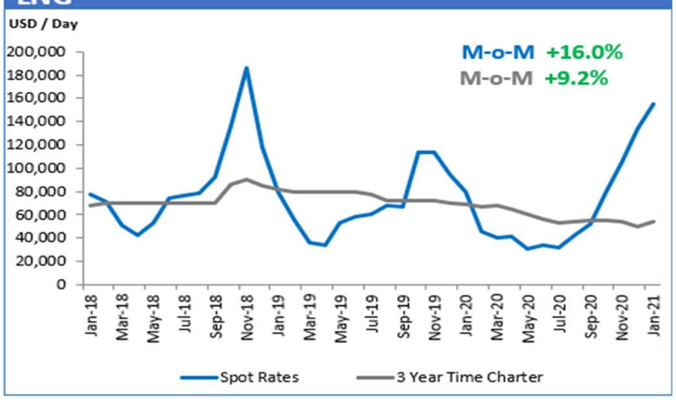
MISC Monthly

February 2021

moving energy to build a better world

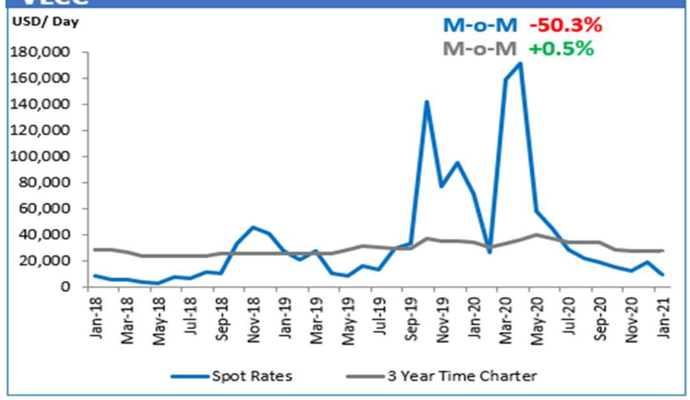
MISC Financial Calendar	
1Q 2021 Quarterly Results	6 May 2021
2Q 2021 Quarterly Results	13 August 2021
3Q 2021 Quarterly Results	18 November 2021
MISC Announcements	
nil	

LNG



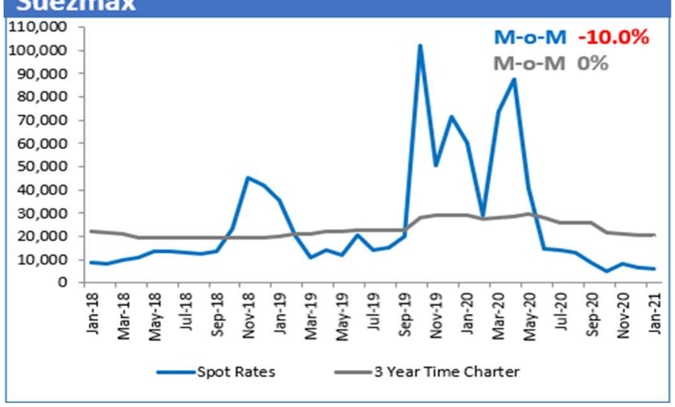
- The colder than expected winter has driven up gas demand in key North Asian markets. Regional supply issues has widened the spread between US and Asian benchmark prices, creating arbitrage trading opportunities.
- Longer haul gas trades have increased tonne-mile demand while the ongoing slow transit through the Panama Canal are tying up vessels for longer, further limiting availability and helping push LNG carrier spot rates higher to levels not seen in the past two years.

VLCC



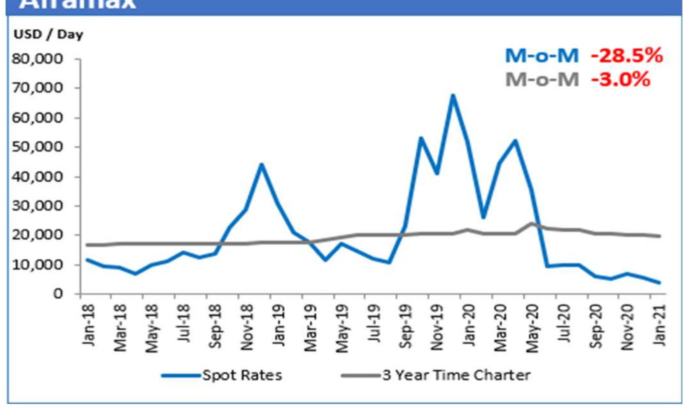
- VLCC spot rates declined by an average of 50.3% in January, erasing the gains made in the previous month.
- Persistent weak oil demand and ongoing OPEC+ production cuts have reduced oil exports and tanker demand, while the continued drawdown of floating oil storage released more tonnage into an already oversupplied market.

Suezmax



- Average Suezmax rates declined 10% m-o-m in January due to minimal cargo inquiries amid plenty of available tonnage.
- Similar to the VLCC market, the Suezmax market has remained under pressure in recent months from weak oil demand, oil production cuts and the drawdown of floating storage.

Aframax



- Aframax spot rates declined further in January as the markets continue to grapple with the oversupply of tonnage and the dearth of cargo volumes.
- The return of restrictions due to the COVID-19 pandemic has depressed oil demand in key Aframax markets.

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FREIGHT MARKET

USD/Day	Dec 2020 Avg	Jan 2021 Avg	1-Month +/-%	2021 Avg	2020 Avg	2019 Avg
LNG						
Modern Tonnage (155k - 165k cbm, DF/TF diesel engine)						
Spot Rates	133,500	155,100	16.2%	155,100	59,527	69,498
1 Year Time Charter	43,750	49,400	12.9%	49,400	55,323	80,674
3 Year Time Charter	50,000	54,600	9.2%	54,600	58,765	76,446
Steam Engine (145k – 155k cbm, steam turbine)						
Spot Rates	90,125	113,100	25.5%	113,100	41,385	47,688
1 Year Time Charter	30,000	34,100	13.7%	34,100	35,435	53,720
3 Year Time Charter	29,000	31,400	8.3%	31,400	35,506	50,719
PETROLEUM						
VLCC						
Spot Rates	19,465	9,674	-50.3%	9,674	53,995	41,827
1 Year Time Charter	25,000	24,325	-2.7%	24,325	39,607	36,388
3 Year Time Charter	27,500	27,625	0.5%	27,625	33,220	30,094
Suezmax						
Spot Rates	6,608	5,946	-10.0%	5,946	30,197	32,326
1 Year Time Charter	16,875	16,475	-2.4%	16,475	27,799	26,692
3 Year Time Charter	20,750	20,750	-	20,750	26,066	23,664
Aframax						
Spot Rates	5,392	3,856	-28.5%	3,856	21,887	26,619
1 Year Time Charter	15,875	15,625	-1.6%	15,625	22,192	22,104
3 Year Time Charter	20,250	19,650	-3.0%	19,650	21,239	19,370
MR2						
1 Year Time Charter	11,625	12,225	5.2%	12,225	14,389	14,682
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	111	111	-	111	112	115
Rotterdam-Taiwan	85	84	-0.9%	84	87	80
Gulf-Far East	38	37	-1.7%	37	45	43
Singapore-Rotterdam	67	72	8.5%	72	72	74
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,500	13,500	-	13,500	13,479	13,229
1 Year Time Charter 37,000 dwt	11,000	11,000	-	11,000	12,922	13,422

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ASSET VALUE

USD 'Million	Dec 2020 Avg		Jan 2021 Avg		1-Month +/-%		2021 Avg		2020 Avg		2019 Avg	
LNG												
Newbuild (174k cbm, MEGI)	186		187		0.3%		187		186		185	
VLCC												
Newbuild	86		88		2.9%		88		88		93	
5-Year	63		65		3.2%		65		70		71	
Suezmax												
Newbuild	56		58		2.7%		58		58		62	
5-Year	43		44		2.3%		44		49		50	
Aframax												
Newbuild	47		48		2.2%		48		48		49	
5-Year	33		33		-		33		38		38	
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	48	32	48	32	-	-	48	32	48	32	50	33
Secondhand Prices - 10 years	33	14	33	14	-	-	33	14	33	14	34	15

**S/S = Stainless Steel*

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2021	2022	2023	2024+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	566	53	29	24	10	116	20%
PETROLEUM							
VLCC	831	31	35	1	0	67	8%
Suezmax	611	17	35	2	0	54	9%
Aframax	671	50	36	11	0	97	14%

DELIVERIES & DEMOLITIONS

Deliveries	Dec-20	Jan-21	YTD	Demolitions	Dec-20	Jan-21	YTD
LNG							
LNG Carriers	1	11	11	LNG Carriers	0	0	0
PETROLEUM							
VLCC	1	3	3	VLCC	3	0	0
Suezmax	1	6	6	Suezmax	1	1	1
Aframax	0	3	3	Aframax	1	0	0

Sources: Clarksons, Drewry, Braemar and Woodmac.

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INDUSTRY HEADLINES

LNG: LNG spot rates at $350,000 as fleet dries up

Spot rates for the liquefied natural gas shipping are holding at record high levels as the lack of free vessels is limiting the number of deals. The prolonged LNG rate boom, driven by a very cold winter and a limited pool of available vessels, has brokers looking for ships that are not there, even as charterers are willing to spend $350,000 per day to take on ships. The rally in LNG spot shipping is being driven by both supply and demand factors. The cold winter, especially in Asian countries such as Japan and China, which are the largest LNG importers, has driven demand for LNG to service the power needs. Charter rates and the challenges in LNG supply have been exacerbated by shortage in available ships to pick up cargoes as well as transit delays in the Panama Canal. The Japan-Korea Marker, the Asia LNG price index that trades on S&P Platts, reached a new record high of $32.494 per one million British Thermal Units. Meanwhile, the US exporting benchmark, the Henry Hub, was trading just above $2.84 on January 12. The large price differential between the two means gives traders an incentive to ship cheap cargoes to LNG-hungry Asian markets even with the stratospheric shipping prices included.

Source: Lloyd's List

LNG: Australia tipped as top LNG exporter in 2020

Australia exported record volumes of liquefied natural gas last year despite outages at key projects, even exceeding Qatar's designed output. Exports from the resource-rich country reached 78m tonnes, surpassing nameplate capacity of the giant Rasgas complex in the Middle East, according to an estimate from Australia-focused consultancy EnergyQuest. Despite production downtime at several major projects, Western Australia which accounted for more than half of Australia's LNG exports last year, pumped 43.7m tonnes of output last year, up 5% year on year. The Northern Territory recorded the biggest jump of 11% in LNG production and the east coast state of Queensland achieved record production of 22.6m tonnes, albeit up only 1% from the previous year. Australia would have derived A$36.13bn ($27.23bn) in revenue from its LNG exports last year, down 26% due to lower prices for the commodity, according to EnergyQuest's estimate..

Source: Lloyd's List

PETROLEUM: Dirty tanker rates remained low

Dirty tanker rates remained low in January, reportedly below operational costs in some cases, although rates from West Africa picked up. A host of factors have weighed on freight rates, including the lingering impacts of the COVID-19 pandemic on oil consumption, reduced supplies on the market, ample onshore inventory and long tonnage lists. The backwardated market structure also provides little incentive to hold inventories in floating storage, even at current low rates. Meanwhile, clean tanker rates improved, supported by activities West of Suez, but are still caught up in general malaise. From the current vantage point, the outlook for freight rates remains lacklustre, certainly in 1H21 but potentially into 2022.

Source: OPEC

PETROLEUM: Oil tanker market in rougher seas as supply surges, storage sinks

A plunge in the volume of crude oil stored on ships combined with unexpected cuts from top producer Saudi Arabia have created a glut of vessels available for hire, pressuring the outlook for supertankers this year. Earnings for very large crude carriers (VLCCs) in 2020 reached record highs of more than $240,000 a day as the coronavirus battered demand, creating an oil surplus and a scramble for storage on land and sea. Rates have since dropped to $7,000 a day. Clarksons Research Services estimated that as of 22 January, 95 vessels, the equivalent of 130 million barrels, were being used for storage versus a peak of over 290 million barrels in May last year.

Source: Reuters

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PETROLEUM: Tankers doldrums underscored as tonne-mile demand shrinks

Preliminary tanker tonne-mile demand data for 2020 by Lloyd's List Intelligence reveals trade routes with the greatest falls and suggest China alone cannot sustain any earnings rebound for the beleaguered shipping sector this year. Global tanker tonne-mile demand, measuring volumes carried by distance travelled, dropped 6.4% during the year to 10.7 trillion miles over 24,128 voyages, according to data collated from Lloyd's List Intelligence. Tonne-mile demand is a proxy for tanker demand. Oil exports to China accounted for 32.6% of all tanker tonne miles and 22% of the 2.3 billion tonnes (48.4m barrels per day) of shipments tracked, data show. Tanker tonne miles to China also posted a 6.7% gain on 2019 levels reflecting the country's swift economic rebound from the global pandemic. However, the country's rising contribution to tanker tonne miles is offset by dramatic falls recorded in both tonne miles and barrels shipped from key oil producing countries in Middle East and West Africa especially for destinations to northwest Europe, the Mediterranean and the Americas.

Source: Lloyd's List

OFFSHORE: Southeast Asia upstream recovery to be led by new startups and sanctioning

Southeast Asia's (oil and gas market) was defined last year by historically low upstream activity levels, with less than five projects sanctioned. Looking forward, however, activity in the region is expected to witness a significant recovery this year with around 15 projects lined up for approval and a similar number of fields likely to reach first production. Rystad Energy expects a surge in sanctioning levels of nearly 300% year-on-year, with total commitments likely to cross the $6 billion mark, with offshore developments to dominate the scene, encompassing around 80% of discoveries to reach final investment decisions (FIDs) in 2021. Indonesia, with around 10 discoveries, is poised to dominate the region's sanctioning activity and is the only country in Southeast Asia with onshore discoveries expected to reach FID in 2021. Malaysia follows with around five new developments.

Source: Rystad

SHIPPING: 'Sudden change' as shipowners respond to charterers and regulators call for greener ships

There are strong indications that recent regulatory and commercial pressures are starting to heavily influence the investment decisions of shipowners toward more environmentally friendly ships. A key turning point was the International Maritime Organization's (IMO) decisions late last year to mandate the Energy Efficiency Existing Ship Index (EEXI), a minimum energy efficiency standard for existing ships, and the carbon intensity indicator (CII), an environmental rating system for in-service operational performance. These regulations will enter into force from 2022. The IMO measures add to moves in the commercial market such as that of RightShip's Greenhouse Gas (GHG) rating and the leading charterers' Sea Cargo Charter initiative to measure the operational performance of vessels under hire. The result of these initiatives is that from 2022, ships will be closely scrutinised and rated from both regulators and commercial operators for their environmental performance.

Source: Lloyd's List

SHIPPING: Tanker scrapping to rebound from 23-year low

Tanker scrapping in 2021 is forecast to rise from a 23-year low as poor earnings, regulatory pressure, higher steel prices and the lack of floating storage, close the gap between resale and demolition prices. Three very large crude carriers (VLCCs) have already sold for demolition in 2021, according to shipbroker BRS, which estimates the rebound will see some 93 tankers above 34,000 dwt sent to breakers' yards this year. They include 25 VLCCs, 14 suezmaxes, 21 aframaxes, two long-range two (LR2) vessels and 18 medium-range tankers, the shipbroker said in its weekly Alphatanker newsletter. Some 25 tankers of more than 34,000 dwt were scrapped in 2020, according to Alphatanker. "Perhaps the most important development during the past few weeks, which has motivated tanker owners to consider demolition, has been the narrowing delta between scrap prices and resale prices for vintage tankers," the report said. "Six weeks ago, scrap prices were significantly below secondhand tanker prices but since then scrap prices have firmed while resale prices have weakened."

Source: Lloyd's List

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SHIPYARD: Disagreement on ship prices stalls newbuilding market

Ordering activity is being slowed by a gap between owners and yards over the expectations of ship prices, brokers have said. According to Braemar, the tanker newbuilding market remains lacklustre as there is still a very wide price gap between builders and buyers compromising the difference, it said in its report. The situation comes as shipyards, under strain on the cost side, are forced to mark up their products due to more expensive raw materials and a weakening US dollar. Others pointed out that the continued uncertainties over environmental regulations and future marine fuels remained the most important factors dampening the appetite for fresh tonnage as owners simply cannot decide on the choice of propulsion systems.

Source: Lloyd's List