



RLA Weekly Report – Monday, 13 February 2023

No.34

Annual Inflation in the US Eases to 6.2% in January 2023

Economy

- Inflation in the US has been easing gradually since the peak of 9.1% in June 2022. According to the Bureau of Labor Statistics, the annual inflation rate stood at 6.5% in the last month of 2022, down from 7.7% in October.
- Due to strict COVID controls, China's economy experienced a significant slowdown in the fourth quarter of last year. This resulted in 2022's growth being the lowest in almost 50 years, putting additional pressure on policymakers to announce additional stimulus this year. According to figures released by the National Bureau of Statistics (NBS), the gross domestic product (GDP) increased by 2.9% from October to December of last year, which was a lower rate than the third quarter's growth of 3.9%. The rate nonetheless outperformed the 0.4% growth in the second quarter and the 1.8% gain predicted by the market.

Oil and Tankers

- OPEC+ does not intend to alter its production strategy in reaction to Russia's decision to reduce its oil output next month. Following the G7-led price limitations on Russia's crude oil and products sales, Moscow is considering a 500,000 b/d "voluntary" drop in March to "contribute to the recovery of market relations," according to Russian deputy prime minister Alexander Novak.
- Latest reports suggest OPEC-13 crude oil production fell to 28.89 million b/d in January from 29.05 million b/d in December 2022. Saudi Arabia led the overall decline with a fall of 0.22 million b/d. On the other hand, the UAE, Nigeria, and Angola increased output in January, but marginally. Nigeria's output increased to 1.38 million b/d last month from 1.35 million b/d in December 2022.
- Due to the economic advantages of Russian fuel oil and to make up for the loss of Venezuelan crude imports, China has been boosting its imports of Russian fuel oil. The amount of fuel oil China imported from Russia last year was 55,000 b/d, the highest since 2013.
- Saudi Arabia surprisingly increased oil prices for Asia, the US, and Europe despite crude's 7% decline so far this year. Saudi Aramco raised the price of its premium Arab Light grade by \$0.2/bbl versus this month to \$2/bbl over the regional standard. Additionally, Saudi Arabia increased prices of all grades for US and European consumers by \$0.3 and \$2/bbl, respectively. The actions reportedly resulted from estimates that China's spending is already rising and will soar in the third quarter of the year as the nation completely reopens its economy.
- According to the EIA, commercial crude stocks in the US edged up to 455.1 million bbls in the week ending 3 February from 452.7 million bbls the previous week. Distillate inventories firmed to 120.5 million bbls, an increase of almost 3 million bbls in comparison with a week earlier, while gasoline stocks reported an increase of 5 million bbls to average close to 239.6 million bbls in the week ending 3 February.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC20	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37k mt Cont to USAC	Clean Algeria to European Mediterranean	Clean Middle East Gulf to UK-Cont.	AG/UK Cont	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	30k mt Baltic to UK-Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China
Size mt	37000	30000	65000	90000	38000	280000	135000	30000	130000	270000
Route	Rott - NY	Skikda-Lavera	Jubail-Rott	Jubail-Rott	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo
	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
02/02/2023	140.00	192.63	42.95	3064286	70.00	34.56	168.89	265.42	111.59	49.27
03/02/2023	140.00	195.94	44.10	3050000	70.83	34.94	165.28	263.33	110.91	49.68
06/02/2023	140.00	195.63	45.00	3157143	76.67	35.22	164.06	259.17	109.09	50.05
07/02/2023	152.22	200.63	46.73	3342857	99.17	36.33	164.11	257.50	105.91	51.91
08/02/2023	191.67	201.88	48.72	3485714	114.17	37.06	163.94	251.67	108.86	53.05
09/02/2023	289.44	214.38	50.00	3610000	127.50	37.06	161.89	246.25	110.68	53.09
10/02/2023	293.33	259.38	50.90	3632143	195.83	38.50	162.50	242.50	114.09	58.23

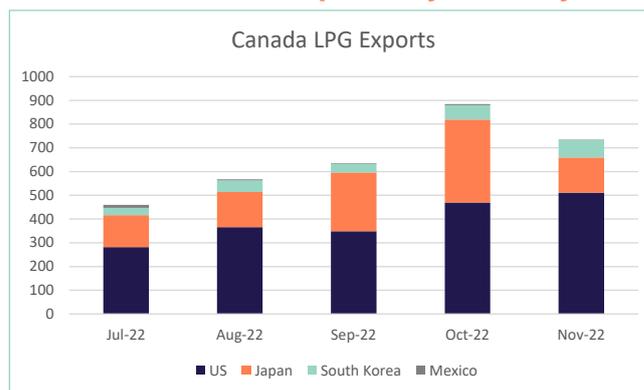
Source: Baltic Exchange

LPG

Following points were extracted from the latest edition of RLA's VLGC Report, a monthly service published on 10 February 2023

- Canadian LPG exports in November fell by 17.0% on the month to 734,000 tonnes, and within this, 511,000 tonnes (69.6% of the total) went to the US and 148,000 tonnes (20.2% of the total) to Japan. Total exports in the first eleven months of last year totalled 6.9 million tonnes where the US accounted for 4.5 million tonnes and Japan 1.7 million tonnes.

Canada LPG Exports by Country



- At 1.28 million tonnes, demand in Japan in December 2022 was higher by 34% than in November and by 13% versus December 2021. The monthly increase came as the result of cold weather, boosting heating use. Total 2022 demand in Japan reached 11.21 million tonnes which was up by 6.9% when compared with 2021.
- State-owned Saudi Aramco increased its monthly propane CP to \$790/tonne for February, a nine-month high, up \$200/tonne from January. This increase outpaced a 2.4% increase in front month Brent crude prices by a significant margin. The butane CP for February was also increased by \$185/tonne month over month to \$790/tonne, bringing the two to parity. The increase was attributed to this month's reduced shipments from the Middle East Gulf.

- A new 86,700 cbm LPG-fuelled VLGC has been ordered by Japanese shipping company NYK Line from a domestic shipbuilder, KHI. The vessel, which can carry both LPG and ammonia, will be delivered in 2026. The company claims that the dualfuel engine may eventually be upgraded to run on ammonia. It will join the fleet of NYK Line's other four LPG-fuelled VLGCs.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
02/02/2023	92.00	82.80	143.71
03/02/2023	91.43	81.80	142.00
06/02/2023	90.43	80.60	140.43
07/02/2023	89.43	79.40	139.29
08/02/2023	89.00	78.60	137.57
09/02/2023	90.29	78.40	138.00
10/02/2023	90.43	78.40	138.43

Source: Baltic Exchange

LNG

- Sheikh Hasina Wazed, the prime minister of Bangladesh, stated that the country required urgent LNG supplies from the spot market in order to help fulfil the rising demand for natural gas for power generation. Bangladesh has two floating LNG import terminals in the form of FSRUs, that were contracted from Excelebrate Energy, a US terminal specialist. The call for increased LNG imports from the prime minister came as the cost of cargoes had fallen by roughly 50% over the previous two months, making it attractive to return to the spot market at the current lows.
- LNG exports will be lower over the next few months of 2023, according to the EIA's latest short-term energy outlook, due to large gas inventories in Europe, while record dry gas production growth has been surpassing demand. "But US LNG exports in our forecast will rise once the Freeport facility is back online completely and LNG exports increase by 11% (1.2 billion cubic feet per day) on an annual basis in 2023 compared with 2022," stated the Outlook.
- US producer Freeport LNG has exported its first cargo since a fire at its Gulf coast liquefaction plant halted production nine months ago. On 11 February, the BP-controlled, 155,000-cbm Kmarin Diamond (built 2008) loaded at Freeport's no. 1 berth and departed from the facility the next day. Other LNG carriers have also been flagged up and are shown as waiting off the plant. FERC granted Freeport permission to resume loading vessels on 9 February as a result of an increase in production and the filling of on-site storage tanks.
- Oman LNG and the China International and Chemical Company (Unipet) have inked a legally binding term sheet agreement for Oman LNG to deliver 1 million tonnes/year of LNG beginning in 2025. Although the Chinese arrangement is only for 4 years while the others are for up to 10 years, Unipet's agreement is identical to the seven others it has signed since the beginning of the year with customers in Europe and Asia.
- French gas transport grid operator GRTgaz said in a report issued on Friday that the war in Ukraine and mild weather caused a 9.3% decline in French gas usage in 2022 to 430 terawatt hours (TWh). At

the same time, due to the need to compensate for the unavailability of France's nuclear power plants, gas-fired power plants saw their gas consumption increase of 54.4% to a record 61 TWh last year. The overall gas consumption of the industrial sector decreased by 11.5%, although certain energy-intensive industries, such as steel, oil refining, and non-metallic materials, saw falls of around 19%.

- An INPEX representative said on 9 February that the Australia-based Ichthys project, which is run by INPEX, is anticipated to export a record 132 LNG cargoes in 2023, up 18% from 112 cargoes a year earlier, as it begins to work on debottlenecking the plant to increase output. The boost in Ichthys LNG shipments comes as the project now aims to build a framework, capable of a stable supply of 9.3 million tonnes/year of LNG in 2023.
- Chinese shipyards are increasing their ability to produce high-value vessels like LNG carriers. According to global media sources and the industry, China's largest shipbuilder Hudong-Zhonghua Shipbuilding, a subsidiary of China State Shipbuilding Corp. (CSSC), announced a proposal to double its LNG carrier manufacturing capacity. The Changxing Shipbuilding Base near Shanghai, China, is currently undergoing an expansion process by Hudong-Zhonghua Shipbuilding. The company's capability to produce LNG carriers is anticipated to increase from 5-6 vessels/year to 10-12 vessels/year after the expansion is completed.
- Asian spot LNG prices fell during the last week due to large inventory levels and weak demand from the forecasted mild weather. According to industry sources, the average LNG price for March deliveries into northeast Asia LNG-AS was \$17/mmBtu, a decrease of \$1.50 or 8.1% from the previous week.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
31/01/2023	72353	53988	68484
03/02/2023	66605	52413	64932
07/02/2023	65510	53933	64948
10/02/2023	65687	54062	65589

Source: Baltic Exchange

Chemicals

- On 6 February, India's Prime Minister Narendra Modi formally debuted E20 fuel — fuels containing 20% ethanol — at 84 retail outlets of oil marketing corporations in 11 states and union territories. Second-generation (2G) ethanol is created utilising biomass feedstock such as rice straw, which is used for ethanol production by the state-owned IOC. "In August of last year, we opened Asia's first 2G ethanol bio-refinery. We have committed to building 12 commercial 2G ethanol facilities" Modi said. According to the ministry of petroleum and natural gas.
- India's ethanol manufacturing capacity has expanded sixfold from 2013-2014. According to official predictions for December 2022, the country presently produces 9.47 billion litres/year of ethanol and is on track to satisfy expected demand for E20 implementation.

- According to the most recent statistics data, Germany's chemical production declined 11.2% month on month in December. Meanwhile, the VCI trade association for chemical makers said that, most recently, chemical production in Germany was down by up to 20% year on year. While there were early indications that the bottom had been reached, the bottom was deep, and a speedy rebound was not in the cards, according to the group.
- It predicted that the gas and power supply situation in Germany and Europe would "remain catastrophic" until 2024. At the same time, government economic policy assistance was "everything but ideal". As a result, the chemical industry's prospects in the future months are "subdued," according to VCI. For the full year of 2022, the country's total production fell 0.6% from 2021, and it was down 5.0% from its pre-coronavirus level of 2019.
- Due to rising expenses, China's Inner Mongolia Yitai Coal Co has temporarily halted building of a 1 million tonne/year coal-to-chemicals facility in Xinjiang. "With the high cost of coal for coal chemical products, large fluctuations in international oil prices, and significant uncertainty in taxes and fees, continuing to build large-scale coal chemical projects based on the existing product structure exposes the company to relatively high economic risks," the Hong Kong-listed firm said in a bourse filing on February 8.
- The \$2.4 billion project in the Yitai Yili industrial park will produce alkylbenzene, high-carbon alcohols, high-quality light hydrocarbon, fischer-tropsch wax, normal C10-14, white oil, liquid paraffin, LPG, and other products, as well as mixed alcohol and sulphur as a by-product.
- The price of raw coal has achieved new highs during the second half of 2020. "The percentage of raw coal cost in the total cost of the Company's current coal chemical project has climbed from 35% in 2018 to roughly 60% at this time," stated Inner Mongolia Yitai Coal. Reduced investment in fossil energy as the world shifts towards carbon neutrality, as well as a further restriction of energy supplies due to the Russia-Ukraine conflict, will continue to have negative impact on coal markets in the medium to long term.
- Indonesia will impose new restrictions on vegetable oil exports in order to increase local cooking oil supply by 50% ahead of the Eid al-Fitr festival at the end of April, according to a government official. After selling a portion of their cooking oil production to the local market under Indonesia's domestic market requirement, palm oil producers and refiners will be required to temporarily relinquish two-thirds of their present export permits (DMO). The government would restore these allowances in phases, beginning after the Eid al-Fitr holiday on 1 May, said Luhut Binsar Pandjaitan, coordinating minister for maritime affairs and investment, during a virtual stakeholder meeting on 6 February.
- Meanwhile, exporters will be assigned export licences on a monthly basis based on their previous sales and regulatory compliance. A market member indicated at the conference that allocations for February had already been made, but they were not publicly available. Sellers must still meet the current 6:1 DMO criteria to export their permissible amounts, which means they must sell 1,000 tonnes within the nation before exporting 6,000 tonnes. According to Pandjaitan, the DMO and domestic sales price for cooking oil will likely be changed again in the future to stabilise the domestic market.