



ALIBRA Weekly Market Report



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Week 47

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SCRUBBERS: A SHIPPING EXECUTIVE'S VIEW

This week we interview shipping executive of an established tanker owner to discuss his views on the impending 2020 sulphur cap requirements and how they will impact vessel owners from an operational perspective.

Do you think that the industry will be ready to meet the 2020 deadline?

The industry will rush to meet the deadline, now that they know for certain that there will be no extension. The first step is for companies to create a ship implementation plan because after 1 Jan 2020 owners will not be able to carry heavy fuel oil without scrubbers. So, companies will need to buy the compliant fuel ahead of the deadlines, empty and clean the tanks and then put the new fuel before the 1 Jan 2020. There will be a 3-month grace period until March 2020 where owners must show that they have done the due diligence to change the fuel and they will not be penalised.

The issue for the industry is whether the compliant fuel will be available in the various ports. So far, the suppliers have confirmed that compliant fuel will be available. However, we need to take in to consideration the compatibility issues for the compliant fuel.

My overall opinion is that the industry, in one way or another will be ready, of course there will be some teething problems, but gradually the situation will be smoothed out.

What are the various options available to owners to meet the sulphur requirements?

The alternatives are: to install scrubbers so that you can continue to use the heavy fuel oil; to use a compliant fuel; to use MGO.

The big question is in the logistics i.e. how many ships will have installed scrubbers by 1 January 2020 and for those who have not – will the compliant fuel be available.

From a shipping executive's point of view, which is the most effective way to meet the regulations?

The most effective way to meet the regulations is to have a plan and to be well prepared. This involves training the crew on board the ship on how to use the compliant fuel. It is also important to have a fuel management plan prepared well in advance.

If the company has decided to install scrubbers, they will also need a fuel management plan and in addition, they will need to train crews to use scrubbers and to maintain them to ensure that they are kept in a good condition.

What's the biggest challenge to consider to regarding the installation of scrubbers?

In my opinion, it is a commercial issue. The biggest challenge is assessing the total cost of installing a scrubber. In other words, it's not just the cost of the scrubber itself, we also need to take in to consideration commercial issues such as what will be the off-hire time in order to calculate the total cost.

Another important issue to consider, is choosing the right equipment and from a manufacturer who has experience in building good quality scrubbers. The scrubber manufacturing industry is still relatively new, with only two or three companies manufacturing scrubbers. However recently there have been some new companies emerging, to meet the growing demand but as they are new to the industry, they may not have the experience to deal with any operational issues that may arise.

What is the installation cost and time off hire?

If an owner decides to install scrubbers in a newbuilding, the average cost is an additional \$2-2.5 million. To retrofit scrubbers, aside from to the cost of the scrubber installation, owners must also take in to account the time off duty, which is around 30-40 days, and any loss of earnings that this could entail. Some owners may take this opportunity to install ballast water management systems at the same time.

It takes roughly one year to take back the capital expenditure of installing a scrubber and over the lifespan of a ship, this is cheaper than using compliant fuels, which come at a premium over HFO.

Future of scrubbers going forward, are they a 'quick fix' solution to a long-term issue?

I think that scrubbers are indeed a quick-fix solution, with some owners deciding to install scrubbers purely to take advantage the disruption which in turn may create opportunities for earning more money.

The IMO has imposed these regulations due to pressure from international governments, but in doing so, they have left open a loophole in the form of scrubbers.

For more articles please see our blog:

<http://www.alibrashipping.com/blog>



Dry bulk



Rates updated on Wednesday **21 November 2018**

Please contact us for rates/charts on scrubbers and eco tonnage.

DRY TIME CHARTER ESTIMATES (\$/pdpr)

SIZE	6 MOS		1 YR		2 YR	
	ATL	PAC	ATL	PAC	ATL	PAC
HANDY (32k dwt)	▼ 10,750	▬ 9,000	▼ 10,000	▬ 9,500	▼ 10,250	▬ 9,900
SUPRA (56k dwt)	▼ 12,750	▼ 10,550	▼ 12,000	▬ 11,000	▼ 11,300	▬ 11,300
ULTRA (62k dwt)	▼ 14,250	▬ 11,000	▼ 12,350	▬ 11,300	▼ 12,650	▬ 11,500
PANA/KMAX (76k-82k dwt)	▼ 11,500	▼ 11,000	▼ 12,000	▼ 11,000	▼ 12,000	▼ 11,500
CAPE (170k dwt)	▼ 12,950	▼ 12,600	▼ 14,800	▼ 13,900	▼ 17,500	▼ 17,000

* Arrows only indicate the movement compared to the past week hence not necessarily the market trends

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COMMENT

- ◇ Cape rates have remained under pressure and are estimated at \$14,800/pdpr for one-year in the Atlantic.
- ◇ The panamax market has seen more activity in the pacific this week although rates remain under pressure.
- ◇ A relatively slow start to the week for the ultramax and supramax with rates for supras in the Atlantic estimated at around \$12,750/pdpr for six months.

PERIOD FIXTURES

VESSEL	SIZE (DWT)	BUILT	PERIOD	DELIVERY	RATE (\$/DAY)	CHARTERER
PING MAY	178	2010	4-7 MOS	XINGANG	12,000	NYK
SIDERIS GS	174	2006	13-16 MOS		15,350	BERGE BULK
MAIA	82	2009	13-16 MOS	SINGAPORE	13,300	GLENCORE
GENCO THUNDER	76	2007	11-13 MOS	ROTTERDAM	%4TC	UNITED



CPP/DPP & Crude

ALIBRA Shipping Limited		Rates updated on Wednesday: 21 November 2018			
		Please contact us for rates/charts on scrubbers and eco tonnage			
WET TIME CHARTER ESTIMATES (\$/pdpr)					
SIZE		1 YR	2 YR	3 YR	5 YR
HANDY (40dwt)	▲	12,250	▬ 12,650	▬ 13,500	▬ 13,200
MR IMO3	▬	12,750	▬ 13,500	▬ 14,000	▬ 14,000
LR1	▬	12,750	▬ 13,500	▬ 14,000	▬ 14,000
LR2 (115 dwt cpp & dpp)	▲	16,500	▬ 18,000	▬ 18,000	▬ 18,000
AFRA (115dwt)	▬	17,500	▬ 17,000	▬ 17,000	▬ 17,000
SUEZ	▬	23,000	▬ 22,500	▬ 22,000	▬ 23,000
VLCC	▬	32,500	▬ 31,500	▬ 31,000	▬ 33,000

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COMMENT

- ◇ The period market for crude remains healthy this week.
- ◇ The products market is starting to show signs of promise.
- ◇ Oil prices remain under pressure ahead of the upcoming OPEC meeting that will determine the future of oil supply and prices.

PERIOD FIXTURES

VESSEL	SIZE (DWT)	BUILT	PERIOD	RATE (\$/DAY)	CHARTERER
SHELL TBN	113	2018	15 MOS	20,500	NAVIG8
ADVANTAGE PRIDE	37	2006	12 MOS	13,000	TRAFIGURA
ADVANTAGE PARK	37	2006	12 MOS	13,000	TRAFIGURA
SEAMUSE	48	2007	2-4 MOS	14,250	TRAFIGURA



Sale & Purchase

DRY S&P

VESSEL	DWT	BUILT	PRICE (\$ M)	BUYER
ALCYON	75	2001	7.45	PVT
SSI INVINCIBLE	57	2010	12.3	CHINESE
ASIAN BEAUTY	28	2011	9.5	JAPANESE
NEW SHANGHAI	180	2011	27.5	BERGE BULK
NEWHUZHOU	176	2010	23.5	BERGE BULK
NEWQUZHOU	176	2010	23.5	BERGE BULK
NEWTAIZHOU	176	2010	23.5	BERGE BULK
ATTIKOS	179	2012	32.5	PVT
HOUYO	93	2007	15	PVT
KINKO MARU	92	2001	11.5	CHINESE
TENTEN	81	2012	18	PVT
PELAGOS	75	2008	11.95	ATLANTSKA PLOVIDBA
WIGAN	58	2010	11*	GERMAN
WALSALL	58	2010	11*	GERMAN
OCEAN VENDOR	57	2012	13*	PVT
OCEAN CARRIER	57	2012	13*	PVT

WET S&P

VESSEL	DWT	BUILT	PRICE (\$ M)	BUYER
GOLDEN HORN	116	2007	20	VIETNAMESE
FPM C P GLORY	75	2009	14	EUROPEAN
FPM C 17	47	2009	10.5	PVT
TORM CLARA	56	2000	6.8	FAR EASTERN
MASALLI	13	2007	5.5	RUSSIAN
PRIME SPLENDOUR	45	1996	5	CHINESE
FRONT FALCON	309	2002	30.7	PVT
TIANJIN	320	2015	57	DELTA TANKERS
GC FUZHOU	320	2014	57	DELTA TANKERS
TOLEDO SPIRIT	159	2005	17.5	PVT
PETROVSK	106	2004	12.8	NGM ENERGY
GENER8 COMPANION	73	2004	6.8	PVT

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