

News in Brief

China ore imports warning
CHINA'S steelmakers will suffer heavy financial losses unless they curb spot iron ore imports, the China Iron and Steel Association warned, *Reuters reports*.
The warning came as the end-of-the-month deadline for iron ore price talks with Australian miners draws near and Beijing worries that rampant imports have given miners the upper hand.
China's iron ore imports rose 20% in the first five months of 2008 and Australian iron ore miners are pointing to that strong demand to support their attempts to wring out a big price rise before the deadline for the 2008 contract expires.

"We hope members will pay attention to the situation and control the quantities and pace of the iron ore imports in accordance with mills' actual production demand," the association said.

An association official said iron ore stockpiles at already clogged Chinese ports will rise further if the pace of imports is maintained and could cost the country's steel mills dearly by tying up working capital and risking big losses should prices fall.

Rio approves Pilbara deal
GLOBAL miner Rio Tinto has approved a \$667m investment in its Pilbara mining region in Australia, under a previously-announced plan to boost iron ore output there to 320m tonnes a year by 2012, *Reuters reports*.

Rio said its share of the investment in the overall project was \$492m. Its partners, Japanese trading company Mitsui and Nippon Steel, are funding the remainder.

Vietnam exports rice again
VIETNAM has lifted a ban on rice exports, signalling improving supplies on the world market, while the Philippines completed its purchases for the year with a deal to buy 600,000 tonnes of Vietnamese grain, *Reuters reports*.

The twin moves could speed a recent decline in international rice prices from record highs — prices had nearly trebled this year — helping to ease food inflation and boosting supplies of the staple in Asia.

Vietnam lifted its ban on the signing of rice export deals, saying it would only allow contracts for a limited quantity as it caps exports of the grain in the first nine months of this year at 3.5m tonnes.

And Manila's \$564m purchase of 600,000 tonnes of rice from Hanoi in a government-to-government deal takes the world's largest rice importer out of the market until possibly the end of the year, when it may start stocking up for 2009.

Rare trip for oil tanker
SWISS trader Mercuria Energy has booked a mid-ranged oil tanker to move an 80,000-tonne fuel oil cargo on a rare voyage from Indonesia to North China, *Reuters reports*.

Shipping sources said the fuel oil parcel was being loaded onto the vessel, the *Chemtrans Lyra*, off Indonesia's Karimunjawa Islands, a regular bulk-breaking ship-to-ship hub.

The cargo, which is scheduled to load on June 27, is expected to discharge at China's Dalian port, shipbrokers said.

"This is not a frequent trade route, but it may soon become one if the teapots there keep buying from Singapore," a trader said, using a common industry term for the refiners.



Dying breed: older single-hull vessels such as the 33,400 gt, 1977-built *Sea Splendor* face being phased out. Dietmar Hasenpusch

Newbuild glut set to rein in product tanker rates

More than 500 ships on way in next 18 months

Jamie Dale

PRODUCT tanker rates are expected to come under pressure over the next two years, as a glut of newbuildings is delivered into the market.

DVB Group's research and strategic planning shipping division said that 513 vessels, or 28% of the current fleet, will be delivered in the next 18 months.

The investment bank, in its product tanker market outlook report, warned that the excess tonnage will "significantly cause earnings to fall" and cause a "negative effect on asset values".

"While the long-term demand outlook appears promising for product tankers, large global fleet additions are expected to cap the upside potential for product tankers over the next 18-24 months," DVB said.

The German bank noted that the number of new vessel deliveries increased 15% in 2006 to 173 vessels, and 5% in 2007 to 184 vessels. It is expected to peak in 2008 by 16% to 298 vessels, assuming no construction delays.

"Given this implied oversupply during this period, we see limited scope for product tanker rate upside through year-end," added DVB.

The Rotterdam-based research division said that seaborne trade in petroleum products is expected to grow by an annual

average of 3% between 2008 and 2010. "In the meantime, the product tanker fleet will grow by an annual average of 8% up to 2010, when a strict phase out of single-hull tankers will decelerate the growth of the fleet to 2%," DVB said.

DVB added that there are 407 single-hull product tankers, out of this total 204 are more than 25 years old. According to International Maritime Organization regulations, these vessels should have already been phased out.

However, many of these vessels trade in coastal waters or with countries that have not signed the 2010 phase-out.

"We have made an assumption that all of the single-hull vessels of the fleet will be phased out before the end of 2010 and, given the current orderbook, the fleet will grow by a net total 14% in deadweight terms in the period 2008-2012," said DVB.

With the orderbook representing 49% of the existing fleet, DVB highlighted that the larger vessels appear to be dominating the orderbook.

"This upward trend in size reflects expectations of changes in demand patterns towards larger products cargoes being moved over longer distances," said DVB.

Since 2001, the volume of refined oil products has increased from 11.3m barrels per day to 18.7m bpd, an increase of 65%, according to DVB. Meanwhile, shipments of crude oil over the same period have only increased by 15%.

DVB expects to see this trend continue as producing countries such as in the Mid-

dle East "reap the maximum profits from each barrel of product they produce".

"The Middle East has a clear incentive to export petroleum products, as only through increased refining capacity can it take full advantage of its huge feedstock that is locally available.

"From a shipping perspective, we expect the development of a structural switch in terms of vessel employment and routes serviced, between product and crude carriers in the future, with long haul distances increasingly being served by product carriers and an eventual decrease in long haul crude trade," added DVB.

So, long term, it is not all doom and gloom for tanker owners. DVB pointed out that after 2010 the global refining landscape is set to change and will have a "positive" effect on the demand for product tankers.

An estimated 8.8m bpd of distillation capacity is expected to come online by the end of 2010, out of a total 14.8m bpd forecast by 2012, which will boost the demand for the product tankers.

And with a large proportion of Middle East crude production heading to their own refineries by 2011-2012, export growth is set to rise for the product tanker sector.

"The ratio of product to crude transport will inch up to 0.5 from its current 0.42 level. This structural change will translate to an increasing employment growth potential for product carriers at the expense of employment growth for crude tankers," said DVB.

Tankers

Suezmax surge breathes life into Atlantic VLCC market

CHARTERERS have returned to the Atlantic market to snap up very large crude carriers because the rates offered by suezmax tanker owners have risen to uncompetitive levels, *writes Martyn Wingrove*.

Refiners and oil traders are doubling up West African cargoes on VLCCs to gain from the economies of scale, instead of booking suezmaxes because these have become more expensive.

Bookings of VLCCs in the Atlantic market have picked up this week from a quiet period seen in the past few weeks, with refiners fixing tankers to load Gulf of Guinea crude in the first week of July and one or two being bold enough to fix for mid-July loading dates.

Charter rates for VLCCs operating out of African terminals have risen to W170 for a voyage to North America and to W160 to transport crude to China.

RS Platou brokers reported Sinochem fixing the 299,095 dwt, 2003-built *Australis* at a rate of W162 to take an Angolan crude cargo to China.

Indian oil companies have been busy in the market booking tankers for lump sums of around \$8.5m. Platou reported IOC fixing 298,306 dwt, 1995-built *Camden* and 298,033 dwt, 1993-built *New Wisdom* to transport West African crude to the west coast of India on these rates.

Growing demand for VLCCs in the Atlantic market should result in rising charter rates for the early July loadings.

Charter rates for VLCCs taking Nigerian and Angolan crude to the US are holding around W170, which provides owners with daily earnings of more than \$200,000.

The switch to VLCCs is partially due to rates for suezmax tonnage climbing to W217 for a cross-Atlantic voyage and because more of the crude from West Africa is heading towards Asian refineries. Brokers expect suezmax rates to remain firm in the Atlantic, which will support further rises in VLCC rates.

In the Middle East market, charter rates for VLCCs have climbed back over W200 this week, as brokers were predicting last Thursday. Owners of 2m barrel capacity tonnage are generating daily earnings of around \$150,000 from these rates.

Double-hulled VLCCs on eastward voyages are securing rates of more than W200 and single-hulled tonnage is getting rates of W165.

Johan G Olsen brokers reported ZZR paying W202.5 to fix the 300,405 dwt, 2002-built *Taizan* to take a Middle East cargo to Ningbo, China.

These Norwegian brokers also reported a benchmark rate for a western voyage as ExxonMobil fixed the 300,955 dwt, 1997-built *Cosmic Jewel* at a rate of W130 to take a Middle East cargo to the US Gulf.

Demand for VLCCs in the Middle East is rising because Saudi Arabia is producing more crude from its onshore and offshore fields in response to calls to calm the red hot oil markets.

Saudi Arabia is raising its production by around 200,000 barrels per day over the next month.

This is on top of the increase of 300,000 bpd reported in May.

HOWE ROBINSON CONTAINER INDEX 1,227.9 (-22.8) 18 June

VESSEL TYPE	SPEED	WTNG	PTS	PTS
1 250 teu/4,500 dwt Geared	12 knots	2%	25.1	25.1
2 510 teu/5,500 dwt Gearless	15 knots	5%	62.3	62.3
3 520 teu/5,500 dwt Geared	15 knots	5%	79.0	72.0
4 650 teu/9,500 dwt Geared	15 knots	5%	58.1	58.9
5 1,000 teu/12,000 dwt Geared	17.5 knots	5%	58.1	58.1
6 1,100 teu/13,750 dwt Gearless	19 knots	5%	59.8	60.3
7 1,100 teu/18,500 dwt Geared	19 knots	5%	54.5	54.9
8 1,200 teu/17,000 dwt Gearless	19 knots	5%	60.2	61.5
9 1,600 teu/25,000 dwt Gearless	18 knots	15%	194.0	197.2
10 1,700 teu/24,000 dwt Geared	19.3 knots	15%	168.7	174.0
11 2,050 teu/30,000 dwt Gearless	20 knots	5%	65.1	66.9
12 2,500 teu/34,000 dwt Geared	22 knots	10%	113.2	116.0
13 2,800 teu/35,000 dwt Gearless	22 knots	10%	120.2	125.0
14 3,500 teu/45,000 dwt Gearless	22.5 knots	5%	73.6	76.0
15 4,300 teu/55,000 dwt Gearless	24 knots	3%	43.1	43.1

INDEX 100% 1,227.9 1,250.7

AXSMARINE PANAMAX INDEX 18 June 2008

Transatlantic r/v	\$	\$	\$	\$	\$
Davut	45.54	50.93	46.78	44.46	48.11
Mississippi River	58.98	59.89	60.36	57.78	61.83
Puerto Bolivar	40.56	46.33	42.60	39.62	41.34
Hampton Roads	35.55	39.87	37.04	34.48	38.75
Maracaibo	58.45	57.52	60.16	56.95	59.28

Rate calculations based on a panamax Namura 2000, daily hire \$63,770. Daily Hire provided by: Barry Rogliano Salles. For more freight rates and indices visit www.axsmarine.com

BALTIC TANKER INDICES 18 June 2008

INDEX		
Baltic Clean Tanker Index	1,505	+1
Baltic Dirty Tanker Index	2,058	+21

For more information on routes or calculations, visit www.balticexchange.com

IMAREX TANKER FUTURES 18 June 2008

	Q3 08	Q4 08	Cal 09
TD3 (VLCC AG/IP)	173.00	170.00	100.38
Q3 08	191.33	193.00	125.50
TD5 (Suez Wafr/USAC)	191.33	193.00	125.50
Q3 08	177.00	192.00	130.00
TD7 (Afra X Nsea)			

All prices shown in Worldscale. For more information please visit www.imarex.com

OIL PHYSICAL

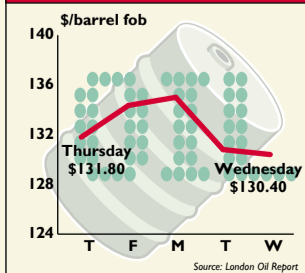
	(\$/bbl fob)
Brent (physical)	130.40
21-day Aug	132.90
21-day Sep	133.70
WTI Aug	133.10
WTI Sep	133.70

PRODUCTS (\$/mt CIF ARA)

Premium Gasoline	1123-1139
15%	
Gasoil (EC)	1216.25-1218.25
Heavy Fuel (3.5%)	590-595
Naphtha	1088-1091

Source: ICIS Pricing Date: June 18, 2008

OIL Brent Crude physical 1700GNT



CLEAN

- Middle East Gulf to Japan — *Torinia*, 75,000t, Jul 10. (Shell)
- UAE to UAE — *Cancale Star*, 60,000t, \$350,000 lumpsum Jun 18. (Adnaco)
- Black Sea to Mediterranean — *Breeze A*, 30,000t, W370, Jun 25. (Gazprom)
- US West Coast to Chile — *Targate*, 38,000t, \$1,500,000 lumpsum Jun 20. (Shell)
- Caribbean to east coast Canada — *St Pauli*, 38,000t, \$425,000 lumpsum Jun 17. (Valero)
- Mediterranean to US Atlantic coast — *New York Star*, 60,000t, W280, Jun 25. (Equistar)
- Turkey to Middle East Gulf — *High Presence*, 37,000t, \$1,600,000 lumpsum Jun 21. (Litasco)
- Yanbu to Spanish Med — *Jag Pahel*, 33,000t, \$1,225,000 lumpsum Jun 28. (Cepsa)



- Continent to US Atlantic coast — *Indigo Point*, 37,000t, W340, Jun 28. (Morgan Stanley)
- UK Continent to West Africa — *Maersk Kalea*, 33,000t, W390, Jun 18. (Charterer not reported)
- Fawley to Morocco — *Torm Platte*, 36,000t, W365, Jun 22. (Bbnaf)
- UK Continent to US Atlantic coast — *Overseas Rimar*, 37,000t, Jun 25. (Charterer not reported)
- US Gulf to Peru — *Usma*, 38,000t, \$1,800,000 lumpsum Jun 17. (AOT)
- Algeiras to Mediterranean — *Seabass*, 25,000t, Jun 17. (Cepsa)

BUNKERS

DIRTY
Kharg to west coast India — *Ocean Emerald*, 130,000t, W190, Jul 7. (IOC)
Middle East Gulf to S Korea — *Front Lady*, 263,000t, Jul 5. (SK Corp)
Baltic to UK Continent — *Baltic Champion*, 30,000t, Jun 25. (IPP)
Novorossiysk to UK Continent — *Nataly*, 130,000t, Jun 24. (Ursa)
Cpc Novorossiysk to UK Continent — *Vladimir Tikhonov*,

- 135,000t, Jun 22. (Chevron)
- Odessa to US Atlantic Coast — *Aegean Blue*, 130,000t, W255, Jun 25. (Shell)
- Libya to US Gulf — *Artemis*, 50,000t, W330, Jun 22. (Valero)
- Taranto to Mediterranean — *Theodoros Iv*, 30,000t, W242.5, Jun 24. (Shell)
- Alexandria to Mediterranean — *Favola*, 30,000t, W245, Jun 23. (Shell)
- Ceyhan to east coast Canada — *North Star*, 130,000t, W225, Jul 4. (Irving)
- Kawasaki to Ulsan — *St Katharinen*, 40,000t, \$412,500 lumpsum Jul 11. (Mitsui)
- Singapore to Thailand — *Moscow University*, 80,000t, Jun 19. (Clearlake Shipping)
- Whitegate to Pembroke — *Fresia*, 30,000t, Jun 19. (Chevron)
- Sture to UK Continent — *British Kestrel*, 80,000t, W245, Jun 24. (Exxonmobil)
- Fredericia to Kalundborg — *Lundqvist* vessel to be nominated, 80,000t, W275, Jun 25. (Statoil)
- West Africa to China — *Ramlah*, 260,000t, W160, Jul 17. (Sinochem)
- West Africa to US Gulf — *Genmar Argus*, 130,000t, W215, Jul 10. (Shell)
- West coast Mexico to US Gulf — *Sks Tana*, 70,000t, W325, Jun 23. (Exxonmobil)
- Arzew to US Gulf — *Hellespont Trader*, 130,000t, W215, Jul 4. (Valero)