COUNCIL WORKING PARTY ON SHIPBUILDING

SHIPBUILDING MARKET EXPECTATIONS (TANKER, CONTAINERSHIP AND LNGC)
(Presentation by The Korea Shipbuilders' Association)

This document by The Korea Shipbuilders' Association will be presented at the second session of the Workshop with non-member economies on shipbuilding policies to be held on 18-19 December 2006.

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The Korea Shipbuilders’ Association

Fig 1. Newbuilding Contracting (Tanker)

Newbuilding contracting of tanker will be the highest level this year since 2000 – Owners rushed to order to avoid new CSR requirements.

Source: Clarkson
Fig 2. Newbuilding Delivery (Tanker)

World Shipbuilders are securing sustainable workload until 2009. The spree in newbuilding delivery (especially 2009) will press freight rate downward.

Source: Clarkson

Fig 3. Newbuilding Demand (Trade Increase)

World oil demand will increase at an annual rate of 1.9% (1.7 mil. bpd per annum) until 2011 – driving force of tanker demand. But we have to pay more attention to the trade pattern changes such as increasing output of Non-OPEC (long haul trade).

-Until 2011, 65% of World oil demand increase (10.2 mil. bpd) will be sourced from Non-OPEC.

< World oil demand and supply to 2011 (Mil. bpd) >

Source: IEA
Fig 4. Newbuilding Demand(Replacement)

Single hull tankers – 119.4 mil. dwt – are scheduled to be phase-out basically until 2010 in IMO. The amount of single hull tankers are equivalent to about 3.5 times of delivery volume of 2005. Increasing supply-side pressure can be cushioned by accelerating phase-out.

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>VLCC</th>
<th>SUEZ</th>
<th>AFRA</th>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>102.5(1,375)</td>
<td>44.2(163)</td>
<td>11.3(77)</td>
<td>16.0(169)</td>
<td>30.9(966)</td>
</tr>
</tbody>
</table>

Source: Clarkson

Fig 5. Newbuilding Contracting(Containership)

Newbuilding contracting of containership are exceeding 1.5 mil TEU as of Nov. 2006 – Sustaining high level since 2003.
World shipbuilders are securing the sustainable workload until 2009. The spree in newbuilding delivery (especially 2008) will press freight rate downward.

World port handling volume will be steadily increased—9.4% per annum to 2010 according to Drewry
Ship owner's sound financial status
Effect of Fuel oil tank protection
Fig 8. Newbuilding Demand(Replacement)

HoweRobinson, expects oversupply (0.26 mil TEU) in 2007, (0.23 mil TEU) in 2008.
-80% of total containership (which is over 20 years) is sub-panamax.
Increasing supply-side pressure can be cushioned by accelerating replacement demand.

<table>
<thead>
<tr>
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<th>THOU.TEU</th>
<th>%</th>
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<tbody>
<tr>
<td>SUB-PANAMAX</td>
<td>717.4</td>
<td>86.2</td>
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<tr>
<td>PANAMAX</td>
<td>72.9</td>
<td>8.8</td>
</tr>
<tr>
<td>POST-PANAMAX</td>
<td>41.5</td>
<td>5.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>831.8</td>
<td>100.0</td>
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Source: LLOYD

Fig 9. Newbuilding Contracting(LNGC)

Newbuilding contracting of LNGC are exceeding 6 mil CUM as of Nov. 2006 – Sustaining high level since 2004

Source: Clarkson
Global requirement for clean energy drive LNG balance to be tight until 2010.
- Notwithstanding delay in some projects, new entrants such as USA, CHINA, INDIA, U.K. will be the main sources of incremental transportation demand.

Fig 10. Newbuilding Delivery (LNGC)

Conclusion

- The environment of tanker, containership, and LNGC market is favorable until the early of 2010s.

- Current favorable shipbuilding market might be sustainable in a few years.

- But we have to watch out possible overcapacity to sustain current favorable market.