

GAS REPORT 5. 2009

*Remember that there are never the changes we want
that changes everything!*

January 30, 2009

VLGC

Although the activity is picking up, the Baltic LPG index marginally improved. Freight rates are still way below running costs and with significant waiting time, the market remains in the doldrums.

The Saudi CP will be announced tomorrow, but we are not expecting notable improvement to the market resulting from this. It will take more than prices to bend the skewed market conditions and to absorb the overhang in tonnage.

40 – 60.000 Cbm

The Yuzhny line-up of February is still not providing any encouragement for the LGC fleet with a total line-up of about 30' mts NH3, split on two midsize vessels. The February line-up has increased with about 100% since our previous report with Yara securing another 15' mts NH3 parcel from Toaz with loading 7/9 February on Al Majedah. Mentioned purchase is coming in addition to the Trammo purchase of last week of 15' mts for Kurzeme with loading first days of February. The only good news in this respect is that product prices have started a slow process towards recovery with Yara securing tons at about US\$ 200 pmt fob.

Gazprom of Russia and Naftogas of Ukraine are believed to be in the process of finalizing the pricing formula for industrial natgas supplies into Ukraine over 2009. Mentioned agreement will hence determine the competitiveness of the Ukraine ammonia export industry in 2009. The industrial gas price is supposed to be linked to the N.W.E gas price with a discount element of 20% on European pricing. This should in principle give a feedstock price in Ukraine for Q1/2009 of about US\$ 7.3 mm/Btu based on current N.W.E gas price of about US\$ 9.1 mm/Btu. A feedstock price in Ukraine of US\$ 7.3 mm/Btu is probably equivalent to a production cost of ammonia ex plant of about US\$ 290/300 pmt and hence not going to provide any competitive edge in the international market for some time. The link to N.W.E gas prices (80%) will however provide a basis for future improvement in gas cost in the coming quarters, with NWE gas prices being benchmarked against an oil price related formula contract with a six months time lag. Such formula pricing brought European gas prices to a peak of US\$ 16 mm/Btu by mid 2008 before dropping to US\$ 9.1

mm/Btu by end January 2009. The sharp decline in crude values (Brent currently US\$ 46 per barrel) will start to impact European gas prices heavily as we develop into 2009. The ongoing feedstock price correction will eventually enable European ammonia production to regain much of its competitive edge through 2009 with feedstock prices likely to drop with about 30% within Q1 of 2009. Such price drop should be equivalent to a feedstock price in Ukraine of about US\$ 5,0 mm/Btu, equivalent to a production cost of ammonia of about US\$ 200/210 pmt fob, or in line with current Nitrochem pricing of Yuzhny tons. .

20 – 40.000 Cbm

The Tampa contract price for February has been settled at US\$ 199 pmt c+f, equivalent to an increase of about 60% on January pricing. The new Tampa price is reflecting a netback price in Trinidad of about US\$ 160/165 pmt fob and as such reducing the competitive edge of Trinidad tons in long haul markets in Mediterranean and N.W.E for February. Trinidad tons will probably require a landed price in Europe of about USD 210/215 pmt c+f, in order to be competitive, assuming a freight cost for such voyage of about US\$ 50 pmt. Mentioned landed price is well within reach with Ventpils and Yuzhny tons not being available at less than US\$ 220 pmt fob and US\$ 200 pmt fob respectively. The 'reversed' trans-Atlantic midsize trade is hence likely to continue for the balance of Q1 of 2009 and effectively until the US ammonia market is able to absorb the entire Trinidad export.

HPC of Iran and Pusri of Indonesia have signed a 50/50 joint venture contract for the construction of a new ammonia urea export plant in Assaluyeh Iran (Par 3) The plant will at the best be operational from 2013 with an export capacity of 670' mty ammonia and 1.1 mill ton year of urea.

Below 20,000 cbm

Regrettably, we were informed yesterday by a piracy attack on the German LPG ship Longchamp (3.2k Cbm) in the Gulf of Aden. The small gas carrier was en route from Europe to the East with a VCM cargo onboard. Due to the hijacking, the ship was diverted to the Somali coast. Piracy remains a treat to worldwide shipping with ever more owners trying to avoid malafide shipping zones, especially when the freeboard of the ship is too small.



In the coaster market of NWE we have seen a good amount of spot activity during the week with many vessels fixed for southbound directions. Weather delays and high CoA activity have resulted in low vessel availability before the weekend also causing higher freight rates.

The semi-ref lpg/c Coral Isis (6,100cbm, blt 1982) is sold from Maruju Shoji to Southwest Maritime of Phillipines. The new owners took delivery in Gibraltar end January and the price is region US\$ 1,2 million only. For easy reference this is similar to demolition prices basis delivery India/Bangladesh. The ship is already fixed for short term timecharter to Geogas with several optional periods. Geogas previously also chartered the ship as relet from Anthony Veder which was the last bareboat Charterers.

LNG

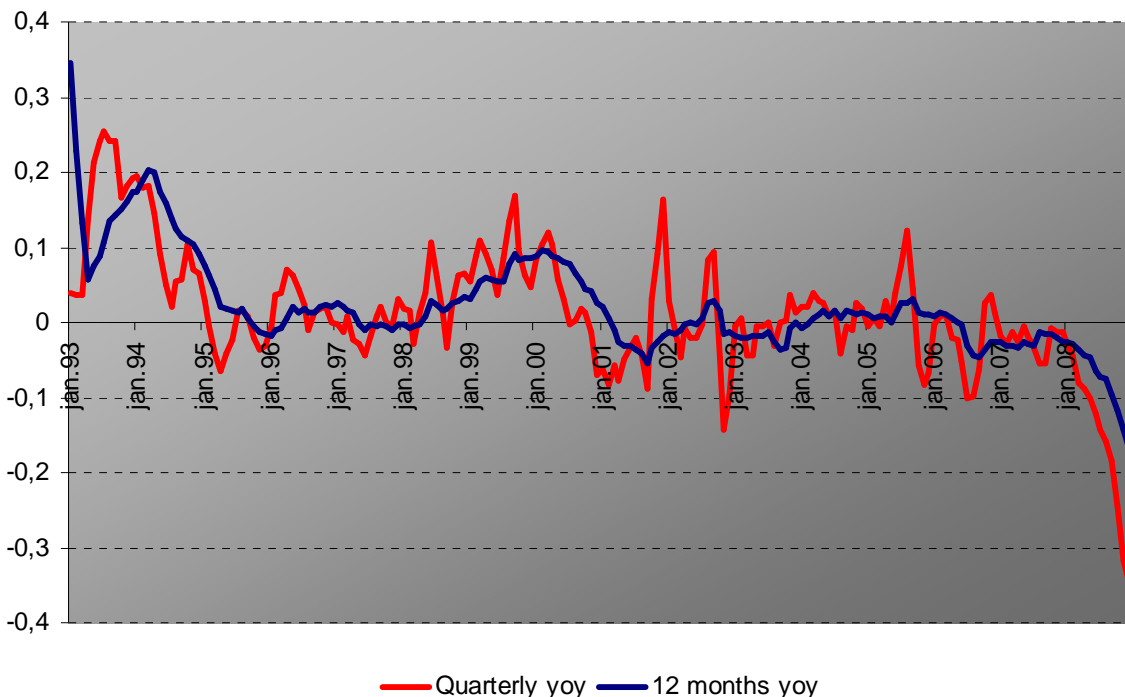
It is rumoured that the production of the Qatar LNG project Rasgas III, train 6 will be postponed from mid 2009 to early 2010. The project would yield around 7.8mio ton per year when operating at max capacity. This coincides with an annual LPG volume of 10% or 780k ton.

L&S Weekly Chart

More of the same?

The US car industry is in bad shape as the below charts illustrates. Ford has recorded the biggest loss in 50 years and the US economy is ailing. According to Bloomberg, the economy contracted at a 5.5% annual pace in the last quarter in 2008, the biggest drop since 1982.

Total Autosales US (% change)





Fixtures

SPOT							
Vessel	Size Cbm'	Mt'	Cargo	Load/Disch	Laycan	Rate USD	Charterer
VLGC							
BWGas TBN	VLGC	44'	Lpg	WAfr/Opts	1 half Feb	Rnr	Total
BWGas TBN	VLGC	44'	Lpg	USG/Opts	16-18 Feb	Rnr	Geogas
Capt Markos NL	81'	44'	Lpg	MEG/East	8-10 feb	Rnr	Petredec
Dynamic Energy	82'	44'	Lpg	Kaarstoe/Med	12 Feb	Rnr	Statoil
Berge Ningbo	82'	44'	Lpg	Houston/Opts	16-18 Feb	Rnr	Geogas
40.000-60.000 Cbm							
Kent	35'	20'	Lpg	Jose/Livorno	Ely Feb	Rnr	Geogas
Below 20.000 Cbm							
Golden Miller	16'5	10'	BTD	Flushing/China	Ely Feb	Rnr	Vinmar
Happy Fellow	4'4	1'8	But	Algeiras/Morocco	27-29 Jan	Rnr	Cepsa
Cervantes	4'3	1'7	Pro	Tees/Brest	30-01 Feb	Rnr	Stasco
Ocean Primary	4'0	2'0	BTD	Brindisi/Rotterdam	01-03 Feb	Rnr	ENI
Coniston	4'0	F/C	But	Gdansk/Sines	01-03 Feb	Rnr	SHV
Mistral	3'2	1'6	Pro	W.haven/Dublin	29-31 Jan	Rnr	SHV
Malvern	3'2	1'6	Pro	Tees/Rotterdam	01-02 Feb	Rnr	Sabic
Sturgeon	2'0	1'0	But	Immigham/Coryton	29-3 Feb	Rnr	Conoco
Sigas Commander	1'9	0'5	Pro	Flushing/M.Haven	29-31 Jan	Rnr	Murco
Sigas Lotta	1'7	F/C	CGP	Carrington/Moerdijk	31-02 Feb	Rnr	ShellChem
Sigas Monarch	1'6	F/C	Pro	Tees/Aardalstangen	28-30 Jan	Rnr	Statoil
Timecharter	Size	Blt	Region	Period	Laycan	Rate	Charterers
Coral Isis	6'1	82	Atlantic	2+2+2	End Jan	Rnr	Geogas

Product & Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
NWE				
FOB Seagoing Small	490,00	4,08 %	435,00	0,46 %
ARA CIF Seagoing Small	515,00	6,80 %	435,00	0,46 %
US Mt Belvieu				
Non-TET	378,16	2,07 %	447,68	3,03 %
NWE Propane Swaps				
Q1 2009	365,00	4,11 %		
Q2 2009	375,00	2,67 %		
MEG				
CP Januar 2009	495,50	0,00 %	490,50	0,00 %
Japan CFR	486,50	-0,51 %	486,50	-0,51 %
ANSI Januar	N/A		N/A	
NG and Crude				
NG, NYMEX - Februar	4,39	-3,87 %	usd/mmbtu	
WTI, Crude - Spot	41,28	-2,62 %	usd/bbl	
				Various Sources (average values)



Rates

MEG/Japan				
		Last Week	This Week	Trend
44.000 mts - LPG spot	(US\$/pmt)	16,00	16,50	Firming
TC Equivalent - 78.500 cbm	(US\$/pcm)	183 000	167 000	Softening
	(US\$/pd)	6 016	5 490	Softening

The Baltic Exchange				
		Last Week	This Week	Trend
44' LPG Ras Tanura/Chiba				
Week average	(US\$/pmt)	16,39	16,45	Firming

12 months Time Charter - Indicators				
	Last Week (US\$/pd)	This Week (US\$/pd)	This Week (US\$/pcm)	Trend
3.200 cbm S/R	9 040	9 040	275 000	Steady
3.500 cbm P/R - East	6 246	6 246	190 000	Steady
3.500 cbm P/R - West	7 068	7 068	215 000	Steady
5.000 cbm P/R	7 890	7 890	240 000	Steady
6.000 cbm S/R	15 615	15 615	475 000	Steady
8.000 cbm ETH	19 724	19 724	600 000	Steady
15.000 cbm S/R	22 189	22 189	675 000	Steady
35.000 cbm	25 477	25 477	775 000	Steady
60.000 cbm	25 477	25 477	775 000	Steady
78.000 cbm	21 368	21 368	650 000	Steady

Best Regards,
Lorentzen & Stemoco AS,
Gas Department

» Gas Department				
Name	Office	Mobile	AOH	Yahoo Messenger
Brokers				
Lie, Thor Erik	(+47) 22 52 77 55	(+47) 95 74 84 22	(+47) 22 29 53 34	thoreriklie
Director				
Bergmann, Knut	(+47) 22 52 77 40	(+47) 90 19 06 38	(+47) 22 14 13 15	knutbergmann
Faerden, Michael	(+47) 22 52 77 30	(+47) 92 22 47 77		
Gården, Tore	(+47) 22 52 77 03	(+47) 90 18 80 39	(+47) 22 06 04 82	tgaarden
Haaland, Ragnar	(+47) 22 52 77 02	(+47) 41 33 69 63		ragnar_haaland
Lalim, Anders	(+47) 22 52 77 07	(+47) 90 53 09 30	(+47) 67 12 27 50	la_limno
Sjøsæther Jr, Asle	(+47) 22 52 77 35	(+47) 91 19 13 61	(+47) 91 19 13 61	aslejr
Aaserud, Per	(+47) 22 52 77 37	(+47) 41 52 21 21	(+47) 67 12 32 67	Per_aaserud
Research				
Engelen, Steve	(+47) 22 52 77 83	(+47) 91 81 49 23		steve_engelen
Operation				
Vist, Kjell W.	(+47) 22 52 77 33	(+47) 91 33 59 11	(+47) 31 28 98 18	
Email: Phone: Fax:				
lorgas@lorstem.no	(+47) 22 52 78 86	(+47) 22 52 78 64		