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# MARKET FOCUS



**REFINERIES:**  
 Higher world oil consumption coupled with limited capacity spells increased trade.

Photo: Reuters

# Products prosperity

Shipping financier DVB Group says limited refining capacity in some major markets will present a healthy prospect for products-tanker owners.

Geoff Garfield

London

Owners of products tankers should be living high off the hog for some time despite the armada of newbuildings set to join the fleet.

A less conspicuous trend is the growing presence of oil traders as disponent owners, says a new report.

It is estimated that they control around 10% of the fleet, privy to stems before the market becomes aware of them.

German-Dutch transport bank and financier DVB Group also includes in its report an interesting top-25 list of world products-tanker owners, some of whom should benefit hugely from the way Hurricane Katrina has whipped up freight rates.

Between them, they control 567 ships of 24.11 million dwt, a substantial proportion of the total global fleet of around 1,600 vessels totalling 69 million dwt. China Shipping Group easily heads the pack.

DVB says higher global-demand growth at a time of limited refining capacity in some major markets "spells increased trade for the products-tanker sector".

This includes the likelihood of products exports from the former Soviet republics into the US adding "favourably to market dynamics".

Interest has already increased in ice-class tankers because of the possibility of Russia exporting products out of refurbished refineries and using its own ports, such as Primorsk, rather than those in Latvia and Lithuania.

DVB's latest Product Tanker Market Outlook states that changing gasoline specifications the world over will also bolster the market, notably environmental legislation demanding lower sulphur. Refineries must either use sweet crude or incorporate costly and time-consuming catalytic converters to process sour crude.

But in the US, which has not built a new refinery since 1976, refiners are reluctant to fund new facilities, citing public resistance, environmental regulations and expected investment returns.

Capacity has been upgraded but a large proportion still can only process sour crude. Refinery growth is expected to be just around 1% for the next two years.

With current US gasoline demand 15% greater than its refin-

## TOP 25 PRODUCTS-TANKER OWNERS

Owner	Vessels	Total dwt	Avg size	Avg age
China Shipping Group	52	1,776,054	34,154	19
Petrobras	34	1,058,646	31,136	17
OSG	33	1,638,498	49,651	11
Latvian Shipping	31	1,035,358	33,398	19
Pertamina	28	824,811	29,457	25
Novoship	26	896,096	34,465	12
MOL	25	1,243,030	49,721	5
Torm	25	1,693,526	67,741	4
Government of China	25	1,082,447	43,297	15
Eletson	24	1,553,180	64,715	10
OMI	24	997,353	41,556	2
AP Moller-Maersk	23	1,214,688	52,812	2
Primorsk	21	765,032	36,430	17
Government of Mexico	20	694,402	34,720	25
Barclay Shipping	20	768,695	38,434	18
Zodiac Maritime	19	920,235	48,433	15
Great Eastern	18	833,916	46,328	16
Schoeller Holdings	17	950,654	55,920	5
Ocean Tankers	17	384,740	22,631	9
Sovcomflot	15	711,319	47,421	4
Vardinoyannis Group	15	688,194	45,879	15
Cosco	14	417,529	29,823	26
Transpetrol	14	877,438	62,674	12
Top Tankers	14	638,149	45,582	12
Seaarland Shipping	13	447,918	34,455	6
<b>Total</b>	<b>567</b>	<b>24,111,908</b>	<b>43,233</b>	<b>13</b>

ing capacity, larger proportions will need to be sourced from Western Europe, says DVB. The impact on the products-tanker trade will be "substantial".

It also raises the possibility of gasoline imports from the Middle East, "an interesting tonnes-mile prospect for tanker owners". US gasoline demand is up 2.2% so far this year and inventories are below their five-year average.

Similarly, the ongoing naphtha

shortage in Europe will see further imports from the Middle East, where various national oil companies are involved in refining projects. Added to this are expectations that Mexico, a net exporter of gasoline, will soon become a net importer.

Meanwhile, China, which along with India has been responsible for much of the world's incremental oil consumption since the 1990s, is expected to grow its

oil imports to nine million barrels per day (bpd) by 2010, from 6.4 million bpd in 2004. But because refining-capacity expansion will fail to keep pace with demand, imports will increasingly involve clean products, says DVB.

The group's research and strategic-planning division points to projections that products-tanker freight rates and vessel values could ease from today's strong levels in the coming years, partly because of the orderbook "armada" of newbuildings.

But DVB says that although the order backlog of 201 handymaxes "appears menacing", it should be noted that 101 ships are already over 20 years old. Of greater concern, are the 177 long-range vessels of over 50,000 dwt on order versus just 50 of more than 20 years of age.

In summary, however, DVB says that despite surging vessel deliveries and a possible economic slowdown, the most likely scenario is a "continued healthy products-tanker market".

As for Hurricane Katrina, DVB says it is too early to say whether events, including the surge in transatlantic rates that saw clean products average an earnings increase of 40% last week, merely represent a short-term spike.

DVB forecasts that for the third and fourth quarters of 2005, the hurricane fallout will simply add upward pressure to an "already buoyant products-tanker market".