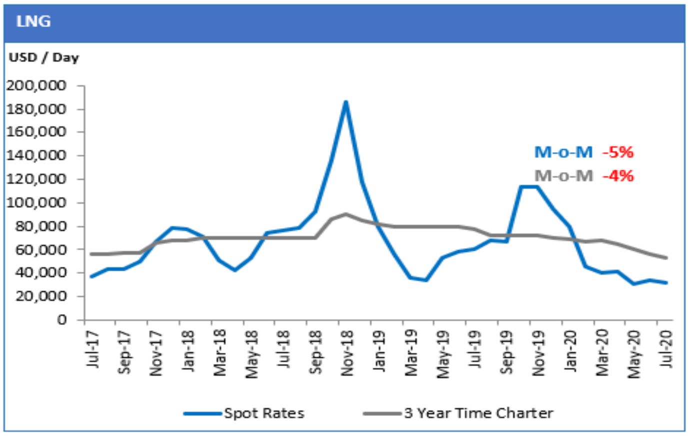
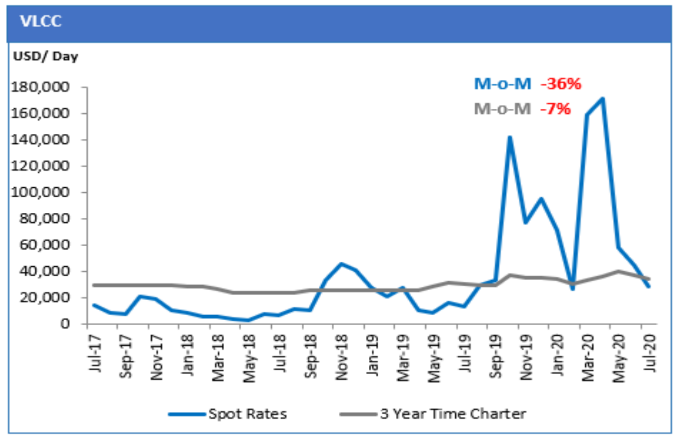
MISC Monthly

August 2020

moving energy to build a better world

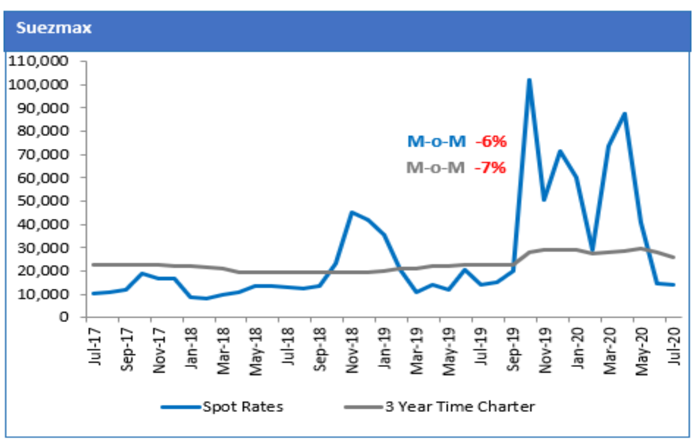
MISC Financial Calendar	
3Q 2020 Quarterly Results	17 November 2020
MISC Announcements	
MISC has accepted a Letter of Intent from Petróleo Brasileiro S.A. (Petrobras) for the provision, operation and maintenance services of a floating production storage and offloading facility (Mero 3 FPSO).	
Changes in material litigation – Arbitration proceedings by Gumusut-Kakap Semi-Floating Production System Limited (GKL) against Sabah Shell Petroleum Company Limited (SSPC).	
Change in Boardroom – Resignation by YM Tengku Muhammad Taufik	

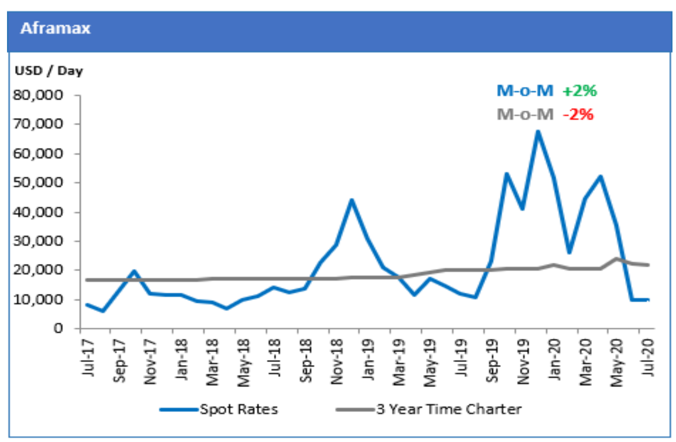




- LNG freight spot rates were flat in July and significantly lower that the same period in the previous two years as natural gas demand remains weak due to the ongoing COVID-19 pandemic.
- Gas spot prices at record low prices and anticipation of higher prices in winter is developing a price contango, creating some demand for LNG carriers to be used for floating storage, limiting the slide in LNG carrier spot rates.

- VLCC spot rates continued to decline as oil production cuts limited the available cargoes while the gradual unwinding of tankers used as floating storage increased the available tonnage in the VLCC market





- The decline in Suezmax spot rates slowed this month as increased enquiries from West Africa provided some support

- Aframax spot rates managed to stop falling and edged up 2% month-on-month in July aided by increased activity especially in the UK - Continental Europe market.

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FREIGHT MARKET

USD/Day	June 2020 Avg	July 2020 Avg	1-Month +/-%	2020 Avg	2019 Avg	2018 Avg
LNG						
Modern Tonnage (155 – 165 k cbm, DF/TF Diesel engine)						
Spot Rates	33,500	31,700	-5%	43,114	69,498	87,963
1 Year Time Charter	52,500	54,600	4%	57,496	80,674	80,333
3 Year Time Charter	55,750	53,500	-4%	62,507	76,446	74,056
Steam Engine (145 – 155 k cbm, steam turbine)						
Spot Rates	21,250	19,400	-9%	29,471	47,688	51,754
1 Year Time Charter	33,000	33,000	-	37,875	53,720	45,427
3 Year Time Charter	34,500	31,500	-9%	39,179	50,719	40,104
PETROLEUM						
VLCC						
Spot Rates	45,264	29,114	-36%	80,080	41,827	15,381
1 Year Time Charter	42,375	37,200	-12%	47,671	36,388	22,965
3 Year Time Charter	37,000	34,500	-7%	35,220	30,094	25,575
Suezmax						
Spot Rates	14,968	14,088	-6%	45,877	32,326	17,886
1 Year Time Charter	26,000	24,167	-7%	33,301	26,692	17,477
3 Year Time Charter	28,000	26,000	-7%	28,175	23,664	20,077
Aframax						
Spot Rates	9,875	10,027	2%	32,829	26,619	16,109
1 Year Time Charter	22,000	20,050	-9%	25,405	22,104	14,923
3 Year Time Charter	22,250	21,750	-2%	21,650	19,370	17,017
MR2						
1 Year Time Charter	14,375	13,150	-9%	15,467	14,682	13,131
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	110	110	-	113	115	115
Rotterdam-Taiwan	85	85	-	88	80	88
Gulf-Far East	53	40	-23%	50	43	42
Singapore-Rotterdam	77	69	-10%	77	74	80
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,250	13,250	-	13,571	13,229	12,875
1 Year Time Charter 37,000 dwt	13,500	12,250	-9%	13,893	13,422	11,585

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ASSET VALUE

USD 'Million	June 2020 Avg		July 2020 Avg		1-Month +/-%		2020 Avg		2019 Avg		2018 Avg	
LNG												
Newbuild (170 k cbm DFDE)	183		181		-1%		185		188		185	
VLCC												
Newbuild	89		88		-2%		90		93		88	
5-Year	69		69		-		74		71		64	
Suezmax												
Newbuild	58		57		-2%		60		62		59	
5-Year	49		48		-2%		51		50		44	
Aframax												
Newbuild	49		49		-		49		49		47	
5-Year	38		36		-4%		40		38		31	
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	32	46	30	-2%	-6%	48	32	50	33	47	31
Secondhand Prices - 10 years	33	15	32	14	-2%	-3%	33	14	34	15	33	13

**S/S = Stainless Steel*

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2020	2021	2022	2023+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	548	26	51	27	7	111	20%
PETROLEUM							
VLCC	824	18	28	11	-	57	7%
Suezmax	594	18	25	20	-	63	11%
Aframax	674	9	53	25	6	93	14%

DELIVERIES & DEMOLITIONS

Deliveries	June-20	July-20	YTD	Demolitions	June-20	July-20	YTD
LNG							
LNG Carriers*	1	5	17	LNG Carriers	0	0	3
PETROLEUM							
VLCC	4	2	24	VLCC	0	0	0
Suezmax	1	2	13	Suezmax	0	1	2
Aframax	1	0	5	Aframax	0	0	2

**Updated to 10 Aug 2020.*

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INDUSTRY HEADLINES

LNG: Clarksons slashes 2020 LNG growth forecast but sees revival next year

Global LNG trade growth is expected to shrink to 1% this year from a strong 12% seen in 2019 in the fallout from the COVID-19 pandemic and the ongoing climate of low gas prices, according to Clarksons Research. Despite volumes growing by around 10% in the first quarter, the impacts from the pandemic pushed second quarter volumes lower, the firm said in the LNG Trade & Transport 2020 report. Clarksons added that the LNG fleet will grow by 5.3% this year and 9% in 2021. The report said the weaker trade volumes and fleet expansion have pushed down charter rates. The research team however sees potential for increased LNG bunker vessel orders, with 22% of the gross tonnage on order now being LNG-fuel capable, and bunkering facilities now established in 118 ports and under development in 90 ports.

Source: TradeWinds

LNG: High inventories, wider price contango boost LNG floating storage in July

Spot LNG prices languishing at record lows and a steep contango along the forward curve into the winter months has encouraged traders to monetize the market structure by floating their ships into the forward delivery months. There has been a steady build-up of floating LNG carriers at sea since early June, with over 25 LNG ships in the week started July 12, according to cFlow, S&P Global Platts trade-flow software. Several ships were seen slow steaming, which refers to intentionally slowing the speed of a ship to optimize fuel consumption or delivery schedules, or homeless, which means they did not have a fixed destination. Sources attributed the increase in floating storage not only to contango plays but also to higher inventory levels at north Asian regasification terminals, with China, Japan and South Korea facing weak demand due to the pandemic along with an influx of cheap spot LNG cargoes.

Source: S&P Global Platts

PETROLEUM: Dirty tanker rates fell further in July from the high levels seen mid-March

Tanker rates fell to the subdued levels seen in 1H19, following the historic production adjustments undertaken by OPEC and non-OPEC producers participating in the Declaration of Cooperation (DoC), as well as other major producers. OPEC sailings continued to decline in July, hitting the lowest on record. Volumes are likely to remain at historically low levels for the remainder of the year, in line with DoC commitments. Lacklustre product exports, amid weak demand and low refinery runs, weighed on clean tanker rates. Floating storage continued to unwind, removing a factor that has supported rates in recent months.

Source: OPEC

PETROLEUM: Unwinding floating storage to loom on tanker markets through H2 2020

Tanker freight rates are expected to see continued pressure from unwinding floating storage for the remainder of the second half of 2020. After heavy floating storage demand spiked in April and May across all tanker segments amid an ever-deepening oil price contango structure, market participants are watching as barrels stored on tankers are unloaded as oil prices stabilize. Current spot market freight rates reflect the typical summer doldrums seen annually. However, tanker demand is expected to increase after OPEC+ and alliances set production cuts to 7.7 million b/d starting in August, down from historical supply cuts highs seen in May through July of 9.7 million b/d. Additionally, weather issues heading into winter months typically lend support to freight rates as logistical delays lead to slow replenishing position lists. The gradual return of petroleum product demand, in line with the easing of coronavirus-related stay home orders, is also expected to support clean tanker strength going into the typically strong Q4.

Source: S&P Global Platts

PETROLEUM: Weak demand outlook calls for sizeable supply correction for tanker market recovery

Crude tanker rates, which have broadly declined across most routes over the last couple of months, are unlikely to recover anytime soon until there is a sizeable correction in vessel supply. Oil consumption at the end of 2020 is likely to be 3.7% lower than in the same period of 2019, while demand in 2021 is forecast to be about 2.5% lower than the 2019 level. For rates to recover, significant scrapping will be required over the next 2-3 years. As abnormally high freight rates since October 2019 have significantly improved the bottom line for most tanker companies this year, deep pocketed owners will be reluctant to scrap tonnage until they face a liquidity crunch. Plus, a young fleet with an average age of less than 11 years will be another damper on scrapping in the crude tanker market. Therefore, owners need to be aware that it will be a slow and painful market recovery if the pace of scrapping remains sluggish.

Source: Drewry Maritime Research

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OFFSHORE: Westwood Expects 40 FPSOs to be Ordered in 2020-2024 Period

Energy industry analysts seem to agree that the future is bright, or at least brighter, when it comes to the contracting activity for the floating production systems (FPS) from 2021 onwards after COVID-19 and low oil prices hit the market in 2020. Norway's Rystad expected a spike in FPSO orders next year with seven new awards. Another energy intelligence group, Westwood, expects one more contract to be awarded this year, Equinor's Bacalhau unit. Westwood also expects the number of FPS orders to rise from 2021 onwards, in large part boosted by orders in Brazil. Over the 2020-24 period, Westwood says probable FPS contract awards are estimated at $56 billion.

Source: Upstream Online

SHIPPING: Coronavirus fallout hits bunker quality but helps dodge fuel shortage

The coronavirus pandemic has apparently hurt the quality of very low sulphur fuel oil (VLSFO) while helping avert a supply crunch, bunker experts have suggested. Veritas Petroleum Services (VPS) data has revealed a deterioration in fuel quality, with the percentage of off-specification samples rising to 5.5% in June from 4% in April. Europe was the worst-performing region: 13.5% of test samples there did not meet required standards in June. In the first six months of the year, fuel suppliers continued modifying their means of producing VLSFO as consumption of all oil products fell during the COVID-19 crisis. Meanwhile, analysts at Alphatanker believe the pandemic helped shipowners avoid a supply shortage during the first half. They estimated that international marine fuel demand declined by 3% from the same period of 2019 due to fewer sailings of cruiseships, ferries, bulkers and containerships. "Before COVID-19, we were expecting a crunch in VLSFO markets during the first half as global VLSFO consumption would outstrip supply," Alphatanker said.

Source: Lloyd's List

SHIPYARD: Shipping orderbook shrinks to 17-year low on COVID-19 impact

Newbuilding orderbook across all ship types has touched its lowest point in 17 years against the backdrop of the coronavirus (COVID-19) pandemic, according to Bimco data. For the container shipping segment, the orderbook has fallen 10.3% in the past 12 months to its lowest level since September 2003. Dry bulk shipping at 63.4m dwt orderbook is the lowest level since April 2004 and 34.7% smaller than 12 months ago. The orderbook for crude oil tankers stands at 36.3m dwt and for product tankers at 12.1m dwt, down 4.2% and 12% respectively from 12 months ago. Deliveries have fallen by 39.1% for crude oil tankers and 46.1% for product tankers, while total tanker deliveries so far this year have amounted to 10.1m dwt compared to 17.2m dwt in the same months last year. Nevertheless, the global fleets continue to grow because in volume terms, deliveries are much higher than demolitions.

Source: Hellenic Shipping News