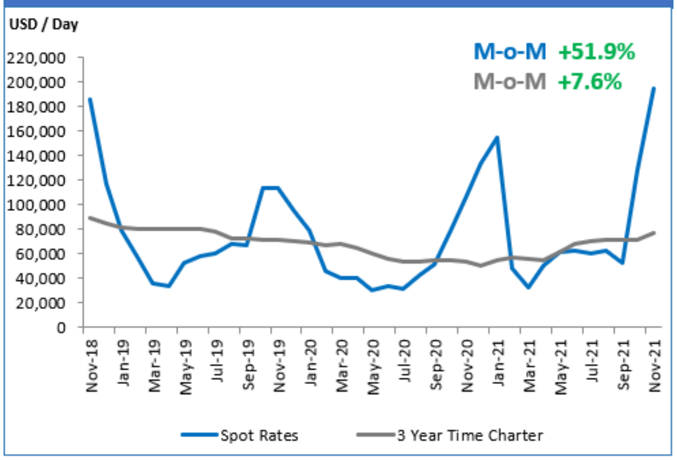
[Open]

MISC Monthly

December 2021

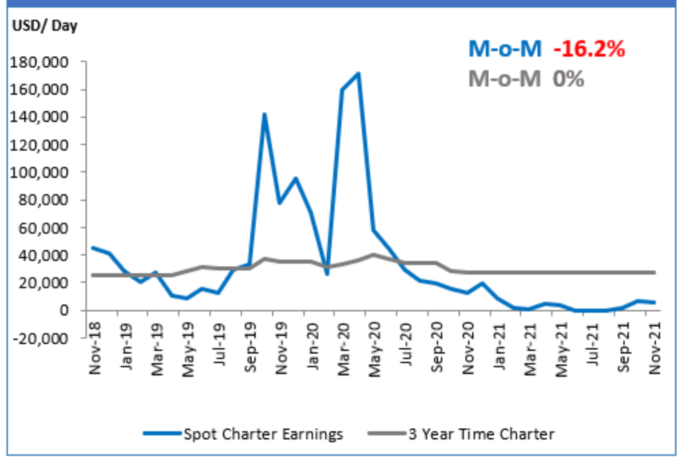
MISC Financial Calendar	
4Q 2021 Quarterly Results	17 February 2022
MISC Announcements	
Interim dividend – MISC Berhad declared third tax exempt dividend of 7 sen per ordinary share.	

LNG Carrier



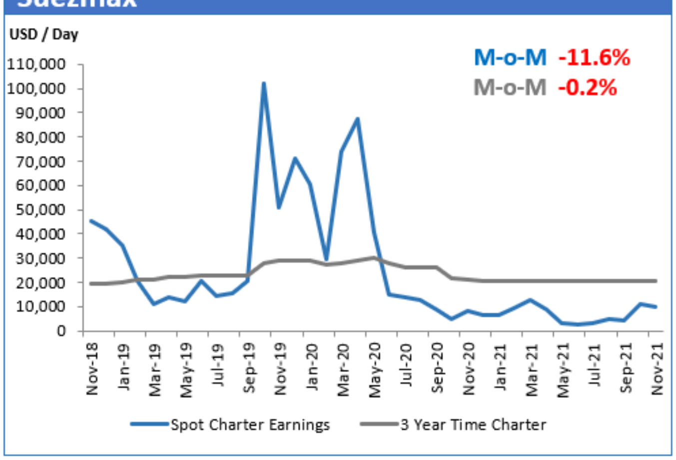
- LNG spot rates continued to climb in November to a new record, driven by increased imports in the Far East and tight vessel availability. Congestion at Panama Canal further squeezed tonnage availability.
- Time charter rates rose slightly as some charterers requiring replacement or additional tonnage for next year are making the move sooner as the shipping availability over the coming period may be sparse.

VLCC



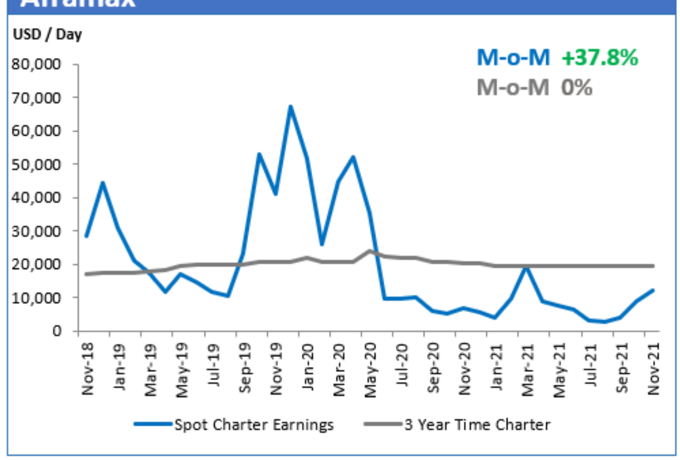
- VLCC average spot earnings dipped slightly in November in line with lower crude oil exports and tanker demand.
- The recovery in global oil demand has been affected by concerns over the new Omicron variant of the COVID-19 virus.

Suezmax



- Suezmax spot earnings declined in November due to pressure exerted by charterers with limited enquiries in the market and continued lack of cargo due to OPEC+ production cuts.

Aframax



- Aframax spot charter earnings improved on the back of increased activities in Europe, US Gulf of Mexico, Latin America and East Asia.
- Delays in the Turkish Straits further limited vessel availability.

[Open]

MISC Monthly

December 2021

FREIGHT MARKET

USD/Day	Oct 2021 Avg	Nov 2021 Avg	1-Month +/-%	2021 Avg	2020 Avg	2019 Avg
LNG						
Modern Tonnage (155k - 165k cbm, DF/TF diesel electric engine)						
Spot Rates	128,600	195,313	51.9%	82,827	59,527	69,498
1 Year Time Charter	93,000	110,000	18.3%	76,961	55,323	80,674
3 Year Time Charter	72,000	77,500	7.6%	65,082	58,765	76,446
Steam Engine (145k – 155k cbm, steam turbine engine)						
Spot Rates	92,200	150,625	63.4%	60,866	41,385	47,688
1 Year Time Charter	57,000	68,250	19.7%	47,116	35,435	53,720
3 Year Time Charter	40,000	47,750	19.4%	36,209	35,506	50,719
PETROLEUM						
VLCC						
Spot Charter Earnings*	6,737	5,646	-16.2%	3,010	53,995	41,827
1 Year Time Charter	19,500	20,125	3.2%	21,172	39,607	36,388
3 Year Time Charter	27,125	27,125	-	27,170	33,220	30,094
Suezmax						
Spot Charter Earnings*	11,033	9,753	-11.6%	6,938	30,197	32,326
1 Year Time Charter	16,250	17,938	10.4%	16,753	27,799	26,692
3 Year Time Charter	20,675	20,625	-0.2%	20,732	26,066	23,664
Aframax						
Spot Charter Earnings*	8,755	12,065	37.8%	7,871	21,887	26,619
1 Year Time Charter	15,300	16,500	7.8%	15,543	22,192	22,104
3 Year Time Charter	19,500	19,500	-	19,514	21,239	19,370
MR2						
1 Year Time Charter	12,400	12,750	2.8%	12,373	14,389	14,682
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	128.8	125.0	-3.0%	121.3	112.0	114.9
Rotterdam-Taiwan	89.4	88.0	-1.6%	87.5	86.8	79.6
Gulf-Far East	44.0	47.0	6.8%	41.6	45.0	42.6
Singapore-Rotterdam	109.1	110.9	1.6%	92.3	72.3	73.7
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	12,750	12,750	-	13,000	13,479	13,229
1 Year Time Charter 37,000 dwt	11,000	11,000	-	10,788	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.

[Open]

MISC Monthly

December 2021

ASSET VALUE

USD 'Million	Oct 2021 Avg		Nov 2021 Avg		1-Month +/-%		2021 Avg		2020 Avg		2019 Avg	
LNG												
Newbuild (174k cbm, MEGI)	203.0		205.0		1.0%		193.8		186.0		185.4	
VLCC	108.0		109.0		0.9%		98.4					
Newbuild	70.0		70.0		-		69.4		88.4		92.6	
5-Year									70.0		71.3	
Suezmax	74.5		75.5		1.3%		66.4					
Newbuild	48.0		47.0		-2.1%		46.8		58.3		61.5	
5-Year									48.5		50.3	
Aframax	59.0		59.0		-		53.2					
Newbuild	40.0		41.0		2.5%		38.5		47.8		48.5	
5-Year	108.0		109.0		0.9%		98.4		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	56.0	35.5	56.0	35.5	-	-	52.2	33.7	47.8	31.8	50.2	33.0
Secondhand Prices - 10 years	34.5	14.5	34.5	14.5	-	-	33.7	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	604	5	29	45	59	138	23%
PETROLEUM							
VLCC	849	0	45	24	0	69	8%
Suezmax	623	0	39	10	1	50	8%
Aframax	675	1	45	38	14	98	15%

DELIVERIES & DEMOLITIONS

Deliveries	Oct-21	Nov-21	YTD	Demolitions	Oct-21	Nov-21	YTD
LNG							
LNG Carriers	6	2	55	LNG Carriers	0	0	7
PETROLEUM							
VLCC	3	1	33	VLCC	1	1	15
Suezmax	0	1	23	Suezmax	4	2	13
Aframax	1	1	23	Aframax	3	2	29

Sources: Clarksons, Drewry, Braemar and Woodmac.

[Open]

MISC Monthly

December 2021

INDUSTRY HEADLINES

LNG BUSINESS

Asia's big 3 LNG buyers ramp up November imports as Europe struggles

The world's top buyers of LNG are ramping up imports of the gas in November, with the major consumers in Asia drawing more cargoes than gas-starved Europe. Vessel-tracking and port data compiled by Refinitiv points to an increase in imports by China, Japan and South Korea, pegging their November imports at 16.62 million tonnes, up from 15.13 million in October. Overall, the picture emerging from the big three Asian buyers is one of solid demand ahead of the northern winter, but not yet reaching the peak of demand seen the previous winter, when colder-than-usual weather led to a squeeze on supplies. Meanwhile, Europe is still battling to secure enough natural gas for the upcoming winter, with pipeline supplies from Russia still inadequate, and the region's inventories are below the five-year average for this time of year. Despite the potential shortage of natural gas over winter, Europe's LNG imports haven't surged, and November's arrivals are expected to be lower than those for October.

Source: Reuters

Growing Chinese demand for LNG boosting gas carrier tonne-miles

China's growing imports of LNG from non-Asia-Pacific countries has helped push up tonne mile demand in the sector by 30% this year. The average haul of Chinese LNG imports has been trending upwards since the first quarter of 2020, reaching a record high of an estimated 4,700 miles in the last quarter, up 14% on the 2020 average, according to Clarksons. Clarksons said rapid growth in imports from the US has been the most "significant driver" with volumes reaching 6.9 million tonnes in the first nine months of 2021. This is more than double the 2020 total and has been driven by export capacity expansions in the US and the signing of the China-US trade deal last year. "In the short-term, recent power shortages and elevated winter gas demand are expected to stimulate demand. Further ahead, growth in coming years is expected to be aided by supportive government policies aimed at reducing carbon emissions and the recent signing of long-term LNG supply contracts," the shipbroker said. "Further expansion in China's regasification terminal capacity is also expected; some 60 million tonnes per annum (mtpa) is currently under construction, with plans mooted for a further 82 mtpa."

Source: TradeWinds

LNG carrier spot rates surpass $424,000 per day

Spot rates for LNG carriers have topped USD424,000 per day, a record for the vessel type that takes the total cost to ship a single cargo to Japan from Australia to more than USD9.3 million. The time charter equivalent earnings for 160,000 cubic meter (cbm) LNG carriers shipping to Japan from Gladstone, Australia were assessed at USD424,062 per day, according to the Baltic Exchange on 23 November 2021. Soaring spot rates reflect record-breaking demand for LNG from both Asia and Europe ahead of the northern hemisphere winter, on top of a busy summer to refresh depleted inventories. The high rates also reflect the lack of immediately available ships on the spot market in both the Atlantic and Pacific basins. Most of the fleet is secured against time charter contracts that take them through to next year with very few ships immediately available to take advantage of the record highs.

Source: Lloyd's List

PETROLEUM BUSINESS

Tanker markets are more uncertain than ever: Poten

In a market report headlined 'Tanker markets are more uncertain than ever', Poten & Partners said a combination of factors has made forecasting the direction of the tanker market increasingly difficult. OPEC+'s decision recently to raise oil production in January 2022 by 400,000 barrels per day (bpd) in line with their long-term plan to unwind last years' production cuts by September 2022 caught many by surprise. Many analysts expected the oil producing cartel to announce a production freeze against the backdrop of sharply lower oil prices due to the emergence of the new Omicron variant of Covid-19. "On the face of it, this appears to be relatively good news for the tanker market, but OPEC has kept the door open to change their mind and reverse the increase or even lower crude oil output if the Omicron variant ends up having a strong negative impact on oil demand," Poten pointed out. Poten also said the tanker market must also consider potential government inventory releases. "A release of oil from reserves is obviously a short-

INDUSTRY HEADLINES

term negative for the tanker market. However, reserves will need to be replenished and this could be supportive of tanker rates further down the road," Poten observed. Poten also highlighted on the potential impact of a new Iran nuclear deal, for which the negotiations have started up again. "If a deal is negotiated and the restrictions on Iran's oil exports are lifted, this could add about 1.0-1.5 million bpd of oil to the market, a boost to the tanker market. This would also render the rogue tanker fleet obsolete and lacking legitimate other employment opportunities, these tankers may well be retired, providing an additional boost to the market," Poten predicted.
Source: Splash247

'Double boost' for crude tankers as South American refinery expansion falters
Gibson Shipbrokers has pinpointed South America as a potential bright spot for a beleaguered tanker sector. A combination of increasing crude production in Brazil and Guyana and a lack of refinery expansion means more barrels for export, the UK broker believes. "Latin America has historically been home to both a large population and large refining base. However, decades of underinvestment and economic turmoil, coupled with overseas competition has seen regional players struggle to service domestic demand," the UK broker said. "The lack of refining capacity expansion in the region is a double positive for tankers," the broker said. "Crude production in Brazil and Guyana is expanding, but with no increases in domestic crude processing capacity, any increase in production will have to be exported," the company added.
Source: TradeWinds

Tanker scrapping picking up and expected to continue, MSI says
According to MSI Horizon's monthly oil tanker report, more than 2 million dead-weight tonne (dwt) worth of tankers of 10,000 dwt or more were sent to the scrapyard in October, compared to just over 1 million dwt of deliveries. Scrapping for aframaxes has seen a "resurgence" recently, with the asset class expected to see negative fleet growth for the first half of 2022, the report said, while the supply of suezmaxes is expected to at least stay flat in the fourth quarter. VLCCs, meanwhile, are forecast to see jumps in demolitions over the next nine months with negative growth projected for the fourth quarter and first quarter of 2022. The report also suggested product tankers could see negative fleet growth in the fourth quarter and the second quarter of 2022, continuing a trend of scrapping its data shows began in the first quarter. "Fleet dynamics are changing course, providing a key support for our positive earnings outlook," MSI said.
Source: TradeWinds

OFFSHORE

Global oil and gas sector runs into supply chain headwinds
The mother of all logistics storms has hit global supply chains, puncturing bottom lines in the upstream sector and affecting oil companies and contractors alike. Project costs and schedules have already been affected, Upstream has found, and if the situation persists much longer, more developments are likely to be affected and final investment decisions may falter. Most of those affected agree that root of the supply chain problem is in the Covid-19 pandemic that threw the brakes on economic activity in 2020. A screeching halt in logistics activity and unprecedented disruption in labour markets has since been followed by a dramatic bounce-back in the second half of 2021 as economies reopened, with a resulting misalignment between producers and consumers. A combination of labour shortages, rising energy prices and logistical bottlenecks — on sea, air and land — has hurt the ability of manufacturers, the producers, to meet demand from consumers, creating a shortfall of equipment, products and materials, the prices of which have shot up in the past year or so. Large engineering, procurement and construction projects have also been hit by a rise in steel prices driven, in turn, by higher energy prices and labour shortages. The cost of certain steel alloys has increased by 50%, while premium steel costs have doubled since pre-pandemic days. Audun Martinsen, partner and head of energy service research at Oslo-based consultancy Rystad noted that "A project calling for a big floating production, storage and offloading vessel or steel platform can easily become 20% more expensive".
Source: Upstream Online

MISC Monthly

December 2021

INDUSTRY HEADLINES

SHIPPING

Little progress on decarbonisation as another IMO meeting ends

Environment and shipping groups were left disappointed as International Maritime Organization environment talks ended with little progress on agreeing emissions curbs. The long-awaited Marine Environment Protection Committee (MEPC) 77 meeting came amid pressure on shipping to increase its climate ambition after the COP26 climate conference in Glasgow. But the MEPC heard little discussion of the detail of proposed market-based measures to cut shipping emissions, such as the Marshall Islands' $100-a-tonne carbon levy or Norway's cap-and-trade scheme. "We are disappointed that the words and commitments made by governments at COP26 have not yet been translated into action," said International Chamber of Shipping secretary-general Guy Platten. Shipping groups' proposal for a $2-a-tonne fuel levy to raise $5bn for green research and development over 10 years drew praise from several countries but faced tough questions regarding its structure and governance. None of the market-based measure (MBM) proposals were killed off - a small victory for their backers - and so will carry over to MEPC78 from 6-10 June 2022. But recurring objections from Russia, China, Saudi Arabia, India, the UAE and developing countries meant none seemed to gain an advantage and all continue to face huge political barriers to agreement. Mr Platten said the green R&D fund was the only measure ready for agreement. "If it is not taken forward soon, we fear this will signal to the world following COP26 that IMO is no longer truly serious about maintaining its leadership on GHG issues and that others may then move in to fill the vacuum," he said, alluding to the EU's incoming emissions rules.

Source: Lloyd's List

Bimco releases EEXI clause to prevent charter disputes

Bimco has developed a transition clause for existing, and future charter parties, ahead of the introduction of the Energy Efficiency Existing Ship Index (EEXI). The transition clause aims to reduce potential disputes as the shipping industry prepares for the new regulation. Bimco's EEXI clauses state that both owners and charterers acknowledge and accept that the vessel is required to comply with the EEXI regulation and that this may require modifications. Under the clauses, if power limitation is adopted, then a new estimated maximum speed and fuel consumption will need to be determined by owners. Charterers will be notified of the new vessel description by the owner. The owner has the right to take the ship out of operation to make modifications. Charters will not be able to order the ship to sail at speeds that exceed the ship's description in the charter party. Charter parties will also need to be adjusted to fit other upcoming greenhouse gas emissions regulations, such as the Carbon Intensity Indicator (CII), which measures ship efficiency over time, and will be introduced from 2023. "In addition to EEXI, we are also developing clauses for emissions trading systems and the CII regime to meet the future challenges for the industry," said Bimco deputy secretary general Søren Larsen.

Source: TradeWinds

The costs of installing carbon capture systems onboard revealed

A feasibility study conducted by the Oil and Gas Climate Initiative (OGCI) and Swedish tanker owner Stena Bulk shows the costs involved in installing carbon capture devices on ships. The study makes clear that such technology is feasible – something already demonstrated at sea in Japan by Kawasaki Kisen Kaisha (K Line) earlier this year – but it comes at quite a price, both in terms of installation and operating costs. The costs for installation come in at around $30m for a system capable of capturing 90% of all CO_2 emitted at sea, while annual operating costs for such a system are estimated to be in excess of $2m a year, essentially adding another 25% to a ship's annual operating expenses. Despite the costs, the results from the OCGI/Stena Bulk study have encouraged the team to pursue a demonstration to validate their assumptions and uncover further opportunities.

Source: Splash247

MISC Monthly

December 2021

INDUSTRY HEADLINES

SHIPYARD

Asian yards and floater giants feel the pinch

Asian contractors have experienced some tough times in recent months as ongoing labour issues and supply chain costs have hit home. Singapore-based Sembcorp Marine has been particularly badly affected, with the company saying this month that it has "continued to face COVID-19 supply chain constraints and shortages of skilled workers which seriously affected its 16 projects under execution". Loh Chin Hua, chief executive of Singapore's Keppel Corporation, told analysts that supply chain disruption "has impacted us for sure, although I think we have done quite well under the circumstances", highlighting that "we also leverage the yards that we have overseas to do some of the work". Malaysia Marine & Heavy Engineering chief executive Encik Pandai Othman said: "Concerns remain on a potential fourth global wave of (COVID-19) infections, which could disrupt progress of the recovery (and) this uncertainty coupled with high steel prices is expected to continue to result in modest spending by oil majors." Datuk Anuar Taib, chief executive of fellow Malaysian player Sapura Energy, noted that its quarterly performance up to the end of September was "severely impacted" by the effects of COVID-19. "Similar to our industry peers, we bore the brunt of both the direct and indirect costs of the pandemic," he said. SBM Offshore said work at China Merchants Heavy Industry's yard on the Sepetiba floating production, storage and offloading vessel has been affected both by the supply chain environment and challenges at the yard, with a specific mitigation plan implemented and to be tested in the coming quarters. It added that it continues to face Covid-19 challenges including travel and logistical restrictions, price inflation of materials and services, yard closures and yard and supplier capacity constraints. Japanese rival Modec also reported that the profit margins for several ongoing FPSO projects will be lower than expected because of delays in construction work.

Source: TradeWinds

Alternative-fuel ship orders spike amid uncertainty over regulations

Shipowners are ordering ships with alternative-fuel capability in ever increasing numbers, Clarksons Research has revealed. The UK research arm of the shipbroking group said adoption has been on an upwards trajectory for years, despite uncertainty over future regulations and technology. Clarksons Research analyst Marek Bak said: "LNG is the most popular option today, although other low and zero-carbon fuels are gaining traction, with notable new orders this year, alongside ongoing research and development." At the start of November, 805 new vessels of 54.1m gt were set to use alternative fuels once delivered, which is equivalent to 34% of all tonnage on order. This represents an increase of 68% year on year. The acceleration of eco-ordering is illustrated by the fact that the share of the orderbook that is alternative-fuel capable took more than four years to double from its 2015 level. But it has now doubled again in a little over two years. Clarksons Research tallies 548 units of 47.3m gt on order with LNG engines. This is 30% of the total orderbook, up from 24% a year ago and 10% five years ago. Just over a third of these ships are dual-fuel LNG carriers able to use cargo boil-off as fuel, with 168 such units on order, Bak said. Aside from LNG, there are 286 other ships of 7.5m gt on order, including hybrid battery-propulsion vessels. Several of these can use LNG and other fuelling options. LPG fuel uptake has risen rapidly, with 95 such units under contract, Bak said. Methanol fuel has also gained traction in 2021, following orders for nine dual-fuel boxships by AP Moller-Maersk in the summer. This boosted the total to 22 methanol-capable units. Bak pointed out that a large number of ammonia-fuelled vessel designs have now received class approval. Just three hydrogen-capable units are currently on order, but interest is growing in hydrogen-ready ships. Four of these have been ordered so far.

Source: TradeWinds