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No.25

Russian gas continues to arrive in record quantities by sea in Europe.

- Surprisingly the Manufacturing PMI for Germany rose in November from 45.1 in October. Nevertheless the preliminary reading of 46.7 for the S&P Global/BME Germany Manufacturing PMI in November 2022 has been revised down to 46.2. This indicates a little sharper loss in factory activity than first thought, continuing the slide for a fifth consecutive month. High oil prices, increasing inflation, and a hazy economic outlook continue to weigh on demand.
- In November, India's services sector continued to develop, registering the strongest output gain in three months. The PMI for the services sector increased from 55.1 in October to 56.4 in November because of an increase in output and job creation.
- Following a wave of unprecedented demonstrations last month, at least a dozen Chinese cities have loosened COVID-19 regulations, with Shanghai becoming the final city to drop tests for public transportation and Urumqi reopening malls and restaurants for the first time in months.

Oil and Tankers

- On 5 December, in an effort to limit Moscow's capacity to fund its conflict in Ukraine and maintain stability on the world oil market, the Group of Seven countries, Australia, and the 27 member states of the European Union imposed a price ceiling of $60/bbl on Russian crude oil transported by vessels. Aiming primarily to give third-party nations the option to continue purchasing Russian crude oil if the transaction is at or below the price cap threshold, the price cap comes on top of an EU prohibition on buying seaborne Russian crude oil. Beginning in mid-January, the price cap will be examined every two months to ensure that it stays at least 5% below the average price for Russian oil as calculated by the International Energy Agency. A cap at $60/bbl would seem to loosen the reins on supplies of medium-sour Urals as cargo prices were less than $50/bbl on 2 December. All in all, the cap seems inconsequential as over the past two weeks India and other important buyers were already purchasing Russian crude at a price close to $55/bbl.
- OPEC+ agreed to stick to its planned oil production output at the Sunday meeting as the oil market struggled to understand the effects of a slowing Chinese economy on demand and a G7 price ceiling on Russian oil on supply. OPEC+ agreed to cut production by 2 million b/d starting November this year through to end 2023, as a result of a dimmer economic outlook. Oil prices have fallen since October because of slower Chinese and global growth as well as rising interest rates which has led the market to speculate that the group may reduce output once again.
- OPEC's oil production dropped In November. OPEC oil production eased to 29.01 million b/d in November, marking a fall of 710,000 b/d versus the previous month. OPEC's output in September was the highest since 2020. The group made its biggest reduction in November since the early stages of the COVID-19 pandemic in 2020 as a result of falling oil prices and worries about an impending recession. The reported decline in November was in line with our estimate of 0.71 million b/d (RLA's last Monthly Oil Tanker Market Report).

- Faltering Chinese demand has put pressure on medium-sour Middle East Gulf crudes and has driven spot differentials to their lowest levels in a year. Large-scale protests in China have coincided with record COVID-19 cases, lockdowns, and travel restrictions, suggesting a bleak picture for the nation's crude consumption. Crude from the Middle East Gulf has not seen much spot demand in China.

- Total ARA stocks (Amsterdam, Rotterdam and Antwerp) rose to 5.29 million bbls in November up by 0.37 million bbls compared with a year earlier and by 0.1 million bbls versus the previous month. Gasoline increased by 0.50 million bbls in November compared with the previous year, totalling 1.34 million bbls. Jet-kerosene firmed by 32,000 bbls to 880,000 bbls in November versus the previous month and by 72,000 bbls compared with a year earlier.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC20	TC9	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37k mt Cont to USAC	Clean Algeria to European Mediterranean	Clean Middle East Gulf to UK-Cont.	AG/UK Cont	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	30k mt Baltic to UK-Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China
Size mt	37000	30000	65000	90000	22000	38000	280000	135000	30000	130000	270000
Route	Rott - NY	Skikda-Lavera	Jubail-Rott	Jubail-Rott	Baltic - UKC	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	WS
25/11/2022	380.00	406.88	69.62	6435714	596.43	-	70.94	319.11	430.42	211.88	108.35
28/11/2022	393.06	431.88	72.18	6514286	597.86	275.83	68.72	316.72	432.50	207.50	104.59
29/11/2022	401.94	435.00	72.95	6485714	598.57	250.00	66.11	309.56	488.33	203.18	98.73
30/11/2022	401.11	434.38	74.62	6442857	599.64	243.33	62.50	296.78	505.00	195.68	89.14
01/12/2022	404.17	434.69	75.64	6185714	600.00	263.33	60.89	279.67	507.50	186.59	86.05
02/12/2022	405.56	434.69	75.51	6100000	600.00	320.83	57.33	274.67	510.42	187.50	77.68

Source: Baltic Exchange

LPG

- As Russia ramps up shipments to Poland and China amid increased profitability on the routes, Russia will increase its land exports of LPG in December by 5.7% to 639,500 tonnes compared to November. Sources suggest that Russian LPG exports to Poland will increase from 261,000 tonnes in November to 330,000 tonnes in December. LPG shipments from Russia into the EU will not be prohibited by the looming oil embargo, which takes effect on 5 December. LPG exports from Russia to China will increase this month from 103,000 tonnes to 137,000 tonnes. Traders claimed that reduced congestion on local rail routes was another factor contributing to higher supplies.

- Insiders in the market say that the recent threefold increase in industrial demand for LPG in Bangladesh is a result of industries attempting to minimise their dependency on diesel in response to its rise in price. In November almost 25,000 tonnes of LPG were sold to industrial companies, up from about 8,000 tonnes in August. The total amount of LPG sold last month, including uses in restaurants and households, was roughly 145,000 tonnes. According to reports, the pricing difference is pushing businesses in sectors using diesel-powered boilers, such as the apparel and feed industries, to look into switching to LPG in order to cut costs.

- Spot freight rates for VLGCs on all three benchmark routes increased over the week mostly as a result of increasing delays at the Panama Canal. Rates on the Arabian Gulf to Far East rose by $4.29/tonne to reach $142.14/tonne by the end of the week. Likewise, rates from the US Gulf to Europe and from the US Gulf to the Far East increased by $15.6/tonne and $4.71/tonne respectively to reach $128.40/tonne and $206.14/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
25/11/2022	138.86	112.60	201.43
28/11/2022	137.86	112.80	201.43
29/11/2022	137.86	113.60	202.14
30/11/2022	138.43	119.20	202.86
01/12/2022	140.29	126.40	204.43
02/12/2022	142.14	128.40	206.14

Source: Baltic Exchange

LNG

- In spite of the fact that pipeline supplies have all but ceased, Europe is still importing a record quantity of Russian gas via sea, demonstrating how the continent has not entirely overcome its reliance on the nation for this crucial fuel. Despite Brussels' efforts to move away from Russian sources, imports of Russian liquefied natural gas increased by more than 40% between January and October this year compared to the same period in 2021. This shows how difficult it is for Europe to wean itself off gas from Moscow. During that time, 16% of Europe's seaborne imports were Russian LNG. Even if the overall volume of 17.8 billion cbm was only a small portion of the 62.1 billion cbm of pipeline gas flows during this time, it nonetheless exposes Europe to Vladimir Putin's efforts to weaponise energy. Europe, which received 155 billion cbm of Russian natural gas, including LNG, last year, has resorted to the global LNG market to cover the shortfall. According to data from Refinitiv, it imported a record 111 billion cbm of LNG globally between January and October, a rise of roughly 70% compared to the same period last year.

- Germany will get LNG from Qatar as part of a long-term supply agreement, a significant advancement in the continent's largest economy's efforts to wean itself from Russian gas. Approximately 2 million tonnes of LNG will be shipped to Germany annually for at least 15 years, according to two sales and purchase agreements inked with state-owned QatarEnergy and US company ConocoPhillips. Deliveries are scheduled to begin in 2026. These agreements mark the first long-term LNG supply contracts with an EU nation after Russia's invasion of Ukraine in February. In spite of looking for alternatives to Russian pipeline gas as they aim to shift away from fossil fuels, European nations have been reluctant up until now to sign such agreements.

- In order to wait for regulatory approval, Freeport LNG postponed the restart of the second-largest U.S. LNG export facility once more on Friday. The company now expects processing to resume by the end of the year. The company stated last month that it was on schedule to restart the facility in mid-

December and will resume producing its 15 million tonnes/year in large part by January before returning to full operation in March. “Based upon current progress, and subject to us continuing to meet necessary regulatory requirements, we now anticipate that the restart of our liquefaction facility to be achieved around year end,” Freeport LNG spokesperson Heather Browne told Reuters in an email. A delayed restart of the plant would leave less fuel for European countries seeking to replace Russian gas.

- GTT reports that two orders for the tank design of seven new liquefied natural gas carriers have been placed with its partner, the Korean shipbuilder Samsung Heavy Industries, on behalf of two different shipowners: an American and a European. GTTs’ Mark III Flex membrane containment system will be installed in the tanks of these 174,000 cbm vessels. The delivery of the vessels is scheduled between the first quarter of 2026 and the fourth quarter of 2027.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan $/day
22/11/2022	417098	455357	445722
25/11/2022	349074	386447	375896
29/11/2022	282626	303353	287119
02/12/2022	227951	236351	234814

Source: Baltic Exchange

Chemicals

- In the aftermath of recent collapsing demand, easing supply chain disruption has provided some relief to European petrochemical companies. However, a smoother flow of product may lead to an increased destabilisation of market fundamentals rather than restoring market equilibrium. As new orders in Europe have decreased, companies have had more opportunity to catch up on backlogs, smoothing out long lead times and dissipating crowded bottlenecks. While this has been beneficial in the near term, decreased demand for resources is likely to disrupt logistics as deliveries lag to meet demand. As overall downstream demand has declined, European businesses have depleted inventories rather than securing resources at higher costs. As a result, certain chemical firms have limited output if they are unable to sell material at a price that covers expenditure. This has resulted in a reliance on imports for goods, resulting in higher transatlantic chemical tanker rates. To account for the deficit in inventory, buyers wanting smaller amounts are seeing greater prices than those seeking larger volumes. While some breathing room has allowed for the resumption of improved trade flows in Germany and the rest of the eurozone, this does not imply a healthy balance of market fundamentals.

- South Korea’s petrochemical exports in November fell by 26.5% year on year to $3.55 billion due to weaker overall demand from its’ primary market, China, and amid logistics disruptions late in November caused by the nationwide truckers’ strike. The strike by unionised truckers in South Korea is now on its eighth day, with adverse repercussions across industries, including petrochemicals, threatening the country’s growth prospects. Based on government estimates, the economic cost of the strike is Korean won (W) 300billion ($230 million) a day. South Korea’s total exports in November stood at $51.9 billion, down by 14% year on year, deeper than the 5.7% decline recorded in the previous month and the steepest decline since May 2020, data from the Ministry of Trade, Industry and Energy (MOTIE) showed. Total shipments to China in November slumped by 25.5% year on year, marking their sixth straight month of decline, while those to southeast Asia were down by 13.9%. Overall imports for the month, meanwhile, fell by a more moderate 2.7% year on year to $58.9 billion, resulting in a trade deficit of around $7 billion, MOTIE said.

- In its closely watched "Set" proposal, the US Environmental Protection Agency (EPA) is seeking a roughly 1% increase in renewable fuel standards in 2023, for a total of 20.82 billion gallons. The plan would raise the blending mandates by 5% in 2024 to 21.87 billion gallons and 3.7% in 2025 to 22.68 billion gallons. These quantities will comprise more than 15 billion gallons of traditional biofuels such as corn-based ethanol, with the remainder made up of advanced fuels such as switchgrass, animal fats, or methane from dairy farms and landfills. The proposal is the next chapter in the more than decade-old Renewable Gasoline Standard (RFS), which requires oil refiners to incorporate billions of gallons of biofuels into the nation's fuel mix or purchase tradable credits from those who do.
- Exports of commodity chemicals from the United States increased by 14% year on year in 2022, following a decline from 2019 to 2021, after previously being a source of trade growth. Total exports increased by 14% to 12.4 million tonnes in the first three quarters of this year, up from 10.8 million tonnes in the first three quarters of 2021.
- Deep-sea exports from Northeast Asia declined 15.6% in 2021, from 4.0 million tonnes in 2020 to 3.4 million tonnes. However, global exports increased by 25.7% year on year in 2022. India is growing in importance in the worldwide trade of commodity chemicals, with deep-sea imports increasing by 3.2% to 7.5 million tonnes last year. There was a 13.3% increase to 6.2 million tonnes in the first three quarters of this year.
- In 2021, deep sea imports into six major European nations totalled 9.5 tonnes. Imports grew by 10% in the first three quarters of this year to 7.9 million tonnes, up from 7.2 million tonnes versus the same time last year.
- China has begun exporting MTBE, which represents a surprise development. MTBE shipments increased by 4% to 301,000 tonnes in September, continuing the rising trend. Exports totalled 1.2 million tonnes from January to September this year, a considerable increase over the previous two years. Lower demand in China as a result of COVID limitations and high oil prices has created arbitrage possibilities.
- The excerpts above are from RLA's most current Chemical Carrier World Market Monitor Report (CWMR). The CWMR is one of four chemical market reports provided as part of RLA's Chemical Carrier World Service, which also includes monthly trade bulletins covering China, North East Asia, India, the United States, Europe, and the Middle East.