



RLA Weekly Report – Monday, 29 August 2022

No.11

Economy

- Consumer confidence in the UK fell to a record low in August. From minus 41 in July, the total consumer confidence index score for August decreased to minus 44. The economy looks gloomier with inflation growing at double-digit rates (10.1% in July), the worst real wage decline in more than 20 years, a resurgence of strikes, and mounting pressure on public services, which is reflected in the economy's deteriorating confidence.
- As concerns over the European economy were heightened by a further rise in gas prices, the euro fell on Monday (22 August) to its lowest point since 2002. The euro was one of the worst-performing global currencies on the day after falling as much as 1% to \$0.99 in afternoon trading. The Indian rupee plummeted substantially today after the head of the US Federal Reserve said high interest rates would persist for a while to control inflation. The rupee dropped from the previous session's close of ₹79.87 to a record low of ₹80.11 against the US dollar.
- According to the latest reports, almost half of the EU is still experiencing drought conditions, and through November, the weather is expected to remain hot and dry. This will increase worries about agricultural shortages and the availability of electricity in a region which is already witnessing a large decrease in Russian gas shipments. Reports suggest, vegetation and crops were harmed in around 47% of the EU, which was under drought warning conditions, and in 17% of the region, which was under drought "alert."

Oil and Tankers

- Oil prices eased on the first day of the week ending 26 August. WTI prices for September delivery eased \$0.54/bbl to \$90.23/bbl and Brent prices fell by \$0.24/bbl to settle at \$96.48/bbl. On Monday, traders were also provoked by Saudi Arabia's comment that the group might introduce production cuts to fix the disconnect between crude fundamentals and crude prices. A lingering effect of the news was seen on Tuesday as well, as prices hiked over \$100.2/bbl in the case of Brent—marking an increase of \$3.74/bbl, while WTI jumped \$3.38/bbl to settle at \$93.74/bbl. Oil prices continued their upward trajectory as prices were supported by falling US inventories and the increasing prospects of Iran getting closer to the nuclear deal. WTI and Brent rose to \$94.89/bbl and \$101.22/bbl on Wednesday. In the wake of the Federal Reserve announcing persistent interest rate hikes in the future to control inflation, oil prices eased on Thursday. Prices ended the week with a mixed session on Friday. Brent prices for October settlement rose by \$1.65/bbl, whereas WTI fell by \$0.54/bbl to \$93.06/bbl.
- In the week ending August 19, benchmark VLCC earnings for vessels without scrubbers soared to over \$40,000/day—the highest in the last 20 months. Earnings have been either negative or below fixed costs for most of the said period. Reports suggest higher VLCC fixture volumes from the US Gulf and West Africa and an increase in employment on voyages from the Americas to Europe.



- The EIA reported a fall of almost 3.3 million bbls in US crude oil inventories in the week ending 19 August versus a week earlier. Gasoline stocks marked a minuscule decline and remained close to 215.6 million bbls in the week ending 19 August. Distillate stocks also fell to 111.59 million bbls from 112.25 million bbls over the same time period.
- Total products imports from the US rose to 2.29 million b/d in the week ending 19 August from 1.84 million b/d in comparison with a week earlier. Similarly, products exports increased from 5.7 million b/d to 6.9 million b/d.

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	
Description	37k mt Cont to USAC	m/distillate Baltic to UK/Cont.	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	Baltic to UK- Cont	30k mt Baltic to UK- Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China	Crude, Kozmino to 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	WS	\$
18/08/2022	248.33	500.00	150.83	46.17	172.50	222.19	362.08	135.00	80.95	16,41,667	
19/08/2022	234.17	500.00	151.67	46.33	172.78	221.25	362.50	133.64	80.41	16,41,667	
22/08/2022	230.56	495.71	157.50	45.72	172.22	220.00	362.92	132.00	79.64	16,25,000	
23/08/2022	231.39	482.86	157.50	45.17	172.22	219.69	362.08	131.55	79.64	16,25,000	
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	

Source: Baltic Exchange

LPG

- SHV Energy has signed a second agreement for a future LPG import facility in the southern region of Brazil through its Brazilian subsidiary Supergasbras. The terminal would be located in the Coamo Port in the Santa Catarina municipality of Itapoá. The agreement was reached six months after SHV Energy and Porto do Pecém in Brazil's Northeast Region agreed to conduct research about the potential development of an LPG storage terminal there.
- Kenya has completed the construction of a 770-meter jetty that will enable large vessels to stop at the port and has since launched its renovated Kipevu Oil Terminal in Mombasa. According to Kenya's energy ministry's petroleum commissioner, Martin Heya, vessels up to 200,000 dwt carrying crude, oil products, and LPG would be allowed to load and discharge at the jetty. The new jetty will help the nation save more than \$1 million/year on demurrage expenses.
- Rates on the Arabian Gulf – the Far East and the US Gulf – Europe have seesawed through the entire week to average \$62.83/tonne and \$53.83/tonne, on 26th August. On the other hand, rates for the vessels trading from the US Gulf into the Far East have increased gradually over the same time period.

VLGC Spot Freight Rates

Route No. Description Size mt	BLPG1 AG-East 44000	BLPG2 USG-Cont 44000	BLPG3 USG-Japan 44000 \$/tonne
18/08/2022	61.29	52.30	92.43
19/08/2022	62.57	52.40	92.86
22/08/2022	63.14	53.50	93.71
23/08/2022	63.57	53.10	96.50
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

Source: Baltic Exchange

LNG

- The construction of the Pluto Train 2 project has been initiated by the Australian oil and gas developer Woodside Energy and the engineering firm Bechtel. The Lake Charles LNG project will provide the LNG for delivery. Energy Transfer LNG will provide Shell with 2.1 million tonnes of LNG annually as per the terms of the SPA. The LNG will be supplied on a free-on-board (FOB) basis and the purchase price will be indexed to the Henry Hub benchmark, plus a fixed liquefaction charge. The first deliveries are anticipated to start in 2026. Only until a few requirements have been met, such as Energy Transfer LNG making a final investment decision (FID) on the project, will the SPA become completely effective.
- A wage agreement between Shell and the Australian unions that represent the workers at the "Prelude" FLNG facility has finally been struck. Last month, the energy giant shut down this FLNG, which produces 3.6 million tonnes of LNG annually, and informed its customers that it would be unable to deliver LNG while there was protected industrial action, or strikes, authorised by Australia's Fair Work Commission over a wage dispute. No timeframe for starting up production or starting up the FLNG's shipments was provided.
- Developers and producers of liquefied natural gas (LNG) in North America have agreements to sell 48 million tonnes of LNG this year, which will eventually increase exports by 60% from current levels, albeit much of the output is still years away. As a result of the war in Ukraine, demand for LNG is increasing and prices are at their highest level in at least 14 years. In an effort to move away from Russian gas, buyers in Europe have turned to the West, while Chinese buyers are now signing long-term arrangements. New gas-export plants are being developed across the United States, and Mexico and Canada are poised to join as significant gas exporters, with plants proposed for their west coasts. Over a dozen additional LNG export facilities could be approved for funding by 2023, adding to the eight that are now under construction in North America. It's possible that not all supply agreements will be carried out because some buyers have secured supplies from plants whose development has not yet been authorised.
- As rising spot LNG prices continue to discourage purchases in Asia, LNG imports into India fell by 2.7% in July, marking the 11th consecutive month of declines. According to data released by the Ministry of Petroleum and Natural Gas, the amount of LNG imported into India's network of six terminals in July was 1.90 million tonnes, or 28 cargoes, down from 1.95 million tonnes, or 29 cargoes,

in the same month in 2021. Shipments fell from 2.00 million tonnes in June 2021 to 1.81 million tonnes in June 2022.

- The US Department of Energy released its most recent monthly data on LNG exports, showing that European countries and Argentina were the top destinations. Spain surpassed China in terms of cargo volume, while France surpassed the UK. For a third month in a row, Semptra's Cameron LNG plant in Louisiana shipped the most expensive cargoes. According to the DoE statistics that were recently released for June 2022, 98 US cargoes were delivered, as opposed to 114 the month before and 91 shipments in June 2021.

Chemicals

- Argentina's government will extend its 12.5% biodiesel blend rate as part of its efforts to offset the high cost of imported fossil fuels, after raising the upper threshold from 5% in June, according to the country's energy minister in a social media post. The move is likely to result in less soybean oil available for export, but it is unlikely to have an immediate impact on biodiesel exports to Europe. That's because arbitrage opportunities for the soy oil-based biofuel have already dwindled for the rest of 2022, according to a GAIN report released earlier this month by the US Department of Agriculture. The USDA's Buenos Aires station forecasted soybean oil consumption in biodiesel to be 1.85 million tonnes in 2022, 7% higher than in 2021, based on the first 60 days of the increased blend rate. With Argentina's government signalling that the higher blend rate will be extended, soybean oil demand in biofuel blending is expected to exceed 2 million tonnes this year.
- Biodiesel imports into the United States remained stable between 2020 and 2021, at 674,000 and 681,000 tonnes, respectively. Imports totaled 351,000 tonnes in the first half of this year, a 21% increase year on year. In line with rising domestic production, US biodiesel exports increased by 26% from 487,000 tonnes in 2020 to 612,000 tonnes in 2021. Exports were reported at 537,000 tonnes in the first two quarters of this year, a 63% increase over the same period last year.
- Lotte Chemical, a South Korean petrochemical producer, intends to continue investing in various production capacities, including chemical recycling, despite forecasting a bleak third-quarter outlook for the petrochemical industry. This comes after its basic chemicals unit reported a loss of 8 billion South Korean won (\$6.13 billion) in the second quarter, compared to a profit of W326 billion in the previous year. According to the company, the loss was caused by weak global demand and a significant increase in feedstock costs. Lotte Chemical also said that maintenance at its 1.2 million t/yr cracker in Yeosu from 9 May to 23 June impacted production during April-June. It forecasts that global demand will continue to deteriorate due to inflation and a resurgence of Covid-19 cases.