



RLA Weekly Report – Monday, 21 November 2022

No.23

Germany's gas shortage is possibly no longer a major issue.

- Pushed by a raft of government measures, China posted a growth rate of 3.9% in the third quarter of the year, a sharp increase from the 0.4% reported in the second quarter of the year, bringing year-to-date growth to 3%. In September, industrial production increased by 6.3% year on year, far exceeding the expected increase of 4.5%.
- Japan's economy surprisingly shrank by an annualised rate of 1.2% in the third quarter of this year amid soaring inflation, a weaker yen, and reduced household consumption. Economic activity eased by 0.3% quarter on quarter, versus a growth rate of 4.6% in the second quarter of the year.

Oil and Tankers

- Before the EU embargo and a G7 price cap on exports take effect on 5 December, Russian suppliers are shipping as much crude as they can. This month's seaborne exports are almost 3.5 million b/d, up over 100,000 b/d from October, 10% higher than they were prior to the invasion of Ukraine, and 17.5% higher than they were in 2021. Interestingly, the European embargo on seaborne crude oil exports means that cargoes can be delivered up to 19 January if loaded before 5 December. Increased shipments from terminals on the Pacific and Arctic coasts are the main cause of the higher November shipments. Loadings of Sokol and Vityaz in Russia's far east have increased by 190,000 b/d to 290,000 b/d.
- The overall increase in seaborne exports in November will be partially offset by a brief interruption on the southern leg of the Druzhba pipeline system, which transports Russian crude to Hungary, Slovakia, and the Czech Republic.
- Before EU sanctions take effect in February of next year, Russian fuel oil suppliers have been diverting cargoes from Europe to the Asia-Pacific region. Since March, India, the UAE, and Singapore have increased their imports of Russian fuel oil to become the three largest markets. In comparison to a year ago, India has taken 82,000 b/d, the UAE has taken 74,000 b/d, and Singapore has taken 61,000 b/d up from 44,000 b/d, 31,000 b/d and 36,000 b/d, respectively.
- Iraq intends to increase its production capacity to roughly 7 million b/d in 2027, according to the most recent Reuters reports, though any increases will be coordinated with OPEC.
- US commercial crude oil stocks eased by 5.3 million bbls in the week ending 11 November versus the previous week to reach 435.5 million bbls. The SPR also fell by over 4 million b/d over the same time period. On the other hand, Gasoline inventories rose by almost 2.2 million bbls to reach 207.9 million bbls in the week ending 11 November. Distillate fuel stocks surged nearly 1.1 million bbls, up from 106.2 million bbls.

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
11/11/2022	308.89	358.13	54.11	3871429.00	496.43	157.08	62.17	215.67	390.42	195.23	112.77
14/11/2022	313.06	366.81	53.34	3900000.00	504.29	200.00	62.19	215.11	390.00	194.09	112.55
15/11/2022	315.83	367.81	53.40	3910714.00	517.86	211.67	65.11	215.67	388.33	195.23	119.05
16/11/2022	335.50	368.13	53.47	3978571.00	524.29	230.00	68.78	223.44	391.25	196.14	127.41
17/11/2022	342.78	363.13	52.70	3978571.00	525.71	245.83	69.22	240.78	397.50	205.68	127.95
18/11/2022	363.06	360.63	53.47	4157143.00	562.86	324.17	73.22	258.33	406.25	212.95	129.59

Source: Baltic Exchange

LPG

- While increasing to their highest level since Russia's invasion of Ukraine in February, LPG imports in October were still well below pre-war levels. Last month, Ukraine imported 90,500 tonnes, up 27% from the previous month but 38% less than a year earlier. The country's consumption rose in comparison to September, and despite an increase in imports, there is still a supply shortage. In October, there were 30,300 tonnes of LPG delivered by rail, a 24% increase over September. Truck imports increased by 17% month on month at 46,000 tonnes. Furthermore, sea deliveries nearly doubled to reach a yearly high of 46,000 tonnes.
- According to data from the Australian Bureau of Statistics (ABS), Australia's butane exports increased to a 14-month high of 154,700 tonnes in September after Shell's 3.6 million tonnes/year Prelude floating LNG project resumed. For the past two years, problems at Prelude, offshore Western Australia, have impacted the country's butane output. The facility can produce 400,000 tonnes/year of LPG with an unknown proportion of propane-butane split. Due to a confidentiality clause, the ABS declines to release data on propane exports.
- Due to increased demand from the industrial sector, Japanese LPG supplier Iwatani increased its sales from April to September by around a fifth year on year to 7.2 million tonnes. The country's ongoing economic recovery and increased demand for blending into city gas helped the company's industrial sales increase by almost a quarter to 2 million tonnes. According to data from the trade ministry, Japan's city gas consumption rose by 27% to 1 million tonnes in January-August. LPG is used to increase the gas' calorific value, and its appeal has grown as a result of elevated LNG prices. However, due to the warmer weather this year, rival LPG retailers Itochu Enex and Nichigas report

lower LPG sales for April to September, both down by 2% to 195,000 tonnes and 126,000 tonnes, respectively.

- Spot freight rates for VLGCs on all three benchmark routes increased during the end of October and into November, mostly as a result of increasing delays at the Panama Canal and at Indian and Chinese ports.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
	\$/tonne		
11/11/2022	134.29	107.00	192.71
14/11/2022	141.00	108.40	198.14
15/11/2022	144.71	108.60	199.29
16/11/2022	145.29	108.60	199.57
17/11/2022	146.43	110.20	200.14
18/11/2022	148.14	111.60	202.00

Source: Baltic Exchange

LNG

- Germany's first LNG import terminal has been completed, marking an important step in the country's efforts to reduce its reliance on Russian energy. Concerns that gas rationing would occur this winter in the biggest economy in Europe will be allayed by the terminal's completion in Wilhelmshaven on the North Sea. Five floating storage and regasification units (FSRUs) were chartered earlier this year; before the end of the year, one will be deployed in Wilhelmshaven and the other at nearby Brunsbüttel. The first LNG tankers are due to dock at the two sites early next year. According to the economy ministry, three further FSRUs will be deployed, two in Lubmin on the Baltic Sea, one in Stade on the Elbe river near Hamburg, and an additional one in Wilhelmshaven in the fourth quarter of 2023. Germany's capacity to import LNG will increase to at least 29.5 billion cbm/year, or almost a third of its 2021 annual gas consumption of 90.5 billion cbm.
- Due to repairs, changes in production, and operational modifications, Freeport LNG has issued an update on the re-start of its plants, which will extend until the first quarter of 2023. According to the company, the plant on Quintana Island is planned to reach a production level of around 2 billion cubic feet per day in January 2023, with full utilisation of both docks predicted for March 2023. The largest importer of Japan, JERA Co. Inc., as well as the Japanese utility Kansai Electric and Osaka Gas, and the South Korean firm SK E&S and buyers in Europe, are among Freeport LNG's main customers. Prior to the accident, the Freeport plant shipped 55 cargoes, mostly to import terminals in Europe and North Asia, during the first quarter of this year.
- Japanese LNG imports have surged by over 10% even though the cost of the shipments has increased by more than 150% year on year as exports from Australia, the spot market, and Russia have increased. About 5.08 million tonnes, or 75 cargoes, of LNG were sent to Japan's network of 37 terminals in October 2022. According to preliminary trade data from the Finance Ministry, this was 9.9% higher than the deliveries of 4.62 million tonnes, or 68 shipments, in October 2021. LNG imports into Japan for the first half of the current fiscal year, from April to September, totaled 34.9 million

tonnes and costed 4.281 trillion yen (\$28.6 billion), up 138.6% over the same period in the previous fiscal year.

- As the world fleet grows to meet increased demand, orders for at least eight newbuild LNG carriers and one floating storage and regasification unit (FSRU) have been placed with shipyards in China and South Korea in the last month. Two vessels with a combined capacity of 175,000 cbm are among the orders, which were placed by the German ship management company Hammonia Reederei and are scheduled to be delivered by Yangzijiang Shipbuilding in China between 2025 and 2026. According to shipyard data, US plant developer Venture Global ordered two newbuilds from Daewoo Shipbuilding & Marine Engineering (DSME) in South Korea for a total of \$500 million. The two ships are due for delivery at the end of 2026. To place an order for three LNG vessels with a capacity of 174,000 cbm from China's Hudong-Zhonghua Shipbuilding, Tianjin Southwest Maritime (TSM) has teamed up with the leasing division of China State Shipbuilding Corp (CSSC).

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan
			\$/day
08/11/2022	446082	497720	480885
11/11/2022	452686	509908	485476
15/11/2022	466524	497888	475134
18/11/2022	466279	492100	472313

Source: Baltic Exchange

Chemicals

- Disney Cruise Line, located in Florida, has acquired a nearly completed cruise ship that will run on methanol. The corporation is collaborating with the Meyer Werft shipbuilding company to finish the cruise ship formerly known as Global Dream, according to a statement posted on its website on Thursday. The 208,000 GT ship will have a capacity of around 6,000 guests and 2,300 crew members and will be among the first cruise ships to use methanol propulsion systems. Methanol has grown in favour as an alternative marine fuel in the two years since AP Moller-Maersk announced that its first carbon-neutral vessels will have methanol propulsion systems. The next key step for this market will be to ramp up production of green methanol and develop the necessary delivery infrastructure at bunkering hubs.
- S-Oil, a South Korean refiner, announced last week that it intends to construct a new mixed-gas feed cracker and downstream polymer facilities at its Ulsan refinery, with completion scheduled for 2026. S-Oil, which is majority owned by Saudi Arabia's state-controlled Saudi Aramco, will invest 9.26 trillion won (\$7 billion) in the project, marking the Saudi company's largest-ever investment in South Korea. The new mixed-feed cracker, known as the Shaheen project, will have a nameplate capacity of 1.8 million tonnes/year of ethylene, 770,000 tonnes/year of propylene, 200,000 tonnes/year of butadiene, and 280,000 tonnes/year of benzene. Construction is expected to begin in 2023 and be completed in 2026. This will be S-Oil's first mixed-gas cracker, as the company seeks to diversify away from refining

and towards the petrochemicals industry. According to Aramco, the chemical output by volume of S-Oil might nearly increase to 25% if the project is completed.

- Japanese shipowner Mitsui OSK Lines has trialed the use of ExxonMobil biofuel bunkered aboard an LNG tanker chartered by the US oil giant. ExxonMobil Marine provided 1,500 tonnes of biofuel to the 171,800-cbm LNG carrier Papua (built 2015) in Singapore, according to MOL. The marine biofuel utilised is a 0.50% sulphur residual-based fuel with extremely low sulphur content that has been treated with up to 25% waste-based fatty acid methyl esters — commonly known as FAME — that are typically used as clean fuels added to conventional diesel fuels, MOL stated. ExxonMobil stated that the biofuel was provided in two consecutive commercial bunkering operations in Singapore seas through ship-to-ship transfer and utilized during Papua's travels in the Asia Pacific area. The shipowner said the biofuel is expected to cut greenhouse gas emissions from the vessel but did not give a figure for the reductions.

Regulations

- From this point forward, the UAE Ministry of Energy and infrastructure will require ships taking on HSFO to submit a copy of the International Air Pollution Prevention (IAPP) certificate for their scrubber. The certificate attests to the fact that the ship actually has a functioning scrubber, and the new requirement to present the document reflect a concern that may be some ships currently refuelling with HSFO in the UAE may not be equipped with the necessary emissions cleaning systems. Previously, suppliers were only required to take the receiving vessel's word that HSFO was to be used in a MARPOL-compliant manner. Last month, HSFO accounted for 21.6% of total bunker sales at the UAE hub of Fujairah, up from 17.4% the previous year.