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No.42

OPEC+ Announces Surprise Production Cut of 1.16 million b/d.

Economy

- Consumer Price Inflation in China for February came in at 1.0%, below market estimates and down from January's 2.1%. This was the lowest since February 2022. While the Chinese New Year may have partially affected the data, other factors like a sluggish real estate market, falling global energy prices, and lax wage pressures are all likely to have contributed.
- Despite social unrests related to the pension reforms in France, business sentiment barely changed in March. The business climate in France dropped marginally in March, to 103 from 104 in February. The index has been fairly constant since June last year, varying between 102 and 104, and is still above its long-term average. The dip in March can be attributed to business leaders' slightly lower optimism about recent and anticipated activity across all industries. Nevertheless, order books in industry are still expanding, despite a dramatic decline in retail order intentions in commerce.

Oil and Tankers

- Chinese apparent product demand, which is calculated by refinery production minus net trade in refined products, surged by 440,000 b/d from December to 15.8 million b/d in January and February. According to Vortexa, crude oil arriving this month traded primarily after Beijing dropped its lockdown policy and may reach a 26-month high of more than 11.5 million b/d.
- The EU's imports of diesel and gasoil fell to 375,000 tonnes in the week ending on 24 March, dipping below 500,000 tonnes for the first time since 2016 according to Vortexa. Since the EU's ban on Russian goods went into force on 5 February and cut out the country's once-largest supplier of fuel and gasoline, imports have gradually eased. Most of the imports for the past week came from Saudi Arabia and India. While Saudi Aramco sent a shipment to the Canary Islands, which also serve as a centre for re-exports to west Africa, the Indian company Reliance Industries also sent two shipments.
- On Sunday, Saudi Arabia and other OPEC+ oil producers unexpectedly announced additional cut to oil production of about 1.16 million b/d. Saudi Arabia announced a reduction in output of 500,000 b/d. The voluntary cuts start in May and continue through the end of the year. Iraq will decrease its production by 211,000 b/d, as per a government announcement. The UAE declared a 144,000 b/d reduction in production, Kuwait a 128,000 b/d reduction, and Oman and Algeria are expected to cut output by 40,000 b/d and 48,000 b/d, respectively. Kazakhstan will lower production by 78,000 b/d as well.
- The construction of a new refinery with a capacity of 300,000 b/d in Panjin City, located in Liaoning Province in northeastern China, has been approved by the Chinese government for Saudi Arabia. The refinery is expected to be fully operational by 2026, with Saudi Aramco providing 210,000 b/d of crude to the refinery. In exchange, Saudi Arabia will purchase a 10% stake in one of China's largest refineries, Rongsheng Petrochemical. As part of the agreement, Saudi Arabia has secured a 20-year

contract to supply 480,000 b/d of crude oil to Rongsheng's 800,000 b/d refinery in the eastern province of Zhejiang. Saudi Arabia has been striving to enhance its influence in China for several years, and in 1996, it acquired a 25% share in a refinery located in Fuijan Province, Southeast China, which is situated opposite Taiwan.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC20	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37k mt Cont to USAC	Clean Algeria to Euro Med	Clean ME Gulf to UK-Cont.	AG/UK Cont	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	30k mt Baltic to UK-Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China
Size mt	37000	30000	65000	90000	38000	280000	135000	30000	130000	270000
Route	Rott - NY	Skikda-Lavera	Jubail-Rott	Jubail-Rott	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo
	WS	WS	WS	$	WS	WS	WS	WS	WS	WS
24/03/2023	262.78	450.63	56.73	4653571.00	111.25	60.83	181.50	283.33	140.93	90.36
27/03/2023	263.33	450.00	56.41	4682143.00	113.33	59.78	179.61	280.00	140.45	89.09
28/03/2023	263.61	451.88	56.79	4607143.00	117.50	59.00	176.56	277.50	139.50	87.77
29/03/2023	281.11	454.06	57.56	4589286.00	114.17	57.28	167.39	274.58	139.23	84.27
30/03/2023	293.89	454.38	58.46	4539286.00	110.83	55.17	166.33	270.00	139.73	80.05
31/03/2023	294.17	454.38	58.46	4525000.00	120.83	54.67	166.39	269.58	138.82	79.36

Source: Baltic Exchange

LPG

- A State-controlled Saudi firm, Saudi Aramco, has reduced the Contract Price (CP) of propane for April by $165/tonne from a month ago to $555/tonne. This comes after front-month ICE Brent oil prices fell by 4.9% during that period. The April butane CP was also set lower at $545/tonne, down by $195/tonne on the month. The monthly declines could be linked to both waning seasonal demand from northeast Asia and increased supply from the Mideast Gulf region in April after maintenance at Saudi Arabia's Yanbu and Ruwais ports was completed.
- Domestic LPG consumption in Japan is expected to stay below pre-Covid-19 levels at least until the March 2026–2027 fiscal year, according to Japan's economy, trade, and industry ministry, Meti. Despite a steady rebound since 2020, consumption is predicted to remain at about 13 million tonnes/year between 2022 and 2027, down from 14 million tonnes/year before the pandemic, Meti said at the International LPG Seminar in Japan on 7 March. The effort to reduce carbon emissions could pressure demand, with Meti predicting that over the following three to four years, domestic LPG use will gradually decrease and that autogas sales will only slightly increase.
- At Japan's Kawasaki Heavy Industries (KHI), Kumiai Navigation has placed an order for a dual-fuelled very large gas carrier (VLGC). The Japanese shipbuilder announced that the 86,700-cbm vessel will be built at its Sakaide yard and will be delivered in 2026. The latest deal, according to KHI, brought Kumiai's total number of orders for dual-fuel VLGC newbuildings at the shipyard to three. The latest newbuild will be equipped with distinct cargo tanks designed to transport LPG and

liquefied ammonia gas (NH3) at the same time, just like the earlier two ships, which are expected to be delivered in 2025.

- Spot freight rates for VLGCs on all three benchmark routes fell significantly over the week amid increasing vessel availability. Rates on the Arabian Gulf to the Far East fell by $21.71/tonne to reach $64.43/tonne by the end of the week. Similarly, rates from the US Gulf to Europe and from the US Gulf to the Far East eased by $12.80/tonne and $33.86/tonne, respectively, to reach $62.80/tonne and $99.43/tonne over the same period.

VLGC Spot Freight Rates

Route No. Description Size mt	BLPG1 AG-East 44000	BLPG2 USG-Cont 44000	BLPG3 USG-Japan 44000 $/tonne
24/03/2023	88.29	78.20	137.29
27/03/2023	86.14	75.60	133.29
28/03/2023	84.14	73.20	125.71
29/03/2023	73.86	66.40	109.86
30/03/2023	69.29	62.00	98.00
31/03/2023	64.43	62.80	99.43

Source: Baltic Exchange

LNG

- According to data from Barcelona's port, shipments of LNG by sea to Italy increased 17-fold in 2022 compared to the previous year, and exports in the first two months of 2023 alone accounted for 45% of last year's volume. Italy accounted for 61% of Barcelona's seaborne LNG shipments in 2022, which increased by 36.5% from 2021 and totalled 316,831 tonnes. The amount of LNG exported to Italy increased from zero in 2020 to 11,391 tonnes in 2021 before rocketing to 194,574 tonnes in 2022. Shipments to Italy in the first two months of this year totalled 89,222 tonnes, which is almost half of all shipments in 2022.

- Cheniere seeks permit for latest midscale expansion of Corpus Christi LNG plant. The largest US LNG exporter officially requested the Federal Energy Regulatory Commission (FERC) to approve the project by 27 September 2024 so that the company may begin construction shortly after that. The company informed US regulators that the construction of two midscale liquefaction trains at Cheniere Energy's Corpus Christi LNG export facility, which would increase output capacity by 3.28 million tonnes/year, has already received the financial backing required.

- Asian spot LNG prices fell to their lowest level since early July 2021 as weak demand and substantial northeast Asian stocks continued to put downward pressure on prices while Europe prepared to leave winter with record inventories. The average LNG price for May deliveries to northeast Asia was $12.50/mmBtu, a decline of $0.50 or 3.8% from the previous week. Prices have dropped more than 82% since the peak in August 2022 at $70.50/mmBtu, and by 55% year to date.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan $/day
21/03/2023	70697	48948	55656
24/03/2023	68515	46834	55740
28/03/2023	67204	46170	53075
31/03/2023	64330	42562	50295

Source: Baltic Exchange

Chemicals

- Neste, a Finnish oil business, has decided to charter two low-emission tanker newbuilds from Sweden's Terntank. The shipowner has ordered three 15,000-dwt methanol and wind-powered product carriers from China Merchants Jinling Shipyard for delivery in 2025 and 2026. The first of these was fixed earlier in March by North European Oil Trading (NEOT), while Neste has now taken the other two.
- The tankers are designed to transport a wide range of liquid cargoes, including renewable raw resources such as waste and residue oils and fats, to Neste's refineries. While renewable diesel and sustainable aviation fuel (SAF) will be loaded for shipment at Neste's facilities.
- Union Maritime, a company based in the United Kingdom, is reported to have signed a deal with China's Fujian Mawei Shipbuilding for up to eight 18,500-dwt chemical tanker newbuilds. According to shipbuilding sources, the low-profile shipping business has engaged the Chinese shipyard to construct four firm IMO-2 tankers for delivery in 2025. The agreement included an option for four additional ships.
- The newbuildings are said to be fueled by regular marine fuel but are methanol ready. The company is thought to be paying at least $30 million for each ship. According to shipbuilding sources, a couple more newbuilding contracts for this ship type will be signed in the coming weeks. According to them, the interest in IMO-type chemical tanker newbuildings is being driven by demand from oil companies wishing to charter the ships. They stated that new chemical tankers in this range are required because most of the present fleet was ordered in the mid-2000s. These vessels do not reach the lowest Carbon Intensity Indicator ratings and will not comply with the Energy Efficiency Existing Ship Index.
- Norden, a long-time backer of biofuel bunkers for its owned vessels, said last week it had completed the first biofuel bunkering on one of its chartered vessels. Together with shipowner Spar Shipping, approximately 1100 tonnes of biofuel were supplied by GoodFuels in Rotterdam to be used on two voyages bound for Asia and Africa, respectively.
- Maersk Oil Trading (MOT) reported last week that it had completed its first biofuel bunker supply in the Mediterranean. MOT stated on its LinkedIn account that the 5400 TEU capacity Maersk Ganges lifted an unspecified quantity of fuel at Algeciras today. "This is an important milestone in our continuous commitment to a more sustainable future for the maritime sector," MOT said. Biofuel

bunkering activity has expanded dramatically in recent years as an increasing number of operators opt to undertake biofuel bunker tests as part of an endeavor to minimise GHG emissions. Biofuel is one of the few ways ships can achieve this today on a net-emissions basis without necessitating ship changes.

- India's speciality chemicals sector, which is now undergoing expansion by significant firms, is expected to grow rapidly in the next few years. According to research conducted by management consulting company McKinsey & Co. and industry organisation Indian Chemical Council, India may have a 10-12% share of the global chemicals market by 2040, expanding from $170 billion-180 billion in 2021 to $850 billion -1000 billion by 2040. (ICC).
- According to the report, the speciality chemicals segment is projected to be a primary driver of this expansion, and only speciality is expected to be a net exporter by 2040, out of the three major categories of the chemical sector (inorganic, petrochemicals, and speciality). "By 2040, its net exports are predicted to more than double, from about $2 billion in 2021 to $21 billion," according to the report issued on 1 March.
- Agrochemicals, dyes and pigments, cosmetics and personal care, and food component chemicals are estimated to account for over 80% of speciality chemical exports. While the agricultural and pharmaceutical industries have continued to develop, companies in the dyes and pigments, automotive, flavours and fragrances, and plastics sectors have suffered a downturn in demand.
- Market participants indicated that recessionary conditions in major European and US markets, as well as high raw material and shipping costs, had hindered demand growth, but that demand will increase over the following two years. The recent reopening of the Chinese economy will guarantee that demand remains dynamic for at least the next few months, and these events have influenced supply and demand for important intermediates. Notwithstanding the current slowdown in demand, most speciality chemical firms in India have been adding capacity in recent years, and producers anticipate a surge in growth once the new capacities come online.
- Saudi Arabia's petrochemical giant SABIC intends to construct its first chemical recycling plant in Europe in the fourth quarter, while it seeks more collaboration partners in Asia to promote wider acceptance of recycled plastics, according to a company official. “Our world-first advanced recycling unit to upscale production of SABIC's certified circular polymers from mixed and used plastics is expected to complete in Q4 2023”, SABIC vice president for south Asia Janardhanan Ramanujalu told ICIS, referring to the pyrolysis-based chemical recycling unit in Geleen.
- The plant, which will have a capacity of up to 20,000 tonnes/year, will utilise mixed plastic waste as a feedstock source. SABIC, which is 70% owned by Saudi Aramco, aims to process 1 million tonnes/year of plastic by 2030 to manufacture TRUCIRCLE sustainable polymers. SABIC is considering a larger-scale project with a processing capacity of roughly 200,000 tonnes/year, as well as additional initiatives in Saudi Arabia, including a smaller-scale chemical recycling facility.