

GAS REPORT 28 2011

"Bureaucracy is the art of making the possible impossible."

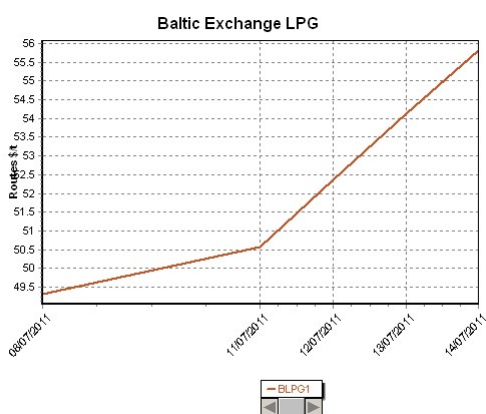
July 15th, 2011

VLGC

As we are getting close to an "all time high" in terms of monthly Middle East Gulf shipments with volumes likely to top 3 million tons for July, freight rates are climbing faster. There are hardly any vessels left for July loading and the availability in August is limited. The reason for the high export volumes seems to be a combination of planned maintenance at several Saudi petrochemical plants in combination with increased crude production and a steady build-up in volumes from Qatar and Abu Dhabi. It is uncertain when the maintenance program will be completed, but we understand that maintenance normally takes about one month. For the first time in many months MEG spot cargoes have been fixed to NW Europe.

We expect to see owners ballasting vessels back to the MEG region from Europe as freight in the East is currently trading at a premium to the West. Currently there are 26 VLGC's trading in the West. There are presently 16 VLGCs on short or long term storage.

The Baltic LPG Index has gained US\$ 6 in a week providing owners with a time charter equivalent of about US\$ 1 million per month, the highest level seen in three years.



NH3

A total of 145 000 tons of FSU ammonia is booked from Black Sea to US in July, the highest level seen since October 2008, triggered by a very healthy demand in the US for the autumn season. However, with the relatively stable Yuzhnyy prices the August Cfr Tampa price is likely to remain on the July level of

US\$ 555. In Yuzhnyy prices remain at US\$ 490/495 Fob with last done at US\$ 493 for an early August cargo. In the Middle East Gulf the market remains relatively firm, supported by tight supply as ammonia plants are down both in Australia and Indonesia. The Burrup plant is not expected to resume production until early August. Middle East prices remain around US\$ 500 Fob, with one spot sale to a Japanese trader just above the 500 mark.

HANDY

This segment continues to be quite tight for available tonnage despite a relatively limited spot market at present. This is mainly due to the fact that much of the fleet is tied up on long term employment. In addition, quite a substantial portion of the fleet now employed on the US East Coast with vessels performing transatlantic voyages followed by short floating storage operations.

On petrochemicals, traders have been active in North West Europe and one vessel is reportedly on subjects for a transatlantic voyage. In other areas though spot cargoes are difficult to come by and one vessel is now ballasting back from the Far East to the Med. In general we expect this segment to hold firm in the coming weeks.

COASTER

The delays mentioned last week continued as several ARA ports were closed Thursday to Friday due to bad weather. This augments the delays in the region, in Terneuzen in particular, and some charterers have been forced to look for spot tonnage to replace delayed programmed vessels. Together with a decent level of activity from oil majors as well as petchem traders, this serves to ensure that vessel supply remains tight for the week ahead.

PRESSURIZED EAST

The Raffinate tender from Pasir Gudang for 1st Week August was awarded to the Korean trading house ALBA at US\$ 1 120 Fob for delivery to Jingjiang at Cfr about US\$ 1 230 pmt. LPG/C Senna 2 (ex Nautical Segamat) will perform this voyage.



We have heard from various sources that Titan has been bought by South Korea's Yeochun NCC (YNCC)

Vessel supply within North East Asia is improving compared to last week. In the South, the tonnage situation is still relatively tight, especially for vessel with last cargo C3s. We believe that situation within the South will become even tighter when the plants in the North resume operations.

LPG

Prices in North West Europe followed crude movements, went up and then down again. Petrochemical buyers are still showing interest in propane, which at 88% of naphtha is priced even below the price floor. Storage levels are reported to be filling up. Propane has been losing ground relative to butane and naphtha. The outlook is weakening with incoming arbitrage cargoes from the US and now also from the Middle East Gulf.

Activity in the Middle East Gulf gained further momentum. Saudi Aramco has sold eight spot cargoes in just a few weeks, the highest level seen in over three years. There have also been reported spot sales from other producers. Sentiment has turned more bearish with ample supply of spot cargoes, illustrated by a spot sale to a European trader at US\$ 800 or US\$ 15 below July CP.

Asian prices came off over the week taking little impetus from crude prices often moving in the opposite direction as ample supply of incoming cargoes dampen the sentiment well into August.

US propane stocks rose to 44.5 million barrels up 3 from last week, but still 7 million barrels below year earlier levels according to EIA. Butane prices increased relative to propane with impetus from higher rebob gasoline prices.

LNG

US gas prices are up from last week to US\$ 4.4316/mmBtu, while West Europe prices are down from last week with the UK day-ahead at 55.29p/therm equivalent to US\$ 9.02/mmBtu.

The IEA expects that Japan will have to increase LNG imports by 14 bn cbm or just over 10 million tons to compensate for the shortfall in nuclear power generation. This will come on top of the 70 million tons of regular LNG imports (2010).

Chancellor Angela Merkel has this week toured Africa. The German Government announced in May that they by 2022 will permanently close down eight of their nuclear power plants. Germany is now looking for long term supply of LNG.

BHP pays US\$ 15.1 billion for Petrohawk. The transaction would provide BHP Billiton with operated positions in the three world class resource plays of the Eagle Ford and Haynesville shales, and the Permian Basin. Petrohawk's assets cover approximately 1,000,000 net acres in Texas and Louisiana, with estimated 2011 net production of approximately 950 million cubic feet equivalent per day (MMcfe/d), or 158 thousand barrels of oil equivalent per day (Mboe/d).

BP chief economist for Russia & CIS, Vladimir Drebentsov, stated yesterday that petrol and diesel for the foreseeable future will yield the way to liquefied natural gas (LNG) as fuel for transport. "Now the world is entering into an era of methane, the market of which is experiencing revolutionary changes. The first is a revolution of liquefied natural gas as a means of delivery of fuel over long distances and the second is the emergence of transport which uses liquefied natural gas as motor fuel. Currently, it is not cars, but medium and heavy trucks, marine vessels," Drebentsov said.

According to estimates of the European Association of LNG-Running Transport, in February the European consumer could drive 110 km on gasoline for 10 euro, 150 km on diesel fuel, and 250 km on natural gas. "LNG provides a lower level of emissions than fuel standards euro-5, euro-6, and even euro-7 require.

State oil and gas firm PT Pertamina says it plans to convert the Arun liquefied natural gas (LNG) plant in Aceh into a LNG receiving terminal when the plant's gas reserves run out in 2014.



Fixtures

SPOT							
VESSEL	CBM	MT	CARGO	LOAD/DISCH	LAYCAN	RATE USD	CHARTERER
VLGC							
Mill Reef	82'	44'	LPG	Ruwais/Sriracha	2-3 July	Rnr	PTT
Ayame	82'	44'	LPG	MEG/East	14-16 July	Rnr	E1
Captain John NP	82'	44'	LPG	MEG/East	18-20 July	Rnr	E1
British Courage	82'	44'	LPG	MEG/East	19-21 July	Rnr	Vitol
British Confidence	82'	44'	LPG	MEG/East	20-22 July	Rnr	Shell
Gas Friend	78'	44'	LPG	Ras Laffan/East	25-26 July	50	Vilma Energy
BW Prince	82'	44'	LPG	Houston/Opts	8-10 Aug	Rnr	Petrobras
Sub 25'000							
Happy Eagle	4'3	1'6	Prop	Tees/Immingham	9-11 July	Rnr	ConocoPhillips
Daviken	3'2	1'8	Isobut	Kaarstoe/Port Jerome	13-15 July	Rnr	ExxonMobil
Berceo	4'	2'	But	Bilbao/Morocco	14-16 July	Rnr	Ryttsa
Cervantes	4'2	1'8	Isobut	Kaarstoe/Le Havre	17-19 July	Rnr	CSS SA
Ocean Primus	4'3	2'5	But	Donges/Opts	17-19 July	Rnr	CSS SA
Gas Cerberus	5'	1'8	But	Fredericia/ARA	17-19 July	Rnr	Stasco
Patagoniagas	15'	Fc	LPG	Trinidad/Aruba	18-20 July	Rnr	Geogas
Statoil TBN	5'	Fc	But	Brofjorden/Opts	20-22 July	Rnr	Preem
Dancing Brave	22'	Fc	LPG	Kaarstoe/Marcus Hook	End July	Rnr	Sunoco
Senna 2	3'5	1'65	C4 raff	Pasir Gudang/Jingjiang	3-5 Aug	Rnr	Alba
TIME CHARTER							
VESSEL	CBM	BUILT	TRADE	DELIVERY	PERIOD	HIRE US\$	CHARTERER
Prins Maurits	18'	1997	LPG	In d/c	6 months	Low 600s pcm	Yara

Rates

The Baltic Exchange LPG index			
44'LPG Ras Tanura/Chiba	Last Week	This Week	Trend
Weekly Baltic average	(US\$/pmt) 47,65	53,88	Firming
Baltic TC Equivalent	(US\$/pcm) 648 649	933 600	Firming
	(US\$/pd) 21 323	30 690	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	23 011	700 000	Steady
35.000 cbm	21 368	21 368	650 000	Steady
60.000 cbm	22 189	22 189	675 000	Steady
82.000 cbm	27 942	27 942	850 000	Steady



Product & Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
NWE				
FOB Seagoing Small	805,00	-4,35 %	850,00	0,24 %
CIF Seagoing Small	870,00	-4,02 %	915,00	0,22 %
US Mt Belvieu				
Non-LDH	792,83	-0,49 %	845,61	-0,27 %
NWE Propane Swaps				
Q1 forward	898,00	-1,34 %		
Q2 forward	894,00	-1,23 %		
MEG				
Contract Price	815,00	0,00 %	855,00	0,00 %
Japan CFR	822,00	-3,59 %	877,00	-2,79 %
NG and Crude				
NG, NYMEX	4,44	6,11 %	usd/mmbtu	
WTI, Crude - Spot	96,02	-0,07 %	usd/bbl	
				Various Sources (average values)

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