



RLA Weekly Report – Monday, 17 October 2022

No.18

The EIA reduces its oil demand growth estimates for 2022 and 2023 by 60,000 b/d and 470,000 b/d.

Economy

- China imposed new travel restrictions and lockdowns across the country after two new Omicron sub-variants—BF.7 and BA.5.1.7—were discovered in several provinces, both of which are said to be highly infectious and highly transmissible. The BF.7 variant has also been reported to be spreading in Belgium, Germany, France, Denmark, and England. Protests have erupted across Shanghai in response to the new restrictions. Three years of the "zero-COVID" policy and a lingering property crisis have taken a toll on the economic health of the nation. The IMF has revised down its GDP estimates for the nation by 0.1% and 0.2% in 2022 and 2023, respectively.
- US consumer prices rose more than expected in September, putting pressure on the Federal Reserve to raise interest rates even more aggressively. Consumer prices increased 0.4% in September and were up 8.2% year on year. With food and energy excluded, the core consumer price index increased by 0.6% and 6.6%, respectively. Wages for workers fell 0.1% monthly and 3% year-on-year when adjusted for inflation. On a year-to-year basis, headline inflation was 8.2%, down from a peak of around 9% in June but still near the highest levels since the early 1980s.
- After a government report showed that inflation remained stubbornly high last month, the Federal Reserve is expected to deliver another large interest rate hike in November (75 basis points), eventually raising rates to 4.75%-5% by early next year.
- The US Energy Department has reduced its expectations for crude production and demand for 2023. It now forecasts a 0.9% increase in domestic consumption in 2023, down from a 1.7% increase previously, and the department forecasts a 5.2% increase in crude production, down from 7.2%.

Oil and Tankers

- The EIA has revised down its oil demand growth estimates for this year and next year by 60,000 b/d and 470,000 b/d, respectively, to 1.9 million b/d and 1.7 million b/d in 2022 and 2023, respectively, in the wake of persistent deterioration of the economy and higher prices sparked by an OPEC+ plan to cut supply.
- Driven by diesel and gasoline consumption, India's September oil demand increased by 334,000 b/d year on year but remained flat on the month, according to a S&P Global report. Diesel and gasoline consumption increased by 179,000 b/d and 65,000 b/d, respectively. Other products saw growth as well, including LPG, kerosene/jet fuel, fuel oil, and minor products. Naphtha, on the other hand, fell by 21,000 b/d.
- The IMF, in its latest economic outlook revised down the growth estimate for 2023 by 0.2% to 2.7% in comparison with the July forecast. The GDP forecast for 2022 remained steady at 3.2%.

- After five straight sessions of gains, oil prices on the first day of the week ending 14 October sank by nearly 2% as investors anticipated that economic storm clouds could herald a worldwide recession and reduce oil consumption. Brent crude futures slid \$1.73/bbl or 1.8% to settle at \$96.19/bbl while WTI crude lost \$1.51/bbl, or 1.6%, to settle at \$91.13/bbl. Tuesday came with another session of slumping prices over deepening fears of the global economic slowdown. WTI and Brent dropped to \$89.35/bbl and \$94.29/bbl respectively. Prices slid further on Wednesday marking the third consecutive session of losses for the commodity. Finally, crude prices recovered on Thursday after the EIA reported an increase in distillate inventories in the US. Including a loss of \$3.5/bbl versus Thursday, on Friday, WTI lost 7.6% in comparison with last week to settle at \$85.61/bbl.
- Note: The Baltic Exchange has stopped reporting rates for TD24.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C
		22k mt CPP/UNL				100k mt			270k mt
	37k mt	m/distillate	38k mt	280k mt	135k mt	Baltic	30k mt	130k mt	Ras
Description	Cont to USAC	Baltic to UK/Cont.	USG to Cont	ME Gulf to US Gulf	Black Sea / Med	to UK-Cont	Baltic to UK-Cont	W Afr to Cont	Tanura to China
Size mt	37000	22000	38000	280000	135000	100000	30000	130000	270000
Route	Rott - NY	Baltic - UKC	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo
	WS	WS	WS	WS	WS	WS	WS	WS	WS
06/10/2022	250.00	382.86	185.83	46.69	175.00	223.13	395.00	124.68	80.95
07/10/2022	248.33	382.14	176.67	46.72	175.00	223.13	395.83	124.68	81.64
10/10/2022	247.22	384.29	170.83	47.25	175.00	222.50	395.83	125.23	81.09
11/10/2022	249.44	385.71	181.67	46.89	175.83	222.81	396.67	131.02	81.09
12/10/2022	257.78	385.71	206.67	47.83	172.72	223.44	396.25	143.64	83.09
13/10/2022	270.00	382.86	201.67	48.67	185.17	224.06	396.25	146.36	87.41
14/10/2022	278.89	382.14	194.17	51.83	188.94	224.69	394.17	156.25	93.86

Source: Baltic Exchange

LPG

- China's apparent LPG demand—domestic production plus net imports—fell by 7.6% on the month to 5.94 million tonnes in August following higher imports but lower refinery output. Chinese LPG demand surged by 12% on the year to 70.5 million tonnes in 2021, while output jumped 5.8% to 47 million tonnes, according to the China Petroleum Planning and Engineering Institute (CPPEI). For more information, please refer to our latest monthly VLGC report.
- Key LPG producers Saudi Arabia, the UAE, and Kuwait increased LPG exports to 15.6 million tonnes in January-August, up from 13 million tonnes a year earlier, because of rising oil production from OPEC+ countries. Iran's exports have increased dramatically as well, from 3 million tonnes to 4.8 million tonnes, primarily to China. Qatar's exports have remained consistent at around 6.5 million tonnes in the first eight months of this year.

- Itochu Enex, a Japanese LPG importer, is the latest supplier of carbon-offset LPG on the market. To reduce its carbon footprint, the company intends to begin importing and supplying the product to its distributor companies in Japan this month. The origin, quantity, and price of the LPG have not been disclosed. Through its verified carbon standard scheme, the US-based carbon registry Verra will certify the carbon offset.
- Austrian petrochemicals company Borealis has restarted the construction of the 740,000 tonnes/year propane dehydrogenation (PDH) project in Kallo, Belgium, with the appointment of Italian engineering firm Ponticelli as the new contractor. Borealis has revised its projected start date for the project to the second half of 2024, about a year later than originally planned before it cancelled its contract with the previous contractor.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
06/10/2022	80.00	71.00	134.00
07/10/2022	81.29	72.10	134.71
10/10/2022	82.50	72.50	134.86
11/10/2022	83.43	73.60	135.43
12/10/2022	85.36	74.50	136.00
13/10/2022	88.43	75.40	137.86
14/10/2022	89.43	75.40	138.57

Source: Baltic Exchange

LNG

- Titan, a provider of low-carbon fuels, intends to construct the largest bio-methane liquefaction plant in the world, with a capacity of 200,000 tonnes per year, in the Port of Amsterdam. Titan has partnered with Dutch manufacturer BioValue for the project, which will supply "a significant part" of the biogas from the new plant, which is close to the liquefaction facility and Titan's own berth in the port. Titan claimed to have signed an agreement for the exclusive offtake of all the company's on-site output, and it will obtain the remaining biogas from other production facilities located throughout Europe that are linked to the current gas grid.
- Since demand growth has slowed to its lowest level since 2002, China, the world's largest importer of LNG, won't be competing with crisis-stricken Europe for supplies by staying away from the spot market this winter. According to projections from the consultancies JLC, ICIS, and Rystad Energy, China's total LNG imports will likely experience their first significant yearly fall since 2006, with estimates ranging from 65 million tonnes to 67 million tonnes. That would be down from a record 78.9 million tonnes in 2021, according to data from China's General Administration of Customs. According to the projections by JLC analyst Ricki Wang, fourth-quarter shipments may decrease by one-fifth from a year earlier to 22.4 cbm, or 16.4 million tonnes.

- Under long-term agreements, China is scooping up LNG. The country made up over 40% of all new LNG contracts signed in 2021. Up until August of this year, it had inked a total of nine new contracts, eight of which had a 20-year term with deliveries beginning in 2026 or 2027. This compares with five LNG contracts signed in 2020. "In the past year, there were fewer incentives for purchasers to sign long-term contracts due to uncertainties related to the global pandemic and low spot prices. The activities China has engaged in over the past 1.5 years indicate a shift in its buying approach toward long-term contracts.
- A record 59% of all new building orders in tonnage are classified as alternative-fuel capable, according to Clarksons Research. In 2021, 31.5% of newbuildings were alternative-fuel capable. So far in 2022, LNG dual-fuel vessels account for 54% of the total, or 288 orders of 27m gross tonnage.
- Despite price declines, the benchmark European Union natural gas futures price remained more than \$9 per million British thermal units (MMBtu) higher than Asian market LNG cargo values. Cargo liftings also decreased due to various outages, while ship charter rates increased. Compared to the previous week, the Dutch Title Transfer Facility (TTF) wholesale November price dropped by 13.7%, from \$50.750 per MMBtu on October 7 to \$43.856 per MMBtu on October 14. The front-month Japan-Korea Marker price is currently at \$34.835 per MMBtu, down from \$35.855 on October 7. The Dutch TTF maintained a \$9.021 per MMBtu premium above this price.

Chemicals

- Sinopec, a Chinese energy company, has completed the country's first methanol bunkering operation. According to a social media post, the company bunkered the chemicals and oil products tanker Stena Pro Patria with 90 mt of methanol at Nansha Port, Guangzhou last month. The fuel's origin was not mentioned. Sinopec is the first Chinese supplier to carry out a methanol bunkering operation. "This is a fresh breakthrough in the new energy transformation," according to the company. Methanol as a bunker fuel has gained popularity in the last two years, with container line AP Moller-Maersk planning to use methanol propulsion for its first carbon-neutral vessels. The first Maersk ship powered by methanol will be delivered next year.
- Honeywell introduced a new, breakthrough ethanol-to-jet fuel (ETJ) processing technology on October 10th, allowing producers to convert corn-based, cellulosic, or sugar-based ethanol into sustainable aviation fuel (SAF). Depending on the type of ethanol feedstock utilized, jet fuel generated by Honeywell's ethanol-to-jet fuel process can cut total lifecycle greenhouse gas (GHG) emissions by 80% when compared to petroleum-based jet fuel. Although demand for SAF continues to rise, the aviation sector is hampered by a lack of traditional SAF feedstocks such as vegetable oils, animal fats, and waste oils. Ethanol provides farmers with a readily available and economically feasible feedstock. Honeywell's ready-now technology maximises production efficiency by utilising high-performance catalysts and heat management capabilities, resulting in a cost-effective, lower carbon intensity aviation fuel. Petroleum refiners and transportation fuel manufacturers can benefit from Honeywell's ETJ design, which is purpose-built to allow conversion of existing or idle facilities into SAF production plants, thereby maximizing the use of existing locations for SAF production to meet rising market demand.

- Stolt-Nielsen CEO Niels Stolt-Nielsen has guaranteed that when zero-carbon fuels become accessible, his company will be ready. However, the Norwegian chemical tanker owner, like the rest of the maritime industry, is facing some "difficult decisions" over newbuildings. Stolt-fleet Nielsen's renewal has been restricted to second-hand acquisitions in recent years. And the corporation has been reducing emissions by working with what it has. The goal is to reduce carbon intensity by 50%. "And we have become 30.5% more efficient since beginning measurements in 2008. " So, we still have 19.5% to go," the CEO said on a conference call. The next major step, according to Stolt-Nielsen, is to ensure that vessels capable of running on future fuels are available. "We'll have to order ships and make some difficult decisions," he continued. Because it is unclear what the main new fuel will be, newbuildings will first incorporate conventional engines that can adapt to new bunker types. "We hope it is possible to gain another 19.5% efficiency." However, this will almost certainly necessitate the use of biofuels in addition to conventional petroleum. Of course, the amount of biofuel available is debatable, "Stolt-Nielsen added. "We are participating and researching all of the available technology."
- Methanol and polyethylene (PE) grades are among the key chemicals to be added to the European Commission's latest list of products sanctioned for export from Russia to the EU. G7 finance ministers in September set out plans to prohibit services which enable maritime transportation of Russian-origin crude oil and petroleum products globally, centred around a cap on pricing. The European Commission—the EU's executive body—has announced the eighth tranche of its sanctions on exports from Russia into the EU, with a focus on finished steel products, vehicles, plastics, machinery and appliances, and some chemicals. The latest announcement also sets out the legal framework for a proposed price cap on Russian crude oil and petroleum products. The addition of methanol to the list is particularly significant, as Russia is a substantial supplier of the chemical, exporting around 2m tonnes/year of the material, mostly to the EU. Turkey and China have been among the significant purchasers of Russian products diverted away from Europe. Below are the key sanctioned chemicals:
 - Polymers of ethylene, in primary forms
 - Polymers of styrene, in primary forms
 - Polymers of vinyl chloride or of other halogenated olefins, in primary forms
 - Styrene
 - Polystyrene (PS), in primary forms
 - Polyvinyl chloride (PVC), in primary forms
 - Toluene
 - Orthoxylene (OX)
 - Paraxylene (PX)
 - Methanol, methyl alcohol
 - Monobutyl ethers of ethylene glycol or of diethylene glycol
 - Caustic soda (sodium hydroxide)
 - Ethylene oxide (EO)
 - Esters of acrylic acid
 - Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols