



# GAS REPORT 4 2012

*“Vision without action is a dream.  
Action without vision is simply passing time.  
Action with vision is making a positive difference!”*

We are pleased to announce the addition of Mr. Nicolay N. Kuhnle to our gas team as of February 1st. Nicolay holds a MSc in shipping, trade and finance from Cass Business School in London and he has 3 years of experience in shipping including the last year with our close client Avance Gas. We hope that you will welcome Nicolay and grant him the same excellent support you always have shown the gas team at Lorentzen & Stemoco.

January 27<sup>th</sup>, 2012

## VLGC

Even with Chinese New Year celebrations the VLGC market has seen more activity. On the back of higher demand, partly due to the colder weather in the Northern Hemisphere, there has been a fair amount of business this week. The oversupply of VLGCs East of Suez has been reduced and freight rates have improved this week. However, there is still no need for Owners to open the champagne bottles yet as a rate of US\$ 45pmt for a VLGC from The Middle East Gulf to Japan still returns less than US\$ 10 000 per day.

West of Suez there has been even more active and there are not available vessels for all the cargo possibilities we have seen. The “West Premium” has been re-established and it might even increase more in the weeks to come; as several fixtures have involved more ton miles than we have seen for quite some time.

## NH3

The ammonia market remains weak with prices easing further albeit at a slower rate of decline. However, it still expected that demand will pick up closer to the spring season in the Northern Hemisphere. The latest FOB sales out of Black Sea have been concluded at US\$ 405. Prices may still dip below the US\$ 400 mark, but probably not much further. In the US, the Tampa contract has been settled at US\$ 472 for February, down US\$ 83, reflecting both weaker Yuzhny prices and slow industrial demand. There is still some uncertainty as to when the new Qafco ammonia plant will start up in Qatar and if it may affect international prices.

## HANDY

There was a slight downturn in activity compared to last week. One vessel failed subjects for a VCM cargo from North West Europe to the Far East for February loading. There was little other spot activity west of Suez, though there’s been talk of petchem traders still

trying to develop cargoes on the Continent and in the Mediterranean. East of Suez the activity level is still subdued, with the notable exception of Indian charterers. Ammonia interest is still strong however, and with the Mid-size situation tightening the outlook for the Handy segment remains positive. Vessels are generally available in most loading areas on a short-term basis and we expect this situation to continue for the coming weeks.

## COASTER

There was a moderate tightening in the supply of vessels. Owners’ programs are tightening and together with periods of adverse weather conditions and resulting port closures this has had an effect on the number of vessels appearing on position lists. There was still the occasional relet being offered. Statoil fixing two of their ships leaving them balanced for the time being. One charterer quoted several cargoes this week, both petchems and LPG. Whether the requirements are firm or if it is just an attempt to deal with delays remains to be seen. We see signs of more activity next week and expect an upswing in the rates as a result.

## LPG

Prices for both grades rose through the week boosted by uncovered demand and removal of product from the area. Up to three large propane arbitrage cargoes will be shipped to Asia late January and early February. Intra-European butane prices widened to US\$ 50, which resulted in butane cargoes being shipped from North West Europe to the Mediterranean. Butane ended the week at 99% of the crude value.

Activity in the Middle East Gulf came to life in the second half of the week with up to half a dozen of large cargoes fixed to Asian destinations. February propane CP swaps rose by US\$ 70 to the high USD 970s



leaving potentially large margins in the hands of contract holders.

The Asian market reopened Wednesday following public holiday on Monday and Tuesday. Prices reacted sharply higher on strong demand for both grades.

The US NGL's market followed crude movements with propane maintaining a value of 54% or crude based on calorific content. There was some renewed heating demand for propane. However, the price difference to Europe continued to widen, ending the week at about US\$ 260, which boosted trans-Atlantic arbitrage trade.

### LNG

In the US, NYMEX firmed to US\$ 2.55/mmBtu compared to US\$ 2.29 last week. In the UK, the day-ahead price rose to 56.70/therm, equivalent to US\$ 8.89/mmBtu compared to 53.60p/term last week.

Japan's nuclear power capacity shrinks further as Chugoku Electric Power today shut the last reactor at its Shimane nuclear power plant for maintenance, leaving only 6.4pc of the country's nuclear power capacity still operating. Only three reactors are still operational; Hokkaido Electric Power's 912MW No.3 Tomari unit, Tokyo Electric Power's 1,356MW No.6 Kashiwazaki-Kariwa unit and Kansai Electric Power's 870MW No.3 Takahama unit. But they too are scheduled to start maintenance in the coming months, closing all of Japan's nuclear capacity unless a political decision can be reached on the restarts.

US propane production is unlikely to see much impact from reduced US natural gas drilling during the next decade, according to LPG distributor UGI. They expect the supply of liquids to exceed demand nicely as drillers focus on liquid rich areas. There will be a continued separation of propane to crude oil and approaching more natural gas pricing.

Nigeria Liquefied Natural Gas Company (NLNG) is seeking to raise around \$1 billion to buy about six new LNG tankers.

Golar LNG has become 100% owner of the LNG Carrier Gandria, purchasing the remaining 50% share interest in Bluewater Gandria N.V, the owning company of the vessel, from an affiliate of Bluewater Energy Services. The price has been agreed all-in at \$19.5 million. Prior to the transaction, the company was owned by Golar (50%) and Bluewater (50%). The vessel which is a Moss type carrier and built in 1977 has been laid up since September 2008.

Golar has in addition made a firm to commitment to reactivate the LNG Carrier Hilli which is also a Moss type carrier built in 1975. The vessel has been brought

to Keppel Shipyard for a \$15 million upgrading project. The ship is expected to be ready for service by the end March 2012.

Höegh LNG announced that it has the winning tender for the AB Klaipedos Nafta floating LNG storage and regasification unit in Lithuania. Höegh LNG said it intends to use the second of the two new regasification vessels currently being built in Korea for the 10 year lease agreement which will commence in the second half of 2014.

Höegh LNG in another announcement this week that it has signed a firm and final agreement with PT Perusahaan Gas Negara (PGN) to provide PGN with an FSRU and mooring system offshore Belawan, near the city of Medan, in North Sumatra, Indonesia. The project will employ the first of Höegh LNG's new building FSRUs under construction at Hyundai Heavy Industries Ltd in Korea. The agreement is a firm 20 year charter party with two five year options to extend for a total period of 30 years. The target start-up date is in September 2013.

Japan's LNG imports reached 78.5mt in 2011, a rise of 12.2% compared to a year earlier. 2012 imports are expected to total 90mt. Tohoku Electric has secured additional 2.2 mill tons of LNG for delivery by end March. This is one of the additional requirements covering for the outfall of Japanese nuclear power.

This week the talk of supplying The Asia-Pacific markets from the North Sea via the "North-East passage" from Norway along the Russian Siberian coast to the Pacific Ocean, got a new start as Gazprom are evaluating to supply LNG from the Prirazlomnoye field in that direction.



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## Fixtures

SPOT							
Vessel	CBM	MT	CARGO	LOAD/DISCH	LAYCAN	RATE US\$	CHARTERER
<b>VLGC</b>							
Reimei	79'	44'	LPG	Iran/ East	Ely Feb	Low US\$40's	SK
Maersk Value	81'	44'	LPG	Meg/ East	Ely Feb	Low US\$40's	Petrobras
BW Danuta	79'	44'	LPG	Kaarstoe/ East	1-2 Feb	RNR	Statoil
Ronald N	74'	44'	LPG	Bethuia/Opts	3-5 Feb	RNR	Vitol
Yuricosmos	78'	44'	LPG	Meg/ East	8 Feb	US\$42,5	E1
BW Lord	83'	44'	LPG	Houston/ Opts	9-10 Feb	RNR	Petrobras
BW Prince	82'	44'	LPG	Kaarstoe/ Opts	10 Feb	RNR	Geogas
BW Princess	82'	44'	LPG	Qatar/ Jamnagar	11-12 Feb	RNR	IOC
BW Austria	84'	44'	LPG	Houston / Brasil	14-15 Feb	RNR	Petrobras
Hellas Nautilus	81'	46'	LPG	Das Island/East	15 Feb	RNR	Geogas
Karoline N	74'	43'	LPG	Houston/ NWE	15-16 Feb	RNR	Geogas
Berge Nantong	80'	44'	LPG	Waf/Opts	End Feb	RNR	Total
<b>Sub 25'000</b>							
Lady Martine	3'5	FC	C4s	Moerdijk/ Ravenna	24-27 Jan	RNR	ENI
Saargas	3'5	1'65	PROP	Sines/ Terneuzen	25-27 Jan	RNR	Sacor
Lady Magdalena	3'5	1'8	ISOBUT	Kaarstoe-/ Port Jerome+Milford	27-29 Jan	RNR	Exxom
Statoil TBN	3'5	1'8	BUT	Brofjorden/ ECUK	28-30 Jan	RNR	Preem

## Rates

The Baltic Exchange LPG index				
44'LPG Ras Tanura/Chiba		Last Week	This Week	Trend
Weekly Baltic average	(US\$/pmt)	41,36	43,06	Firming
Baltic TC Equivalent	(US\$/pcm)	231 869	288 252	Firming
	(US\$/pd)	7 622	9 476	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	23 833	23 833	725 000	Steady
35.000 cbm	25 641	25 641	780 000	Steady
60.000 cbm	25 477	25 477	775 000	Steady
82.000 cbm	29 586	29 586	900 000	Steady



## Product &amp; Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
<b>NWE</b>				
FOB Seagoing Small	847,50	2,36 %	985,00	1,52 %
CIF Seagoing Small	890,00	1,40 %	945,00	0,00 %
<b>US Mt Belvieu</b>				
Non-LDH	670,93	0,58 %	872,75	1,04 %
<b>NWE Propane Swaps</b>				
Q1 forward	841,00	1,31 %		
Q2 forward	837,00	0,84 %		
<b>MEG</b>				
Contract Price	850,00	0,00 %	910,00	0,00 %
Japan CFR	1047,50	6,68 %	1047,50	2,77 %
<b>NG and Crude</b>				
NG, NYMEX	2,56	9,93 %	usd/mmbtu	
WTI, Crude - Spot	100,20	0,38 %	usd/bbl	
				Various Sources (average values)

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