GAS REPORT 3 2012

"Our greatest glory is not in never falling, but in rising every time we fall"

January 20th, 2012

VLGC

Eventually VLGC freight rates are again picking up after the dive down to the mid/high US$ 30ties and freight rates giving owners returns below OPEX. This has been a relatively active week with a number of VLGCs fixed leaving mostly independent owners with a more determined view on the spot market left. However, there is still a back-log of vessels and the coming week will prove how fast owners will be able to re-establish freight rates at acceptable levels?

West of Suez freight rates have been above the equivalent "Baltic level" and availability of vessels was tighter than East of Suez.

Uncertainty around prices, demand, supply and arbitrage makes predicting the direction of the market challenging in the coming weeks.

NH3

The ammonia market remains weak with prices easing further. However, it is expected that demand could pick up closer to the spring season in the Northern Hemisphere. US production of MAP/DAP has been scaled back due to slack demand reducing ammonia import requirements. There have been no new sales reported out of the Black Sea. Some Russian production from Togliatti, which was closed in Q4 last year, will be brought back as the TOAZ pipeline to Yuzhny resumes operations. There are pockets of firmer demand in North Africa and in Asia.

HANDY

The week was reasonably active in terms of requirements, though available vessels remain in most loading areas. The West has primarily seen enquiries for LPG and petchems liftings, but few fixtures have been concluded. The East has been relatively quiet leading up to Chinese New Year. The exception has been ammonia as several traders were in the market on the back of an Iranian tender. The momentum in the segment is maintained, with time charter earnings at healthy levels.

COASTER

The week was very quiet with few enquiries leading to even fewer fixtures. Several requirements were withdrawn and some vessels remain unfixed. The oil majors seemed long in their systems, with relets were available for most of the week. With the presence of trader tonnage and some owners very long on ships, the resultant pressure on rates is hardly surprising. Going into next week we do not expect any significant change as the apparent tonnage length will require quite an increase in activity to be absorbed.

LPG

The level of activity increased strongly as the week went by. Higher crude and naphtha prices pulled propane and butane prices higher. Demand was boosted by colder weather and uncovered January and February demand. Butane maintained its parity to naphtha with demand centering around February requirements.

Activity in the Middle East Gulf built up after a slow start. The supply of cargoes is lower than in the peak months in the second half of 2011 due to lower production from some producers. Saudi Aramco announced its acceptances for February loading with no volume reductions. However, this should come as no surprise as term sales are reportedly down to about 5 million tons for 2012. The outlook for the February CP improved on the back of stronger Asian demand and higher prices.

The Asian market saw a build-up in activity and prices moved sharply higher supported both from crude and naphtha gains. A drop in incoming cargoes, colder weather and lower stock levels added to the bullish sentiment. Butane maintained a US$ 60 premium over propane.

The US NGL's market remained subdued with propane prices more than US$ 200 per ton below Europe and more than US$ 300 below Asia. Propane prices remained at 54% of WTI on an energy content basis. EIA propane stocks ended at 53.2 million barrels, down 2% on last week, but 18% higher than year ago levels and 11% higher than the 5 year average.

Published by: **Lorentzen & Stemoco AS** PO Box 7 Lilleaker, N-0216 Oslo, Norway Phone +47 22 52 77 00
www.lorstem.com e-mail: lorgas@lorstem.no Telefax +47 22 52 78 64

LNG

In the US, NYMEX declined to US$ 2.29/mmBtu compared to US$ 2.67 in week 2. In the UK, the day-ahead price fell to 53.60/therm, equivalent to US$ 8.32/mmBtu compared to 54.73p/term last week.

INPEX CORPORATION and TOTAL S.A. have confirmed the Final Investment Decision (FID) on the US$34 billion Ichthys LNG Project. Darwin will be the site of the onshore gas processing facilities, which will produce 8.4 million tonnes of liquefied natural gas (LNG) per annum. INPEX and Total recently announced binding Sales and Purchase Agreements for the entire LNG production from the Project for 15 years from 2017. In addition, the project will produce an estimated 1.6mtpa of LPG and 100,000 barrels per day of condensates.

Woodside is tendering for an LNG carrier on a long term charter to commence in 2013 for its PLUTO LNG project which is expected to ship its first cargo in April this year. Three LNG carriers have already been committed to ship cargoes from Pluto. The production has been sold to Japan on a 15 year contract.

BG has launched a tender to charter in one or more LNG carriers for a period of 5 years starting from 2013. A number of LNG carriers ordered speculatively will be delivered in 2013.

Pemex is planning to export LNG in 6-7 years time as gains from shale gas development and offshore projects will displace imports. Mexico will also be able to substitute dry gas for LPG. LPG is currently a major source of energy for heating and cooking. The Government is looking to remove unsustainable LPG subsidies that cost state owned Pemex USD 2.3 billion annually.

Fixtures

SPOT							
Vessel	CBM	MT	CARGO	LOAD/DISCH	LAYCAN	RATE US$	CHARTERER
VLGC							
Dorset	82’	44’	LPG	Ras Tanura/ East	22 Jan	39	Naftomar
BW Vision	82’	44’	LPG	MEG/ India	22-26 Jan	1,4 mill LS	IOC
British Confidence	82’	44’	LPG	MEG/ East	23 Jan	Hi 30s	Itochu
Iris Glory	84’	44’	LPG	MEG/ East	28 Jan	RNR	CNR
Derby	80’	44’	LPG	Ras Tanura/ Ain Sukhna	1-5 Feb	Lo 40s	AMPTC
Maersk Visual	81’	44’	LPG	MEG /East	1-5 Feb	Abt 39	Petrobras
Maersk Venture	82’	44’	LPG	BIK/ East	2-3 Feb	41	SK Gas
British Councillor	82’	44’	LPG	MEG/ East	7-8 Feb	39	Geogas
Sub 25’000							
Lady Martine	3’5	1’2	BUT	Port Jerome/Milford	18-20 Jan	RNR	ExxonMobil
Tanja Kosan	6’3	FC	BUT	Immingham/Morocco	21-23 Jan	RNR	CSS SA
Sigas Maud	5’	2’3	BUT	Kaarstoe/Dunkirk	22-24 Jan	RNR	ENI
Baltic Gas	21’	FC	LPG	STS Suez/Opts	End Jan	RNR	Naftomar
Golden Miller	16’5	PC	PPL	Aratu/Opts	2H Jan	RNR	Braskem
Nordic Gas	21’	FC	LPG	Houston/Caribs	Ely Feb	RNR	Petredec
Queen Zenobia	23’	FC	C4s	Brazil/Opts F. East	12-15 Feb	RNR	Braskem

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www.lorstem.com e-mail: lorgas@lorstem.no Telefax +47 22 52 78 64

TIME CHARTER							
VESSEL	CBM	BLT	TRADE	DELIVERY	PERIOD	HIRE US$	CHARTERER
3x P'dec TBN	5'	NA	LPG	Ecuador	12 months	HNR	Flopec

SALE & PURCHASE/NEW BUILDING/DEMOLITION							
VESSEL	CBM	BLT	DET	PRICE	DELIVERY	OWNER	BUYER/YARD
Haydock	4'3	2001	Sale	US$ 12 mill	Jan 2012	Setouchi	Petrolift
PRESS TBN	3'5	2013	New build	US$ 14-15 mill	Q4 2013	Pertamina	Taizhou Yuanyang
4*ETH TBN	12-17'	2014	New build	US$ NA	NA	Evergas	Sinopacific
Emsgas	5'2	1984	Demolition	US$ 525/lwt	NA	Transgas	NA
Norgas Energy	6'1	1979	Demolition	940/ lwt	NA	I.M Skaugen	NA

Rates

The Baltic Exchange LPG index				
44'LPG Ras Tanura/Chiba		Last Week	This Week	Trend
Weekly Baltic average	(US$/pmt)	40,79	41,36	Firming
Baltic TC Equivalent	(US$/pcm)	232 822	231 869	Softening
	(US$/pd)	7 654	7 622	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	25 477	**775 000**	Softening
82.000 cbm	30 408	29 586	**900 000**	Softening

Product & Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
NWE				
FOB Seagoing Small	827,50	-3,32 %	970,00	-0,26 %
CIF Seagoing Small	877,50	-3,13 %	945,00	-2,12 %
US Mt Belvieu				
Non-LDH	667,02	3,03 %	863,70	-5,50 %
NWE Propane Swaps				
Q1 forward	830,00	1,69 %		
Q2 forward	830,00	1,45 %		
MEG				
Contract Price	850,00	0,00 %	910,00	0,00 %
Japan CFR	977,50	5,73 %	1018,50	5,11 %
NG and Crude				
NG, NYMEX	2,31	-17,57 %	usd/mmbtu	
WTI, Crude - Spot	99,82	2,02 %	usd/bbl	
				Various Sources (average values)

GAS DEPARTMENT

Name	Office	Mobile	Yahoo Messenger
Brokers			
Lalim, Anders	(+47) 22 52 77 07	(+47) 905 30 930	la_limno
Hals, Martin Engelsen	(+47) 22 52 77 83	(+47) 909 39 949	martinengelsenhals
Strøm, Gustav	(+47) 22 52 77 55	(+47) 906 19 063	gustav.strom
Stokkmo, Rolv	(+65) 62273390	(+65) 84287103	rolv532000
Li, Danica		(+86) 13609786019	lpgbiz
Peh, Delson	(+65) 63498413	(+65) 6591779945	jiarongdelson
Research			
Stangebye Olsen, Knut	(+47) 22 52 77 03	(+47) 952 48 490	knutstangebyeolsen
Operation			
Teigland, Håvard	(+47) 22 52 77 33	(+47) 980 43 763	havardteigland
Email:	**Phone:**	**Fax:**	
lorgas@lorstem.no	**(+47) 22 52 78 86**	**(+47) 22 52 78 64**	