



RLA Weekly Report – Monday, 27 June 2022

No.2

Economy

- On June 25, the IMF slashed its GDP growth forecasts for the US economy as aggressive interest rate hikes from the US Federal Reserve are expected to hurt economic growth. The IMF now forecasts growth for 2022 at 2.9%, down from its April estimate of 3.7%. The IMF also revised down its growth estimate for 2023 to 1.7% from the previous estimate of 2.3%.
- Stringent Covid-19 restrictions in China have derailed economic growth this year. As a consequence of the Zero-Covid Policy, the Chinese economy is expected to contract in the third quarter pushing China into recessionary territory for the second time in 30 years. The annual growth forecast for 2022 has been revised down to around 4%, half of the 8.1% growth recorded last year.
- According to the latest reports, in an attempt to curb Moscow's ability to finance its war in Ukraine, G7 leaders are seeking a deal to impose a "price cap" on Russian oil.

Oil and Tankers

- Oil prices marked another weekly loss in the week ending June 25. Prices started the week with a couple of positive sessions as market participants anticipated that a tight oil market and strong demand might last for years despite increasing recessionary concerns. WTI for August delivery settled at \$109.52/bbl on Tuesday gaining \$1.53/bbl versus Monday while Brent prices averaged \$114.65/bbl, up by \$0.52/bbl. However, Wednesday saw an end to the upward trend as the increasing recession concerns were expected to have a crippling effect on oil demand. After back to back declines on Wednesday and Thursday, oil prices made a comeback on Friday. WTI soared by \$3.35/bbl to \$107.62/bbl while Brent prices gained \$3.07/bbl to settle at \$113.12/bbl on Friday.
- The recovery in Libyan crude oil output also contributed to the fall in oil prices last week. On Tuesday, Libya's oil minister reported that crude oil production in the country has recovered to 800,000 b/d from around 100,000 b/d seen at the start of the month.
- Market backwardation reflects strong demand for the real world crude barrels. Brent's prompt spread stands at \$4.02/bbl versus \$2.73/bbl seen a week ago.
- The concerns over the efficacy of European sanctions against Russian continues to increase. According to Bloomberg, Russian crude oil supplies into Europe rose to 1.84 million b/d last week. This marked as the third consecutive weekly increase. Shipments into Bulgaria have more than doubled lately versus the levels seen in January and early February. Russian crude flows into India

have topped 1 million b/d while supplies into China have soared to 2 million b/d marking an increase of 500,000 b/d in comparison with the levels seen prior to Russia’s invasion of Ukraine. Additionally, crude flows into the Mediterranean have also increased.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9 22k mt CPP/UNL	TC14 38k mt	TD1 280k mt	TD6 135k mt	TD17 100k mt	TD18 30k mt	TD20 130k mt W	TD3C 270k mt	TD24 100k mt
Description	USAC	m/distillate Baltic to UK/Cont.	USG to Cont	ME Gulf to US Gulf	Black Sea / Med	Baltic to UK- Cont	Baltic to UK- Cont	Afr to Cont	Ras Tanura to China	Kozmino to Ningbo
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 Bonny to Rotterdam	Ras Tanura to Ningbo	Pacific Russia to China
	WS	WS	WS	WS	WS	WS	WS	WS	WS	\$
16/06/2022	365.00	442.86	178.57	26.44	129.50	174.06	338.33	115.18	44.91	1,550,000
17/06/2022	356.67	450.71	223.57	26.50	130.50	177.50	337.50	114.95	45.23	1,558,333
20/06/2022	356.67	453.57	237.86	26.50	130.28	171.88	337.50	116.14	45.27	1,558,333
21/06/2022	360.00	458.57	252.86	27.17	130.83	170.00	339.17	119.32	46.05	1,558,333
22/06/2022	358.33	487.14	254.29	27.39	130.00	170.94	339.58	118.27	47.00	1,558,333
23/06/2022	357.78	497.86	252.86	28.39	129.72	174.06	340.00	117.95	49.09	1,575,000
24/06/2022	353.06	502.86	246.25	28.72	129.06	175.31	340.00	116.82	49.68	1,600,000

Source: Baltic Exchange

LPG

- The EU’s package of sanctions on Russia, published on 3 June, excluded LPG from the list of prohibited petroleum products, suggesting the fuel is not high on Brussels’ agenda. European LPG imports in the first five months of this year totalled 1.1 million tonnes, an increase of 28% on the year. This comes despite Russian importers facing difficulties because of sanctions on Russian banks and energy companies. Price competitiveness of Russian LPG and surging deliveries to Poland, which serves to supply other European countries, were the main contributing factors to the afore-mentioned increase. However, a recent increase in US LPG exports to NW Europe and a seasonal drop in consumption have pushed ARA railcar premiums to daf Brest equivalents to \$100/tonne. Consequently, May witnessed a decline in Russian shipments into Poland to 101,000 tonnes from a record high of 145,000 tonnes in April.
- LPG consumption in China remained weak even after the easing of COVID-19 restrictions in most parts of the country. Commercial sector demand has been limited by strict testing requirements and cautious approaches by restaurants and customers. The dip in economic activity has coincided with a seasonal demand slowdown.
- Malaysia’s new Port Klang LPG terminal in Selangor which is owned by Singapore-based Global Petro Storage and operated by Norway’s state-controlled Equinor, started operations late last month.

- The terminal is likely to increase competition to supply the fast-growing market of Bangladesh and other southeast Asian importers.
- VLGC spot freight rates for vessels trading on all three benchmark routes tightened slightly in the week due to lack of vessels available for relet in the market.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
	\$/tonne		
16/06/2022	71.43	61.40	103.14
17/06/2022	70.64	62.00	104.71
20/06/2022	73.64	64.20	106.14
21/06/2022	76.07	66.00	107.71
22/06/2022	77.57	67.40	109.14
23/06/2022	77.43	67.50	108.57
24/06/2022	76.14	66.60	107.43

Source: Baltic Exchange

LNG

- A domestic energy company in the Czech Republic, CEZ Group, has acquired a stake in two incoming floating storage and regasification unit (FSRU) terminals being installed by Gasunie in the Netherlands. The country's Minister of Industry and Trade, Jozef Sikela said "This step will help us provide enough gas for our citizens and companies and reduce energy dependence on Russia". Czech Republic currently imports almost all of its gas from Russia.
- China's LNG demand has been under pressure owing to economic slowdown, higher prices, Covid-19 lockdowns, and coal-friendly policy. Total imports in the country totaled 26.4 million tonnes in the first five months of this year from 33.2 million tonnes the same time last year, marking a fall of 20.6% year on year.

Chemicals and Biofuels

- Proman Stena Bulk, a joint venture (JV) between leading global methanol producer Proman and one of the world's largest tanker shipping companies Stena Bulk, has confirmed the first methanol-powered newbuild vessel under its partnership has been delivered and is preparing for commercial operation. 49,990-dwt *Stena Pro Patria* is the first of six, state-of-the-art, IMOIIeMAX dual-fuel MR tankers being built at Guangzhou Shipyard International Co Ltd (GSI) in China for Proman Stena Bulk and Proman. Two further vessels, *Stena Pro Marine* and *Stena Promise*, are due for delivery later this year. The *Stena Pro Patria* will leave the GSI Shipyard to load methanol fuel in Ulsan, South Korea and will arrive in Trinidad and Tobago for its naming ceremony later this year. The vessel

represents Proman Stena Bulk's commitment to methanol's role as part of the shipping industry's sustainable fuels pathway. With an expected consumption of 12,500 tonnes of methanol marine fuel per annum, Stena Pro Patria will be a low-emissions vessel, eliminating local pollutants including SOx and particulate matter, cutting NOx emissions by 60% and reducing CO₂ emissions compared with conventional marine fuels.

- Biodiesel production in Brazil hit a record 6 million tonnes in 2021 as diesel demand recovered but lagged the overall rise in fuel sales after domestic blending mandates were dialed back from planned levels. The output figure was up 5% on the year and up 15% from 2019, according to ANP data, with most of the annual increase coming during a very strong first five months during and immediately following the soybean harvest. The government announced in March 2021 the minimum blend requirement for diesel would be lowered to 10% from a planned 13% to try and keep fuel costs down. The biodiesel blending mandate had been planned to increase 1% each year through to 15% in 2023, but the Bolsonaro government has since u-turned on the plans. Much of the country's extensive biodiesel capacity has lain idle during and since the pandemic and producers started to seek certification to open export opportunities to European and other markets, which is not an overnight process.
- MOL has signed a deal for biofuel supply with Chevron Singapore Pte. Ltd., and about 500 tons of biofuel will be bunkered on a vessel at Port of Singapore. The biofuel supplied by Chevron Singapore is blended with Used Cooking Oil Methyl Ester as a 20% to 24% component in the VLSFO. This biofuel can be used on vessels without changing engine specifications and is expected to decrease approximately 15% to 20% of exhausted CO₂ based on lifecycle analysis.
- One question is the extent to which biofuels production and trade could be affected by decisions to divert crops of maize and corn to food chains with global concerns over grain supplies.