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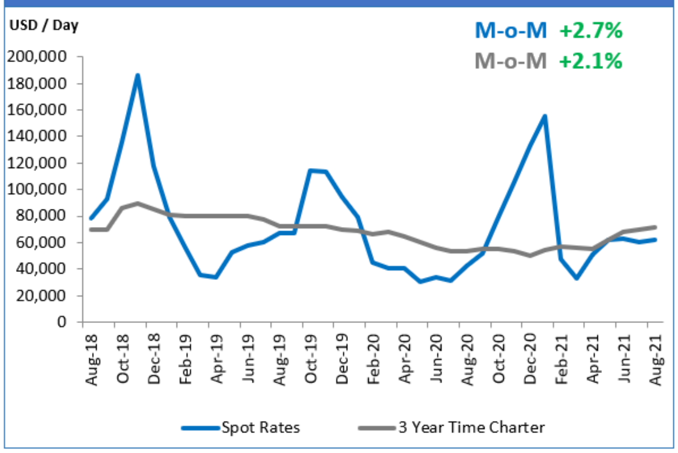
MISC Monthly

September 2021

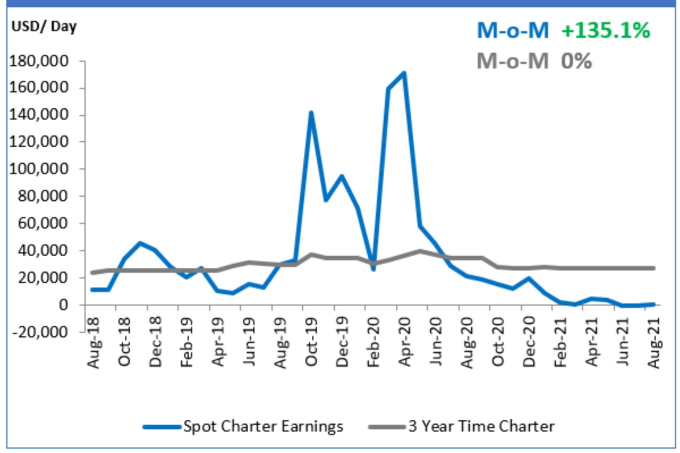
MISC Financial Calendar	
3Q 2021 Quarterly Results	18 November 2021
MISC Announcements	
The appointment of Mr. Chew Liong Kim as an Independent Non-Executive Director of MISC Berhad on 1 September 2021.	

LNG Carrier



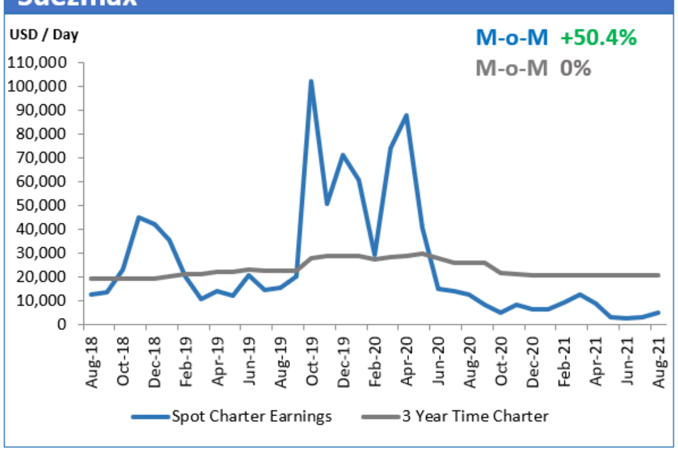
- LNG carrier average spot rates rose slightly in August recovering most of the declines from the previous month. Three-year time charter rates continued to edge higher.
- LNG exports increased marginally in August however this was mainly from Australia, which due to closer proximity to the main demand centres of East Asia, did not boost tonne-mile or shipping demand significantly.

VLCC



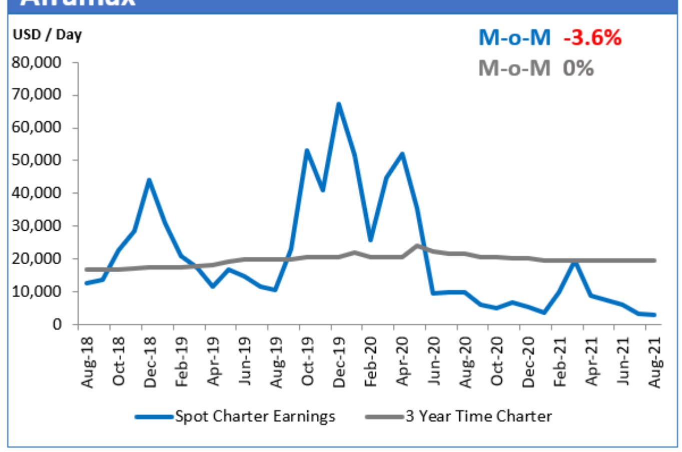
- VLCC average spot earnings turned positive although remaining at very low levels.
- Crude oil and tanker demand is still weak however increased enquiries and activity from the Atlantic region helped improve sentiment and drive rates higher.

Suezmax



- Average Suezmax spot earnings improved slightly as activity picked up in West Africa and the Mediterranean.

Aframax



- Aframax spot earnings drifted lower in August despite a fair amount of activity in the Mediterranean, Black Sea and the Baltic regions.

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FREIGHT MARKET

USD/Day	Jul 2021 Avg	Aug 2021 Avg	1-Month +/-%	2021 Avg	2020 Avg	2019 Avg
LNG						
Modern Tonnage (155k - 165k cbm, DF/TF diesel engine)						
Spot Rates	60,600	62,250	2.7%	66,766	59,527	69,498
1 Year Time Charter	93,000	92,375	-0.7%	70,181	55,323	80,674
3 Year Time Charter	70,000	71,500	2.1%	61,800	58,765	76,446
Steam Engine (145k – 155k cbm, steam turbine)						
Spot Rates	42,700	46,375	8.6%	48,869	41,385	47,688
1 Year Time Charter	57,500	58,125	1.1%	42,722	35,435	53,720
3 Year Time Charter	36,500	39,125	7.2%	33,819	35,506	50,719
PETROLEUM						
VLCC						
Spot Charter Earnings*	-598	210	135.1%	2,319	53,995	41,827
1 Year Time Charter	19,000	19,000	-	21,798	39,607	36,388
3 Year Time Charter	27,125	27,125	-	27,188	33,220	30,094
Suezmax						
Spot Charter Earnings*	3,272	4,920	50.4%	6,372	30,197	32,326
1 Year Time Charter	16,250	16,250	-	16,731	27,799	26,692
3 Year Time Charter	20,750	20,750	-	20,750	26,066	23,664
Aframax						
Spot Charter Earnings*	3,200	3,084	-3.6%	7,768	21,887	26,619
1 Year Time Charter	15,800	15,250	-3.5%	15,538	22,192	22,104
3 Year Time Charter	19,500	19,500	-	19,519	21,239	19,370
MR2						
1 Year Time Charter	12,350	11,750	-4.9%	12,400	14,389	14,682
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	125.0	126.0	0.8%	120	112.0	114.9
Rotterdam-Taiwan	89.0	88.5	-0.6%	87	86.8	79.6
Gulf-Far East	41.6	41.0	-1.4%	41	45.0	42.6
Singapore-Rotterdam	89.6	93.5	4.4%	87	72.3	73.7
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	13,125	13,479	13,229
1 Year Time Charter 37,000 dwt	10,325	10,250	-0.7%	10,802	12,922	13,422

Note: *Spot Charter Earnings are calculated by taking the total revenue net of commission, deducting bunker costs based on latest prices at representative regional bunker ports, estimated port costs (after currency adjustments) and then dividing the result by the number of voyage days.

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ASSET VALUE

USD 'Million	Jul 2021 Avg		Aug 2021 Avg		1-Month +/-%		2021 Avg		2020 Avg		2019 Avg	
LNG												
Newbuild (174k cbm, MEGI)	195.0		198.0		1.5%		190.3		186.0		185.4	
VLCC												
Newbuild	101.5		103.5		2.0%		94.8		88.4		92.6	
5-Year	72.0		70.0		-2.8%		69.1		70.0		71.3	
Suezmax												
Newbuild	69.0		70.5		2.2%		63.3		58.3		61.5	
5-Year	49.0		48.0		-2.0%		46.5		48.5		50.3	
Aframax												
Newbuild	55.0		56.5		2.7%		51.1		47.8		48.5	
5-Year	40.0		40.0		-		37.9		37.5		37.7	
CHEMICAL												
IMO II 37,000 dwt	***S/S**	****C**	**S/S**	**C**	**S/S**	**C**	**S/S**	**C**	**S/S**	**C**	**S/S**	**C**
Newbuild Prices	53.5	34.0	54.0	35.0	0.9%	2.9%	50.9	33.0	47.8	31.8	50.2	33.0
Secondhand Prices - 10 years	34.3	15.0	34.0	15.0	-0.9%	-	33.5	14.4	33.0	14.1	33.7	14.5

**S/S = Stainless Steel; **C = Coated*

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2021	2022	2023	2024+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	600	17	29	36	37	119	20%
PETROLEUM							
VLCC	848	7	42	27	0	76	9%
Suezmax	630	4	36	10	1	51	8%
Aframax	678	20	41	30	4	95	14%

DELIVERIES & DEMOLITIONS

Deliveries	Jul-21	Aug-21	YTD	Demolitions	Jul-21	Aug-21	YTD
LNG							
LNG Carriers	4	6	42	LNG Carriers	1	2	5
PETROLEUM							
VLCC	1	2	26	VLCC	1	2	9
Suezmax	2	0	22	Suezmax	1	0	4
Aframax	3	2	19	Aframax	2	2	20

Sources: Clarksons, Drewry, Braemar and Woodmac.

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INDUSTRY HEADLINES

LNG BUSINESS

Strong LNG shipping market signals buoyant longer-term mood

LNG shipowners are in bullish mode as forecasts predict increasing demand for tonnage over the next few years. Poten & Partners head of shipping analytics Jefferson Clarke said the supply of LNG carriers is forecast to grow at 5% over the next two years. But he said this will probably only match the growth in shipping demand if US exports remain strong. He said 2020 has shown how sensitive incremental shipping demand is to US exports. These have grown by 40% or 155 cargoes in the first half of this year, around 47% of these shipping to Asia, which adds up to 6,700 nautical miles to a voyage, according to Poten. The brokerage calculates that the incremental increase in tonne-mile demand represents about an additional 35 vessels to carry the same volume of product. Clarke said the downside risks are potential demand destruction if LNG prices become too inflated and energy consumers switch to competing fuels, plus too many speculative orders at yards. Looking to the near term, Poten said vessel availability continues to decline as tonnage is being fixed for longer term charters.

Source: TradeWinds

China's LNG import surge to cool in winter as high prices bite

China's LNG imports are expected to increase at a slower pace in the second half of the year after blistering growth over the first six months, but the moderation is unlikely to put a brake on surging international prices. China normally steps up imports of LNG in the second half to meet winter demand, but buying has been curbed by high prices, a pull-back in China's economic recovery and a lack of new receiving terminals, traders and analysts say. China's LNG imports will likely stay flat during the October-March heating season versus the previous winter, said a trader with a Chinese oil major, pointing to the high spot prices and also infrastructure constraints. To meet gas demand, China is turning to increased supplies of domestic gas and piped gas from Russia's vast Siberian fields.

Source: Hellenic Shipping News

'Low-cost' US could become world largest supplier of LNG bunkers

US providers of LNG as a marine fuel are branching out to provide a more global bunkering infrastructure which could offer some of the cheapest supply in the world, according to Eagle LNG. Eagle LNG business development manager Matthew Fisher said that over the last five to six years, US Jones Act operators have been the main movers in providing the initial LNG bunkering points in the country. Fisher added: "Over time I believe the United States could become the largest LNG bunkering provider in the world because of its benefits and access to abundant low-cost resources." Asked about the likely mix of LNG-fuelled vessels by 2030, Fisher gave a wide estimate of between 25% and 30% of all vessels. Fisher said by 2030 he believes incentive programs will accommodate ocean going vessels and further investments will have been made on bio-LNG so that the majority of vessels will have a bio component in their fuel.

Source: TradeWinds

PETROLEUM BUSINESS

VLCC tanker rates remained at depressed levels in August

VLCC tanker rates remained at depressed levels in August, weighed down by ample tonnage availability despite increased tanker demand. Suezmax and Aframax rates managed a better performance in intra-Asian routes, as well as the Atlantic basin, particularly from West Africa to the US Gulf. Clean tanker rates showed a healthy improvement East of Suez but slipped in the West. The arrival of Hurricane Ida in the Gulf of Mexico at the end of the month resulted in temporary dislocations, lending some support to dirty Aframax rates, while depressing clean rates in the early days of September as Gulf Coast refineries remain offline.

Source: OPEC

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INDUSTRY HEADLINES

Tanker depression pushes owners to idle vessels

The prolonged market depression appears to be prompting owners of VLCCs to idle ships to avoid cash-burning voyages. Lloyd's List Intelligence's vessel-tracking data shows that at least 39 unladen VLCCs (draught of 12 meters or below) are at anchor off the south-eastern coast of Malaysia and the Strait of Malacca. More than half of them have been in the anchorage for over a week. However, not all the anchored ships are being idled. Average VLCC time charter equivalent rates published by the Baltic Exchange have been below zero for more than 160 consecutive assessments since mid-January, with the latest hovering around minus USD10,000 daily. That indicates the charter income can no longer cover a vessel's operating costs, leading to its owner facing losses for accepting the hire. Banchero Costa head of research Ralph Leszczynski described the current VLCC spot market as "the worst in the past 20 years".

Source: Lloyd's List

OPEC's demand forecast hike 'very good news' for tanker owners

A report that the OPEC+ group of exporters is expecting oil demand to grow faster than previously thought is a major plus for tanker markets, analysts believe. Four sources told Reuters that the group has increased its demand growth forecast to 4.2 million barrels per day (mbpd) in 2022, up from 3.28 mbpd previously. For comparison, the International Energy Agency's (IEA) latest estimate is 3.16 mbpd. Clarksons Platou Securities analysts said the new forecast is "a sizeable increase to oil demand forecasts, and it comes despite the outbreak of the Delta variant of COVID". "This is very good news for tankers," they added. As for this year, the group is expecting demand to grow by 5.95 mbpd after a record drop of about 9 mbpd in 2020 because of coronavirus pandemic. But demand only grew by about 3 mbpd in the first half of 2021. "Demand has disappointed relative to lofty expectations and there are still headwinds, particularly in Asia. We only expect demand to rise back to 2019 levels in the second half of 2022," Amrita Sen, co-founder of the Energy Aspects think-tank, told Reuters.

Source: TradeWinds

Hurricane Ida boosts aframax rates but MR markets disappoint

Aframax rates have strengthened in the US Gulf and Caribbean in the wake of Hurricane Ida, but MR markets have failed to hold on to earlier gains amid severe tonnage oversupply. The Category 4 storm made landfall in Louisiana on 29 August, forcing the closures of oil refineries and upstream production fields in the US Gulf. Observers believe there could be weeks before normal operations are restored. The disruptions have prompted a spike of aframax earnings in regional trades, with emergency requirements and reduced vessel supply due to stranded vessels, according to market experts. "US refiners will need to source more overseas crude with outages persisting, so shorthaul aframax demand should benefit," Gibson Shipbrokers research head Richard Matthews said. As for the product tanker trade, MR earnings in northwest Europe had enjoyed a brief spike following the Gulf disruptions as traders rushed to lift European gasoline for US demand. But brokers said shipowners quickly lost ground due to sufficient tonnage supply, while charterers can step back due to the end of summer driving season.

Source: TradeWinds

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September 2021

INDUSTRY HEADLINES

U.S. offshore oil production losses felt around the globe

Three-quarters of U.S. Gulf of Mexico oil production remained offline as of 10 September, according to government data, as repair efforts dragged on. Power outages at onshore processing and pipeline facilities have prevented some oil production from reaching shore, which has supported oil prices since 30 August. The storm has removed more than 20 million barrels of U.S. Gulf production from the market. Some 1.39 million barrels per day of crude and 1.72 billion cubic feet per day of natural gas output were shut-in on 9 September, according to offshore regulator Bureau of Safety and Environmental Enforcement. These prolonged outages and delayed repair efforts are leading to oil contract cancellations around the globe. Royal Dutch Shell Plc, the largest oil producer in the Gulf of Mexico, has declared force majeure on deliveries to Asia due to hurricane damages. It said 80% of its Gulf production remained offline. Chevron Corp., Murphy Oil and Occidental Petroleum said ‘third party’ operations are preventing them from fully restoring production. Chevron has resumed partial production at one of its six platforms. Offshore pipeline restrictions are limiting its ability to accept oil at two onshore terminals. Storm shut-ins led the U.S. Energy Information Administration to cut its U.S. oil production forecast for 2022 by 100,000 bpd to 11.7 million bpd.

Source: Reuters

SHIPPING

International Chamber of Shipping proposes carbon levy and climate fund

The International Chamber of Shipping (ICS) has submitted a proposal to the International Maritime Organization (IMO) for a levy on carbon emissions to fund the adoption of zero-carbon technologies and fuel. The levy would be applied globally to all ships over 5,000 gross tonnage (gt). The ICS did not indicate at this stage how much shipowners would be expected to pay. The money raised would be put in a climate fund run by the IMO to establish bunkering infrastructure for alternative fuels, including ammonia and hydrogen. It would also fund a subsidy to close the price gap between low-carbon alternative fuels and conventional heavy fuel oil (HFO). The move is a response to the European Union’s decision to include shipping in its regional emissions trading system (ETS) which deemed as more about generating revenue for governments from non-EU shipping than helping shipping to decarbonise. In addition, The Marshall Islands, Kiribati and the Solomon Islands have also submitted a separate proposal for a $100-per-tonne levy on carbon emissions.

Source: TradeWinds

SHIPYARD

South Korean shipbuilders agree steel price hike with Posco

South Korea’s big three shipbuilders have agreed a 27% price rise on the cost of steel plate for the second half of 2021 with compatriot producer Posco. South Korean shipbrokers and local media said all three yard groups have finished their price talks and settled on a price of around KRW 1.1m ($950) per tonne. The talks involved Daewoo Shipbuilding & Marine Engineering, Samsung Heavy Industries and Korea Shipbuilding & Offshore Engineering, which controls the yards of Hyundai Heavy Industries Holdings. This is a jump on the hike to $750 per tonne logged in the second quarter of this year — in some of the biggest increases seen for more than 13 years — and a rise of over 58% on the $600-per-tonne figure for 2020. Steel accounts for around 20% of the newbuilding price on a vessel, depending on the ship type.

Source: TradeWinds