



## RLA Weekly Report – Monday, 27 March 2023

No.41

### Russian Supplies Displace West African Crude into China and India.

#### Economy

- In March, the global economy gained significant attention due to the collapse of banks in the US, which was followed by UBS's acquisition of Credit Suisse, a Swiss investment bank. The recent instability in the financial sector has largely been attributed to the increase in interest rates as central banks have been taking measures to manage inflation. Oil demand has been negatively affected by the difficult economic conditions, which have led to a decrease in consumer discretionary spending and business investments. Further interest rate hikes are also expected to dampen short-term growth prospects. However, it is anticipated that the global economy will begin to recover in the latter half of this year. By the end of 2023, it is expected that the global oil demand will have exceeded the levels seen in 2019, despite the current challenges.
- The Central Bank of Brazil has decided to leave the Selic interest rate unchanged at 13.75% last week, given that inflation is still higher than its target. The inflation rate, as of February, stood at 5.60%, according to the central bank's latest report. The central bank's inflation target range is 1.75–4.75%, and analysts predict that inflation will not hit that target until 2024. The bank expressed concerns about persistent global inflation and the size of government debt, although the reinstatement of fuel taxes has eased some short-term financial concerns.

#### Oil and Tankers

- In March, the Russian diesel market has been better than in February, with buyers being attracted by heavily discounted prices. Russia has managed to find customers for all the diesel and gasoil it used to sell to the EU, and in fact, it has exceeded the average amount of diesel and gasoil sold last year. Instead of moving to northwest Europe, Baltic diesel and gasoil exports are now being spread across various locations, including the Atlantic basin, the Mediterranean, and even east of Suez.
- Turkey is now the main destination for Black Sea exports that previously went to EU Mediterranean buyers, while the Middle East and Brazil are the two new key destinations this month. Around 600,000 tonnes (144,400 b/d) of Russian diesel and gasoil have been delivered to the Middle East in March, which is a rare trade movement. The import tally for March has already surpassed the entire amount imported in 2021, and the Middle East is a major net exporter of diesel overall.
- Refineries in China and India are expected to reduce their imports of West African crude oil this month due to their increased purchases of Russian crude oil. In the period between 1-20 March, scheduled West African crude oil exports to the Asia-Pacific region were around 1 million b/d, according to preliminary data from Vortexa, which is lower than the approximately 1.27 million b/d recorded during the same period in February. The subdued demand in China and India has resulted in a significant surplus of Angolan and Nigerian crude oil cargoes, which are expected to be loaded in April. The

prices of Angolan crude oil on the spot market have been under significant pressure due to low demand in China, which is Angola's primary market, as well as high freight rates to that region.

- In February, diesel/gasoil and residual fuel oil consumption in the US fell 9.5% and 0.9%, respectively, to 3.78 million b/d and 0.36 million b/d, compared to February 2022. On the other hand, demand for gasoline and jet kerosene increased by 1.2% and 4.8%, respectively, to 8.7 million b/d and 1.47 million b/d year on year. This led to an overall decrease in demand, including other products, of 2.6% compared with a year earlier.
- According to the latest Short-Term Energy Outlook (STEO) by the EIA, onshore oil production in the lower-48 states of the US is expected to increase by 450,000 b/d this year and a further 240,000 b/d next year, following a growth of 600,000 b/d in the previous year. This is in comparison to last year's March 2022 estimate of a 950,000 b/d increase for 2023.

### 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
17/03/2023	272.22	325.31	57.56	4742857.00	109.17	62.39	173.44	297.08	135.23	97.73
20/03/2023	271.39	329.06	57.18	4828571.00	145.83	64.50	179.28	289.58	152.73	100.45
21/03/2023	266.11	350.31	56.41	4814286.00	150.00	64.00	180.11	286.25	152.27	98.14
22/03/2023	256.11	404.38	55.51	4600000.00	135.00	61.67	182.61	286.67	148.64	91.55
23/03/2023	262.78	451.25	55.38	4614286.00	116.67	60.61	182.44	282.92	143.75	90.32
24/03/2023	262.78	450.63	56.73	4653571.00	111.25	60.83	181.50	283.33	140.93	90.36

Source: Baltic Exchange

### LPG

- According to data from the Australian Bureau of Statistics (ABS), Australia's butane exports increased by 26% month on month and by 10% year on year to 140,100 tonnes in January after Shell's 3.6 million tonnes/year Prelude floating LNG plant offshore Western Australia resumed operations. Compared to \$575/tonne in December, average butane export prices were essentially unchanged at \$577/tonne. For the first time since March 2021, the ABS has resumed reporting propane exports, though the reason is unknown. Shipments of propane totalled 96,120 tonnes, down from 106,400 tonne in January 2021.
- According to the latest data from the oil ministry, India's LPG consumption fell to 2.39 million tonnes in February, a decline of 4.9% from the previous month and 0.4% from a year earlier. With recent retail price increases weighing on domestic and commercial demand, consumption in January–February 2022, at 4.9 million tonnes, is 1.3% lower than a year earlier. After Saudi Aramco reduced the contract prices for propane and butane for March, India's state-controlled refiners may attempt to lower retail LPG prices later this month or in April.

- In response to regional supply disruptions brought on by the conflict in Ukraine, market players increased seaborne LPG shipments to Romania in 2022, setting new records. Deliveries to Romanian ports increased by 75% year on year to 272,300 tonnes. The second half of the year saw the majority of the increase as Ukrainian companies started importing LPG from Romania to substitute for lost Russian imports.
- Spot freight rates for VLGCs on all three benchmark routes fell over the week amid declining demand and falling Panama Canal delays. Rates on the Arabian Gulf to the Far East fell by \$3.29/tonne to reach \$88.29/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 \$3.80/tonne and \$3.29/tonne respectively, to reach \$78.2/tonne and \$137.29/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		
17/03/2023	93.86	82.00	145.14
20/03/2023	91.57	82.00	144.57
21/03/2023	91.43	81.20	142.71
22/03/2023	90.71	80.20	140.79
23/03/2023	89.43	79.60	139.36
24/03/2023	88.29	78.20	137.29

Source: Baltic Exchange

## LNG

- China's imports of LNG fell by nearly 12% in the first two months of this year, compared with the same period in 2022. China's National Bureau of Statistics (NBS) reported that Chinese imports of LNG amounted to 11.12 million tonnes in January–February 2023. The general decline in LNG deliveries over the course of the two months was expected due to comparatively high spot prices, a decrease in domestic demand as industries shut for the New Year holiday, and a decline in cargo purchases. Australia, Qatar, Malaysia, Indonesia, and the Yamal plant in Arctic Russia were China's primary LNG suppliers in early 2023.
- Despite LNG cargo prices being 37% higher than they were a year ago, India's imports of LNG increased by 11% in February to support the country's revival in the use of natural gas. According to preliminary data from India's Ministry of Petroleum and Natural Gas, LNG shipments for the month of February increased to 1.67 million tonnes, or 25 cargoes, compared to the 1.50 million tonnes, or 22 cargoes, delivered in February 2022. Deliveries to the country's network of six import terminals in January increased by 7.9% to 1.67 million tonnes from 1.53 million tonnes in January 2022.
- US LNG capacity is about to get bigger again. The \$13 billion Port Arthur LNG export facility on the Texas Gulf Coast received the go-ahead from Sempra Energy last week. The 13.5 million tonnes/year "phase 1" facility, which is anticipated to be operational by 2028, will increase the

capability of existing and those under construction by about 10%. The construction of Port Arthur will cost almost \$13 billion: \$6.8 billion in debt financing and \$6.2 billion in equity.

- As a result of continued sluggish demand in northeast Asia, Asian prices for LNG fell last week, reaching a 21-month low. According to industry reports, the average LNG price for May deliveries into northeast Asia LNG-AS was \$13/mmBtu, a decrease of 50 cents or 3.7% from the previous week. Prices have decreased by 53% year to date and by about 81% from the high of \$70.50/mmBtu in August 2022.

### LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
14/03/2023	75190	58542	66352
17/03/2023	73803	53697	60571
21/03/2023	70697	48948	55656
24/03/2023	68515	46834	55740

Source: Baltic Exchange

## Chemicals

- According to a recent study into alternative marine fuel, methanol can play a role in the shift to more environment friendly shipping. According to the study, the fuel has an advantage over other fossil fuels, such as LNG, since it dissolves in water and its vapours disperse swiftly when discharged into the air.
- Furthermore, the hazards to marine ecosystems posed by alternative marine fuels are manageable and substantially lower than those posed by existing fuels or ammonia, according to a paper published by the Oko-Institute for the non-governmental group Nabu.
- P. Moller-Maersk (Maersk) announced last week the signing of a Memorandum of Understanding (MOU) with Shanghai International Port Group (SIPG) on strategic cooperation for the Shanghai Port methanol marine fuel project. Upon the delivery of Maersk's green methanol container vessels in 2024, the two companies will collaborate to explore green methanol fuel vessel-to-vessel bunkering operations.
- SIPG also pledges to be a pioneer in the development of green and ecological ports. The partnership will also help Shanghai Port achieve its goal of becoming one of the world's first commercial green methanol refuelling point as well as a regional green methanol fuel bunkering hub.
- A consortium of six Japanese companies, including shipping operator MOL, has teamed up to create Japan's first methanol-fuelled tanker. MOL Coastal Shipping, Tabuchi Kaiun, Niihama Kaiun, Murakami Hide Shipbuilding, and Hanshin Diesel Works have formed a strategic collaboration to create the vessel, according to a statement posted on MOL's website last Thursday.

- The tanker will be time-chartered by MOL Coastal Shipping and will be utilised for domestic methanol transport, with delivery scheduled for December 2024. "MOL will offer technical assistance for the vessel's development as well as further promote and grow this strategic collaboration," the business said in a statement. "Hanshin Diesel Works will design a methanol-fuelled engine."
- Stolt Tankers has purchased two 15,000-dwt stainless steel chemical tankers to expand its service offering and capacity in the US Gulf and Caribbean regions. The vessels, which are scheduled to join the fleet in the second quarter, were constructed in 2018/19 and will be called Stolt Condor and Stolt Tucan.
- "This acquisition provides Stolt Tankers with an outstanding chance to gain reasonably priced on-the-water tonnage in a firming chemical tanker market," says Stolt Tankers president Lucas Vos. "They are new, fuel-efficient ships that will reduce the age profile of our fleet even further." We are excited to extend the reach of our high-quality service offering to additional clients in the Inter-Caribbean market with our best-in-class platform."
- The Indian government stated on 22 March that exports of biofuel from special economic zones (SEZ) and export-oriented units are authorised for both fuel and non-fuel applications if the biofuel is generated using imported feedstock. This comes after India had limited biofuel exports on 28 August, 2018, in an effort to bolster domestic capacity. Both imports and exports of biofuel required a permit. Biofuels include ethanol, petroleum oil, oils generated from bituminous materials, bio-diesel, and blends.
- The state-owned Indian Oil Corporation (IOC) will invest \$7.4 billion in the construction of a downstream petrochemical complex at its Paradip refinery in eastern Odisha. The initiative will be the company's greatest ever investment in a single place, according to a statement issued on 22 March.
- According to the IOC, the petrochemical complex will comprise a world-scale cracker unit as well as downstream process units for manufacturing polypropylene (PP), high-density polyethylene (HDPE), linear low-density polyethylene (LLDPE), and polyvinyl chloride (PVC). "It [the new project] will also make it easier to produce specialised chemicals and petrochemicals such as phenol and isopropyl alcohol (IPA)," it added.
- Meanwhile, at the site, the company is now constructing a 357,000 tonnes/year monoethylene glycol (MEG) line, an integrated 800,000 tonnes/year paraxylene (PX) unit, and a 1.2 million tonnes/year purified terephthalic acid (PTA) facility. According to IOC chairman SM Vaidya, the company's initiatives would aid in import substitution and greatly increase the company's petrochemical intensity index. The company's petrochemical intensity, or the amount of crude oil transformed into chemicals, is expected to more than double to 15% by 2020, up from roughly 7% now.
- Saudi Aramco and its Chinese partners will begin building a refinery and petrochemical complex in northeastern China's Liaoning province in the second quarter, with full operations scheduled in 2026. According to Saudi Aramco, the new \$10 billion complex in Panjin would include a refinery



with a capacity of 300,000 b/d and a petrochemical plant capable of producing 1.65 million tonnes of ethylene and 2 million tonnes of paraxylene (PX) each year.

- Huajin Aramco Petrochemical Co. (HAPCO) is developing the complex, a joint venture between Aramco (30%), state-owned Chinese military equipment maker Norinco Group (51%), and property developer Panjin Xincheng Industrial Group (19%). According to Aramco, construction will commence once all necessary regulatory clearances have been obtained.