LNG shipping market recovery begins now: Stanchart

Seatrade Maritime News by Vincent Wee

Recovery in the LNG carrier market begins now and he is "cautiously optimistic" for the future, according to Standard Chartered shipping finance head Nigel Anton speaking at the Asian Logistics and Maritime Conference in Hong Kong.

While he noted that supply growth is still high, factors such as fact that 50% of newbuilding orders have not even begun construction and the high possibility of cancellations at the Korean yards, where some 65% of LNG carrier newbuilding orders are concentrated, may help mitigate this. "If cancellations at the yards do occur that will enhance the probability of a quicker recovery and address the issue of a large order book," he said.

In addition, there is also the possibility that demand may be able to keep up with supply. "We think there is sufficient LNG carrier demand in the next five years that can absorb the current oversupply and the order book and may even need some 40 newbuilding orders in the future," Anton said.

He also noted that LNG carriers would continue to be driven by both volume and ton-mile. In the case of the former LNG production is expected to double from 370 mtpa in 2016 to potentially 740 mtpa in 2020. Meanwhile the average LNG voyage is expected to increase by 12% in the same period, Anton said.

Looking ahead, he said within the next two years LNG carriers rates are expected to pass the breakeven level of $60,000 per day assuming all the planned LNG plant projects come onstream as planned.

"Emerging Asian LNG markets will drive the growth," he reiterated. Countries such as Singapore, Thailand, Pakistan and Malaysia are all boosting their energy imports and while they make up a relatively small share of the market currently, they have the potential to become a major force in the future, Anton noted.

LNG will continue to grow on the seaborne side and its market share will grow from 33% to around half in the next 20 years, he concluded.

Posted 23 November 2016