



## RLA Weekly Report – Monday, 16 January 2023

No.30

### Inflation eases!

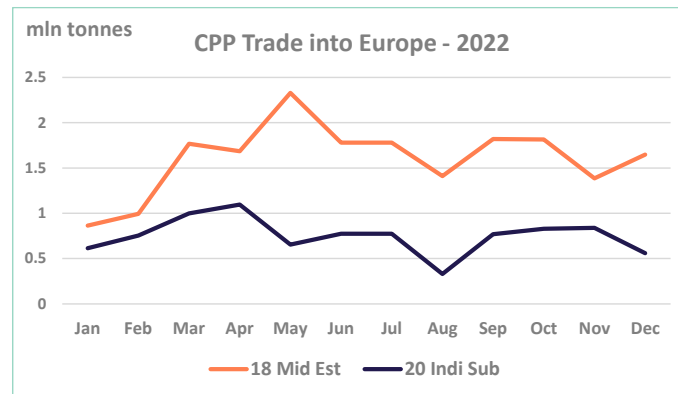
#### Economy

- The US Bureau of Labour Statistics has released Consumer Price Index data for the month of December. *Inflation* for the month of December was 6.5%, compared to 7.1% in November 2022. Consumer prices fell for the first time in more than two and a half years in December, as gasoline and motor vehicle prices fell, providing hope that inflation is now on a sustained downward trend, even though the labour market remains tight. The US Federal Reserve is eyeing rates for 2023 between 4.75% and 5.75%. With inflation cooling, we expect smaller interest rate hikes in 2023, but there will definitely be at least one more increase from the Fed to be in the targeted range for 2023.
- In December 2022, *China's monthly inflation* rate was 1.8% higher compared to the same month the previous year. Inflation peaked at 2.8% in September 2022, but it has recently moderated. In 2022, China's annual average inflation rate was 2.0%.

#### Oil and Tankers

- China In its latest monthly outlook, the EIA has revised down its estimate for *global oil demand* in 2023 by 100,000 b/d to 100.82 million b/d from 99.82 million b/d in 2022. Even though the market seems optimistic about the recovery in the Chinese economy and cooling inflation, the latest PMI data in the US shows falling manufacturing activity amid weak demand. The manufacturing PMI fell to 46.2 in December from 47.7 in November.
- For the time being, *Russian crude exports* appear to have survived the start of the \$60/bbl price cap. After the EU embargo and price cap went into effect, seaborne loadings fell by about 600,000 b/d from December 5 to December 31. However, they have recovered and are nearly 750,000 b/d higher this month than they were in December. Assuming prices trade over \$100/bbl in 2023, we anticipate higher Russian crude flow into Asia as the price cap will make Russian crude more appealing to buyers.
- According to Vortexa, all 680,000 b/d of *ESPO Blend loaded at Kozmino* in December and the 800,000 b/d in November were shipped to China. In the first two weeks of January, all Kozmino loadings were destined for China. Loadings to India from the October programme were 77,000 b/d in October and 28,000 b/d in September before dropping to zero in November and December. Following the implementation of the price cap, China's state-owned Sinopec appears to have exited the ESPO Blend market.
- As per the latest Argus weekly report, *Russian crude oil production* in December stood steady at 9.8 million b/d, as in November.
- Based on reported fixture data, in 2022, clean products shipments from the Middle East totalled 19.3 million tonnes. Supplies from India reached 9.0 million tonnes.

### CPP Trade into Europe-2022



### 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 European Mediterranean	Clean Middle East 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
05/01/2023	199.44	234.06	81.67	5714286	112.33	39.67	173.44	427.50	93.50	53.27
06/01/2023	194.44	213.75	78.20	5557143	108.75	38.67	169.61	425.08	92.05	52.91
09/01/2023	192.78	208.13	75.77	5421429	104.17	37.39	168.67	417.08	93.95	50.77
10/01/2023	193.89	193.75	68.72	5135714	100.83	37.22	175.82	408.33	104.09	50.14
11/01/2023	185.28	184.38	62.05	4657143	93.75	36.83	183.89	391.25	106.36	50.05
12/01/2023	178.89	180.00	57.18	4342857	91.67	35.08	200.67	373.75	116.59	44.68
13/01/2023	184.72	179.38	53.72	4285714	91.04	34.50	204.00	355.42	132.50	44.45

Source: Baltic Exchange

### LPG

- Despite netbacks to Asia-Pacific consistently increasing since mid-October, the flow of US propane imports into northwest Europe has remained strong. In the fourth quarter, US exports to northwest Europe increased by 48% from a year earlier to 1.26 million tonnes. According to Vortexa data, they were at 343,000 tonnes in December, a decrease of 28%, but are expected to increase by 60% on the year to 600,000 tonnes in January. US imports into northwest Europe as a whole grew by 63% to 5 million tonnes in 2022. This helped Europe reduce a rising imbalance brought on by decreased upstream production from the North Sea and from its refineries as a result of continued high natural gas prices.
- The Australian Bureau of Statistics (ABS) data reveal that butane exports from Australia decreased by over 45% on a monthly basis in October, to about 86,000 tonnes. As a result of the monthly decline, the country's butane exports fell to 1.08 million tonnes in January–October, about a quarter less than during the same time last year. Problems at the Prelude LNG project, which has been down since 10 June due to industrial action after returning to operations in April following a shutdown in December 2021, have had an impact on butane (and propane) production in Australia.

- In December 2022, Saudi Arabia's Advanced Petrochemical Company completed two important acquisitions vital to its \$1.7 billion Jubail expansion project. On 4 December, the company reported that it had received clearance from the Ministry of Energy to build propane-feedstock pipelines, and the following day it verified financial closure for under-construction chemical facilities. Through their Advanced Polyolefins joint venture, Advanced Petrochemical (85%) and Korea's SK Gas (15%) are establishing an 800,000 tonne/year propane dehydrogenation/polypropylene (PDH/PP) complex at Jubail. This will feature an 843,000 tonne/year PDH facility that will supply feedstock for two 400,000 tonne/year polypropylene facilities, as well as a 70,000 tonne/year isopropanol (IPA) unit.
- Canadian LPG exports in October increased by 39.0% on the month to 884,000 tonnes, and within this, 470,000 tonnes (53.2% of the total) went to the US and 349,000 tonnes (39.5% of the total) to Japan. Total exports in the first nine months of this year totalled 6.7 million tonnes where the US accounted for 4.2 million tonnes and Japan 1.7 million tonnes.
- The picture for 2023 is uncertain after a challenging 2022 for the ammonia market since it is so significantly impacted by changes in the gas market, particularly in Europe, which has been a benchmark since 24 February, 2022. The weather in Europe during the coldest months, which affects the price of gas, the primary feedstock for ammonia, makes the situation even more difficult to predict. In 2023, the supply situation might drastically change if the Togliatti-Odessa pipeline resumes production. Ammonia from Togliatti accounts for 11% of worldwide exports. Before the events of February 24th, 2022, up to 200,000 tonnes/month of Russian ammonia typically left the Ukrainian port for Europe, North Africa, and India.

### VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
	\$/tonne		
05/01/2023	79.00	68.40	123.43
06/01/2023	77.86	69.60	125.43
09/01/2023	78	73.4	128.714
10/01/2023	80.571	74.6	129.857
11/01/2023	83	75.8	130.286
12/01/2023	82.286	74.2	127.857
13/01/2023	81.714	71.6	125

Source: Baltic Exchange

## LNG

- The Deutsche Ostsee LNG import facility for LNG opened on Friday, according to TotalEnergies, at the Baltic Sea industrial port of Lubmin in eastern Germany, close to the Polish border. The FSRU has a regasification capacity of 5 billion cbm/year or around 5% of Germany's annual consumption. With the start-up of the project, the company's overall LNG imports to Europe will increase to more than 20 million tonnes/year, or around 15% of the continent's regasification capacity. Germany will also get gas from five more FSRUs that the government chartered and that will be stationed in ports in northern Germany, including two chemical production facilities.

- The uncertainty around when Freeport LNG, the US exporter of LNG will restart exports following an explosion last summer has increased as a result of the company cancelling some upcoming shipments. Two cargoes at least have been postponed from loading at the Texas terminal between the end of January and the beginning of February. The plant was scheduled to reopen in the second half of this month after being closed since June last year. Despite Freeport's sliding timeline, it is anticipated that it would likely take until the first or second quarter of 2023 to reopen the facility because of the considerable amount of work required to satisfy federal regulators, including including training staff in new safety procedures.
- The Dutch Title Transfer Facility (TTF) market price will be replaced by the European Union Agency for the Cooperation of Energy Regulators' (ACER) own price assessment for LNG, a move that is perceived as grabbing control of pricing and interfering with free markets. According to ACER officials, transaction data that LNG market participants will be obliged to provide will be the basis for the EU LNG price assessment. "Using this data, ACER will start producing and publishing a daily European LNG benchmark price by the end of March," said ACER.
- Due to warm weather and plentiful inventories, Asian spot LNG prices declined for the fourth week in a row. The upcoming Lunar New Year holiday is projected to exert more downward pressure. According to industry sources, the average LNG price for February deliveries into northeast Asia LNG-AS was \$23/mmBtu, down \$2, or 8%, from the prior week. The average price for March delivery is estimated at \$20.60/mmBtu.

### LNG Spot Freight Rates

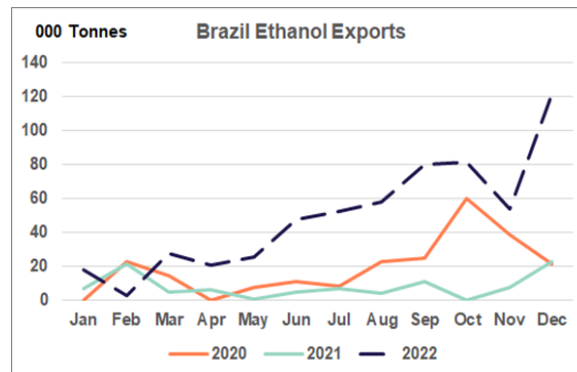
Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
23/12/2022	160808	158983	174279
03/01/2023	149625	145283	161580
06/01/2023	129779	120160	132786
10/01/2023	119763	105483	121750
13/01/2023	106051	85299	103421

Source: Baltic Exchange

### Chemicals

- According to RLA's insights, Brazil's ethanol shipments to Europe reached a record high last year, as international markets appeared more tempting than domestic markets. Brazil exported around 590,000 tonnes of ethanol to Europe in 2022, a massive 501% increase over 2021 statistics. Brazil's previous high was 376,000 tonnes supplied to the continent in 2010. The growth in exports is being driven by the biofuel sector's reaction to decreased pricing in Brazil and growing demand in Europe, which makes exporting overseas more tempting to producers. As gasoline prices climb, demand for cheaper E10 fuel (gasoline containing 10% ethanol) is increasing in key consuming nations such as Germany, the United Kingdom, and Sweden this year.

### Brazil Ethanol Exports



- Petrobras, a Brazilian energy company, has completed the country's first commercial bunkering of a biofuel blend. Last week, the business announced in a statement on its website that it bunkered Transpetro's LPG tanker the Darcy Ribeiro with a biofuel bunker blend on December 31 in Rio Grande do Sul. The mixture, which contains 10% biodiesel and 90% conventional marine gasoline, will be examined over the following two months. "The assessment of the burning quality and mixture stability suggested permission for the field test in a marine vessel," the company said in a statement. "It is believed that the ship's operation will corroborate the laboratory results and be uneventful in terms of engine, filter, and fuel purification system functioning." Biofuel bunker mixes are gaining appeal as a drop-in alternative for traditional marine fuels that can yield immediate reductions in GHG emissions across the lifespan. So far, trials show that the mixes function well in marine engines, but their high price remains an impediment.
- Cargill and Japan's Mitsui & Co. have placed the first-ever order for methanol-fueled bulkers. Jan Dieleman, president of Cargill Ocean Transportation, said that the business has ordered two dual-fuel kamsarmaxes in partnership with Mitsui and Japanese shipbuilder Tsuneishi Group. Three months earlier, it was rumoured that the corporation was in discussions to buy four to six of the bulkers that could run on both methanol and conventional marine fuels. "In conjunction with Mitsui & Co. and Tsuneishi Group, we have ended the "chicken and egg" dispute by buying two methanol-dual-fuel bulk carrier boats," Dieleman said on LinkedIn. Methanol is becoming more popular as an alternative fuel. It has a smaller carbon footprint now and might have a zero-carbon profile in the future if methanol is generated with renewable energy and carbon capture. According to maritime news website Lloyd's List, the newest newbuildings for Cargill, one of the world's major bulker charterers, are planned to be delivered in late 2025 and early 2026.