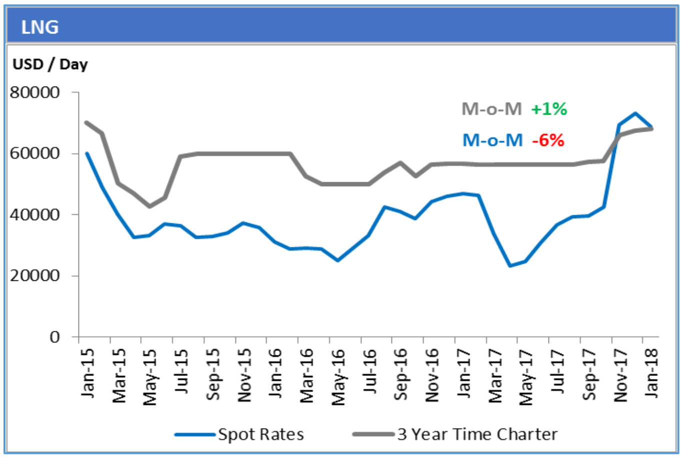
MISC Monthly

February 2018

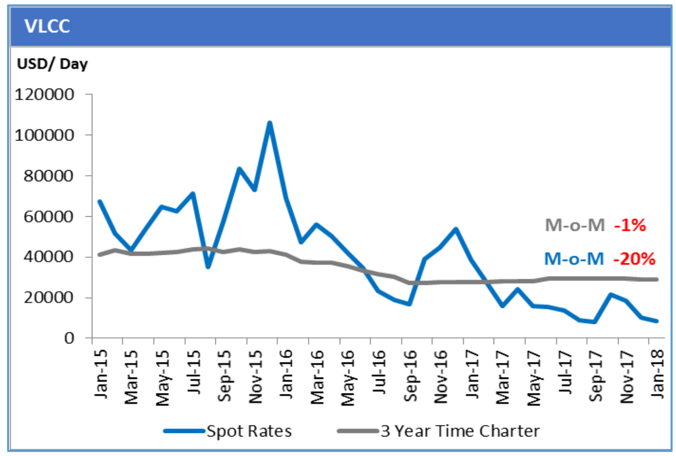
moving energy to build a better world

MISC Financial Calendar	
1Q 2018 Quarterly Results	Friday,11th May 2018
2Q 2018 Quarterly Results	Tuesday, 07th August 2018
3Q 2018 Quarterly Results	Monday,19th November 2018
MISC Announcements	
-	

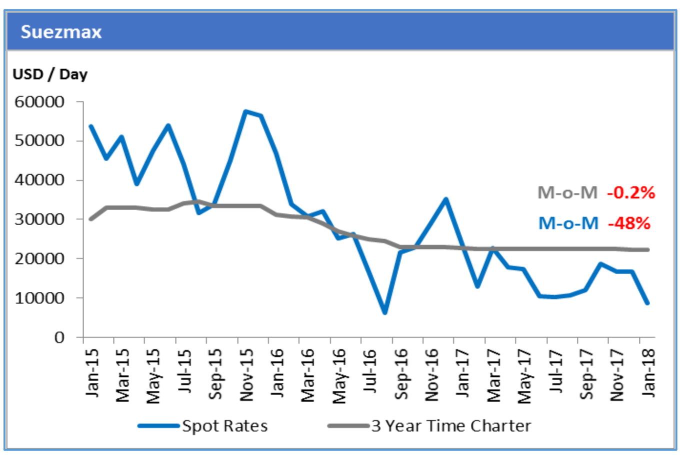
FREIGHT MARKET



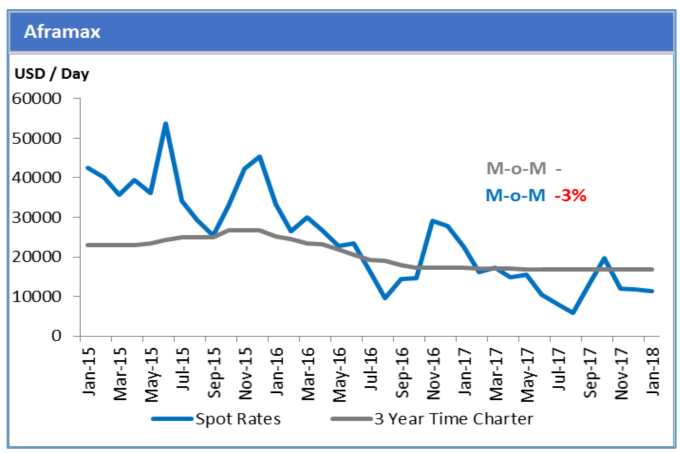
- The tight spot market eased with the peak winter demand waning as winter progresses. However, both Asia and Europe LNG shipping requirement were still high with double digit increase in LNG demand YoY in January.
- There were further eight new build deliveries in Jan'18



- In the Middle East market, low cargo volumes and surplus tonnage translated into weaker freight rates.
- Picked up pace in deliveries with four newbuilds in the month, adding to the current oversupply situation.



- Rates in West Africa market lost further ground as impact of a weak demand environment in the Black Sea Market pushed more units into this region.
- The pace of Suezmax fleet grew however with seven new deliveries in January alone.



- Drop in rates due to decline in trade from Latin / South America to US as a result of lower flows arising from Venezuela's crisis.
- Poor weather conditions on the Mediterranean routes and port maintenance in the Baltic and North Sea also led to a drop in rates.
- In January, the Aframax fleet grew with six new deliveries, adding further pressure to rates.

FREIGHT MARKET

USD/Day	Dec 2017 Avg	Jan 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	73,063	68,750	-6%	68,750	42,222	34,796
1 Year Time Charter	56,125	60,000	7%	60,000	38,824	32,639
3 Year Time Charter	67,500	68,125	1%	68,125	58,369	54,079
Steam Engine						
Spot Rates	42,500	37,000	-13%	37,000	27,735	26,465
1 Year Time Charter	36,000	36,000	-	36,000	26,381	20,194
3 Year Time Charter	34,500	34,500	-	34,500	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	10,377	8,282	-20%	8,282	18,242	41,363
1 Year Time Charter	25,600	24,500	-4%	24,500	27,143	36,554
3 Year Time Charter	29,150	29,000	-1%	29,000	28,786	33,002
Suezmax						
Spot Rates	16,749	8,780	-48%	8,780	15,856	27,260
1 Year Time Charter	17,500	17,125	-2%	17,125	18,534	27,299
3 Year Time Charter	22,300	22,250	-0.2%	22,250	22,507	26,296
Aframax						
Spot Rates	11,732	11,342	-3%	11,342	13,933	22,885
1 Year Time Charter	15,250	15,125	-1%	15,125	15,511	21,491
3 Year Time Charter	16,750	16,750	-	16,750	16,865	20,603
MR2						
1 Year Time Charter	13,900	13,938	0.3%	13,938	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	110	114	4%	114	105	107
Rotterdam-Taiwan	84	88	4%	88	83	80
Gulf-Far East	46	45	-2.1%	45	37	38
Singapore-Rotterdam	80	79	-1%	79	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	12,750	12,750	-	12,750	13,146	15,513
1 Year Time Charter 37,000 dwt	12,500	12,500	-	12,500	11,438	13,995

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ASSET VALUE

USD 'Million	Dec 2017 Avg		Jan 2018 Avg		1-Month +/-%		YTD 2018		2017 Avg		2016 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	182		181		-1%		181		183		196	
PETROLEUM												
VLCC												
Newbuild	81		83		2%		83		80		89	
5-Year	62		62		-3%		62		61		66	
Suezmax												
Newbuild	55		56		1%		56		54		57	
5-Year	40		40		-5%		40		41		47	
Aframax												
Newbuild	45		45		-		45		44		46	
5-Year	30		30		-3%		30		30		35	
CHEMICAL												
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	-	-	47	29	47	29	49	30
Secondhand Prices - 10 years	33	13	33	13	-	-	33	13	33	14	36	17

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2018	2019	2020	2021+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	455	55	33	5	0	93	20%
PETROLEUM							
VLCC	737	44	41	8	2	95	13%
Suezmax	563	28	19	7	1	55	10%
Aframax	652	60	41	11	14	126	19%

INDUSTRY HEADLINES

SHIPPING: UV ballast water treatment systems highly competitive for large flows

Recent market developments show a shift in thinking when it comes to ballast water treatment systems for tankers and other large vessels. Today more and more ship owners see advantages in choosing UV ballast water treatment over electrochlorination for large flows, even with respect to power consumption and footprint. The idea that electrochlorination is more suitable for large flows than UV technology has persisted since the early days of ballast water treatment. Indeed, the first generations of UV treatment systems were often larger and more power-intensive. But modern systems such as Alfa Laval PureBallast 3.1 are changing this preconception. UV treatment systems now compete easily on power and footprint parameters, even at flows of 1500–3000 m3/h or above. As a result, their simplicity and lower operating costs are tipping the balance in major projects. Earlier this year, for example, Alfa Laval signed a deal to supply multiple vessels with PureBallast 3.1 systems for 3000 m3/h.

Source: Seatrade Maritime

SHIPPING: Shipping and environmental organisations in joint call for ban on carrying high sulphur fuel from 2020

A coalition of shipping industry and environmental organisations have called for ban of the carriage of fuel of higher than 0.5% sulphur content once the cap comes into force at the start of 2020. While the 2020 IMO 0.5% sulphur cap is seen as bringing significant environmental and health benefits there are concerns that lax enforcement will lead to the regulation being flouted due to the cost advantage in doing so. The ICS, Intertanko, Bimco, World Shipping Council, International Parcel Tankers Association, CLIA, the Clean Shipping Coalition, Friends of the Earth, WWF, and Pacific Environment have come together to call for explicit ban on the carriage on non-compliant fuels ahead of an IMO meeting February at which proposals for a carriage ban will be discussed by governments, environmental and shipping organisations.

Source: Seatrade Maritime

PETROLEUM: Tanker market: Will oil demand growth in 2018 turn things around?

With oil prices hitting new highs by the day, things are getting more complex in the tanker market. However, if some projections about oil demand growth prove to be real in 2018, tanker owners could be in for a positive surprise in terms of freight rates. In its latest weekly report, shipbroker Allied Shipbroking said that "brent oil futures hit a three year high on January 16th touching around USD 70.30 before falling back down to around USD 68.60 at the time of this publication, the former figure being the highest it has seen since December 2014. This has been in part due to the weakened US dollar, a massive decrease in the total global crude storage, as well as the highest rate of OPEC conformity to their oil production cuts, which was announced this past week in the Joint Ministerial Monitoring Committee (JMMC), in Muscat, Oman. The committee is made up of OPEC and non-OPEC member states, and although its primary goal was not to discuss further production cuts, the question was on the table as to whether they would continue their plan through to 2019.

Source: Hellenic Shipping News Worldwide

PETROLEUM: VLCC surplus in the Middle East set for reduction in the coming weeks says shipbroker

A looming fall in VLCCs' availability in the Middle East over the coming weeks could help boost the freight rate market in the weeks to come. According to the latest weekly report from shipbroker Charles R. Weber, "VLCC rates moved broadly higher this week as participants reacted to a narrowing Middle East availability surplus that materialized during January's last decade loading program. The gains came despite a slowing of demand in the Middle East as draws on the region's positions to service West Africa demand rose for a third consecutive week. The Middle East market observed 20 fresh fixtures, representing a 46% w/w decline. Meanwhile, demand in the West Africa market inched up by one fixture to a one-month high of ten. Average earnings on AG-FEAST routes surged 93% y/y to ~$20,411/day". According to CR Weber, "the supply/demand positioning appears set for successive further narrowing during the first half of the February program. We presently project that, net of draws to the Atlantic basin, Middle East availability will decline from January's end-month surplus of 16 units to 14 units at the conclusion of February's first decade.

Source: Hellenic Shipping News Worldwide

INDUSTRY HEADLINES

PETROLEUM: Mild winter puts damper on Aframax market

Aframax daily earnings are less than half the level seen the year ago amid a lack of cargo, high vessel supply and a lack of seasonal weather factors. The Baltic Exchange assessed aframax earnings across multiple routes at just around $8,000 per day on Tuesday, compared to $16,400 per day for January 2017. January typically sees a seasonal high across multiple aframax routes due to fog delays in the Black Sea and ice floes in the Baltic Sea. But usual weather-related delays have had little impact on the market as yet, one broker says. "We were hoping for bad weather this weekend," one London-based broker said. "No such luck." The Mediterranean market remains the most oversupplied with owners offering under last done. Italian oil major ENI is said to have seen eight offers on a cargo out of Novorossiisk in the Black Sea. The one bright spot has been the Black Sea, which saw rates spike to $18,720 per day. The broker says the spike relates mostly to a lack of ice-class ships in the region, and unless more severe weather hits the northern hemisphere, the spike may not be sustainable. "We need a polar bomb in the market," the broker said.

Source: TradeWinds

PETROLEUM: Tanker demolitions in 2017 reached 85 ships of over 25,000 dwt, as prices increased says Gibson

Tankers sold for demolition last year were one of the few silver linings, as activity rose on the back of diminishing freight rates. In its latest weekly report, shipbroker Gibson reported that "one of the few bright spots for the tanker market last year was the notable increase in recycling sales. Of course, this could be viewed as a double-edged sword as many of these sales could have been a result of poor earnings across most of the tanker market sectors. Another factor to consider is that lightweight prices gained steadily throughout 2017, closing the year just shy of $450/ldt for sub-continent sales. By the end of December, lightweight prices for tankers were approx. $100 tonne higher than the corresponding month in 2016. However, tanker recycling activity could only improve after the low level of sales recorded for 2015 and 2016 and lightweight prices have continued to rise into the new year which we hope will attract more sales", the shipbroker said.

Source: Hellenic Shipping News Worldwide

LNG: LNG in 2018 – Infrastructure must evolve to meet accelerating demand

One of the biggest stories of 2017 was the evolution of the market for LNG as a marine fuel, with a significant increase in new projects across the globe, demonstrating a growing embrace of gas-fuelled shipping throughout the industry. This year, we predict that a major challenge will be meeting the urgent demand for infrastructure brought on by a growing and diversifying fleet, and ensuring that a potential lack of suitable infrastructure does not begin to hold back an expanding market, in a year that is looking to be a tipping point for LNG shipping. As of November 2017, there were 111 LNG-fuelled vessels on order – a figure that will almost double the current number of vessels, which currently stands at around 120. Sixty-two LNG carriers are also expected to be delivered this year, which, if achieved, will be a new annual output record. However, of all the announcements last year, one of the most significant had to be CMA CGM's decision to order nine LNG-powered ultra-large container ships (ULCSs) – one of the strongest indications yet of confidence in LNG's potential as a mainstream marine fuel.

Source: Hellenic Shipping News Worldwide

LNG: Global LNG-Production outages tighten Asian gas market

Asian spot LNG prices rose this week on falling production from Russia, Angola and Malaysia in an already tight market buoyed by prospective demand from China and Japan. Spot prices for February delivery rose to $11.50 per million British thermal units (mmBtu), up 20 cents from the previous week, according to LNG traders in Asia and Europe. March spot LNG fetched a substantial discount at $10.50 per mmBtu, leading some buyers in Asia to attempt to defer their February purchases to save costs, traders said. Several February cargoes were sold this week or late last week in the $11.50 per mmBtu range, traders said, including to Japan and China. Prices at three-year highs may temper demand however. Markets tightened further as a series of production curbs took effect. The most serious of the issues occurred when a section of the Sabah-Sarawak gas pipeline feeding Malaysia's Bintulu production complex exploded, hindering the plant's output.

Source: Reuters

INDUSTRY HEADLINES

LNG: Port of Tallinn to offer service discounts for LNG-fueled vessels

Starting in 2018, all ships that use liquefied natural gas (LNG) as their primary fuel can apply for a discount of four percent on tonnage fees when calling at the Port of Tallinn. The goal of the discount is to contribute to the adoption of environmentally friendlier technologies in the Baltic Sea shipping sector, the Port of Tallin said in a statement. "Similarly to other ports in the European Union and Norway, the Port of Tallinn has set a course toward environmentally differentiated port fees, with the aim of reducing the amount of air pollution and marine pollution from ships' waste handling and gaseous emissions," said the head of quality and environmental management department at the Port of Tallinn, Ellen Kaasik. Kaasik noted that currently, cruise ships that sort their waste receive a discount on the waste fee, adding that next year the port will introduce a discount on port infrastructure fees for all ships that use LNG as their primary fuel. The Port of Tallinn also provides incentives for ships that have invested in scrubbers for reducing sulphur compounds in emissions, and accepts the waste generated by scrubbers without charging additional fees.

Source: LNG World News

OFFSHORE: Brazil ultra-deepwater tenders on the rise

Tendering activity for ultra-deepwater drilling rigs in Brazil is showing signs of picking up speed as operators including state-controlled oil giant Petrobras and France's Total work on bidding documents to invite contractors for the charter of fresh units. Well-informed sources told Upstream that Petrobras is expected to launch a tender in either February or March to charter one or more rigs to spud development wells in the Mero pre-salt field in the Santos basin. "We do not know if the tender will be for one or two rigs, but given Petrobras' proposed aggressive timeline for the deployment of production units in Mero, there is gossip that more than one rig will be required," said one source. Commercial output from Mero is eyed for the first half of 2021 via a large floating production, storage and offloading vessel that has been recently contracted with Japan's Modec International. Three additional FPSOs are scheduled to enter operations at Mero between 2022 and 2024, and the development configuration for each floater calls for the drilling of about 17 oil production and gas injection wells.

Source: Upstream Online

SHIPYARD: S. Korean yards hold largest order backlogs among global shipbuilders

South Korea's leading shipyards had the top three order backlogs among global shipbuilders at the end of 2017 due mainly to work received before the worldwide drop in demand, industry data showed Sunday. According to Clarkson Research's latest World Shipyard Monitor, Daewoo Shipbuilding and Marine Engineering Co. (DSME) Okpo, Hyundai Heavy Industries Co. (HHI) Ulsan, Samsung Heavy Industries Geoje had the largest order books. DSME's Okpo yard ranked No. 1 with 79 ships totaling over 5.63 million compensated gross ton (CGT) in outstanding work. HHI's operations came second by having 84 ships equal to little over 4.1 million CGT, and Samsung Heavy trailed in third place with 54 ships and 2.84 million CGT. Following the "big three," China's Shanghai Waigaoqiao Shipbuilding Co. and Jiangsu New Yangzi Shipbuilding Co. came fourth and fifth with 2.51 million CGT and 2.37 million CGT, respectively.

Source: Yonhap