



RLA Weekly Report – Monday, 05 September 2022

No.12

Economy

- Finally, the G7 has agreed to impose a price cap on Russian oil to limit Moscow's ability to fund the Ukrainian conflict. The Finance Ministers believe that the cap would also aid in the control of the global energy crisis. The EU has imposed an embargo on Russian crude oil beginning on 5 December. It will apply to tanker-shipped crude and most piped supplies. Russia's major trading partners, China and India, may not follow G7 policy on Russian oil. They have refused to join the Western sanctions against Russia.
- China ordered strict lockdowns in its sixth largest city, Chengdu, last Thursday. As the country grapples with new outbreaks, China's southern tech hub of Shenzhen announced tiered anti-virus restriction measures beginning today, while the southwestern metropolis of Chengdu announced an extension of lockdown curbs.

Oil and Tankers

- Due to strong domestic demand, falling supply, and limited quotas, Chinese refiners were planning to reduce their oil product exports (gasoline, diesel, and jet fuel) in September. Exports were expected to mark a 27% decrease from the estimated exports for August and a 23% decrease year-on-year. However, recent reports indicate higher exports than previously envisaged due to soaring prices. China is now anticipated to export 520,000 b/d, up from 330,000 b/d as expected earlier. To learn more, please subscribe to our Monthly Oil Tanker Market Report.
- Since the Russian invasion of Ukraine, Europe has reduced Russian diesel imports by 130,000 b/d. However, diesel flows from Russia still stand at 750,000 b/d. Europe currently imports around 4 million b/d of crude and products from Russia, including pipeline shipments.
- The increase in crude oil liftings from the Middle East has provided the support for the recent rally seen in VLCC rates. Total Middle East liftings in August rose by 500,000 b/d to 18 million b/d. While westbound trade rose by 600,000 b/d, eastbound liftings remained steady at around 14.5 million b/d.
- Once again, unrest in Libya's capital raised concerns about oil supply last week. Oil prices on the first day of the week ending 2 September surged 4% in the wake of the afore mentioned. However, prices soon reversed on the news that, despite the political unrest in Iraq, export ports will remain open, ensuring uninterrupted trade. Oil prices plummeted by 5.5% to \$91.64/bbl in the case of WTI, while the price for Brent eased \$5.78/bbl to \$99.31/bbl on Tuesday. Prices eased further midweek. WTI lost over \$2/bbl, and Brent fell by \$2.82/bbl. WTI marked a monthly decline of 9% in August – the highest since November 2021. Recessionary concerns and fresh lockdowns in China led to another negative session for oil on Thursday. Oil prices ended the week with marginal gains on Friday. WTI averaged \$86.87/bbl, marking an increase of \$0.26/bbl, while Brent for November delivery rose by \$0.66/bbl to \$93.02/bbl.



Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
		22k mt				100k mt				100k mt
		CPP/UNL				Baltic to	30k mt		270k mt	Crude,
	37k mt	m/distillate	38k mt	280k mt	135k mt	UK-		130k mt W	Ras Tanura	Kozmino to
Description	Cont to	Baltic to	USG to	ME Gulf to	Black Sea /	Cont	Cont	Afr to Cont	to China	Ningbo
Size mt	USAC	UK/Cont.	Cont	US Gulf	Med	100000	30000	130000	270000	100000
Route	Rott - NY	Baltic - UKC	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo	Pacific Russia to China
	WS	WS	WS	WS	WS	WS	WS	WS	WS	\$
24/08/2022	232.22	473.21	154.17	45.28	172.44	218.75	365.00	131.36	80.59	16,25,000
25/08/2022	229.72	467.86	150.83	45.72	188.72	209.69	365.83	131.36	80.64	16,25,000
26/08/2022	224.44	455.00	144.17	45.67	197.78	207.19	366.25	132.27	80.18	16,25,000
30/08/2022	222.78	443.57	149.17	45.00	198.11	206.56	365.83	130.68	78.59	16,25,000
31/08/2022	218.89	419.29	140.83	43.47	196.17	206.56	365.83	128.77	76.27	16,29,167
01/09/2022	208.33	384.29	147.50	43.00	192.89	206.56	367.08	128.41	75.73	16,20,833
02/09/2022	200.56	365.71	163.33	42.61	191.67	203.13	367.08	127.95	75.00	16,16,667

Source: Baltic Exchange

LPG

- In order to increase the calorific value of re-gasified LNG for use in heavy industries and utilities, South Korea will likely search out more LPG in the upcoming months. Sources suggest, South Korea may seek 80,000–100,000 tonnes/month of LPG over the next seven to eight months as customers worry about a repeat of the record rise in gas prices seen in early March. LPG demand for petrochemical production rose 14.4% on the year to 5.22 million tonnes over January-July (52.4% of the total LPG demand), compared with 4.56 million tonnes a year earlier. For more details, please subscribe to our monthly VLGC report.
- An internal analysis by shipowner Dorian LPG reveals that LPG and ethane may be as affordable as conventional marine fuels. Using recent prices for carbon allowances under the EU Emissions Trading System (ETS) and current fuel prices, the New York-listed firm's research determined that the two fuels would be less expensive than both fuel oil and LNG.
- In light of the impact on ammonia trade in the wake of Russia's invasion of Ukraine, which will result from product being sourced from longer haul exporters, and its potential as a carbon-free energy source, LPG carrier operators are looking to ammonia as a source of cargo growth. Small and midsize gas carriers are already gaining from the ammonia market disruption brought on by Europe's energy crisis and the consequences of Russia's isolation, the largest exporter of the fertiliser component in the world.
- Rates on the US Gulf to Europe and Far East trades have shown a steady increase in the last week. On the other hand, rates for the vessels trading from the Arabian Gulf into the Far East remained more or less the same throughout the week.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
24/08/2022	63.50	54.20	99.14
25/08/2022	63.14	55.50	103.57
26/08/2022	62.57	55.80	104.14
30/08/2022	62.43	57.00	106.36
31/08/2022	62.96	57.60	107.43
01/09/2022	63.11	58.40	108.71
02/09/2022	63.29	58.80	109.57

Source: Baltic Exchange

LNG

- The Nord Stream 1 pipeline to Europe will not resume flows on 3 September as scheduled, according to an unexpected announcement made late on Friday by Russian natural gas giant Gazprom. The reason given was equipment maintenance. Considering how Russian supply limits have caused price increases in recent months, the announcement is expected to increase prices across Europe. After a three-day scheduled maintenance, flows were poised to restart early on 3 September at pre-works levels. However, according to Gazprom's announcement, which was made a short time after the day's closing of the European gas markets, no flows along the pipeline can be anticipated for the foreseeable future.
- In the wake of Western sanctions over Ukraine, the Russian government said that the Asia-Pacific region would primarily displace Europe as a destination for natural gas and petroleum exports. As of today, European natural gas prices are 30% up on the day having fallen last week. "The Asia-Pacific region has always been a very important part of both trade and economic relations and in terms of our energy dialogue," said Dmitry Peskov, the spokesperson for Russian President Vladimir Putin.
- Even though LNG bunker prices reached record highs in ports such as Rotterdam in the Netherlands, ship owners continued to place orders for LNG-fuelled vessels in the month of August, according to the European maritime classification society DNV. DNV research claims, there are currently 827 confirmed LNG-powered ships and 229 more ships that are LNG-ready on the orderbook, while LNG bunkering infrastructure was continuing to be developed worldwide.
- Despite falling by 24% from record highs over the past week, the benchmark Dutch Title Transfer (TTF) Facility price for the European Union is still above \$70/million British Thermal Units (BTU), despite the possibility of extremely tight markets and a shortage of commodities as we approach the winter season. According to shipping records, there were 114 LNG cargoes in total lifted from global liquefaction facilities in the week through 4 September - four higher than the previous week. Spot LNG carrier charter rates have also increased.

Chemicals

- A major South Korean shipbuilder has predicted a surge in demand for methanol-fuelled newbuilds. Korea Shipbuilding and Offshore Engineering Chief Executive Ka Sam-Hyun told the Financial Times in London that he expects such orders to increase over the next decade. "Orders for methanol-fuelled



ships will increase sharply for more than ten years, while [liquefied natural gas] burning ships will remain the mainstream for the next two decades," the executive was quoted as saying. The increase is reflected in the numbers, with 50 methanol dual-fuel vessels to be ordered globally before the end of this year. According to the report, 19 methanol dual-fuel vessels were ordered last year. Competition for a share of the nascent market is intensifying between South Korea and China. Building a dual-fuelled methanol vessel is cheaper than one designed to use LNG, as methanol does not require expensive cryogenic bunker tanks and fuel gas handling systems, according to the report.

- Winterthur Gas & Diesel (WinGD) and HSD Engine (HSD) announced today that they will collaborate to develop a carbon-neutral green methanol engine by 2024. The partners intend to expand on WinGD's existing methanol-fuelled big-bore engines. WinGD will oversee combustion and injection research, as well as exhaust after-treatment requirements and engine concept design. According to a press release, Korea's HSD Engine will aid with cost effective manufacturing and assembly, engine testing capabilities, and fuel supply and exhaust after-treatment systems. Methanol is one of the leading candidates to become a key component of the future marine fuel mix as the industry seeks to decarbonize its operations.
- Proman Stena Bulk has claimed the first methanol bunkering operation in South Korea. As part of the operation, the joint venture (JV) between methanol producer Proman and tanker shipping company Stena Bulk bunkered its methanol-powered Stena Pro Patria and Stena Pro Marine with over 2,000 tonnes of methanol. The company correctly identified it as a significant milestone for the industry, with methanol identified as one of the key candidates to be a major marine fuel of the future. "The combination of low-emission methanol and fuel-efficient vessels is an important step toward more sustainable shipping," said Erik Hänell, President and CEO of Stena Bulk.