



GAS REPORT 38 2011

“The future frightens only those who prefer living in the past”

September 23rd, 2011

VLGC

The momentum in the VLGC freight market has continued this week albeit at a rather more sedate pace than we have seen in recent weeks. The Baltic has strengthened gradually day by day and ended up US\$ 0.944 from last Fridays close. Conditions have been difficult for traders with a steep backwardation in the Middle East Gulf / Far East pricing leaving little margin for freight. Demand for product has been sluggish. That said buying interest picked up in China around the middle of the week due to cooler weather affecting South and East China and CFR price sentiment did firm up slightly as the days wore on. There are volumes moving from Middle East to the West. All in all it's a difficult picture and as additional volumes are coming into the market a price correction on the product side seems likely, not least seen in the light of the recent sharp crude falls. For shipping, trading inefficiencies tie up vessels one way or another and arbitrage windows opening create additional ton miles. Going forward we expect the freight market to remain firm if the underlying fundamentals of increased production remain.

NH3

The ammonia market continued to firm this week. Prices in North West Europe rose steeply, illustrated by a sales out of the Black Sea at US\$ 665 on cfr basis. In the US the Tampa Cfr contract price for October is under negotiation and the price is expected to be settled above US\$ 650. In Yuzhnyy prices have continued to firm with a new sale at US\$ 588 for October lifting, up US\$ 13. The October line up out of the Black Sea and the Middle East so far totals about 210,000 and 200,000 tons respectively.

HANDY

The market for this segment continues to strengthen and there is very little tonnage available in the short term. In addition to uncovered LPG cargoes there is also active interest from the petchem sector with PPL moving from Europe both to the USG and to the Far East as well as ethylene moving long haul again. In an already tight Handy sector, long haul petchem movements are adding considerable tonne miles and rates are moving sharply up. Owners' preference is for the well paying petchem cargoes which is leaving LPG charterers having to compete for vessels and often makes the economics for LPG trades unviable. Time

charter interest is still strong and rates are moving up in line with the strengthening spot market.

COASTER

Once again the coaster market has struggled to spring into life and activity has been muted. There are a number of vessels seen open on a prompt basis. Congestion at East coast UK and ARA ports is taking up some of the slack, but in general the market is perceived as long. That said the balance here can change quickly if should the activity from the petchem sector pick up. Time charter rates are still holding firm particularly in the pressurised sector.

LPG

In NW Europe both propane and butane prices came down sharply following large crude and naphtha falls. Robust inventories and more incoming tons from the Middle East Gulf including cargoes for October discharge added to the negative sentiment. Propane was heavily discounted at US\$130 below naphtha.

The outlook for the October CP weakened to the low US\$730's. Prices in Asia are currently too low to justify CP based prices. FOB top up cargoes are still available both for end September and October loading.

In Asia both propane and butane prices came under strong pressure from falling crude and oversupply. Towards the end of the week sentiment improved with colder weather in the region and the redirection of cargoes Middle East cargoes to Europe.

The US NGL's market saw propane strengthening slightly relative to crude at 75% of the value of WTI. The price differential to Europe disappeared and US propane prices even showed a small premium over Europe.

LNG

US gas prices on the Nymex eased this week to US\$ 3.753/mmBtu, down from US\$ 3.798

The 2011 Nat Gas Act, which was introduced on April 5th provides incentives to use domestic natural gas to fuel vehicles. US oil imports accounted for about 60 percent of our three-year-high trade deficit of \$50.2 billion. Converting America's heavy truck fleet of about 8 million vehicles to Liquefied Natural Gas



would save 2.5 million barrels of oil per day, meaning the reliance on OPEC oil would be cut by half. At \$100 per barrel that means \$250 million per day stays in the United States to stimulate the economy.

Chevron Corporation today welcomed Australian Commonwealth Government approval by the Federal Environment Minister, the Hon. Tony Burke, MP, for its Wheatstone Project in Western Australia. The federal environmental approval is an important milestone in reaching the final investment decision for the Wheatstone Project this year.” The foundation phase of the project will consist of two liquefied natural gas (LNG) trains with a combined capacity of 8.9 million tons per annum (MTPA) and a domestic gas plant. It is scheduled to start production in 2016. The environmental approval allows the project capacity to increase to 25 MTPA.

The Wheatstone onshore foundation project is a joint venture between the Australian subsidiaries of Chevron (operator 73.6%), Apache (13%), Kuwait Foreign Petroleum Exploration Company (7%) and Shell (6.4%).

Hyundai Heavy Industries, won an USD 400 million order to build two 155,000 cbm LNG carriers for Singapore-based BW Maritime. BW has options for another two vessels. The vessels are due for delivery in the second half of 2014 and the first half of 2015. The ships will have dual fuel diesel engine system (DFDE) which allows the ships to run both on oil fuel or natural gas.

Today’s inauguration of the Gate liquefied natural gas (LNG) terminal in Rotterdam is a further milestone in moves to increase European gas supply security. Gate terminal is one of Europe’s largest LNG terminals, with an annual regasification capacity of 12 billion cbm equal to around 180 tanker cargoes per year. The terminal’s location in the midst of large European natural gas markets and close to major trading points will make it a particularly important supply channel.

Targa Resources Partners LP announced the approval of a \$250 million expansion of its Mont Belvieu complex and its existing import/export marine terminal at Galena Park. Export capacity will be expanded to 5,000+ barrels per hour (Bbl/h) or 1-8-1.9mtpa of fully refrigerated, low ethane propane.

Fixtures

SPOT							
VESSEL	CBM	MT	CARGO	LOAD/DISCH	LAYCAN	RATE USD	CHARTERER
VLGC							
Gas Capricorn		44'	LPG	MEG/East	2H Sep	Low 70s	CNR
Musanah		44'	LPG	MEG/Opts	Ely Oct	Low 70s	Vitol
Mill Reef		44'	LPG	Saudi/Opts	Ely Oct	Low 70s	Gunvor
Bu Sidra		44'	LPG	MEG/Opts	Oct	RNR	Vitol
Prospect		44'	LPG	Bonny/Opts	2H Oct	RNR	CNR
Sub 25'000							
BW Nantes	58'	30'	LPG	Houston/Opts	Ely Oct	RNR	Geogas
Sub 25'000							
Maersk Humber	21'	FC	PPL+CC4	ARA/US Gulf	Ely Oct	RNR	Integra
Golden Miller	16'5	FC	PPL	ARA/F.East	Ely Oct	3.5 mill LS	Kolmar
Victoria Kosan	8'	4'5	ETH	MED/EI Tablazo	End Sep	RNR	Mitsubishi
Coral Obelia	3'8	2'	BUT	Stanlow/ARA	24-26 Sep	RNR	Shell
Lady Elena	3'5	1'8	BUT	Stanlow/ARA	18-20 Sep	RNR	Shell



Deltagas	3'5	1'6	PROP	Stanlow/Brest	23-25 Sep	RNR	SHV
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Rates

The Baltic Exchange LPG index				
44'LPG Ras Tanura/Chiba		Last Week	This Week	Trend
Weekly Baltic average	(US\$/pmt)	69.03	69.98	Firming
Baltic TC Equivalent	(US\$/pcm)	1,471,718	1,544,390	Firming
	(US\$/pd)	48,380	50,769	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	7,890	7,890	240,000	Steady
3.500 cbm P/R - West	8,711	8,711	265,000	Steady
5.000 cbm P/R	10,191	10,191	310,000	Steady
6.500 cbm S/R	14,793	14,793	450,000	Steady
10.000 cbm ETH	19,724	19,724	600,000	Steady
20.000 cbm S/R	23,011	23,833	725,000	Firming
35.000 cbm	22,189	23,011	700,000	Firming
60.000 cbm	26,298	26,298	800,000	Steady
82.000 cbm	28,764	28,764	875,000	Steady

Product & Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
NWE				
FOB Seagoing Small	790,00	3,48 %	901,00	2,33 %
CIF Seagoing Small	846,00	1,60 %	924,00	2,27 %
US Mt Belvieu				
Non-LDH	783,70	-7,99 %	827,53	-8,33 %
NWE Propane Swaps				
Q1 forward	805,00	-9,69 %		
Q2 forward	830,00	-7,23 %		
MEG				
Contract Price	790,00	0,00 %	865,00	0,00 %
Japan CFR	763,50	-6,61 %	858,50	-3,55 %
NG and Crude				
NG, NYMEX	3,75	-2,98 %	usd/mmbtu	
WTI, Crude - Spot	81,04	-10,20 %	usd/bbl	
				Various Sources (average values)

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