

Asia Market Spotlight

China's SPR stockpile commences in Shandong with Russian crude

Key Takeaway

In this week's report we examine China's SPR stockpile progress, after the program saw a delayed start

- The first sign of China's SPR stockpile has started in Shandong, with Russian and Middle Eastern barrels leading the first 6 weeks of the program
- This, together with Yulong's start-up, have resulted in a sizable rebound in China's seaborne Russian crude imports

China's favour of Russian grades amidst bearish crude demand has weighed on other exporters, including Middle East (ME) producers

- Many ME exporters have cut OSPs for Dec-loaders to attract Asian buyers, after exports fell below the 8-year seasonal range
- VLCC mileage continues to decline, amidst Asia's still weak appetite for AB crude

In the clean market, Asia's diesel/gasoil exports are at seasonal lows, while gasoline exports remain robust, though below last year's levels. Additionally, Northeast Asia's naphtha imports have fallen to an 8-month low, with potential run cuts at Japan's crackers due to weak margins

- The share of LR voyages to Pacific Basin has picked up, as more middle distillates remain within the Pacific

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where we present our key views in 15min
(every Tuesday SGT 15:45 for EoS markets &
ET 12:00 / GMT 17:00 for Atlantic Basin)

This presentation has been compiled
under the guidance of



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Shandong initiates China's SPR stockpile, with Russian and Middle Eastern barrels leading the first 6 weeks of the program

Shandong has launched the long-awaited SPR stockpile program since late September, beginning with Russian crude (list of cargos [Sep, Oct](#)), followed by non-Iranian Middle Eastern barrels in October ([list of cargos](#))

Over the initial 6 weeks, at least 5mb of Russian ESPO or Urals crude, delivered by 7 Aframaxes, plus 3mb of ME crude, delivered by 2 VLCCs, have been designated as SPR cargos

- The above shipments were managed by two of the five majors involved in the program, while other operators are also likely storing ESPO and other grades across the country

In a detailed investigation published in our [early July blog](#), we outlined the stockpile mandate to add 8mt (or 60mb) of crude by March 2025

- This round's target is considered flexible, as barrels can be stored either in SPR sites or in commercial storage facilities
- Such arrangement allows the five operators the discretion to classify cargos as SPR stock whenever suitable

Nevertheless, China's seaborne crude imports fell for the second straight month in October, with [overall onshore crude stock](#) reaching 990mb in the week ending Nov 3, down from 993mb on Sep 15

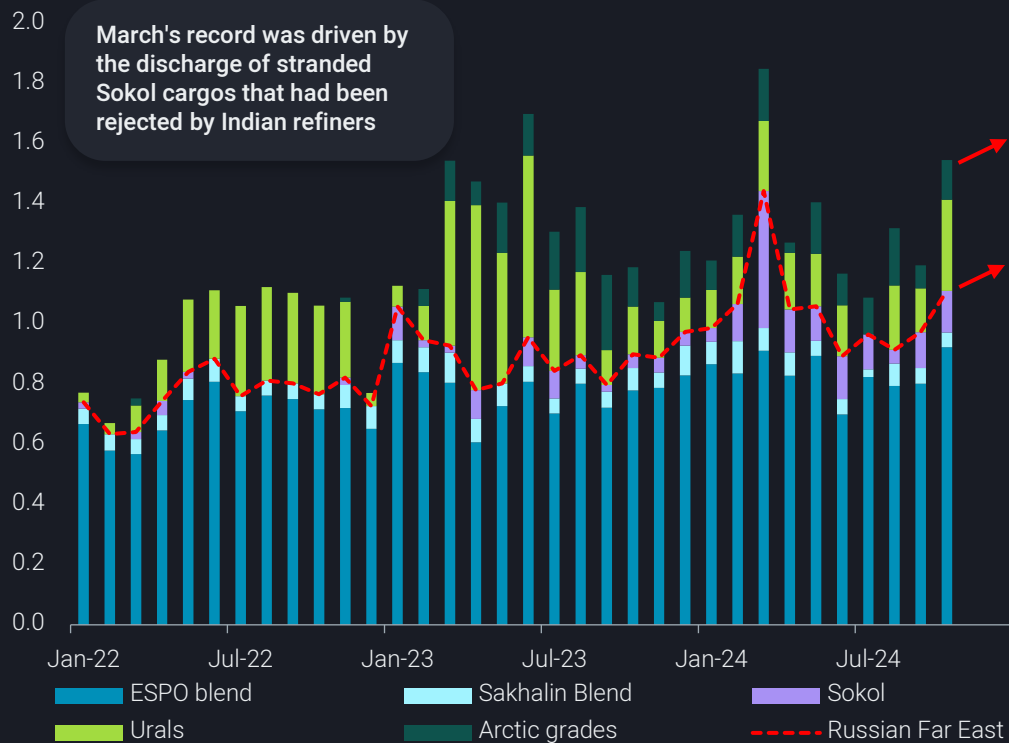
Shandong's crude stocks (mb) - majors-owned (SPR and commercial, LHS) vs. private-owned (commercial, RHS)



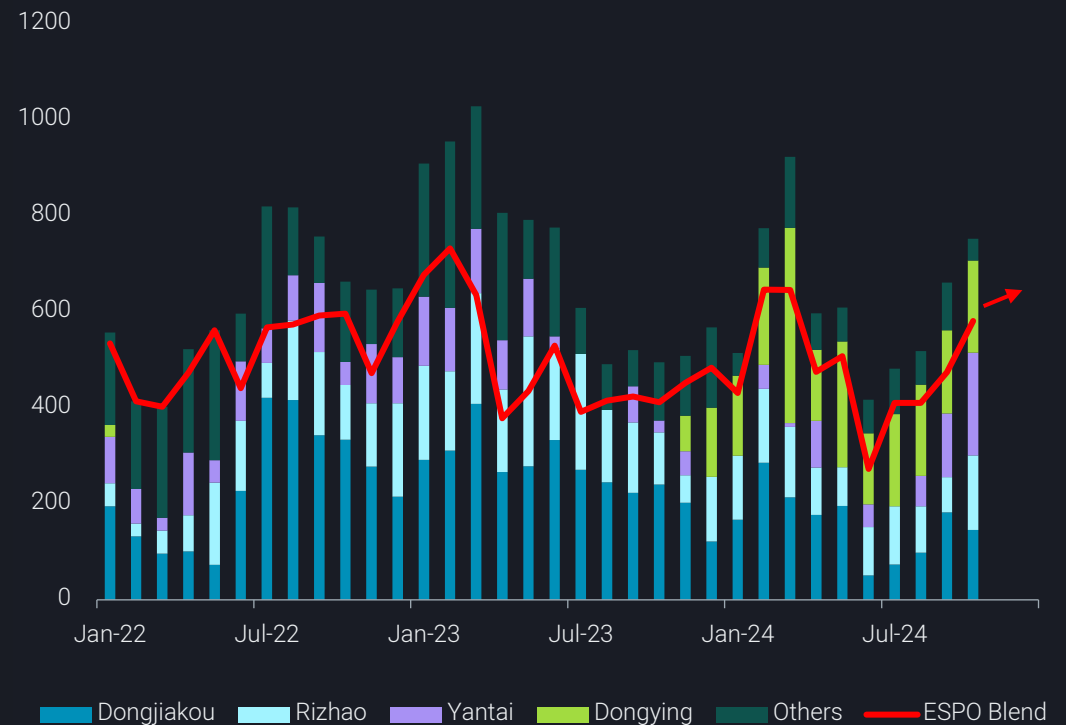
[Private-owned commercial, majors-owned](#)

China's Russian crude imports rebound, driven by Shandong's SPR stockpiling and Yulong's start-up

China's seaborne Russian crude imports by grade (mbd)

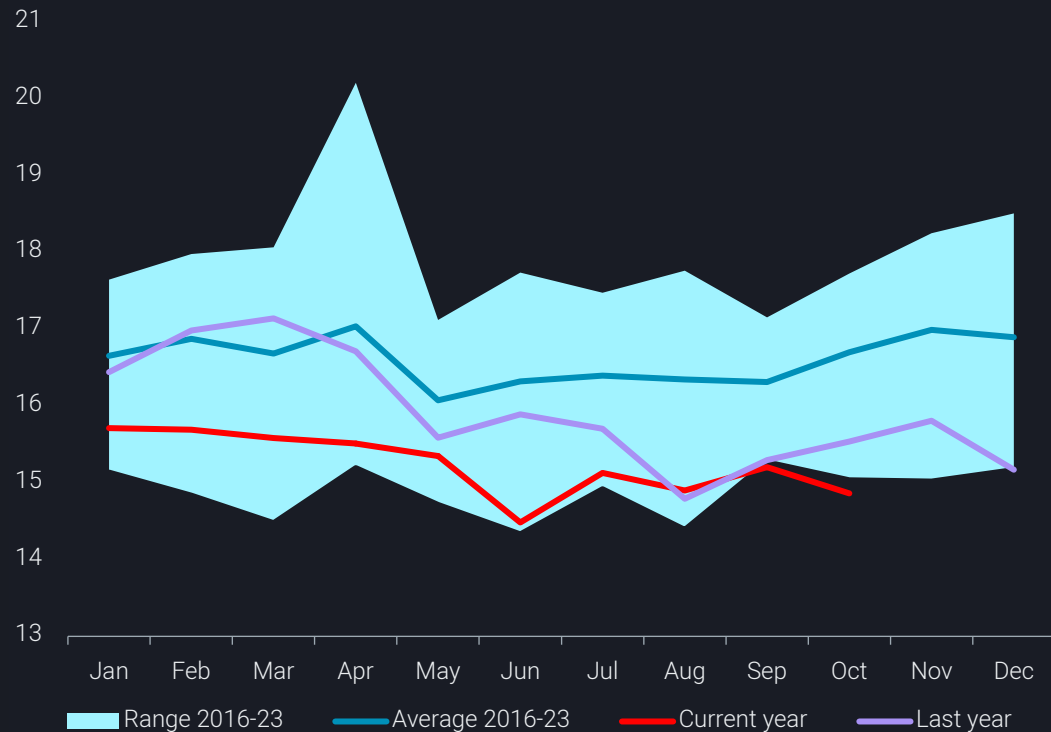


Shandong's Russian crude imports by destination port (bars) and ESPO blend volume (line) (kbd)



Middle East producers cut OSPs to attract Asian buyers, exports remained below seasonal range in October

Middle East (excl. Iran) seasonal crude/condensate exports (mbd)



Year-on-Year change in Middle East (excl. Iran) crude/condensate exports by origin country (mbd)



VLCC mileage continues to decline, as Asia's appetite for AB crude remains weak – have we seen the bottom?

VLCC voyage mileage has been below the 8-year seasonal average for most of 2024, with a four-month decline beginning in June most recently culminating in ytd low mileage in October

Declines in crude arrivals to Northeast Asia have huge ramifications for long-haul flows. Most crude tanker tonne-mile demand (especially from the Atlantic Basin) comes from flows to Northeast Asia, which have declined 800 kbd y-o-y (700 kbd from China alone)

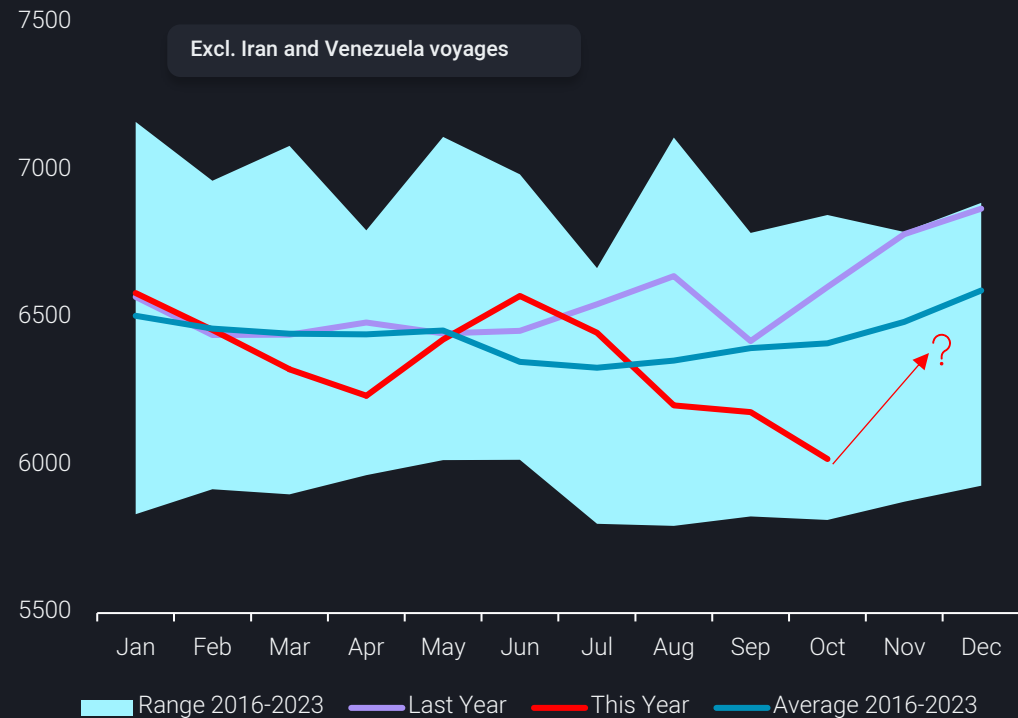
→ Besides an overall decline in China's crude demand, driven by a weaker economy and a shift toward non-fossil transportation, the SPR stockpiling program benefits Aframaxes over VLCCs

In the short- to medium-term we may see a turnaround, as more VLCCs are currently in [the Atlantic doing short-haul trade](#), likely in anticipation of a pick-up in longer-haul fixtures from the region

Looking ahead to 2025, Northeast Asia's crude demand will likely stabilise and could see a rebound

Declining import needs in Europe in 2025 will likely send US and other Atlantic Basin crudes to Asia, providing a much-needed boost to tonne-mile demand for VLCCs ([read more here](#))

VLCC average voyage mileage for completed voyages (nautical miles)



Share of LR voyages to Pacific Basin destinations increases as more middle distillates stay within the Pacific

Supertanker clean-ups have seen high arrivals of middle distillates in Europe, at the same time as [elevated diesel arrivals](#) from within Europe and from the US

→ Amidst all these supplies Europe's demand is not particularly strong, plus some European refiners are now returning from maintenance

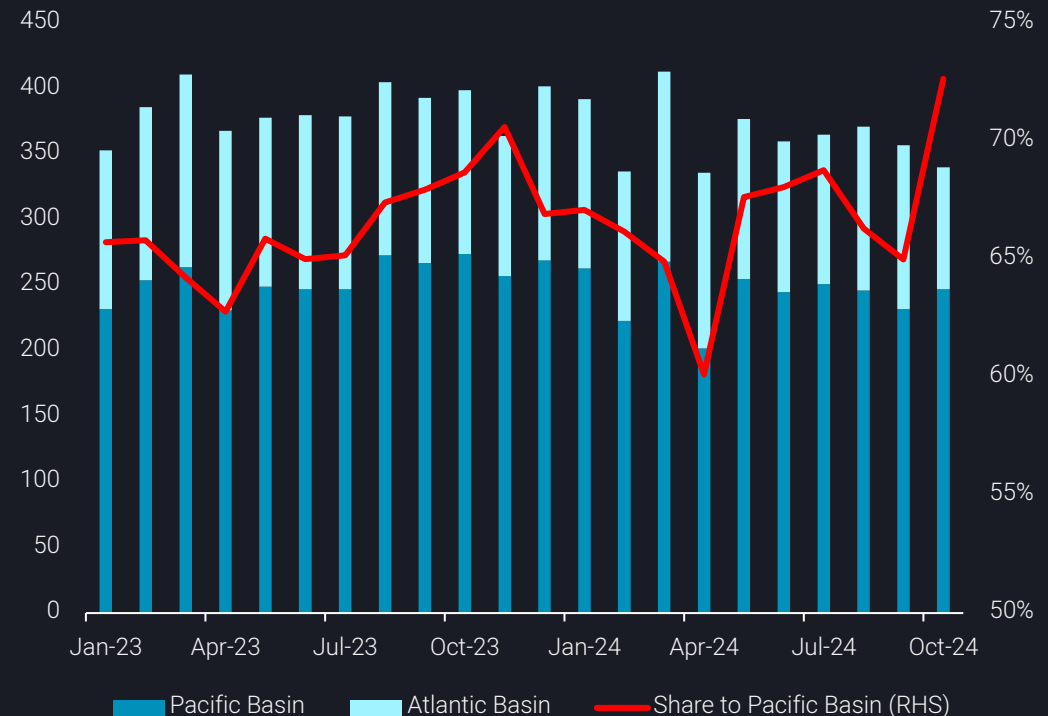
As a result, there is limited appetite for LR-sized cargoes from the East, and there has been a marked fall in departures of LR's going to the Atlantic Basin, with middle distillates instead staying in the Pacific

This coincides with higher demand in India for the holiday season, plus the beginning of some refinery turnarounds in the MEG which could increase the region's demand

→ However, more supplies remaining in the Pacific will likely further pressure already struggling refinery margins in APAC

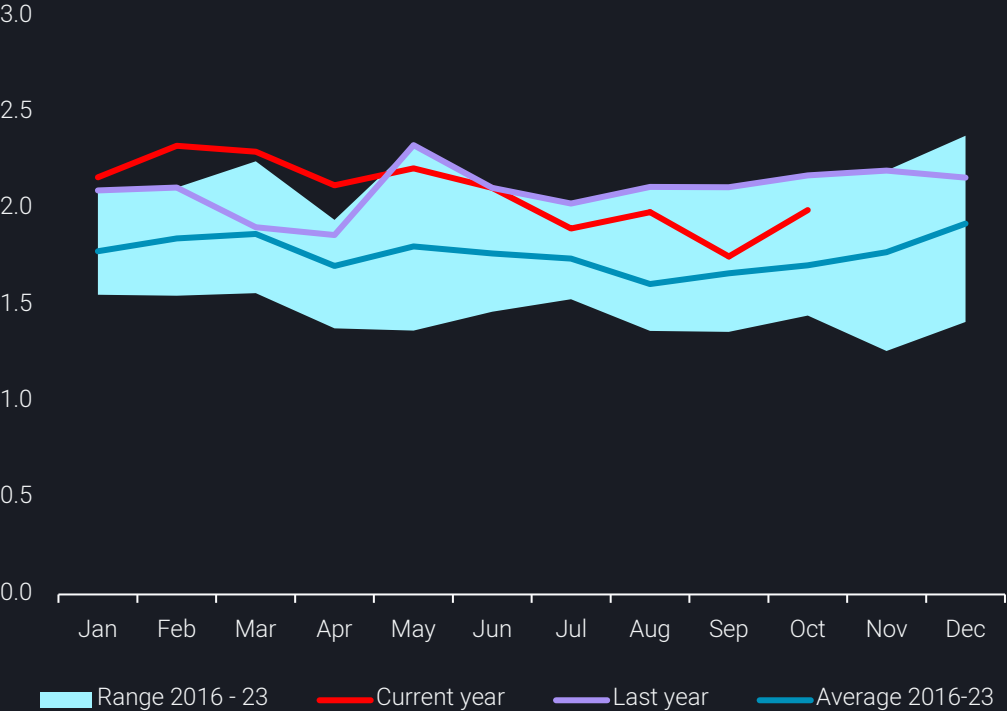
LR mileage for voyages to Pacific Basin destinations is generally about 40% lower than voyage mileage to Atlantic Basin destinations, so a tilt towards the Pacific Basin does not bode well for global tonne-mile demand

LR voyages on a departures basis by destination Basin (no. of voyages, LHS) and share to Pacific Basin (% , RHS)



Asia's diesel/gasoil exports at seasonal lows amidst closed East-west arb, gasoline exports robust albeit below last year's levels

Asia's gasoline/blending components exports (mbd)



Asia's diesel/gasoil exports (mbd)



Northeast Asia's naphtha imports down to 8-month low, run cuts at Japan's crackers possible amidst weak margins

Northeast Asia's naphtha imports have fallen to an 8-month low of 1.39mbd in October

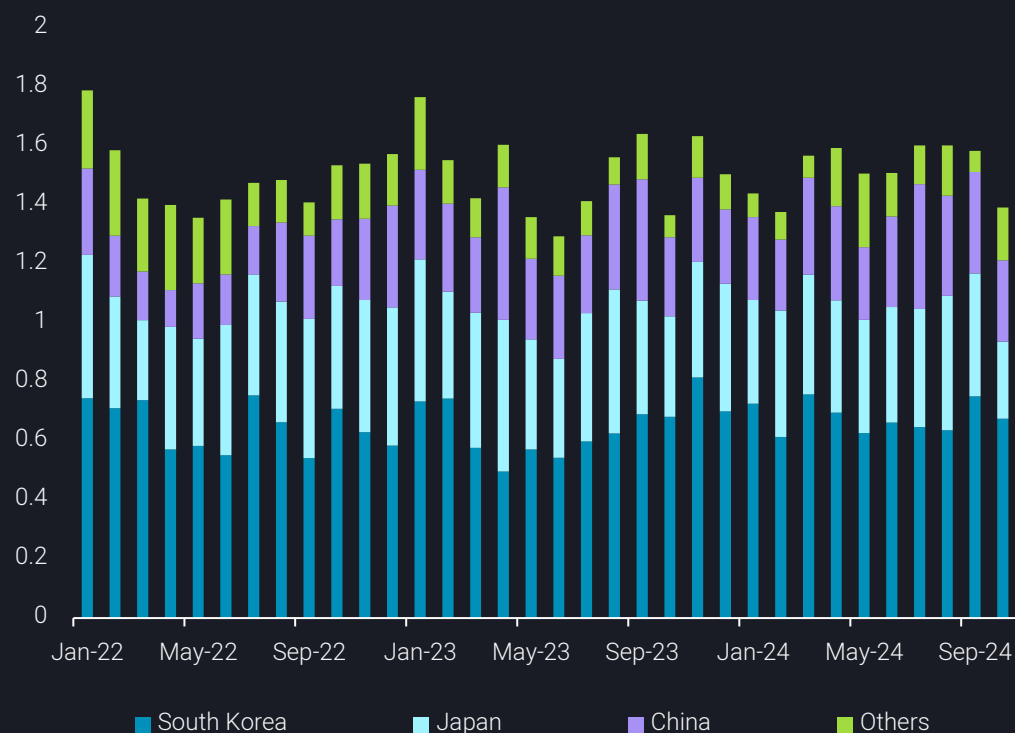
Imports into Japan registered the largest m-o-m decline, followed by South Korea and China

- Three consecutive months of strong naphtha imports into Japan, off the back of sluggish demand, have likely driven refiners and cracker operators to cut back on imports last month
- Amidst persistently weak margins, cracker operators in Japan may consider further run cuts in the coming weeks

Russian naphtha arrivals into Northeast Asia rebounded to above 200kbd in October, after two months of subdued volumes. The gradual return of Russian refineries post autumn maintenance should see a rise in naphtha arrivals into Asia in the weeks ahead

Meanwhile, Yulong's cracker is still on-track for starting up by this year, while Exxonmobil's new Guangdong cracker start-up which was previously planned for this year has been delayed till Feb-Mar next year (Argus)

Northeast Asia's naphtha imports by destination country (mbd)



Singapore fuel oil floating storage highlights

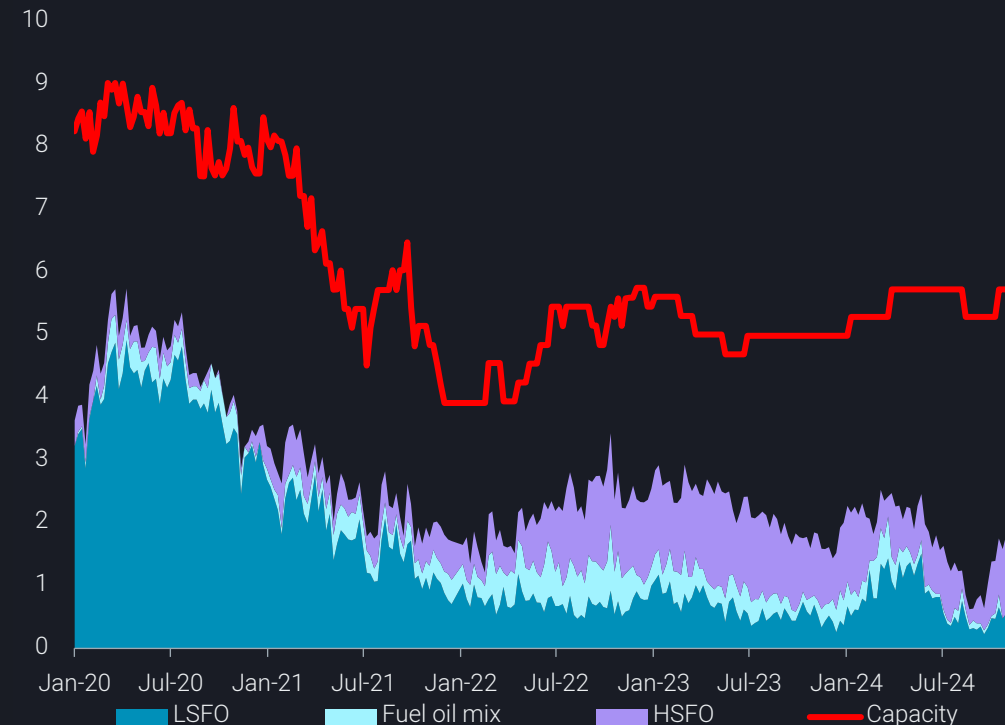
Singapore fuel oil floating inventories fell by 2% week-on-week

- LSFO inventories rose by 10% w-o-w to 621kt
- Mixed fuel oil inventories filled up by 112kt
- HSFO inventories shrank by 16% w-o-w to 1,066kt

Singapore weekly fuel oil flows: [imports](#), [exports](#), [net flows](#)

- Singapore onshore fuel oil inventories increased by 17% w-o-w to 18.02mb in the week ending 6 Nov, recovering from a 6-year low the week before, according to Enterprise Singapore.

Floating storage levels (mt, excluding Linggi)



Singapore floating storage inventory (excluding Linggi)

Asia Market Spotlight
November 2024

Vessel	Product	Charterer	Capacity (kt)	Fill (kt)	last week (kt)	Change (kt)	Fill %
A JEWEL	HSFO	Sinopec FO	305	163	215	-52	53%
AQUARIUS STAR	LSFO	Mitsui	299	169	122	47	56%
CS BRILLIANCE	HSFO	Nestwise Petroleum	300	40	22	18	13%
CS DEVELOPMENT	HSFO	-	301	202	117	85	67%
CS INNOVATION	HSFO	-	300	16	168	-152	5%
CS PROSPERITY	HSFO	BB Energy	311	45	46	-1	14%
EM SPLENDOUR	-	P66 / Coral Energy	282	0	0	0	0%
FORTUNE STAR	LSFO	-	298	111	7	104	37%
GRACE STAR	-	-	313	0	0	0	0%
HARMONY STAR	HSFO	Chimbusco	300	283	285	-2	94%
ITG AMOY	LSFO	P66	319	82	117	-35	26%
PHOENIX STAR	-	Eneos	307	0	0	0	0%
SA CAPRICORN	LSFO	Glencore	319	89	99	-9	28%
SA CRYSTAL	LSFO	Gunvor	299	60	49	10	20%
SA EQUATORIAL	LSFO	Gunvor	300	110	170	-61	37%
SA EUROPE	-	-	442	77	222	-146	17%
SA HORIZON	FUEL OIL MIX	Vitol	298	112	0	112	38%
SA OCEANIA	HSFO	Trafigura	442	242	191	51	55%
Total:			5734	1800	1830	-31	31%



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We are hosting another series of 1:1 virtual or on-site market update presentations from 4-15 November!

In this edition “Are prices and fundamentals aligned?” we will be discussing the following topics:

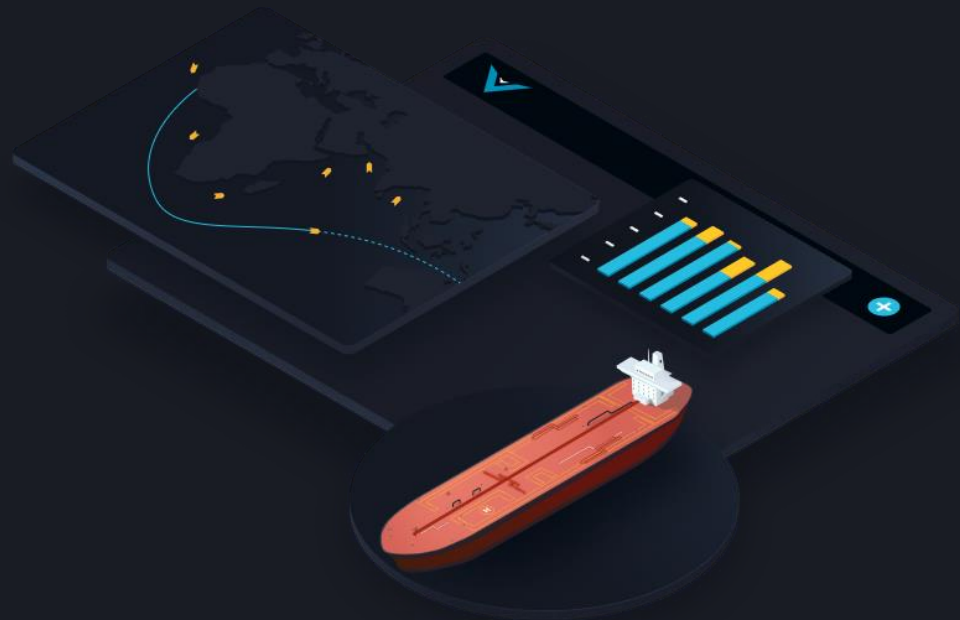
- How much is seaborne crude supply really growing?
- Latest indications on global import demand—have we seen a bottom?
- What does the amount of oil in the supply chain tell us?
- Economies of scale in global shipping and its impact on rates
- New use cases of Vortexa data on aggregated terminal level

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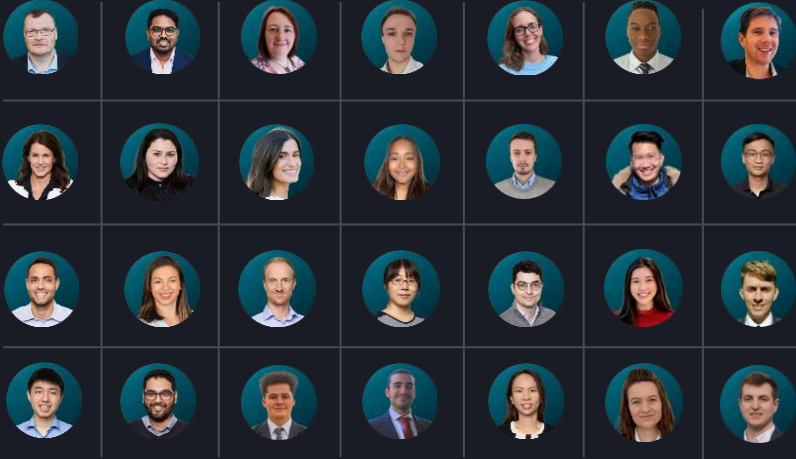
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