



RLA Weekly Report – Monday, 20 June 2022

No.1

Since Russia's invasion of Ukraine we have been sending out daily reports of market developments, primarily on the oil and tanker market sectors. As events have evolved, high commodity prices, shortages of resources and manufacturing supplies, rising inflation and interest rates have combined to impact economic growth. Starting today, we are replacing our daily reports with more wide-ranging, weekly, reviews covering the oil, gas and chemicals transportation sectors and the key factors driving these markets. We hope you enjoy these reports and welcome any feedback.

Economy

- On June 16, the Bank of England announced a 25 basis points hike in interest rates and also signalled larger prospective increases. The Swiss National Bank also increased its' interest rates by half a percent on Thursday. The list of countries that have increased interest rates this year comprises at least 45 nations including the United States, Brazil, Saudi Arabia and India, pushing borrowing costs higher in order to control inflation.
- Down from a seven-month high in April, the Eurozone's Productivity PMI fell to 50.1 in May from 50.7 as reported by S&P Global. The Eurozone's Manufacturing PMI stood at 54.6 in May down from 55.5 in April – the lowest in 18 months.

Oil and Tankers

- Oil prices seesawed through the week ending June 17. Prices saw a couple of positive sessions at the start of the week with concerns over the supply deficit increasing as Libyan output fell by 1.1 million b/d due to the ongoing protests. Mid-week ended the upward trajectory as the US Federal Reserve announced a more than anticipated interest rate hike of 75 basis points underlining increasing broader economic issues. However, Thursday saw a rebound as the US imposed new sanctions against companies supporting Iran's petrochemical sales abroad and again bringing the supply concerns to the forefront. Oil prices ended the week with massive losses on worries that the interest rate hikes by the major central banks could hurt the global economy. Marking the first weekly loss since April, WTI plunged by \$8.03/bbl to \$109.55/bbl while Brent prices lost \$6.69/bbl to settle at \$113.12/bbl on Friday.
- Rates on TC14 ended the week with an exceptional increase of W45 while rates on TC9 also fetched a little higher than Thursday. In contrast, rates on TC2 continued on their falling trajectory which started earlier in the week. Except TD20 and TD18, all of our selected dirty trade routes marked modest increases on Friday.



Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
		22k mt CPP/UNL								100k mt
Description	37k mt Cont to USAC	m/distillate UK/Cont.	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	100k mt Baltic to UK-Cont	30k mt Baltic to UK-Cont	130k mt W Afr to Cont	Ras Tanura to China	Kozmino to Ningbo
Size mt	37000	22000	38000	280000	135000	100000	30000	130000	270000	100000
Route	Rott - NY	Baltic - UKC	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo	Pacific Russia to China
	WS	WS	WS	WS	WS	WS	WS	WS	WS	\$
09/06/2022	394.72	429.29	177.86	25.61	112.44	165.63	321.67	93.30	44.91	1,500,000
10/06/2022	400.00	430.00	172.14	25.50	112.67	166.25	330.83	93.95	44.86	1,541,667
13/06/2022	395.00	429.29	170.00	25.61	113.78	166.88	334.17	95.20	44.95	1,550,000
14/06/2022	390.56	430.00	168.93	26.22	116.00	167.81	336.67	110.91	44.95	1,550,000
15/06/2022	368.33	440.00	170.36	26.28	127.06	169.38	338.33	114.50	44.95	1,550,000
16/06/2022	365.00	442.86	178.57	26.44	129.50	174.06	338.33	115.18	44.91	1,550,000
17/06/2022	356.67	450.71	223.57	26.50	130.50	177.50	337.50	114.95	45.23	1,558,333

Source: Baltic Exchange

LPG

- The expectations of rising Norwegian LPG exports of between 5% - 10% this year were not met in the first quarter of 2022. On the contrary, exports at 1 million tonnes were down by 14% as producers in Norway are choosing to leave LPG in the natural gas stream to maximize the BTU content (the BTU content of LPG is higher than natural gas). Therefore, as long as natural gas prices in Europe remain high, Norway is unlikely to increase LPG exports.
- The decline in propane feedstock prices resulted in a moderate recovery in PDH margins from negative \$126/tonne at the beginning of May to almost negative \$89/tonne by May end. Consequently, Chinese PDH plants operating rates averaged 78% at the end of May, up from 74% at the start of the month.
- VLGC spot freight rates for vessels trading on all three benchmark routes eased in the week as a result of a slowdown in chartering activity amid a narrowing US to Asia arbitrage. However, rates on vessels trading from the US Gulf into Europe and the Far East marked marginal increases on Friday.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
09/06/2022	87.71	71.50	125.71
10/06/2022	84.29	69.80	121.29
13/06/2022	81.29	67.40	116.14
14/06/2022	77.86	65.60	110.86
15/06/2022	74.86	61.40	103.71
16/06/2022	71.43	61.40	103.14
17/06/2022	70.64	62.00	104.71

Source: Baltic Exchange

Chemicals and Biofuels

- In the first week of June, the US Environmental Protection Agency (EPA) announced several actions that will help provide a path for the sustained growth in the use of renewable fuels in the USA and reinforce the foundation of the Renewable Fuel Standard (RFS) program to support homegrown biofuel alternatives to oil for transportation fuel. A summary of the final volume requirements for 2020-2022 is provided below:

- Final Volume Requirements for 2020-2022 (billion gallons)**

Category	2020	2021	2022
Cellulosic Biofuel	0.51	0.56	0.63
Biomass-Based Diesel	2.43	2.43	2.76
Advanced Biofuel	4.63	5.05	5.63
Total Renewable Fuel	17.13	18.84	20.63
Supplemental Standard	n/a	n/a	0.25

- In addition to finalizing the volume requirements, the rule also finalizes a regulatory framework to allow “biointermediates” to be included in the RFS program, while ensuring environmental and programmatic safeguards are in place. Biointermediates are feedstocks that have been partially converted at one facility but are then processed into an RFS-qualified biofuel at a separate facility. Providing a way for producers to utilize biointermediates may reduce biofuel production costs and expand opportunities for more cost-effective biomass-based diesel, advanced, and cellulosic biofuels.
- India has achieved the target of supplying 10 per cent ethanol-blended petrol and is aiming to double the blend by 2025-26 to cut oil import dependence and be more environmentally compliant. This will also save the country around \$4 billion annually as it plans to turn the nation’s surplus rice and damaged food grains into ethanol.