



## RLA Weekly Report – Monday, 12 September 2022

No.13

### Economy

- Russia's First Deputy Prime Minister on Monday reported that the Russian economy will contract by less than 3% in 2022—a much smaller contraction than initially anticipated. This is in comparison with the latest IMF estimate of a GDP contraction of 6% for this year. The IMF expects the Russian economy to contract by 3.5% next year.
- The Consumer Price Index in India rose to 6.9% in August from 6.71% in the previous month. This is expected to put pressure on the Reserve Bank of India to hike interest rates more aggressively in the coming months.
- US President Joe Biden's administration intends to enact stricter safety regulations for refineries and other industrial facilities with a higher risk of chemical leaks and explosions. According to the US Environmental Protection Agency (EPA), the regulations will cost the affected industries about \$77 million/year, but they will cut an estimated \$477 million in damages to the plants and the communities around them.

### Oil and Tankers

- Oil prices gained on the first day of the week ending 9 September, as OPEC+ announced a miniscule production cut of 100,000 b/d in October. Brent marked an increase of almost 3%, while WTI prices rose by 2.3% on Monday. Market sentiment once again oscillated towards increasing recessionary concerns due to the expected economic slump in China. Oil prices reported a mixed session, with the WTI price increasing by 1% while, on the other hand, Brent marked a fall of \$2.91/bbl. Prices plunged in the middle of the week as reports indicated that extended lockdowns in China were negatively impacting fuel demand in the country. China's transportation ministry reported a fall in traffic congestion at the end of August. WTI slid \$4.94/bbl to \$81.94/bbl and Brent prices sank by \$4.83/bbl to settle at \$88/bbl. Contrary to what logic dictates, oil prices on Thursday recovered despite signs of waning demand and increasing US crude inventories. Finally, prices recovered 4% on Friday. Brent increased by \$3.69/bbl to \$92.84/bbl, while WTI increased by \$3.25/bbl to \$86.79/bbl.
- The latest reports suggest, severe than anticipated energy crunch in Europe this winter. Total flows of Russian seaborne crude oil surged to 3.32 million b/d in the week ending 2 September, up from 2.95 million b/d a week earlier.
- In contrast, Russian crude flow into Asia fell to around 1.6 million b/d in the four weeks to 2 September, down from more than 2.1 million b/d in April and May.
- Saudi Aramco lowered the price of its key Arab Light grade to \$5.85/bbl (above the Middle East benchmark) for October's shipments to Asian refineries. The price marked a fall of \$4/bbl versus September.



- The EIA has made a downward revision to its domestic oil production forecasts for 2022 and 2023 to 11.8 million b/d and 12.6 million b/d from its last month's estimates of 11.9 million b/d and 12.7 million b/d, respectively.
- Latest reports have revealed that Russia now contributes to 12% of India's overall crude imports – a six-fold increase in the last few months.

### Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9 22k mt CPP/UNL	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
Description	37k mt Cont to	m/distillate Baltic to	38k mt USG to	280k mt ME Gulf to	135k mt Black Sea / Med	100k mt Baltic to	30k mt UK- Baltic to	130k mt W Afr to	270k mt Cont to	Crude, Kozmino to
Size mt	USAC 37000	UK/Cont. 22000	Cont 38000	US Gulf 280000	Med 135000	Cont 100000	Cont 30000	Cont 130000	to China 270000	Ningbo 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	\$
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
05/09/2022	200.00	368.57	-	41.56	190.50	200.31	366.67	126.88	73.40	16,12,500
06/09/2022	215.56	355.00	158.33	41.00	188.89	187.50	367.92	126.59	70.73	16,08,333
07/09/2022	228.33	351.43	170.83	39.94	185.44	185.00	370.00	125.91	67.05	16,08,333
08/09/2022	231.94	347.14	183.33	40.72	181.56	181.56	371.25	125.00	70.64	16,08,333
09/09/2022	233.33	341.43	190.83	44.67	176.11	181.25	371.25	126.45	79.59	16,08,333

Source: Baltic Exchange

### LPG

- In the first seven months of this year, China imported 14.7 million tonnes of LPG, representing a 3% increase year on year. Within this, propane imports rose by 4% to 11.5 million tonnes, and butane imports by 0.3% to 3.2 million tonnes. While the usage of LPG as a fuel declined, there was an increase in demand for propane from the propane dehydrogenation industry and for butane for the gasoline component MTBE. To read more, please refer to our latest monthly VLGC report.
- In Shandong province's Zibo, the new 250,000 tonne/year PDH plant of private Chinese petrochemical manufacturer Shandong Huifeng Haiyi Petrochemical has begun operations. The nearby Shandong ports in east China will provide imports of feedstock propane for the PDH facility. The PDH unit is operating at about 60% of capacity, according to sources close to the company.
- State-controlled Saudi Aramco has lowered its monthly LPG contract prices (CP) on low Asia-Pacific demand owing to summer seasonality and weak petrochemical margins, as well as increasing Middle East supply. Propane and butane's September CPs both fell by \$20/tonne to \$650/tonne and \$630/tonne, respectively. On the other hand, Mt Belvieu prices for propane fell to \$568/tonne in early September from an average of \$575/tonne in August while that for butane over the same periods rose to \$520/tonne from \$485/tonne.
- Exmar LPG and Hyundai Mipo Dockyard (HMD) have agreed to a newbuilding agreement for up to four, 46,000 cbm midsize gas carriers (MGC). The agreement was announced at the South Korean

shipyard by Jens Ismar, executive director of Exmar, who also said that the company's newbuildings would be LPG dual-fuel vessels.

### VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
01/09/2022	63.11	58.40	108.71
02/09/2022	63.29	58.80	109.57
05/09/2022	63.36	59.40	110.57
06/09/2022	63.43	59.80	110.79
07/09/2022	63.50	60.30	111.86
08/09/2022	63.71	60.60	112.14
09/09/2022	64.79	61.20	112.71

Source: Baltic Exchange

### LNG

- A client in Africa has placed an order with Daewoo Shipbuilding & Marine Engineering (DSME) for seven LNG carriers valued at approximately 2.04 trillion won. These ships are expected to be delivered to the client by February 2026. Although DSME withheld the name of the clients, many insiders in the sector believe that the order was associated with Qatar's LNG project. In relation to the Qatar project, DSME has thus far secured a total of 11 LNG carriers. Meanwhile, Samsung Heavy Industries also announced on 6 September that it has received orders for four LNG carriers, two each from a shipping company in Bermuda and a client in Africa, that are scheduled to be delivered by 25 September. The four ships are valued at 1.16 trillion won.
- Timipre Sylva, Nigeria's oil minister, stated this week at the Gastech conference in Milan that Nigeria will be able to export more LNG to Europe by next winter. The minister said that while security concerns are now delaying exports of more gas, Nigeria will develop a gas pipeline through Algeria to Europe as the continent searches for alternatives to its diminishing supplies of Russian gas. Nigeria will soon take the final decision over the investment to build the infrastructure, the minister said, adding that the project is likely to cost more than \$10 billion.
- Energy ministers from the bloc met on Friday (September 9) in Brussels. They scrapped plans to cap Russian gas prices after the idea failed to win broad support. Members of the European Union who still purchase gas from Russia in Central and Eastern Europe feared retaliation from Moscow. Vladimir Putin, had threatened to completely cut off supply if a cap was put in place.
- The Dutch Title Transfer Facility (TTF) price fell below recent highs and decreased by 9.2% in the week ending 9 September, reaching the equivalent of \$64.55 per MMBtu, a significant decline from the previous week's price of \$71.10 per MMBtu.

## Chemicals

- China's biofuel policy has waned as a priority for the People's Republic of China (PRC), and investment in the field has fallen. USDA forecasts that China's ethanol blend rate in 2022 will be 1.8%, down from 2021 and significantly below the peak blend rate of 2.8% eleven years ago. Fuel ethanol usage is expected to be 3.8 billion litres in 2022, a decrease of 164 million litres from 2021 due to regional Covid-19 lockdowns, which result in less gasoline consumption in existing E10 pilot zones. Due to a phase of profitability early in the year and minimal imports, ethanol output is expected to expand to 3.8 billion litres in 2022, up 383 million litres from the previous year. China's 2022 biodiesel production is expected to be 2.4 billion liters, up more than 32% from 2021 due to a rise in export demand, virtually entirely to the EU. Domestic biodiesel blending rates continue to be limited, with no mandates other than one local B5 programme.
- Zuari Industries Limited has signed a Memorandum of Understanding (MoU) with Envien International Limited, Malta (EIL) and Zuari Envien Bioenergy Private Limited (ZEBPL) to build and operate a biofuel distillery, as well as explore organic and inorganic business opportunities in the biofuel space in India. To achieve this goal, the company and EIL have agreed to form a 50:50 joint venture to design, build, commission, and manage a 150-kiloliter per day (KLPD) ethanol distillery that will be sold to Oil Marketing Companies (OMCs) to meet their blending demands. Based on market demand, the distillery will be able to adjust the product mix and generate Extra Neutral Alcohol (ENA) or any other suitable product.
- Danish shipping powerhouse AP Moller-Maersk is about to place orders for up to ten more methanol dual-fuel neo-panamax container ship newbuilds and has begun work with shipyards on a similar number of 2,500-teu boxships. The shipowner is thought to be working on the project alongside Hyundai Heavy Industries, however, this has yet to be confirmed. The five new buildings are slated to be completed in 2025. Maersk has opted to champion methanol as its future fuel of choice and is not stopping with this ship size. Maersk received shipyard offers for up to ten 2,500 teu container ships in the last week of August, according to newbuilding brokers. Brokers indicate that these will consist of five firm ships and a similar number of alternative ships.