Refinery attacks keep European fuel prices around record highs

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By Robert Harvey
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LONDON, July 30 (Reuters) - European refiners continued to reap bumper profits for producing fuels such as gasoline and diesel this week, as a wave of attacks on oil refineries in the Middle East and Russia further tightened supply and lifted prices globally.

Soaring fuel prices ripple through the global economy, raising costs for consumers and businesses. As attacks on refineries due to the wars in Iran and Ukraine have taken out a growing number of major plants that turn crude into usable fuel, fuel prices are rising even though crude oil has fallen back to around $90 a barrel, well below 2008's record of $147.

The premium that European low-sulphur gasoil futures command over the crude oil price, which effectively captures the profit margin refiners make from processing crude oil into diesel, extended its all-time highs on Thursday to $74.66 per barrel.

Both the Middle East and Russia are major exporters of diesel, a fuel used widely in industry, agriculture and transport. Refinery profit margins for producing diesel jumped to all-time highs in July.

"The market is signalling that refining capacity is now as significant a problem as crude oil scarcity, if not a greater one," Jeffrey Baird, founder of investment firm Merritt Point Partners, said.

Saudi Arabia shut down its 400,000-barrel-per-day Jizan oil refinery on July 27 following an attack by Yemen's Houthis. The refinery exported more than 200,000 bpd of fuels over the past three months, according to data from analytics firm Kpler, with diesel and gasoil the main products.

Parts of Kuwait's 615,000 bpd Al-Zour refinery, another major diesel producer, have also shut down due to a power cut.

At the same time, Ukraine's drone attacks have continued to hit Russian refining capacity, forcing the Kremlin to impose gasoline and diesel export bans.

Lukoil's refinery in Perm, which has a capacity of approximately 260,000 bpd, was the latest to shut down one of its crude distillation units, on Thursday, after a drone attack.

Gasoline refining margins have also hit multi-year highs in recent weeks. European benchmark Eurobob gasoline's premium to Brent futures was at $42.21 per barrel on Wednesday, not far from the four-year high of $44.94 touched on July 17, LSEG data showed.

European jet fuel refining margins remained above $80 per barrel on July 29 according to LSEG data, although were down from their all-time high of almost $109 in March. Before 2026, the margin had never reached $80, the data shows.

Similarly, U.S. refiners saw profit margins soar as fuel exports remained robust and domestic demand remained firm.

In mid-July, U.S. gasoline crack spread reached $60 a barrel, a level last reached in April 2020. The diesel crack spread hit $93.44 a barrel this week, a record high.

Valero Energy, the second largest U.S. refiner by capacity, on Thursday told investors it believes the industry has structurally shifted to a higher mid-cycle refining margin environment based on its projections of future demand and planned capacity additions.

(Reporting by Robert Harvey in London; Additional reporting by Nicole Jao; Editing by Alex Lawler, Kirsten Donovan and David Gregorio)