



### Rustin Edwards

Head of Fuel Oil procurement  
Euronav NV



### Outlook for shipping in 2023?

I've always said that freight reflects what the world economy is going to look like in about 6 to 8 months. Right now, container freight rates are in the doldrums. The market has corrected massively from where we were a year ago when it cost \$20,000 to ship a box from Hong Kong to Los Angeles. That same box is now about \$2,000. That basically tells you that there is no demand on the consumer side, no pull of goods from Asia into Europe and the US, and there's also no overproduction from factories in China that need to push goods out the gate, so the price move that we've seen in oil over the last ten days is not yet justified. Meanwhile, tanker freight for dirty products had a strong 2022. We haven't seen the same appreciation yet for clean products, primarily because the Russian embargo is going to impact gasoil, naphtha and jet fuel, which all require clean tonnage to move.

### Will the embargo on Russian products be more effective than on crude?

I don't think the work that was done with the G7 and the EU on the embargo around crude oil has been unsuccessful, because Russia's revenues are down, and we did not have a supply shock to the market. If anything, Russia is incentivized to export even more crude because they would need their revenues higher. But with products, there's a bit more of an issue, because you start getting into the nitty gritty of the products that Russia exports. Gasoil is homogeneous around the world, so Russia should find a home for the 600,000-800,000 bd of those exports, especially if it manages to replace them into Africa. Russia's biggest problem is going to be with naphtha, which is a petrochemical feedstock and gasoline blend stock. They produce and export about 500,000 bd and without the European market to go into for the gasoline blending pool, it's basically exporting into the east for petrochemical feed, and those margins have been pretty poor. Russia is probably going to end up shutting in a few hundred thousand barrels of refining capacity because it will be economically unfeasible to get that naphtha product out the gate. ■

*\*Paraphrased Comments*

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