

Competition putting bunker trading margins under sustained pressure: Flex Commodities

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Bunker trading margins squeezed amid freight volatility

Increased competition intensifies margin pressure

Geopolitics, rerouting reshape bunker trading strategies

Physical fuel trading margins have come under sustained pressure as competition intensifies and freight and routing patterns continue to shift, Flex Commodities founder Rakesh Sharma said on Feb. 3 at the Middle East Bunkering Convention in Dubai.

“Competition is driving margins down,” Sharma said, adding that margins have normalized sharply from strong conditions seen in 2022 to around 1.5% last year. He said a growing number of traders are now “fighting for the same barrels, the same charters and the same demand,” while Dubai has seen an influx of new bunker trading activity, while freight markets have become increasingly crowded.

Sharma also pointed to liquidity gaps and credit stress, particularly among charter operators, noting that standardized trading structures are increasingly being used to manage short-term cash flow pressures. Regulatory costs linked to decarbonization, including EU ETS and FuelEU Maritime, are widening price gaps and adding complexity across the physical trading chain, he said.

Against this backdrop, Sharma said Flex Commodities has shifted toward short-term positioning and back-to-back execution to manage volatility. “Back-to-back trading remains one of the most reliable ways to manage volatility and protect margins,” he said, adding that advisory services are becoming more important as competition tightens and geopolitical risk remains elevated.

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