



## RLA Weekly Report – Monday, 01 August 2022

No.7

### Economy

- Following a growth of 4.8% in the first quarter of this year, China eked out GDP growth of 0.4% in the second quarter, missing expectations of 1% as the economy struggled to shake off the impact of Covid controls.
- The IMF, in its latest economic outlook, expects China to grow by 3.3% this year, 1.1% less than its April forecast. The second-largest economy in the world is projected to grow by 4.6% in 2023, a downward revision of 0.5% due to the impact of Covid Zero and the real estate downturn.
- The IMF also slashed the US GDP projection by 1.4% to 2.3% for 2022 owing to weaker-than-expected growth in the first half of 2022, less household spending power, and tighter monetary policy. The GDP growth in the US economy fell by 1.6% in the first quarter and 0.9% in the second quarter of this year, according to the latest reports.
- The US Federal Reserve has increased interest rates by 75 basis points for the second time in the last two months bringing the total increase to 2.25% since March this year. Soaring inflation has been the main cause of the interest rate hikes. Inflation in the US rose to 9.1% in June from 8.6% in May - the fastest rate since 1981 and well above the Fed's target of 2%.
- According to UNCTAD's Global Commerce Update, which was released on 7 July, the value of global trade increased to a record high of \$7.7 trillion in 1Q22, an increase of almost \$1 trillion from 1Q21. This marked an increase of \$250 billion versus 4Q21 due to higher commodity prices.

### Oil and Tankers

- In an attempt to curb Russian oil revenue, the US is making efforts to sign big oil importers on to a plan to cap prices they pay for Russian crude oil. Talks between the US and China, India and various other countries importing discounted crude from Russia are being held in order to control Russia's war aiding oil revenue. Following the EU embargo, the US and the UK are also preparing for a ban on insurance and services for vessels carrying Russian oil.
- According to the IEA, the net loss of Russian crude oil and petroleum products supplies in June was just 600,000 b/d compared with January's figure of 8.0 million b/d. However, the impact fell on the exports of products which declined by 800,000 b/d to 2.3 million b/d. This has resulted in significant changes in trading patterns with more Russian crude oil moving East and East of Suez refiners increasing their exports of petroleum products to the West, helping to sustain high freight rates in the products tanker market. The change in the flow of Russian crude has also resulted in more Middle East supplies moving to Europe.



- The week ending 29 July started with market sentiment wavering towards concerns of an oil supply deficit. Consequently, oil prices escalated on Monday. A weaker US dollar also contributed to the same. However, it did not take long for the market to oscillate towards the lingering recessionary fears. Oil prices turned red on Tuesday with Brent averaging \$104.4/bbl, 0.7% lower than the previous day while WTI settled below \$95/bbl marking a loss of around 1.8%. Following a waver again on Wednesday with oil prices once again escalating on supply concerns and US stock draws, the market witnessed a mixed session on Thursday with traders weighing equally on prospective demand destruction and supply tightness. Finally, the week ended with prices escalating above \$2/bbl as trader's attention turned towards the next OPEC+ meeting with minimal expectations of any production boost from the group. Brent oil futures for September, which expire on Friday, increased by more than \$3/bbl throughout the trading day before losing some of its gains to close at \$110.01 /bbl, up \$2.87 or 2.7%. The more active October contract was trading at \$103.97, up \$2.14 (2.1%) from its previous close.
- The big oil companies like, Exxon Mobil Corp., Chevron Corp., Shell Plc, TotalEnergies, and BP are rumoured to be on track to surpass their 2008 earnings when oil prices reached a high of \$147 per barrel and anticipated to make a profit of \$50 million in the second quarter.
- According to Vortexa, a significant drop in the amount of Russian gas purchased by the European Union nations could increase world oil demand by 5%. It also expects that big portions of Russian gas will be replaced by gasoil, LPG, and even naphtha burning. It forecasts an increase in world oil consumption, with an accompanying increase in diesel use. Already there have been reports that ship operators with dual fuel LNG/fuel oil engines are switching to fuel oil which has become cheaper per BTU.
- Despite an increased quota under the OPEC+ agreement, Iraq's crude oil production has remained flat recently, largely due to its inability (port limitations) to export more volumes through its southern port on the Arabian Gulf.

### Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
	37k mt	22k mt	38k mt	280k mt	135k mt	100k mt	30k mt		270k mt	100k mt
	Cont to	m/distillate	USG to	ME Gulf to	Black Sea /	Baltic to UK-	Baltic to UK-	130k mt W	Ras Tanura	Crude,
Description	USAC	UK/Cont.	Cont	US Gulf	Med	Cont	Cont	Afr to Cont	to China	Kozmino to
Size mt	37000	22000	38000	280000	135000	100000	30000	130000	270000	100000
Route	Rott - NY	Baltic - UKC	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Baltic - UKC	Offshore	Ras Tanura	Pacific
								Bonny to Rotterdam	to Ningbo	Russia to China
	WS	WS	WS	WS	WS	WS	WS	WS	WS	\$
14/07/2022	315.28	508.57	185.00	33.78	133.83	241.56	339.58	128.86	58.32	1,637,500
15/07/2022	314.44	508.93	181.67	34.02	161.50	239.38	341.25	134.55	58.55	1,637,500
18/07/2022	305.28	506.43	193.33	34.33	188.17	237.81	343.75	138.86	58.68	1,645,833
19/07/2022	291.39	504.29	192.08	35.22	196.94	234.38	346.67	140.45	61.55	1,650,000
20/07/2022	282.78	504.29	202.08	35.33	199.28	232.19	350.58	140.45	61.86	1,650,000
21/07/2022	275.83	505.00	220.83	35.56	202.06	231.25	352.92	140.68	61.55	1,650,000
22/07/2022	271.67	504.29	225.00	35.56	208.28	230.00	352.92	140.80	61.55	1,658,333
25/07/2022	281.67	504.29	225.00	35.50	210.61	226.25	350.83	140.34	61.36	1,675,000
26/07/2022	285.56	504.29	233.33	35.22	208.67	221.25	355.42	139.55	60.91	1,679,167
27/07/2022	304.17	502.86	280.00	34.83	207.56	220.31	358.75	137.27	59.55	1,679,167
28/07/2022	336.67	502.50	325.00	34.56	206.61	218.44	360.42	137.27	59.00	1,687,500
29/07/2022	345.00	502.50	325.00	34.44	207.33	216.25	361.25	133.86	58.95	1,687,500

Source: Baltic Exchange

## LPG

- Australia's butane exports rose by more than double on the year to 149,000 tonnes in May, marking an increase of 33% on the month, according to Australian Bureau of Statistics (ABS). May was also the busiest month for butane exports since July 2021, pushing the first five months' total deliveries to 625,000 tonnes, 85% higher than a year earlier. The propane figure has not been disclosed by ABS, but split propane-butane shipments stood at 232,000 tonnes in May, up from 192,000 tonnes in April and 85,000 tonnes a year earlier.
- LPG sales in Spain fell by 26% in May to 133,000 tonnes as record-high temperatures cut heating demand and surplus naphtha supplies reduced petrochemical sector use. However, this was 23% higher than a year earlier, but a third lower than the same period in pre-pandemic 2019. Europe became oversupplied with naphtha in May, pushing discounts to crude to 13-year lows by the end of the month, making naphtha the preferred cracker feedstock to LPG.
- According to market participants, Ukraine bought 71,200 tonnes of LPG last month, up more than 50% from May but down nearly 50% from a year earlier. With Romania and Poland currently providing more than 80% of Ukraine's imports, its imports are anticipated to increase to at least 80,000 tonnes this month. In June, Poland provided a record-breaking 32,500 tonnes, up from 20,000 tonnes in May. This was largely re-exported Kazakh LPG and supplies from Poland's Baltic ports, and it was distributed relatively evenly by rail and truck imports.

### VLGC Spot Freight Rates

Route No. Description Size mt	BLPG1 AG-East 44000	BLPG2 USG-Cont 44000	BLPG3 USG-Japan 44000 \$/tonne
21/07/2022	73.07	60.20	100.86
22/07/2022	73.07	59.90	99.71
25/07/2022	72.50	58.90	97.71
26/07/2022	69.07	58.30	96.00
27/07/2022	67.36	57.40	94.21
28/07/2022	66.29	56.30	92.57
29/07/2022	64.21	56.00	92.14

Source: Baltic Exchange

## LNG

- Following the escalation of the Russian gas dispute, European Union natural gas prices and LNG values reached record highs this week, and the benchmark Dutch Title Transfer facility price reached just under \$60 per million British thermal units. Asian LNG spot cargo prices also increased this week, albeit more slowly than the EU market. As the Nord Stream 1 pipeline's flows were reduced to just a quarter of their typical capacity on Wednesday, gas prices increased by as much as 13%. In an effort to ensure it has enough supply for the winter, Germany has spent billions of dollars bailing out gas providers. In order to help households with growing expenses, France is nationalising the state-backed power company EDF, while the UK has put together a £15 billion package to assist voters with rising bills.

- With the deployment of a floating storage and regasification unit (FSRU) at the port of Le Havre on the northeast coast of Normandy, where there had previously been an onshore facility that handled LNG deliveries from Algeria for Gaz de France, France is moving forward with the construction of its fifth LNG import terminal. In addition to expanding the network of already-existing onshore terminals at the Channel port of Dunkirk, on the Atlantic Coast at Montoir-de-Bretagne, and west of Marseilles at Fos Cavaou and Fos Tonkin, the Le Havre FSRU will increase imports.
- NextDecade Corp., the developer of the Rio Grande LNG export project on the Brownsville Ship Channel in Texas, has signed a 20-year sale and purchase agreement with ExxonMobil LNG Asia Pacific. According to the SPA, the Asia division of the US major will purchase 1 million metric tonnes of LNG annually from the Rio Grande facility's first two trains. As soon as 2026, the first train is anticipated to begin conducting commercial service.
- The French designer of LNG carrier membrane tank systems, Gaztransport and Technigaz (GTT), reported decreased first-half sales and profits from technology licencing, but received record orders, much of which were for Qatari vessels. GTT said storage tank orders in 2022 have been received for 88 LNG carriers compared with 68 in 2021. The company had secured orders from shipyards for LNG fuel tanks for 38 LNG-powered containerships, an increase from the 27 orders logged in 2021.

## Chemicals

- The creation of a biofuel production plant to create sustainable aviation fuel (SAF) and launch a new enterprise in Japan has been approved by Mitsui & Co., Ltd. and Cosmo Oil Co., Ltd. To establish a dependable SAF supply chain and develop new business in the expanding biofuels industry, the new venture will bring together Cosmo's track record of safe and stable plant operations, jet fuel quality management, and trading operations in the oil refining business with Mitsui's ethanol procurement capabilities.
- The companies aim to establish large-scale domestic SAF production operations at Cosmo refineries, using LanzaJet's proprietary Alcohol-to-Jet\* (ATJ) technology. The ATJ process is a highly efficient technology that can produce up to 90% of its product as SAF and convert nearly all the carbon from the ethanol to hydrocarbon products.
- Due to its potential to cut CO2 emissions by the aviation industry, demand for SAF is anticipated to grow quickly, and commercial production has already begun in several nations. To meet a government goal of replacing 10% of the aviation fuel used by airlines with SAF by 2030, Japan will also need to have a large-scale production capability and a reliable supply of SAF. Mitsui and Cosmo want to produce and supply 220,000 kiloliters of SAF per year in Japan by fiscal 2027 through this initiative in order to address these problems. The two businesses will also investigate the potential for annually selling 20,000 kiloliters of renewable diesel, a by-product of SAF manufacturing, for use as a fuel for trucks, heavy machinery, and other equipment used at airports.

- Below is the Project Concept as released by Mitsui.

