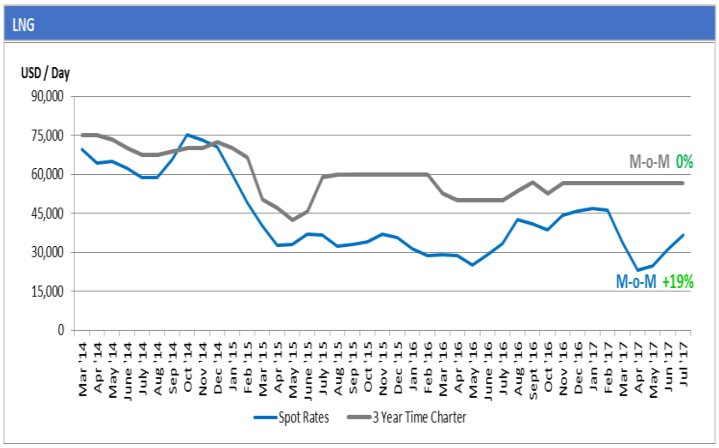
MISC Monthly

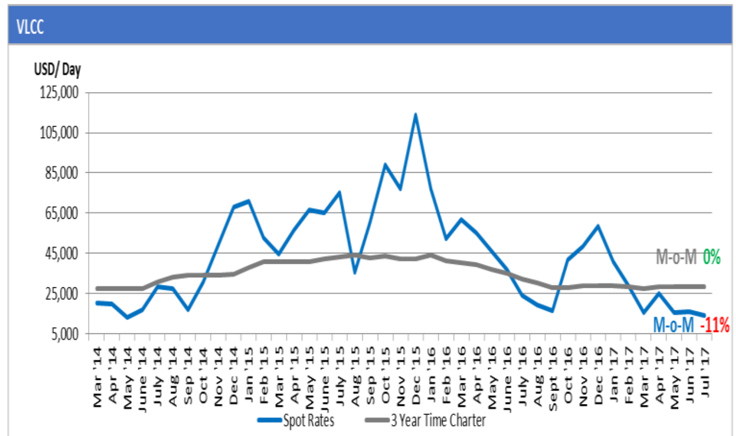
August 2017

moving energy to build a better world

MISC Financial Calendar	
3Q FY2017 Quarterly Results	Friday, 3 November 2017
MISC Announcements	
Delivery of third new LNG carrier, Seri Cempaka	
Incorporation of new subsidiaries, AET Bermuda One and AET Singapore One	
Voluntary winding up and dissolution up of a subsidiary, MISA Japan	

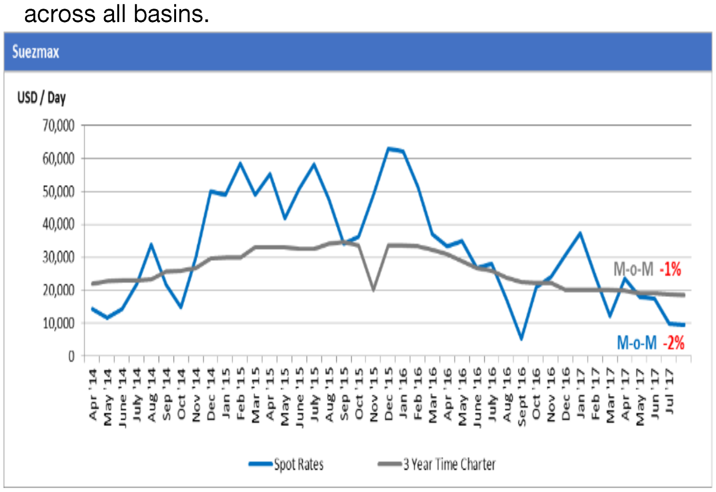
FREIGHT MARKET

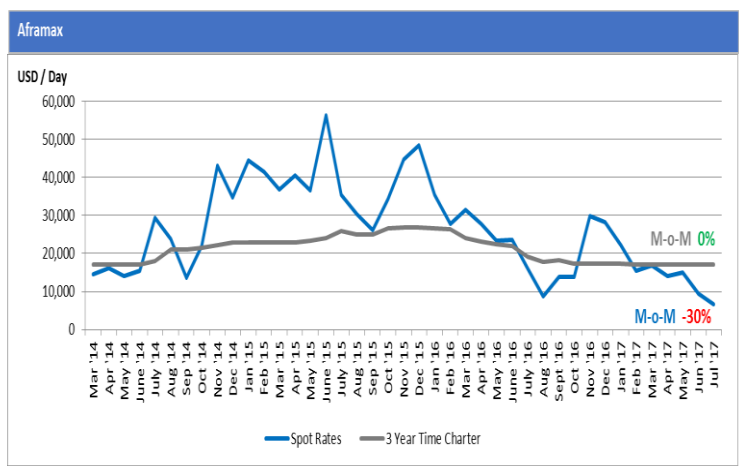




- Spot rates improved further in July mainly East of Suez, on the back of healthy spot chartering growing cargo supply across the world, especially flow of volumes from Australian LNG plants.
- Hot European summer raised LNG imports into the region.
- Increasing spot rates partly driven by tightening of tonnage across all basins.

- Extended cut in OPEC production and weak seasonal exports from the Middle East squeezed demand for vessels.
- Fleet grew by five new deliveries in the month making it 34 vessels for the first seven months of the year.





- Spot freight rates edged down as the Suezmax market suffered from high vessel supply versus limited requirements.
- Additional four vessels were delivered within the month making it 39 vessels for the January to July 2017 period alone.

- Middle East - Asia and Asia - North Asia routes remained soft due to lack of cargo availability and lengthy position list.
- Reduced export from Venezuela amidst production issues and potential economic sanction.
- There were 42 Aframax deliveries in Jan to July 2017 period, with six newbuild deliveries in July.

FREIGHT MARKET

USD/Day	June 2017 Avg	July 2017 Avg	1-Month +/-%	YTD 2017	2016 Avg	2015 Avg
LNG						
Spot Rates	30,900	36,750	19%	34,655	34,796	38,430
1 Year Time Charter	30,250	33,875	12%	34,366	32,639	36,119
3 Year Time Charter	56,500	56,500	-	56,536	54,079	56,750
PETROLEUM						
VLCC						
Spot Rates	15,810	14,143	-11%	22,300	44,900	67,279
1 Year Time Charter	27,000	26,625	-1%	28,225	38,367	45,805
3 Year Time Charter	28,500	28,500	-	28,395	34,496	41,869
Suezmax						
Spot Rates	9,742	9,521	-2%	16,393	28,897	50,411
1 Year Time Charter	18,100	17,563	-3%	19,466	27,381	35,024
3 Year Time Charter	18,750	18,500	-1%	19,386	25,785	31,956
Aframax						
Spot Rates	9,398	6,583	-30%	14,227	23,368	39,614
1 Year Time Charter	15,000	15,000	-	16,170	22,335	26,577
3 Year Time Charter	17,000	17,000	-	17,054	20,957	24,619
MR2						
1 Year Time Charter	13,275	13,250	-0.2%	13,029	15,078	17,754
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	101	104	3%	106	107	105
Rotterdam-Taiwan	88	87	-1%	81	80	85
Gulf-Far East	35	34	-3%	35	38	46
Singapore-Rotterdam	74	75	1%	75	76	91
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	13,357	15,513	15,233
1 Year Time Charter 37,000 dwt	11,100	10,844	-2%	11,189	13,995	15,877

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ASSET VALUE

USD 'Million	June 2017 Avg	July 2017 Avg	1-Month +/-%	YTD 2017	2016 Avg	2015 Avg
LNG						
Newbuild (DFDE, Atlantic Max)	179	179	-	185	196	200
PETROLEUM						
VLCC						
Newbuild	79	80	2%	80	89	96
5-Year	62	62	-	60	66	81
Suezmax						
Newbuild	53	53	-	54	57	64
5-Year	42	41	-2%	41	47	60
Aframax						
Newbuild	43	43	-	43	46	53
5-Year	30	30	-	29	35	46

CHEMICAL	June 2017 Avg		July 2017 Avg		1-Month +/-%		YTD 2017		2016 Avg		2015 Avg	
IMO II 37,000 dwt	S/S	Coated	S/S	Coated	S/S	Coated	S/S	Coated	S/S	Coated	S/S	Coated
Newbuild Prices	47	29	47	29	-	-	48	29	49	30	59	31
Secondhand Prices - 10 years	34	15	34	14	-	-7%	34	15	36	17	37	16

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2017	2018	2019+	2020+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	451	26	42	28	5	101	22%
PETROLEUM							
VLCC	675	20	39	18	0	77	11%
Suezmax	502	28	28	8	0	64	13%
Aframax	674	25	43	15	4	87	13%

INDUSTRY HEADLINES

SHIPPING: New marine fuel requirements boost newbuilding ordering activity

Things are heating up again in the newbuilding ordering market, despite the relative slowdown over the course of the past few weeks, which was deemed as a mainstay, at least until the end of August. In its latest weekly report, Allied Shipbroking noted that "despite being well into the summer period which notes a typical slowdown in new ordering and despite the fact that we had seen a fair softening in activity over the past couple of weeks, things seemed to have sparked back into life this past week, with a fair amount of deals emerging. A number seemed to be still on the LOA stage though it is clear that in their majority potential buyers are seeking to secure any TIER II slots that they came looking to take advantage of the lower price being offered against what is being offered for the newer TIER III designs. Beyond this, it has become ever clearer that appetite has re-emerged amongst owners, though hopefully it is still under a fair amount of conservatism and that the volume of orders that will be amounted during the remainder of 2017 will be limited in number compared to what we had seen in previous years. The demand/supply balance in the freight market is still relatively fragile and it is vital that the future order book does not become once again an overshadowing burden for the market", the shipbroker said.

Source: Hellenic Shipping News Worldwide

SHIPPING: Shipowners' appetite for scrubbers grows: Alfa Laval

The shipping industry is increasingly convinced of the business case for installing exhaust gas cleaning equipment's to remove sulphur from heavy fuel oil (HFO), Sweden-based marine equipment firm Alfa Laval told Argus. But the longer ship-owners wait to act, the more likely it is that there will be capacity constraints at shipyards to install reliable scrubbers before 2020. The International Maritime Organisation (IMO) has capped marine sulphur emissions at 0.5pc globally from 2020, down from a current level of 3.5pc. This has left many ship operators and owners uncertain about the best method of compliance. Installing scrubbers on a ship's funnel to clean exhaust gases is one option to meet the IMO regulation. Ship-owners can also use 0.5pc sulphur fuels. Until recently ship-owners were reluctant to commit to the technology, with many vessel owners preferring to wait and see whether low sulphur compliant fuels could form a cheaper and more convenient compliance option. "While we had a huge spike in interest for our scrubbers after the ratification of the IMO's sulphur regulations in October 2016, now enquiries are getting more firm and discussions are getting more concrete", Alfa Laval sales director for exhaust gas cleaning Erik Haveman said. With the spread between low-sulphur fuels and HFO set to widen, ships with scrubbers installed will have notably lower operating costs, according to Alfa Laval.

Source: Argus

SHIPPING: Ballast water convention extension may delay recovery in tanker market

While the tanker market was previously counting on the implementation of the IMO Ballast Water Management Convention in September 2017 to raise scrapping levels amidst low earnings as well as high retrofit costs (US$1 to 2 million), the Marine Environment Protection Committee (MEPC) recently decided to delay its implementation by two years. The convention requires all existing vessels to install approved Ballast Water Treatment Systems at the first renewal of the International Oil Pollution Prevention (IOPP) survey after the enforcement date. The delay is expected to slow demolition activity over the next few years, subsequently postponing any substantial recovery in tanker rates which have been heavily pressured by the perennial state of tonnage oversupply. According to BIMCO, 2.6 million dwt of tanker capacity was sold for demolition in 2016 while 1.3 million dwt was demolished from January – April 2017.

Source: OFE Insights

INDUSTRY HEADLINES

PETROLEUM: VLCC newbuilding orders during 2017 already triple those of the whole of 2016

In what can only be seen as a worrying sign of things to come, shipbroker Gibson reports that VLCC orders this year have more than tripled, compared to those of the whole of 2016. The London-based shipbroker said in its latest weekly report that “back at the beginning of May, our weekly report focused on the accelerating pace of orders, in particular demand for VLCC tonnage. Two months later we are reporting 20 more fresh VLCC orders, in addition to those placed between January and April. The total count of VLCC orders placed in the first six months of this year reached 38 compared to just 13 in the whole of 2016. We are also aware of several owners circling around the issue, either to order speculative tonnage or direct replacements for their elder units which will certainly add to the recent melee. The pace of VLCC ordering prompted Bimco last week to warn of a potential “fundamental imbalance that would take years to overcome”. Furthermore, we have seen 16 Suezmaxes ordered this year compared to 18 in the whole of last year”.

Source: Hellenic Shipping News Worldwide

PETROLEUM: Suezmax spot rates jump on West Africa demand

Suezmax tanker spot rates have jumped nearly 38% in the past week on strong West African loading volumes, in line with expectations of a stronger market in the region. The segment is likely to retain support for the next couple of months as Nigerian volumes normalise, with most crude stems coming back on stream. Local media reports indicated that one new group of militants operating in the country, the New Delta Avengers, had withdrawn their threat to attack oil-related infrastructure, such as pipelines. The benchmark suezmax time charter equivalent on the Baltic Exchange had risen 38% to $6,189 per day by Monday’s close, up from $4,490 per day a week earlier, on the back of a strong pickup in West African fixtures. The TD20 route from West Africa to UK-Continent rose 31% to $7,254 per day, according to the Baltic Exchange. Some shipbrokers cited spot rates of as much as $9,000 per day on the same route. In Nigeria, second-quarter oil production is estimated at 1.51m barrels per day, compared with first-quarter output of 1.39 million bpd.

Source: Lloyd's List

LNG: FSRUs a better investment opportunity than LNG carriers

Despite falling freight rates for floating storage regasification units (FSRUs), investment returns at current asset prices and charter rates are higher compared with standard LNG vessels, according to the latest edition of the LNG Forecaster report published by global shipping consultancy Drewry. The global FSRU fleet has grown at a CAGR of 21% over the last five years, and currently there are 24 FSRUs operational with an aggregate LNG import capacity of 82 mtpa. An additional 74 mtpa FSRU import capacity is under construction or in the planning stage. FSRUs are attractive because of various advantages they have over land-based terminals, such as low cost, quick commencement and flexibility.

Source: Drewry

LNG: LNG carrier spot rates tease $40,000 per day mark

Spot rates for liquefied natural gas carriers have touched the $39,000 per day mark, with an upward bias for breaching the $40,000 per day mark if cargo enquiries tighten further, according to shipbrokers. As forecast in the annual Lloyd’s List market outlook, LNG carrier spot rates have improved this year on the back of increased cargo availability, and are trending at nearly 25% more than the same time last year. Shipbrokers said the LNG carriers available on the spot market were nearly equal to year-ago levels at around 15 vessels. However, on a month-on-month basis, spot market availability of LNG carriers nearly doubled from around 8 vessels in early June, but spot carrier rates rose by over $2,000 per day, highlighting fundamental support for LNG vessel rates this year.

Source: Lloyd's List

INDUSTRY HEADLINES

OFFSHORE: European institutions call on EU to address decommissioning of floating oil and gas structures

A joint event between the European Economic and Social Committee (EESC) and three Green Members of the European Parliament highlighted the paradox between the strict rules under OSPAR for the decommissioning of fixed oil platforms from the North Sea with the rules that govern the recycling of floating platforms and structures. The latter fall under the same rules as commercial ships, and would therefore have to follow the EU Ship Recycling Regulation. The NGO Shipbreaking Platform and other stakeholders have already highlighted the weakness of the SRR which needs to be coupled with a financial incentive to curb the trend to flag out and circumvent the legislation. A financial incentive would also be an opportunity to steer the market towards proper recycling yards included under the EU list of approved facilities.

Source: NGO Shipbreaking Platform

HEAVY ENGINEERING: Deepening recession 62% of shipyards worldwide shut down

With domestic shipbuilders suspending the operation of their docks due to ongoing sluggish demand, six out of 10 dockyards worldwide have shut down in the past nine years. According to a report from U.K.-based shipping and shipbuilding market analysis firm Clarkson Research, there were a total of 934 “active” shipyards globally in 2009. At that time, many firms scrambled to build shipyards to meet the demand in the peak of the shipbuilding cycle from 2007 to 2008. This number has now dropped by 62% to stand at 358 yards as of start July 2017, the lowest number of active yards for many years. Clarkson also warned that the remaining yards would have to struggle to survive. The report said, “30 percent of the remaining yards will be out of work by the end of this year. The number of shipyards will continuously decrease for a while.” The number of newbuild vessel orders reached 3,048 in the global shipbuilding market in 2013 alone.

Source: Business Korea