

**RLA Weekly Report – Friday, 22 September 2023**

**No.61**

**Significant Presence: Methanol-Powered Vessels Occupy 36% of the Orderbook**

**Economy**

- In the US, the annual inflation rate increased for the second consecutive month, rising to 3.7% in August from 3.2% in July, exceeding market expectations of 3.6%. Inflation has increased as a result of rising oil prices over the last two months, base effects from last year, and other factors.
- In contrast to market expectations of a 0.2% increase and following the 0.3% decrease in July 2023, China's consumer prices increased by 0.1% year over year in August 2023.

**Oil and Tankers**

- Chinese refineries are set to sustain high utilisation rates in 2023 due to rising petrochemical and fuel demand, as projected by a government-affiliated think tank, NPCPI. Refinery throughputs are expected to reach 14.7 million b/d, representing a 9% increase from the previous year, which experienced a 5% decrease. Crude oil processing hit 15.23 million b/d in August, with an average of 14.76 million b/d from January to August, showing a 12% increase, primarily driven by increased travel and industrial production.
- The VLCC spot market has rebounded with the introduction of October cargoes, leading to higher rates. The Middle East Gulf to China route, assessed by the Baltic Exchange, surged by 93% to \$18,600/day. ExxonMobil booked the Olympic Laurel for a 75-day voyage from West Africa to Singapore at nearly \$30,000/day, reported by Tankers International. Clarksons Research found eco ships averaged \$38,000/day on 21 September, showing a 25% increase from Wednesday and a substantial 57% increase in the past week. Investment experts believe these ships could earn an additional \$4,500/day with scrubber installation.

**Tanker Freight Rates on Key Routes**

Route No.	TC6	TC2_37	TC14	TC8	TC20	TD1	TD3C	TD6	TD9	TD18	TD20
Description	30 kt Clean Algeria to Euro Med	37 kt Cont to USAC	38 kt USG to Cont	65 kt Clean MEG to UKC	90 kt MEG to UKC	280 kt MEG to USG	270 kt Ras Tanura to China	135 kt BSea to Med	70kt Caribs to US Gulf	30 kt Baltic to UKC	130 kt WAF to Cont
Size mt	30000	37000	38000	65000	90000	280000	270000	135000	70000	30000	130000
Route	Skikda to Lavera	Rdam to New York	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanura to LOOP	Ras Tanura to Ningbo	Novo to Augusta	Covenas - Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
15/09/2023	WS 274.44	WS 178.50	WS 87.08	WS 52.20	\$ 4E+06	WS 23.22	WS 37.42	WS 72.80	WS 90.63	WS 183.50	WS 77.05
18/09/2023	279.44	175.50	85.83	51.65	4E+06	23.61	38.33	74.05	82.81	184.00	78.18
19/09/2023	287.22	173.50	80.00	51.43	4E+06	24.66	41.21	74.25	81.25	185.00	76.14
20/09/2023	297.78	179.00	83.33	51.76	4E+06	26.39	47.83	73.75	80.56	187.00	73.18
21/09/2023	300.56	192.25	87.08	51.70	4E+06	26.89	49.88	72.65	80.25	187.00	66.82

Source: Baltic Exchange

## LPG

- VLGC spot rates are reaching unprecedented levels due to Indian transactions, while the US export sector remains robust. Middle East Gulf to Asia routes now command \$171,800/day, showing a remarkable 127% increase in just a month, and vessels traveling from the US to Asia via the Panama Canal earn \$148,800/day. Investment bank Fearnley Securities estimates the breakeven point at around \$22,000/day. Recent earnings surged to a historic high of \$141,800/day, outperforming levels seen in 2014 and 2015. Fearnley Securities predicts further increases in western rates compared to Asian rates, and November spot fixtures from the US are in short supply.

### VLGC Spot Freight Rates

\$/tonne	BLPG1	BLPG2	BLPG3
Route No.	AG-East	USG-Cont	USG-Japan
Description	44000	44000	44000
Size mt			
15/09/2023	155	124	223
18/09/2023	158	124	222
19/09/2023	163	124	223
20/09/2023	176	128	231
21/09/2023	183	135	250

Source: Baltic Exchange

## LNG

- Spot charter rates for LNG carriers are increasing as the industry enters its peak demand season during winter. Despite a surplus of available ships in immediate tonnage, these rates are strengthening in the fourth quarter. The contango in cargo prices is driving a trend of floating storage in the last three months of the year, which is expected to fill shipping capacity. However, spot rates will ultimately depend on cargo values and the winter weather conditions. Term charter rates for 2023 are not expected to reach the levels seen in the previous year in the near future.

### LNG Spot Freight Rates

\$/day	BLNG1g	BLNG2g	BLNG3g
Route No.	Aus-Japan	USG-Cont	USG-Japan
Description			
05/09/2023	143692	142578	178135
08/09/2023	169858	158435	197567
12/09/2023	176439	169118	212145
15/09/2023	185884	182969	219219
19/09/2023	189519	188904	220844

Source: Baltic Exchange



## Chemicals

- According to data from Clarksons Research, there has been a notable increase in the demand for vessels capable of using methanol as fuel in newbuilding orders this year. The energy transition continues to be a significant priority, with a total of 323 alternative-fuel ships being commissioned. Among these, methanol-powered vessels now make up a substantial 36% share, a significant rise from the 11% observed in 2022. It's worth noting that liquefied natural gas (LNG) still holds the lead as the preferred choice, accounting for the majority at 55%.
- Near-term prospects indicate an abundance of Asian benzene supply due to a reduction in gasoline blending demand following the conclusion of the peak driving season in the United States. Consequently, substantial imports are anticipated to flow into China, the leading benzene consumer in the Asian region, thereby contributing to the escalation of port inventories within China. It is anticipated that China's benzene imports will witness growth in the latter half of 2023.