



RLA Weekly Report – Monday, 20 March 2023

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Banking woes ripple through the energy market, resulting in falling oil prices.

Economy

- The recent concerns surrounding the banking sectors in the US and Europe have had a direct impact on the price of oil. However, the potential implications for energy markets are more significant but not as evident. The issues began with the failure of Silicon Valley Bank on 10 March, followed by its smaller competitor, Signature Bank on 12 March. Although Washington promptly guaranteed the funds of depositors, apprehensions rose about similar vulnerabilities in other financial institutions. The Swiss National Bank (SNB) had to step in to fortify Credit Suisse's liquidity as revelations of the bank's accounting weaknesses resulted in a 30% drop in its shares. The anxiety among investors about the contagion effect of these banks led to a decline in the banking and equity indexes, affecting commodities, including oil. As a result, the US benchmark WTI crude prices plunged more than \$9/bbl from 13-15 March, falling below \$68/bbl, for the first time since December 2021.
- In line with market expectations and down from 6.4% in January, the US's annual inflation rate dropped to 6% in February 2023, the lowest level since September 2021.

Oil and Tankers

- On Friday, the possibility of OPEC+ taking supportive measures caused a slight increase in oil prices. However, concerns about an economic slowdown triggered by a banking crisis restricted the gains and led to the worst week for oil prices this year. According to media sources, Saudi Arabian and Russian ministers held discussions this week to explore potential actions by OPEC+ to bolster crude markets, which have suffered significant losses in recent sessions. After starting the day with gains of over \$1/bbl, oil prices ultimately ended lower on Friday due to concerns in the banking sector. As a result, both benchmarks experienced their largest weekly declines in months. Brent crude futures settled down 2.3%, or \$1.73, to \$72.97/bbl, while U.S. West Texas Intermediate crude dropped 2.4%, or \$1.61, to \$66.74/bbl. At one point during the session, both benchmarks were down by more than \$3/bbl. For the week, Brent fell nearly 12%, marking its largest weekly decline since December, while WTI futures dropped 13%, the most since last April.
- On 15 March, the International Energy Agency increased its projection for global oil demand in 2023 by 100,000 b/d due to a resurgence in air travel and pent-up demand in China, resulting in a surge in consumption to unprecedented levels. According to the agency's latest monthly oil market report, global oil demand is now anticipated to average 102.02 million b/d in 2023, which is 2 million b/d more than in 2022. The IEA estimates that the growth will quicken throughout the year, with fourth-quarter year-on-year gains rising to 2.6 million b/d, up from just 710,000 b/d in the current quarter.
- According to Vortexa, there has been an increase in Russian fuel oil shipments to China and India. In February, the arrivals in China reached their highest levels in multiple years, at 165,000 b/d. India's fuel oil imports from Russia also increased to multi-year highs in January, at 170,000 b/d, but dropped to 146,000 b/d in February. Vortexa predicts that India's imports will be above 125,000 b/d this month.

The majority of these shipments have been received at Sikka, located on India's west coast near Reliance Industries' 1.24 million b/d Jamnagar refining complex.

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
10/03/2023	197.78	253.13	58.85	4771430	166.67	61.78	166.06	296.25	115.45	97
13/03/2023	197.78	329.69	58.85	4892857	165.00	60.89	165.17	297.92	114.32	95.55
14/03/2023	238.89	331.25	59.04	4814286	152.50	59.33	166	297.92	115.91	91.09
15/03/2023	249.17	331.56	58.72	4764286	138.33	59.33	168.33	300	121.7	92.41
16/03/2023	270.56	333.75	57.82	4728571	109.17	60.28	169	298.33	128.68	93.77
17/03/2023	272.22	325.31	57.56	4742857	109.17	62.39	173.44	297.08	135.23	97.73

Source: Baltic Exchange

LPG

- According to the Australian Bureau of Statistics, Australia's butane shipments decreased by 9% to 111,400 tonnes in December 2022 from a month earlier, but they were still marginally higher than the 111,000 tonnes a year earlier. Exports of butane decreased from 1.36 million tonnes delivered in 2021 to 1.27 million tonnes in 2022. Last year, problems at Shell's Prelude LNG project, which reopened in April but was again shut down on June 10 due to strike action, reduced Australia's butane production.
- Since the beginning of this year, as the demand for propane for winter heating increased, PDH plants, which continue to drive the county's LPG import growth, have struggled with rising feedstock costs, causing a rationalisation of operating rates. PDH production margins declined from -\$70/tonne at the beginning of the year to -\$330/tonne by 31 January. This caused plant shutdowns or utilisation reductions, with rates falling to 61% by 22 February from 72% in early January.
- Nigeria's LPG consumption reached over 1.4 million tonnes in 2022, up from roughly 1.3 million tonnes in 2021 and 750,000 tonnes in 2017, when the government in Abuja initiated its LPG expansion scheme. The Nigeria LPG Association had planned to achieve 2 million tonnes/year of consumption in 2021 and again in 2022. It is still aiming for 5 million tonnes/year by 2030. Despite a well-established upstream sector and abundant oil and gas resources, the primary obstacle to accomplish this in a developing country with limited resources, regulatory frameworks, and LPG infrastructure is ultimately the product's price.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
	\$/tonne		
10/03/2023	97.21	80.4	144.43
13/03/2023	96.5	80.4	144.86
14/03/2023	96.21	81.8	146.00
15/03/2023	97.86	82.2	146.29
16/03/2023	96.29	81.8	145.71
17/03/2023	93.86	82	145.14

Source: Baltic Exchange

LNG

- Despite Australia's close-to-record deliveries of LNG last month, there was a nearly 10% decrease in the amount of LNG imports by Japan. According to preliminary trade figures from the Japanese Finance Ministry, the country received about 94 cargoes or 6.40 million tonnes in February this year, which is a 9.9% decrease from the 7.11 million tonnes, or 105 cargoes received in February 2022. In January, Japan received 100 cargoes or 6.82 million tonnes, which is a year on year increase of 0.5% from the 6.78 million tonnes received in January 2022.
- According to industry sources, Indian Oil Corp - a state-run company, has released a tender requesting eight cargoes of LNG for delivery to the Dhamra terminal located on India's east coast. The tender for the delivery of the eight cargoes to the Dhamra terminal in India's east coast will close on 22 March, and the cargoes are expected to be delivered between June 2023 and May 2024. Adani Total Private Ltd's Dhamra terminal is anticipated to become India's initial terminal on the east coast and is projected to receive its first LNG cargo in April, with commercial operations commencing 30 to 45 days following the cargo's delivery.
- The strike against the French government's proposed pension reform continued into a second week last Wednesday, causing disruptions at French refineries and depots, as well as blocking LNG terminals. Since the commencement of the strike, numerous LNG vessels heading to France have diverted their course to terminals situated in Britain, the Netherlands, and Spain. If the French terminals remain closed for an additional week, it will considerably impede France's capacity to export gas to its neighbouring countries.
- Maran Gas, a subsidiary of Greece's biggest shipping company, the Angelicoussis Group, placed an order worth 679.4 billion won (\$521 million) to South Korea's Daewoo Shipbuilding & Marine Engineering Co. (DSME) to build two LNG carriers. DSME will construct the vessels at its Okpo shipyard, located in South Gyeongsang Province, and they are anticipated to be handed over to the owner during the first half of 2027. By securing contracts for four vessels, including three LNG carriers, totaling \$800 million so far this year, DSME has achieved 11.5% of its target of \$6.98 billion.

LNG Spot Freight Rates



Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
07/03/2023	76995	56693	68445
10/03/2023	76924	57102	65944
14/03/2023	75190	58542	66352
17/03/2023	73803	53697	60571

Source: Baltic Exchange

Chemicals

- Ace Tankers, owned by Idan Ofer, has expanded its chemical carrier operations once again with the acquisition of the Stream Tankers fleet. The company purchased four modern J19 boats from the Norwegian player managed by Utkilen.
- The eco stainless steel ships were constructed in Japan for \$32 million each, and market sources have indicated sale prices ranging from \$33 million to \$34 million, or up to \$136 million. VesselsValue has a fleet value of \$148.5 million.
- The transaction follows a splurge by Ace of about \$260m on six 25,000-dwt chemical tankers from Hafnia last year. These ships were part of Hafnia's takeover of Chemical Tankers Inc the year before.
- Notwithstanding the fact that contemporary dual-fuel newbuilding's cost less than LNG-fueled boats, French shipbroker BRS Group believes there are still issues about methanol as a green fuel. Methanol dual-fuel newbuilding orders now dominate the container ship industry, accounting for 12% of the segment's orderbook in terms of capacity.
- According to BRS, there is still a solid investment case for methanol, based on economic factors bolstered by regulatory clarity surrounding its use as a maritime fuel. The extra 10% cost of buying such ships above conventional tonnage is projected to be less than the additional 20% cost of an LNG dual-fuel newbuilding, according to the broker.
- However, "One of methanol's disadvantages for widespread use is its much lower energy density as compared to traditional fuels," according to BRS. It is expected to have 60% less energy in megajoules per litre and 27% less energy per cubic meter than LNG. "This results in a trade-off between boosting storage and reducing sailing range capabilities, with the latter commonly chosen," the French broker explained. "As a result, it may be more ideal either for small vessels travelling short distances or for large vessels, such as container ships, that are less subject to spot trading and have consistent trade patterns and bunker consumption range," the business found.
- Brazil's National Council for Energy Policy (CNPE) passed a resolution to enhance the country's biodiesel mandate from 10% to 12%. According to the norm, the content will be increased to 13% in April 2024, 14% a year later, and 15% in 2026.
- It is estimated that as the mandate grows, biodiesel output in Brazil would climb from 5.5 million tonnes per year to more than 8.7 million tonnes per year by 2026. Also, diesel imports are expected to be reduced by 870,000 tonnes this year, and 3.5 million tonnes by 2026.



- Togliattiazot (ToAz), a Russian nitrogen fertiliser company, will begin construction in March on a transshipment facility for ammonia and mineral fertilisers at the Black Sea port of Taman. The facility will cover 10 hectares and have a transshipment capacity of 5 million tonnes per year.