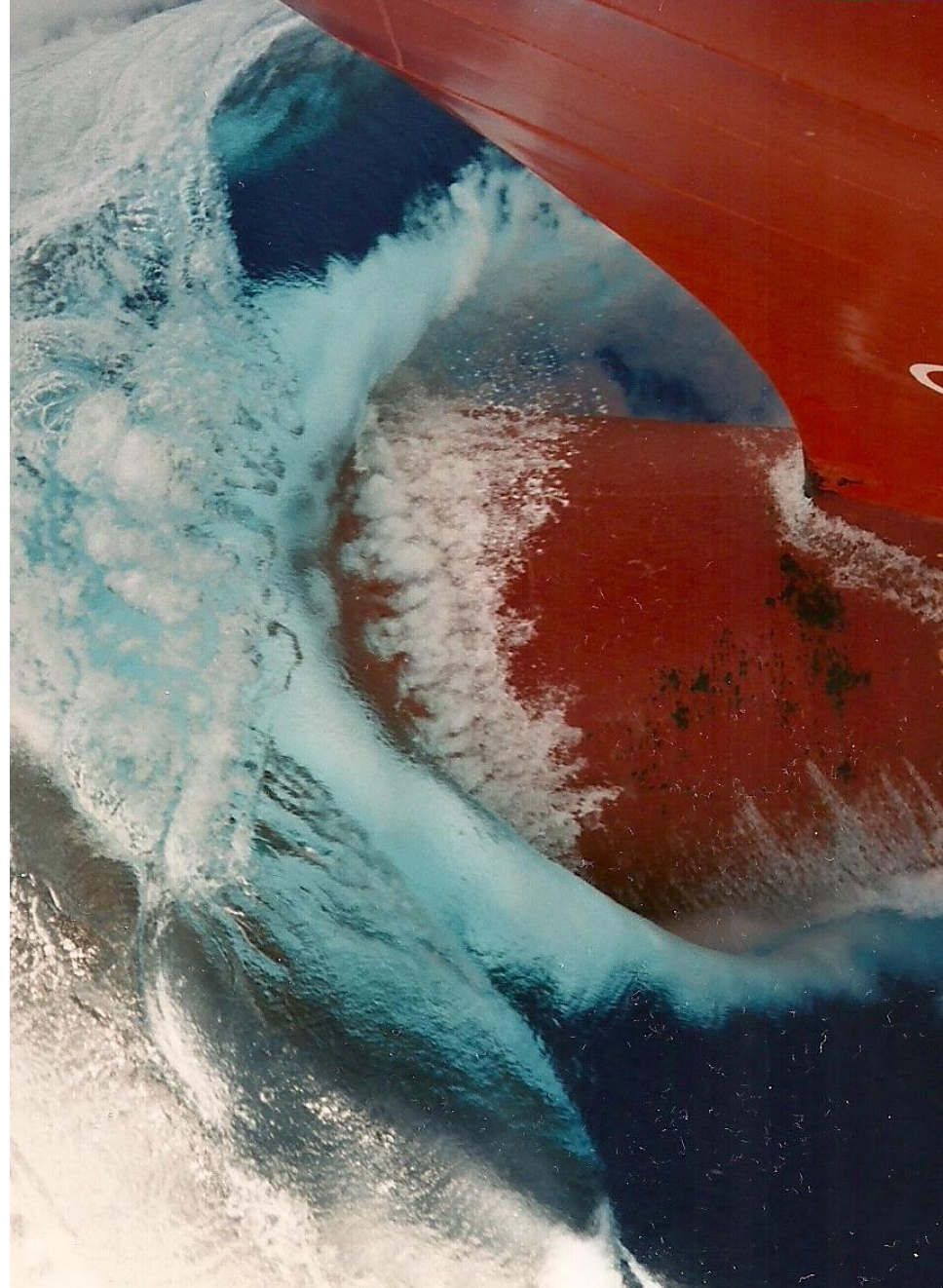


Organic chemicals leading emerging trends

Prepared for the IMSF, Athens 9th May
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Summary

Oil price likely to pick up towards end of 2016

- Oil on the verge of steady recovery - market to balance, making natural gas feedstock more competitive again
 - Organic chemicals leading demand growth in the chemical tanker market
 - Iran returning to the fray with increased chemical production capacity
-

Organic chemicals driving growth

Vessel supply

- Vessel growth of 5% in 2016, 3% in 2017
 - Orderbook shrinking, still dominated by stainless steel vessels
 - Swing tonnage effect likely to be somewhat more muted in 2016 compared to 2015
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Swing tonnage

Rates

- Rates continue to pick up on stronger market sentiment, with 1 year TC for chemical tankers at highest levels since 2008

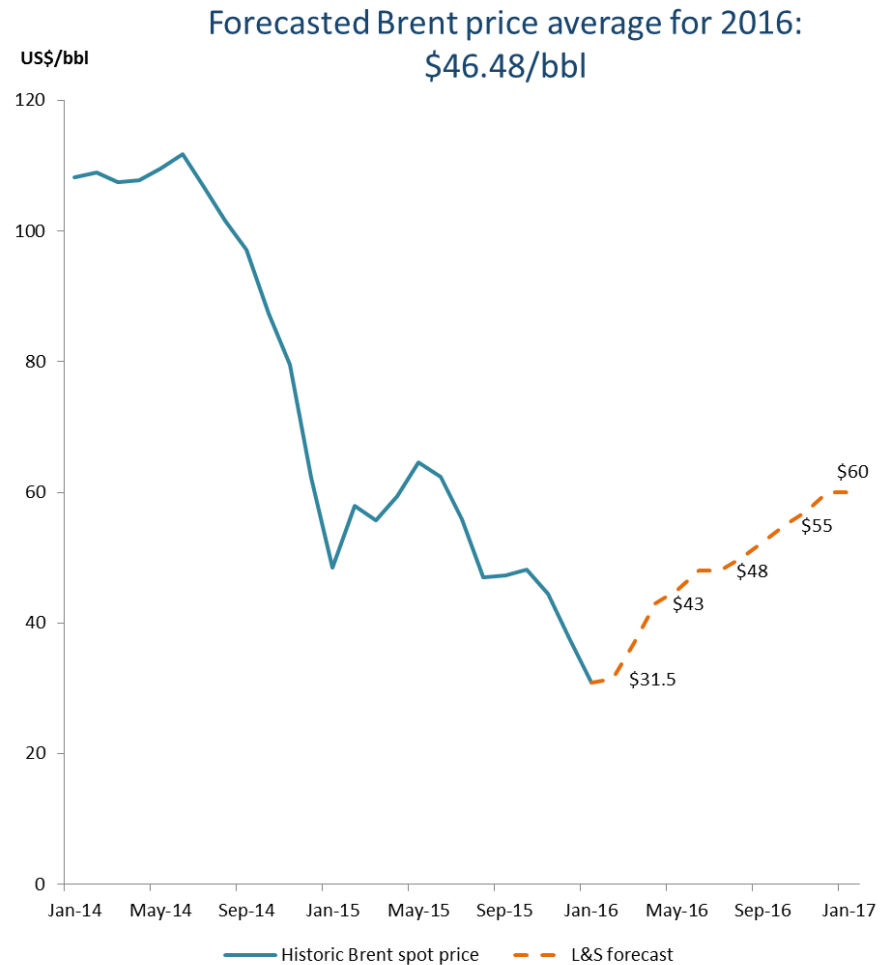
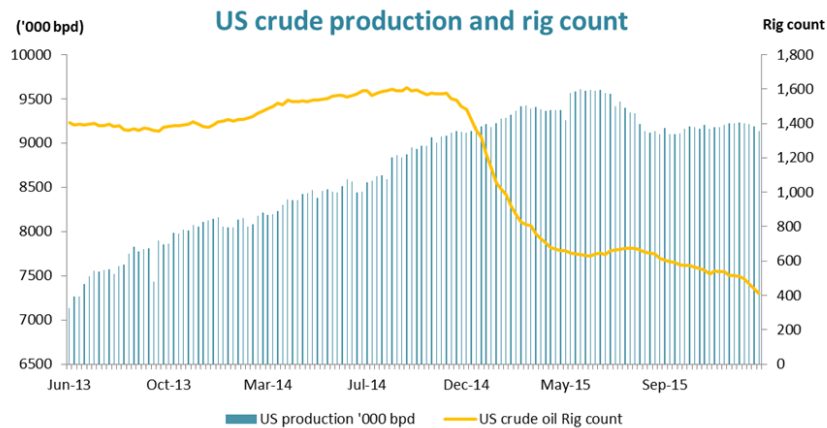
Values

- Secondhand values have moved away from sideways trajectory to stronger appreciation towards newbuilding parity

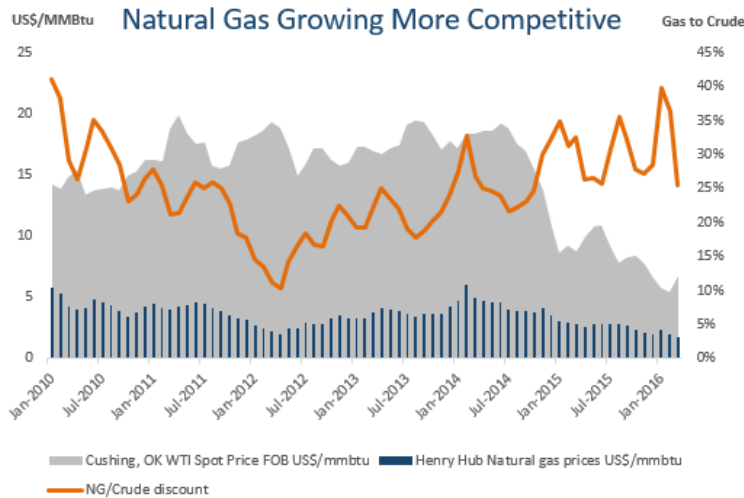
Oil price view

Market set to rebalance

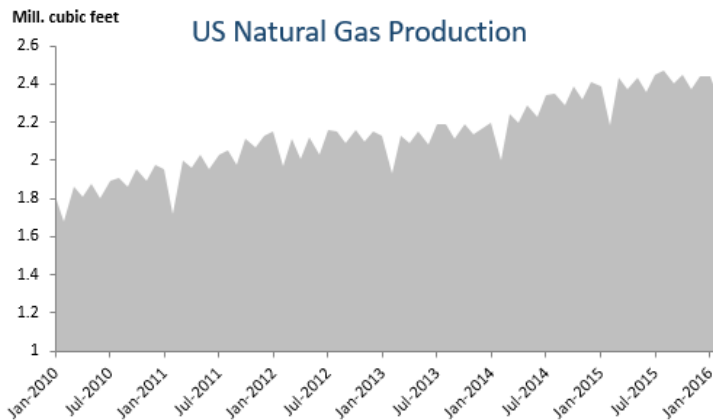
- Slowing production growth allows for demand to catch up, allowing for better market balance
- Price likely to move towards \$60/bbl levels within end-2016/early-2017
- Long term, a prolonged reduction in E&P spending and ensuing production declines would cause a demand-supply overhang



Despite low oil price – natural gas is here to stay



- Tight oil and shale gas is supporting chemical market fundamentals
- Low crude oil prices have so far had little effect on US natural gas production
- Whilst the beneficial discount to crude oil previously enjoyed by natural gas has declined, natural gas based feedstock locations like the US and the Middle East are still competitive compared to other producing regions

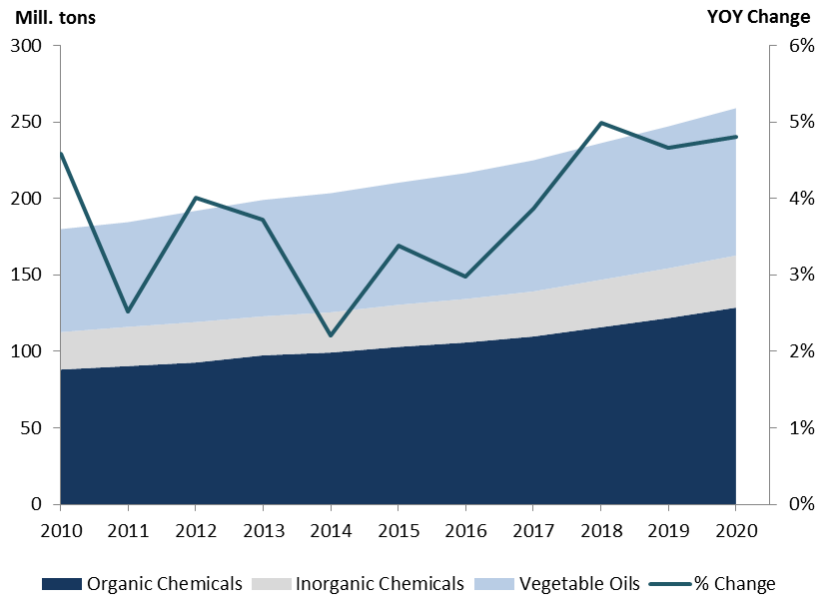


US feedstock still competitive

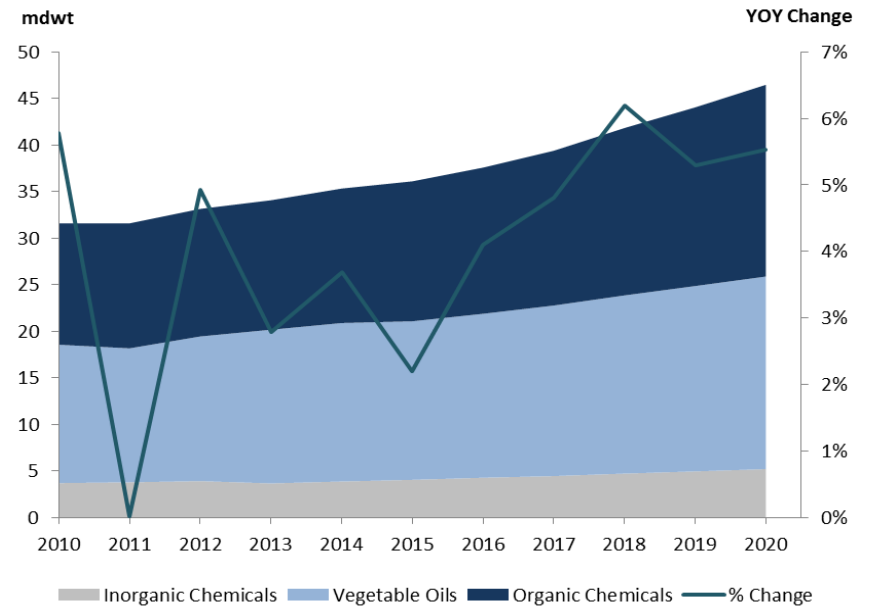


Global Chemical Demand

Seaborne trade (tons)

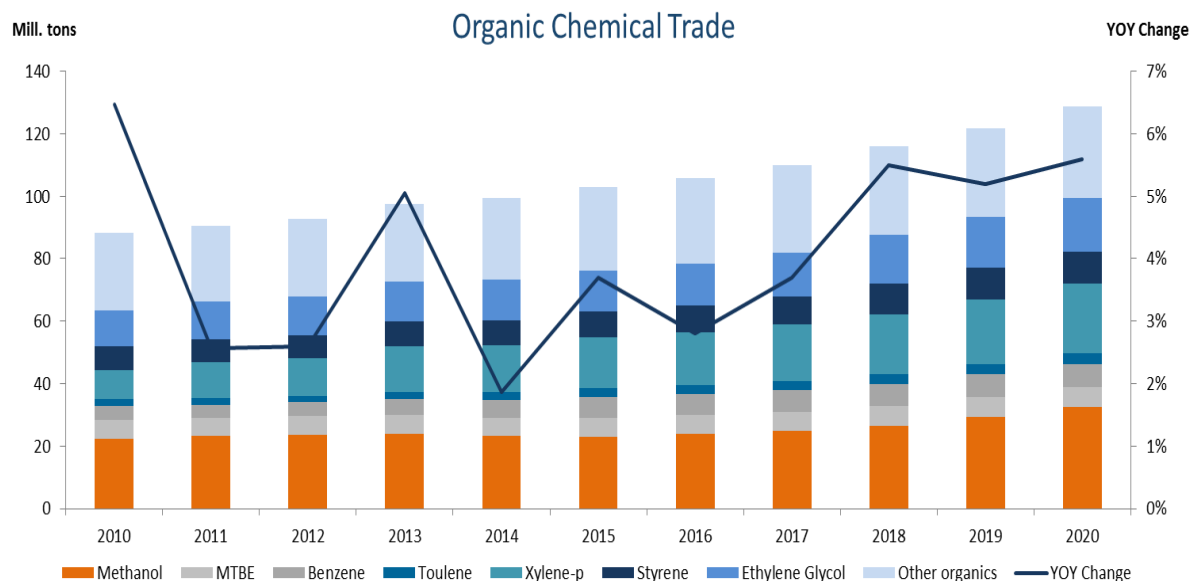


Deadweight demand



- Chemical demand growth is expected to start picking up momentum in late 2016, to grow with a CAGR of 5% between 2016 and 2018 (against supply growth of 3% over same period)
- Strongest growth expected in organic chemicals as structural shifts unfold in locations like US, based on cheaper feedstock access

Growth in organic chemicals driving the market



- Trade in organic chemicals to grow from 105 to 128 mill tons over the next four years
- Trade growth is driven by increased exports of methanol and ethylene glycol, predominantly out of the US, and Xylene-p out of the Middle East

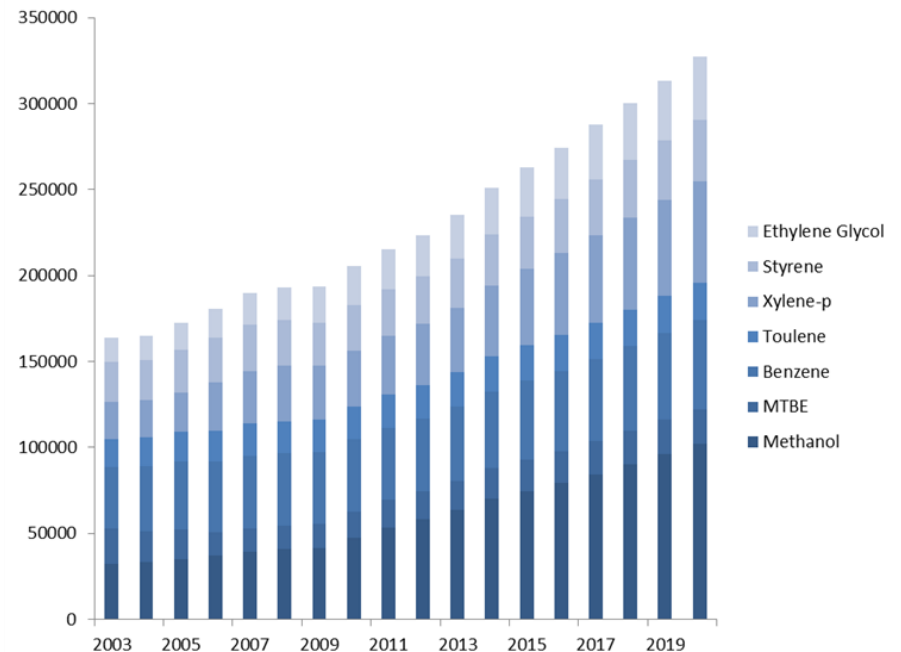
Chemical market growth driven by bulk organic chemicals



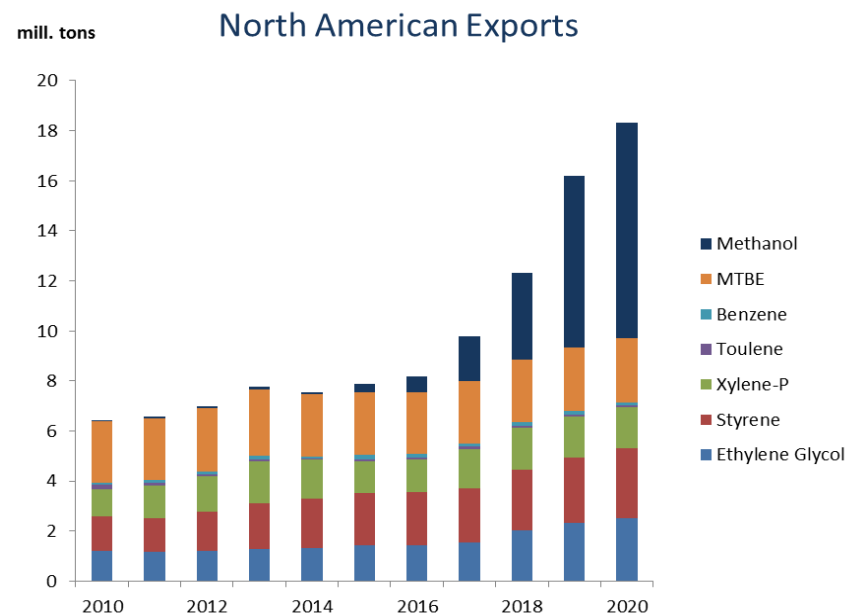
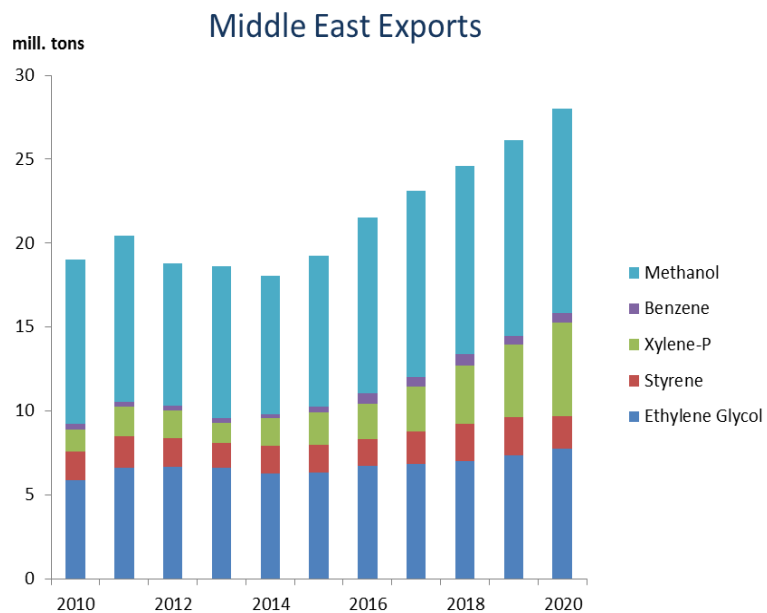
Demand growth supporting market fundamentals

- US capacity increased by crackers coming onstream from 2017-onwards based on shale gas advantage
- Majority of growth in organic chemical trade forecasted to come from increased methanol production in the US, predominantly exported to China. Growth is also envisioned on the back of planned ethane crackers, increasing US exports of ethylene glycols to Asia and Latin America
- Refinery expansions in the Middle East are ramping up growth in naphtha and natural gas derivatives, with substantial growth in Xylene-p targeting the Asian market

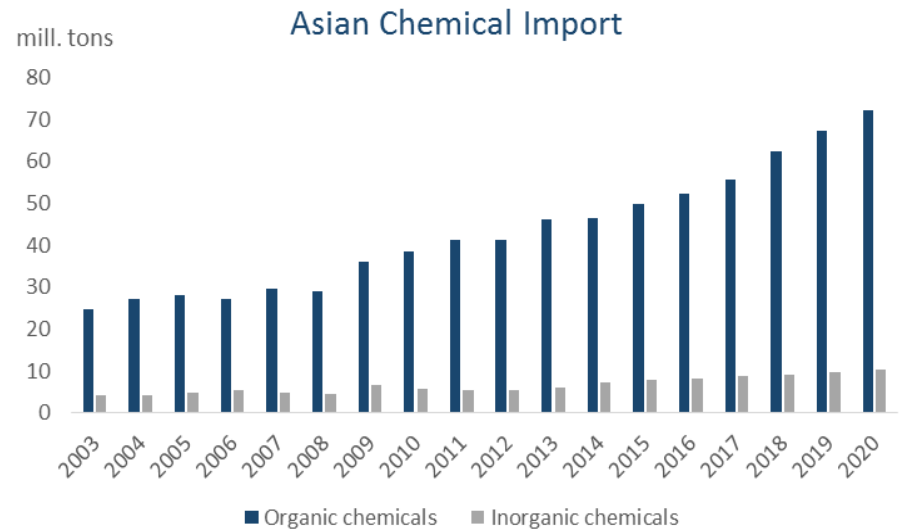
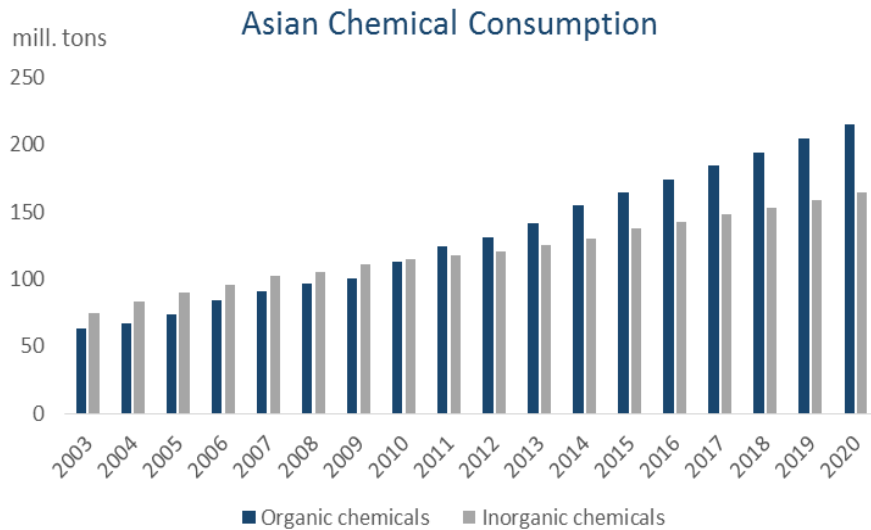
(’000 tons) Rising global demand for organic chemicals



Organic chemical trade



Asia main outlet for increased US and Middle East exports



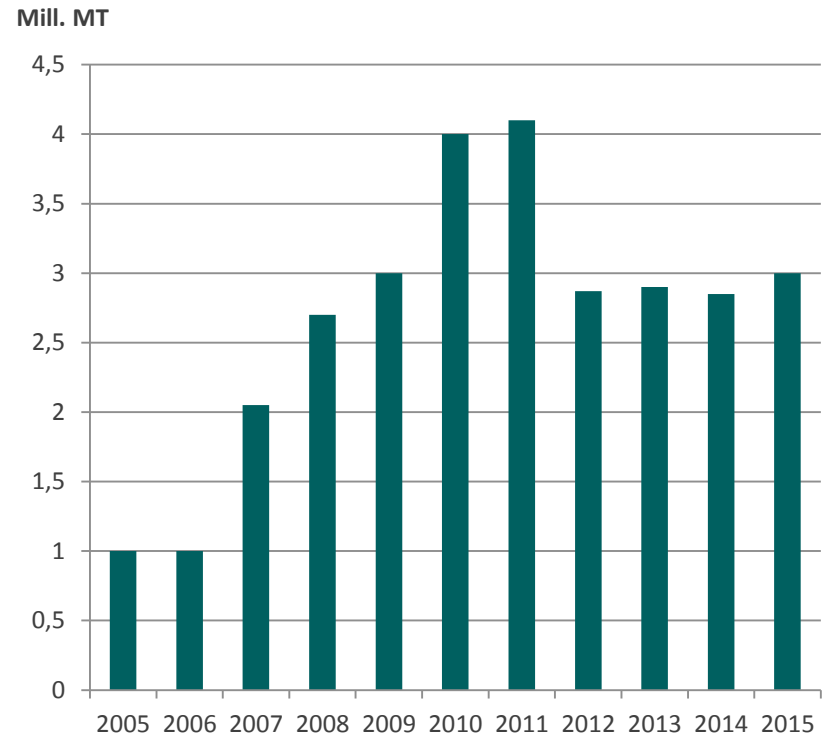
Asian markets still in the driver's seat for demand growth



Iran emerging as a possible demand side factor

- Lifting of sanctions rekindling Iranian petrochemical industry
- Access to advantageous feedstock costs
- Iran forecasted to add 10 mill. tons of annual production capacity by 2020
- Country exported an estimated 2.85 mill. tons in 2014, 89% of which went to China and India
- Significant investment into natural gas production needed to secure steady supply of feedstock – South Pars gas field primary focus
- Pre-sanctions focus on spot cargoes of methanol to maximize net-backs
- Post-sanction exports likely to target Italy, Japan and Korea

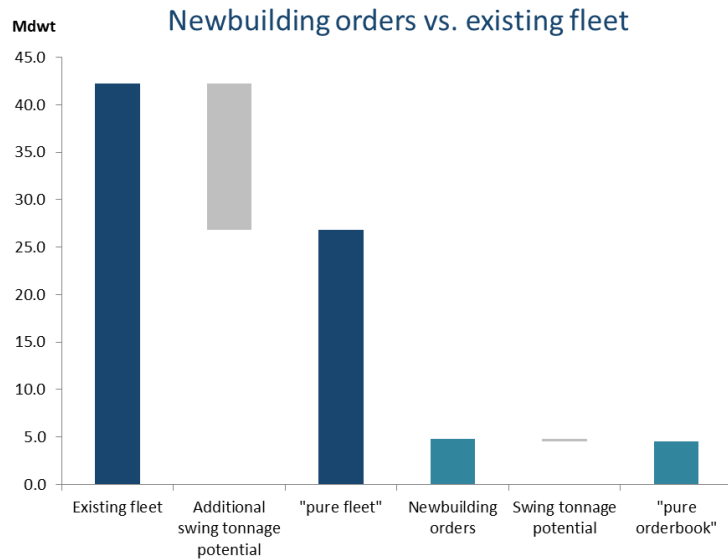
Iran Methanol Exports



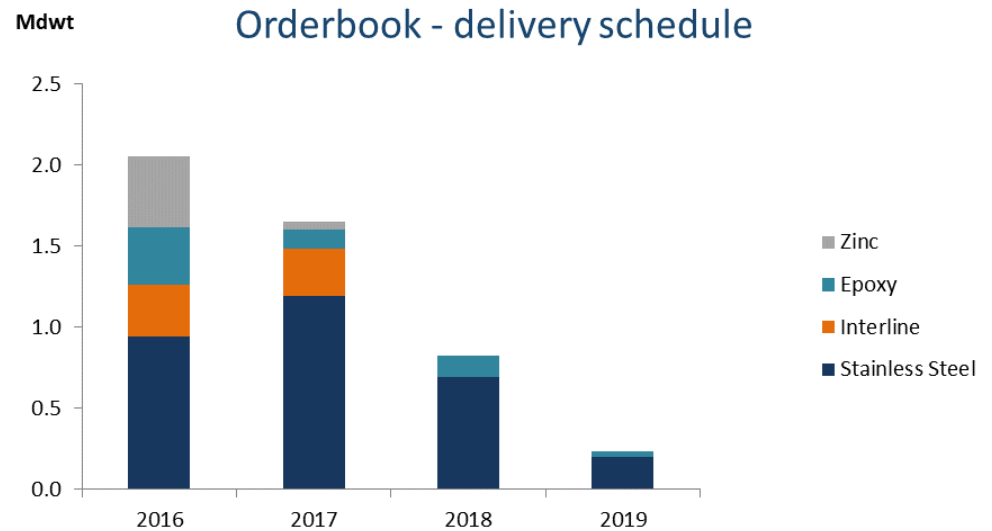
Methanol supply expected to increase out of Iran post-sanctions

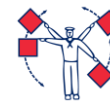


Fleet development



- Orderbook is shrinking, as orderbook of 2013-2015 seems to be relenting as deliveries come on water
- Secondhand market picking up



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