



## RLA Weekly Report – Monday, 08 May 2023

No.46

### European benchmark LNG prices are at a 21 Month low.

The European TTF benchmark fell to its lowest level since the start of the energy crisis amid solid inventories, strong flows of LNG, and low consumption.

#### Economy

- The Chinese economy grew by 4.5% in the first quarter of 2023, surpassing market expectations of 4%, suggesting that China's economic recovery is progressing as intended. However, maintaining this growth rate will require significant efforts, indicating that China still has a considerable distance to go. The China's Caixin manufacturing Purchasing Managers' Index (PMI) fell to 49.5 in April from 50.0 in March due to weak domestic demand conditions.

#### Oil and Tankers

- Amid concerns over the global economy, weak manufacturing data in China, and a slowing US economy, Saudi Arabia has dropped oil prices for customers in Asia. State-controlled Saudi Aramco cut all official selling prices for Asia in June, with its key Arab Light grade now priced at \$2.55/bbl below the regional benchmark, which is down by 25 cents compared to May. The kingdom, which is the world's largest oil exporter, typically sells approximately 60% of its crude shipments to Asia under long-term contracts. The OPEC+ group is set to meet in person on 03-04 June, where they may consider another supply reduction to stabilise oil markets.
- Since European countries banned crude imports from Russia in December, there has been an increased demand for larger crude volumes from the US as it has become more cost-effective to import US crude using VLCCs. As a result, there has been a shift in trade flows, with VLCCs now becoming the dominant player in the US-to-Europe market, surpassing smaller tankers like Aframax and Suezmaxes, suggesting that 2023 could be the year of the VLCC as the need for US oil to replace Russian oil losses grows. In the first quarter of 2023, VLCC market share on the US Gulf to Europe route increased to 39.2%, while Aframax share fell to 30.8%, compared to 7.1% and 64.8%, respectively, in the first quarter of 2022.
- According to Russia's foreign trade data and shipping information, there were likely widespread violations of the G-7 oil price cap in Asia during the first quarter of 2023. The G-7 established a \$60/bbl price cap on Russian oil in December, but most of the oil from Kozmino was sold above this price during the first quarter of this year, and more than half of the shipments were made using G-7 services. These findings support concerns raised by the US Treasury in April.
- According to Maritime Strategies International (MSI) forecasts, shipyard capacity in the Far East, which had been put in mothballs, is being reactivated in anticipation of growing contracting volumes in Singapore and London. MSI predicts that the demand for fleet renewals and decarbonization initiatives will surge in the second half of the decade, requiring additional capacity to be brought into the market. While the dry bulk and tanker fleets are predicted to contract, the container and gas carrier

fleets are anticipated to exhibit strong growth. Yards have already resumed capacity, and active shipbuilders are leasing out some of their mothballed facilities to respond to the heavy demand for containerships and LNG carriers.

- DHT Holdings, a New York-listed VLCC specialist, announced a three-year charter deal for its tanker DHT Puma, which is expected to earn a base rate of \$33,500/day. The charter deal is worth at least \$36.7 million over the three-year term and could increase if the charterer chooses to extend the deal for another year at a higher rate. DHT Holdings reported a net profit of \$38 million in the first quarter of 2023, compared to a loss of \$17.3 million a year earlier, and logged revenue of \$132 million.
- According to the EIA, commercial crude stocks in the US eased slightly to 459.6 million bbls in the week ending 28 April from 460.9 million bbls the previous week. Similarly, distillate inventories fell to 110.3 million bbls, a decline of almost 1.1 million bbls in comparison with a week earlier, while gasoline stocks rose by 1.7 million bbls to average close to 222.8 million bbls in the week ending 28 April.

### Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC20	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37 kt Cont to USAC	30 kt Clean Algeria to Euro Med	65 kt Clean MEG to UKC	90 kt MEG to UKC	38 kt USG to Cont	280 kt MEG to USG	135 kt BSea to Med	30 kt Baltic to UKC	130 kt WAF to Cont	270 kt Ras Tanura to China
Size mt	37000	30000	65000	90000	38000	280000	135000	30000	130000	270000
Route	Rdam to New York	Skikda to Lavera	Jubail to Rdam	Jubail to Rdam	USG to Cont	Ras Tanura to LOOP	Novo to Augusta	Baltic to UKC	Offshore Bonny to Rdam	Ras Tanura to Ningbo
	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
02/05/2023	170.56	149.88	59.04	4446429	92.50	36.44	121.33	259.17	89.50	54.00
03/05/2023	173.89	150.00	58.72	4417857	105.83	35.17	122.33	258.75	90.25	52.05
04/05/2023	169.72	149.38	54.23	3657143	110.42	33.17	122.39	257.08	92.25	46.41
05/05/2023	151.11	150.00	53.97	3678571	99.58	32.72	120.00	256.25	92.50	45.73

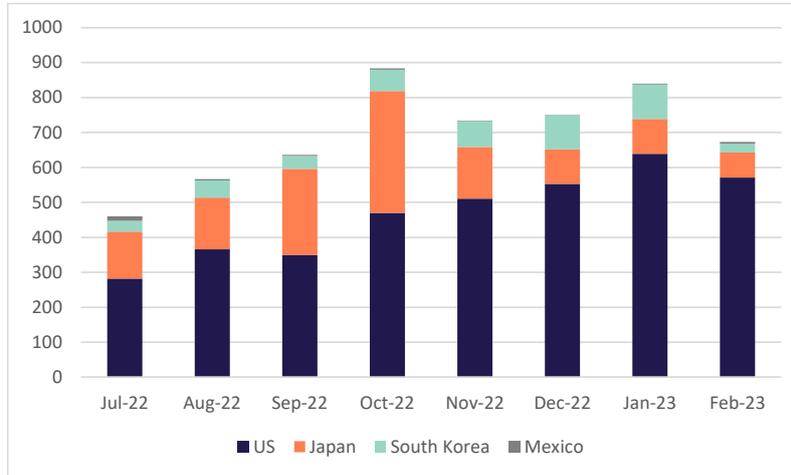
Source: Baltic Exchange

### LPG

The following points were extracted from the latest edition of *RLA's VLGC Report*.

- China's LPG imports rose by 7% month on month to 2.04 million tonnes in March, of which 1.61 million tonnes was propane and 430,000 tonnes was butane. However, the figure for March was down by 6% year on year. The increase came as a result of PDH production margins increasing to \$10/tonne during the month from minus \$148/tonne in February. This pushed PDH sector buyers to return to the spot market to restock in anticipation of raising their operating rates, which remained flat at about 60% in March.
- Canadian LPG exports in February fell by 20% on the month to 673,000 tonnes, and within this, a significant proportion of 571,000 tonnes (85% of the total) went to the US and 72,000 tonnes (11% of the total) to Japan.

### Canada LPG Exports



- Despite higher temperatures during the winter season, Japan's LPG demand grew during the fiscal year 2022–2023. Demand rose by 10.4% on the year to 11.7 million tonnes over the year ending in March. The increase in consumption was met by imports rising by 5.7% to 10.9 million tonnes, which offset a decline in domestic production from refineries — down by 5% to 1.6 million tonnes.
- Purus Marine, a shipowner based in the UK, is considering to increase its expenditure on new LPG carriers beyond \$410 million. It has been confirmed by the company that they have placed an order for four midsize vessels with a capacity of 45,000 cbm each at Hyundai Mipo Dockyard (HMD) in South Korea. The vessels are expected to be delivered in 2025 and 2026. These vessels will be equipped with shaft generators and scrubbers and will also have the capability to utilise ammonia as a fuel. In addition, Purus has secured options for two more ships, but they haven't disclosed the dates of delivery. The LPG units are expected to primarily carry ammonia.

### VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
02/05/2023	73	75	129
03/05/2023	75	75	130
04/05/2023	78	77	132
05/05/2023	80	77	133

Source: Baltic Exchange

## LNG

- Prices for LNG in the European Union fell again as storage reached the highest level of the season so far and gas consumption decreased as a result of the warm weather and strong winds (increasing wind power output). July's Dutch TTF price fell to the equivalent of \$11.715/MMBtu on 05 May compared with \$12.795/MMBtu last week. Over the same period, the TTF for August was down to \$12.030/MMBtu versus \$13.5135/MMBtu.
- Due to the mild weather and poor restocking demand in China, Japan, and Korea, Asian LNG prices fell to their lowest level in 23 months on Friday. The average LNG price for June delivery into Northeast Asia LNG-AS was \$11/MMBtu, the lowest since June 2021. Compared to the prior week, the price dropped by 4.3%.
- LNG imports into Asia decreased in April as major consumers—China and Japan—reduced their purchases, somewhat offsetting slight increases by South Asian countries. In April, there were a total of 20.86 million tonnes imported, down from 22.23 million in March and 22.19 million in February. While volumes in Asia were down, Europe was increasing its purchases of LNG, with imports climbing for a third consecutive month in April to reach 12.50 million tonnes, the highest level since December. The robust position of European gas reserves does, however, increase the potential that LNG imports may stabilise or slightly decline in the coming months as utilities reduce stock-building purchases. In contrast, Asia's LNG purchases could rise as price-sensitive consumers like Pakistan and India boost imports in the face of falling spot prices.
- Multiple clients in Asia, Europe, and Oceania placed orders with HD Korea Shipbuilding & Offshore Engineering (KSOE) for the construction of 12 gas carriers totalling 2.79 trillion won (\$2.1 billion). The shipbuilding company received orders for two 200,000 cbm LNG carriers from an Oceanian shipper, four 174,000 cbm LNG carriers from a shipper in Europe, and two 88,000 cbm LPG carriers from a shipper in Asia. The company also signed a contract to build four 45,000 cbm LPG carriers with an Asian shipowner. The 12 ships will be built by HD Hyundai Heavy Industries and Hyundai Samho Heavy Industries and will be delivered sequentially starting from 2026.

### LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
25/04/2023	54029	41854	47855
28/04/2023	52052	42041	48217
02/05/2023	52048	42085	48032
05/05/2023	50026	41439	44447

Source: Baltic Exchange



## Chemicals

- Maersk Shell has cancelled plans for a sustainable aviation fuel (SAF) and base oil facility in Singapore. The company stated that it will continue to deliver base oil, lubricants, and biofuels to its Singapore clients. Shell announced plans to build a 550,000 tonnes/year SAF plant on Singapore's Bukom Island in late 2021. The project's goal was to connect SAF to major Asian hubs, including Hong Kong International Airport (HKG) and Singapore's Changi Airport (SIN). However, Reuters reported that, unlike in Europe and the United States, there is presently no requirement for airlines in Asia to adopt SAF. Customers are hesitant to pay higher rates for SAF due to the absence of control. Shell's proposed project is now an unprofitable business endeavour in the region due to a lack of demand.
- Chemical tanker owner Odfjell increased its orderbook to seven ships due for delivery before 2026, citing continued excellent rates for its 70-ship fleet. The Oslo-listed business posted net earnings of \$46.7 million in the first quarter of 2023, up from \$11.1 million in the same period last year. Odfjell has profited from rising product tanker rates as swing tonnage moves out of the chemical trade. Odfjell said it just completed two further newbuilding orders for delivery in the first half of 2026. "This brings the total to seven 26,000-dwt stainless steel vessels to be delivered on time charter between 2023 and 2026," the business stated.
- Slower palm oil product trading activity in Asia has freed up more tonnage for chemical shipments, pushing intra-regional tanker prices lower through May. "Shipowners are marketing tankers that were previously transporting palm oil cargoes for easy chemical trades," a shipbroker explained. Easy chemicals are petrochemical materials that do not require specialised handling. Tankers involved in the palm oil trade may usually be redeployed to transport simple chemical cargoes. Intra-Asian palm trade activity was relatively strong until early April but has since cooled dramatically. Due to export limits imposed by top producer Indonesia, palm oil prices have risen to levels assessed less appealing when compared to those of other vegetable oils.
- According to the most recent RLA Europe Imports Bulletin, in January 2023, Europe's total deep-sea imports fell to 619,000 tonnes, a drop of 383,000 tonnes (38%) from the previous month and 461,000 tonnes (43%) from the previous year. Looking at individual commodities, the leading commodity, caustic soda solution (235,000 tonnes), increased by 4,000 tonnes month on month and by 191,000 tonnes year on year. However, the erstwhile top commodity, methanol (108,000 tonnes), fell by 255,000 tonnes (80%) and 427,000 tonnes (70%) over the same period. The other significant commodity, ethanol (117,000 tonnes), had a 3% and 31% rise, respectively.