Monthly Newsletter

Year 2023
July Edition

MISC Financial Calendar

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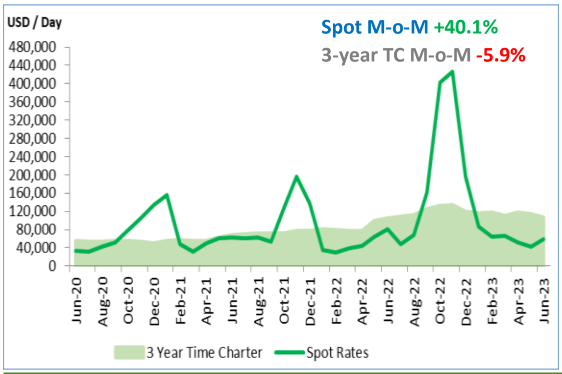
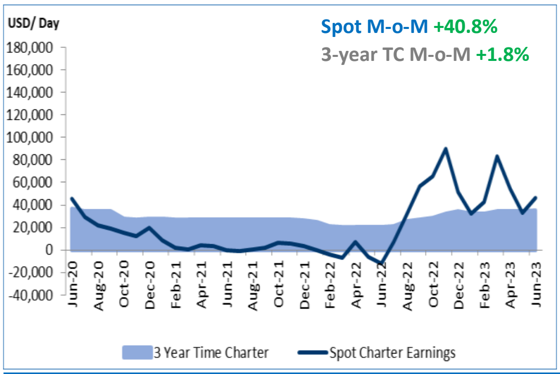
LNG Carrier



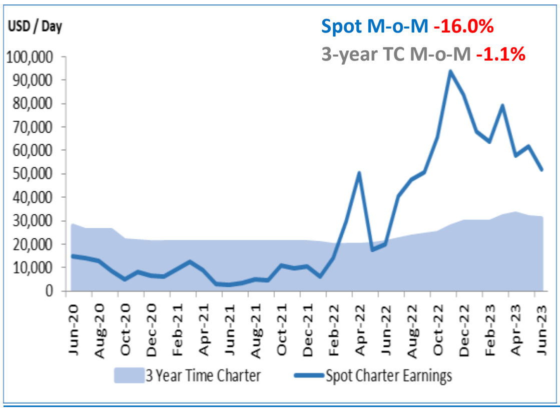
LNG carriers spot rates strengthened on improved chartering activity, mainly in the Atlantic basin partly due to the production setbacks in US and Norway. Meanwhile, term charter has moved sideways as Charterers continued to look to secure winter tonnage with less fixtures being concluded as the bid/ask spread remains wide.

VLCC



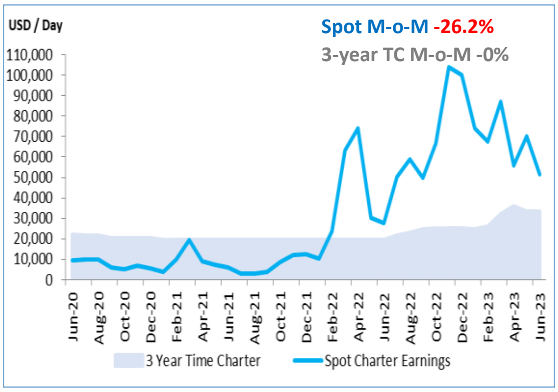
The pickup in Atlantic basin activity and the increased flows to the East have contributed to the upward pressure of VLCC spot rates. The increase in imports from East Asia and Europe as compared to May has impacted the rates positively.

Suezmax



Spot rates for Suezmax declined as tonnage list were higher than available cargo with lower demand in Europe and Asia. Activities in West Africa softened as it was also affected by the uncertainty in Nigeria's back-dated tax collection related issue apart from lower demand from Europe ex-West Africa.

Aframax



Similar to the Suezmax rates, reduced demand from Europe and Asia also contributed to the downward pressure on Aframax spot rates as lower activities were seen in the UK Coast, Mediterranean and Black Sea region.

Industry News Highlights

GAS CARRIERS

Ukraine invasion drives global LNG trade volumes to new record, says EIA

TradeWinds

The global trade in LNG reached a record high last year as Europe looked to replace pipeline natural gas imports from Russia following its invasion of Ukraine. Volumes averaged 51.7bn cubic feet per day (bcf/d) a 5% increase compared with 2021, according to data by CEDIGAZ, the international association for natural gas. Liquefaction capacity additions, primarily in the US, also drove growth in global LNG trade, according to the US Energy Information Administration (EIA). US LNG exports in 2022 increased by 16% to 10.2 Bcf/d from 2021 total, the largest increase of all LNG-exporting countries. Qatar and Australia remained the top two global LNG exporters; Qatar's exports averaged 10.5 Bcf/d, and Australia's exports averaged 10.4 Bcf/d, in 2022. Meanwhile, among the LNG-importing regions, Europe had the largest increase in LNG imports globally, increasing by 65% compared with 2021, the EIA said. Japan, which was the top LNG importer for 50 years, until China surpassed Japan in 2021, resumed its position as top LNG importer.

LNG carrier rates tip upwards as charterers thoughts turn to winter

TradeWinds

Spot and term charter rates for LNG carriers are firming as charterers turn their attention to securing coverage for the coming winter. Brokers and market players have commented on volatile market conditions where rising gas prices across Europe and Asia are making players 'twitchy', about tonnage provision going into the season of highest demand towards the end of the year. Brokers said portfolio players and others with tonnage are showing a tendency to hang on to vessels rather than offering them for relet which is heightening the situation. Braemar reported that this is also pushing up period rates, particularly those for one year with at least two relet ships removed from the market. This all comes amid a backdrop of lower demand in Asia and relatively full gas storage levels in Europe which observers said highlights the nervousness in the gas market ahead of winter.

LNG carrier newbuilding orders keep rolling in with busy second half envisaged

TradeWinds

More than 30 LNG carrier (LNGC) newbuildings worth close to $9bn in total have been contracted in the first half of 2023, with more expected to follow in the second half of the year. According to data compiled by TradeWinds and shipbrokers, contracts for at least 34 ships have been inked. Almost all were agreed at South Korean yards, with just six being inked with shipbuilders in China. At the start of 2023, LNGCs were being contracted less than $250m apiece. But prices have now risen to more than $260m. Brokers also point to the volumes of LNG, which energy majors are signing up to under long-term contracts, that will need new, large and efficient tonnage to ship it. Furthermore, companies are also looking to fleet renewal efforts as new emissions regulations start to kick in. But with limited availability on shipyard berths, market players said these decisions could be postponed.

OIL TANKERS

Constant mixed movement in dirty freight rates, seen in June
OPEC

Dirty freight rates continued to show mixed movement in June. VLCCs partially recovered from the previous month's decline, with Middle East-to-East spot freight rates up 27% m-o-m, amid increased flows to the East. A pickup in Atlantic basin activity and firm eastward sentiment in the larger vessel class, supported rates. Suezmax rates returned some of the previous month's gains, with rates on the USGC-to-Europe route declining 20%, amid more limited activity. Aframax spot freight rates fell across the board in June, with rates on the Caribbean-to-US East Coast (USEC) route falling back from the very strong levels seen in May, down by 34%.

Sanctions and China's weak recovery affect tanker chartering markets
Lloyd's List

Sanctions against Russia and the slower than expected economic recovery in China has affected the ranking of crude tanker charterers on spot markets, according to US shipbroker Poten & Partners. Russia's Lukoil is no longer in the top 20, while European charterers' leading position of spot fixtures in suezmaxes continue to indicate how Europe is replacing Russian crude with cargo from alternative sources. Meanwhile, Unipec, the trading arm of China's Sinopec, the world's largest oil and refining company, retained its title as the world's largest charterer of crude tankers on the spot market during the first half of 2023. However, its market share slid to 17.8% from the year-ago level of 19.2%, while the total number of reported fixtures by the Chinese giant also decreased to 468 from 490 over the same period.

VLCC rates come under pressure
Lloyd's List

Spot rates for VLCC have reversed trend after a run-up earlier in June, ahead of additional cuts by Saudi Arabia from July. Analysts cited lower volumes from the Middle East leading to a build-up in available vessel capacity as a reason for the sudden abrupt downturn. However, the pace of the fall is now seemingly slowing. Shipbroker BRS noted how some under-the-radar deals at well below last-done levels left the market 'bewildered' with 'sentiment has been shot to pieces'. A dearth of activity from West Africa, a weaker Brazil market and a steep drop in rates from the Middle East led to the pressure within this crude tanker segment, it said. Meanwhile, total Asia imports hit an estimated 26.6m barrels per day in May, up 10% on year, however, market remains concerned over the outlook for the second half with China's recovery in particular being called into question.

BRS says tanker values to fall as shadow fleet scrapping rises due to waning demand
TradeWinds

BRS Group is predicting a "softening" of tanker values as demand for older ships to carry Russian oil starts to slacken. The Paris shop notes that secondhand prices continue to rise steadily, particularly for vintage units that saw a flurry of sale-and-purchase activity during the first half, albeit with annual value gains slowing down in the second quarter. Increased deal volumes have led to a year-to-date rise in combined prices for 15-year-old VLCCs, suezmaxes and aframaxes of more than 12%. This compares to value gains of just 8% for younger units of around five years during the same period, BRS calculated. The average age of crude and product tankers above 34,000 dwt that changed hands in the first half of the year increased to 16.4 years, compared to 15.1 years in 2022, the company said. "However, this trend might be exhausted in the second half of the year as disruptions from the reshuffling of trade patterns and inflated ship-to-ship activity serving Russian crude and products seem to be waning," BRS added. There will be increased disposals of these units, most likely in the demolition market which will result in 'a softening of prices from the current multi-year high levels', the broker forecast. VLCCs will also narrow the asset-value gap to suezmaxes and aframaxes, the broker believes. Buyers have been particularly interested in suezmaxes and aframaxes that can serve the Russian oil trade, the broker explained.

OFFSHORE OIL AND GAS

Oil giants drill deep as profits trump climate concerns
Reuters

The exploration revival reflects a renewed commitment to oil and gas after Shell and BP slowed down plans to shift away from their legacy business and invest in renewables as part of the energy transition. It responds to pressure from a majority of investors to maximise their oil and gas profits rather than invest in lower margin renewable energy businesses. The IEA forecasts global upstream oil and gas investments are set to increase by around 11% to $528 billion in 2023, the highest level since 2015. Barclays expects the number of offshore projects to get approval this year will reach a 10-year high. Meanwhile, the actual number of offshore drilling vessels used to explore and produce oil and gas recovered to pre-pandemic levels in May, rising by 45% from October 2020 lows, an analysis of data from oil services firm Baker Hughes showed. Wood Mackenzie predicts the commitment of up to $185 billion to develop 27 billion barrels of oil reserves, with international oil companies focused on the higher-cost, higher-return deepwater developments. It also anticipated the so-called Golden Triangle i.e. Gulf of Mexico, South America and West Africa, as well as part of the Mediterranean will account for 75% of global floating rig demand through 2027.

Strong interest seen in carbon capture projects in SEA
The Edge Malaysia

Carbon capture projects in Southeast Asia are likely to attract strong interest from governments and investors as energy demand in the region is poised to grow by 35% in 2030, said energy experts. Energy expert Takashi Akai with Japan Organisation for Metal and Energy Security (JOGMEC) said as the usage of fossil fuel is deeply entrenched in SEA's future energy generation, that the carbon capture, utilisation and sequestration (CCUS) will emerge as a growth sector for companies that provide specialised services in the area of emission reduction. He added Malaysia is on the right track to play its part in reducing carbon emission with state oil firm Petronas deciding to develop the Kasawari carbon sequestration project in offshore Sarawak. The Kasawari project, which is located in Block SK316 off Bintulu town, is expected to reduce 3.3 metric tonnes of carbon dioxide (MtCO2e) emitted annually, making it one of the largest offshore carbon capture and storage (CCS) projects in the world.

SHIPPING

IMO lines up carbon pricing mechanism commitment by 2025
TradeWinds

The IMO plans to adopt a carbon pricing mechanism by 2025, but only after it has completed an impact study on the candidate measures. The IMO is planning for the report to be completed in the autumn of next year and for the carbon pricing system to be adopted at an extraordinary Marine Environment Protection Committee (MEPC) meeting to be called in the autumn of 2025. The IMO urgently needs the economic measures to be in place to make progress on achieving its revised targets, which include 'indicative checkpoints' on decarbonisation that would seek to cut emissions by at least 20% in 2030 while striving for a 30% cut. The market-based measures under consideration include a straight $100 a tonne levy on carbon emissions from the Marshall Islands and Solomon Islands, a 'feebate' scheme from Japan, a 'fund and reward' scheme from the International Chamber of Shipping (ICS) and an emissions trading scheme from the EU. However, the study is viewed to potentially delay the adoption of a carbon pricing measure, which is critical to incentivising shipowners to decarbonise and compensating them for using expensive low-carbon fuels.

SHIPPING

IMO defers guidelines for 'too early' shipboard carbon capture and storage technology

Lloyd's List

The IMO deferred calls for a separate committee to develop guidelines for onboard carbon dioxide capture and storage (CCS) technology, after countries including Spain, the US, and Germany argued the nascent technology was not ready. CCS on board vessels is still at least five to seven years away from commercial use, submissions to the marine environment committee said, although demonstration projects were already installed on some. The technology was a viable option to reduce total shipboard CO2 emissions by on average 40%. Meanwhile, credit and certification issues related to onboard CCS were already being incorporated into guidelines for the lifecycle greenhouse gas intensity of marine fuels, the US delegate said, negating any need for a dedicated committee just yet.

SHIPYARD

Methanol dual-fuel newbuilding orders top those for LNG in June

TradeWinds

More newbuildings were ordered with methanol dual-fuelled propulsion systems in June than for ships that will be able to use LNG as fuel. According to classification society DNV, 55 vessels with alternative-fuelled propulsion systems were contracted last month. Of the total, 29 were for methanol dual-fuelled vessels with this figure including retrofits. The methanol tally also boasted the first tanker orders for this fuel type. For the first half of this year, 128 vessels have been ordered with alternative fuelling systems. Meanwhile, Container ships made up nearly 80% of the new orders for methanol dual-fuelled vessels, bringing the total count of on-order boxships that can use this fuel past the 100 mark.

FREIGHT MARKET

USD/Day	May 2023 Avg	Jun 2023Avg	1-Month +/-%	2023 Avg	2022 Avg	2021 Avg
LNG						
Modern Tonnage (155k - 165k cbm, DF/TF diesel electric)						
Spot Rates	41,813	58,600	40.1%	61,400	133,115	87,375
1 Year Time Charter	128,438	126,030	-1.9%	134,997	131,744	78,173
3 Year Time Charter	114,125	107,440	-5.9%	113,692	104,296	66,033
Steam Engine (145k – 155k cbm, steam turbine)						
Spot Rates	28,750	33,600	16.9%	38,860	69,725	63,502
1 Year Time Charter	81,000	83,980	3.7%	81,236	69,029	46,898
3 Year Time Charter	51,500	52,540	2.0%	51,690	50,905	37,108
PETROLEUM						
VLCC						
Spot Charter Earnings[1]	32,789	46,150	40.8%	48,478	23,329	3,076
1 Year Time Charter	37,750	37,300	-1.2%	40,300	25,438	20,949
3 Year Time Charter	34,438	35,050	1.8%	33,925	24,745	27,106
Suezmax						
Spot Charter Earnings[1]	61,611	51,758	-16.0%	63,643	43,319	7,251
1 Year Time Charter	39,500	40,100	1.5%	40,446	26,095	16,899
3 Year Time Charter	31,250	30,900	-1.1%	31,013	22,533	20,723
Aframax						
Spot Charter Earnings[1]	70,161	51,757	-26.2%	67,714	54,910	8,270
1 Year Time Charter	41,125	43,300	5.3%	43,804	24,807	15,623
3 Year Time Charter	33,500	33,500	-	30,927	21,783	19,513
MR2						
1 Year Time Charter	27,125	26,000	-4.1%	27,971	20,407	12,421
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	132.0	132.0	-	131.6	132.2	121.0
Rotterdam-Taiwan	101.0	101.0	-	100.1	93.6	87.1
Gulf-Far East	66.8	63.0	-5.6%	67.8	69.5	42.0
Singapore-Rotterdam	162.0	146.2	-9.8%	171.1	179.3	93.9
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	19,500	19,000	-2.6%	19,958	15,385	13,021
1 Year Time Charter 37,000 dwt	24,375	22,800	-6.5%	25,490	17,547	10,806

Notes: [1] Spot Charter Earnings are calculated by taking the total revenue net of commission, deducting bunker costs based on latest prices at representative regional bunker ports, estimated port costs (after currency adjustments) and then dividing the result by the number of voyage days.

ASSET VALUE

USD 'Million	May 2023 Avg		Jun 2023 Avg		1-Month +/-%		2023 Avg		2022 Avg		2021 Avg	
LNG												
Newbuild (174k cbm, MEGI)	259.0		260.0		0.4%		254.5		233.2		195.2	
VLCC												
Newbuild	126.0		126.0		-		122.3		117.8		99.5	
5-Year	100.0		100.0		-		100.0		81.0		69.4	
Suezmax												
Newbuild	85.0		85.0		-		82.3		78.8		67.2	
5-Year	74.0		73.0		-1.4%		70.0		55.8		46.8	
Aframax												
Newbuild	67.5		67.5		-		65.2		61.1		53.7	
5-Year	63.5		63.5		-		62.8		51.6		38.8	
CHEMICAL												
IMO II 37,000 dwt	**S/S [2]**	**C [3]**	**S/S**	**C**	**S/S**	**C**	**S/S**	**C**	**S/S**	**C**	**S/S**	**C**
Newbuild Prices	66.0	41.5	66.0	41.5	-	-	66.0	41.5	63.9	40.5	52.5	33.8
Secondhand Prices - 10 years	48.0	24.0	48.0	24.0	-	-	48.0	23.7	40.1	19.2	33.8	14.4

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2023	2024	2025	2026+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	657	33	81	86	120	320	49%
PETROLEUM							
VLCC	900	7	0	1	3	11	1%
Suezmax	660	3	8	16	12	39	6%
Aframax	692	24	26	52	21	123	18%

DELIVERIES & DEMOLITIONS

Deliveries	May-23	Jun-23	YTD	Demolitions	May-23	Jun-23	YTD
LNG							
LNG Carriers	0	1	11	LNG Carriers	1	0	3
PETROLEUM							
VLCC	1	2	16	VLCC	0	0	0
Suezmax	0	0	5	Suezmax	0	0	0
Aframax	1	0	10	Aframax	0	0	0

Sources: Affinity, Clarkson and, Drewry.

Notes: [2] Stainless Steel. [3] Coated.