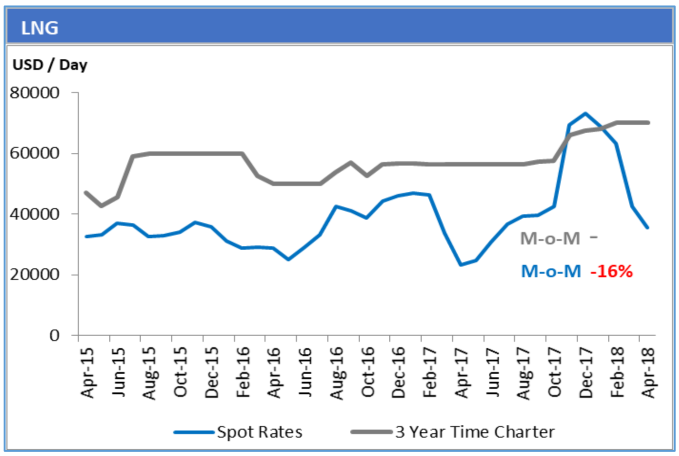
MISC Monthly

May 2018

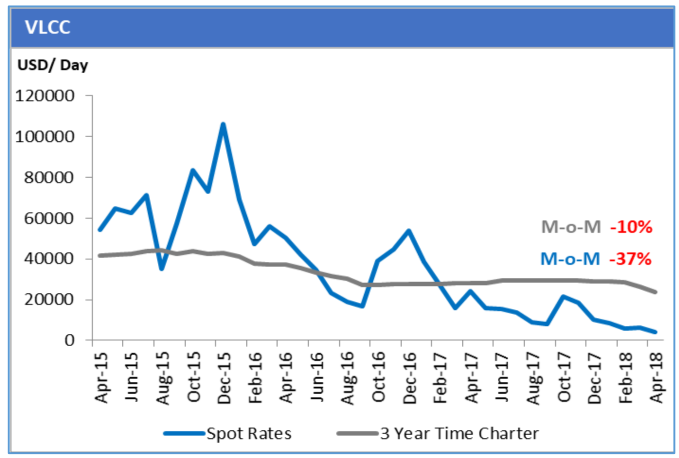
moving energy to build a better world

MISC Financial Calendar	
2Q 2018 Quarterly Results	Tuesday, 07th August 2018
3Q 2018 Quarterly Results	Monday, 19th November 2018
MISC Announcements	
Delivery of New Liquefied Natural Gas ("LNG") Carrier known as Seri Cemara and Incorporation of New Subsidiary	

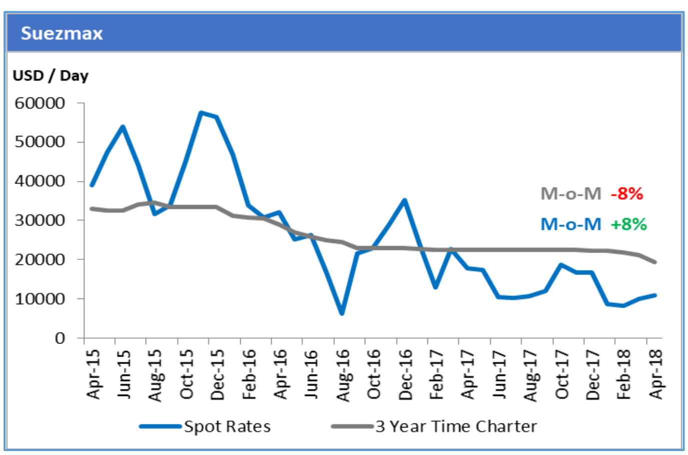
FREIGHT MARKET



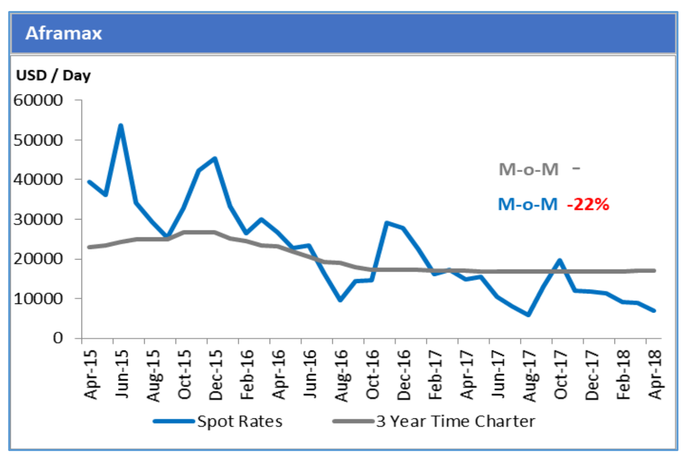
- High tonnage supply and low cargo demand continue to put pressure on LNG spot rates.
- Despite the pick-up in cargo demand towards the end of the month, it was still insufficient to absorb the excess tonnage available in the market and to deter the spot rates from softening further.



- The Middle East market saw the biggest decline in freight rates amongst the three segments due to surplus units against lower fixtures as compared to March.
- Three newbuilds VLCC delivery in April bringing the total year to date to eleven.



- Rates in the West Africa market were slightly better on the back of a recent surge in US crude export.
- There were two newbuild deliveries this month bringing the total year to date to eighteen.



- Rates in the Aframax market remains depressed with the Caribbean route impacted by the Venezuelan crisis.
- The fleet grew with five newbuild deliveries bringing total year to date to twenty.

FREIGHT MARKET

USD/Day	Mar 2018 Avg	Apr 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	42,500	35,625	-16%	52,547	42,222	34,796
1 Year Time Charter	60,000	60,000	-	61,250	38,824	32,639
3 Year Time Charter	70,000	70,000	-	69,531	58,369	54,079
Steam Engine						
Spot Rates	30,000	24,375	-19%	31,281	27,735	26,465
1 Year Time Charter	35,400	35,000	-1%	35,600	26,381	20,194
3 Year Time Charter	34,500	34,500	-	34,500	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	6,224	3,932	-37%	6,039	18,242	41,363
1 Year Time Charter	20,500	19,594	-4%	21,789	27,143	36,554
3 Year Time Charter	26,400	23,750	-10%	26,975	28,786	33,002
Suezmax						
Spot Rates	10,088	10,914	8%	9,508	15,856	27,260
1 Year Time Charter	16,700	15,500	-7%	16,581	18,534	27,299
3 Year Time Charter	21,300	19,500	-8%	21,231	22,507	26,296
Aframax						
Spot Rates	8,899	6,928	-22%	9,094	13,933	22,885
1 Year Time Charter	13,975	13,344	-5%	14,361	15,511	21,491
3 Year Time Charter	17,000	17,000	-	16,875	16,865	20,603
MR2						
1 Year Time Charter	13,700	13,281	-3%	13,699	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	121	120	-1%	118	105	107
Rotterdam-Taiwan	92	90	-2%	90	83	80
Gulf-Far East	40	41	3%	42	37	38
Singapore-Rotterdam	78	78	0.3%	78	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	12,938	13,146	15,513
1 Year Time Charter 37,000 dwt	11,500	11,250	-2%	11,919	11,438	13,995

ASSET VALUE

<table>
<tr><th>USD ‘Million</th><th colspan="2">Mar 2018 Avg</th><th colspan="2">Apr 2018 Avg</th><th colspan="2">1-Month +/-%</th><th colspan="2">YTD 2018</th><th colspan="2">2017 Avg</th><th colspan="2">2016 Avg</th></tr>
<tr><td colspan="13">LNG</td></tr>
<tr><td>Newbuild
(DFDE, Atlantic Max)</td><td colspan="2">180</td><td colspan="2">180</td><td colspan="2">-</td><td colspan="2">180</td><td colspan="2">183</td><td colspan="2">196</td></tr>
<tr><td colspan="13">PETROLEUM</td></tr>
<tr><td>VLCC</td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>Newbuild</td><td colspan="2">85</td><td colspan="2">88</td><td colspan="2">3%</td><td colspan="2">85</td><td colspan="2">80</td><td colspan="2">89</td></tr>
<tr><td>5-Year</td><td colspan="2">63</td><td colspan="2">64</td><td colspan="2">2%</td><td colspan="2">63</td><td colspan="2">61</td><td colspan="2">66</td></tr>
<tr><td>Suezmax</td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>Newbuild</td><td colspan="2">58</td><td colspan="2">59</td><td colspan="2">2%</td><td colspan="2">57</td><td colspan="2">54</td><td colspan="2">57</td></tr>
<tr><td>5-Year</td><td colspan="2">42</td><td colspan="2">44</td><td colspan="2">5%</td><td colspan="2">42</td><td colspan="2">41</td><td colspan="2">47</td></tr>
<tr><td>Aframax</td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>Newbuild</td><td colspan="2">45</td><td colspan="2">46</td><td colspan="2">1.3%</td><td colspan="2">45</td><td colspan="2">44</td><td colspan="2">46</td></tr>
<tr><td>5-Year</td><td colspan="2">30</td><td colspan="2">32</td><td colspan="2">7%</td><td colspan="2">31</td><td colspan="2">30</td><td colspan="2">35</td></tr>
<tr><td colspan="13">CHEMICAL</td></tr>
<tr><td>IMO II 37,000 dwt</td><td>S/S</td><td>Coated</td><td>S/S</td><td>Coated</td><td>S/S</td><td>Coated</td><td>S/S</td><td>Coated</td><td>S/S</td><td>Coated</td><td>S/S</td><td>Coated</td></tr>
<tr><td>Newbuild Prices</td><td>47</td><td>31</td><td>n/a</td><td>n/a</td><td>-</td><td>-</td><td>47</td><td>30</td><td>47</td><td>29</td><td>49</td><td>30</td></tr>
<tr><td>Secondhand Prices - 10 years</td><td>33</td><td>14</td><td>n/a</td><td>n/a</td><td>-</td><td>-</td><td>33</td><td>13</td><td>33</td><td>14</td><td>36</td><td>17</td></tr>
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FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2018	2019	2020	2021+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	471	42	31	16	1	90	19%
PETROLEUM							
VLCC	725	37	50	20	2	109	15%
Suezmax	568	18	19	7	1	45	8%
Aframax	647	48	51	16	14	129	20%

INDUSTRY HEADLINES

SHIPPING: Demolition market on a high

Savvy shipowners could take advantage of a booming sentiment across scrapyards in Southeast Asia, after the news that Pakistan has reopened for tanker business. As shipbrokers report, this has already created an artificial premium for certain small units that have been committed. According to the latest weekly report from Clarkson Platou Hellas, "buyers believe prices will now show some improving signs, although breakers will remain cautious due to a mini budget on the 27th April, as well as the Pakistani rupee struggling against the US Dollar. Therefore, any improvement is more likely to occur just before Ramadan as breakers look to secure tonnage prior to their fasting period. The one saving grace with Pakistan re-opening for importing tanker tonnage is that it will ease the current burden on Bangladesh who have had to absorb the larger tanker units that have been made available this year and this is especially important considering the financing problems being experienced in the country with buyers struggling to establish the opening of Letters of Credit from their retrospective banks, particularly in Bangladesh, which has resulted in large delays and blatant renegotiations by the breakers on their previously agreed contracts with the cash buyers".

Source: Hellenic Shipping News Worldwide

SHIPPING: Fuel of the future – LNG?

With less than two years before the sulphur cap comes into force, LNG is looking more plausible as the marine fuel of the 21st Century. Many shipowners are still weighing up the dilemma of how to comply with the stringent new rules on sulphur emissions, due to come into force in January 2020. The options have been widely publicised: scrap older tonnage, fit sulphur scrubbers, switch to low-sulphur marine gasoil (LSMGO) or install power plants capable of burning LNG. Scrubbers are increasingly seen as a messy answer. A scrubbing system will cost roughly $4 million to install, and users will still be faced with the problem of waste disposal. Owners will also feel vulnerable to later changes in regulations that might make their scrubbers non-compliant. Unlike the other two options, scrubbers will not reduce emissions of greenhouse gases, and this is an area that is likely to come under increasing regulatory scrutiny. A survey of owners by Drewry suggests that they see scrubbers as only a short-term solution.

Source: Drewry Shipping Consultants Limited

SHIPPING: CO2 emissions for shipping: Greater digital standardisation & sharing needed

The international shipping industry needs to work more quickly towards global digital standardisation if it is to reduce its CO2 emissions. Speaking at the Singapore Maritime Technology Conference yesterday (25 April 2018), Argyris Stasinakis, a partner with ship tracking intelligence company MarineTraffic, told the audience that more information exchange between shipowners, shippers, ports, equipment manufacturers and IT companies was needed to meet the ambitious CO2 emission reduction targets set by the International Maritime Organization (IMO). "Reducing shipping's environmental footprint isn't just about fuel choice and vessel design. It's about deploying our assets intelligently. This can only be done if the industry is able to build a common approach to data standards and be more prepared to share this data.

Source: MarineTraffic

PETROLEUM: WAF-UKC Suezmax freight rates at 4-month high of $9.92/mt as more Nigerian crudes head to Europe

Suezmax freight rates to Europe rose sharply over the last week, with the West Africa-to-UKC rate reaching the highest in four months as the flow of Nigerian crudes to Europe picks up, sources said. S&P Global Platts assessed the WAF-UKC Suezmax dirty freight rate at $9.92/mt Friday. The last time rates were assessed higher than this was on December 20, 2017, when the rate was at $10.13/mt. The rate for this route has risen sharply of late, rising by $1.98/mt over the last week. "The length of Nigeria is definitely heading to Europe," a trader based in the Mediterranean said. The flow of West Africa crudes to Europe has picked up as demand from more traditional key consumer markets to the east, namely India and China, has fallen in the last two months, sources said.

Source: Platts

INDUSTRY HEADLINES

PETROLEUM: Tanker market could recover in the short-term

The tanker market could be in for a positive surprise in the near future according to shipbroker reports. In its latest weekly report, shipbroker Allied Shipbroking said that "the drive for further oil production continues as prices for crude oil reach US$ 75 a barrel, which is the highest point we have seen for almost four years. This recent rally has pushed for an increase of over 50 per cent over the past year and it looks as though the production caps placed by OPEC and Russia over the past 16 months are starting to pay off serious dividends. These recent price hikes however could well be closing in on a temporary ceiling, given that this sharp price rise has started to take up considerable notice amongst global investors who are now looking to back new production projects".

Source: Hellenic Shipping News Worldwide

PETROLEUM: VLCCs, Place your bets!

In 2018 so far, some 17 VLCCs have been ordered, which has expanded the orderbook by 17.0% in terms of vessel numbers, according to Alibra data. Of these ships, all but two are to be built at South Korean yards. One has been ordered in China and another in Japan. Almost 80.0% of the overall VLCC orderbook is scheduled to arrive this year and next, which could pose a problem if charter markets do not improve dramatically in the short term. VLCC earnings have, generally speaking, been on a downward trajectory since last year, although in the past two months much sharper falls in spot rates have been observed on MEG-US Gulf routes than those for MEGJapan as the US ramps up increased domestic production (and exports). The period market, meanwhile, has held steady. One-year timecharter rates are currently hovering at around the $22,000/day level, which is around $5,000/day less than what was being achieved this time last year. By looking at newbuilding prices reported in 2018 so far, it would seem that low prices are tempting owners back to builders.

Source: Alibra Shipping

LNG: LNG now 'a plug-and-play model'

Liquefied natural gas imports in Asia are set to rise on the back of increased domestic demand amid a drop in regional supply, with new importing nations set to come to the fore, according to a Wood Mackenzie analyst. "One of the reasons why LNG is making such strong inroads into these markets is because they are already gas-based economies with infrastructure and grid connectivity such that LNG is a very manageable solution to meeting gas demand," Alex Munton, principal analyst for Americas LNG research at the UK-based energy analysis firm, said at OTC. "LNG has become some sort of plug-and-play model," he added. With 11 markets in Asia currently importing LNG, Munton believes four others are about to join 'the buyer's club': Sri Lanka, Vietnam, Australia, and the Philippines. "For many of the markets in Asia, the need to import is to balance demand where domestic production is falling," he said. He sees long-term growth potential in places such as Pakistan, Bangladesh and countries in south-east Asia.

Source: Upstream Online

LNG: India seeks Japan's help to build LNG facilities

India asked Japan on Tuesday to help build infrastructure needed to boost the usage of liquefied natural gas (LNG) in India and elsewhere in Asia, India's oil minister Dharmendra Pradhan said after a meeting with Japan's trade minister Hiroshige Seko. India wants to increase the share of gas, which is a cleaner fuel than oil, to 15 percent of its energy usage by 2030 from 6.2 percent currently. The two ministers also discussed the possibility of developing joint energy projects in Africa, Pradhan said. Seko's visit to New Delhi has come at a time when India is preparing to create a network with other major oil consumers in Asia, such as China, South Korea and Japan, to negotiate better terms with sellers. The world's biggest LNG buyers, all in Asia, are increasingly clubbing together to secure more flexible supply contracts in a move that shifts power to importers from producers in an oversupplied market. The world's three biggest LNG buyers – China, Japan and South Korea – joined together last year in March to secure flexible supply contracts. India was not part of that group. However, in October the Indian cabinet approved a plan allowing New Delhi to work with Japan to make long-term LNG import deals more affordable for its consumers.

Source: Reuters

INDUSTRY HEADLINES

LNG: Chartering action for LNG carriers starts to pick up

Shipowners and operators saw an upturn in enquiries for LNG carrier tonnage in the past two weeks as charterers moved to cash in on a perceived floor in daily rates. Brokers spoke of increased activity on both spot and short-term period business, which has helped slim the growing pool of LNG vessels that had piled up, particularly in the Far East. One spoke of a position list for vessels being halved from one week to the next as ships were picked off. A technical manager said the situation is helped by the large number of vessels currently in dry dock, as owners and operators take advantage of what is normally a quiet time of year to undertake special surveys and get ballast water treatment system work completed. In addition, some market players point to increased production out of several Australian projects and the restarting of the ExxonMobil-led PNG LNG facility. Brokers said the increased activity has yet to be reflected in daily charter rates. They quoted levels for older steam-turbine vessels as being in the mid-$20,000-per-day range for ships in both the Atlantic and Pacific basins.

Source: TradeWinds

LNG: Growing LNG supply and US-Asia trades soak up shipping glut

New liquefied natural gas projects and longer trade routes from the US to Asia are soaking up the surplus LNG shipping capacity that had built up in recent years, executives at an LNG forum in Singapore said this week. Consequently, the LNG shipping market is tightening rapidly, which could lead to a shortage of ships in the next two-three years, especially on the spot market where market participants do not have the protection of long-term charters. Tighter shipping supply is likely to increase LNG freight rates and make it more difficult for US LNG cargoes to reach distant markets in Asia as arbitrage economics get tougher. It takes roughly two years to build an LNG carrier. 60 LNG carriers are expected to be delivered in 2018, and 38 in 2019 and 2020 in total. With over 90 million tons of new LNG supply coming online in the next couple of years, that's a vessel demand of roughly 126 LNG carriers at an estimate of 1.4 ships for every 1 million mt/year of LNG produced, Asheim said.

Source: Platts

LNG: First Dominion Cove Point LNG shipment from US to Japan transits the Panama Canal

Underscoring changing trade patterns, the first-ever liquefied natural gas (LNG) shipment from the Dominion Cove Point terminal in the US to Japan has transited the Panama Canal. The transit of the LNG Sakura, which occurred last Saturday beginning in the Agua Clara locks on the Panama Canal Atlantic side, initiated a new LNG commercial route between the US and Asia from the recently inaugurated Dominion Cove Point terminal in Maryland, the second US LNG export terminal to come online after Sabine Pass began operations in 2016. Dominion Cove Point has two main clients: ST Cove Point, a consortium consisting of Sumitomo Corporation and Tokyo Gas; and Gail Global LNG, a subsidiary of GAIL LTD of India.

Source: Seatrade Maritime

OFFSHORE: Floating production market rises as recovery takes hold

The recovery in the global floating production vessel market is finally taking hold, with orders now returning to levels not seen since the start of the oil price downturn in 2014. Singapore-based consultancy Energy Maritime Associates (EMA) said after almost two years without an order following the oil-price crash, 13 floating production, storage and offloading vessels orders have been placed since the fourth quarter of 2016, with three awarded in 2018 and another 10 orders possible by the end of this year. EMA managing director David Boggs said: "The gradual recovery that began in 2017 has firmly taken hold with FPSO orders expected to reach pre-oil crash levels. "In line with our 2018 to 2022 forecast, there should be at least 10 FPSO awards this year. Oil companies realise that costs in the supply chain are unlikely to reduce further and now is the time to act. "After substantial reductions in capacity, industry consolidation and certain sectors working for below variable cost, it is only a matter of time before margins begin to rise."

Source: Upstream Online