++ Shipbuilding News ++

KOGAS to order LNGC

(http://www.asiasis.com/view_new.php?bbs_id=news&doc_num=16153)

The Korea Gas Corporation (KOGAS) announced that the US Sabine Pass LNG project with which KOGAS contracted long-term LNG purchases on January 30, has recently received authorization for liquefaction and export of natural gas by the Federal Energy Regulatory Commission (FERC) of the US, on April 9. The project is to convert receiving terminal to have liquefaction and send-out capabilities, with capacities of 16 mtpa of LNG volumes. The project's first phase of constructing two modular LNG trains, with a nominal capacity of approximately 4.5 mtpa, is scheduled to start during the first half this year, while the second phase of building additional two LNG trains will commence in 2013. KOGAS has agreed to purchase approximately 3.5 mtpa of LNG from 2017 to 2036. As KOGAS is enable to change or nominate the unloading ports, unlike ordinary LNG purchase projects, it would also make profits by overseas trading in terms of supply and demand of domestic gas. KOGAS will purchase LNG on a FOB basis and place orders for newbuilding LNG carriers, which is to foster Korean shipbuilding and shipping companies.

HMD back to world 5th

(http://www.asiasis.com/view_new.php?bbs_id=news&doc_num=16154)

Hyundai Mipo Dockyard, which had maintained global 5th place in orderbook by shipbuilding group, took back its place as of the end of March. According to Clarksons, as Japanese shipbuilders' domestic orders had been added to February results, Japanese yards' orderbook soared. Imabari Shipbuilding took down Hyundai Mipo to the 6th place, while placing itself to 5th. However, In the end of March, Hyundai Mipo retook its place and South Korean shipbuilders all made into Top 5. Hyundai Heavy Industries, Samsung HI, Daewoo Shipbuilding & Marine Engineering, STX Offshore & Shipbuilding and Hyundai Mipo ranked from the first to fifth, respectively, while Imabari, Rongsheng HI, Tsuneishi, Shanghai Waigaoqiao and Yangzijiang Shipbuilding placed from sixth to tenth.

Oversupply ‘unavoidable’

(http://www.tradewindsnews.com/drycargo/666816/oversupply-unavoidable?lots=site)

Shipowners will be unable to escape the oversupply squeeze strangling the dry-cargo market for the foreseeable future, Wells Fargo Securities says. The warning from analyst Michael Webber came amid the suggestion several listed owners will need to overhaul their balance sheets. “We continue to believe the significant oversupply of dry bulk tonnage on the water, and continued near-term fleet growth will be material headwinds for the sector, likely keeping rates, asset values, and the stocks in check,” Webber said in a report today. While scrapping may offer some relief from the flood of newbuilding deliveries, he notes the panamax and capesize fleets are relatively young - blunting the impact of elevated demolition in the long-haul trades. “Scrapping is only a partial safety valve,” Webber wrote. “While scrapping reached 3.4m dwt last June, it fell to an average of 1m dwt per month in Q4 2011 as spot rates improved. “In short, there remains no avoiding this oversupply, which we believe will remain the sector’s biggest variable for the foreseeable future.”

++ Shipping News ++

Mediterranean aframax rates spike to prove short-lived

(http://www.lloydslist.com/ll/sector/tankers/article396894.ece)

AFRAMAX tankers shipping crude oil across the Mediterranean have seen daily earnings rise threefold over the last week after private chartering deals slashed the number of available ships and encouraged other owners to ask for higher prices. But despite this impressive rally on the cross-Mediterranean route, the forecast for the rest of the week is for daily earnings to tail off as charterers step back from the market to try to cool it down. On Tuesday, however, owners rode a rising market as private deals skimmed off tonnage in the Mediterranean trading region. Private deals are agreed directly between an oil company and a preferred owner, withholding cargo from the spot market. Such deals are more common when the market is weak and when unconfident owners are happy not to have to compete for business. Although such deals involve a shipbroker, they do not generally show up on broker fixture lists, allowing tonnage to be removed from the spot market quietly. “When sentiment is weak and you’re an owner and you think cargoes are few and far between, you’re not going to mess around; you’re going to just do the deal without putting up much of a fight,” said a London-based aframax broker. But one owner’s lack of confidence can quickly boost another owner; the private deals reduced the pool of available tonnage, allowing those with vessels left to push up their price ideas.

Rio Tinto distances itself from mining giants' fleet expansions

(http://www.lloydslist.com/ll/sector/dry-cargo/article396879.ece)

ANGLO-Australian Rio Tinto has distanced itself from other mining giants' huge fleet expansion plans, insisting that despite 15 newbuildings scheduled for delivery over the next two years its own vessels will only account for a small percentage of its shipping needs. Speaking at a BIMCO conference in Singapore, Rio Tinto Marine chief operating officer Michael Harvey played down concerns raised by the audience that Rio Tinto's expansion could be similar to Brazilian miner Vale's newbuilding programme of 35 very large ore carriers to add to its existing fleet of capesizes. A fear from shipowners is that the increased competition for cargo as more miners expand their fleets will drive down freight rates for large bulk carriers even further and therefore squeezing many smaller traditional shipowners out of business. But Mr Harvey sought to play down those worries. "We need to manage our physical risks. We are only buying the vessels we have trouble getting [from the market] or the vessels in uncompetitive markets," he said. "We'll always be a big charterer. [Even after the addition] our fleet will only be able to meet 5% of our charter demand." Rio Tinto's orderbook will add another 15 dry bulkers to its fleet of five 90,338 dwt post-panamax bauxite carriers in the next three years, mostly to meet this demand, according to Mr Harvey. Those new vessels will include eight 205,000 dwt iron ore carriers, three 250,000 dwt ore carriers, two 88,000 dwt bauxite or coal carriers and two 68,000 dwt caustic soda carriers.

Panamax bulker spot rates in highest one-day gain since May 2011

(http://www.lloydslist.com/ll/sector/dry-cargo/article396898.ece)

THE last week has seen panamax bulk carriers post the largest one-day spot rate gains since May 2011, with the Baltic Exchange's average time charter voyage assessment gaining $606 overnight to top $13,000 for the first time this year. Although this is not as large as the $1,000 gain that the freight indices provider posted for the rate on Friday, brokers anticipate further increases before rates level off towards the end of the week and into May. "The market is fairly firm and we will see numbers stay healthy for a a few days," one European broker told Lloyd's List. "But they could come under pressure if we do not see more cargo come into the market. The cargo flow was good last week and, although Monday is always a slow day, there has been some more inquiry today." Most notable today was the disappearance of panamax bulkers booked for period charter deals on the Baltic Exchange's daily fixture list. Brokers said this market may have peaked. "We've seen prices for short periods [four to six months] rise rapidly from $9,500 a day to $12,500 and so I reckon they will drop back to $10,500 in a couple of weeks' time," one broker said. But while this window may be closing, there are still owners benefiting from steady fixture activity in the spot market. With limited tonnage availability in the Atlantic market, charterers looking for vessels to ship dry bulk cargoes out of the US Gulf and US east coast for discharge back in Europe are having to increase their price expectations every day.

++ Finance News ++

China offers yuan loans to foreign ship buyers seeking discounts

(http://www.lloydslist.com/ll/sector/finance/article396882.ece)

CHINA is offering foreign shipowners yuan financing for discounted newbuildings at Chinese yards in a drive to develop the offshore market for its currency. State-controlled Bank of China has started to talk publicly about its willingness to cut deals and the bank's Hong Kong branch has revealed that it has been actively offering yuan loans to foreign shipowners since the second half of last year. The shift in lending policy coincides with moves by Beijing to further loosen restrictions governing repatriation of its currency from Hong Kong to the mainland. While shipping lines usually shy away from yuan-denominated loans because the Chinese currency is not fully convertible internationally, Chinese shipbuilders prefer to receive payments in yuan. According to Bank of China senior manager for corporate business, Pakco Lam, Chinese yards are now offering discounts on contracts for such payments. "Vessel deliveries usually take two or three years and the yuan is expected to appreciate over time. Also Chinese yards are often paying for labour and buying raw materials in the local currency," Mr Lam told a BIMCO conference in Singapore. "From what we know, buyers can usually get a 5% discount when paying in yuan." Hong Kong's status as an international finance centre and an offshore trading point for yuan means that foreign shipping companies can even repay in dollars – their daily trading currency – when their loans mature, Mr Lam added.

Trouble looms for Nordea

(http://www.tradewindsnews.com/finance/666812/trouble-looms-for-nordea?lots=site)

The Nordic region's biggest lender, Nordea, has pushed up first quarter profit, but shipping loan losses remain a key area of concern. Group operating earnings were EUR 1.3bn ($1.71bn) to 31 March, from EUR 1bn in 2011, but the bank said the figure for shipping was EUR 20m, down from EUR 72m in the same quarter last year. The loan loss ratio was 176 basis points compared to 209 basis points in the fourth quarter. It said: “There are still two areas where we have special attention – Denmark and shipping.” “As expected, provisions for future loan losses in shipping and Denmark remained at elevated levels, whereas in other areas the losses decreased from already moderate levels.” Shipping's net loan losses grew to EUR 60m from EUR 14m in 2011. Yet Nordea is one of only six banks among shipping’s top 19 lenders still offering fresh loans, together with DNB, DVB, Deutsche Bank, ICBC and Citi. It said the tanker market was particularly tough, but bulkers were also affected by the downturn. Overcapacity has hit freight rates, it said, which has in turn “caused further deterioration of collateral values of earlier identified-risk customers."

DNB staying steady

(http://www.tradewindsnews.com/finance/666814/dnb-staying-steady?lots=site)

Norway's DNB Bank will maintain its ship finance portfolio at between 7% and 8% of its overall loan book this year. While other lenders are cutting back in the downturn, the lender is settling for not aggressively pushing to expand its business in the sector, DNB's Asia chief Erik Borgen told Dow Jones. But the current situation is cyclical rather than structural as 90% of the global trade is still carried by sea, he said. DNB will gradually shift its focus to the offshore sector and move away from dry bulk. "We are experiencing challenging times in most shipping segments, but things are starting to bottom out," he said at a media briefing in Singapore. DNB is one of only six lenders among the top 19 global shipping banks to still be offering fresh loans.

German Shipping Funds Die as Investors See Losses Rise: Freight

(http://www.bloomberg.com/news/2012-04-24/german-shipping-funds-die-as-investors-see-losses-rise-freight.html)

When Germany’s Container Flotten- Fonds filed for insolvency last year, more than 1,000 investors who had been promised annual returns of as much as 15 percent instead lost 37.5 million euros ($49 million). The collapse of the fund, which was raised in 2005 and used a mix of private capital and bank loans to finance four vessels, is just one of at least 10 shipping funds that have become insolvent in Germany in the past two years, according to the Association of Non-Tradable Closed-End Funds, as the maritime industry was beset by rising fuel prices, excess capacity and falling freight rates. Shipping funds in Germany, with a total volume of 51.5 billion euros and almost 450,000 investors, are exempt from corporate tax and thus can provide cheaper financing than banks, according to the VGF fund association. They are fated to disappear as a major financing source for ships, said Christian Nieswandt, head of domestic shipping clients at HSH Nordbank AG. “The shipping fund market is more or less dead for years to come,” Nieswandt said in an interview in Hamburg on April 18. “There will absolutely be further insolvencies.” Along with tighter lending criteria and higher interest rates at banks, the rising insolvencies may make it harder for shipping companies to secure financing and probably will lead to more loan losses at German banks that lent to the funds.

Stena reports North Sea growth

(http://www.lloydslist.com/ll/sector/ports-and-logistics/article396884.ece)

SWEDEN-based ferry operator Stena Line has reported first-quarter 2012 increases for both passengers and freight on its twice-daily North Sea route between Harwich and Hook of Holland, compared to the same period last year. Stena, which will release its full-year 2011 group results on Friday, recorded a 10% first-quarter rise in passenger numbers to 78,400 and a 6% increase in freight to 34,800 units on the UK-Netherlands ferry route. The operator, which introduced two newbuild passenger-freight superferries on the route in May and October 2010, says it is on track to increase its North Sea volumes for the fifth consecutive year.