Boost in Chemicals Trade Forecast

The chemical carrier trade has witnessed a sustained period of growth since the late-1990s, and is set to record continuing healthy growth rates over at least the next decade. The scale of fleet growth however, is likely to be so large over the next 2-3 years that freight rates for chemical carriers are likely to fall over the near-term, before some recovery later in the decade.

These are some of the findings of the major new Report on the evolving Chemical Carrier sector, published by the UK-based independent research company *Ocean Shipping Consultants Ltd.*

A summary of some of the findings of this major new 112-page detailed report – entitled '***Chemical Carriers: Market to 2015'*** –is provided hereunder: -

Organic Chemical Demand to 2015

Organic chemical trades currently account for 45% of total chemical carrier employment. The four largest seaborne chemicals are:

• Methanol - will continue to be the most significant liquid organic chemical transported by sea. However, with several states in the US banning MTBE its future market share is forecast to fall.

• Styrene – the market is slowly recovering from the low of 2001. Excess capacity has increased competition and some suppliers have closed plants completely.

- Benzene - is the leading aromatic feedstock, with Europe as the largest importer. However, the EU ‘Auto-Oil’ legislation is set to reduce benzene content in gasoline and potentially reduce overall consumption.

- P-xylene - exports are dominated by Japan, which accounts for approximately 33% of seaborne trade. China’s imports have risen dramatically and it is now the second largest importer.

Underlying trade growth in seaborne organic chemicals under the *Base Case* is expected to rise by just over 14% between 2004-2010 period from 66mt to 75mt, with a further increase of approximately 10% to 82mt through to 2015.

Vegetable Oils & Animal Fats to 2015

The oil and fat trades account for around 27% of total chemical carrier employment. In terms of seaborne trade, the top four vegetable oils and animal fats account for 77% of the market. They are:

- Palm oil – is the most significant product within the vegetable oils sector, accounting for 46% of all seaborne trade.

- Soybean oil – trade is dominated by long-haul shipments from Latin America to Asia.

- Sunflower oil – is recovering after a drop in exports recently. Argentina is the largest exporter, and has increased its harvest area by 30%.

- Tallow/Grease – the main exporter is the US, accounting for 55% of all movements.

Overall vegetable oil and animal fat seaborne trade currently accounts for 41mt, and is forecast to increase by 20% in the short-term under OSC’s *Base Case* to 49mt. By the end of the study period, trade will have increased by a further 22% to reach 60mt in 2015.

Inorganic Chemicals to 2015

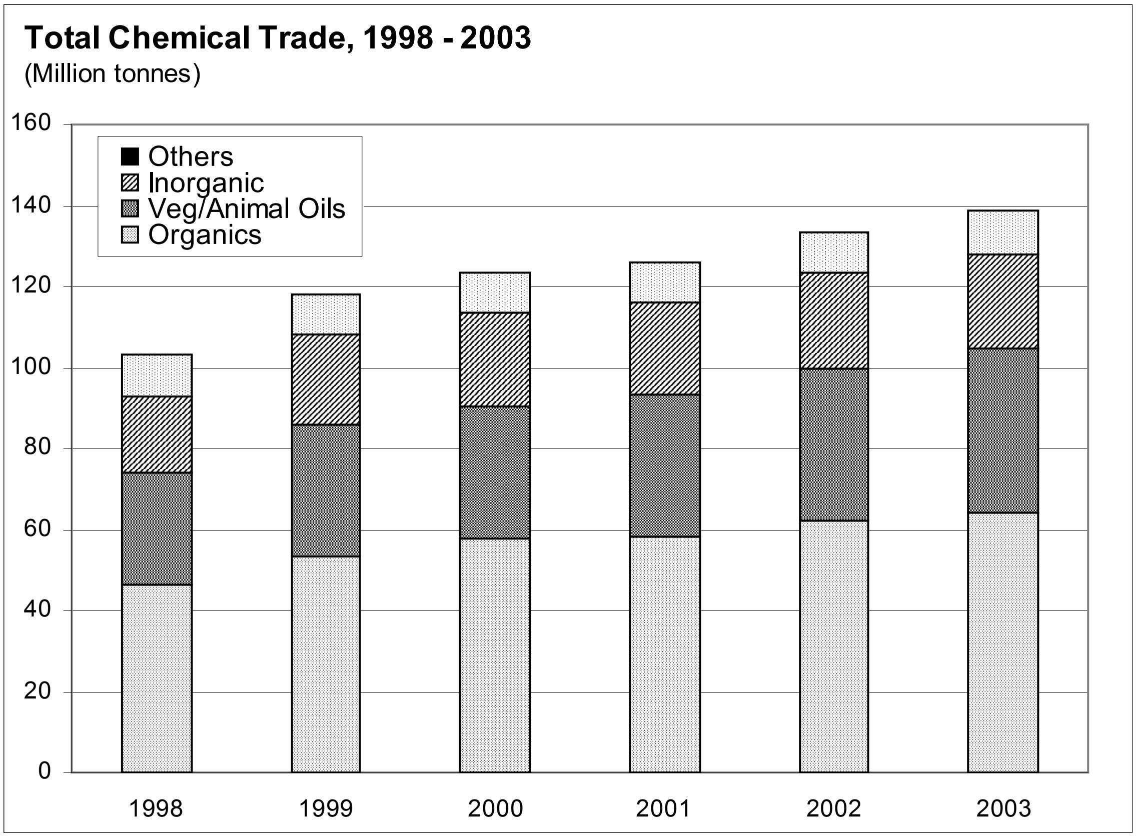
The inorganic chemical trade accounts for just over 16% of total seaborne chemical carrier employment. The main chemical trades are:

- Sulphuric acid – accounts for 39% of inorganic trade, with a concentration of trade movements within Europe and Asia.

- Caustic soda – increased capacity has been added to the market in recent years, particularly in the Middle East.

• Phosphoric acid – trade is dominated by exports from Morocco, which accounts for approximately 30% of seaborne exports, while the dominant importer is India, which accounts for just over 50% of total imports.

Overall inorganic chemical seaborne trade approximates 23mt. For the *Base Case*, modest growth patterns are forecast, with total seaborne trade rising to 25mt by the end of the study period.



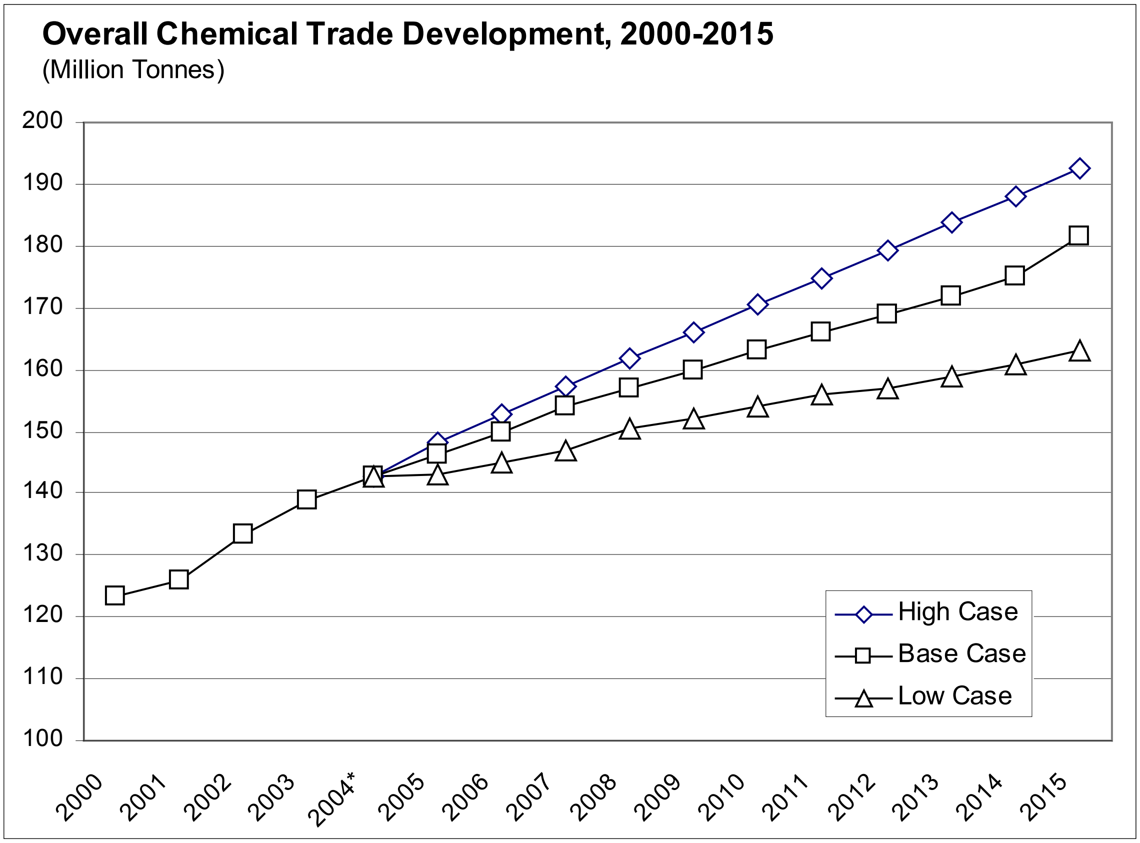
Source: OSC

Forecast Seaborne Trade & Vessel Demand – Base Case

• Over the medium to long-term, increased reliance on long-haul shipments of organic chemicals from the Middle East, primarily into Asia, is expected to boost organic chemical movements, resulting in a general rise in shipping demand. In addition, increase demand for vegetable oil and animal fats will also increase the demand for shipping.

• Under the *Base Case*, overall chemical carrier trade is expected to increase by 14% by 2010, reaching 163mt. Total seaborne chemical trades are forecast to reach 181mt by 2015.

• Chemical shipping demand through to 2015 reflects strengthening trade growth. Shipping demand under the *Base Case* is expected to rise by 20% through to 2010, to reach 757bn tm, followed by a further 13% increase by the end of the study period to reach 855bn tm.



Source: OSC

Chemical Carrier Fleet Development to 2015

• The chemical carrier fleet has undergone an unprecedented expansion in recent years. Since 2000 the chemical fleet has expanded by over 30% to reach 33m dwt, and the current orderbook approximates 8.2m dwt – representing approximately 25% of existing tonnage.

• For the future, deliveries will reduce through to 2008, in the wake of record delivery volumes in the near-term. In the longer-term, an increased number of vessels will be ordered to cover the increased scrapping numbers and the expected trade growth.

• Overall fleet capacity will expand by 25% to 41m dwt by 2010, with an overall increase of 43.5% to 47.3m dwt by the end of the study period.

Chemical Carrier Freight Rates & Developments to 2015 – Base Case

- In the short-term the chemical carrier fleet is set to witness a large expansion of capacity which will impact on freight rates significantly.

- Time charter rates are expected to reflect the influx of new tonnage, thus causing rates for a representative 24,000dwt IMO 2 vessel to fall from its current US$16,000/day to US$14,500/day by 2006. Similarly a representative 12,000dwt IMO 2 vessel will witness rates falling from its current US$12,000/day to around US$10,750/day over the same period.

- After near-term decline, time charter rates are set to rise as trade increases and more vessels are scrapped. For the smaller vessels, rates are set to rise to approximately US$14,000/day by 2011, with the larger vessel rates increasing to approximately US$18,400/day.

Operating Costs & Profitability to 2015 – Base Case

- After recent years' average operating profitability levels of around $4-5,000/day for the 12,000dwt class and $5-6,000/day for the 24,000dwt category, the expected decline in freight rates will impact directly on operating profitability. Thus, average levels for each size category is expected to fall to approximately $3,500/day in 2006, with subsequent recovery to around $5,000/day by the start of the next decade.

In 112 pages, the highly detailed and extensive new Report contains analysis of all aspects of the chemical sector. 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 the chemical sector.

'Chemical Carriers: Market Prospects to 2015'

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