



New recruits: the boom in suezmax newbuilds, such as Prisco's 166,000 dwt series at Hyundai Heavy, is expected to raise the fleet to 417 vessels by 2009.

# Glut of suezmaxes will rock the market in 2009

## DVB warns of the need to absorb new tonnage

Jamie Dale

RECORD numbers of suezmax newbuilds threaten to "knock the bottom" out of the market when they are delivered in 2009, according to leading ship finance bank DVB.

Fears of an oversupply of tonnage come as an unprecedented 58 suezmaxes are on order for and due for delivery in 2009, with a further 38 to follow in 2010.

"The main challenge will occur in 2009 when explosive fleet growth might knock the bottom out of the market," warns DVB.

The high number of deliveries will expand the suezmax fleet to 417 vessels in two years' time, up 14.5% from 2008.

The boom in orders for suezmax vessels started in 2006 and the orderbook by June this year had doubled to 139 from 64 vessels a year earlier.

DVB said that in 2005 only nine suezmaxes were ordered, but this ballooned in 2006 to 81 vessels, which is the highest number of suezmax orders in history.

So far in 2007 there have been 35 orders placed, with delivery dates stretching as far back as 2013.

"Similar to all other tanker sectors, the suezmax orderbook poses a challenge and raises doubt over whether increased

demand, conversions and single hull phase-out will be enough to absorb the tonnage that is expected into the market over the next three years," said DVB.

The shipping bank expects a net annual fleet growth in 2010 of nearly 3%, excluding single hull phase-outs, while the total fleet growth is expected to increase by 28% in the period from 2006 to 2010.

"The net addition of nearly 90 vessels in the space of four years does cause some

## 'The main challenge will occur in 2009 when explosive fleet growth might knock the bottom out of the market'

concern with regard to the possibility of oversupply," warns DVB.

The 139 vessels on order represents almost half of the existing fleet of 354 suezmaxes in active trade, including 50 shuttle tankers and vessels in regular trade between Alaska and the US mainland.

There are also 46 single hull tankers, representing 13% of the fleet with an additional 14 vessels with double bottom or double sides.

However, for those owners hoping that the single hull phase-out will bring some balance after 2010 could be very disappointed. The average age of the single hull

## China closes the gap on South Korean yards

CHINESE yards claimed nearly 50% of the total suezmax orders last year as they continue to erode the dominance of the Korean yards.

Before 2006, Chinese yards had only built eight suezmax vessels, with construction dominated by Korea and Japan.

However, shipowners seem to be increasingly persuaded to order from the growing number of yards in China that can offer cheaper labour costs.

Korean-built suezmax vessels account for 60% of the total fleet, or 214 vessels, according to DVB.

Another 16%, or 58 vessels, were built in Japan.

However, the Rotterdam-based bank said that Japanese yards have failed to pick up any new suezmax

contracts since 2005. South Korea remains the dominant builder in the suezmax sector, with 71 of the 139 orders to date, while China is in second place picking up 50 orders.

Among the 35 orders placed in the first six months of this year, 10 will be built in Brazil as part of a newbuilding programme for state-owned Petrobras.

"These will be the first suezmaxes to be built in Brazil since a series of eight vessels were delivered from Ishibras shipyard in Rio de Janeiro between 1991 and 1994," said DVB.

The first of the 10 vessels are scheduled to be delivered in 2010 and will be constructed at Atlantico Sul, a new yard which is due to be built in Suape, 1,600 km north of Rio de Janeiro.

fleet is 17 years, with only four vessels facing compulsory phase-out before the 2010 deadline.

However, the outlook over the next few years is not all doom and gloom.

As fleet growth slows DVB expects that conversions to floating production, stor-

age offshore vessels and heavy lift vessels could help to ease the impact of high vessel orders and stabilise the market.

The expansion of the fleet is expected to slow down in 2007 and 2008, with net growth of 4.8% and 3.9% respectively. This compares with 7.1% in 2006.

## Tankers

# Owners seek scapegoat as the future looks bleak

LIFE is getting so tough for tanker operators that they are increasingly looking for somewhere to hang the blame, writes Mike Grinter in Hong Kong.

The latest scapegoat for the sector is the International Maritime Organization.

You may recall a couple of years back that the venerable organization gave notice that it would introduce the common structural rules to ensure sturdier, safer ships.

The immediate result of this was, of course, a mad rush to the shipyards to get tankers built before the rules came into effect last year.

And the effect according to some quarters? We now have a fleet of suezmax, aframax and very large crude carriers whose growth has outpaced demand.

And, as Lloyd's List reported yesterday, nothing less than a boom in oil production is going to change the gloomy predicament that tanker owners and operators now find themselves in.

VLCC owners have had their worse run in four years and the suezmax sector is equally blighted.

And the last seven days have not changed this pattern, with suezmax owners suffering another bad week as conditions just get worse and worse.

One Norwegian broker back from some extended summer leave said he was surprised to see that very little had changed after a six-week break from the market.

"I've been in this business for a number of years and I can honestly say I have not seen it this bad before," was his immediate reaction.

There was a fairly lacklustre attempt at a rally last week, when rates for suezmax trading out of West Africa to the US and Europe hit W100 up from the previous week's W77.5.

However, this week rates have promptly fallen again to W85.

But, according to the Norwegian broker, further decline is almost inevitable due to excess tonnage waiting upon demand that is almost dormant.

Suezmaxes navigating the North Sea might as well have been doing something more constructive.

"An ocean in which there has always been limited interest is losing what interest it had," the broker said.

And it has been so long since an enquiry was made that the broker could barely muster a guess as to where the rate could go next, although he estimated that W75 might be a reasonable punt.

As for cross-Mediterranean and Black Sea trade, the picture has been just as bleak and again there is little sign that this will change for the rest of the summer.

Yesterday morning a suezmax was fixed out of Novorossiysk at W77.5, but that fixture was a rare piece of movement in an almost static market.

"There simply is not enough activity," the broker commented.

Is there any hope of recovery soon for the suezmax market?

"You often find in this sector that a recovery can happen very quickly," he said. "But you just can't say."

### ICAP HYDE SHIPPING INDEX 4088 (+7) 9 August 2007

ROUTE	SIZE	WTNG	9/08/07 \$	8/08/07 \$
1 Cont Trip Far East	40-43,000t	15%	44,000	43,500
2 HSS-USG/Algeria	25,000t/5%	10%	85.50	85.00
3 Sing-Jap 1 T Pac RV	40-43,000t	15%	34,750	34,750
4 Skaw/Passero 1 TA RV	27-30,000t	15%	30,750	30,750
5 S Africa Trip Continent	30-33,000t	7.5%	34,000	34,000
6 HSS USG to Venezuela	25,000t/10%	5%	53.00	53.50
7 Scrap-US/EC to N China	30-35,000t	7.5%	85.00	85.00
8 Sing Trip Boston-G/ton	35-40,000t	7.5%	36,750	36,750
9 Steels-Black Sea tct to S'pore/Japan	28-30,000t	5%	30,000	30,000
10 Grains Braz-Cont	25-35,000t	7.5%	71.00	71.00
11 Del Japan redel S'pore/Japan	28,000t	5%	29,750	29,500
Average of 2TCs			35,313	35,188

### ICAP HYDE SUPRAMAX INDEX 7611 (+33) 9 August 2007

ROUTE	9/08/07 \$	8/08/07 \$
1 Black Sea to Far East	54,750	54,250
2 US Gulf to NCSA/Skaw/Passero	84,000	83,500
3 Far East to Atlantic	42,000	42,000
4 Australia/India (Pac round)	42,750	42,750
Average 4TCs	55,875	55,513

Basis: 50-52,000 dwt bulk carrier, maximum ten years old, 25t cranes with grabs, 14k on 30t if no diesel at sea.

### BALTIC TANKER INDICES 09 August 2007

INDEX	861	same
Baltic Clean Tanker Index	861	same
Baltic Dirty Tanker Index	872	-19

For more information on routes or calculations please visit [www.balticexchange.com](http://www.balticexchange.com)

### IMAREX TANKER FUTURES 09 August 2007

	Q4 07	Q1 08	Cal 08
TD3 (VLCC AG/IP)	90.00	81.50	75.13
TD5 (Suez Wafar/USAC)	138.33	127.50	118.63
TD7 (Afra X Nsea)	150.00	135.00	128.00

All prices shown in Worldscale. For more information please visit [www.imarex.com](http://www.imarex.com)

### OIL PHYSICAL

(\$/bbl fob)

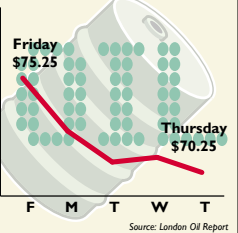
Brent (physical)	70.25
21-day Sep	70.55
21-day Oct	70.90
WTI Sept	71.90
WTI Oct	71.55

PRODUCTS (\$/mt CIF ARA)

Premium Gasoline	662-673
15%	
Gasoil (EC)	623.75-625.75
Heavy Fuel (3.5%)	336-339
Naphtha	625-629

Source: ICIS pricing  
Date: August 9, 2007

### OIL Brent Crude physical 1700GMT



### BUNKERS

#### COCKETT INDEX

August 9, 2007 2545.5 (-12.4)

The Cockett Bunker Price Index is based on weight-averaged liftings and actual current spot prices of the three main bunker grades at 35 world ports. Further information available at [www.cockett.co.uk](http://www.cockett.co.uk)

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#### CLEAN

- Vitino to Middle East Continent** — vessel to be nominated, 29,000t, W230, Aug 16. (Clearlake Shpg)
- Middle East Gulf to UK Continent** — Monneron, 40,000t, \$1,625,000 lumpsum Aug 10. (Morgan Stanley)
- Black Sea to Mediterranean** — Jinan, 30,000t, W205, Aug 10. (Projector)
- Caribbean to US Atlantic coast** — Strymon, 38,000t, W167.5, Aug 12. (Charterer not reported)
- Libya to Mediterranean** —

- Maersk Radiant, 30,000t, W195, Aug 13. (Shell)
- South Korea to Tianjin** — vessel to be nominated, 40,000t, \$375,000 lumpsum Aug 29. (View Sino)
- South Korea to Kalbut Situbondo** — Maersk Penguin, 90,000t, \$690,000 lumpsum Aug 28. (SK Corp)
- Korea to UK Continent** — SPT Crusader, 90,000t, \$2,100,000 lumpsum Oct 5. (Charterer not reported)
- UK Continent to US Atlantic coast** — Minerva Virgo, 37,000t, W165, Aug 17. (Shell)
- UK Continent to US Atlantic coast** — East Point, 37,000t, W165, Aug 18. (Conoco)
- Skikda to Mediterranean** — Bro Etienne, 30,000t, W185, Aug 12. (Dow)
- DIRTY**
- Middle East Gulf to S Korea** — Smitt, 270,000t, W53.5, Aug 28. (Trafigura)
- Middle East Gulf to S Korea** — BW Nile, 265,000t, W47.5, Aug 22. (Charterer not reported)
- Jebel Dhanna to Fujairah** — L Elephant, 130,000t, \$290,000 lumpsum Aug 22. (Thai Oil)
- Middle East Gulf to Mangalore** — vessel to be nominated, 90,000t, W110, Sep 10. (MRPL)
- Middle East Gulf to Mangalore** — vessel to be nominated, 87,000t, W110, Sep 5. (MRPL)
- Middle East Gulf to China** —

- Astro Centaurus, 265,000t, W55, Aug 21. (Unipeq)
- Novorossiysk to UK Continent** — Iran Sanandaj, 140,000t, W77.5, Aug 25. (Mercuria)
- Black Sea to Mediterranean** — Seamerit, 30,000t, W257.5, Aug 10. (ENI)
- Caribbean to US Gulf** — Aegean Pride, 70,000t, W107.5, Aug 13. (Conoco)
- Caribbean to US Gulf** — Elise Schulte, 70,000t, W100, Aug 9. (Citgo)
- Caribbean to Singapore** — Sarah Glory, 270,000t, \$2,850,000 lumpsum Aug 26. (Petrochina)
- Taranto to Mediterranean** — Aurora, 30,000t, W250, Aug 16. (AOT)
- Taranto to Mediterranean** — Kerlaz, 30,000t, W250, Aug 14. (AOT)
- East coast Mexico to Sines** — Meltemi, 130,000t, W65, Aug 25. (Petrogal)
- Ceyhan to Mediterranean** — Aegean Freedom, 80,000t, W100, Aug 15. (Petrodiamond)
- South Africa to China** — Formosapetro Challenger, 260,000t, W55, Aug 20. (Mercuria)
- Bilbao to Mediterranean** — Baltic Freedom, 30,000t, W275, Aug 12. (CTC)
- Slagen to Mediterranean** — Margara, 55,000t, W137.5, Aug 12. (Shell)