



RLA Weekly Report – Tuesday, 16 August 2022

No.9

Economy

- In July, the US consumer price index increased by 8.5% year on year, which was a lower annual gain than in June (9.1%) because inflationary pressures subsided as a result of reduced gasoline costs. Similarly, the wholesale price index eased to 13.93% in July from 15.18% in June.
- OPEC, in its latest monthly outlook, has revised down its estimates for economic growth in 2022. The alliance now expects the world economy to grow by 3.1% this year, down from its May estimate of 3.5% citing weaker than anticipated second-quarter growth in the major economies and an observed soft trend in some key economies.

Oil and Tankers

- Crude imports into China remained close to multi-year lows in July as a fallout of China's strict Covid-19 restrictions. In July, imports averaged 8.79 million b/d, up from a four-year low of 8.67 million b/d in June. However, July marked a 10% fall versus July last year. China's apparent demand is expected to remain sluggish in July-August, following a 2 million b/d decline in June to average 13.91 million b/d.
- In July compared to June, onshore crude and product stockpiles increased by 22 million bbls in the US, the EU 19, and Japan. As current market tightness begins to ease, this is the highest month-on-month increase since May 2021. The stock deficit to the 2015-2019 average fell to 223 million bbls, its narrowest in 6 months. July's stock build comprised of 5 million bbl rise in crude stocks and a 17 million bbl rise in products stocks.
- In the week ending 12 August, Oil prices started marking a gain of around 2% as traders got motivated by a draft text to revive the 2015 Iran/US nuclear deal presented by the European Union. Bringing an end to the upward trajectory were the increasing concerns over demand destruction that gripped traders after it was learnt that US crude stocks rose by 5.5 million bbls in the week ending August 5. Brent eased \$0.34/bbl to \$96.31/bbl while WTI settled \$0.26/bbl at \$90.50/bbl on Tuesday. Oil prices recovered mid-week after latest reports suggested that inflation is now increasing at a slower pace and also inflation in the US might have peaked in June at 9.1%. The rally in oil prices continued after the IEA revised upwards its oil consumption forecast for 2022 on Thursday. Oil ended the week marking a fall of around 2% as traders were once again swayed by the bearish sentiment in the market. WTI eased by 2.4% to \$92.09/bbl while Brent lost 1.5% to settle at \$98.15/bbl. However, both WTI and Brent registered a weekly gain on 3.5% and 3.4% respectively.
- The IEA in the latest monthly outlook has made an upward revision to its oil demand estimate for the year. It now expects oil demand to grow by 2.1 million b/d this year versus the July estimate of over 1.8 million b/d for 2022. Demand is being driven up by rising oil use in power generation and the switch from gas to oil.



Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24	
		22k mt CPP/UNL				100k mt				100k mt	
	37k mt	m/distillate	38k mt	280k mt	135k mt	Baltic to	30k mt		270k mt	Crude,	
Description	Cont to	Baltic to	USG to	ME Gulf to	Black Sea /	UK-	Baltic to UK-	130k mt W	Ras Tanura	Kozmino to	
Size mt	USAC	UK/Cont.	Cont	US Gulf	Med	Cont	Cont	Afr to Cont	to China	Ningbo	
Route	37000	22000	38000	280000	135000	100000	30000	130000	270000	100000	
	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	WS	\$
05/08/2022	358.61	501.43	359.17	31.78	178.00	222.19	360.83	127.73	57.45	16,58,333	
08/08/2022	361.94	497.86	341.67	32.17	173.50	222.81	360.83	125.45	57.82	16,50,000	
09/08/2022	358.89	498.21	289.17	32.56	171.61	223.13	361.25	124.09	58.55	-	
10/08/2022	346.94	498.21	219.17	32.78	170.61	223.13	361.25	122.95	59.00	16,50,000	
11/08/2022	340.56	499.64	210.00	34.00	169.56	223.75	361.67	122.50	59.82	16,58,333	
12/08/2022	327.22	499.64	183.33	35.28	169.50	224.38	361.67	122.61	61.09	16,58,333	
15/08/2022	307.50	500.00	175.42	36.28	169.78	224.38	361.25	126.36	64.45	16,50,000	

Source: Baltic Exchange

LPG

- Plans to upgrade Russian logistics firm Oteko's Tamananftegaz terminal on the Black Sea for LPG loading have been approved. Taman port's berth 4 will be upgraded and dredged to enable access for VLGCs of up to 54,000 dwt, the terminal can now accept 24,000 dwt gas carriers at two berths. The upgrade was originally set for completion by October 2023, but sources suggest that it could be delayed. A double-sided rail rack at the terminal can discharge 72 tankcars at once. From just 9,000 tonnes a year earlier, Russian LPG exports from this terminal increased to 80,800 tonnes in the first half of 2022 when rail deliveries to Ukraine were diverted to the facility from late February.
- In May, seaborne propane exports from Canada's west coast increased and outpaced rail supplies to the US overland. Exports from British Columbia's sea terminals operated by midstream companies AltaGas and Pembina, surged to 217,500 tonnes from 127,500 tonnes a year earlier. Looking at year to date (May) data, Canada exported 3.3 million tonnes of LPG during the first five months of this year, representing an increase of 13.8% year on year. Within this, 2.3 million tonnes (71% of the total) were exported to the US.
- Kawasaki Heavy Industries, Ltd. announced that it had completed a contract for the construction of an 86,700 cbm LPG and liquefied ammonia gas (NH3) carrier powered by LPG fuel for Nippon Yusen Kabushiki Kaisha. This is Nippon Yusen Kabushiki Kaisha's fourth LPG/NH3 carrier. Separate cargo tanks on the ship are set up to transport LPG and NH3 simultaneously. With this deal, Kawasaki will build its 78th LPG carrier, 15th LPG-fueled LPG carrier, and 8th LPG/NH3 carrier. Kawasaki plans to complete the construction of the vessels at its Sakaide Works in 2025.
- Last week, VLGC rates eased on two out of the three benchmark routes. Rates for vessels trading from the US Gulf into Europe and Arabian Gulf into Far East, both marked a weekly loss of almost 4% versus a week earlier. There was no significant change in the rates from the US Gulf into the Far East.

VLGC Spot Freight Rates

Route No. Description Size mt	BLPG1 AG-East 44000	BLPG2 USG-Cont 44000	BLPG3 USG-Japan 44000 \$/tonne
05/08/2027	59.29	53.70	94.43
08/08/2027	59.71	54.00	95.43
09/08/2027	59.71	53.80	95.86
10/08/2027	59.57	53.50	95.71
11/08/2027	59.50	52.90	95.29
12/08/2027	58.93	52.10	95.21
15/08/2027	57.14	51.60	94.86

Source: Baltic Exchange

LNG

- The level of LNG storage at which countries will start the winter will be determined by the crucial pre-winter shoulder months of August, September and October. According to ICIS, a commodity research firm, Japan and South Korea purchased a combined 5.5 million tonnes of spot LNG during this period last year. China alone bought an amount that was 1.5 times of this total in 2021. Due to high costs and a faltering economy, it is unlikely that it will be competing for much spot LNG in the upcoming months. ICIS predicted that Japan and South Korea would look to secure slightly more than 5 million tonnes of spot LNG this month, as well as in September and October, assuming that their long-term contract suppliers would not offer much flexibility or uplift. Although this amount is fewer than what the two countries purchased the previous year, it is still close to 80 spot LNG cargoes right before the winter season begins.
- Belgian shipping company Exmar has signed an agreement with Italian energy major Eni for sale of Tango FLNG. Eni will use the facility as part of the natural gas development project in the Marine XII block. With this acquisition, Eni will be able to move the project along more quickly because the FLNG's high flexibility and mobility qualities will contribute to the growth and improvement of the company's equity gas faster than before. Confirming the deal, Exmar said that the value of the transaction is in the range of \$572 to \$694 million.
- A long-term timecharter agreement has been signed with QatarEnergy, one of the biggest LNG producers in the world, by the Japanese shipping giant NYK and its joint venture partners "K" Line, MISC Berhad, and China LNG Shipping (Holdings) Limited. As a result, a shipbuilding agreement for seven 174,000 cbm LNGCs was signed with Hyundai Heavy Industries (HHI). The seven new vessels will transport LNG to worldwide destinations, NYK said.
- As European gas buyers fast-track their facilities in advance of the winter and energy supply concerns, US-listed Exceleerate Energy remains on track to start up a new floating storage and regasification unit-based terminal for Finland and its neighbours in the Baltic in the fourth quarter of this year.



Chemicals

- As a result of several positive factors, SE Asia's palm methyl ester (PME) export volumes are expected to reach new highs in July and August. Crude palm oil (CPO) price declines have resulted in a record low spread between palm oil and gasoil prices. PME and gasoil prices crossed, even though they were over \$700/tonne apart a year ago. The POGO (Palm Oil Gas Oil) spread measures the attractiveness of blending palm biodiesel into fossil diesel. Southeast Asian producers have received inquiries about a global fuel shortage from China, Oceania, America, and Europe. PME production and exports in Indonesia and Malaysia also contributed to higher export volumes, as both countries hoped to reduce high CPO inventory pressure. According to Malaysian Palm Oil Board data, the country's end-July palm oil inventory rose 7.7% from June to 1.77 million tonnes, the highest level in eight months.
- On August 10, Indian Oil Corp (IOC) began operations at its 100 kiloliters per day (kl/day) second generation (2G) ethanol plant in Panipat, northern Haryana state, which cost more than \$113.4 million. When fully operational, the plant is expected to produce around 30 million litres of ethanol from 200,000 tonnes of paddy straw per year. Commercial production at the plant is expected to begin in December, assisting India in meeting its target of blending 20% ethanol with auto fuel by 2025. Twelve collection centres will be established to collect feedstock paddy straws from fields near the plant site. This is also expected to aid in the reduction of pollution caused by the burning of these materials in northern India.
- Indian State-owned oil companies including IOC, Bharat Petroleum Corp Ltd (BPCL), Hindustan Petroleum Corp Ltd (HPCL), and Mangalore Refinery and Petrochemicals Ltd (MRPL) have announced plans to invest Rs100 billion to build 12 2G ethanol plants across the country. HPCL is expected to build four 2G ethanol plants, IOC and BPCL will build three each, and MRPL and the Numaligarh Refinery in Assam will build one each.