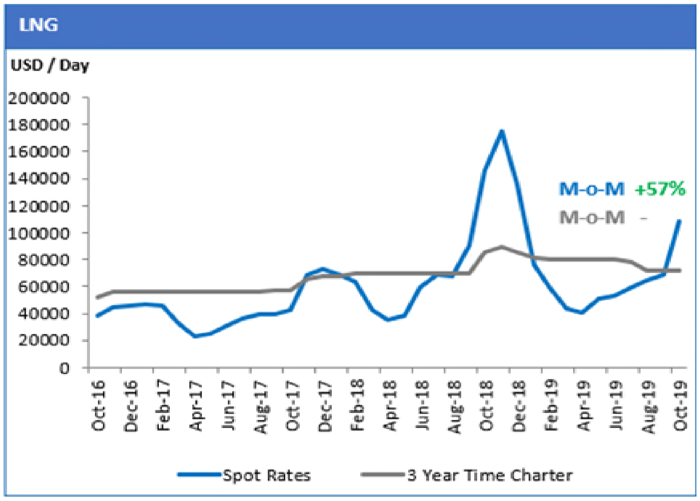
MISC Monthly

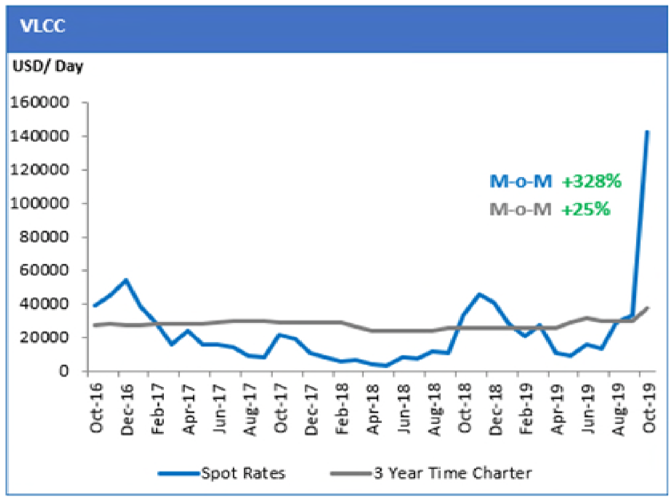
November 2019

moving energy to build a better world

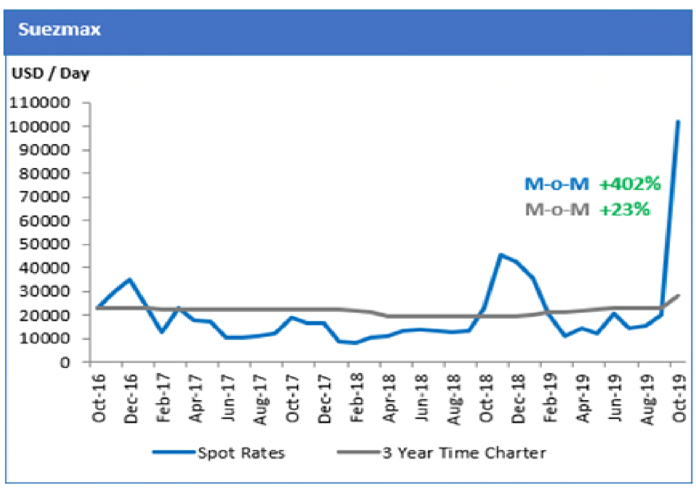
MISC Financial Calendar	
4Q 2019 Quarterly Results	To be confirmed
MISC Announcements	
Award of Contract : MISC and Avenir awarded contract by Petronas for the provision of an LNG Bunker vessel MISC secures 15-Year charter contracts with ExxonMobil for 2 LNG carriers	



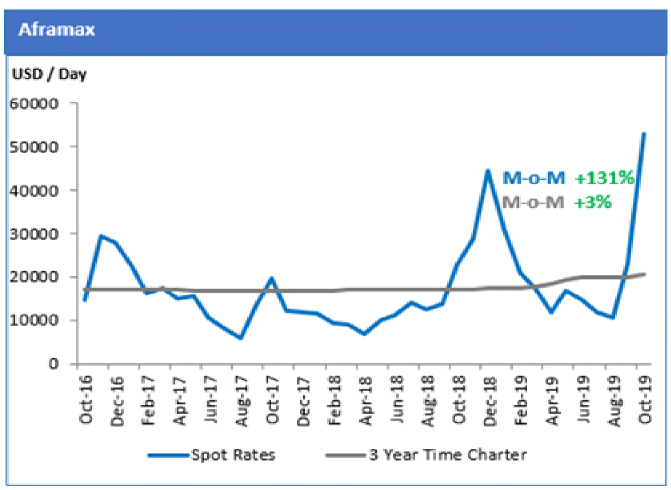
- LNG spot rates have begun their winter rally with rates moving past the USD100k/day mark.
- Winter tonnage tightness, US sanctions and typhoons in the Far East have all contributed to the rally in LNG rates.
- Shipping availability remains scarce with limited vessel availability to cover increasing shipping demand.
- General market sentiments are bullish.



- Average VLCC spot rates surged this month to levels not seen in more than 10 years. An update of the United States sanctions list cast uncertainty over much of the fleet. This combined with a major typhoon in the Far East led to charterers scrambling to fix available tonnage sending rates soaring.



- The update of US sanctions list had a similar effect on the Suezmax market as it did on the VLCC market, reducing the availability of safe tonnage. A rush by charterers to fix vessels caused Suezmax rates to surge 402% month-on-month.



- The updated US sanctions list also caused anxiety in the Aframax market as charterers rushed to fix safer vessels for their cargoes. However, the sanctions tended to affect the larger tanker markets more and Aframax average rates rose a less spectacular 131% month-on-month.

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FREIGHT MARKET

USD/Day	Sep 2019 Avg	Oct 2019 Avg	1-Month +/-%	2019 Avg	2018 Avg	2017 Avg
LNG						
Modern Tonnage						
Spot Rates	69,000	108,500	57%	62,526	82,728	42,222
1 Year Time Charter	76,250	84,438	11%	80,634	80,333	38,824
3 Year Time Charter	72,125	72,000	<-1%	77,535	74,056	58,369
Steam Engine						
Spot Rates	48,500	73,438	51%	41,610	48,665	27,735
1 Year Time Charter	48,250	50,938	6%	54,039	45,427	26,381
3 Year Time Charter	50,000	45,875	-8%	51,963	40,104	32,631
PETROLEUM						
VLCC						
Spot Rates	33,176	142,112	328%	32,939	15,381	18,242
1 Year Time Charter	36,563	51,375	41%	34,085	22,965	27,143
3 Year Time Charter	30,000	37,500	25%	29,113	25,575	28,786
Suezmax						
Spot Rates	20,305	101,843	402%	26,579	17,886	15,856
1 Year Time Charter	25,500	37,875	49%	25,330	17,477	18,534
3 Year Time Charter	22,750	27,938	23%	22,596	20,077	22,507
Aframax						
Spot Rates	22,963	53,008	131%	21,093	16,109	13,933
1 Year Time Charter	21,500	27,000	26%	21,235	14,923	15,511
3 Year Time Charter	20,000	20,688	3%	19,094	17,017	16,865
MR2						
1 Year Time Charter	15,000	16,250	8%	14,416	13,131	13,219
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	113	113	-	115	115	105
Rotterdam-Taiwan	75	75	-	79	88	83
Gulf-Far East	41	46	12%	41	42	37
Singapore-Rotterdam	71	76	6%	72	80	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,500	13,500	-	13,175	12,875	13,146
1 Year Time Charter 37,000 dwt	13,781	14,563	6%	13,207	11,585	11,438

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ASSET VALUE

USD 'Million	Sep 2019 Avg	Oct 2019 Avg	1-Month +/-%	2019 Avg	2018 Avg	2017 Avg
LNG						
Newbuild (DFDE, Atlantic Max)	189	189	-	188	185	183
VLCC						
Newbuild	92	92	-	93	88	80
5-Year	71	75	6%	71	64	61
Suezmax						
Newbuild	62	62	-	62	59	54
5-Year	50	53	6%	50	44	41
Aframax						
Newbuild	49	49	-	49	47	44
5-Year	38	41	8%	37	31	30

CHEMICAL	Sep 2019 Avg		Oct 2019 Avg		1-Month +/-%		2019 Avg		2018 Avg		2017 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	51	N/A	51	N/A	-	N/A	50	N/A	47	31	47	29
Secondhand Prices - 10 years	34	N/A	34	N/A	-	N/A	34	N/A	33	13	33	14

**S/S = Stainless Steel*

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2019	2020	2021	2022+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers*	532	6	36	50	13	105	20%
PETROLEUM							
VLCC	791	8	41	18	0	67	8%
Suezmax	586	7	29	19	2	57	10%
Aframax	665	2	26	49	4	81	12%

DELIVERIES & DEMOLITIONS

Deliveries	Sep-19	Oct-19	YTD
LNG			
LNG Carriers*	4	2	35
PETROLEUM			
VLCC	6	5	59
Suezmax	1	0	26
Aframax	2	2	26

**Updated up to 10 Oct 2019.*

Demolitions	Sep-19	Oct-19	YTD
LNG			
LNG Carriers	0	0	2
PETROLEUM			
VLCC	0	0	4
Suezmax	1	1	5
Aframax	0	0	1

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INDUSTRY HEADLINES

LNG: Shipping costs are soaring as LNG vessels drop out of service

The cost of chartering a liquefied natural gas vessel on the short-term market has jumped the most since at least 2013. The day rate for a standard tanker East of the Suez Canal jumped 57% in the week of Oct. 9, as issues related to U.S. sanctions on units of China's COSCO Shipping Corp. start to hit just as the heating season begins to boost demand. That comes on top of other factors limiting the number of ships available, including Typhoon Hagibis in Japan, the biggest buyer of the fuel, and the stockpiling of fuel on tankers. The skyrocketing rates, which have more than doubled in less than a month, show how U.S. sanctions on units of China's largest shipper are impacting global trade flows.

Source: Bloomberg

LNG: LNG shipping primed for a new round of growth

Ship owners are investing heavily in the LNG shipping market, expecting a boom in the years to come, thanks to a rise in demand and the influx of a series of LNG projects in the global energy landscape. In a recent note, shipbroker Banchero Costa said that "over the last 10 years, global LNG trade grew at an average of +5% y-o-y. The rate of growth however was quite irregular: strong until 2011, substantially flat in the following 4 years and between 2016 and 2019, growth in global LNG trade averaged a very healthy +9% y-o-y, reaching almost 350 million tonnes a year in 2018. The major constrain of the last 10 years was that liquefaction capacity was unable to produce enough LNG for exports. With new liquefaction capacity entering in service the trade is now flourishing again".

Source: Hellenic Shipping News

PETROLEUM: October marks record month for the tanker market

A host of factors in the tanker market in October pushed rates to record highs on all major routes. The market had been expecting a seasonal pickup in demand and some tightness on the tanker availability side, as tankers were scheduled to be taken out of the market to install scrubbers ahead of IMO 2020. However, geopolitical developments, such as the announcement of sanctions on two subsidiaries of one of the largest shippers in the world, China's Cosco, led to panic fixing and rates surged. While rates quickly fell back, average dirty spot freight rates in October were more than doubled m-o-m and were sharply higher y-o-y.

Source: OPEC

PETROLEUM: What's driving the VLCC market?

VLCC TCE rates ended October at around $50k/day. This is below the high reached in the middle of the month, but still represents a healthy return for owners. Interestingly, ton mile demand is down circa 9% YoY, while the size of the fleet has grown by 8%. In normal circumstances, this excess of fleet growth over demand would result in falling rates and likely below breakeven earnings, but we are not in normal times. Political unrest (Mid East, Venezuela), trade wars (US, China) and to some extent scrubber installations have led to a net YoY reduction on the number of available VLCCs by circa 12%. Therefore, VLCC demand has fallen 9%, but available vessels have fallen by 12% leading to the current high rate environment. However, this is a risky situation being driven by politics, not fundamental demand growth or structural lack of vessels.

Source: Hellenic Shipping News

PETROLEUM: Braemar 'modestly more bullish' for 2020 crude earnings

Braemar ACM Shipbroking is "modestly more bullish" in assessing the short to medium-term outlook for dirty tankers, although shrinking crude demand and weaker growth in long-haul trades will weigh on freight rates and earnings beyond 2021. Demand growth for dirty tankers is set to outpace supply growth in 2020, according to the London shipbroker's quarterly outlook. ACM Braemar sets base demand growth for dirty tankers at 4% in 2020, with an additional 1.4% uplift from lower-sulphur marine fuel regulations, which begin on January 1. Supply growth is seen at just under 3.5%. By 2021, dirty tanker demand is forecast to ease back to 2.5%, almost equal with supply.

Source: Lloyd's List

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OFFSHORE AND HEAVY ENGINEERING: Southeast Asia to boost Oilfield Service (OFS) market

A fresh wave of offshore project sanctions across Southeast Asia could boost greenfield investments in the oilfield service market by almost 70% in 2020, according to Rystad Energy. The growth will be driven by a handful of new mega-projects across Malaysia, Myanmar and Vietnam, according to the latest tally of project commitments in Southeast Asia by Rystad. New final investment decisions (FIDs) in 2021 are expected to start big contract awards in Vietnam, Indonesia, and even politically-troubled Brunei.

Source: Offshore Magazine

OFFSHORE AND HEAVY ENGINEERING: $400 billion is blowing in the wind

The oil and gas industry is staring at a $400 billion business opportunity through synergies with the offshore wind sector, which is set for explosive growth over the next two decades, according to new research from the International Energy Agency (IEA). Global offshore wind capacity may increase 15-fold and attract around $1 trillion of cumulative investment by 2040 as it takes the lead in energy transition amid efforts to boost decarbonisation. This is driven by falling costs, supportive government policies and some remarkable technological progress, such as larger turbines and floating foundations. China is also set to play a major role in offshore wind's long-term growth, driven by efforts to reduce air pollution, as offshore wind farms can be built near the major population centres spread around the east and south of the country. "By around 2025, China is likely to have the largest offshore wind fleet of any country, overtaking the UK," the report read. The agency added that "huge business opportunities exist for oil and gas sector companies to draw on their offshore expertise", with an estimated 40% of the lifetime costs of an offshore wind project, including construction and maintenance, having significant synergies with the offshore oil and gas sector.

Source: Upstream Online

SHIPPING: Tankers defer retrofits to cash in on record freight rates

Tankers that had been scheduled to install emissions-cutting equipment ahead of stricter pollution standards starting in 2020 have deferred their visits to the dry docks to capitalize on an unexpected surge in freight rates. U.S. sanctions on subsidiaries of vast Chinese shipping fleet Cosco in September sparked a surge in global oil shipping rates as traders scrambled to find non-blacklisted vessels to get their oil to market. The extraordinary spike in freight rates proved too good to miss for some shipowners who were due to send vessels to the dry docks for lengthy retrofitting and maintenance work. "We can confirm several owners have postponed dry docking earlier scheduled for the months of October and November to take advantage of the skyrocketing freight rates," said IHS Markit Head of maritime and trade research.

Source: Reuters

SHIPPING: Malaysia issues shipping notices on scrubbers, compliance as IMO 2020 nears

The Marine Department of Malaysia is among the latest to issue a notice to prohibit the discharge of washwater from open loop scrubbers in its port waters when the International Maritime Organization's global sulfur mandate gets implemented. Ships calling to the Malaysian ports are advised to change over to compliance fuel oil or change over to close loop system (if hybrid system) before entering Malaysian waters and ports. This comes as less than two months remain for the IMO 2020 rule and differing viewpoints still exist in the industry about the viability of scrubbers as a compliance option. Countries remain divided over open-loop scrubbers due to environmental concerns over the discharge of polluted washwater into the sea.

Source: Hellenic Shipping News