



RLA Weekly Report – Monday, 26 September 2022

No.15

Economy

- The US Federal Reserve announced another interest rate hike of 75 basis points last week, while the European Central Bank (ECB) has also raised interest rates by 0.75% - the largest single increase since 1998. The Reserve Bank of India is also expected to increase repo rate by another 0.5% this week.
- Several other Central Banks also raised interest rates last week and the World Bank has warned that “synchronous” rate rises increase the chance of a wider global recession. As it is, the latest PMI data for the Eurozone indicate the region may already be in recession.
- The pound fell by 4.7% versus the dollar to \$1.035 in Asian markets on 26 September, a record low after UK chancellor Kwasi Kwarteng pledged more tax cuts.

Oil and Tankers

- The efficacy of a price cap on Russian oil by the G7 leaders and the sanctions on Russian supplies by the west will remain a concern until steps are simultaneously taken to close regulatory shortfalls in the global shipping industry. Chinese buyers and Russian oil producers are already using the same methods used to transport US sanctioned Iranian and Venezuelan crude around the world. Around 220 tankers are thought to be using deceit to avoid detection of US-sanctioned Venezuelan and Iranian oil shipments, mostly to China and Syria. Over 415 vessels (31 million dwt of tonnage), in the current tanker fleet, are Venezuelan, Iranian, Russian and Chinese flagged. However if tankers owned by companies located in these countries but which are flagged elsewhere are added to the list, the total rises to over 905 vessels (91 million dwt of tonnage). These could be used for transporting oil supplies from Russia, Venezuela and Iran.
- The combined Iranian and Venezuelan volumes are approximately 3.3 million b/d. In August, Iran produces 2.6 million b/d, while Venezuela produced 650,000 b/d. To put that into perspective with Russia: In August, 1.7 million b/d of Russian seaborne crude exports went to the EU, 1.7 million b/d to China, and 1 million b/d to India. According to Bloomberg, Russia’s waterborne crude exports have eased by nearly 900,000 b/d in the two weeks to 16 September, averaging 2.54 million b/d compared to 3.42 million b/d in the week ending 2 September.
- China has reportedly issued this year’s fifth batch of oil product export quotas in response to weak domestic demand. According to sources, the country has granted refiners a total of 15.0 million tonnes of oil product exports, in line with previous expectations. This batch’s quota allocation was said to be as follows: 5.60 million tonnes for Sinopec, 4.00 million tonnes for PetroChina, 2.40 million tonnes for CNOOC, 2.40 million tonnes for Sinochem, and 600,000 tonnes for Zhejiang Petroleum and Chemical.
- Prices edged slightly higher on 19 September as concerns over tight supplies outweighed fears around a slowdown in global oil demand. Brent crude for November delivery rose \$0.65/bbl, or 0.7%, to \$92/bbl, while West Texas Intermediate (WTI) for October delivery was up \$0.62/bbl to \$85.73/bbl,



or 0.7%. Oil prices eased on Tuesday as traders feared further interest rate hikes from the US Federal Reserve and central banks in Europe and Asia to control inflation. WTI and Brent prices eased by more than \$1/bbl to \$84.45/bbl and \$90.62/bbl, respectively. Prices slid mid-week after the US Federal Reserve raised interest rates by another 75 basis points. However, prices eked out miniscule gains on Thursday with Brent adding \$0.62/bbl to settle at \$90.46/bbl while WTI rose by \$0.55/bbl to average \$83.49/bbl. On Friday, prices plunged 5% to an eight-month low as the US dollar rose to its highest level in over two decades and investors worried that rising interest rates would send major economies into recession, reducing demand for oil. Brent fell \$4.31/bbl, or 4.8%, to settle at \$86.15/bbl, down about 6% for the week. WTI lost \$4.75, or 5.7%, to average \$78.74, down about 7% for the week.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
	37k mt Cont to USAC	22k mt CPP/UNL m/distillate Baltic to UK/Cont.	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	100k mt Baltic to UK- Cont	30k mt Baltic to UK- Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China	100k mt Crude, Kozmino to Ningbo
Description	USAC	UK/Cont.	Cont	US Gulf	Med	Cont	Cont	Afr to Cont	to China	Ningbo
Size mt	37000	22000	38000	280000	135000	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	\$
14/09/2022	270.00	328.21	308.33	48.00	182.33	179.69	375.00	135.34	86.32	15,41,667
15/09/2022	284.44	326.79	287.50	49.00	182.83	178.75	375.42	135.34	88.00	15,29,167
16/09/2022	286.94	326.79	232.50	52.67	183.94	179.06	375.00	136.25	99.23	15,25,000
19/09/2023	-	-	-	-	-	-	-	-	-	15,17,500
20/09/2023	300.83	328.57	188.33	53	184.33	180	375.83	136.36	99.91	15,17,500
21/09/2024	302.78	328.21	192.50	53.72	184.06	181.25	375.83	139.77	103.05	15,15,833
22/09/2025	301.67	325.36	245.00	53.72	184.5	181.88	375.83	139.66	103.70	15,10,833
23/09/2026	299.44	325.00	305.83	53.56	184.78	186.25	376.67	139.55	103.82	15,00,000

Source: Baltic Exchange

LPG

- Due to reduced domestic production, increased demand from the autogas industry, and increased demand for re-exports to other regional markets, Thailand's LPG imports have increased significantly this year. During the first eight months of this year, LPG imports into Thailand nearly tripled to 1.22 million tonnes compared to the same time last year. Arabian Gulf arrivals increased to 955,000 tonnes from 369,000 tonnes a year earlier, or about 80% of the total, to meet the large increase in imports.
- In line with lower international assessments, India has lowered its commercial LPG prices for September by 5% month on month to ₹1885 (\$24) for a 19kg cylinder. In Delhi, autogas prices decreased this month from ₹70.27/litre to ₹66.41/litre. Retail prices for a 14.2kg cylinder in the residential market are unchanged at ₹1053. Delhi continues to offer ₹200/cylinder refills for low-income households under the Pradhan Mantri Ujjwala Yojana scheme. The subsidy runs until March 2023.
- Typhoon Muifa, which led to a landslide close to Shanghai on 15 September, led to the suspension of LPG imports and distribution in east China over 13-14 September. However, on 15 September, as the typhoon passed south and its wind speeds significantly decreased, operations largely resumed. Throughout the cyclone, all regional PDH plants remained operational, and propane stocks

were sufficient to offset any effects of the vessel delays. PDH operating rates remained at 71%, but margins shrank to minus \$90/tonne over the week ending 16 September.

- VLGC spot rates on all three benchmarks increased over the week as a result of a ramp-up in demand in the Asia Pacific region and thinning vessel availability. Rates on the Arabian Gulf to Far East route rose from \$69.07/tonne in the week ending 16 September to \$77.79/tonne on 23 September. Likewise, rates on the routes from the US Gulf to Europe and to the Far East rose from \$64.20/tonne and \$118.71/tonne respectively, to \$69.60/tonne and \$127.79/tonne, over the same period.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
	\$/tonne		
14/09/2022	67.57	63.20	116.57
15/09/2022	68.64	64.20	118.43
16/09/2022	69.07	64.20	118.71
20/09/2023	72.57	64.50	119.29
21/09/2024	76.00	66.80	123.29
22/09/2025	77.14	68.80	125.00
23/09/2026	77.79	69.60	127.79

Source: Baltic Exchange

LNG

- As part of a regional tour to promote alternatives to Russian energy, German Chancellor Olaf Scholz visited the Gulf State of the United Arab Emirates, as the result of which German energy supplier RWE has reached an agreement with Abu Dhabi National Oil Company (ADNOC) on LNG supplies. ADNOC has agreed to send the first shipment of liquefied natural gas (LNG) to the "Elbehafen LNG" facility in Brunsbüttel, Germany, which is close to Hamburg. Elbehafen LNG will operate one of the two Floating Storage and Regasification Units (FRSU), that RWE chartered on behalf of the German government. The cargo being delivered by ADNOC will consist of 137,000 cbm of LNG, and it will be the first LNG to be transported via the floating LNG import facility at Brunsbüttel to the German gas market. More cargoes will follow in 2023.
- Germany has been attempting to secure energy imports from sources other than Russia since the latter's invasion of Ukraine. Despite being a relatively small gas exporter, the oil-rich UAE has plans to double its LNG production to 12 million tonnes/year by 2026.
- Poland has inked a gas sales agreement with Equinor, the Norwegian LNG producer and pipeline natural gas provider to Europe, for a 10-year supply of gas via the new Baltic Pipe project. The agreement, which was reached with Poland Oil and Gas Company (PGNiG), is for volumes of around 2.4 billion cbm/year. According to Equinor, the volumes covered by the new, long-term agreement mirrored market prices and were equivalent to around 15% of Poland's typical annual gas consumption.
- A mixed economic recovery, high spot prices, and an increase in pipeline natural gas imports caused a 29% decline in Chinese LNG imports to its network of 22 regasification facilities in August 2022.

Chinese General Administration of Customs data shows that the country's LNG deliveries decreased to 4.72 million tonnes, or 70 cargoes, from 6.65 million tonnes, or 98 cargoes, in August 2021. In addition, imports to regasification terminals dropped significantly from 51.8 million tonnes in the first eight months of 2021 to 40.64 million tonnes from January to August this year, a 21.5% drop.

- India's imports of LNG have dropped by 19% owing to a continued 2022 decline in the nation's LNG deliveries because of a slowing economy, a tighter gas market and the falling value of the rupee against the dollar that makes shipments more expensive. According to preliminary data released by the Ministry of Petroleum and Natural Gas, LNG imports for the month of August to India's network of six terminals totalled 1.75 million tonnes, or 26 cargoes, down from 2.16 million tonnes, or 32 cargoes, in August 2021. The imports for the first five months of the fiscal year—April to August—totalled 9.13 million tonnes as opposed to 10.16 million tonnes during the same period last year, a decrease of 10.1%.

Chemicals

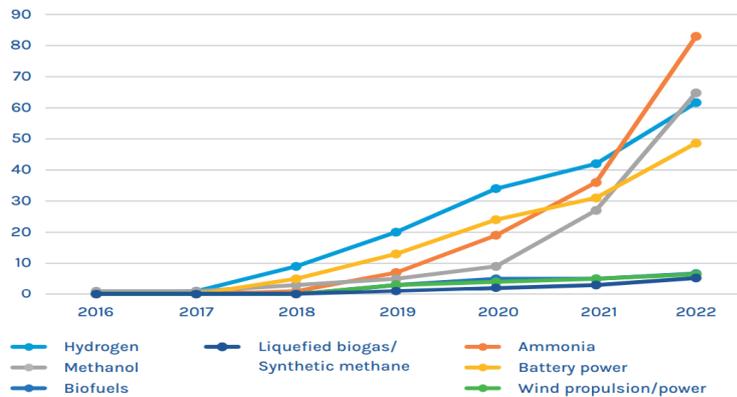
- According to S&P Global Commodity Insights, Brazil's ethanol exports to Europe are on track to establish a new record this year, as international markets appear to be more tempting than home markets. Brazil transported over 427 million litres of ethanol to Europe in the year to August, a 435% increase over the same period in 2021. According to S&P, the South American country is scheduled to export 600 million litres of biofuel to Europe by the end of 2022. Brazil set the previous record in 2010, exporting 477 million liters to the continent. The growth in exports is being driven by the biofuel sector's reaction to decreased pricing in Brazil and growing demand in Europe, which makes exporting overseas more tempting to producers. As gasoline prices rise, demand for the cheaper E10 fuel (gasoline with 10% ethanol) is growing this year in major consuming countries such as Germany, the UK, and Sweden.
- According to a Reuters survey, India's palm oil imports in 2022/23 could increase by 9% from the previous year due to increased local consumption and competitive prices that allow the tropical oil to reclaim its share of the world's largest market. The increased buying might aid leading producer Indonesia in reducing rising inventories, as well as bolster benchmark Malaysian palm oil prices, which have virtually halved from record highs earlier this year. According to the average estimate of nine dealers and one industry official polled on the sidelines of the Globoil conference in Agra, palm oil imports in the next marketing year beginning 1 November might increase to 8.4 million tonnes from 7.7 million tonnes this year. Consumption of edible oil in the country is expected to climb 3.6% to 23 million tonnes next year. Vegetable oil imports are expected to increase in the last quarter of the current marketing year, allowing the country to begin the following season with an opening stock of 2.55 million tonnes, up from 1.7 million tonnes a year ago.

Decarbonisation and Alternative Fuels

- According to the "Climate Action in Shipping" Report, there has been tremendous advancement, particularly in terms of industry and government commitments and positive developments at the International Maritime Organisation (IMO) towards the 2030 decarbonisation goals. The 5% goal can be viewed as a breakthrough needed to rapidly scale the uptake of SZE (scalable zero emission

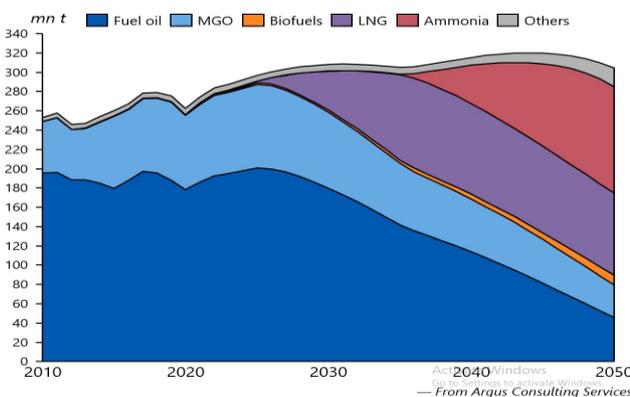
fuels) and achieve zero emission shipping by at least 2050. The following graph from the report represents the pilot project developments in relation to fuel type over the past few years.

Pilot Project Development in Relation to Fuel Type



- There are currently at least 203 pilot and demonstration projects in development for maritime decarbonization. Internationally, progress has been observed regarding bunkering and safety guideline developments. The transition from pilots to SZEF production commitments, investments, and infrastructure development, however, is now a crucial prerequisite. Current estimates place the “total additional capital required for shipping’s decarbonisation at US\$ 1-1.4 trillion, with over 80% of this amount upstream (e.g., associated with infrastructure investment)” the report states.
- The above graph highlights the significance of ammonia as a promising fuel of the future. The two charts below are sourced from Argus Consulting Services and provide an indication of the breakdown of future marine fuel consumption by fuel type. From the second half of the 2030s the consumption of LNG appears broadly unchanged having gradually built to the point. However, it is not clear the extent to which this LNG would be derived from renewable sources. We assume not and that all eLNG would be included in biofuels. The second figure shows the number of ammonia-ready vessels operational and newly ordered.

Marine fuel demand forecast, 2010-2050 (in tonnes)



Number of NH₃-ready vessels operational and newly ordered

