

Small chemical tankers 'best placed for recovery'

Low number of new tankers scheduled for delivery in 2009

Michelle Wiese Bockmann

A NEWBUILDING orderbook of just 25 vessels could see owners of smaller chemical tankers best positioned for any rates recovery in the sector.

The global fleet of chemical tankers of under 5,000 dwt numbers 584, totalling 1.8m dwt, with an average age of 15 years. Most tankers are deployed in coastal and regional trades, with about half of all capacity based in the Pacific region and the remainder in Europe.

Newbuildings for chemical tankers below 5,000 dwt equate to just 5.8% of the existing sized fleet, according to analysis from DVB Group's Research & Strategic Planning shipping division.

Twenty of these newbuildings are scheduled for delivery in 2009. Ten tankers have already been scrapped this year. "This implies that conditional upon signs of a revival in demand, the market should be able to accommodate the orderbook much faster relatively to the larger, over-tonnaged chemical sub-sectors," the DVB report said.

"We expect the regional markets of Europe and the Pacific Rim are those markets that will first witness a pick-up in activity when the global market rebounds."

However, DVB does not expect "any meaningful revival in small chemical tanker trades before the end of this year".

Last quarter a new chemical tanker was delivered into the global fleet every third day, exacerbating overtonnaging for deep sea transportation as vegoil and chemical cargoes contracted sharply.



The 4,711 dwt combined chemical and oil tanker Patricia Essberger: small chemical tankers have been hit hard.

But the small chemical tanker fleet, which represents just 5% of the overall pure chemical tanker fleet of 39.3m dwt, does not face the same delivery dilemma.

The largest owner in this sub-sector is Hamburg-based Essberger Tankers, with 10 vessels. A company spokesman said its fleet of small chemical tankers had been hit hard, with "significant falls" in petrochemical and vegetable oil cargoes volumes over the last six months. There was also very little business on the spot market, he said. "The vast majority of what we do is contract, so we don't have as big

exposure to the spot market as other people have, where we do note that there's significant reductions in volumes, so this is protecting us." Nevertheless, he said: "When volumes go down and you have ships there and there's no spot market it can be a bit nasty as well, but we are not as exposed as some others."

Rates in regional sea trades to transport easychems had fallen by a third since the third quarter of 2008, according to DVB, to average \$24.57 per tonne for the first three months of 2009.

In Europe, major chemical cargoes

transported on small chemical tankers included phenol, benzene, luboil products, chlorinated solvents and specialised products such as fatty acids.

Most of the 250 vessels trading in the region were classified to trade in pure chemical cargoes such as styrene, xylene and easychems, and 49 for vegoil trades and least hazardous cargoes. Only one was classified for the most hazardous cargoes such as chlorosulphonic acid.

About two-thirds of Pacific-based tonnage is classified to trade in pure chemical cargoes, and the rest in vegoil trades.

Tankers

Melting ice waters down Aframax rates in the Baltic

AFRAMAX earnings from the Baltic Sea have halved over the last week as charterers took advantage of the growing list of available tonnage in the Russian port of Primorsk, writes Liz McCarthy.

With no ice-class restrictions now that the weather has improved, the number of ships looking for business grew late last week. With very little fresh inquiry, rates were bound to fall, said one London broker.

Greek shipping group Minerva Marine had a number of vessels available in Primorsk for early May loading dates and simply needed to fix its tankers, the broker added. With a handful of other owners making offers on available cargoes, Minerva drove the price down, accepting low rates just to get its ships trading.

Dutch oil major Shell took the 103,755 dwt, 2004-built Minerva Lisa for a trip loading in Primorsk on May 5, with discharge in the UK Continent for W50. Norwegian-based Statoil reportedly fixed the 116,779 dwt, 2007-built Minerva Libra for the same route, also at W50. Minerva still had at least one other ship available in the Baltic yesterday, brokers said.

Geneva-based broker Riverlake Shipping dropped its Baltic-UK Continent route rate, shipping 100,000-tonne crude cargoes from Primorsk to Wilhelmshaven, to W50, or \$5,450 per day. This was less than half of last week's earnings on the route of \$12,930 per day.

"I can't see it plummeting below W50 though, but maybe I'm being optimistic," said the London broker.

North Sea rates also fell, in response to the fall in the Baltic Sea market.

Cypriot energy group Mercuria fixed the 109,030 dwt, 1999-built Seapride 1 to load an 80,000-tonne cargo at Hound Point on May 4 and discharge in the UK, for W65. By comparison, ships were being fixed at nearly W80 a week ago.

London brokerage SSY said ships fixed at W65 in the North Sea were achieving time charter equivalent earnings of just \$1,300 per day. In contrast, Riverlake Shipping's earnings for the same rate were around \$6,600 per day.

In the Mediterranean, rates appeared to have stabilised at a flat level of W65, or \$9,750 per day, according to Riverlake.

ICAP Shipping said: "Business remains flat, with a quiet start to the week, with a low level of inquiry." This lack of activity was likely to drive rates down later in the week though, said other brokers.

"There's been reports that things are coming off a bit. It's still W65 for a prompt replacement vessel but for a normal voyage you'd be able to get away with less now," said one broker.

"If I was a charterer, I'd leave it a couple of days, wait for [the market] to run out of steam until there's a decent amount of tonnage and try to break below W60."

In the Black Sea, ships were still commanding a five-point premium and were fixing at W70, or around \$8,900 per day.

Oil company Petraco took the 105,522 dwt, 2005-built Star Lady for a trip loading in Novorossiysk in Russia, and discharging in the Mediterranean, for W70.

Gasoline fuels a brief lift for clean tanker paper

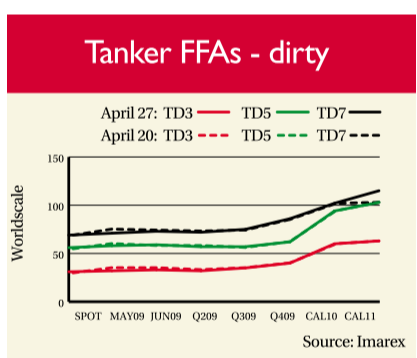
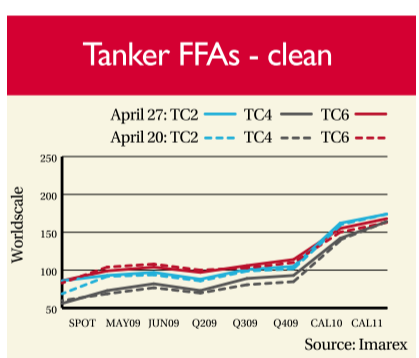
A BOOST in spot rates for medium range tankers transporting gasoline from Europe to the US provided one of the few weekly high points for paper traders, writes Michelle Wiese Bockmann.

Gains were seen in the value of May and June contracts for clean tanker paper on key routes, after rates in the physical market finally edged up from 10-year lows.

Until then, rates had remained at rock-bottom levels for most of March, and the lack of volatility had provided few derivatives trading opportunities, keeping volumes low.

Rates finally began to improve over the last week, allowing paper contract values to also rise. Yesterday, cooling sentiment, amid poor levels of inquiry to charter MR and long range one tonnage, eroded most of the gains, brokers reported.

The TC2 contract was one the busiest over the last week. The contract is settled against the Baltic Exchange's TC2 index, covering 37,000 tonnes of gasoline trans-



ported by MR tanker from Rotterdam to New York. May contracts were yesterday valued at W91, and June contracts at W95. That compared with W94 and W100 a week ago, brokers said.

There was also some action on the TC5, with paper values rising as spot rates strengthened. The TC5 covers 55,000

tonnes of naphtha transported on LR1 tankers from the Middle East Gulf to Japan.

May contracts rose from W66, or \$6,200 per day, from W61, a week ago, according to tanker derivatives broker, Imarex.

The value of TC5 contracts rose across the forward curve for most of 2009, before

starting to inch downwards again by Tuesday, ahead of the Golden Week holidays in Asia.

"The Japanese have covered their cargoes and fixed their vessels, so the market doesn't expect a lot more upside," said a broker with Imarex.

Paper volumes on the TD3, which covers very large crude carriers transporting crude from the Middle East to Japan, "haven't been that exciting," according to the broker.

Rates there were also "slowly inching down" on the physical market, keeping paper trading opportunities low.

Another London-based tanker derivatives broker said that financial houses were mostly driving activity.

"Shipowners don't seem to be doing too much at all, we are dealing mostly with a lot of the financial houses at the moment," he said.

The broker said the TD3 was valued at W31 for May and W32 for June.

ICAP HANDYMAX INDEX		1,525 (+0) 28 Apr 2009	
ROUTE	28/04/09	27/04/09	
1 Antwerp - Skaw trip Far East	22,250	22,000	
2 Canakkale trip Far East	24,250	24,000	
3 Japan - SK/NOPAC or Australia RV	9,500	9,750	
4 Japan - SK trip Gib - Skaw range	5,750	5,750	
5 Antwerp - Skaw trip US Gulf	9,750	9,750	
6 USC trip Skaw - Passero	22,000	22,000	
Weighted Average	13,594	13,594	

ICAP SUPRAMAX INDEX		2,073 (+12) 28 Apr 2009	
ROUTE	28/04/09	27/04/09	
1 Black Sea to Far East	27,250	27,000	
2 US Gulf to NCSA/Skaw-Passero	25,250	25,000	
3 Far East to Atlantic	6,500	6,500	
4 Australia/India (Pac round)	12,000	12,000	
Average 4TCs	17,750	17,625	

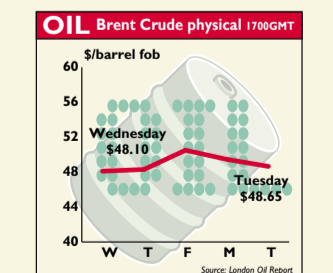
BALTIC TANKER INDICES		28 Apr 2009	
INDEX			
Baltic Clean Tanker Index	386		+5
Baltic Dirty Tanker Index	478		-9

IMAREX TANKER FUTURES		28 Apr 2009	
	Q2 09	Q3 09	Cal 10
TD3 (VLCC MEG/JAPAN)	32.00	35.00	60.00
TD5 (Suez WAF/USAC)	57.33	57.50	94.00
TD7 (Afra Cross-Nsea)	72.17	75.00	102.50

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

OIL PHYSICAL		(\$/bbl fob)	
Brent (physical)		48.65	
21-day June		49.35	
21-day July		50.35	
WTI June		49.10	
WTI July		50.40	

Source: ICIS Pricing Date: Apr 28, 2009



BUNKERS	
COCKETT INDEX	
Apr 28, 2009 1,935.30 (-25.1)	

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

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CLEAN	
Middle East Gulf to Japan - Overseas Mindoro, 55,000t, W51, May 6. (BP)	
Middle East Gulf to Taiwan - River Spring, 75,000t, May 7. (Formosa)	
Middle East Gulf to Japan - Maersk Pelican, 75,000t, W55, May 10. (Daelim)	
Middle East Gulf to Japan - Chrispigi Lady, 55,000t, W59, May 10. (Total)	
Middle East Gulf to W Africa - Pacific Tourmaline, 35,000t, Apr 24. (Charterer not reported)	
Middle East Gulf to UK Continent - British Tenacity, 40,000t, \$700,000 lumpsum May 10. (Cargill)	
Middle East Gulf to Haldia - Formosa Product Alpine, 52,500t, May 7. (Charterer not reported)	
Middle East Gulf to Japan - Marika, 55,000t, W59, May 3. (MBK)	
Middle East Gulf to Japan - River Eternity, 75,000t, W55, May 5. (Marubeni)	
East coast India to Korea - Yasa Ceyhan, 35,000t, May 3. (Charterer not reported)	
Japan to China - Gan-Sabre, 30,000t, Apr 20. (ExxonMobil)	
Japan to Singapore - vessel to be nominated, 30,000t, \$220,000 lumpsum Apr 23. (Hetc)	
Korea to China - Dai Nam, 30,000t, May 1. (Charterer not reported)	
Dalian to Singapore - Zhu Jiang, 30,000t, \$180,000 lumpsum Apr 27. (China Oil)	
Red Sea to Japan - Orfeas, 55,000t, W50, Apr 23. (Shell)	



Singapore to Hong Kong - Gan-Venture, 30,000t, May 2. (Charterer not reported)
UK Continent to Japan - Ocean Taipan, 75,000t, \$1,500,000 lumpsum May 3. (Clearlake Shpg)
Jamnagar to Japan - Astrea, 75,000t, W56, Apr 21. (Litasco)

DIRTY	
Middle East Gulf to S Korea - Universal Prime, 265,000t, May 5. (Ssangyong)	
Ras Tanura to Mangalore - Sadanand, 90,000t, W45, May 12. (MRPL)	
Middle East Gulf to Thailand - Dynacom vessel to be nominated, 130,000t, W65, May 5. (PTT)	
Bandar Mahshahr to East - Memphis, 80,000t, W67.5, May 18. (IPG)	
Bandar Mahshahr to East - Elli, 80,000t, W65, May 5. (IPG)	
Middle East Gulf to US west coast - Marjan, 275,000t, W40, May 7. (Chevron)	
Middle East Gulf to South Africa - C. Dream, 265,000t, W35, May 9. (Chevron)	

Middle East Gulf to China - Sanko Unity, 265,000t, W30.5, May 5. (Zhuhai Zhenrong)
Pujairah to East - Genie, 80,000t, W72.5, Apr 30. (IOO)
Black Sea to Mediterranean - King Eric, 30,000t, W105, May 1. (Total)
Libya to Mediterranean - Karela Spirit, 80,000t, W65, May 5. (BP)
East coast Mexico to US Gulf - Sanko Commander, 50,000t, W85, Apr 29. (Cigo)
Ceyhan Terminal to Mediterranean - Seafairth II, 80,000t, May 3. (BP)
Ceyhan Terminal to Mediterranean - Maersk Producer, 80,000t, W65, May 2. (Litasco)
Karimun to Singapore - Norient Saturn, 30,000t, Apr 30. (ExxonMobil)
Indonesia to Australia - Sanko Quality, 80,000t, W56, May 2. (Chevron)
North Sea to East - Kazimah III, 260,000t, May 20. (Clearlake Shpg)
W Africa to Brazil - Meltemi, 130,000t, W57.5, May 23. (Petrobras)
W Africa to US Gulf - Astro Capricorn, 260,000t, May 20. (Charterer not reported)
Yoho Terminal to Cochín - South Sea, 130,000t, \$2,175,000 lumpsum May 12. (BPCL)

TIME CHARTERS	
Atlantic Diana (2007 built, 47000 dwt), time charter 1 year \$16,000 daily (Reliance)	
Atlantic Blue (2007 built, 46,600 dwt), time charter 1 year \$16,000 daily (Reliance)	