



RLA Weekly Report – Monday, 22 August 2022

No.10

Economy

- As businesses and consumers prepare for Europe's worst energy crisis in a generation, Germany's head of the federal network agency (BNA), Klaus Müller, warned the country must decrease its gas consumption by a fifth to prevent a devastating shortfall this winter.
- Inflation in the UK has soared to the highest since 1982, at 10.1% in July - also the highest in all G7 countries.

Oil and Tankers

- Although the efficacy of the European sanctions against Russia has been questioned persistently, the latest reports suggest that Russian crude production is expected to fall by 2 million b/d in 2023 owing to the anticipated slow-down in Asian demand. Reports indicate a fall in Russian crude flows into Asia to below 1.75 million b/d over a four-week period to August 12, versus over 2.1 million b/d seen in April and May. Trade into Europe has also eased to 1.32 million b/d from 1.85 million b/d prior to the invasion.
- Recent reports on the nuclear deal between Iran and the US galvanised crude traders on Monday as they suggested that a deal could be finalised within days based on the recent remarks of the Iranian foreign minister. Lower than anticipated oil demand in July in China also resulted in easing oil prices. Oil consumption fell by 10% in the month of July compared to the same time last year. Prices for WTI eased to \$89.41/bbl, marking a fall of \$2.68/bbl. Brent fell by 3.1% to \$95.1/bbl. Increasing prospects of Iranian oil entering the market continued to weigh on oil prices as WTI prices marked another fall of 3.2% while Brent eased by 2.9% on the second day of the week. Mid-week, prices recovered on account of the revival in oil demand in the US. On Thursday, the upward trajectory continued as market participants remained bullish on the overall demand being strong. Brent rose by 3.1% while WTI increased by 2.7%. Oil prices ended the week with marginal gains. WTI gained \$0.27 per barrel to \$90.77 per barrel, while Brent gained \$0.13 per barrel to \$96.72/bbl.
- The revival of the nuclear deal between the US and Iran would result in oil supply increasing from Iran by 900,000 b/d in the three months of sanctions being eased and has the potential to reach its full capacity of around 3.7 million b/d within six months.
- The EIA reported a fall of 7.1 million bbls in US crude inventories in the week ending 12 August versus a week earlier. Gasoline stocks also eased by 4.6 million bbls over the same time period.
- SFL Corp., owned by shipping tycoon John Fredriksen, has finalised a deal for four Suezmax tanker ships, all of which were built between 2015 and 2020. SFL stated that it anticipates taking possession of the vessels between August and October 2022; the total aggregate purchase price of the vessels



is US\$222.5 million. The agreement also covers the long-term time charters of the vessels to a division of Koch Industries, the second-largest privately held firm in the United States and an international conglomerate.

Tanker Freight Rates on Key Routes

| Route No. | TC2_37 | TC9 | TC14 | TD1 | TD6 | TD17 | TD18 | TD20 | TD3C | TD24 |
|-------------|--------------|-----------------------------------|-------------|--------------------|-----------------|-------------------|-------------------|-----------------------------|----------------------|-------------------------|
| | 37k mt | 22k mt m/distillate CPP/UNL | 38k mt | 280k mt | 135k mt | 100k mt | 30k mt | | 270k mt | 100k mt |
| Description | Cont to USAC | Baltic to UK/Cont. | USG to Cont | ME Gulf to US Gulf | Black Sea / Med | Baltic to UK-Cont | 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 | \$ |
| 10/08/2022 | 346.94 | 498.21 | 219.17 | 32.78 | 170.61 | 223.13 | 361.25 | 122.95 | 59.00 | 16,50,000 |
| 11/08/2022 | 340.56 | 499.64 | 210.00 | 34.00 | 169.56 | 223.75 | 361.67 | 122.50 | 59.82 | 16,58,333 |
| 12/08/2022 | 327.22 | 499.64 | 183.33 | 35.28 | 169.50 | 224.38 | 361.67 | 122.61 | 61.09 | 16,58,333 |
| 15/08/2022 | 307.50 | 500.00 | 175.42 | 36.28 | 169.78 | 224.38 | 361.25 | 126.36 | 64.45 | 16,50,000 |
| 16/08/2022 | 287.50 | 500.00 | 147.50 | 39.00 | 170.78 | 224.38 | 361.25 | 128.86 | 72.86 | 16,41,667 |
| 17/08/2022 | 261.67 | 500.00 | 148.33 | 41.83 | 173.50 | 223.75 | 362.08 | 136.14 | 80.00 | 16,41,667 |
| 18/08/2022 | 248.33 | 500.00 | 150.83 | 46.17 | 172.50 | 222.19 | 362.08 | 135.00 | 80.95 | 16,41,667 |
| 19/08/2022 | 234.17 | 500.00 | 151.67 | 46.33 | 172.78 | 221.25 | 362.50 | 133.64 | 80.41 | 16,41,667 |

Source: Baltic Exchange

LPG

- Iran is nearing a new nuclear agreement that would mark the end of US and EU sanctions on it, potentially reviving its upstream industry and increasing LPG supply and exports. But more than a year before the offering, all parties still need to finalise an agreement. The Joint Comprehensive Plan of Action (JCPOA), the document that the EU claims to be the "final text" of the pact to salvage the 2015 nuclear agreement, was submitted earlier this month following four days of negotiations in Vienna. By mid-August, though, Washington and Tehran were still working out the details. Iran's foreign minister, Hossein Amir-Abdollahian, declared that the negotiations must continue until Washington can allay Tehran's concerns.
- Following the withdrawal of Iran from the JCPOA and the reimposition of sanctions by the former US president Donald Trump, the country's LPG output plummeted by a fifth on the year to 9.2 million tonnes in 2018. In 2020, production fell to a five-year low of 7.8 million tonnes. Similar trends were observed in Iran's LPG exports, which fell by 28% to less than 6 million tonnes in 2018 and reached a five-year low of 4.8 million tonnes in 2020. However, since then, production and exports have been increasing, and by the end of this year, they may surpass their highest levels since 2017, owing to a recent increase in shipments to Asia-Pacific in July. The country shipped 19 VLGCs equivalent to about 874,000 tonnes in July alone which brings total Iran's exports to about 4.5 million tonnes in the first six months of this year.

- In the first seven months of 2022, Algeria's LPG exports to Asia-Pacific increased more than fourfold compared to the same period in the previous year, as shipments to Mediterranean buyers competed with an inexpensive inflow of US cargoes and Morocco cancelled its supply agreements. In January through July, the country's shipments to the Asia-Pacific region increased to 640,000 tonnes, up from 140,250 tonnes the previous year. This increased from 4% a year earlier to nearly a fifth of Algeria's 3.4 million tonnes of overall exports from January to July. China was the biggest importer during this timeframe, taking in 290,000 tonnes, or about 40% of the entire exports to Asia. Mediterranean countries imported 2.5 million tonnes from Algeria, down by 14% on the year.
- In the first half of this month, VLGC rates on the route from the Arabian Gulf to the Far East decreased even further as demand decreased and vessel supply increased.

VLGC Spot Freight Rates

| Route No. Description Size mt | BLPG1 AG-East 44000 | BLPG2 USG-Cont 44000 | BLPG3 USG-Japan 44000 \$/tonne |
|-------------------------------------|---------------------------|----------------------------|---|
| 10/08/2022 | 59.57 | 53.50 | 95.71 |
| 11/08/2022 | 59.50 | 52.90 | 95.29 |
| 12/08/2022 | 58.93 | 52.10 | 95.21 |
| 15/08/2022 | 57.14 | 51.60 | 94.86 |
| 16/08/2022 | 54.57 | 50.80 | 93.64 |
| 17/08/2022 | 56.29 | 50.20 | 92.86 |
| 18/08/2022 | 61.29 | 52.30 | 92.43 |
| 19/08/2022 | 62.57 | 52.40 | 92.86 |

Source: Baltic Exchange

LNG

- The Croatian government will spend €180 million building a new section of a gas pipeline and doubling the capacity of an FSRU terminal on the island of Krk. The government announced through the state-owned news agency Hina that a new €155 million gas pipeline extension will connect Zlobin and Bosiljevo in northwest Croatia in about three years and that the FSRU's capacity will be increased to 6.1 billion cbm of LNG annually from 2.6 billion cbm at present in about 18 months.
- According to official figures released on Monday, Norwegian natural gas exports reached a record high of 128.4 billion crowns (\$13.26 billion) in July as prices and demand in Europe soared in the face of disruptions to Russian supplies. Natural gas sales increased by 5.7% to 10.2 billion cbm, and revenue was four times greater than for July of previous year. "Maintenance and lower capacity on the Nord Stream 1 pipeline, which transports gas from Russia to Europe, has contributed to pushing gas prices up to a record level in July," Norway's statistics office said in a statement. Norway, the largest supplier of oil and gas in western Europe, has adjusted its gas production to sell more gas for exports rather than pump it back down to produce more oil.
- Even when regional weather variations were taken into account, Germany's gas usage decreased significantly in the first half of 2022, according to power industry association BDEW on Tuesday. BDEW, which based its calculations on preliminary data, claimed that German demand for natural gas eased by roughly 15% in the first half of 2022 versus the same period last year. The reduction may

possibly have been caused by significantly higher energy prices, weaker economic growth, and personally driven energy-saving measures, said BDEW.

- Furetank, a Swedish company, and Algoma Central Corporation, a Canadian company, have formed a new joint venture, and they have ordered four LNG-powered refined products tankers. The two firms will share ownership of the new joint venture, FureBear, equally, FureTank stated in an email statement on Tuesday. Four 17,999 DWT product tankers with dual fuel have been ordered by the joint venture. The tankers are capable of running on LNG or green gas alternatives as well as marine gasoil, and will additionally have a battery power system.

Chemicals

- A.P. Moller-Maersk has formed a methanol partnership with the Chinese bioenergy company Debo. The parties have signed a Letter of Intent covering Debo's plans to develop a bio-methanol project in China for Maersk with a capacity of 200,000 tonnes per year, with commercial operations set to begin in the fall of 2024. Agricultural residues will be used as the feedstock for the green bio-methanol, and Maersk has stated that it will take the entire volume produced. The Danish container shipping company intends to use methanol to power a fleet of newbuilding vessels that it has on order. In 2021, Maersk ordered twelve 16,000 TEU boxships from Hyundai Heavy Industries (HHI) in South Korea, as well as one feeder from Hyundai Mipo Dockyard (HMD). The dual-fuel vessels will be able to burn both methanol and conventional low-sulfur fuel.
- Chemical manufacturers in the United States reported that major supply chain issues persisted well into this year and in some cases, worsened. According to the findings of a new survey released by the American Chemistry Council (ACC), transportation-related supply chain issues persisted in the first half of this year, having a long-term impact on US manufacturing operations. Companies reported that disruptions harmed their US manufacturing operations for three consecutive quarters. During the same time period, businesses reported being negatively impacted by ongoing supply chain and freight transportation disruptions. Companies reported that, in addition to lost manufacturing and customer orders, higher shipping rates were exacerbated by costly workarounds such as increased inventories, investing in additional rail cars, and devoting additional resources to shipment management.