

Ocean House
60 Guildford Street
Chertsey
Surrey KT16 9BE
England

Tel: 01932 560332
Fax: 01932 567084

Email: info@osclimited.com

**OCEAN
SHIPPING
CONSULTANTS**

Limited

Directors:
Stephen A. Hanrahan
Andrew Penfold

Major Changes Ahead for the Chemical and Product Tanker Fleets

The product and chemical tanker sectors have experienced positive market demand in recent years. The legacy of this is currently a large orderbook. In addition, the introduction of new vessel regulations is set to see a large-scale change in the fleets.

Overall, the product tanker fleet is forecast to increase from 43m dwt to 68m dwt by 2015. World seaborne trade is forecast to increase from 649mt to 1,057mt over the same period. The chemical carrier fleet is forecast to increase from 41m dwt to 59m dwt by 2015. Chemical seaborne trade is forecast to rise from 151mt to 215mt by 2015. These are some of the findings of the major new Report on the evolving chemical & product sectors, published by the UK-based independent research company Ocean Shipping Consultants Ltd.

The 104-page detailed report – entitled ‘Chemical Carriers & Product Tankers: Demand/Supply & Profitability to 2015’ – analyses the current and historical developments within the chemical and product sectors and examines the prospects for trade and fleet development and the implications of new vessel regulations. The Report presents detailed forecasts for trade volumes, fleet requirements, freight rates and operating profitability through to 2015 under alternative scenarios.

A summary of some of the findings of this major new study is presented below: -

World Product Tanker Fleet & Trade Development

- The world product tanker fleet was estimated at 43m dwt at the beginning of 2006.

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- The product tanker orderbook is estimated at approximately 16m dwt, equivalent to 40% of the total product fleet capacity.
- World seaborne product trade has increased by 28% since 2000, from 509mt to 649mt during 2005, reflecting strong demand from the USA in the wake of Hurricane Katrina and rising demand in Asia.

World Chemical Carrier Fleet & Trade Development

- The IMO specification chemical carrier fleet was estimated at 33.3m dwt at the beginning of 2006.
- The chemical tanker orderbook is estimated at approximately 13.0m dwt, equivalent to 39% of the current IMO specification chemical fleet.
- The aggregate chemical trade has witnessed a sustained period of growth in recent years, with overall imports rising by 21% between 1999-2004 from 121mt to 146mt. Total imports were up by 4% during 2004 compared to 3% a year earlier.

New Regulations – Implications for the Product and Chemical Fleets

For product tankers the new regulations consist of:

- Amendments to Annex I of MARPOL 73/78 Regulation 13G on Prevention of Accidental Oil Pollution and a new regulation 13H on Prevention of Oil Pollution from Oil Tankers Carrying Heavy Grade Oil.
 - The implications for the fleet are accelerated phase-out of single-hull tankers and the banning of heavy grade oil in single hull tankers of 5,000dwt and above.

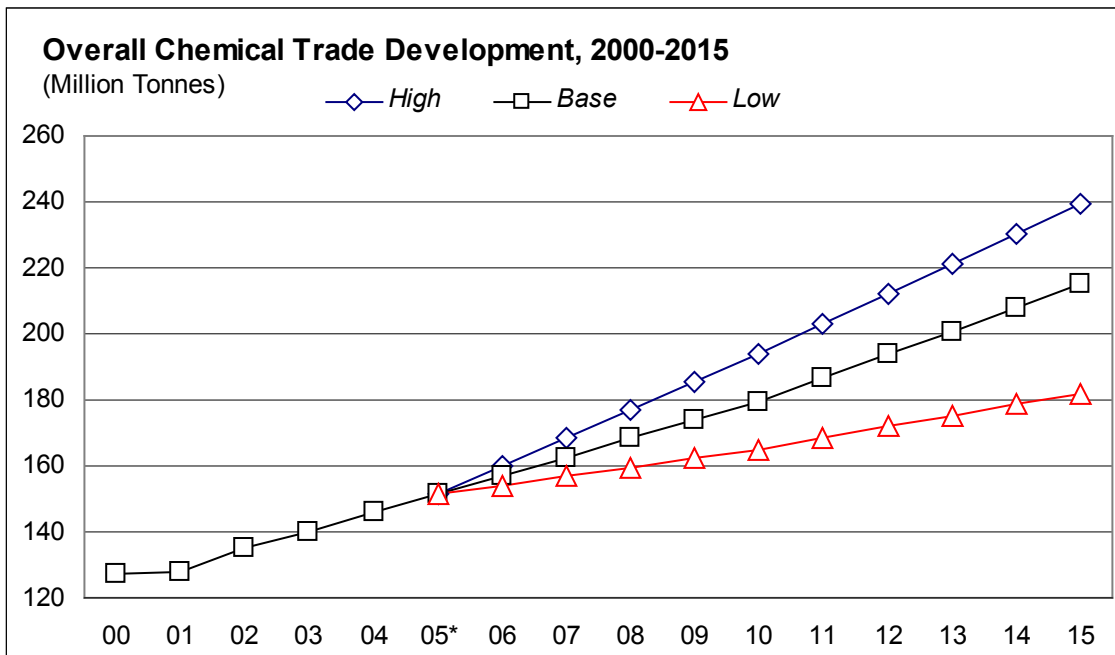
For the chemical carriers the new regulations consist of:

- A revised MARPOL Annex II - Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk. It includes a new four-category system for noxious and liquid substances and is expected to enter into force on 1 January 2007.
- The implications for the fleet are that under the new categorisation system, vegetable oils will be required to be carried in chemical tankers. In addition, several other chemicals have been re-categorised and the type of chemical carrier that can load them has also changed.

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Product Tankers & Chemical Carriers: Demand & Fleet Development to 2015

- Overall, the product tanker fleet is forecast to increase from 43m dwt to 68m dwt by 2015. World seaborne trade is forecast to increase from 649mt to 1,057mt over the same period.
- The total chemical carrier fleet is forecast to increase from a total of 41m dwt to 59m dwt by 2015. Chemical trade is forecast to rise from 151mt to 215mt by 2015.



*partly estimated
Source: OSC

Product Tankers & Chemical Carriers: Current & Future Freight Rates

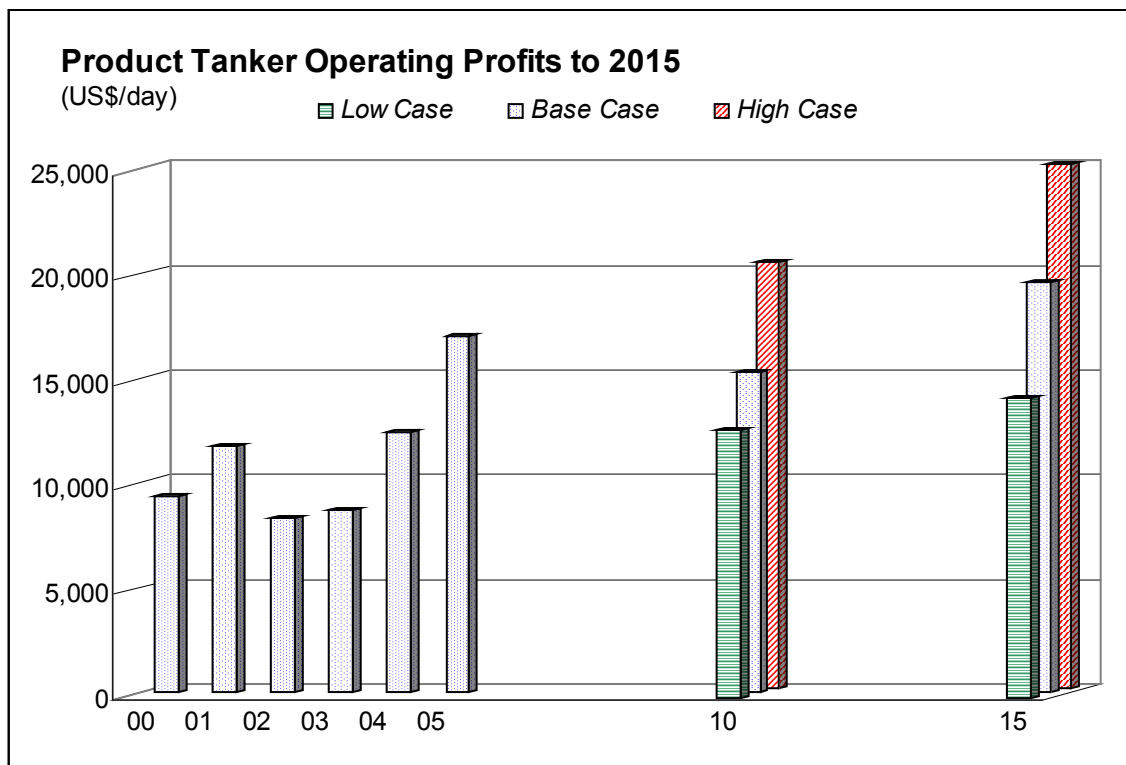
- **Product Tanker** Average 1-year time charter (T/C) rates rose from US\$16,400/day during 2004 to US\$22,700/day in 2005.
- Under the *Base Case* average 1-year time charter rates for a 37,000dwt product tanker are forecast to decline to US\$19,000/day by 2007 before recovering to US\$22,000/day by 2010. Towards the end of the study period, the fleet will lag behind increased global product demand, which is forecast to increase productivity and raise freight rates to US\$27,500/day by the end of the study period.
- **Chemical Carrier** T/C rates have increased by an average of 28% between 2000-2005. Rates for IMO 2 14,000 dwt and 24,000 dwt stainless steel vessels reached US\$15,000/day and US\$19,800/day respectively.

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- Under the *Base Case* rates for a 24,000dwt IMO 2 vessel are forecast to fall and then increase from the current US\$19,800/day to US\$25,000/day by 2015. For the smaller 14,000dwt IMO 2 vessel, rates are forecast to fall from the current US\$15,000/day in the near-term and then return to this level by 2010 and reach US\$18,750/day by 2015.

Product Tankers & Chemical Carriers: Profitability to 2015

- Operating profits** for a 30-50,000dwt **product tanker** are forecast to fall from US\$17,000/day during 2005 to approximately US\$15,300/day by 2010. Recovery is forecast to continue through to the end of the study period with operating profitability reaching approximately US\$19,600/day by 2015.



Source: OSC

- Chemical carrier operating profitability** is forecast to decline through to 2008. Average profitability will increase by 2010 to US\$6,700/day for the 14,000dwt and US\$8,200/day for the 24,000dwt vessels. By 2015, profitability is forecast to rise to US\$8,900/day and US\$9,800/day respectively.

In 104 pages, the highly detailed and extensive new Report contains analysis of all aspects of the chemical and product tanker sectors. With detailed forecasts of developments throughout the period to 2015, the Report is essential reading for all parties with an interest in the future development of any aspect of these sectors.

**‘Chemical Carriers
& Product Tankers:
Demand/Supply & Profitability to 2015’**

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Price : £850 (UK), €1350, US\$1600 (overseas) – for printed or electronic versions

Details from:

Study Sales Dept., Ocean Shipping Consultants Ltd, Ocean House,
60 Guildford Street, Chertsey, Surrey KT16 9BE, England

Telephone : (0)1932 560 332

Fax : (0)1932 567 084

Website : www.OSClimited.com

E-mail : info@OSClimited