

LNG Shipping

Claire Wright
Head of Analysis

Lloyd's List Intelligence
Shipping just got smarter

LNG Shipping: is it really shipping?

- LNG ships as floating pipelines - not really shipping
- View challenged by changing trade
 - High charter rates
 - More spot cargos
 - More short-term vessels
 - New ship owning players in the market
 - the 'one sector' banks still want to invest in
- Paucity of analysis on changing trends in LNG shipping
- Time for some assessment of where LNG shipping is and some crystal ball gazing on what may lie ahead.....

Disclaimer

- Although we use reasonable endeavours to ensure that the information and content in the Reports is accurate, we do not guarantee the accuracy of the information and content contained in any Report. No warranty of any type is given by us as to the accuracy, completeness or timeliness of any information or content provided in any Report. All information and content in any Report is provided on an “as is” basis and you assume total responsibility and risk for your use of information and content in any Report.
- Any projections or predictions provided in a Report are not to be regarded as definitive representations but as estimates made in good faith.
- You acknowledge and agree that if and to the extent any Report contains or includes opinions, analysis or assessments of any fact or circumstances by LLG (“**Opinions**”) such Opinions represent our subjective views based on facts or information available or in the circumstances known to us at the relevant time, which may not always be correct and/or which may change.
- You shall use your own skill and judgment and shall form your own opinions and views regarding the content (including the Opinions) in any Report and will not use or rely upon the same as a substitute for your own assessment, judgment or opinion or as a means of reaching any decision in the course of your business including (without limitation) any decision regarding (i) the assessment of risk or creditworthiness; (ii) the pricing of products or services; (iii) taking (or omitting) to take any steps, actions or measures against third parties; or (iv) the basis upon which you do business with third parties.
- We accept no liability for any indirect or consequential loss or damage, or for any loss of data, profit, revenue or business (whether direct or indirect) in each case, however caused, even if foreseeable.
- In circumstances where you suffer loss or damage arising out of or in connection with the use of a Report, we accept no liability for this loss or damage whether due to inaccuracy, error, omission or any other cause and whether on the part of LLG or our servants, agents or any other person or entity.

3 Good Years

- Low fleet growth, rising demand, rising rates
- Increased diversity of players - more trading options
- World tonne mile growth up 6% in 2012 to 990bn
- Japan as driver - demand up 20% since 2010

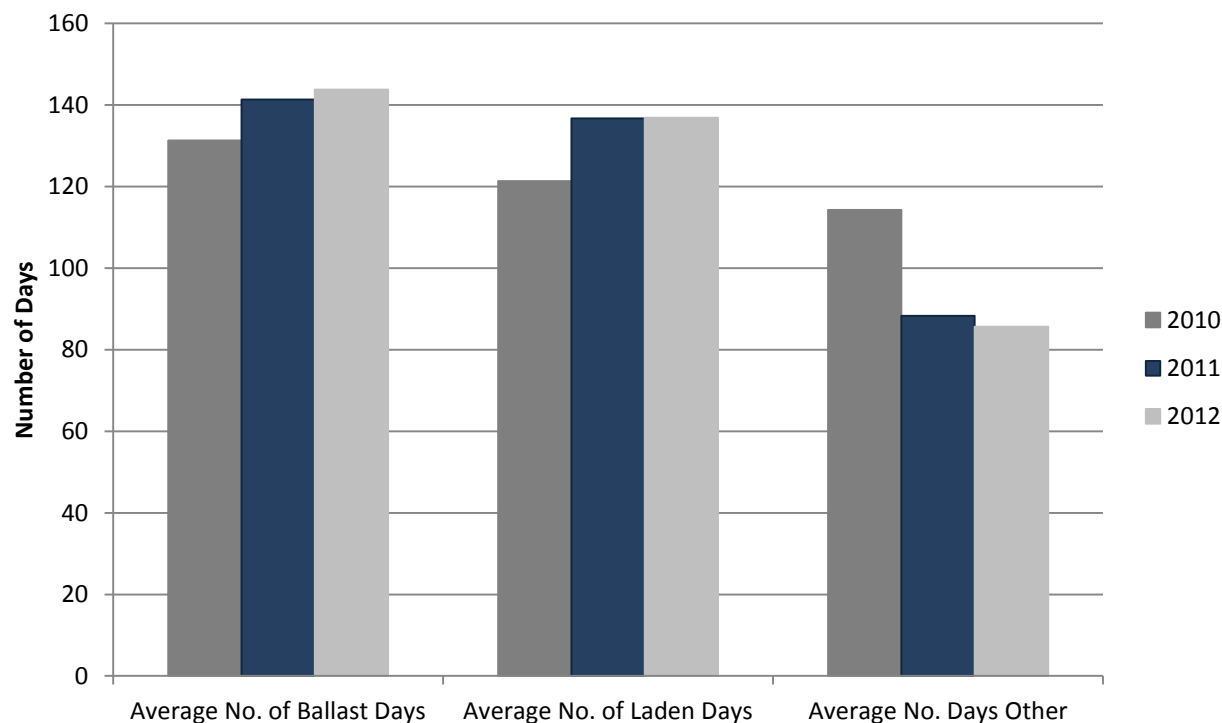
Next - Challenging Years?

- Fleet growth
- Dependence on Japan - depends on its nuclear policy
- Energy substitution
- Geography of future exports: Pacific Basin, East Africa?

Current Fleet Deployment

- No laden voyages up 8% between 2010 and 2012

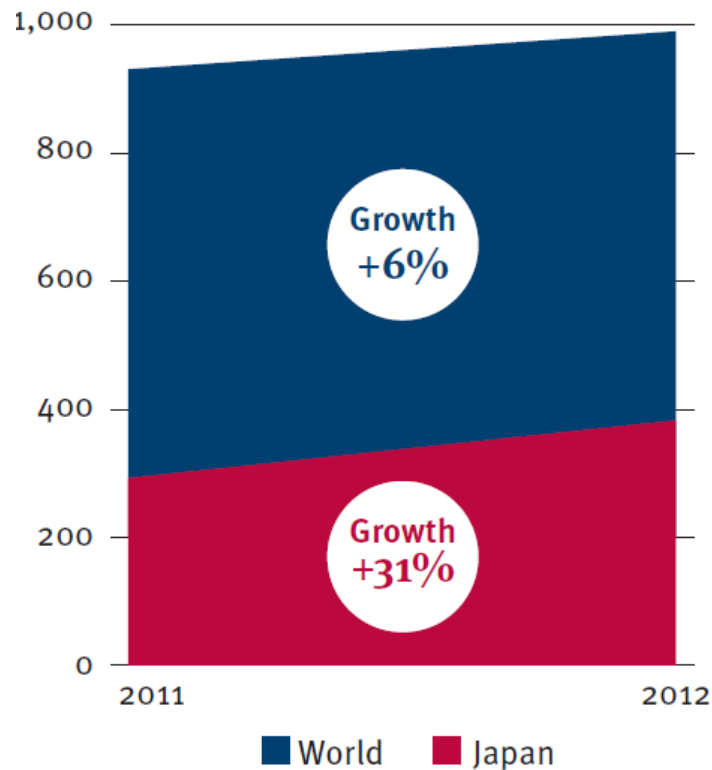
LNG FLEET ACTIVITY



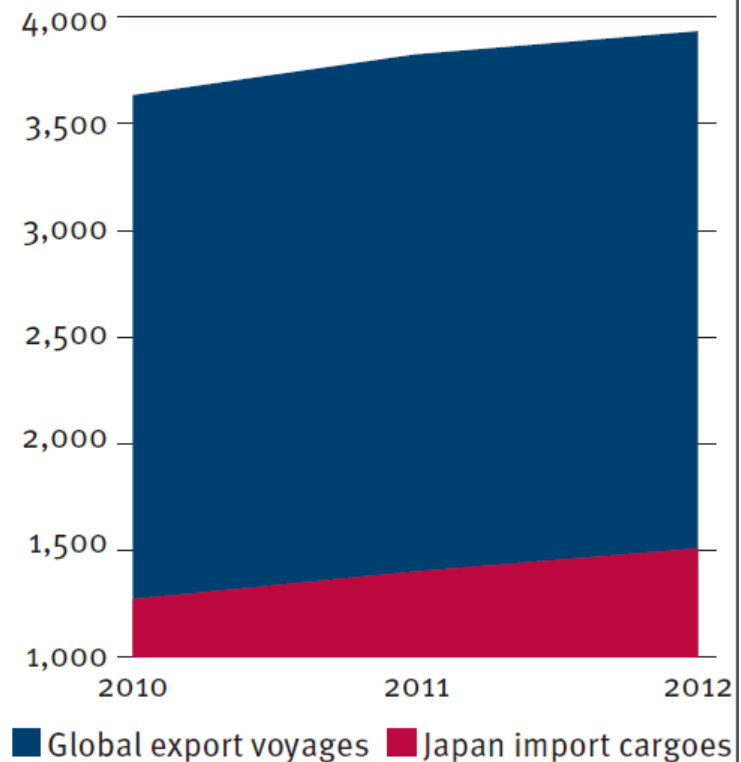
- Now, reasons for pessimism...

1: Tonne mile demand - Japan

LNG TONNE MILE DEMAND



LADEN VOYAGES

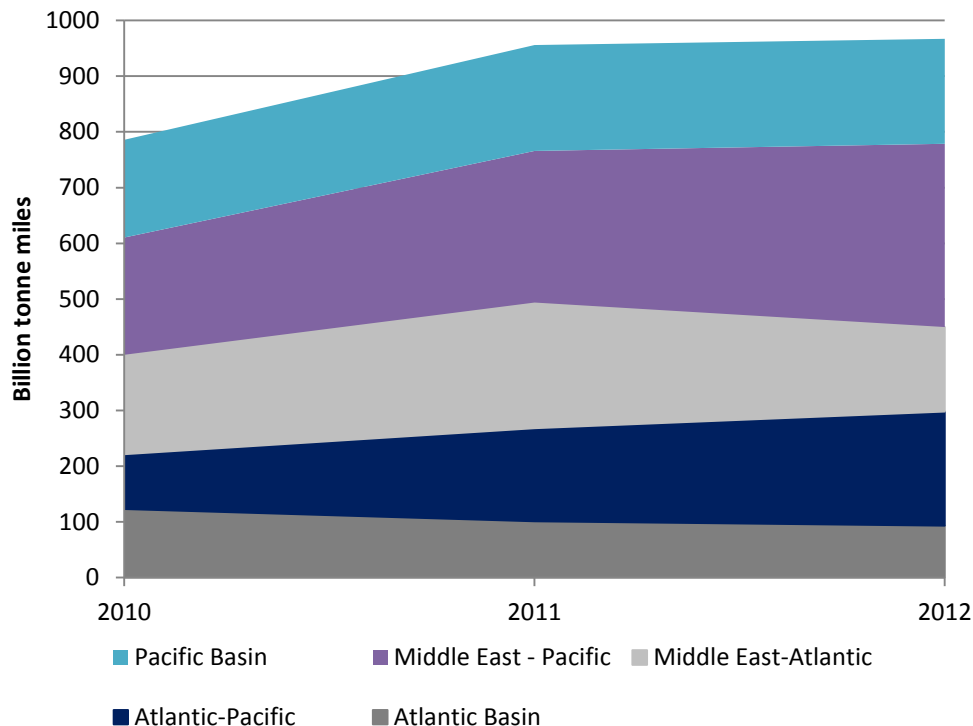


Source: Lloyd's List Intelligence

2: Tonne mile demand - arbitrage

- Atlantic to Pacific arbitrage

LNG TONNE MILE DEMAND

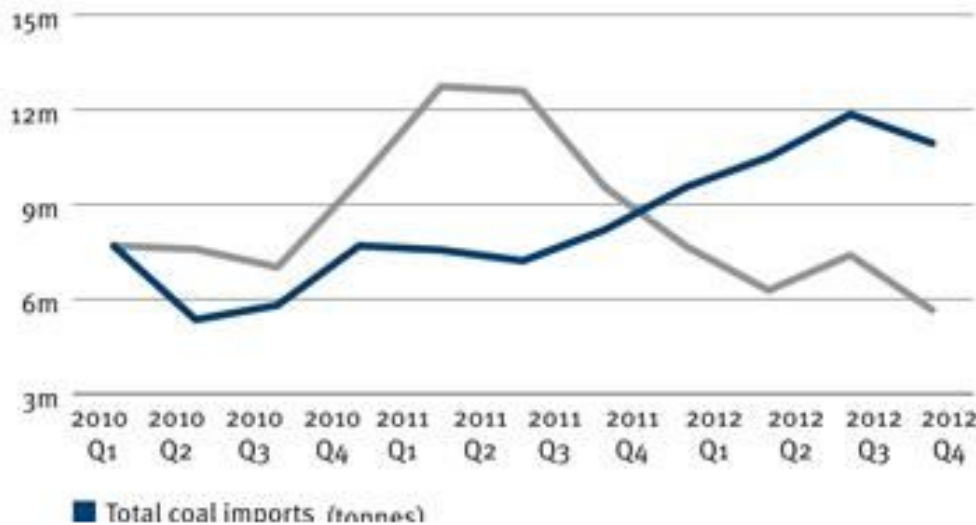


- Trades to Atlantic Basin down
- Atlantic - Pacific up 108%
- Middle East - Pacific up 56%
- 20% of LNG tonne miles in 2012 was Atlantic to Pacific, but only 9% of laden voyages

3. Vessel Utilisation: Substitution

- LNG vessel demand is not just a function of LNG demand

UK COAL AND LNG IMPORTS

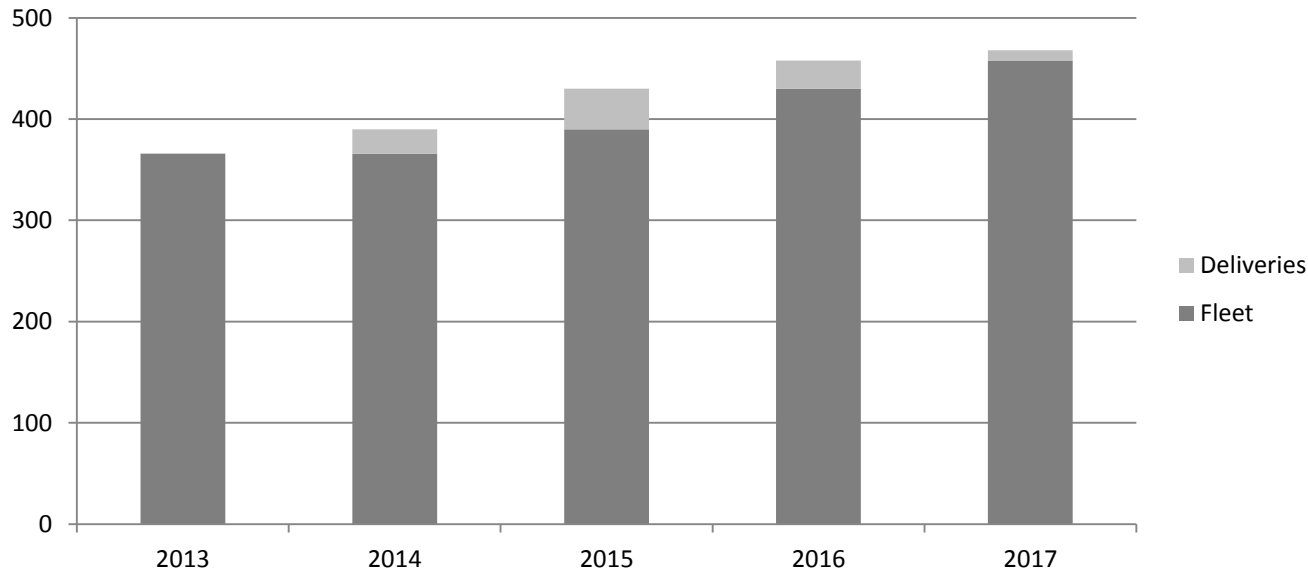


In 2012, 93% of UK LNG cargoes were delivered on Q-Flex and Q-Max vessels.

4. Fleet Growth

- 10% growth 2009 to 2012
- 25% growth by 2016
- 1/3 no charter cover

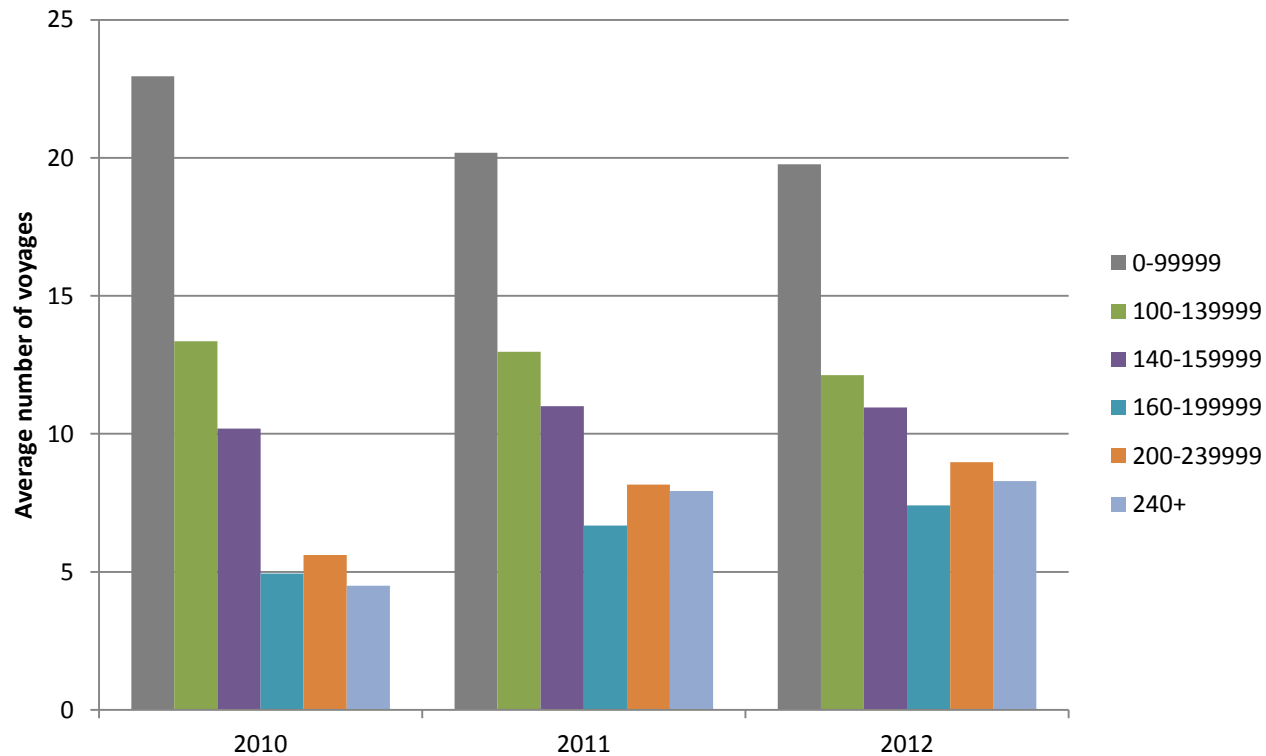
POTENTIAL LNG FLEET TO 2017



5. Vessel Utilisation: 2012

- Vessels made an average of 11 laden voyages each in 2012
- Difference between project/ short-term cargos

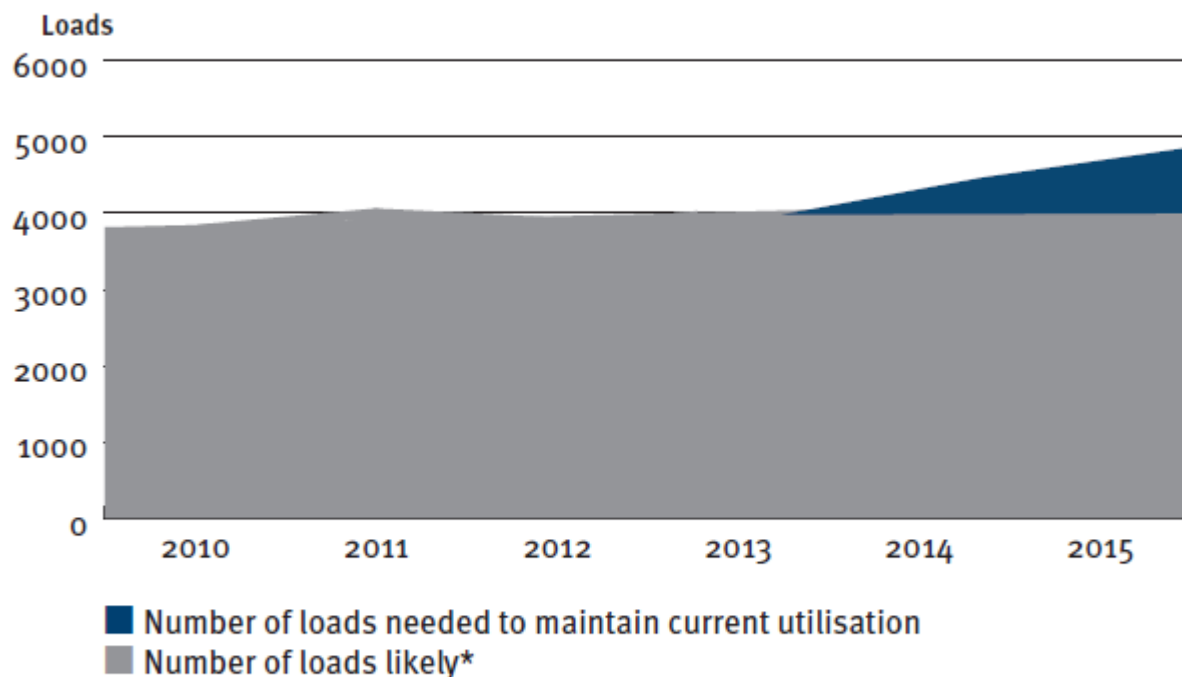
AVERAGE LNG VESSEL UTILISATION



5. Vessel Utilisation: Fleet Growth

- Vessels made an average of 11 laden voyages each in 2012
- Estimate based on maintaining this level of utilisation

LNG UTILISATION



*Assuming most exporters maintain 2012 levels and Angola gradually increases to full capacity

Source: Lloyd's List Intelligence

The Future

- Short term mismatch between vessel supply and demand
- Much still depends on Japan's energy policy decisions
- Outlook post-2017 better for LNG shipping
 - More export capacity in a variety of locations
 - Growing demand, but some price dependence
 - Still likely to be more vessel orders....including more speculative ships?
- Time of change for LNG shipping, turning from floating pipelines to a sector of shipping, subject to same cyclical pressures and supply/demand changes.

Thank you

Claire Wright
Head of Analysis
Claire.wright@informa.com
Twitter: @clairewrightlng