

Top owners of MGCs - by cu m

Rank	Owner	No. of vessels	cu m
1	BW	9	298,168
2	Varun Shipping	9	281,118
3	Exmar	8	260,607
4	Navigator Gas	5	110,425
5	Sovcomflot Group	3	105,259
6	Naftomar Shpg & Trad	3	84,714
7	AP Moller	2	76,000
8	Kawasaki Kisen	2	76,000
9	Carbofin	2	74,614
10	Wah Kwong Shipping	2	74,440

Source - DVB

Top owners of MGCs on order - by cu m

Rank	Owner	No. of vessels	cu m
1	Prime Marine Mgt	4	140,000
2	Eletson	4	140,000
3	AP Moller	6	135,000
4	Hartmann Schiff.	3	105,000
5	Sonatrach	2	70,000
6	Naftomar Shpg & Trad	3	66,000
7	Petreded Services	2	44,000
8	Orix Maritime	1	35,000
9	Miyawa Kaiun	1	22,500

Source - DVB

Wave of newbuilds drags on MGC sector

Bank warns on size of orderbook for medium sized gas carriers

Tony Gray

WEAKER freight rates and asset values are forecast to afflict medium sized gas carriers in the coming year as the market succumbs to a heavy flow of newbuildings.

This is the view expressed by DVB, a leading shipping and transport bank, in its latest market outlook on the MGC segment of the liquefied petroleum gas carrier fleet.

DVB noted that MGCs, vessels of between 22,000-50,000 cu m, are almost equally employed in the ammonia and LPG trades but are mainly influenced by the dynamics of the former market. At the end of November, the existing fleet of MGCs comprised 75 vessels of 2.3m cu m, or 19% of the LPG fleet's total capacity.

Since 2000, increased food production and exceptional demand from the petrochemical industry have resulted in a "very strong" ammonia market and growth in seaborne trade at an annual average rate of 6%. Consequently, owners of MGCs enjoyed a period when freight rates outperformed their very large counterparts.

During this period, the mid sized ammonia market has become "very industrialised" with large market participants chartering tonnage on period contracts to lift their own cargoes to solid form contract customers.

However, DVB said the industrial trend was now coming under pressure, with several charterers "reluctant to commit for 2009" and longer-term owners finding it increasingly difficult to employ the current fleet on time charters. This reflects the fact that some production plants have been idled and many plants have either been shut down or reduced output.

Falling demand for industrial purposes



LPG medium gas carrier, *Queen Zenobia*: DVB expects a softening of rates.

and production of explosives could lead to a reduction in global seaborne ammonia trade next year by about 1.7m tonnes from 15.6m tonnes in 2008.

Assuming all industrially used ammonia is shipped on MGCs of 35,000 cu m, with an average voyage round-trip duration of 15 days, the fall in utilisation could be equal to five vessels, DVB said.

The bank advised owners to closely monitor fleet development in 2009, as it believed the existing orderbook of 26 vessels "poses a viable threat to the fortunes of the MGC market in the short to medium term." MGC deliveries peak in 2009 and 2010 with 22 deliveries, equating to 0.7m cu m, expected to enter the market. In view of this, DVB expected "a softening of MGC freight rates during 2009."

In 2010 and beyond, a significant volume of new ammonia and LPG capacity is expected to help the market.

On the downside, however, the bank was concerned about elevated raw material and labour costs of ammonia and LPG export projects. "Some contracts were signed at the height of the market and

thus have locked in certain project costs for many years," the report said. "Meanwhile, financing is becoming increasingly expensive. The tightening availability of credit resulting from the ongoing global financial crisis, will lead to a restructuring of the existing deals for these projects with more equity being required to meet the new high risk environment."

"These developments could result in major delays or even cancellations of some of these projects with subsequent negative implications for the MGC sub-sector."

Even if ammonia and LPG projects materialise, DVB said "a prosperous" MGC market was conditional on a global economic recovery. With the current ammonia markets at a "virtual standstill," the bank did not see demand for fertiliser products recovering before the end of the first quarter of next year. The petrochemical outlook is "much weaker as market performance depends strongly on the performance of the global economy which is not expected to rebound before the second half of 2009."