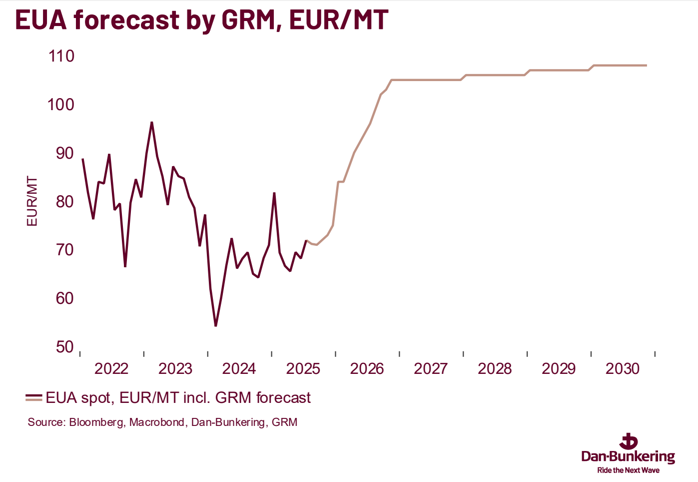
Given our price outlook and our assessment that a tighter balance will be priced through a step-change, we recommend a high level of hedging at current price levels.

It is also worth considering using today's price levels for more strategic hedging, further ahead in time and for a larger ratio than one's benchmark.

For more on the EUA outlook, see this note from our sister company GRM, which is active in the paper market for bunkers and also in EUA forwards.

Note the September deadline for surrendering EUAs for emissions for 2024. Please note that the Danish Energy Agency, for practical reasons, strongly recommends conducting EUA purchases no later than September 23, and preferably earlier in the month.

Please reach out to your Dan-Bunkering contact for more information.



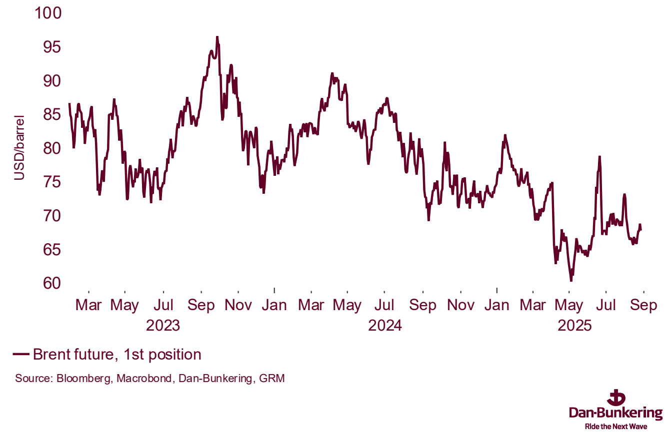
Price forecast

	Spot	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	avg. 2025	avg 2026
Brent, USD/bbl	67,8	67	66	66	67	70	69	69	67
ICE Gasoil, USD/MT	681	682	663	641	656	685	663	671	676
HSFO (1M 3.5% Rotterdam Barge), USD/MT	387	403	400	394	400	419	413	416	408
VLSFO (1M 0.5% Rotterdam Barge), USD/MT	457	460	457	457	464	483	476	471	466

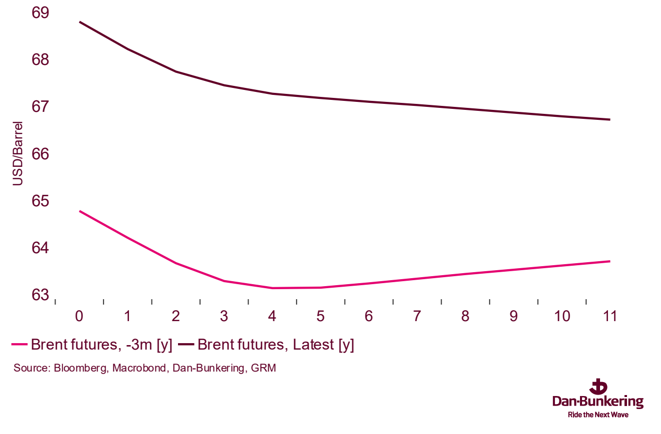
Source: Dan-Bunkering, indicative spot-prices based on Bloomberg 1M fair-value

Overview Charts:

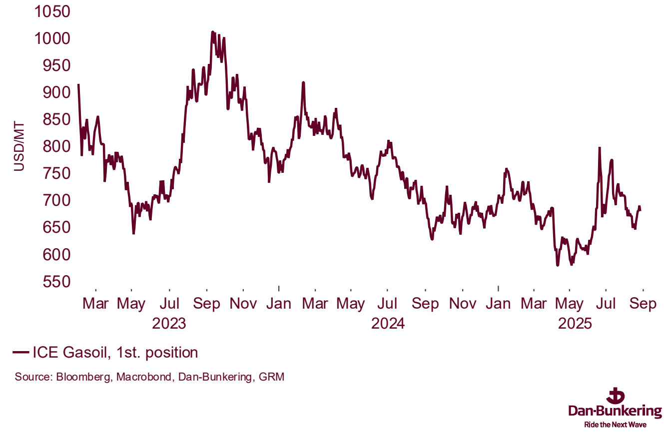
Brent oil



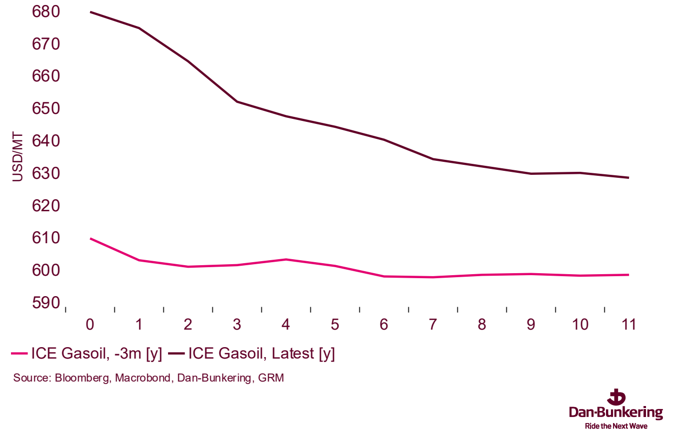
Brent forward curve, indicative prices



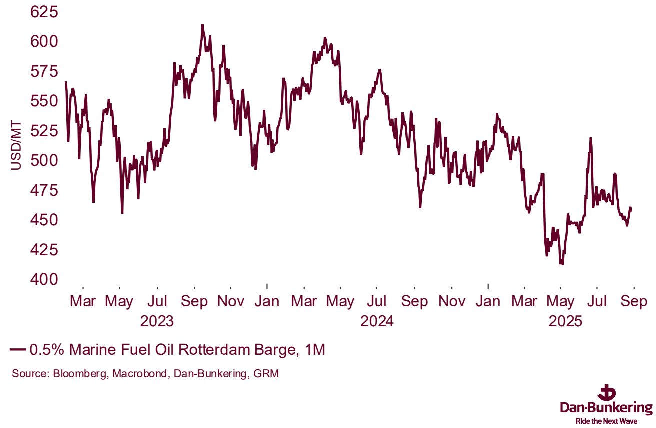
ICE Gasoil



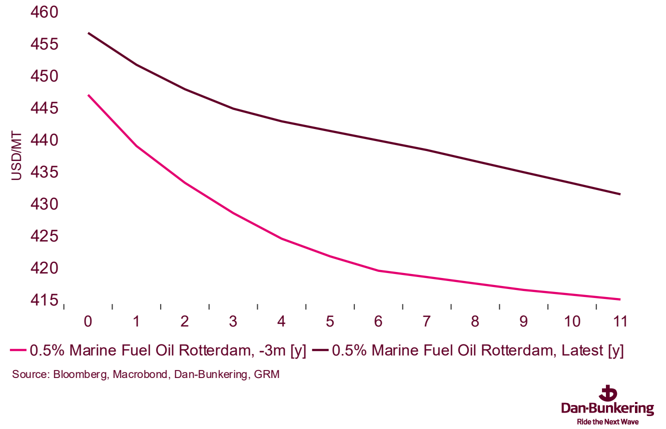
ICE Gasoil forward curve, indicative prices



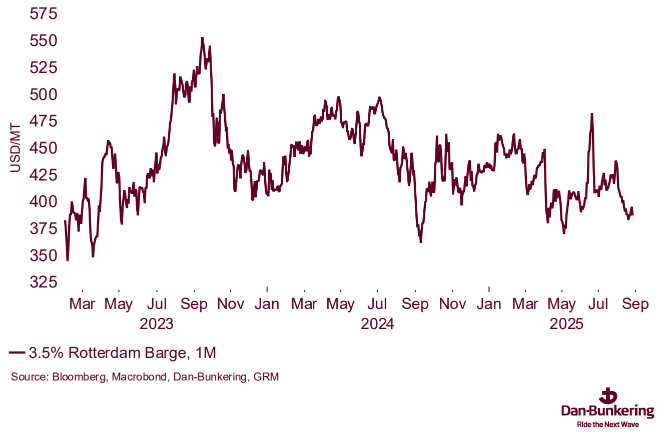
0.5% Marine Fuel Oil Rotterdam Barge, M1



0.5% Marine Fuel Oil Rotterdam Barge Forward Curve, indicative prices



Rotterdam 3.5% Barge



Rotterdam 3.5% Barge forward curve, indicative prices