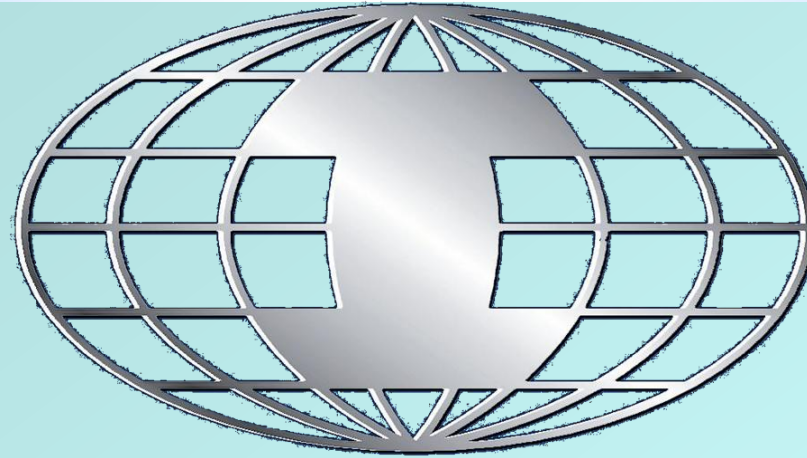




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**The need for tanker orders until 2017
and
some reflections on shipbuilding**

by

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Manager Research and Projects
OECD Working group on Shipbuilding
Paris 3 December 2009



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International Association of Independent Tanker Owners
For safe transport, clean seas, and free competition

A non-governmental organization established in Oslo in 1970 to
represent the interests of tanker operators
at international, regional, national and local levels

Membership
260 Members
45 countries
3,100 tankers
250 million dwt
330 Associate Members

Spokesman – Information service - Meeting place

Oslo - London Washington – Singapore - Brussels



History repeat itself

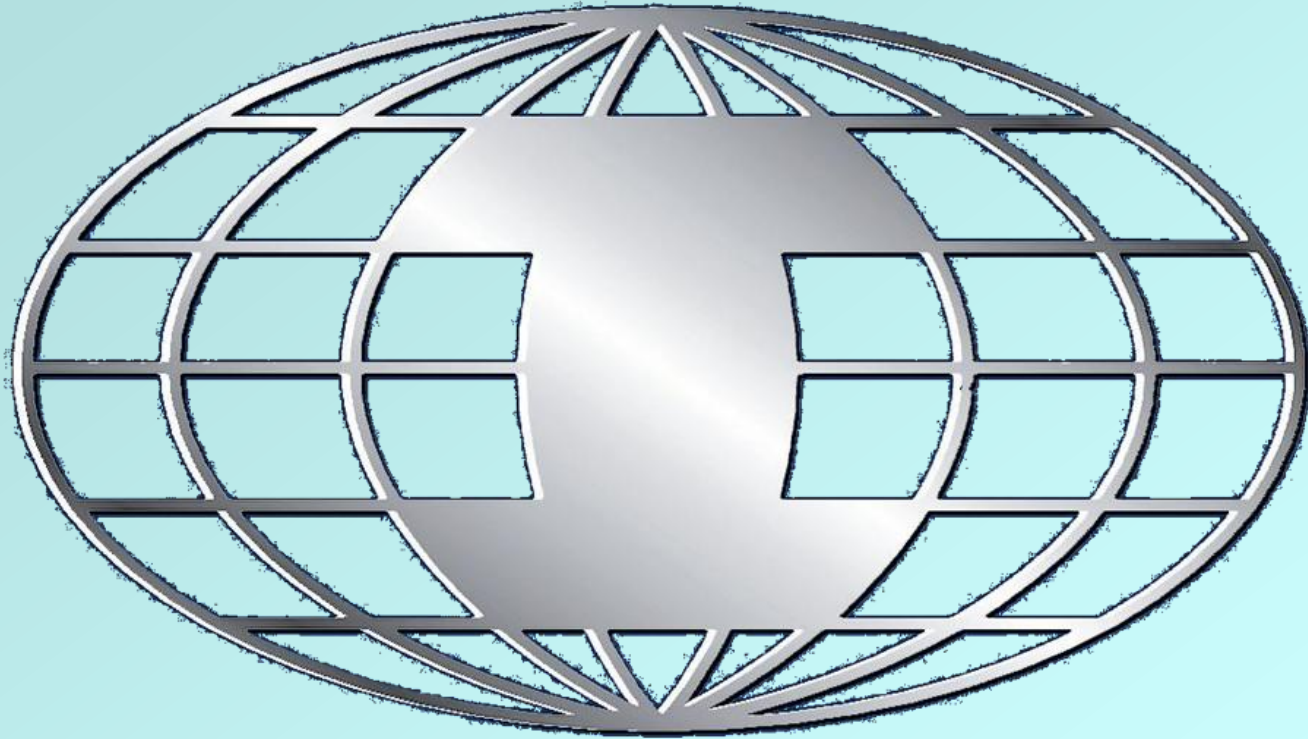
World shipbuilding capacity has to be reduced. The Japanese are not helping the matter by price cutting to keep their yards busy, and there should be more cancellations of remaining tanker deliveries. The banks played a dominant role in financing the problem, they are the ones to help undo it. *The banks should.....recognize that some shipowners – and a lot of shipyards – should be allowed to go bust.* The economist January 1976

During the 1980s more than a hundred shipyards had been closed. South Koreans, the most competitive of all ship yards of the time, had lost \$250 million in 1986. H Clarkson/Martin Stopford

At the end for the day any and *all bills will have to be paid by somebody.* Some shipowners and shipyards may go bankrupt, the losses are – rightly carried firstly by those who made the deal. However, the loss is the loss of the nation as well ..There is a *strong interdependence* between the parties. INTERTANKO 1976



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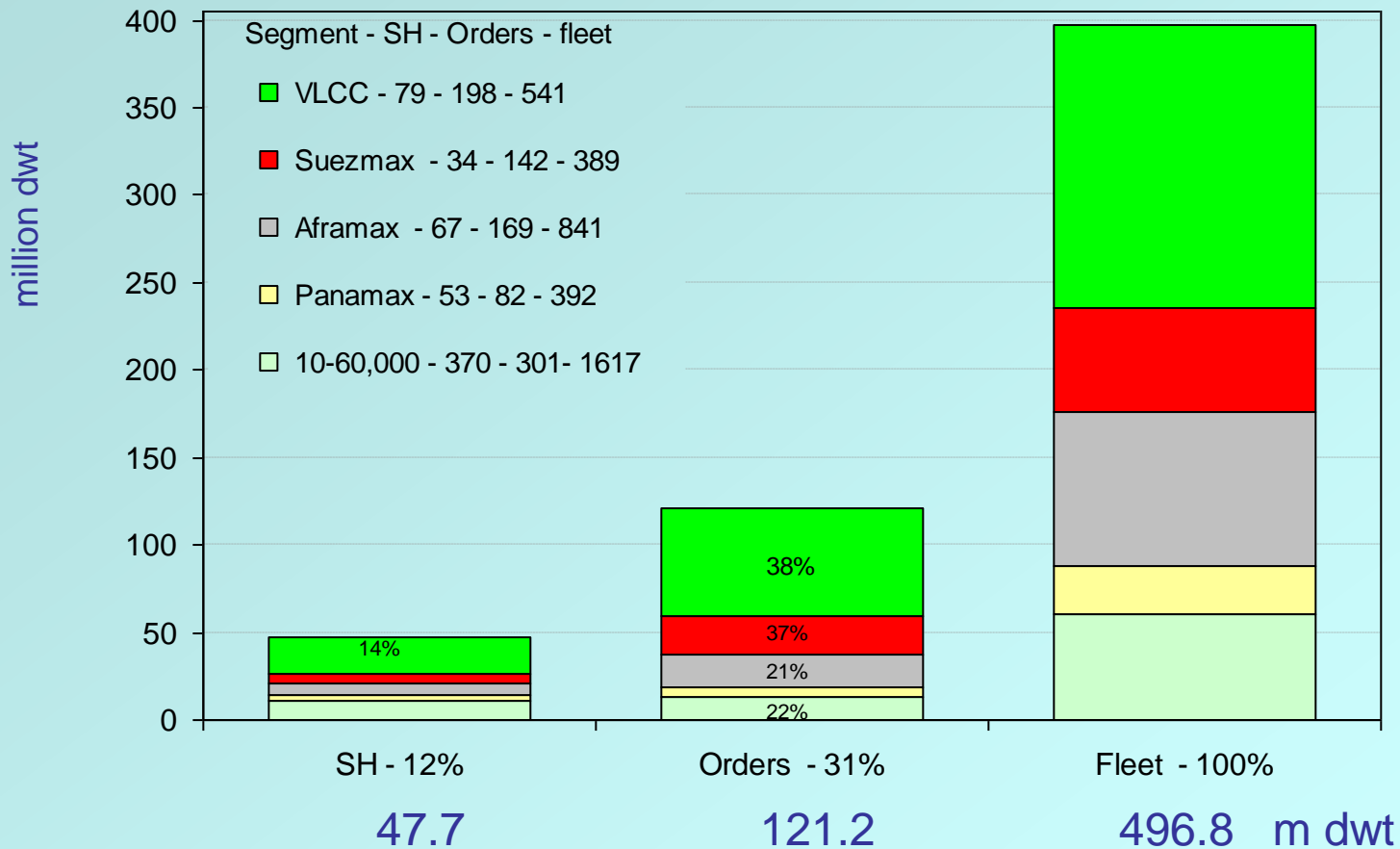


Tanker supply



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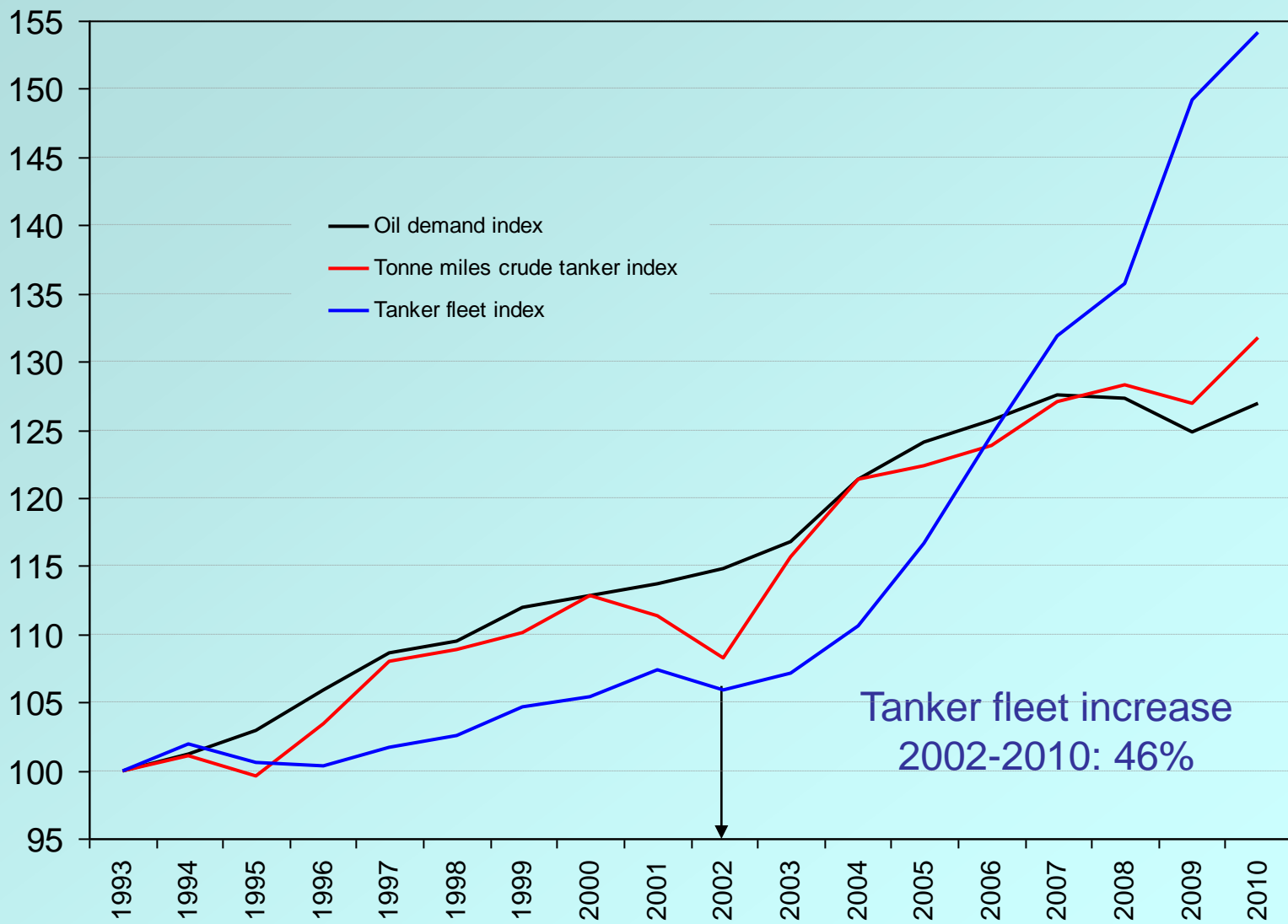
Tanker fleet, orderbook, SH tankers 10,000 dwt +



A young modern fleet: **1 Oct 2009** Average age 9.1 years
90% =<20 years old
79% =<15 years old
67% =<10 years old

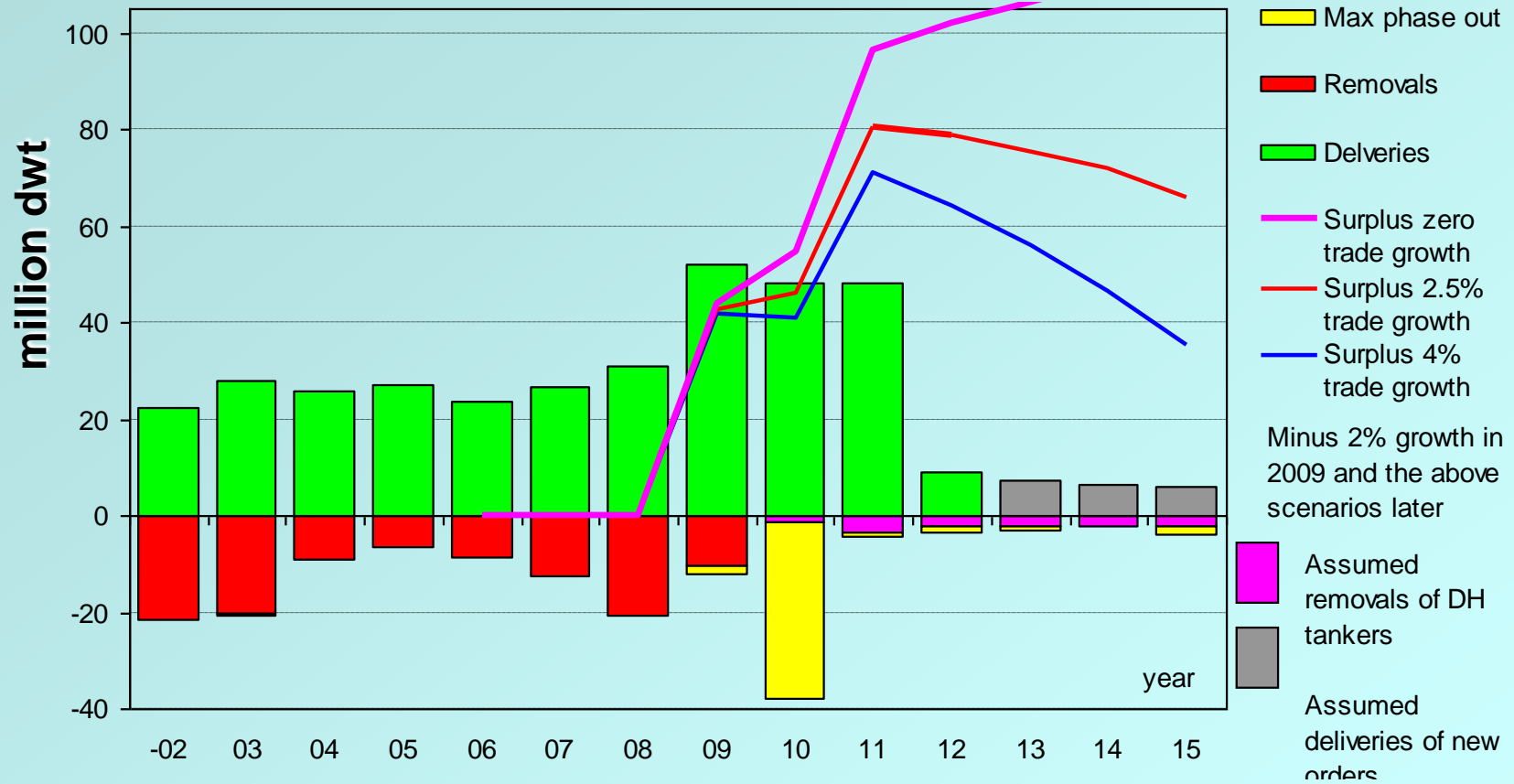


Oil demand, tonne-mile, and tanker fleet indices





Tanker supply



Assumptions:

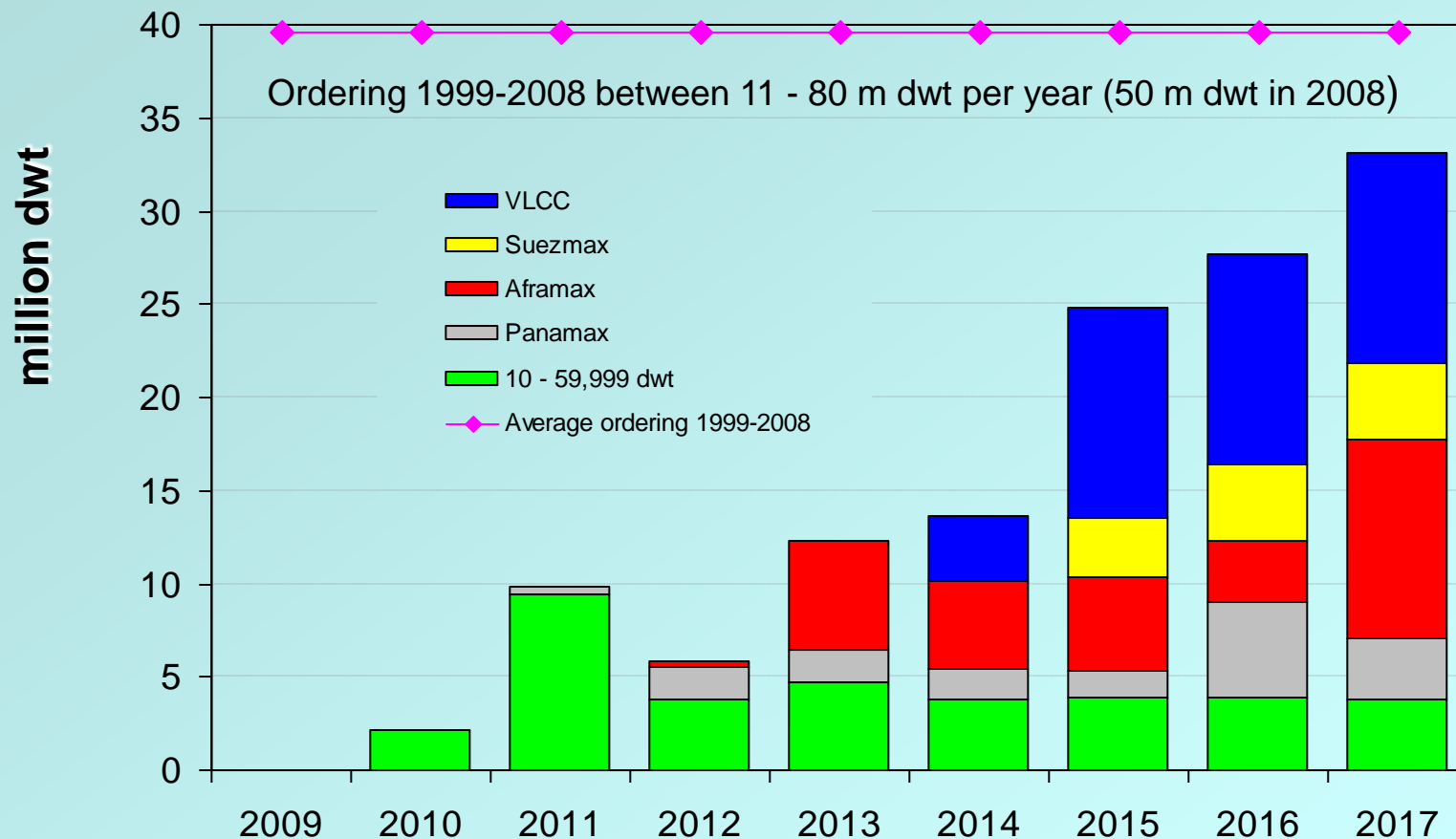
- All SH out by 2010 (questionable)
- Balanced market end 2008 (some slack existed)
- Current orderbook +
- deliveries of 6 m dwt per year 2013-2015
- Scrapping of 2 m dwt DH tankers 2013-2015



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Need for new contracts

assuming 4% increase in demand



Assumptions:

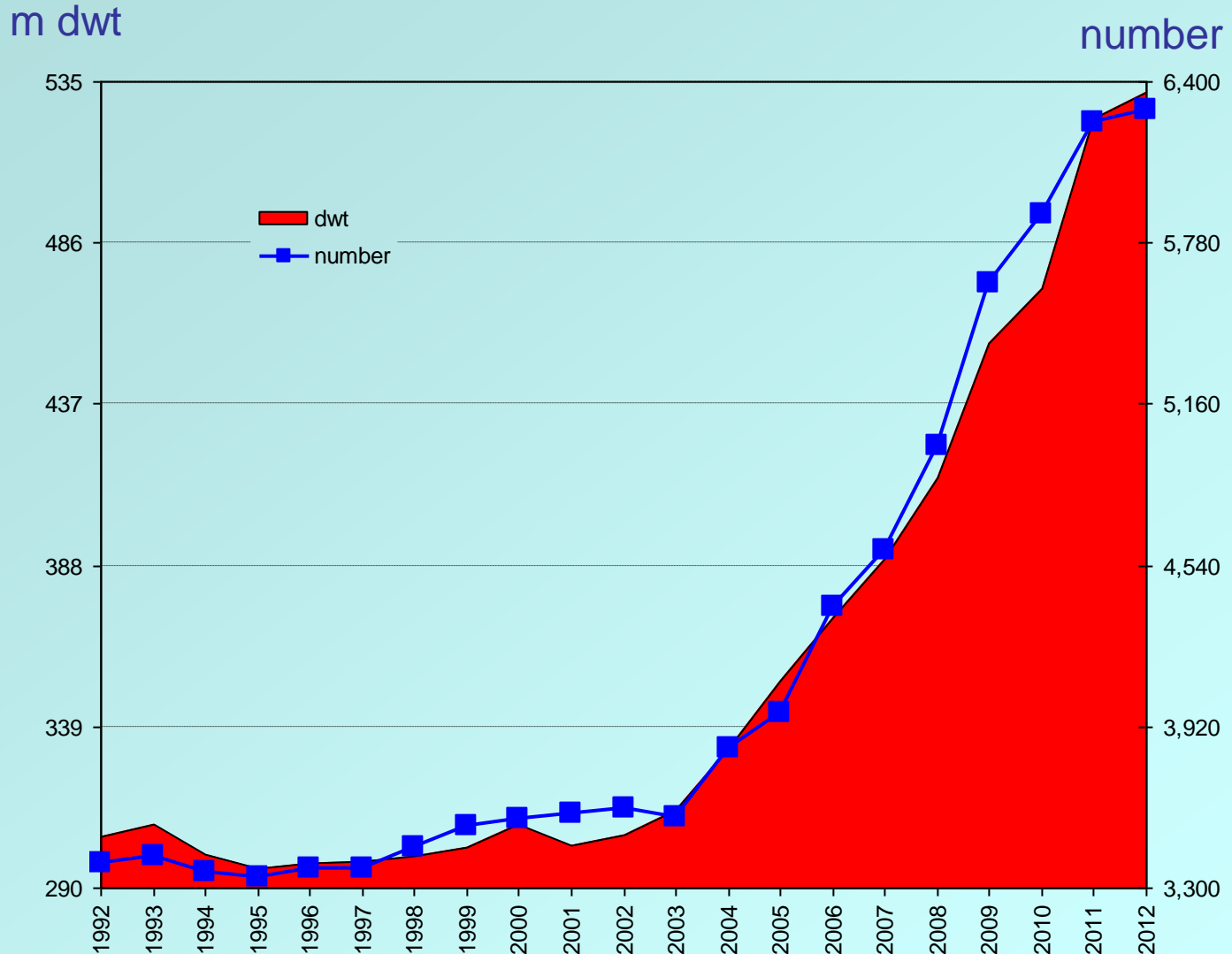
- 2 years lead time from ordering to delivery
- All SH out by 2010 (questionable)
- Balanced market end 2008 (some slack existed)
- Current orderbook
- 24 years life time DH tankers as from 2014/all older cleared by 2013
- 4% increase in demand



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Tanker fleet development

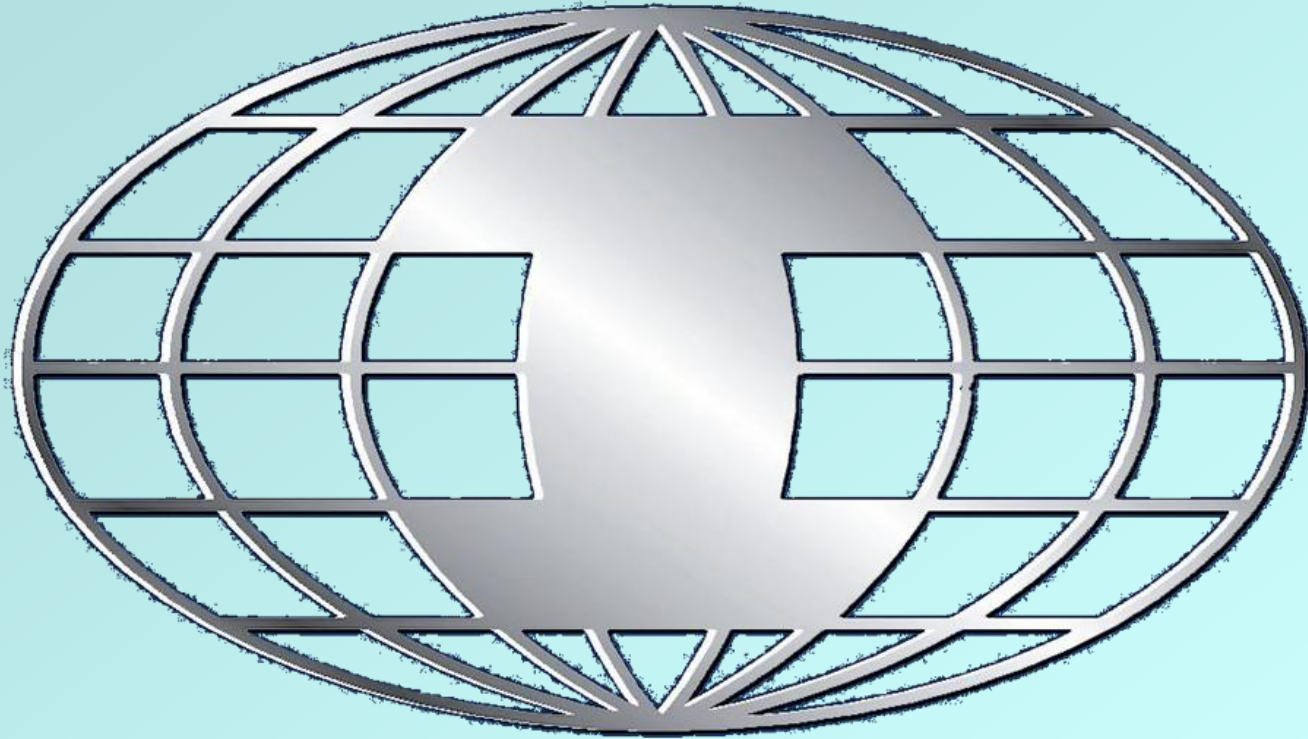
(Assumed max phase out, orderbook March 2009, include chemical tankers)



Tanker fleet increase 2003-2012: 70%

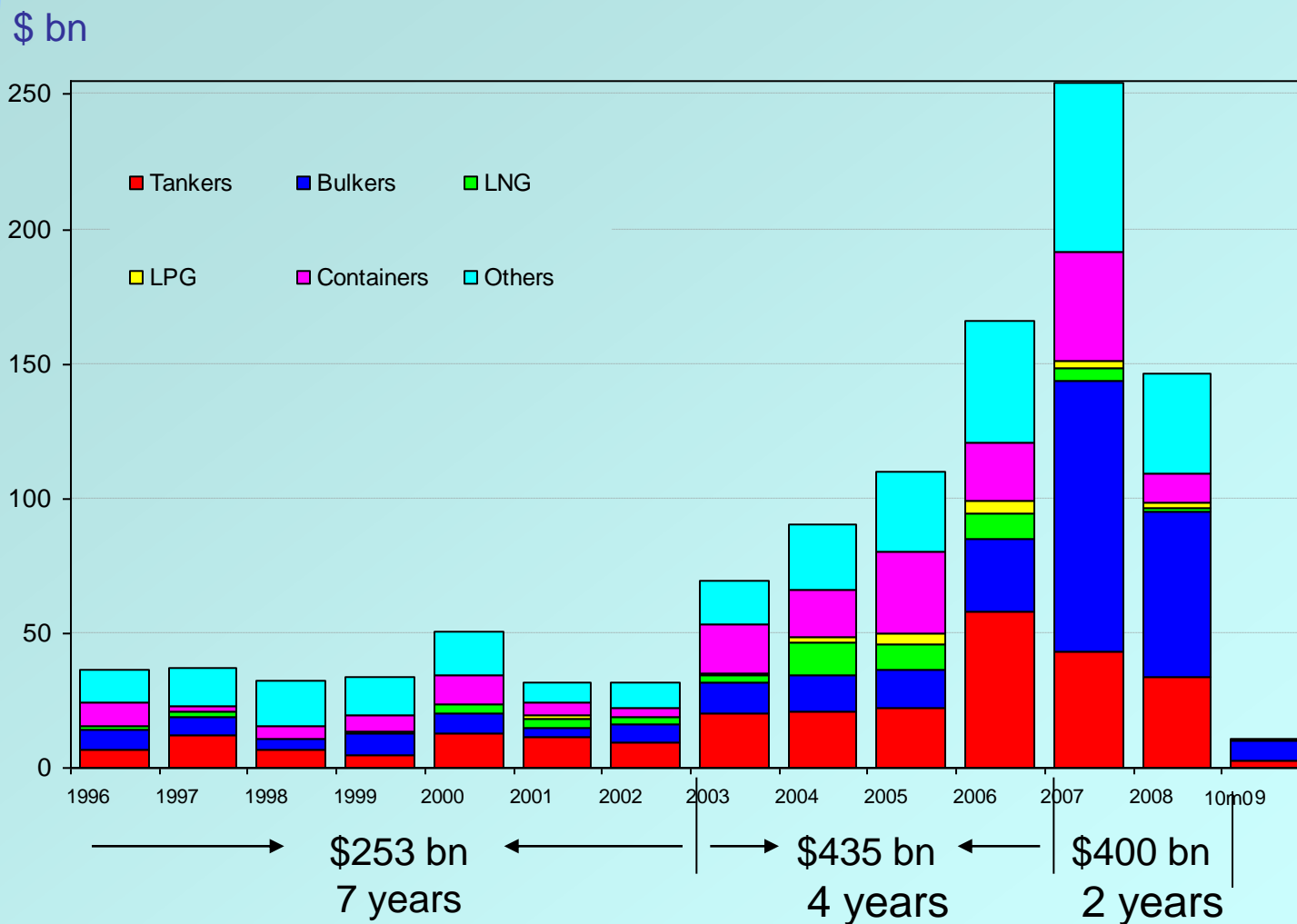


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Shipbuilding

Investments in shipping

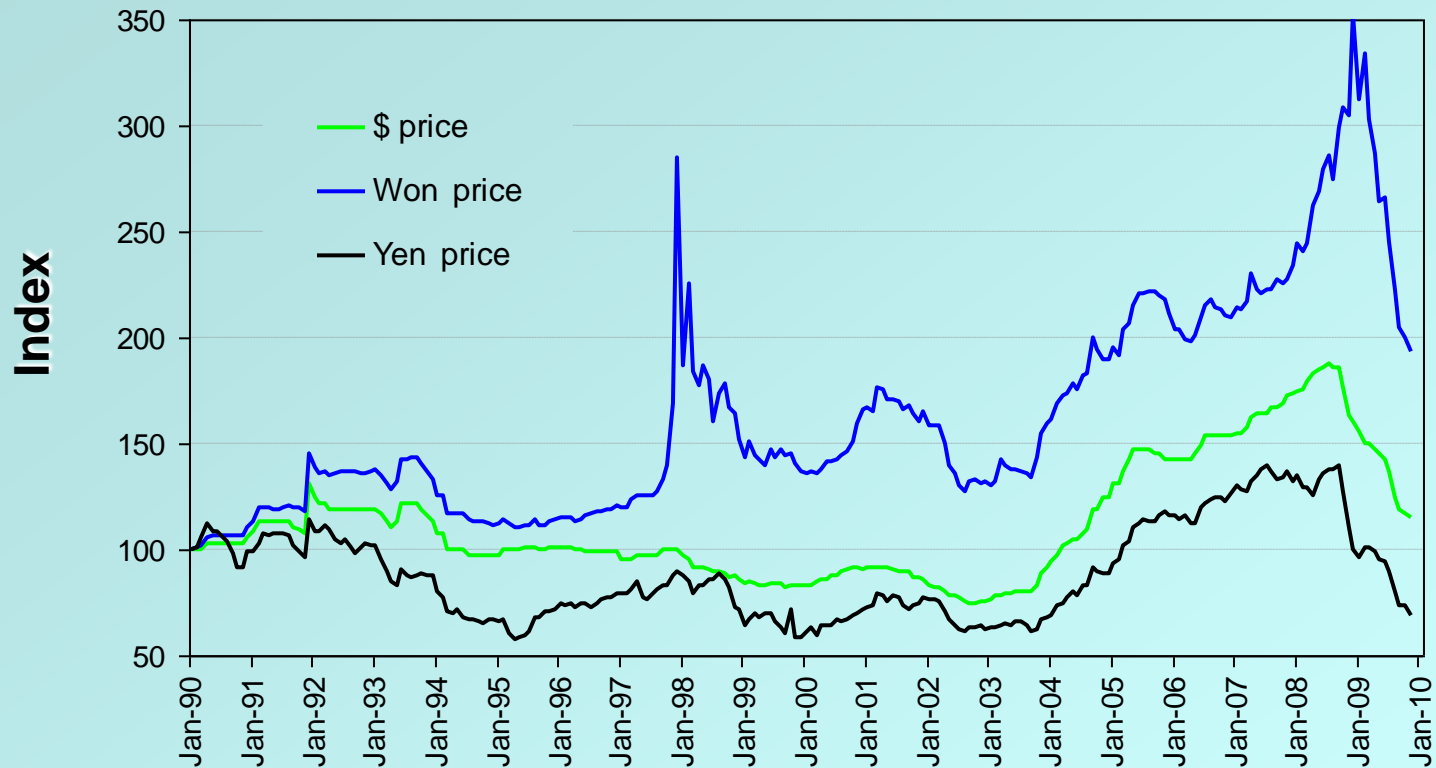


Total orderbook mid 2009 just under \$ 600 bn?

A large part of this is still not paid for, and some of it will probably never be paid for.



VLCC price indices- \$, Won, Yen

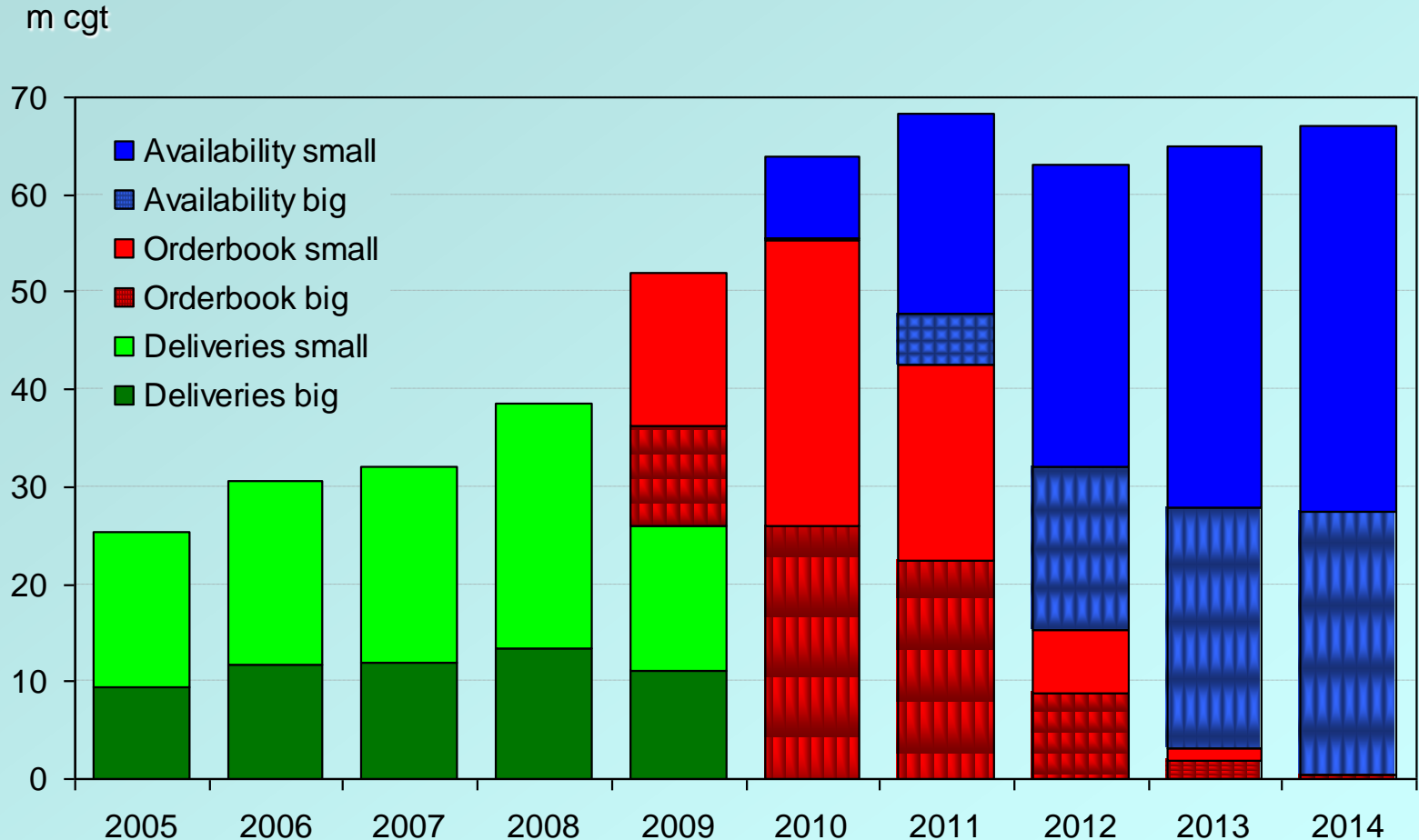


- Price fall \$ 39% since July 08
- Price fall Won 45% since December 08
- Price fall Yen 50% since September 08



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Worldwide output potential estimates in m cgt - small and big ships (Aug 09)



Source: Worldyards/INTERTANKO

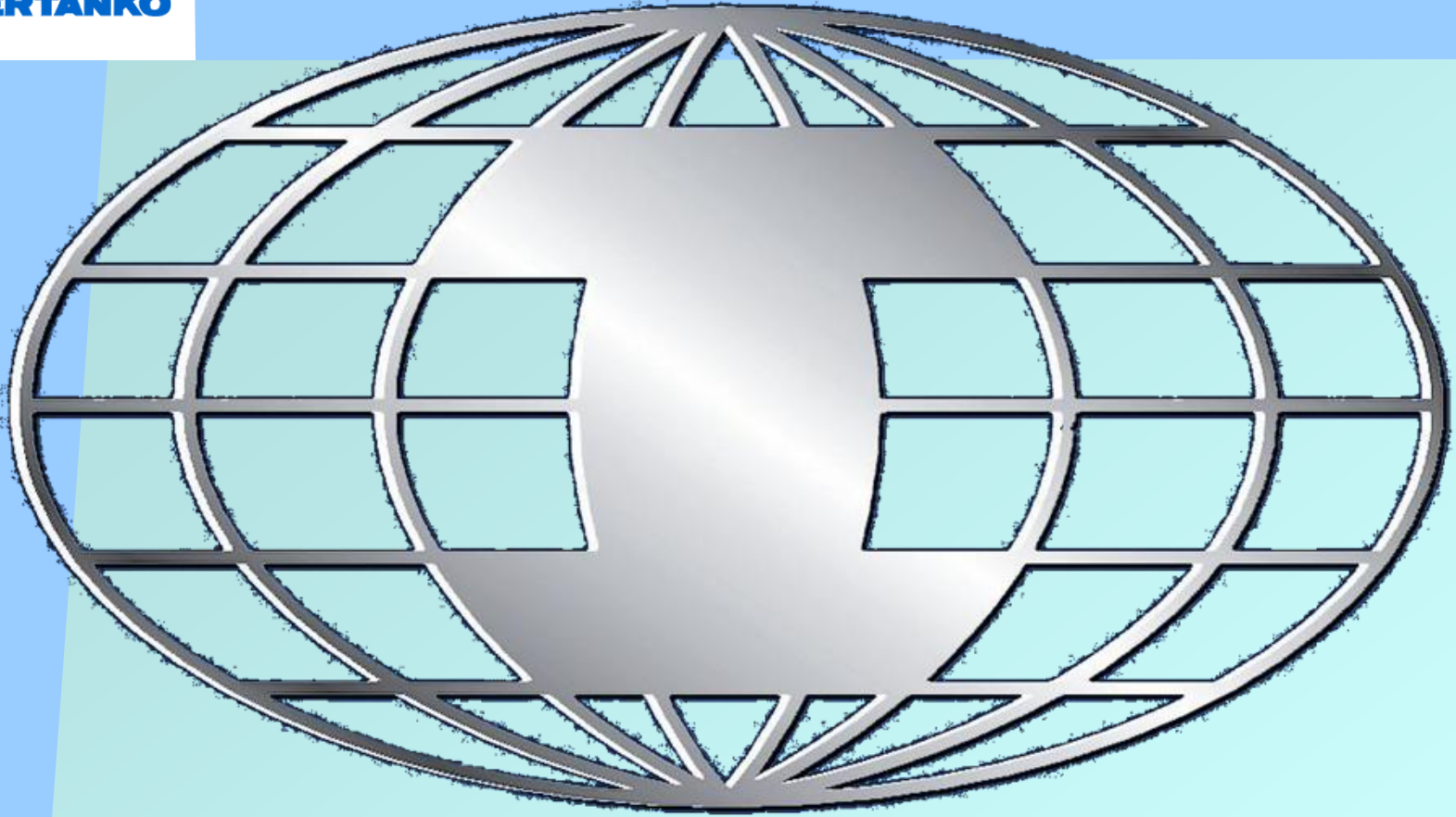


Ahead

- Still economic uncertainty
- Pressure on prices
 - Low contracting
 - Costs
 - Currency – continued weak \$?
- No need for additional tanker orders over the next of years
- The crises will cause casualties
- “Market distortions” may aggravate the situation



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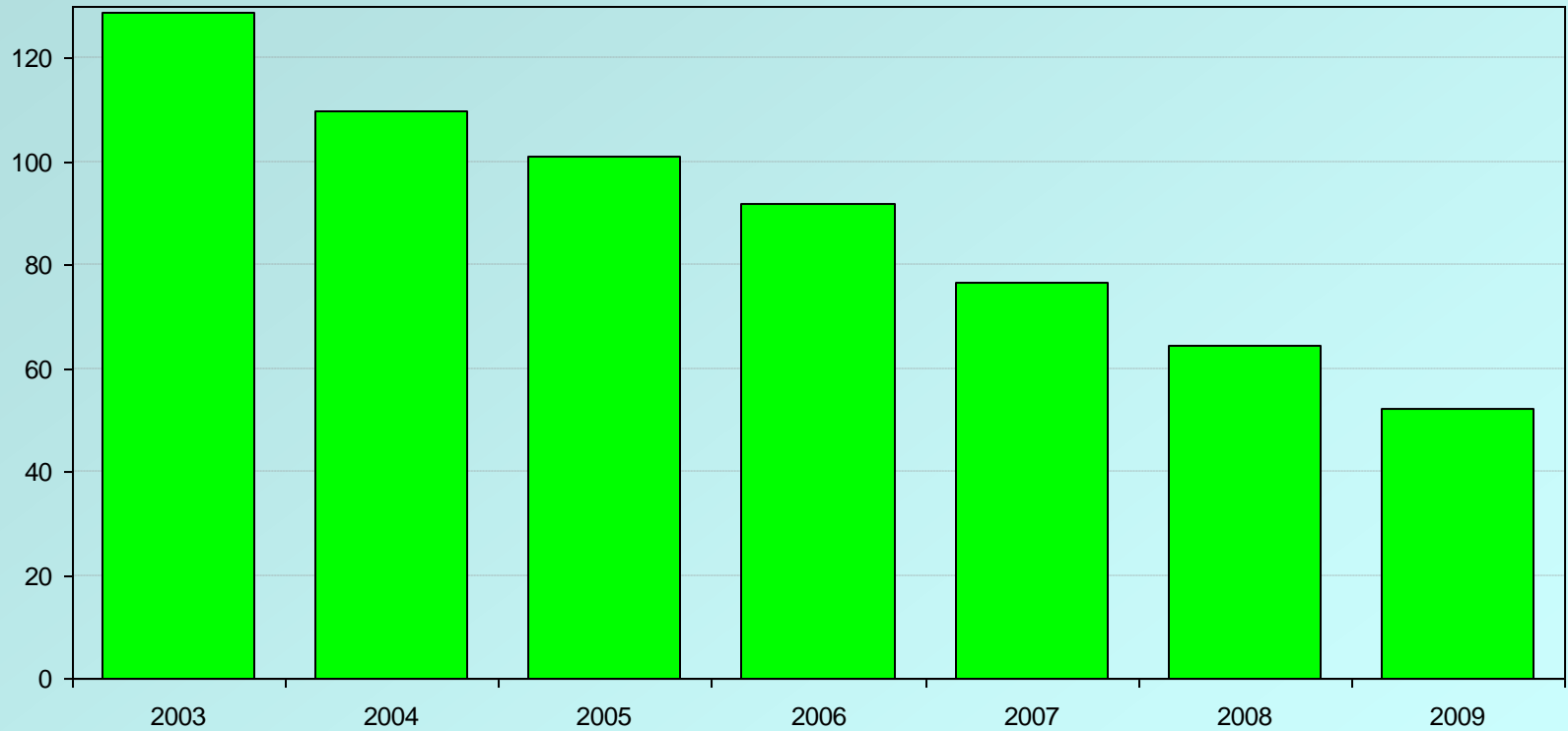
Appendix



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Development Shingle hull fleet (incl. DB/DS)

m dwt



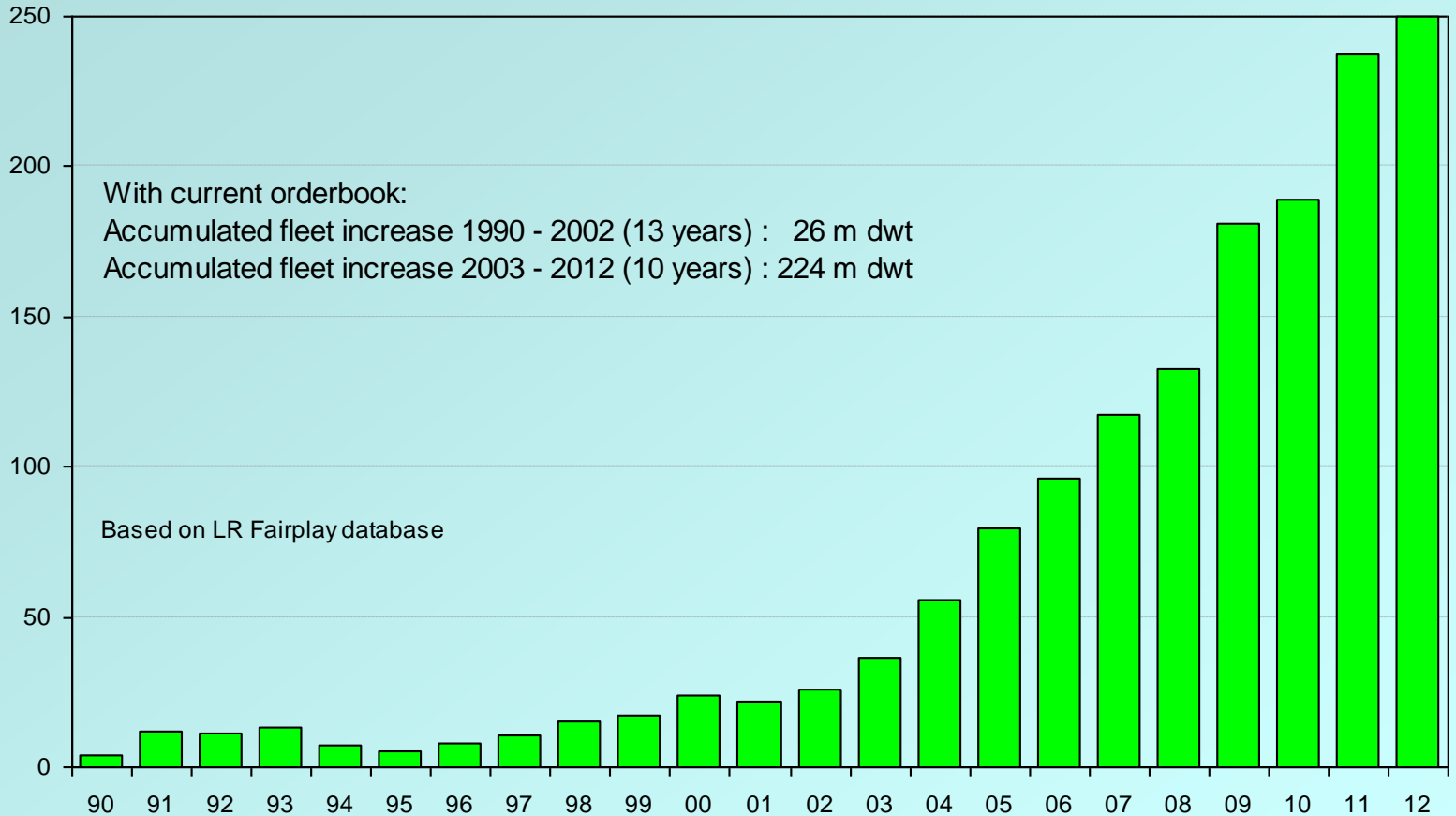
Some 46 m SH tankers and 6 m DB/DS tankers



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Accumulated fleet increase based on deliveries, demolition, conversion and phase out

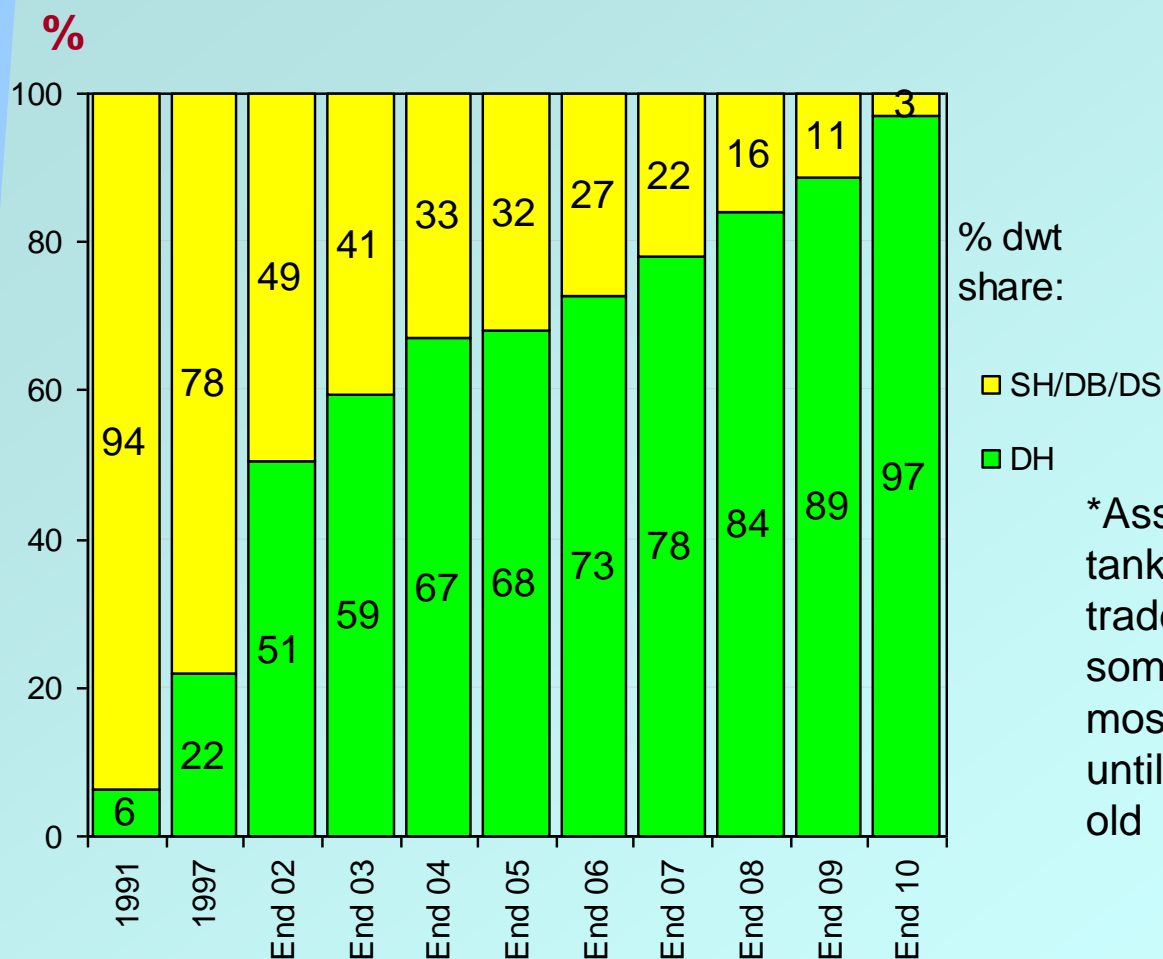
m dwt



Year

Investment in new tankers

- Some \$ 219 billion invested since 2000 with the result that 97% of tanker fleet double hulled end 2010*

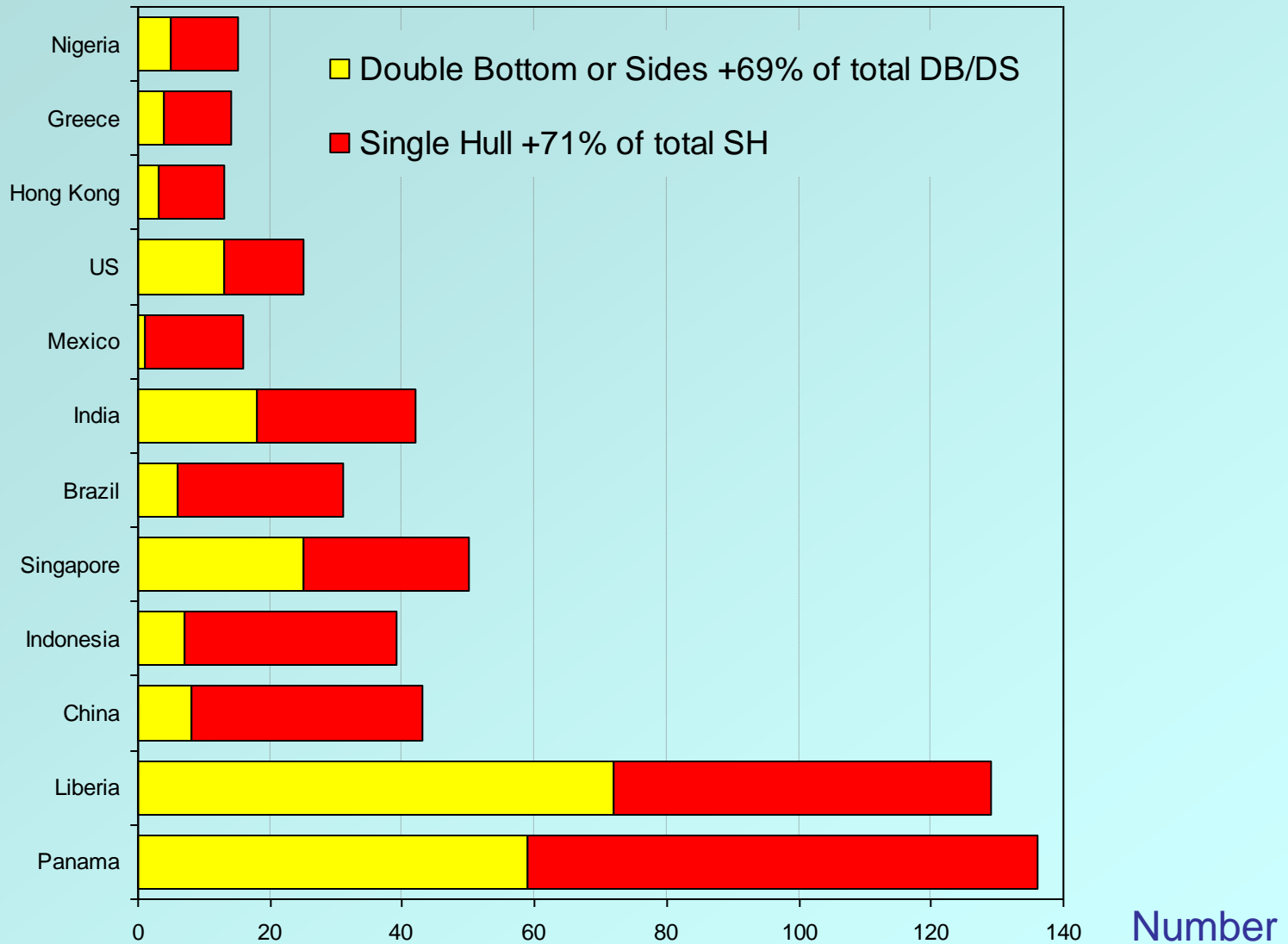


*Assuming only DB/DS tankers continue to trade beyond 2010, some SH tanker will most probably continue until the age of 25 years old



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DH tankers by flag

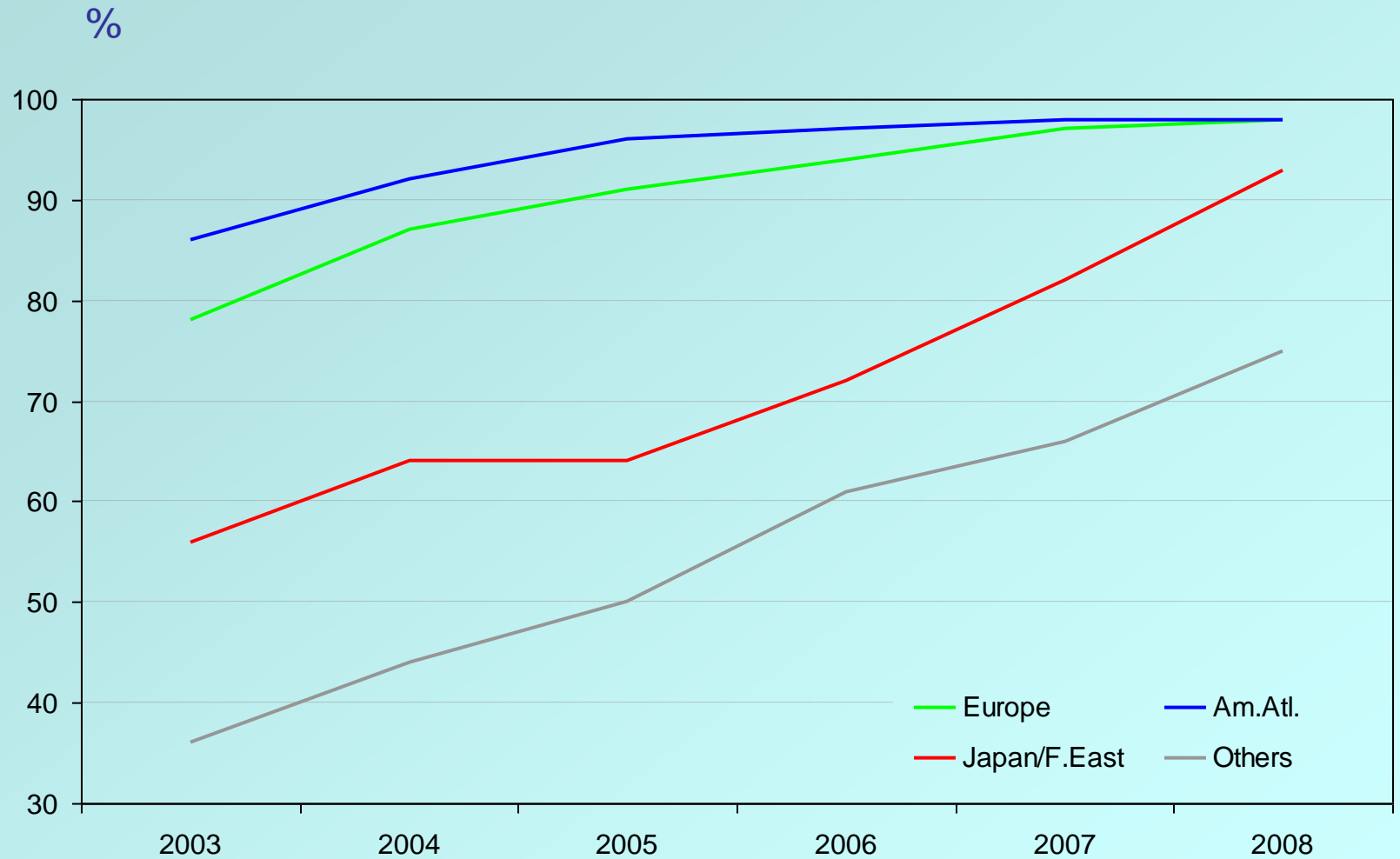


Source: INTERTANKO/ LRFairplay



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Oil import DH tankers



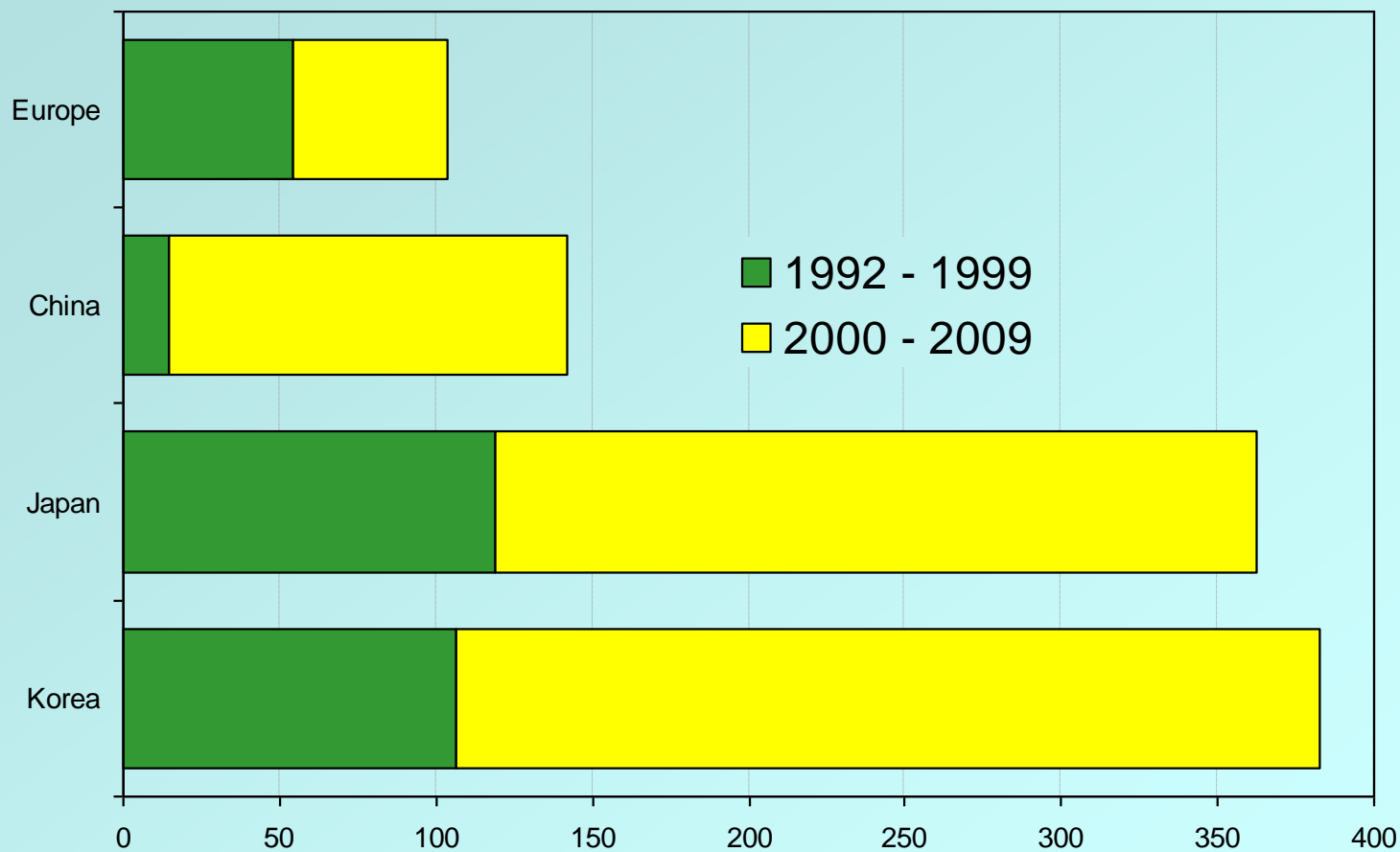
Source: Fearnleys



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Top Shipbuilders 1970 - 2009

m dwt deliveries



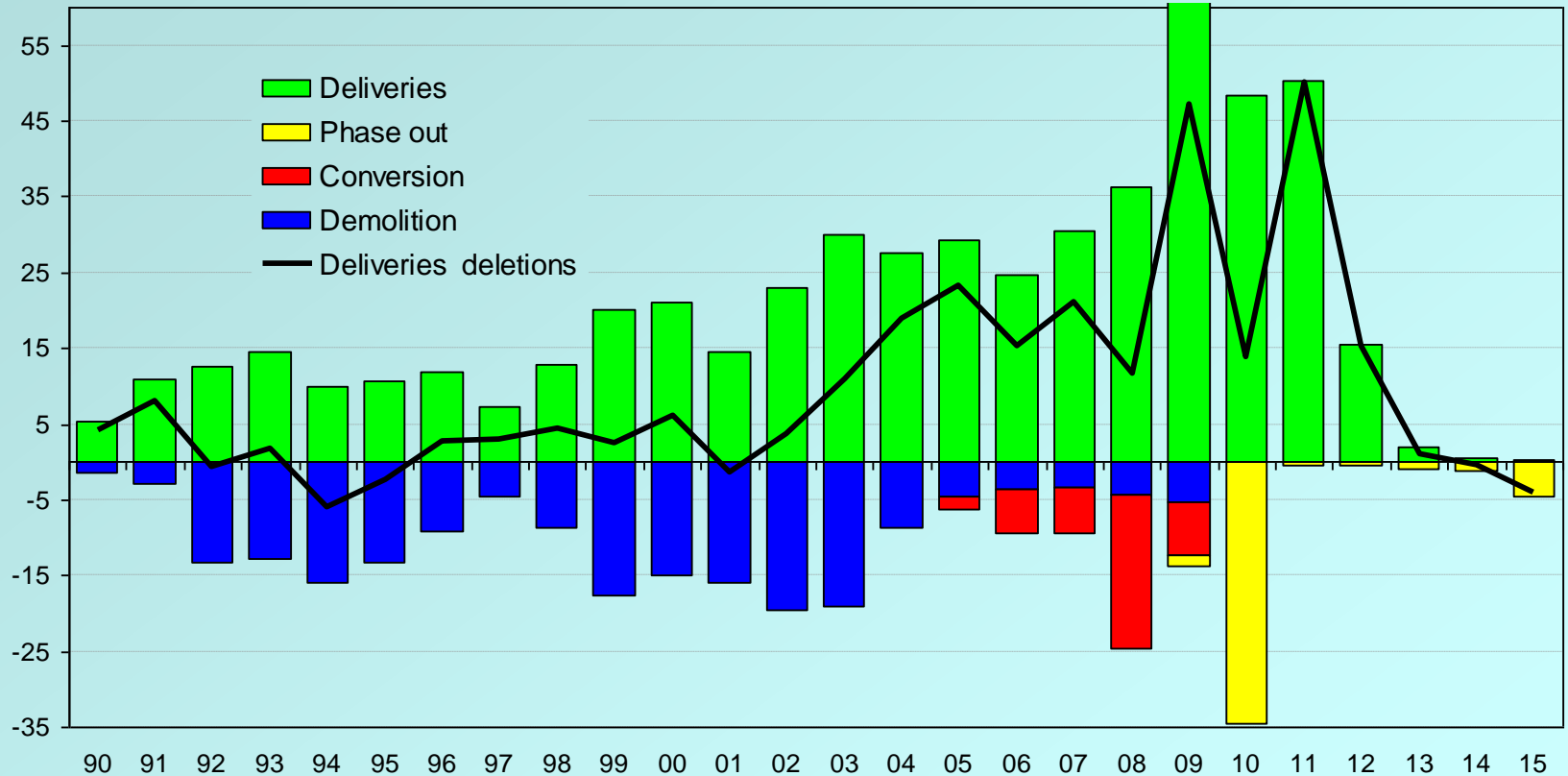
Source: Clarkson
World Shipyard Monitor



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Tanker removals - phase out

m dwt

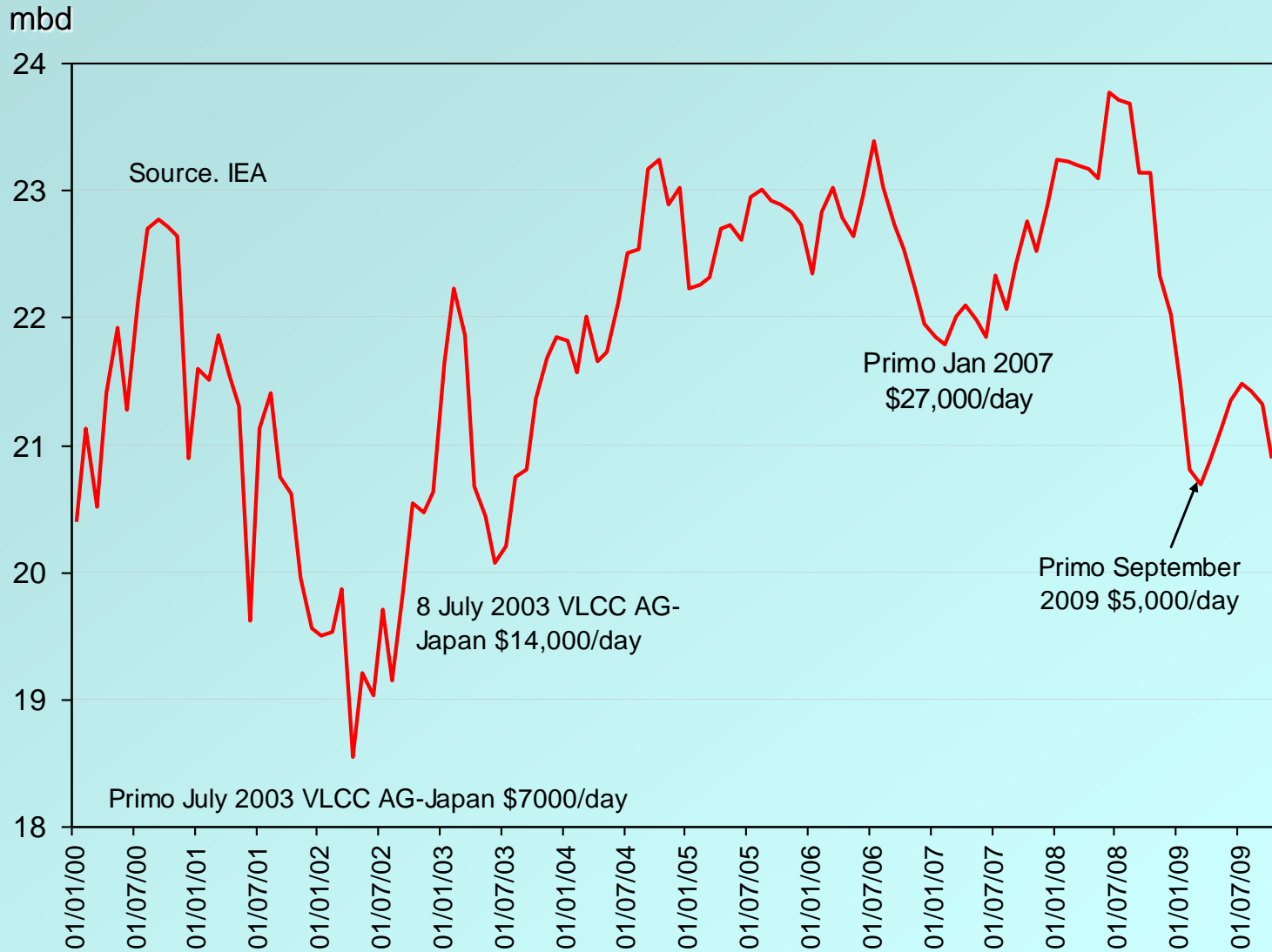


Year



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Middle East oil production Jan - 00 to Oct- 09 on the Baltic rates



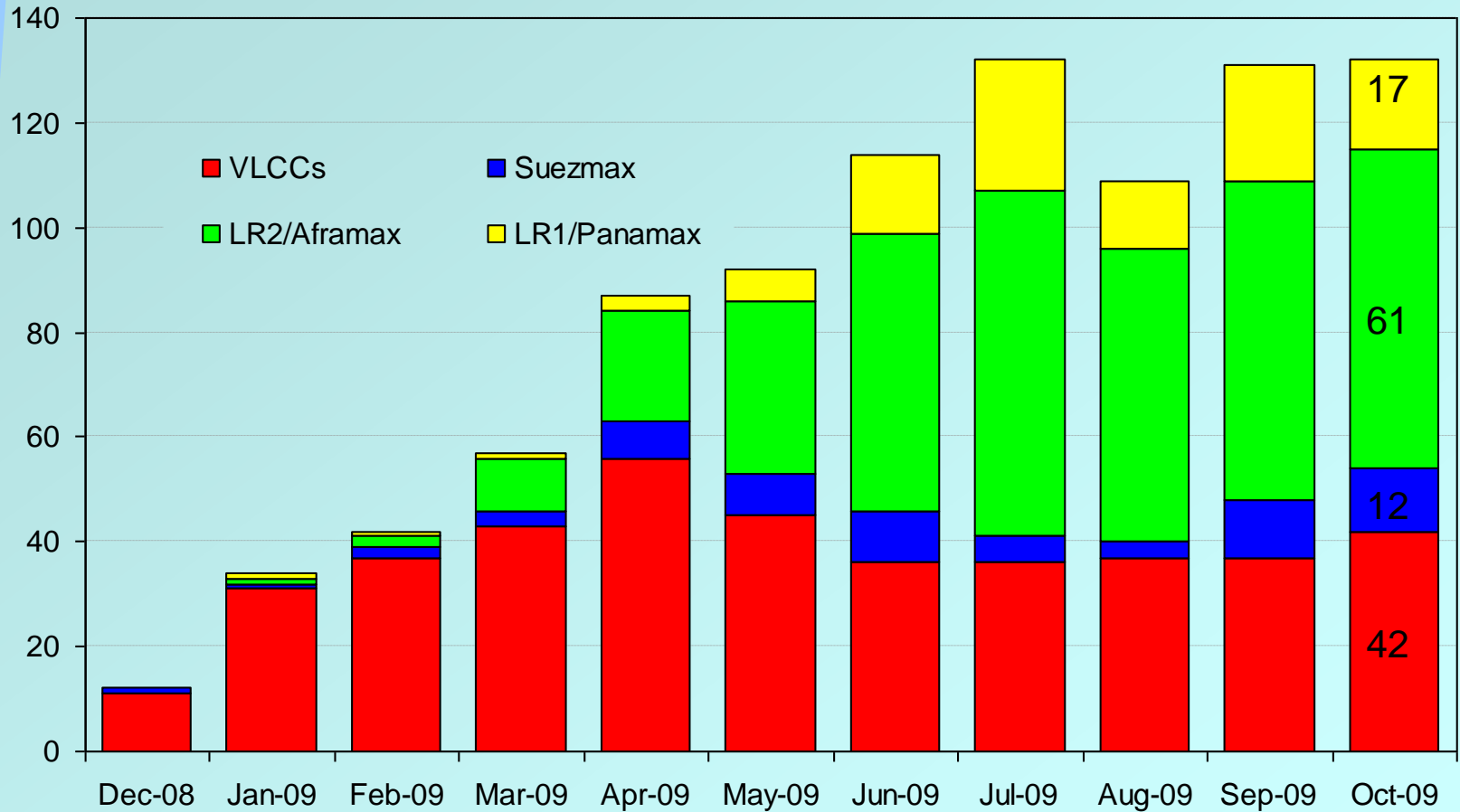
Source: Baltic exchange/INTERTANKO



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Number of tankers used for floating storage

Number



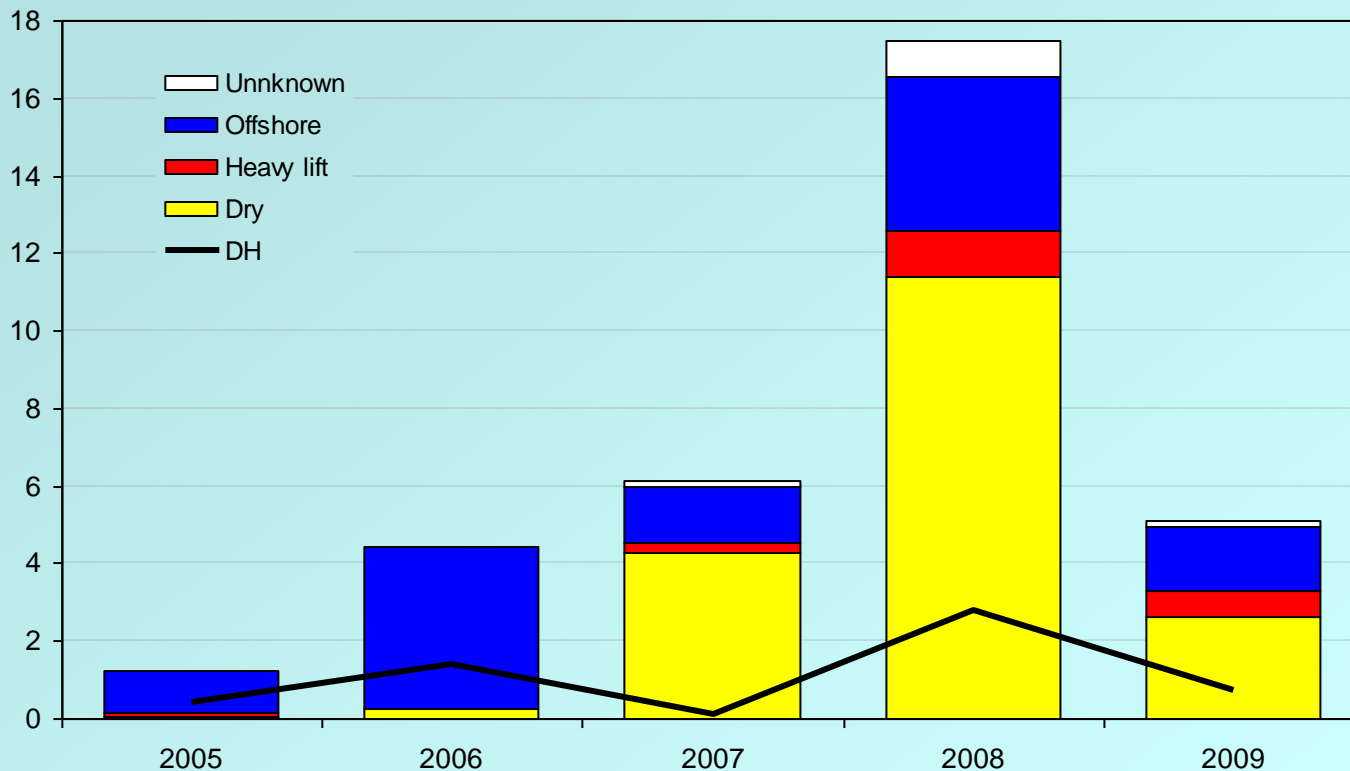
Source: EA Gibson



Conversions

- **Some 34 m dwt SH tankers converted to dry, offshore and heavy lift, plus some 5 m dwt to double hull tankers**

m dwt



There is a degree of uncertainty both regard to tonnage and in particular the timing of conversion



Single-hull phase-out regulation

U.S. OPA 90

DH for new tankers

SH phase-out by 2010

(by in 2015 LOOP, lightering areas)

IMO – MARPOL

DH for new tankers

Accelerated phase out as from 2005

SH phase-out by 25 years or latest 2010, or
by 2015 subject to administrations (flag/port)

IMO – MARPOL 13H

Bans HGO as cargo in SH tankers



SH trading beyond 2010?

Flag/Port States positions MARPOL 20 Trading until the age of 25 years

– Australia	No	– Bahamas	Yes
– China	No	– Barbados	Yes
– EU	No	– Liberia	Yes
– Mexico	No	– Marshall Isl.	Yes
– Romania	No	– Panama Flag	Yes
– S Korea	No	– Japan	Yes
– Philippines	No	– Singapore	Yes
– UAE	No	– India	Yes
		– Hong Kong *	Yes

no official note to IMO on

***20 years**

– **United States N/A OPA90**