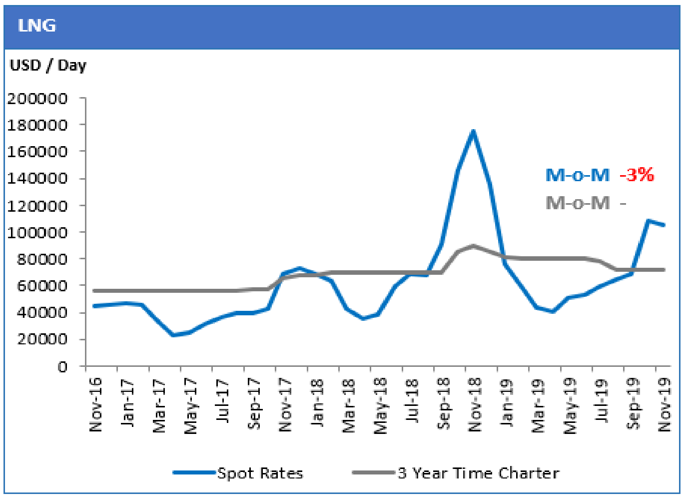
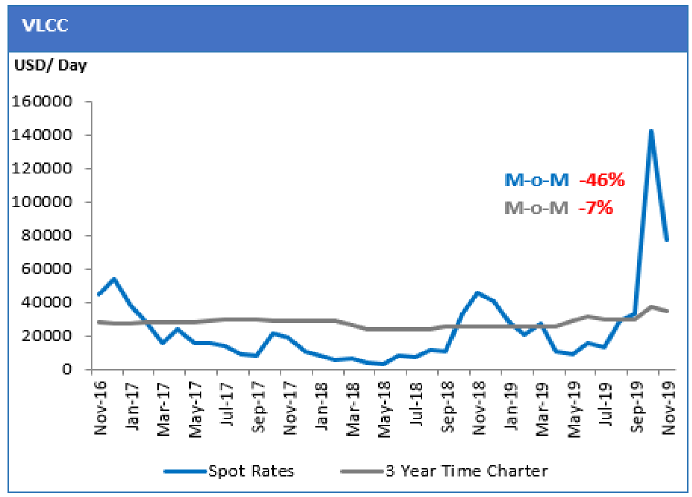
MISC Monthly

December 2019

moving energy to build a better world

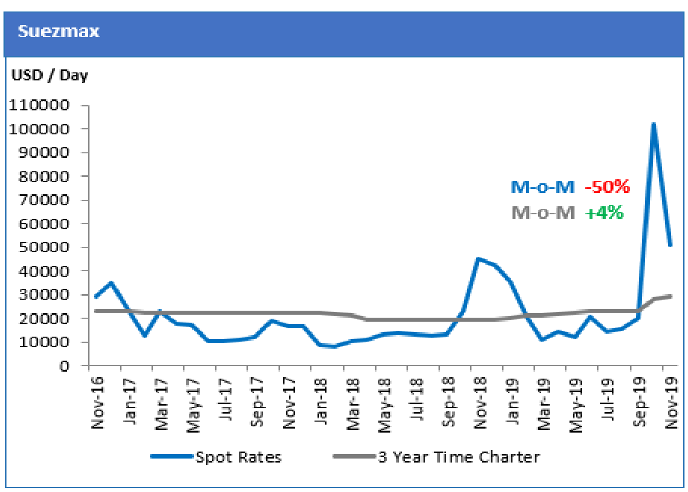
MISC Financial Calendar	
4Q 2019 Quarterly Results	18 February 2020
MISC Announcements	
Nil	

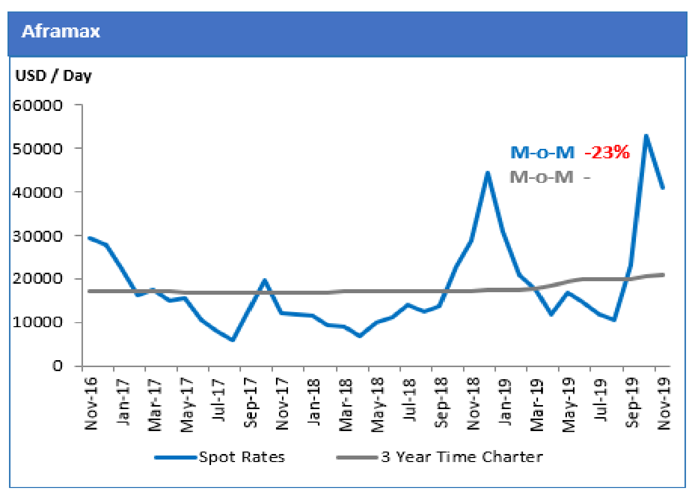




- LNG spot rates have softened slightly month-on-month with some activity slowdown in the market. Nevertheless there is still demand to ship LNG volumes and vessel utilization remains high.
- Winter has been mild to date which contributed to the muted spot rates.
- General market sentiments are steady but are less bullish than the previous month.

- Average VLCC spot rates declined month-on-month post market reaction from the sanction on COSCO. As charterers were looking to push down the rates, there was resistance from owners, causing activities to be sluggish. Increased demand from West Africa and the Arab Gulf coupled with reduced tonnage supply due to IMO2020 preparations kept rates buoyant but still below the spike in October.





- The sluggish market had a similar effect on the Suezmax market as it did on the VLCC market, pushing rates further down away from the spike in October. Competing with VLCC for cargoes from West Africa made the segment's average spot rates more vulnerable.

- Similar to previous month, the Aframax market remained less affected by the volatile movements in VLCC and Suezmax. Rates softened month-on-month but were supported by activities in the US Gulf and Europe.

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FREIGHT MARKET

USD/Day	Oct 2019 Avg	Nov 2019 Avg	1-Month +/-%	2019 Avg	2018 Avg	2017 Avg
LNG						
Modern Tonnage						
Spot Rates	108,500	105,750	-3%	66,456	82,728	42,222
1 Year Time Charter	84,438	88,250	5%	81,326	80,333	38,824
3 Year Time Charter	72,000	72,000	-	77,032	74,056	58,369
Steam Engine						
Spot Rates	73,438	78,500	7%	44,964	48,665	27,735
1 Year Time Charter	50,938	56,000	10%	54,217	45,427	26,381
3 Year Time Charter	45,875	45,000	-2%	51,330	40,104	32,631
PETROLEUM						
VLCC						
Spot Rates	142,112	77,315	-46%	36,973	15,381	18,242
1 Year Time Charter	51,375	47,050	-8%	35,264	22,965	27,143
3 Year Time Charter	37,500	35,000	-7%	29,648	25,575	28,786
Suezmax						
Spot Rates	101,843	50,849	-50%	28,786	17,886	15,856
1 Year Time Charter	37,875	33,500	-12%	26,073	17,477	18,534
3 Year Time Charter	27,938	29,000	4%	23,178	20,077	22,507
Aframax						
Spot Rates	53,008	41,075	-23%	22,909	16,109	13,933
1 Year Time Charter	27,000	25,400	-6%	21,614	14,923	15,511
3 Year Time Charter	20,688	20,750	<1%	19,244	17,017	16,865
MR2						
1 Year Time Charter	16,250	16,025	-1%	14,563	13,131	13,219
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	113	113	-	115	115	105
Rotterdam-Taiwan	75	76	1%	79	88	83
Gulf-Far East	46	49	6%	42	42	37
Singapore-Rotterdam	76	78	3%	73	80	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,500	13,500	-	13,205	12,875	13,146
1 Year Time Charter 37,000 dwt	14,563	14,500	<-1%	13,324	11,585	11,438

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ASSET VALUE

USD ‘Million	Oct 2019 Avg		Nov 2019 Avg		1-Month +/-%		2019 Avg		2018 Avg		2017 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	189		190		<1%		188		185		183	
VLCC												
Newbuild	92		92		-		93		88		80	
5-Year	75		75		-		71		64		61	
Suezmax												
Newbuild	62		62		-		62		59		54	
5-Year	53		53		-		50		44		41	
Aframax												
Newbuild	49		49		-		49		47		44	
5-Year	41		41		-		37		31		30	
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	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	795	2	41	19	3	65	8%
Suezmax	586	3	31	20	5	59	10%
Aframax	667	-	27	49	6	82	12%

DELIVERIES & DEMOLITIONS

Deliveries	Oct-19	Nov-19	YTD	Demolitions	Oct-19	Nov-19	YTD
LNG							
LNG Carriers*	2	4	39	LNG Carriers	0	0	2
PETROLEUM							
VLCC	6	5	65	VLCC	0	0	4
Suezmax	0	0	26	Suezmax	0	1	5
Aframax	2	0	26	Aframax	0	0	1

**Updated up to 17 Dec 2019.*

INDUSTRY HEADLINES

LNG: LNG Carrier rates stabilises as charterers hold fire for 2020 deals

Spot rates for LNG carriers have levelled out after sliding from early fourth-quarter levels, as the focus on activity shifts to next year. Brokers and chartering market sources said there has been a slowdown in enquiries and fixtures over the past few weeks, which is reflected in a gradual reduction in rates. Rates were slightly lower in the Pacific region, where tonnage has started to build up again as ships being used for floating storage deliver their cargoes. Brokers said shipowners are still "making money" at these rates, but added that charterers are now switching their attention to shipping coverage for 2020. While some vessels are expected to redeliver in mid-December, charterers are holding out for what they anticipate will be softer rates in January. They suggest that some vessels may be left idle for a period from mid-December and are anticipating a slide in rates during this time.

Source: TradeWinds

LNG: Drewry expects LNG freight rates to decline further

Drewry expects LNG freight rates to decline further in December due to low demand and high inventories amid mild winter signs in Asia. Despite ample LNG supply, gas cargoes are struggling to find export destinations as inventories of importers are almost full. The LNG market has been flooded as 14 mtpa of liquefaction capacity was added in 2019. Liquefaction capacity is expected to grow in the coming years with four more projects in the US - Texas LNG Brownsville (4 mtpa), Rio Grande LNG Terminal (27 mtpa), Annova LNG Brownsville Project (6 mtpa) and Corpus Christi Stage III (11.5 mtpa) getting Federal Energy Regulatory Commission (FERC) approval. Qatar has also announced further expansion in liquefaction capacity by 2027. Meanwhile, Russia has put Sakhalin-2 LNG (10 mtpa) plant's expansion on hold.

Source: Drewry

LNG: LNG shipping warned of strong headwinds in 2021 and 2020

The LNG shipping market may face worse earnings prospects in 2021 and 2022 due to a heavy newbuilding delivery schedule and incremental fuel costs as a result of the IMO’s new sulphur cap, according to some leading players. While the sector has been a star performer in recent years due to double-digit growth in tonne-mile demand, many ships ordered on a speculative basis are set to enter trading in the coming years. Data from Clarksons shows more than 100 LNG carriers are due for delivery between 2020 and 2022. In the same time span, 12 liquefaction projects with export capacity totaling nearly 47m tonnes of LNG per year are expected to come online, requiring 69 vessels.

Source: TradeWinds

LNG: Qatar announces 64% boost in LNG production capacity

Qatar plans to boost the liquefied natural gas production capacity at its North Field by 64% during the next seven years despite many other new LNG developments around the world, potentially depressing prices. Qatar Petroleum said it expects capacity to rise to 126m tonnes a year by 2027 from the current 77m tonnes a year, as it begins engineering work on two “mega trains” and steps up an ambitious expansion plan at the North Field. Qatar Petroleum chief executive said new studies have boosted the country’s reserves in the North Field, enabling a new LNG facility.

Source: Lloyd’s List

PETROLEUM: Rates remaining buoyant into the new year

Dirty tanker spot freight rates in November remained at robust levels relative to their performance seen for most of this year, although down from the record highs of the previous month. Indeed, the announcement of sanctions on two subsidiaries of a China’s shipping giant, Cosco, at the end of September surprised the market at a time of seasonal uplift in demand for longer-haul voyages and reduced tonnage availability due to IMO preparations, leading to panic fixing and a sharp spike in rates. As the panic subsided in November and as the market regained balance, rates retreated but remained close to the elevated levels seen in the same month last year. For the tanker market as a whole, shippers are counting on rates remaining buoyant on into the new year.

Source: Opec

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INDUSTRY HEADLINES

PETROLEUM: Daily VLCC earnings stay near $100,000 amid IMO 2020 switch

Spot time charter equivalent earnings of VLCCs are stabilising at about $100,000 per day towards the end of November, pointing to big profits for shipowners this winter despite incremental fuels costs for many vessels due to IMO 2020. Industry participants have widely predicted that VLCC earnings will remain high in the coming weeks, mainly due to seasonal oil demand and a large number of ships taken out of the market for scrubber installation. Based on analysts forecast, VLCC earnings will average $68,000 per day in the fourth quarter of 2019 and $51,000 per day in the first quarter of 2020. Analyst believes that rising refinery throughput, crude slate switching, increasing long-haul voyages from the US, North Sea and West Africa, and all other vessels undergoing fuel tank cleaning in the coming weeks will boost tanker rates in the fourth quarter of 2019 and into 2020.

Source: Tradewinds

OFFSHORE AND HEAVY ENGINEERING: Delays loom for deepwater projects as bottlenecks restrain service industry

About 250 new oil and gas projects are likely to be sanctioned for development in 2020, up from 160 in 2016, and bottlenecks among suppliers appear inevitable. According to Rystad Energy's latest market report on the global service market, floating production contractors, subsea installation players and fabricators of LNG facilities will all likely struggle to keep up with the surge in demand for their services, thus causing project schedules to slip. Therefore, exploration and production companies will find themselves in a fierce competition to secure capacity. Contractors, having secured 13 new orders for FPSOs in 2019, have raised the total number of units currently under construction or on order to 28. This means FPSO players will not be able to handle the additional units that operators aim to move forward with in 2020.

Source: Offshore

SHIPPING: Tanker players fear soft oil demand more than deeper cuts by OPEC+

Tanker market players suggested a deeper production cut of the OPEC and its Russia-led allies should be less worrisome to shipowners than the underlying reason for the reduction: lacklustre oil demand. Fearing an oversupplied oil market, OPEC+ agreed to deepen their existing 1.2m barrels per day (bpd) cut by another 500,000 barrels per day (bpd) in the first quarter of 2020. Overall oil demand is disappointing given the slowing global economy and the US-China trade war is clearly not helping. According to the International Energy Agency, the tariff war could reduce oil demand by 395,000 bpd in 2020 compared with a non-tariff scenario. "The whole reason why OPEC+ is considering cutting more is that non-OPEC production is set to grow to the tune of 1.8m bpd to 2.2m bpd next year, significantly more than projected oil demand growing at 1.2m bpd," Clarksons Platou Securities said. The bigger concern for tanker earnings is that oil price may fall sharply due to oversupply, which in turn would force the US shale producers to cut output. "For tankers, every 1m bpd of US exports to the Far East would require 55 VLCCs annually versus 23 VLCCs from the Middle East. Reductions to US volumes would therefore be more material for tankers than from OPEC," said Clarksons Platou.

Source: TradeWinds

SHIPPING: Tanker owners enter 'bliss period' with rosy outlook for 2020

Tanker owners are entering the "bliss period" of a market cycle with small orderbooks, growing longhaul trade and IMO 2020, an industry conference has been told. With this year's vessel earnings generally meeting, or even exceeding earlier market expectation, major listed owners of crude and product carriers have presented a rosy outlook for 2020. Many industry players have pointed out slowing newbuilding deliveries would support tanker earnings in the coming quarters, with most shipowners shying away from planning new orders amid regulatory and macroeconomic uncertainty.

Source: Hellenic Shipping News