GAS REPORT 5 2012

"Creativity requires the courage to let go of certainties"

February 3rd, 2012

VLGC

The release of the Saudi Aramco CP for February resulted in a slowdown in activity and several West cargoes got re-directed East. However, freight rates continued to firm with the Baltic LPG Index back at US$ 45 today. Even though bunker prices has come off a bit, US$ 45 only give owners a time charter equivalent return of just over US$ 10 000 per day, covering OPEX at the best; provided you do not take waiting time in to consideration.

West of Suez, the market has improved more and the overhang of vessels has disappeared. With the relatively long West voyages including, some also out of this load area, ton/mile is building up and this momentum should continue for some time.

NH3

Ammonia prices are under pressure both East and West of Suez. There is heavily oversupply against lack of demand. In the US the mild winter, so far, might lead to an early spring like in 2010, when field application started already in March. In Yuzhnyy business is now reported between US$ 380 and 390 Fob. East of Suez prices eventually dropped with the weak demand to India. As the phosphoric acid prices have not yet been agreed for 1st Q 2012, demand has halted. This is illustrated by the sale of a Saudi parcel at US$ 377.50 on Cfr basis, almost US$ 100 down from last week.

With the presently wide product prices between Black Sea and the US and the continuous curtailment in Trinidad gas supplies, which is likely to last through March and into April, the early spring in the US could even provide a few MEG to US cargo opportunities.

HANDY

We have not seen many fixtures in the handy segment this week. Due to the current cold front across Europe we may expect an increase in demand for inland gas consumption used for heating. However we can anticipate a time lag for the local storage to first weaken and then result in increasing demand for extra spot cargoes. All in all there are fewer vessels on short term, however there are still petchem traders active in the market though nothing has been concluded, both C4s and VCM.

COASTER

As predicted last week, the situation on the shipping side in North West Europe has tightened considerably. Lower temperatures and a significant demand from the south coupled with further increases in owners programs have meant the return of an active coaster market in the region. Relets were fewer and further between, as both oil majors and traders alike took advantage of the increase in demand. The Med and the Black Sea followed suit with the vessel situation there reflecting the one on the continent. A healthy number of requirements and fixtures was good news for the owners with prompt vessels. With low winter temperatures predicted to be maintained for the week ahead we expect the market to remain firm.

LPG

Large cargo prices for both grades declined over the week amidst of slower activity and weaker anticipated demand ahead. Propane lost some value relative to naphtha. The largo cargo market maintained a substantial premium over the small cargo market reflecting the outflow of three large cargoes and weaker downstream demand. Incoming large US cargoes were difficult to place as several buyers were concerned with ethane content. Butane was priced at about 97% of naphtha.

Saudi Aramco set the February CP at US$ 1010 and 1040 for propane and butane respectively, up US$ 160 and 130 from the January CP. Sentiments turned weaker and spot discounts to February CP deepened.

The Asian market responded up in anticipation of the new CP. However, price soon came under pressure as a more bearish sentiment was set and players were concerned with the end of winter demand and a possible further fall in values. Butane lost substantial value relative to propane.

The US NGL's market saw propane improving its value relatively to crude. EIA propane stock data were released in line with anticipations and had little market impact. However, butane values plummeted on weaker crude and weak demand for blendstock reflecting the very weak US gasoline demand. US LPG values maintained large discounts to overseas markets.

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LNG

In the US, NYMEX declined to US$ 2.47/mmBtu compared to US$ 2.55 last week. In the UK, the day-ahead price rose to 72.25/therm, equivalent to US$ 11.39/mmBtu compared to 56.70p/term last week.

China National Petroleum Corp. said today that its subsidiary PetroChina began pumping gas into pipeline network from Dalian's LNG terminal. The LNG project was started in April 2008 and completed in April 2011. The first phase of the receiving terminal has a capacity of 3mtpa annually. When the whole project is completed, the terminal will be capable of receiving 10 million tons per year.

As a result of geological exploration carried out by Gazprom in 2011, the natural gas reserve increment hit the record level of 686.4 billion cubic meters surpassing the production level by 33.8 per cent. A half of the increment was secured by geological exploration in Eastern Russia (Sakhalin shelf inclusive) where Gazprom is shaping new gas production centers. Gazprom Group produced 513.2 billion cubic meters of gas in the reported year in 2011, showing a 4.6 billion cubic meter increase over 2010.

The U.S. re-exported 19 LNG cargoes or 1,142,057 mt in 2011, according to U.S. DOE. Most of the re-exports was shipped out of Cheniere's Sabine Pass LNG terminal. Three U.S. LNG terminals that have been granted Federal approval to re-export LNG: Freeport in Texas, Sabine Pass and Cameron in Louisiana. Re-exportation of LNG lets marketers and suppliers store gas, while waiting for price signals before delivering their LNG to the higher-paying markets in Asia, Europe, and South America.

The Canadian National Energy Board has approved an application by BC LNG Export Co-operative LLC for a licence to export LNG from Kitimat, British Columbia. The export licence authorizes BC LNG to export 36 million tonnes of LNG over a 20 year period

Höegh LNG has exercised an option for a FSRU at Hyundai Heavy Industries with delivery in the second quarter of 2014. Hoegh LNG has already two FSRUs on order allocated to specific projects in Indonesia and Lithuania and is currently participating in several tender processes for additional FSRU projects. The strategy is to expand in the floating regasification market worldwide.

Höegh LNG also said that the company has raised about USD 200 million in gross proceeds through a private placement of 22,641,509 new shares.

Fixtures

SPOT							
VESSEL	CBM	MT	CARGO	LOAD/DISCH	LAYCAN	RATE USD	CHARTERER
VLGC							
Maran Gas Vergina	84'	44'	LPG	Kaarsto/Opts	14/15 Feb	Rnr	Statoil
BW Loyalty	83'	45	LPG	RLaffan/Male-Haldia	17/18 Feb	Rnr	IOC
BW Vision	82'	22'	LPG	STS Male/Haldia	20/25 fen	Rnr	IOC
Mill Reef	82'	44'	LPG	MEG/East	13/14 Feb	Rnr	E1 (Old)
Yuyo Berge	79'	44'	LPG	Ras Tan/East	4 Feb	45	Astomos
Gas Capricorn	79'	44'	LPG	MEG/East	6 Feb	44	Itochu
BW Trader	79'	44'	LPG	MEG/EC India	9 Feb	Rnr	Cnr
Yuhsho	79'	44'	LPG	MEG/East	Feb	Rnr	Shell
LGC & Midsize							
Mahars. Vamadeva	57'	28'	LPG	Ras Tanura/Vizag-Haldia	14 Feb	LS 1.53m	BPCL
Mahars. Shubhatreya	43'	23'	LPG	Ras tan/N. Mangalore	9/11 Feb	60	IOC
Sub 25'000							
Maersk Humber	20'	12'	LPG	Kaarsto/Opts	13/14 Feb	Rnr	Total
Maersk Gusto	22'	12'	LPG	MEG/EC India	15/16 Feb	55	HPCL
Nordic Gas	20'	12'	LPG	Targa/Med	9/10 feb	Rnr	Petredec
Telma Kosan	6'	F/C	But	UK/Spain	2/3 Feb	Rnr	Petredec
Sophia Kosan	9'	5'	Ethyl	Rab Bay/NWE	14/15 Feb	LS 290'	Mitsui
ThetaGas	9'	5'	CC4	Cont/TA	10/11 Feb	Rnr	Cnr
Philine Schulte	8'	5'	LPG	UK/WMed	10/12 Feb	Rnr	Vitol
Gas Moxie	7'	4'	BTD	Bombay/FEast	10/11 Feb	Rnr	Reliance
Coral Obelia	4'	F/c	But	Antifer/UKC Med	2/3 Feb	Rnr	Total
Chiltern	3'	1.8'	But	UK/Opts	½ Feb	Rnr	Shell
TIME CHARTER							
Berge Ningbo	81'	LPG		Extention short term	In d/c	Hnr	Petredec
Gaschem Bergen	8	2003	LPG	6 mos Dely Brazil	Feb 20/30	Hnr	Braskem

Rates

The Baltic Exchange LPG index				
44'LPG Ras Tanura/Chiba		Last Week	This Week	Trend
Weekly Baltic average	(US$/pmt)	43,06	44.547	Firming
Baltic TC Equivalent	(US$/pcm)	288 252	368 287	Firming
	(US$/pd)	9 476	12 107	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 & Prices

	Propane usd/pmt	Change from last week	Butane usd/pmt	Change from last week
NWE				
FOB Seagoing Small	862,50	1,74 %	907,50	-8,54 %
CIF Seagoing Small	922,50	3,52 %	965,00	2,07 %
US Mt Belvieu				
Non-LDH	654,61	-2,49 %	841,09	-3,76 %
NWE Propane Swaps				
Q1 forward	852,00	1,29 %		
Q2 forward	845,00	0,95 %		
MEG				
Contract Price	1010,00	18,82 %	1040,00	14,29 %
Japan CFR	997,00	-5,07 %	994,00	-5,38 %
NG and Crude				
NG, NYMEX	2,47	-3,65 %	usd/mmbtu	
WTI, Crude - Spot	97,20	-3,09 %	usd/bbl	
				Various Sources (average values)

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