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**The (contrasting) prospects
of key energy shipping markets**

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ABSTRACT

2nd International Seminar

"ENERGY AND SHIPPING"

Athens, Wednesday, March 6, 2013

Eugenides Foundation Conference Centre, Faliron, Athens



**INSTITUTE OF ENERGY
FOR SOUTH-EAST EUROPE**



Review / overview of energy shipping

Outlook: supply-demand fundamentals

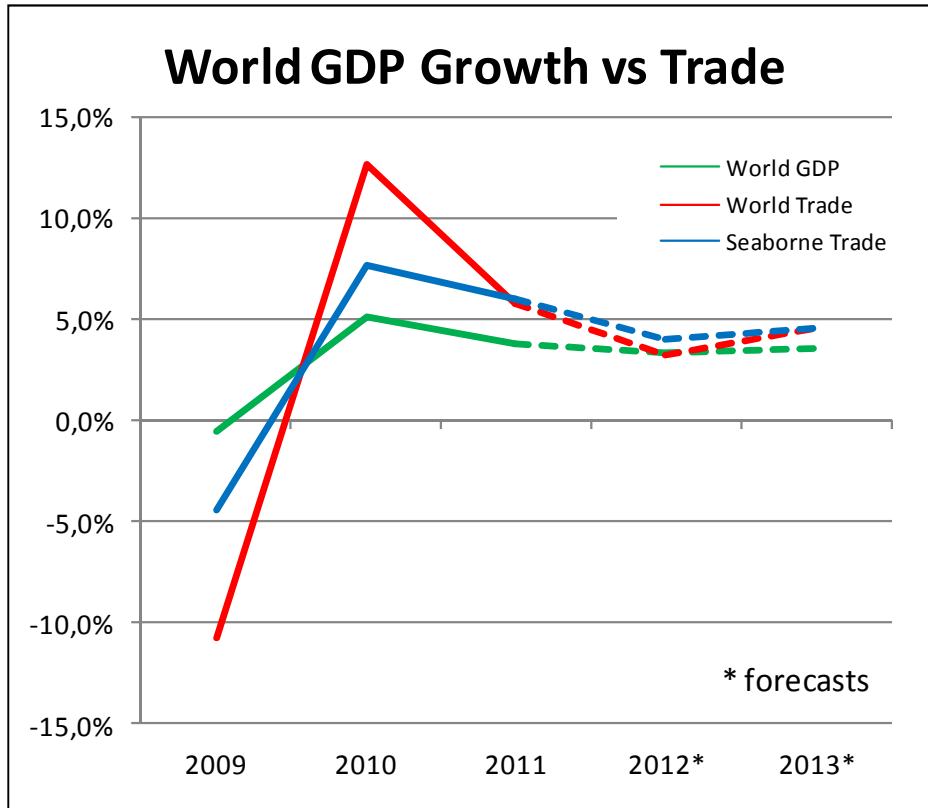
The case of crude oil tankers

The case of LNG tankers

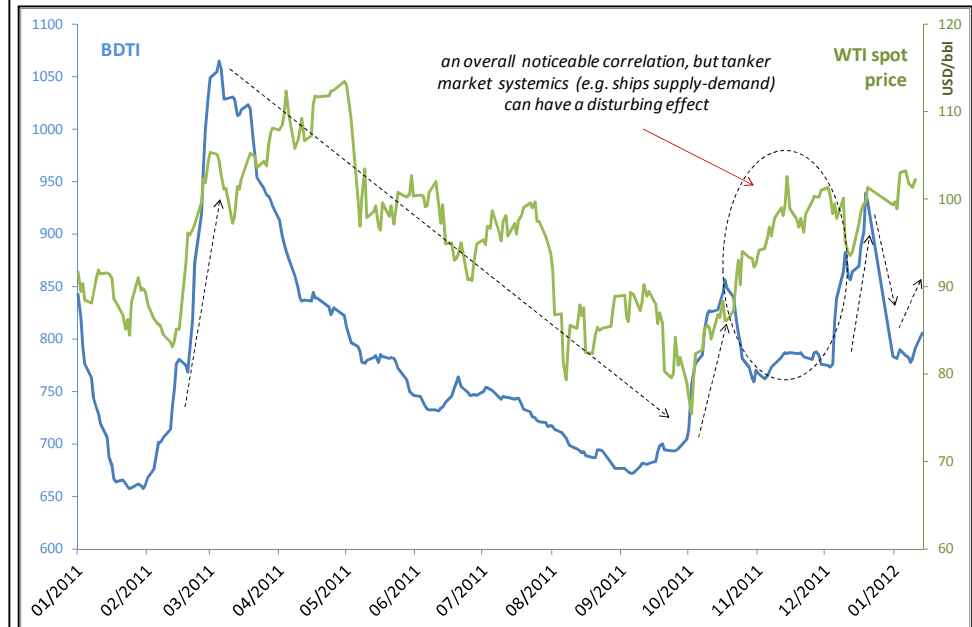
Conclusions



The international dimensions of energy shipping



Shipping rates are relevant to global economic indicators



Main aspects and idiosyncrasies of Oil & Gas shipping

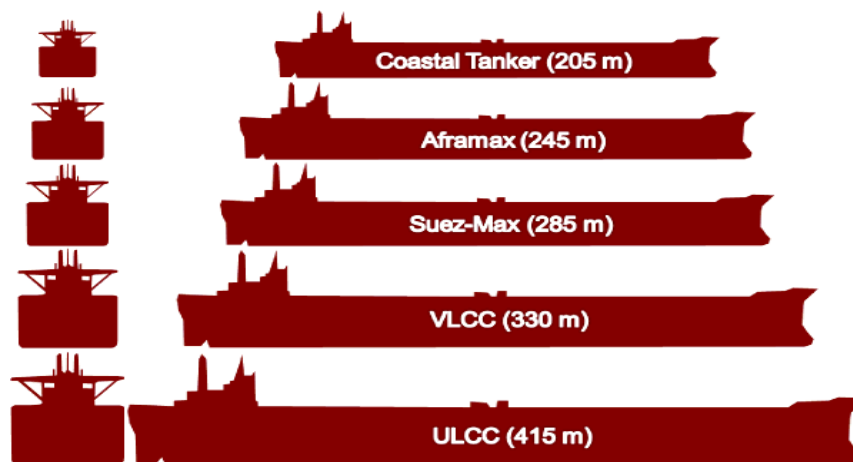
Energy shipping cargoes:

Crude Oil, Products & LPG, Steam Coal, Liquefied Natural Gas

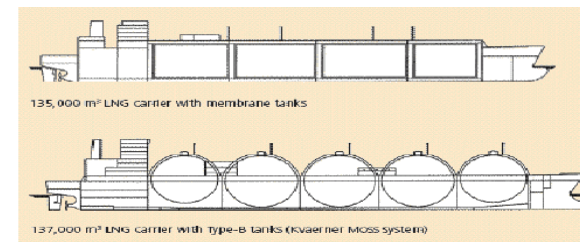
Oil and LNG shipping:

some similarities / many differences

Oil tankers



LNG carriers



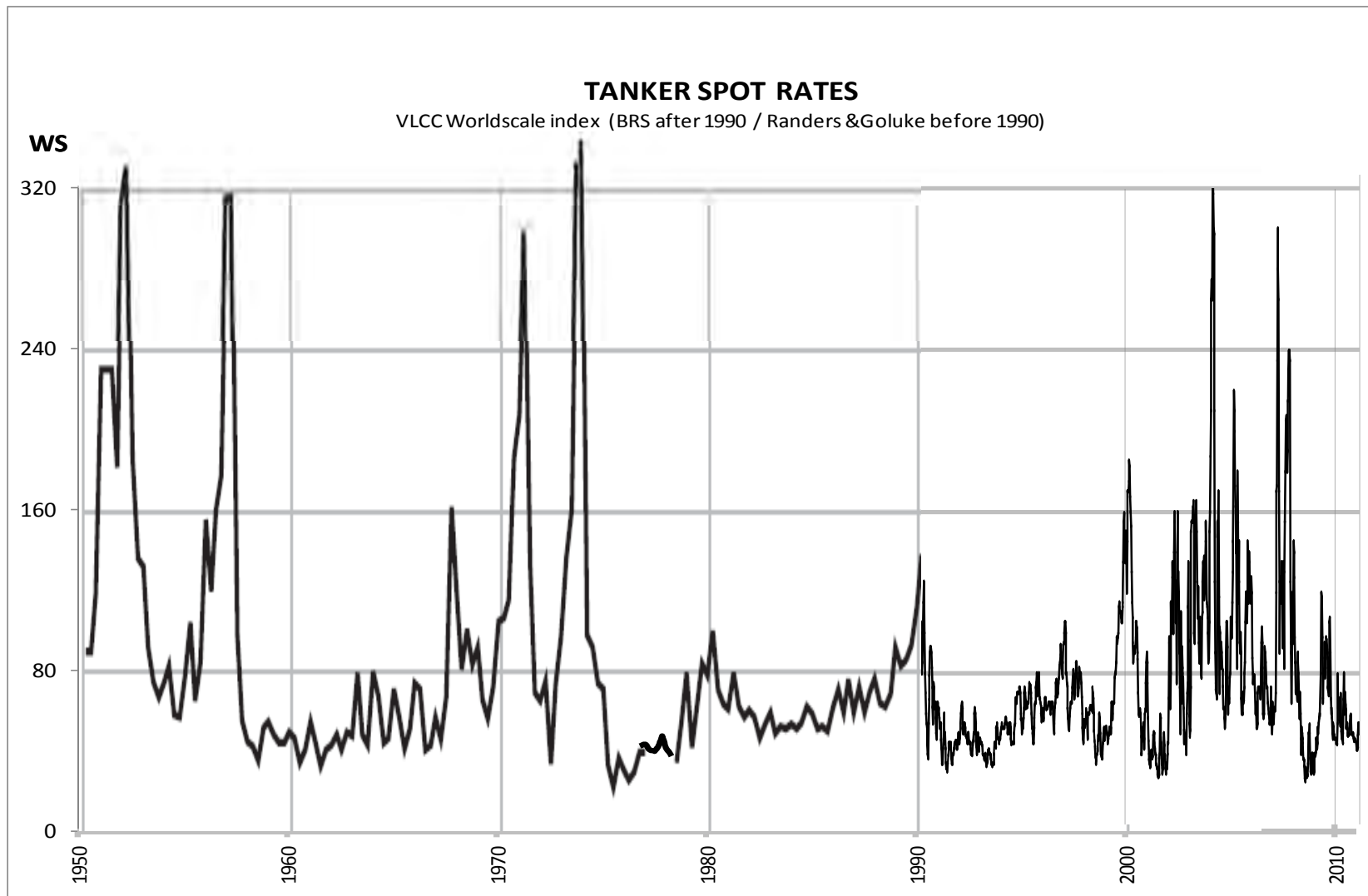
	LOA (m)	Breadth (m)
135k cu.m. membrane	280	43
216k cu.m. membrane	303	50

Source: hofstra.edu



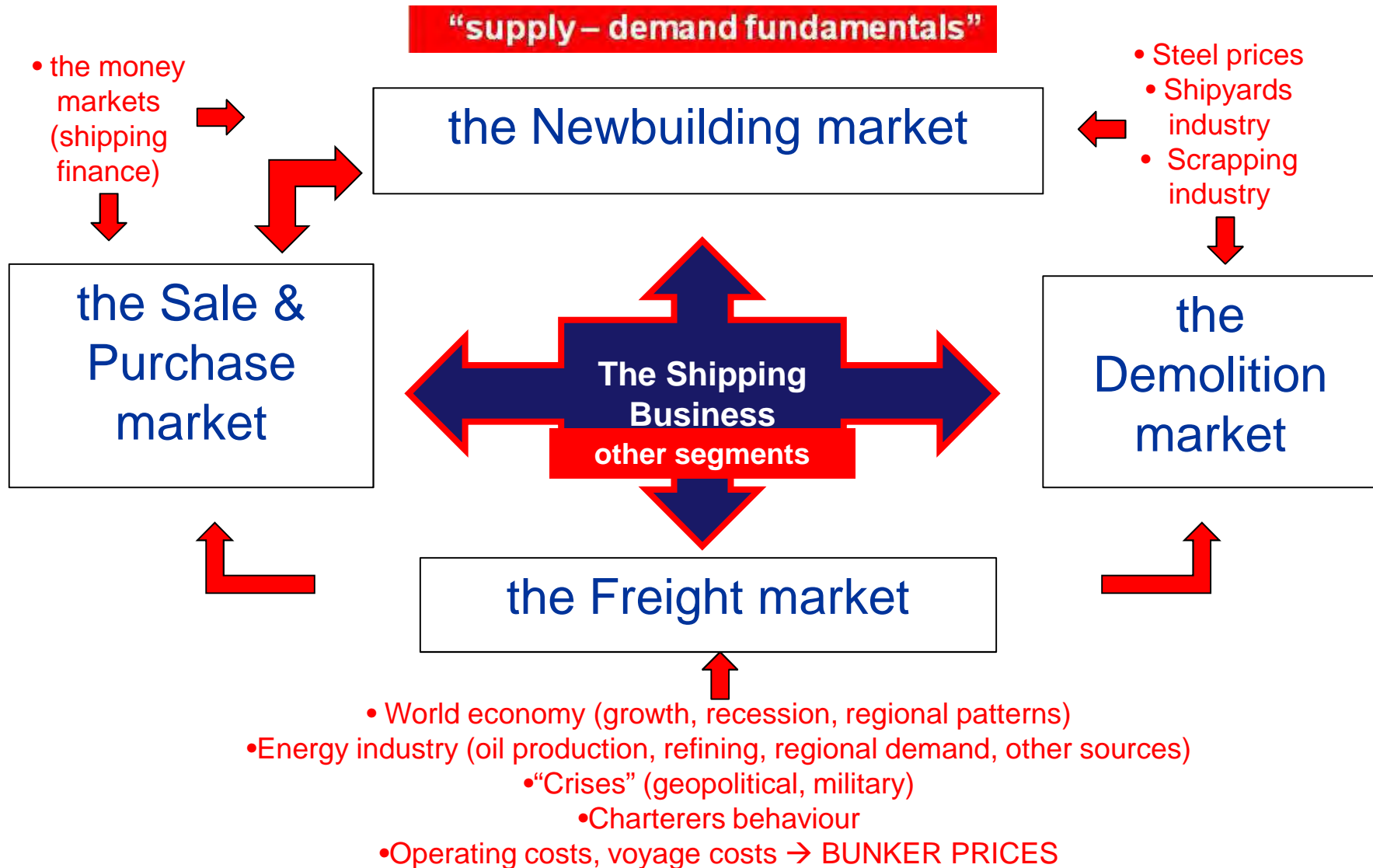
The economics of energy shipping

Shipping, and energy shipping particularly, is a highly **cyclical business**



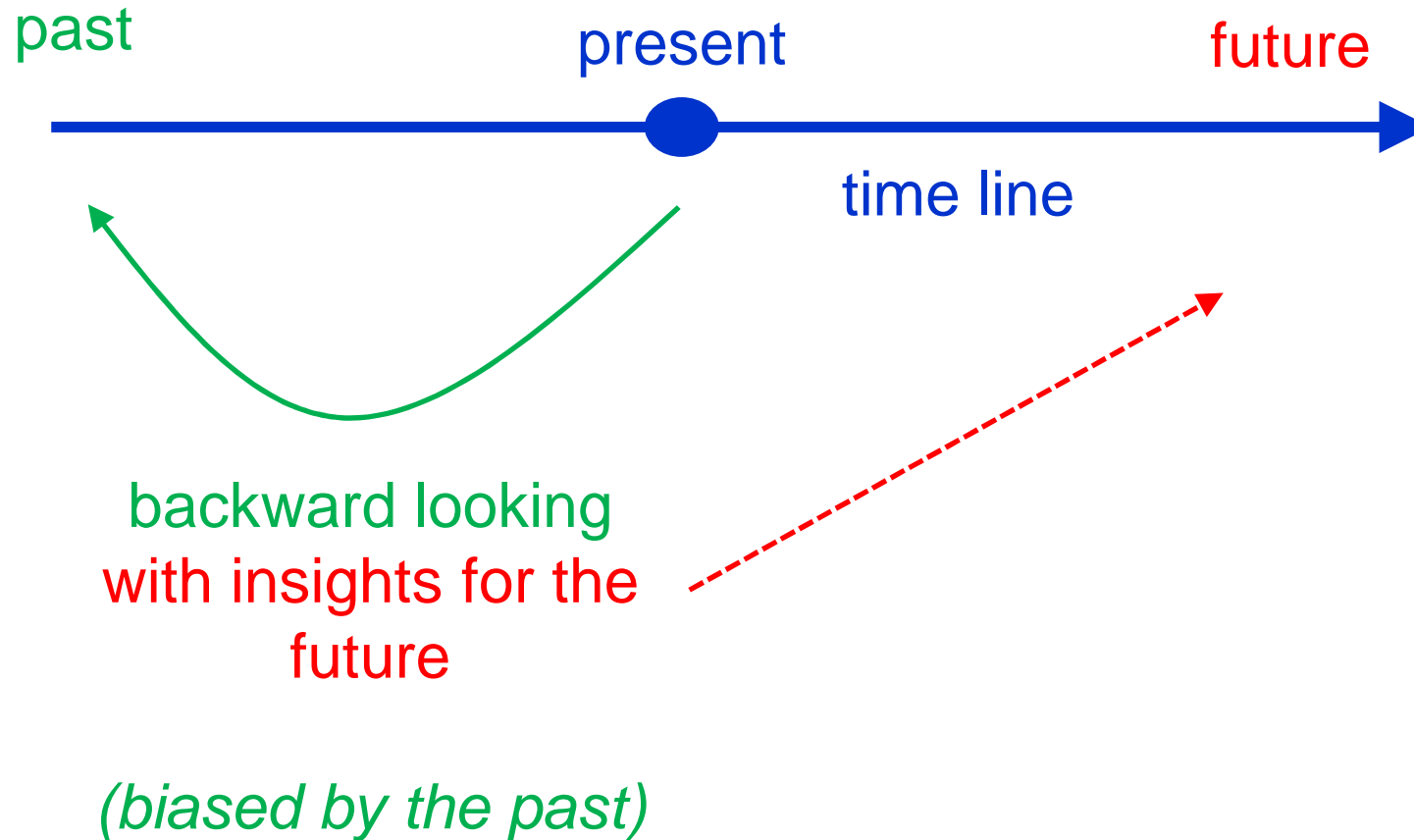
The economics of energy shipping

❖ The mechanisms



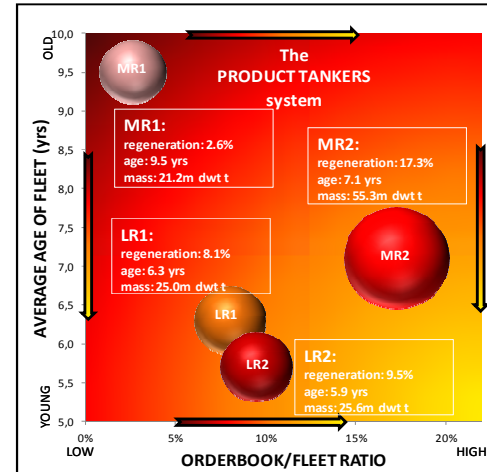
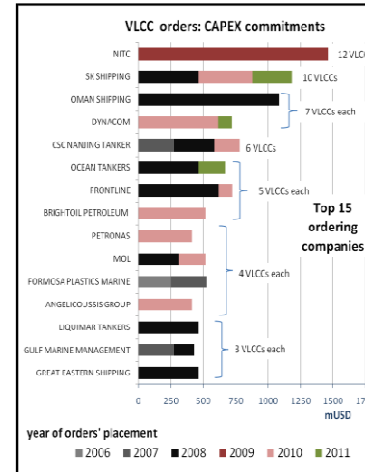
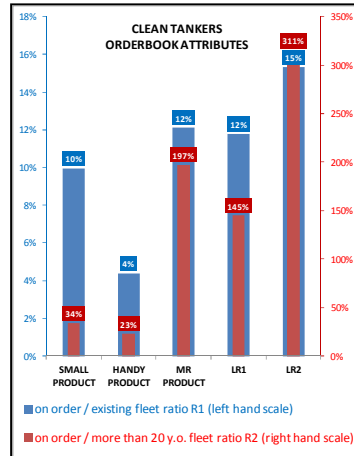
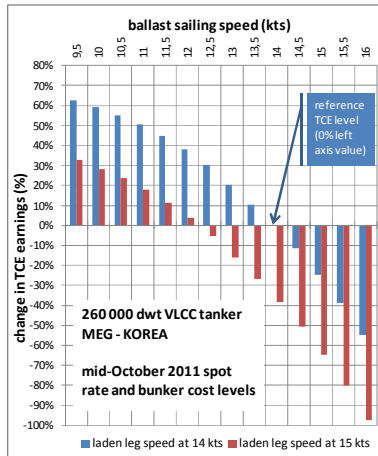
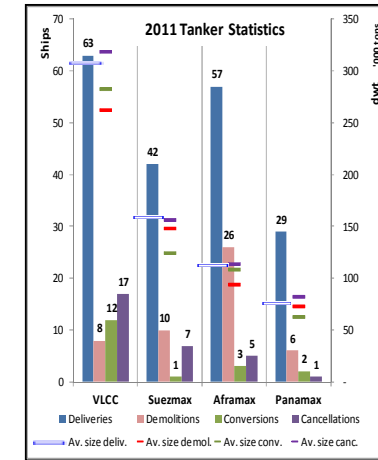
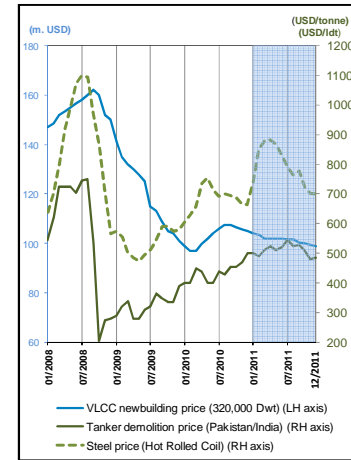
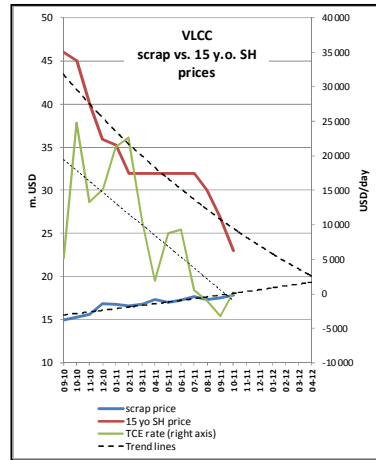
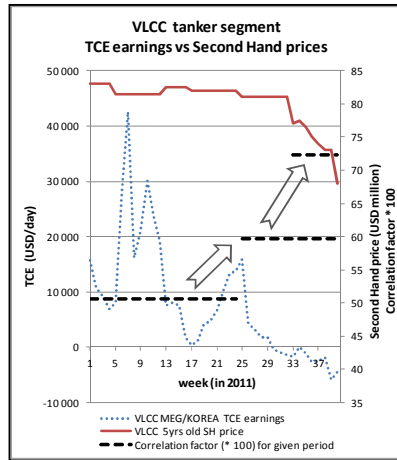


Analysis approaches



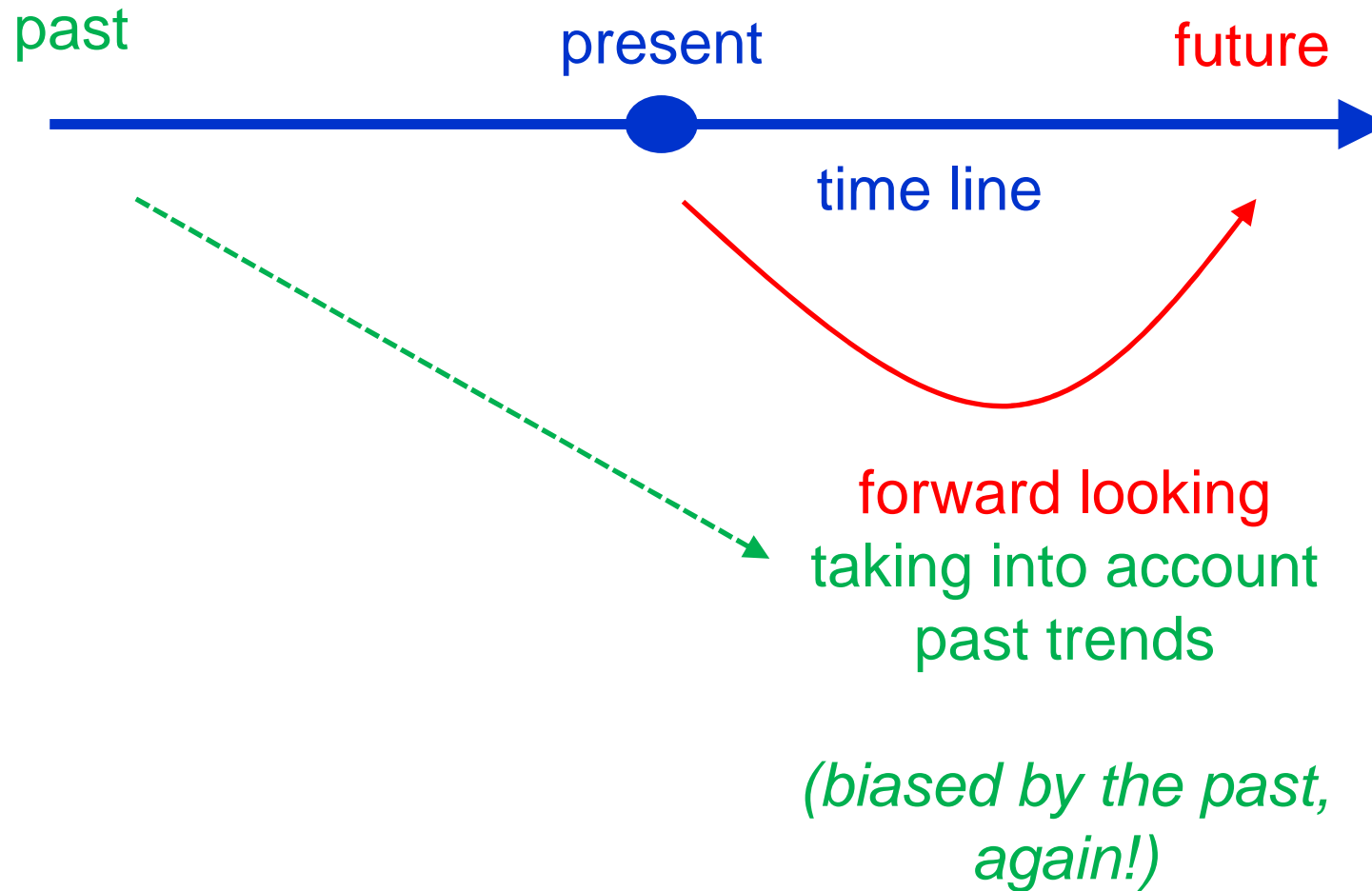


backward looking (last year's presentation!)





forward looking (this year's presentation)





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INPUT DATA

Fleet evolution (supply side)

SUPPLY OF SHIPS

Based on **historical fleet data** and **assumptions for each forecast year** about:

❖ **demolished ships** (a function taking into account deletions of old ships, past years' figures, and the fleet utilisation rate in the previous year)

❖ **new orders** (a function taking into account again past years' figures, and the fleet utilisation rate in the previous year)

❖ **deliveries distribution** profile

❖ **slippage rates**

→ providing us in the end with the **ships' supply per year**



Assumptions for each forecast year include:

- ❖ evolution (% change) of transport volumes per loading – discharging zone

To determine the number of tankers required to meet demand (annually), the following parameters are defined per “typical” tanker:

- ❖ dwt t cargo capacity (DWCC) (and annual evolution), capacity utilisation
- ❖ laden and ballast sailing speeds, operational days / loading - discharging days / canal and other delays
- ❖ laden / ballast sailing miles (ratio) factor (represents the efficiency of the fleet in meeting transport needs, via e.g. triangulation)

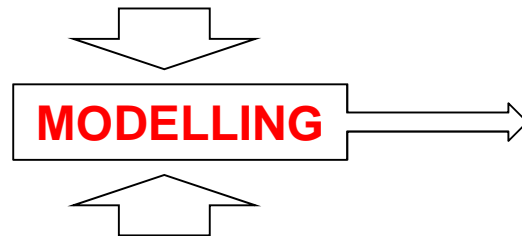
→ in the end we calculate on the demand side (annual basis):

- ❖ required number of (“typical”) tankers to meet demand
- ❖ ton*mile and volume throughput of segment fleet (globally and per zone)

DATA INPUT

SUPPLY OF SHIPS

- Demolition
- New orders
- Deliveries' slippage rates
- ...

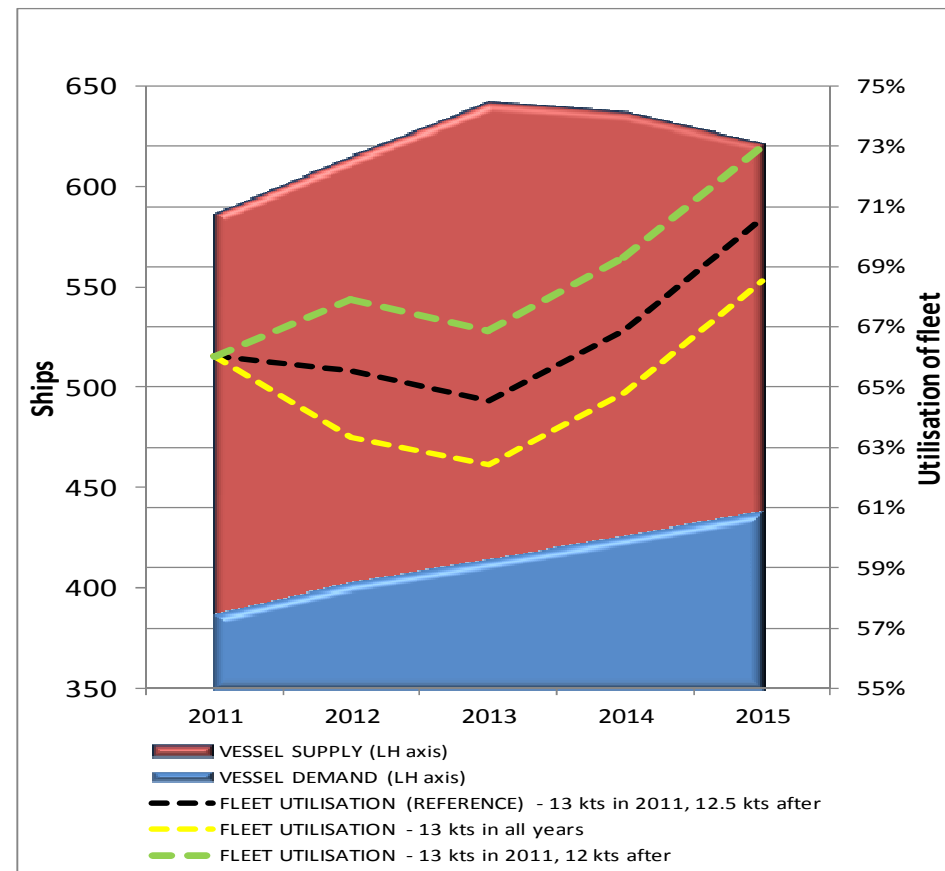


DEMAND FOR SHIPS

- Loading – discharging zones y-o-y growth of transport demand
- Other regional developments (e.g. import-export projects, such as refineries, liquefaction plants,...)
- Tankers' operational parameters (sailing speeds, operational days per year, average cargo size etc.)
- ...

RESULTS

SUPPLY - DEMAND FORECAST SCENARIOS





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VLCCs
& impact of Chinese orders

Suezmaxes
& impact of Panama Canal expansion





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Scenarios based
on current commitments
& potential developments





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CONCLUSIONS

❖ **the prospects of energy shipping markets** are quite diverse

❖ as **examples**, we focused on:

➤ **Crude oil (VLCCs & Suezmaxes):**

- **oversupplied** markets
- **year 2013 should be bottom**
- **recovery driven by Asian demand**, especially after USA's changing fortunes in the oil industry
- **other influencing parameters** (+/- side): e.g. potential massive orders by Chinese interests (VLCCs), Panama Canal expansion (Suezmaxes)

➤ **LNG shipping:**

- the **maritime growth industry** at the moment
- although the **prospects are overall bright**,
- **important decisions still needed**, e.g. fleet utilisation evolution patterns can be instructive for the **chartering policies** of LNG shipping companies

→ **study of supply-demand fundamentals** + translate/project expectations through such analysis lenses, *rather than rely solely on gut feeling...*



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