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Sinopec of China has signed one of the largest LNG deals ever with QatarEnergy

- Snap lockdowns have sparked protests across China, and more general COVID restrictions have sparked recent violent demonstrations from Zhengzhou to Guangzhou. Despite the strict measures, China experienced its highest weekly case count last week, since the pandemic started. In China, where any open criticism of the government could result in severe punishments, it is extremely uncommon for people to express their rage at Communist Party leaders in public. Stringent COVID restrictions have resulted in poor economic health for the nation.
- The cost-of-living crisis significantly reduced demand, and the decline in manufacturing activity in the euro zone last month was more severe than initially anticipated. S&P Global's final manufacturing purchasing managers' index decreased from September's 48.4 to a 29-month low of 46.4 in October. This is below the preliminary reading of 46.6 and even lower than the 50-point threshold that separates expansion from contraction. The Manufacturing PMI for October of the U.S. manufacturing sector stood at 50.2, down from September's reading of 50.9.

Oil and Tankers

- Demand for Urals is already suffering due to price cap uncertainty and the impending EU embargo, and discounts versus benchmark North Sea Dated have increased. On November 23, traders set fob Baltic discounts in a $27–$33/bbl range, the widest since July, while Argus estimated fob Suezmax shipments from the Black Sea port of Novorossiysk at $31.70/bbl under the benchmark, a $5.50/bbl increase from the start of the month. Outright Urals prices dropped to less than $55/bbl on November 23 as a result.
- Complications with tanker insurance are putting additional pressure on Black Sea-loading cargoes. According to the latest reports from the Turkish transport ministry, starting in December, tankers transporting crude through the Turkish Straits will need to show evidence that they are covered by protection and indemnity (P&I) insurance. The EU and the UK account for 90% of global P&I services, which will be withheld from vessels carrying Russian oil unless they adhere to the terms of the G7 price cap system.
- Chinese apparent oil demand was boosted in October by a combination of sharply higher crude imports and barely higher products receipts, but the increased arrivals seem to be heading into storage rather than refineries, highlighting strained demand. At 15.1 million b/d in October, apparent oil demand—the total of crude production and net oil imports—rose by nearly 600,000 b/d from the previous month. Last month, Chinese crude imports increased significantly, rising by 570,000 b/d from September to 10.2 million b/d. This was primarily fueled by private-sector refiners Shenghong and Rongsheng purchasing light, sour Upper Zakum from the UAE.
- US product demand increased by 410,000 b/d from September to October, reaching 20.37 million b/d, matching October 2021 but still 340,000 b/d below pre-pandemic 2019. This was primarily caused by an increase in distillate demand, which was probably fueled by the fact that the harvest season was

in full swing in October. According to the EIA, distillate demand increased by 445,000 b/d in the month of October to reach 4.15 million b/d, just shy of 2019 levels of 4.2 million b/d.

- According to India's Petroleum Planning and Analysis Cell, total product demand increased by 150,000 b/d month over month to 4.85 million b/d in October.
- According to refiner KPC and project manager Kipic, the first oil products cargo from Kuwait's new 615,000 b/d Al-Zour refinery has started loading. A 55,000 tonnes naphtha cargo was scheduled to be loaded onto the Aframax "*Ashley Lady"* for delivery to KPC clients.

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
17/11/2022	342.78	363.13	52.70	3978571	525.71	245.83	69.22	240.78	397.50	205.68	127.95
18/11/2022	363.06	360.63	53.47	4157143	562.86	324.17	73.22	258.33	406.25	212.95	129.59
21/11/2022	368.89	365.00	55.51	4735714	563.57	321.67	75.89	298.89	416.25	218.18	129.91
22/11/2022	370.28	370.63	59.49	6000000	588.57	317.50	74.56	320.83	422.92	223.18	118.64
23/11/2022	375.00	380.63	63.46	6050000	594.29	298.33	72.39	323.33	430.83	225.45	114.18
24/11/2022	378.57	391.88	68.33	6164286	597.14	-	71.56	320.83	430.83	212.50	109.75
25/11/2022	380.00	406.88	69.62	6435714	596.43	-	70.94	319.11	430.42	211.88	108.35

Source: Baltic Exchange

LPG

- To develop commercial-scale production of renewable LPG from bioethanol, US energy research non-profit organisation GTI Energy and Netherlands LPG distributor SHV will collaborate. The two firms will use a new technology to produce bio-LPG from bioethanol using a wide range of globally available waste, and bio-based and recycled carbon feedstocks, SHV says. The primary products will be propane and butane, significantly improving current commercial output sources, it says. According to SHV, the majority of the more than 200,000 tonnes of bio-LPG produced annually originates from hydrotreated vegetable aromatics that can be utilised in sustainable aviation fuel.
- Fortitude Shipping, a new UK-based subsidiary of Singapore-based shipowner Petredec, will focus on handysize LPG carrier tonnage. Petredec transferred the new company 11, 21,000-22,500 cbm Handysize LPG carriers, eight of which are ethylene/ethane-capable, two of which are semi-refrigerated, and one of which is fully refrigerated. In addition to shipping LPG, the fleet will focus on transporting ethane, olefins, and ammonia. According to Petredec, the fleet will be able to adapt and

benefit from the transition towards cleaner fuels.

- For the transportation of fuel ammonia for the Hekinan Thermal Power Plant, which was anticipated to start operating commercially in the late 2020s, the Japanese energy giant JERA has partnered with fellow major shipping companies Nippon Yusen Kabushiki Kaisha (NYK) and Mitsui O.S.K. The three firms signed Memorandums of Understanding (MoUs) to explore strategies for creating secure transportation networks and large-volume ammonia carriers. JERA, NYK and MOL will concentrate on creating fuel-ammonia carriers suitable for domestic thermal power plants and receiving stations, constructing a system for transporting and receiving fuel ammonia, and installing and operating propulsion engines that use ammonia as ship fuel.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			$/tonne
17/11/2022	146.43	110.20	200.14
18/11/2022	148.14	111.60	202.00
21/11/2022	148.36	111.52	202.50
22/11/2022	147.43	111.20	200.93
23/11/2022	143.71	111.20	201.29
24/11/2022	140.86	112.60	201.43

Source: Baltic Exchange

LNG

- Sinopec of China has signed a 27-year contract with QatarEnergy to buy 4 million tonnes/year of LNG, making it one of the largest LNG deals ever. The agreement, which was made public by the state-owned groups on Monday, comes as Europe scrambles to find new sources of natural gas in the wake of Russia's invasion of Ukraine. The agreement comes after a shorter, 10-year LNG purchase agreement between QatarEnergy and Guangdong Energy Group Natural Gas Company that was signed in 2021. Germany has also been looking into importing Qatari LNG, and the two nations inked an energy partnership in May. However, because European nations intend to abandon fossil fuels sooner, they have been hesitant to sign longer-term agreements.

- One of the last remaining routes for Russian gas to reach Europe is in doubt after the Russian natural gas giant Gazprom PJSC threatened to further restrict deliveries to Europe via Ukraine starting this week. One of two operational gas pipeline routes from Russia to Europe is via Ukraine, along with a route via Turkey. On Tuesday, Gazprom accused Ukraine of stealing gas intended for Moldova from pipes passing through the country and issued a warning that it would reduce supply starting on 28 November. While the Russian flows to Moldova only account for a small portion of those passing via Ukraine, any danger to the last pipeline connecting with western Europe is likely to cause instability in the energy markets as winter approaches. In recent weeks, the surviving pipeline has been delivering about 43 million cbm/day of gas from Russia to markets in western Europe.

- As more than 6 million tonnes/year of long-term LNG supply contracts are set to expire in 2023, Japan is poised for an increase in spot LNG trading, a trend that is expected to continue for at least the next few years. The long-term contract expiration occurred at a time when Europe, which has committed to replace Russian gas supplies in the wake of Russia's invasion of Ukraine, is putting strong competition on Japan for LNG. According to the S&P Global Commodity Insights LNG database, about 6.1 million tonnes of long-term LNG contracts held by Japanese companies are set to expire in 2023, with Brunei LNG being responsible for 56% of the contracts set to expire next year. The 2023 contractual expiries represent around 8% of Japan's annual LNG imports, which total about 74 million tonnes. Given the tight LNG market conditions, it will probably be challenging to replace this level with additional supply from other long-term term contracts and short-to-mid-term contracts.

- Due to delays in the Freeport LNG restart and milder weather in the East, LNG carrier spot rates last week fell back from record highs, although the market is still extremely tight.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan $/day
15/11/2022	466524	497888	475134
18/11/2022	466279	492100	472313
22/11/2022	417098	455357	445722
25/11/2022	349074	386447	375896

Source: Baltic Exchange

Chemicals

- According to the classification society DNV, the premium for building methanol-fueled container ships above conventionally fuelled ones is substantially lower than the additional cost for LNG propulsion. DNV has added a chapter on methanol propulsion to its 'Alternative Fuels for Containerships' paper. The additional capital investment for putting methanol propulsion systems on a new ship, including engines, fuel pipes, tanks, and other systems, is 'slightly greater' than for conventional ships, but only a third of the additional cost required for LNG propulsion, according to the firm. Methanol-powered ships will require fuel tanks that are 2.5 times the capacity of ordinary bunker tanks or 1.3 times the size of LNG tanks. DNV believes that, for the time being, methanol will be used mostly by smaller ships because to its relatively easy engineering and design requirements. AP Moller-Maersk has ordered 19 methanol-fueled container ships, the first of which will enter service in the middle of next year.

- The Korean Register classification organisation and the Ulsan Port Authority are collaborating to offer methanol bunkering to the South Korean port. KR said in an emailed statement on Tuesday that the two groups had signed a letter of understanding to build Ulsan into a low-carbon energy center supporting methanol-fueled ships. The groups will work together on regulatory reform, deregulation of methanol-fueled ships and methanol bunkering, methanol bunkering experiments, and the development of methanol supply infrastructure. Since AP Moller-decision Maersk's to power its first carbon-neutral ships using methanol propulsion, methanol has gained in popularity. The Port of Rotterdam saw a trial methanol bunkering last year, and Singapore plans to arrange a similar operation early next year.

- SABIC, Saudi Arabia's state-owned chemicals company, stated on Thursday its desire to explore the building of a complex to convert oil and liquids into chemicals in Ras Al-Khair, Saudi Arabia. According to a filing on the Saudi exchange, Tadawul, the facility is planned to transform 400,000 bbl of oil per day into chemicals. "This project is part of SABIC's strategic expansion ambitions, as well as contributing to the Kingdom's initiative to transform oil and liquids into chemicals," the company stated. "SABIC further reiterates its commitment to continue developing crude oil to chemicals technologies, which contribute to increased cost efficiency and value creation prospects in the energy and chemical industries on a bigger scale," the company noted. The company did not provide further details or a timeline for the project.

- According to the country's trade group VCI, Germany's chemicals sector experienced a 7.2% reduction in output in the third quarter compared to the previous quarter. In the midst of difficult conditions, the VCI maintained its projection of an 8.5% reduction in production for the chemicals industry in 2022, as manufacturers were struck with rising energy prices and struggled to pass these on to consumers. When data from the pharmaceuticals industry was included, declines were less dramatic, with a 4.2% loss in third-quarter output and a 5.5% drop in output anticipated for the whole year. Capacity utilisation rates in the chemicals and pharmaceuticals industries dropped throughout the three-month period, settling below normal norms at 79.3%. Despite the increase in input costs, producer prices rose 2.6%, making chemicals 23.7% more costly than the previous year. Turnover declined for the first time in two years, with a significant drop in domestic sales, as global macroeconomic confidence deteriorated, hurting sectors throughout Germany. As a result, third-quarter revenues fell 1.6% to €63.1 billion. The situation does not look to be improving in the fourth quarter, since several European producers have decided that operating in the present climate is too expensive, and they may not reopen until 2023.