

Crude-oil tanker rates to come under tremendous pressure

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German transport bank DVB has come out with a gloomy prognosis for crude-oil tankers in 2009, with time-charter rates forecast to come under tremendous pressure in the months ahead.

All subsectors are expected to suffer, with almost 44% of the current crude-tanker fleet on order and world oil-demand growth rates having already slumped into negative territory for the first time since 1983, according to the International Energy Agency.

Net fleet-supply figures for this year point to the VLCC and Aframax fleets being in a more vulnerable position.

DVB says the negative demand-supply imbalance will result in ship values declining, exacerbated by predicted lower steel prices.

The bank's shipping research and strategic planning (RASIP)

team's annual 2008 report and 2009 outlook says the only glimmer of hope may be if the bearish world economy bottoms out by the third quarter of 2009 and crude-oil producers can respond rapidly to a possible increase in demand.

But increasing production is not in their interest and the probability of both these events occurring looks unlikely at the moment. DVB says that whatever the recovery time

frame "we are not likely to witness the robust growth in oil demand or in oil trade, which we have seen over the last five years".

Even if there is an economic turnaround, it is unlikely Opec countries would be prepared to meet increased demand at short notice. Many oil-producing countries face the risk of budget deficits this year. They need higher oil prices by controlling supply.

And with non-Opec supply

growth slowly declining, oil availability for trading by sea looks "bleak" for rest of 2009.

The 766 crude tankers of 134.2 million dwt on order will put "tremendous pressure on utilisation rates and, therefore, time-charter rates in the months ahead" says the bank.

Currently, charter rates remain relatively healthy but this — coupled with the fact that some countries are not phasing-out single-hull tonnage — means that motivation is weak to scrap these "cash cows".

On the upside, with charterers set to put pressure on Worldscale rates and single-hull tankers the last to be fixed, owners may be prompted to "head for the scrap-yards".

Statistics quoted by DVB are 71 net additions of VLCCs in 2009 (20.8 million dwt), while for Aframaxes a "whopping" 114 ves-

sels (12.45 million dwt) may join the fleet, a 15.82% rise year-on-year.

As for products tankers, 2009 paints a challenging picture for earnings, says DVB. Demand outlook in the immediate future is worrying, while deliveries from the 649-vessel orderbook (38% of the fleet) are projected to peak this year.

On LPG, the bank describes the orderbook of 190 vessels (22% of the fleet) as substantial given the bearish market outlook. Some 126 are expected to be delivered during 2009.

Chemical tankers, owners and charterers in the strongest financial position will survive but those financially leveraged will struggle this year.

"As per the current outlook, we have no choice but to adopt a bearish view on the chemical-tanker market," said DVB.



OPEC: Many oil-producing countries face the risk of budget deficits this year.
Photo: Bloomberg News