



RLA Weekly Report – Friday, 04 August 2023

No.55

OPEC+ Leaders, Saudi Arabia and Russia announce extended supply cuts to tighten oil market through september

Economy

- Oil prices increased despite concerns over several central banks worldwide potentially raising interest rates to combat persistent inflation. Such rate hikes could potentially lead to slower economic growth and reduced oil demand.
- In the UK, the Bank of England raised its key interest rate by 0.25% points to reach a 15-year high of 5.25%. This marked the 14th consecutive increase, and the bank also cautioned that borrowing costs were likely to remain elevated for an extended period.
- Meanwhile, in Europe, the euro zone experienced a more severe downturn in business activity during July than initially estimated. The manufacturing sector saw a significant decline, and the bloc's dominant services industry also experienced a further deceleration in growth.

Oil and Tankers

- OPEC+ leaders from Saudi Arabia and Russia have decided to maintain their efforts in tightening the oil market during the autumn season. On 03 August, they announced their plan to extend supply cuts until at least September. As part of this decision, Saudi Arabia will persist with its current one million b/d cut, which will keep the crude production at a steady two-year low of 9 million b/d. On the other hand, Russia will slightly reduce its export cut, reducing it from 500,000 b/d in August to 300,000 b/d in September. In addition to the existing collective OPEC+ voluntary reductions of around 1.2 million b/d that have been in effect since May, both Saudi Arabia and Russia have implemented further measures to tighten the oil market.
- Due to these actions, dated Brent prices have experienced a notable increase of 12.3% since the beginning of July, reaching \$84.18/bbl on 03 August. This rise was partially influenced by Saudi Arabia's cut. Prior to this surge, the prices had remained within a range of \$70-80/bbl for the past two months.

**Tanker Freight Rates on Key Routes**

Route No.	TC2_37	TC6	TC8	TC14	TC20	TD1	TD3C	TD6	TD18	TD20
Description	37 kt Cont to USAC	30 kt Clean Algeria to Euro Med	65 kt Clean MEG to UKC	38 kt USG to Cont	90 kt MEG to UKC	280 kt MEG to USG	270 kt Ras Tanura to China	135 kt BSea to Med	30 kt Baltic to UKC	130 kt WAF to Cont
Size mt	37000	30000	65000	38000	90000	280000	270000	135000	30000	130000
Route	Rdam to New York	Skikda to Lavera	Jubail to Rdam	USG to Cont	Jubail to Rdam	Ras Tanura to LOOP	Ras Tanura to Ningbo	Novo to Augusta	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS
28/07/2023	170.25	160.00	46.37	149.17	3693750	31.83	51.00	89.05	194.00	68.32
31/07/2023	162.75	158.06	48.57	147.50	3775000	31.72	50.50	88.28	193.00	67.95
01/08/2023	158.50	152.78	50.00	146.67	3912500	31.06	49.25	86.75	193.00	67.50
02/08/2023	164.75	147.22	50.33	150.42	3968750	30.72	48.83	83.90	192.50	66.14
03/08/2023	162.00	145.00	50.44	143.33	3981250	30.17	48.50	81.55	192.00	65.91

Source: Baltic Exchange

LPG

- The Asian LPG markets are expected to witness a rebound in trading activity due to the reversal of previous declines in Saudi Aramco's August contract prices. Propane and butane contract prices increased by \$70/tonnes and \$85/tonnes, reaching \$470/tonnes and \$460/tonnes, respectively, indicating a 17.5% month-on-month rise in prices.
- Russian LPG exports surged in the first half of this year by 153,000 tonnes (9%) to 1.86 million tonnes, mainly driven by weaker domestic demand. The rise was primarily seen in shipments to central Asia, China, and Turkey, while exports to eastern Europe slightly declined and those to northwest Europe remained stable.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
28/07/2023	99	100	170
31/07/2023	99	99	168
01/08/2023	102	98	166
02/08/2023	102	97	165
03/08/2023	104	97	166

Source: Baltic Exchange

LNG

- In the first half of 2023, LNG feed gas deliveries to U.S. export facilities surged to an average of 12.8 billion cubic feet per day (Bcf/d), exceeding the 2022 annual average by 8%. April 2023 witnessed a peak monthly volume of 14.0 Bcf/d, driven by strong international demand, particularly



from Europe. However, slight declines in May and June to 13.0 Bcf/d and 11.5 Bcf/d were due to maintenance at key U.S. LNG export facilities, such as Sabine Pass and Cameron.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
21/07/2023	68886	70293	88087
25/07/2023	68302	69081	87999
28/07/2023	68752	69545	88209
01/08/2023	73030	75035	95101

Source: Baltic Exchange

Chemicals

- The European methanol market has shifted into contango due to increased buying interest for August and September loading, driven by positive market sentiment influenced by China's price uptrend. Spot prices have risen significantly this week after a third quarter trading uptick, ending a nine-week decline and boosting sellers' confidence. Storage challenges in Rotterdam, including high inventories and rapid volume shifts, impacted prices earlier, but recent trends, such as rising demand from China, have redirected trade flows and contributed to a new market balance.
- SunGas Renewables is investing \$2 billion to establish a green methanol production plant in Louisiana, catering to AP Moller-Maersk, a major container ship company. The facility, operational by 2027, will manufacture 400,000 tonnes of eco-friendly methanol annually, sourced from local sustainable forests, and aim for a negative carbon intensity by capturing nearly 1 million tonnes of CO2 annually.