



GAS REPORT 1 2012

“Creativity requires the courage to let go of certainties”

January 6th, 2012

VLGC

Following some slow weeks prior The Holiday season, activity is still a bit sluggish and tonnage is building up further in Fujairah. The limited activity in the first week of the New Year has not taken out enough vessels. With the sharp rise in bunker prices owners' time charter equivalent earnings are down to basically OPEX. However, the year is young, very young and there is plenty of LPG to be transported in 2012. West of Suez there has been a little bit more activity and there seems to be a “West Premium” again.

NH3

Ammonia prices have come under further pressure since our last report two weeks ago. No new business has been concluded out of Black Sea and producers are starting to shut down capacity. The highest cost producers in Ukraine are facing gas cost of more than US\$ 550 per ton against FOB prices of only some US\$ 440-450. Prices in the Middle East Gulf have also come under further pressure with a sale to the US at an estimated netback of just under US\$ 400. Prices could still fall further short term, but the outlook for the year is quite positive. Demand is expected to recover from stock replenishment in Asia and from improved industrial demand in the US. Agricultural demand is expected to remain quite firm.

HANDY

This segment ended the year on a high note which looks set to continue. The fleet is generally well employed, no doubt aided by higher activity in the ammonia market and the healthy level of long-haul petchem cargoes. In addition to this, trans Atlantic product prices opened an arbitration opportunity on butane which at least one charterer took advantage of. One year time charter levels maintain their healthy level of over US\$ 700k pcm.

COASTER

The last weeks of 2011 were slow in terms of activity. Both owners and charterers had scheduled their programs to allow for a quiet holiday period and spot requirements were few and far between. The first week of the New Year however has largely been dominated by severe weather delays. Adverse conditions resulted in significant delays across the continent, further

augmented by suspended pilotage across the ARA region. This has translated to near closure of several ports. As a consequence requirements have been seen on a prompt basis from charterers whose contract tonnage was delayed

LPG

The first three trading days in the New Year saw prices moving sharply higher on the back of a crude market rally taking crude up US\$ 5 per barrel on increased tension between Iran and the US/Europe. However, the state of the physical market remained subdued with discounts to the swap market. Butane continued commanding a significant premium to propane and parity with naphtha there was no interest from petchem buyers.

Saudi Aramco released the CP for January at US\$ 850 and US\$ 910 for propane and butane respectively, which was higher than anticipated. New spot availability started to emerge from following a quiet December. The February CP swap was trading at a US\$ 15 premium to the January CP.

The Asian market had a late start with only two trading days this week in Japan and China. Prices ended the week sharply higher receiving impetus both from the recent crude rally and from tighter supplies as buyers were looked to cover remaining winter requirements. Butane maintained its US\$ 60 premium over propane.

The US NGL's market reacted up in line with crude initially, but then succumbed to bearish EIA stock data. Propane ended the week at only 56% of crude compared to 61% one year ago. Enterprise Product Partners announced the construction of an ethane pipeline to bring ethane from the Marcellus shale plays to Mont Belvieu. The 190,000 barrels per day pipeline is scheduled for 2014 completion. A large share of the capacity has been leased to shippers on a 15 year contract, illustrating the long term potential of shale development. The attractive price of ethane, currently only 30% of crude, could back out propane a feedstock for ethylene cracking and provide a further potential to export volumes of propane.

LNG

In the US, NYMEX eased to US\$ 3.01/mmBtu compared to US\$ 3.14 in week 51. In the UK, the day-



ahead price fell to 52.15/therm, equivalent to US\$ 8.17/mmBtu compared to 57.50p/term last week.

Knutsen OAS Shipping has received permission from Russian authorities to carry LNG from Snøhvit to Japan through the Northern Sea Route. Ribera del Duero is currently the only vessel capable of carrying out such a journey. It is classified as DNV ice class ICE 1A by Det Norske Veritas and has a winterisation notation. The passage from northern Europe to Japan will take half the time it takes to sail through the Suez Canal. On parts of the passage assistance of two Russian nuclear ice breakers is required.

Marubeni Corporation announced that Marubeni Eagle Ford Limited Partnership, a U.S. subsidiary of Marubeni, has entered into an agreement with Dallas based Hunt Oil Company, one of the world's largest privately-owned independent oil and gas companies, to acquire a 35% working interest in the Eagle Ford shale oil and gas play covering approximately 52,000 net acres of oil and gas leases located in Texas.

BW Gas and InterEnergy Holdings have agreed to form a joint venture to build a Liquefied Natural Gas (LNG) terminal in San Pedro de Macoris, in the Southeastern coast of the Dominican Republic. The terminal will be part of an all-encompassing logistics solution to bring natural gas to the country.

Eight companies have so far applied to export LNG from the North American natural gas surplus. The companies seeking to export LNG are; Cheniere, Freeport LNG, Apache Canada Ltd., BC LNG Export Coop, Dominion, Jordan Cove and South Union/BG.

Fixtures

SPOT							
VESSEL	CBM	MT	CARGO	LOAD/DISCH	LAYCAN	RATE USD	CHARTERER
VLGC							
Devon	82'	44'	LPG	Kaarstoe/Opts	15 Jan	RNR	Total
BW Denise	78'	44'	LPG	WAF/Opts	16 Jan	RNR	Geogas
British Commerce	83'	44'	LPG	MAA/Opts	27-28 Jan	Low 40s	KPC
Sub 25'000							
Lady Hilde	3'5	1'6	PROP	Port Jerome/Opts	29-31 Dec	RNR	ExxonMobil
B Gas Commander	2'	1'15	ISOBUT	Kaarstoe/Port Jerome	30-31 Dec	RNR	ExxonMobil
Daviken	3'2	1'7	PROP	Tees/Lisbon	30 Dec-01 Jan	RNR	Ryttsa
Newmarket	6'4		PROP	Pembroke upto 10 day FSO	Ely Jan	HNR	Valero
Maersk Gusto	22'5	FC	LPG	MAA/Kandla	4-5 Jan	RNR	IOC
Cervantes	4'2	1'2	BUT	Kaarstoe/Flushing	4-6 Jan	RNR	Stasco
Marte	3'	1'	BUT	Immingham/Opts	3-5 Jan	RNR	ConocoPhillips
Arran	4'	FC	PROP	Pembroke/Opts	5-6 Jan	RNR	Valero
Grendon	5'		PROP	Pembroke 3-6 day FSO	6-8 Jan	HNR	Valero
Navigator Neptune	22'	Min 6'	LPG	Korea/Hawaii	Mid Jan	RNR	Geogas
Arctic Gas	20'5	FC	C4s	Europe/F.East	2H Jan	RNR	Kolmar
TIME CHARTER							
VESSEL	CBM	BUILT	TRADE	DELIVERY	PERIOD	HIRE US\$	CHARTERER
Nusa Bright	78'	1991	LPG	Jan 2012	3 years	HNR	Pertamina
Polargas	15'	1990	NH3	Jan 2012	6 months	HNR	Yara
Antarcticgas	15'	1991	NH3	Jan 2012	4 months	HNR	Yara



Rates

The Baltic Exchange LPG index				
44'LPG Ras Tanura/Chiba		Last Week	This Week	Trend
Weekly Baltic average	(US\$/pmt)	45,19	42,09	Softening
Baltic TC Equivalent	(US\$/pcm)	430 181	267 404	Softening
	(US\$/pd)	14 141	8 790	Softening

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	23 833	23 833	725 000	Steady
35.000 cbm	25 641	25 641	780 000	Steady
60.000 cbm	26 298	26 298	800 000	Steady
82.000 cbm	30 408	30 408	925 000	Steady

Product & Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
NWE				
FOB Seagoing Small	870,00	9,08 %	945,00	8,47 %
CIF Seagoing Small	915,00	8,52 %	946,00	5,71 %
US Mt Belvieu				
Non-LDH	702,86	-0,93 %	922,49	1,72 %
NWE Propane Swaps				
Q1 forward	805,00	-4,84 %		
Q2 forward	804,00	2,49 %		
MEG				
Contract Price	850,00	0,00 %	910,00	0,00 %
Japan CFR	914,50	1,31 %	964,50	0,21 %
NG and Crude				
NG, NYMEX	3,00	0,50 %	usd/mmbtu	
WTI, Crude - Spot	101,33	2,47 %	usd/bbl	
				Various Sources (average values)

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