

RLA Weekly Report – Monday, 30 January 2023

No.32

China Recovers!

Economy

- During the week-long holiday, sales revenue in China's consumption-related industries increased 12.2% over the same holiday week in 2022. With 129 million tickets sold, its theatres brought in a staggering 6.76 billion yuan in revenue, which is the second-highest amount ever. Mr. Wen Bin, the head economist at China Minsheng Bank, predicted that this year's economic recovery in China would be driven by rising domestic demand and pegged full-year GDP growth at about 5.5%. In addition to its overall economic expansion, China made significant strides in preserving consumer price stability, ensuring the security of its food and energy supplies, and raising the standard of living for its citizens. However, we expect China to grow at a rate of 3.7% in 2023, owing to global economic headwinds.
- The US economy grew in the fourth quarter, but signs of weakening underlying demand increased as this year's growth is threatened by the steepest interest rate increases in decades. After rising by 3.2% in the third quarter, the gross domestic product increased at a rate of 2.9% in the final three months of 2022, according to the Commerce Department.

Oil and Tankers

- Chinese apparent oil demand decreased in December but is on track to rebound strongly going forward after abruptly abandoning its zero-Covid policy last month. The sum of crude production and net oil imports, or apparent oil demand, fell by 570,000 b/d from November to 15.6 million b/d in December. Net product imports decreased to 420,000 b/d, the lowest in 2022, while domestic crude output fell. The dramatic increase in Iranian crude deliveries to China via Malaysia kept net crude imports at a high level of 11.3 million b/d.
- Total Aframax liftings out of the Russian Baltic region into the rest of the world stood at 12.2 million tonnes in 2021, while liftings out of the Black Sea were 1.4 million tonnes. The majority of Russian Baltic crude entered the UK mainland last year, averaging 10.3 million tonnes. Around 400,000 tonnes were shipped to India (tripled in 2022), and 600,000 tonnes were shipped to the US Gulf. In 2022, shipments out of the Baltic were more than 30% less than 2021, while trade out of the Black Sea dropped by 76% last year. Please note that the analysis is purely based on daily spot fixtures data.

Aframax Crude Liftings – 2021 vs. 2022

Discharge Region	Russian Baltic		Black Sea	
	2021	2022	2021	2022
India	0.40	1.20	0.00	0.00
China	0.00	0.30	0.00	0.00
Mediterranean	0.30	0.70	0.63	0.19
Red Sea	0.00	0.20	0.24	0.00
UK Continent	10.32	5.20	0.00	0.00
USG	0.60	0.00	0.41	0.08
Others	0.60	0.86	0.16	0.08
Grand Total (Mln Tonnes)	12.22	8.46	1.44	0.35

- Expectations of renewed interest in west African grades, especially Angolan cargoes, were sparked by China's abandonment of its COVID-19 restrictions last month. However, there isn't much of a demand for cargoes loading in January.
- According to the recent reports from Vortexa, Angolan exports to China this month are running at about 410,000 b/d, roughly in line with December, when COVID-19 cases soared. According to the EIA, commercial crude stocks in the US soared by 19 million bbls to 439.6 million bbls in the week ending 6 January from 420.6 million bbls the previous week. This increase was followed by another significant hike of almost 8.5 million bbls in the week ending 13 January. Inventories edged higher in the week ending 20 January to 448.5 million bbls. In contrast, US SPR inventories remained flat at 371.6 million bbls over the same period. Distillate inventories eased marginally to 115.3 million bbls, a fall of 0.5 million bbls in comparison with a week earlier, while gasoline stocks reported an increase of 1.8 million bbls to reach 232 million bbls in the week ending 20 January.

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
19/01/2023	205.28	191.25	44.30	3614286	80.83	35.00	203.72	302.92	125.00	46.73
20/01/2023	199.72	193.75	44.23	3514286	80.00	34.78	202.78	299.58	124.57	46.82
23/01/2023	191.67	196.00	44.1	3470833	80.00	34.78	203.22	296.25	128.18	46.75
24/01/2023	181.67	197.38	43.91	3433333	78.75	34.89	203.17	293.33	127.05	47.10
25/01/2023	159.44	197.19	43.66	3325000	77.08	34.83	202.67	292.08	125.68	47.05
26/01/2023	150.56	201.56	43.65	3192857	77.08	35.00	200.94	288.33	124.32	47.73
27/01/2023	141.67	199.38	43.53	3221429	75.42	35.22	199.44	285.83	122.05	48.09

Source: Baltic Exchange

LPG

- Poland, which is the largest consumer of Russian LPG, increased seaborne imports of European LPG by 73% last year, replacing rail supplies from Russia, Belarus, and Kazakhstan with cheaper products from Scandinavia and the ARA hub. Poland's seaborne LPG imports increased from 585,000 tonnes in 2021 to 1.01 million tonnes in 2022, while Russian rail shipments to Poland, including transit through Belarus internal lines, decreased by 200,000 tonnes to 1.4 million tonnes. Unlike oil and other oil products, Russian LPG is not subject to an import embargo by the European Union, but Polish importers are diversifying supply chains to increase imports of non-Russian LPG. In 2022, Sweden was the primary supplier of LPG to Polish ports, contributing 76.1% of total seaborne imports, or around 771,000 tonnes, while Norway and the Netherlands contributed 8.6% and 3.5%, respectively.
- Sources suggest that Russian exporters increased their LPG shipments to the Baltic nations by more than twofold in 2022, with part of those supplies going to Ukraine. Last year, Russian LPG exports to Latvia soared by 77% to 232,000 tonnes, while exports to Lithuania increased by 8.5 times to 72,000 tonnes and Estonian exports rose by 42% to 27,000 tonnes. According to the data, 90% of Latvia's

total LPG imports in 2022 came from Russia, while Lithuania received half of its supply from Russia and the rest from Latvia.

- According to our latest analysis, the LPG fleet has expanded, going from roughly 41.61 million cbm in October 2022 to 42.55 million cbm in December. Over 54,000 cbm were scrapped last year, and nearly 2.80 million cbm were added to the fleet, up from 2.38 million cbm in 2021. The current orderbook size stands at 9.0 million cbm, which is equivalent to over 21% of the existing fleet. Currently, there are 87 vessels (5.03 million cbm) on the order book for delivery this year. For more information, please subscribe to our monthly or quarterly LPG report.

LPG Carrier Orderbook

RLA Type	Capacity (000 CBM)				Total
	2023	2024	2025	2026	
60k+ Fully-Ref	4221	1360	1736	385	7702
50-60k Fully-Ref					
22-50k Fully-Ref	684	125	90		899
<22k Fully-Ref					
Semi refrigerated	23	178	36		237
Pressurized	106	49	5	5	165
Total	5034	1711	1867	390	9003

- Kawasaki Heavy Industries (KHI) in Japan has received a further order from NYK Line for a 86,700 cbm LPG/liquified ammonia carrier. The ship is scheduled to be delivered in 2026 and will be constructed at the KHI Sakaide Works shipyard. This ship is the fifth of a new type of LPG carrier that can also transport ammonia and is fitted with separate cargo tanks that are made to carry LPG and ammonia at the same time in order to adapt to diverse trade patterns. It is the seventh LPG-fueled LPG carrier in NYK's fleet. The ship features a dual-fuel LPG engine, and when at sea, it can produce electricity by rotating the shaft that links the main engine to the propeller. The ship can also operate solely on LPG fuel, with the exception of a small amount of pilot fuel, by turning off the diesel generator. As a result, this will reduce carbon emissions by 20% and SO_x (Sulphur Oxide) emissions by approximately 90% compared with a ship using conventional marine fuel.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
19/01/2023	59.71	62.80	115.14
20/01/2023	58.57	60.00	110.86
23/01/2023	57.93	59.00	107.29
24/01/2023	57.14	57.80	104.07
25/01/2023	60.71	64.80	117.86
26/01/2023	75.14	70.60	126.00
27/01/2023	77.00	78.00	137.71

Source: Baltic Exchange

LNG

- Greece's development ministry said on Friday that the country has authorised the building of a floating storage and regasification unit (FSRU) off the coast of Athens. Greece has mainly depended on Revithoussa, its only LNG terminal off Athens, to replace Russian gas supplies as demand for LNG rises in Europe as a result of the conflict in Ukraine. Bulgaria also used the facility last year to secure LNG after Moscow cut Russian pipeline gas supplies to the country. The 340 million euro (\$369 million) new gas terminal will be built by Motor Oil (MOr.AT) off its oil refinery in Corinth, close to Athens. With a maximum storage capacity of 210,000 cbm, it will be able to store gas that can either be regasified and exported through Greece's gas grid or sold as LNG via trucks and ships.
- In preparation for the liquefied natural gas industry's launch later this year, the Philippines' Department of Energy announced on Friday that it has authorised a \$67 million project for a seventh LNG import terminal in the nation. In a statement, the DoE said it has given Samat LNG Corp. the go-ahead to start building a small-scale LNG terminal in Mariveles, Bataan province, roughly 60 kilometres (35.2 miles) north of the country's capital Manila. As output from its Malampaya gas field in the South China Sea is anticipated to continue falling and be exhausted by 2027, the Southeast Asian country would need to rely on LNG imports to feed gas-fired power facilities with a combined capacity of more than 3,000 megawatts. The Philippines' gross domestic product expanded by 7.2% in the fourth quarter of 2022, resulting in 7.6% annual growth, one of the highest in the Asia-Pacific region. However, the current energy security issues could slow this growth, making earlier action to bring LNG on line in the Philippines even more crucial.
- In December, China's imports of LNG reached 7.5 million tonnes, the highest level in 2022. However, compared to 2021 levels, imports dropped by 20% in 2022 to 64.4 million tonnes. LNG imports decreased as a result of COVID-19 restrictions, increased local natural gas production, and the substitution of other various means of covering energy demand. At the same time, gas demand only fell by 1% from 275.9 million tonnes to 272.3 million tonnes. The domestic production of gas, on the other hand, rose by 6% to 160 million tonnes in 2022, meeting nearly 60% of the demand, up from 55% in 2021.
- Due to sluggish trading activity over the Lunar New Year break in Asia and lower gas prices in Europe, Asian spot LNG prices declined for the sixth week in a row. The average price of LNG for March deliveries to northeast Asia (LNG-AS) was \$19.50/mmBtu, a decrease of \$2.50 or 11.4% from the previous week. Year to date, prices have decreased by more than 34%. Due to the cold weather and the economy's gradual reopening, there is some expectation that spot activity from Chinese buyers may increase after the holidays. However, Japanese LNG purchases will likely remain quite minimal as power utilities still hold a decent stock buffer for the time of year.

LNG Spot Freight Rates

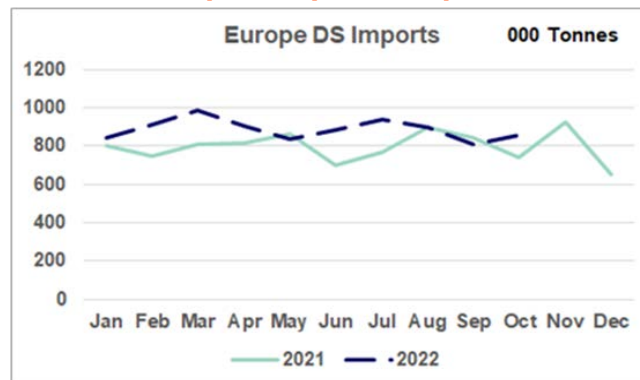
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan \$/day
17/01/2023	96126	69440	86225
20/01/2023	79517	59075	73742
24/01/2023	77046	57431	73967
27/01/2023	74334	55708	71404

Source: Baltic Exchange

Chemicals

- According to RLA's latest Europe chemical imports bulletin, Europe's top 6 economies (Belgium, France, Germany, Italy, Spain and UK) total deep-sea imports in October 2022 were 858,000 tonnes, up by 16% from October 2021 and by 6% from September. Deep sea imports, which totalled 8.9 million tonnes in the first ten months of 2022 and increased by 11% year on year are anticipated to exceed 10.0 million tonnes by the end of 2022 even as EU's chemical output rose by 2.5%. When examining the developments for individual commodity deep sea imports between the first ten months of 2021 and 2022, methanol, phosphoric acid, and ethanol imports, at 3.8 million tonnes, 1.0 million tonnes, and 1.1 million tonnes, respectively, were the three major commodities behind the rise in total imports, registering jumps of 252,000 tonnes, 71,000 tonnes, and 437,000 tonnes, respectively. Benzene at 502,000 tonnes saw the biggest decline, falling by 437,000 tonnes from 870,000 tonnes. With the minor declines in low-volume commodities like acrylonitrile and mixed xylene isomers the remaining commodities showed an upward trend. The Europe 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.

Europe Deep Sea Imports



- Methanol bunkering operations have accelerated in 2023. After some experiments in 2021 and 2022, the Port of Rotterdam expects regular commercial methanol bunker operations to begin later this year at the Northwest European centre. Last year, Rotterdam sold 1,500 tonnes of methanol bunker, up from 250 tonnes in 2021. These activities were on a trial basis, but methanol bunkering will become more common in the second part of this year, according to an emailed statement from the port authorities last Friday. "Some sea-going vessels bunkered methanol for the first time, but beginning in the summer of 2023, sea-going vessels will arrive on a regular basis to bunker this fuel," the port authorities stated.
- Last week, the Port of Gothenburg witnessed the world's first ship-to-ship methanol bunkering of a vessel other than a tanker. The methanol-fueled ferry Stena Germanica took on a stem of the alternative fuel brought by ship in the Swedish port on Monday, according to a statement on the Gothenburg Port Authority's website. The fuel was supplied by Methanex and transported by tanker operator E&S using the bunker delivery vessel Stolt Sandpiper.



- Macquarie Group, a global financial services firm, is looking to get involved in the fast-expanding methanol bunker business. Within its sustainable energy fuels unit, the company is now looking for a physical methanol trader in Singapore. The trader will "develop connections with physical methanol suppliers and end-users in Asia, with an emphasis on China petrochemicals and worldwide bunker markets," according to a job posting. In December 2021, Nobian announced a collaboration with Macquarie's Green Investment Group to build a green hydrogen enterprise that will include green methanol manufacturing.
- The global market for the gasoline additive MTBE is looking forward to the opening of LyondellBasell's propylene oxide (PO)/tertiary butyl alcohol (TBA) facility in Channelview, Texas. The facility is anticipated to begin operations in the first quarter of 2023, with an annual capacity of about 470,000 tonnes of PO and 1 million tonnes of TBA. The plant's TBA will be transformed into two ether-based oxygenated fuels, methyl tertiary butyl ether (MTBE) and ethyl tertiary butyl ether (ETBE), both of which are high-octane components that help gasoline burn cleaner and emit less pollution. MTBE was phased out in the United States in the early 2000s in favour of corn-based ethanol, forcing the remaining makers of the octane booster to seek markets elsewhere. The plant's immediate impact on the market will be increased MTBE supply, since it roughly doubles LyondellBasell's present octane-boosting capacity. Mexico is the largest destination for US-produced MTBE, accounting for over 80% of the country's entire output. Europe or Asia might also be viable options. On paper, Europe will be the ideal outlet since shipping arbitrage normally emerges as the year continues, but there will be a limit to how much they can import because the Middle East will also target the region. China and Singapore will be the other alternatives. China will not be a viable option until the COVID-19 lockdowns are relaxed. MTBE exports from China increased in the second half of 2022. Excess worldwide MTBE is shipped to Singapore, where it is historically priced lower than in the United States and Europe.