



RLA Weekly Report – Monday, 13 March 2023

No.38

OPEC Oil Output Remains Steady in February

Economy

- Last week, Bank of Japan Governor Haruhiko Kuroda maintained the central bank's ultraloose monetary policy, signalling his firm stance on the policy before handing over the torch to incoming Governor Kazuo Ueda. The monetary stimulus raised stock prices and assisted in lowering the yen, which at the time had a very high value and hurt manufacturers who depended on exports.
- For the second consecutive month in February, India's retail inflation likely exceeded the central bank's target, leading the monetary authority to potentially raise borrowing costs to their highest point in seven years. The latest studies from Bloomberg suggest that consumer prices increased by 6.40% from a year ago in February. That would be slower than the 6.52% in January, but it would still be higher than the Reserve Bank of India's comfort level, which is to get inflation to the midpoint of its target range of 2%–6%.

Oil and Tankers

- OPEC-10 production remained steady at 24.47 million b/d in February versus the previous month. Oil output eased marginally by 0.1 million b/d to 28.88 million b/d in February for production including Iran, Libya, and Venezuela. In February, Russian crude production remained largely constant. However, due to an EU embargo and the G7 price cap regime, its exports decreased by 150,000 b/d, while 190,000 b/d went into storage. Contrary to the planned cuts, Saudi Arabia increased production by 0.15 million b/d to 10.4 million b/d in February.
- Nigerian production increased for a fifth month in a row in February, reaching a 10-month high of 1.4 million b/d. However, exports of Bonny Light appear to be in jeopardy as a result of the 3 March explosion at the 180,000 b/d TNP pipeline, which transports crude to the Bonny terminal. In February, the majority of west African nations also increased their production. However, the combined increase was only enough to counteract Angola's monthly output decline of 80,000 b/d, which was partly brought on by planned maintenance at the Dalia floating production.
- For the first time in a few months, a full cargo of ESPO Blend is departing Russia's Kozmino for India, and more space has been reserved on the route. Approximately 720,000 bbls of this grade are anticipated at Kochi on 21 March. Although small deliveries of 153,000 bbls in January and 97,000 bbls in February went to the nation, a full cargo hasn't arrived there since mid-November.
- Onshore crude and product stocks increased by 13 million bbls month on month in February in the US, EU 16, and Japan. Stocks are currently 144 million bbls below the average for 2015–19, the smallest deficit in 18 months. Crude increased by 26 million bbls in February, outpacing a draw in products of 14 million bbls.

Tanker Freight Rates on Key Routes

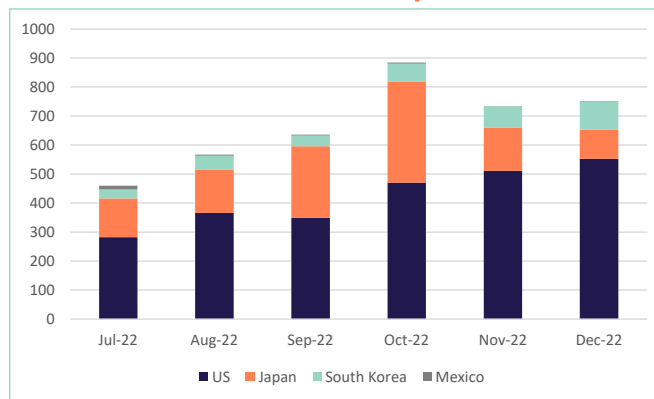
Route No.	TC2_37	TC6	TC8	TC20	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37k mt Cont to USAC	Clean Algeria to Euro Med	Clean ME Gulf to UK-Cont.	AG/UK Cont	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	30k mt Baltic to UK-Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China
Size 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
03/03/2023	156.67	180.00	57.05	4628571	147.92	42.17	170.78	288.75	142.16	71.36
06/03/2023	156.11	180.00	56.92	4600000	143.67	42.28	169.11	289.17	141.25	71.82
07/03/2023	156.39	181.25	57.18	4600000	146.67	44.06	168.56	288.75	137.50	74.09
08/03/2023	193.89	190.94	56.66	4707143	165.00	48.78	167.39	291.25	128.18	83.41
09/03/2023	198.89	221.88	57.18	4735714	165.83	61.11	167.28	292.92	116.36	98.55
10/03/2023	197.78	253.13	58.85	4771430	166.67	61.78	166.06	296.25	115.45	97.00

Source: Baltic Exchange

LPG

- Imports into Japan in January 2023 rose by 15% year on year to 1.1 million tonnes and by 21% month on month as lower Mt Belvieu prices encouraged more imports from the US. Deliveries from the US were 810,300 tonnes (up by 38% month on month), while supplies from Australia and Canada dropped by 3.1% and 5.0% respectively to 106,200 tonnes and 78,200 tonnes.
- Canadian LPG exports in December rose by 2.3% on the month to 751,000 tonnes, and within this, 553,000 tonnes (73.6% of the total) went to the US and 99,000 tonnes (13.2% of the total) to Japan. Total exports in the last quarter of 2022 totalled 2.4 million tonnes which was significantly up from third quarter figure of 1.7 million tonnes.

Canada LPG Exports



- Saudi Arabia's state-controlled Saudi Aramco lowered its monthly propane CP by \$70/tonne to \$720/tonne for March after Asian delivered prices plunged. The butane CP for March was also lowered by \$50/tonne month over month to \$740/tonne, putting propane at a \$20/tonne discount owing to firmer demand for butane from India and southeast Asia.
- TCE rates for VLGCs trading on the Middle East to Far East routes are estimated to increase marginally from \$2.27 million/month in February to \$2.36 million/month in March with increasing demand from the Asia Pacific region. They are expected to increase further to \$2.40 million/month in

April before falling marginally to \$2.30 million/month and \$2.28 million/month in May and June respectively.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
03/03/2023	102.00	87.20	153.71
06/03/2023	101.14	86.20	152.86
07/03/2023	99.00	85.80	151.86
08/03/2023	97.86	83.40	148.29
09/03/2023	97.57	80.60	144.14
10/03/2023	97.21	80.40	144.43

Source: Baltic Exchange

LNG

- Last week, Freeport LNG Development, L.P. (Freeport LNG) announced that it had received regulatory approvals from the Federal Energy Regulatory Commission (FERC) and the Pipeline and Hazardous Materials Safety Administration (PHMSA) to restart Train 1, the third and final train of Freeport LNG's three train liquefaction facility. Freeport LNG's Trains 2 & 3 returned to full commercial operation recently, reaching production levels in excess of 1.5 billion cubic feet per day (bcfd).
- According to the U.S. Energy Information Administration's (EIA) latest Short Term Energy Outlook (STEO), US natural gas consumption will decline, while production will reach a new high in 2023. EIA predicted that dry gas output would increase from 98.09 bcfd in 2022 to 100.67 bcfd in 2023 and 101.69 bcfd in 2024. The agency also predicted that domestic gas demand would decline from 88.54 bcfd in 2022 to 86.40 bcfd in 2023 and 86.06 bcfd in 2024. If correct, production will increase for four years in a row for the first time since 2015 in 2024. Additionally, it would mark a first drop in demand for two straight years since 2006.
- According to data from Norway's Centre for High North Logistics (CHNL), in 2022, Russia shipped nearly 90% of its output from its Arctic-based Yamal LNG plant to Europe. Figures show that Russia shipped 281 cargoes from the Novatek-led Yamal LNG — the country's largest liquefaction facility, with 251 of these being delivered to European ports. Last year's shipments increased from the 263 voyages logged for 2021, when 219 shipments went to European terminals, and the 254 total for 2020, which saw 221 cargoes discharged in Europe.
- Due to weak demand, Asian spot LNG this week fell to its lowest level since July 2021, but such low levels have encouraged some Chinese players to re-enter the market, which, if maintained, could increase rivalry with Europe. According to industry reports, the average LNG price for delivery into northeast Asia LNG-AS in April was \$13.50/mmBtu, down \$1 or 6.9% from the previous week. Prices have fallen nearly 52% year-to-date and around 81% from the August 2022 peak of \$70.50/mmBtu.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
28/02/2023	77627	57301	69000
03/03/2023	78429	57228	68933
07/03/2023	76995	56693	68445
10/03/2023	76924	57102	65944

Source: Baltic Exchange

Chemicals

- Chemical output in Germany, excluding the pharmaceuticals sector, declined 23.6% year on year and 11.6% quarter on quarter in October-December 2022 due to lower demand and capacity utilisation, according to trade organisation VCI on Thursday. Excluding the pharmaceuticals industry, full-year production fell 11.9% in 2022, while prices rose 21.7%.
- The fourth-quarter dip was matched by the first period of price declines in 2022, with values down 0.3% year on year. VCI said that sales fell 3.7% in the final three months of last year to €59.2 billion, owing to a roughly 5% reduction in exports and a more moderate loss in domestic demand. The drop in sales during the quarter reduced average capacity utilisation from 79.3% to 76.5%.
- According to VCI director general Wolfgang Grosse-Entrup, conditions have stabilised to some extent since the end of the year as a result of lowering energy and raw material costs, implying that the German economy may have bottomed out. The reduction in headwinds is not projected to be enough to propel the sector back to growth, according to the organisation, which forecasts a 5% loss in output and a 7% drop in sales for the industry including pharmaceuticals in 2023.
- According to the trade association Unem, Brazil will manufacture 4.7 million tonnes of corn ethanol in the 2023/2024 season, which begins in April, a 36.7% increase over the previous season. Unem affirms that, despite an economic slump during the epidemic and competition from the sugar-based alternative, Brazilian corn ethanol production expanded and will continue to grow as society seeks cleaner fuel choices. According to Unem, corn ethanol will account for 19% of all ethanol consumption in the country next season, up from 13.7% this season.
- Cepsa has announced intentions to invest up to €1 billion in a new second-generation biofuel's facility in Palos de la Frontera, Huelva. The new plant will produce both renewable diesel and sustainable aviation fuel (SAF). Organic waste, such as used cooking oils, agricultural waste, and other garbage, will be utilised to produce biofuels. As compared to ordinary fuels, these fuels can cut CO2 emissions by up to 90%.
- Cepsa aims to be the leader in biofuel production in Spain and Portugal, with an annual capacity of 2.5 million tonnes, 800,000 tonnes of which will be SAF. Cepsa is fostering the establishment of an ecosystem focused on speeding its own and its customers' decarbonisation as part of its Positive Motion 2030 plan.
- QatarEnergy and Chevron Phillips Chemical Co (CP Chem) have begun construction on the Golden Triangle Polymers Project, an \$8.5 billion integrated cracker complex in the United States.

QatarEnergy announced in a statement on March 8 that the project in Orange County, Texas, had a groundbreaking ceremony.

- The project contains a cracker with an ethylene capacity of 2.08 million tonnes/year, as well as two downstream high-density polyethylene (HDPE) plants with a combined capacity of 2 million tonnes/year. The project, which is set to begin operations in 2026, will be controlled by Golden Triangle Polymers Company LLC, a 49:51 joint venture between QatarEnergy and CP Chem.
- The two companies are working on a \$6 billion project in Ras Laffan, Qatar, which is set to begin production in 2026. The Ras Laffan petrochemicals complex, Qatar's largest investment in the industry to date, will include an ethane cracker with a capacity of 2.1 million tonnes/year of ethylene and two HDPE trains with a combined capacity of 1.7 million tonnes/year.
- The majority of HDPE output is destined for export. The project would more than quadruple Qatar Energy's ethylene production capacity and raise local polymer manufacturing to more than 4 million tonnes/year, up from 2.6 million tonnes/year now.
- According to RLA's latest US Commodity Bulletin, Mexico raised its consumption of the gasoline additive MTBE produced in the United States last year, continuing to rely on its northern neighbour for its octane boosting programme. Mexico imported 1.1 million tonnes of MTBE manufactured in the United States in 2022, the largest quantity since 2019. This was up from 782,000 tonnes in 2021, a 45% rise year on year. Last year, Mexico received 79% of all American exports.
- The USA monthly commodity chemical imports bulletin is just one of a number of similar reports on imports and exports provided as part of RLA's Chemical Carrier World Service.

US MTBE Exports to Mexico

