



## MARITIME SKILLS ACADEMY



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## Product tankers – demand and supply, regulations, and consolidation



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The product tanker market is going through challenging conditions but a combination of factors could see a bounce back towards the end of the year leading ceos in the scetor believe.

The recent webinar on the market for product tankers, organised by Capital Link, featured three of the sector's top chief executives - Marco Fiori, from d'Amico International, Kim Ullman, from Concordia Maritime, and Eddie Valentis, from Pyxis Tankers.

Ullman set the stage for the hour-long session by describing the tone of the market, mainly MR tankers but also larger LR's and smaller handys as "coming off a low", but only after a "challenging" Q2 and Q3 of this year.

Following a robust 2015, where stockpiling of refined products featured, and a decent beginning to 2016, product tanker rates softened during 2016 as part of the big drawdown of stockpiles. As crude oil slid sideways between \$40 and \$50 per barrel since mid 2016, the sector saw a reduction in the "arbitrages" that give rise to cargoes. Ullman said, "What we [in] the medium to longer term is to get rid of the inventory overhang, and I think that will take another two to three-year quarters at least."

So where might the market go from here? Valentis from Pyxis summed up the panel's consensus on the demand and supply situation going forward- saying that: "we are very positive for the market going forward," citing "projected demand growth for refined products in the region of 2.5% to 3% annually", and a "modest ton-mile expansion from the changing refinery landscape".



Fiori, from d'Amico, turned the discussion toward the supply side of the equation, suggesting that: "I think we have to continue seeing this kind of environment where there is low order numbers. I think if we all refrain ourselves from placing the orders, this is a very good stuff....I think there is really no need to go out and order newbuildings."

As an important rationale, Fiori pointed to some of the bargains available in the sale/ purchase market, adding that: "I say this because if you look at the case of these seven to 10 years old ships, they are definitely trading at a lower value from where they should be. I think that the ships that still have a long life in front of them, they could be very well adapted for ballast water treatment system and then also looking at the low sulphur fuel they would be very capable without putting scrubbers onboard to use the low sulphur fuel onboard."

Valentis also talked about pending regulations, Ballast Water Treatment and the 2020 cap on sulphur in marine fuels, as further inhibiting supply. He noted that: "Considering that 13% of the fleet is above 20 years of age.... when the time comes for this installation which is a substantial... capital injection, will the owners decide to go through with the investment or other scrap of vessels which are in any case at the end of their life cycle?"

Answering his own question, he said: "We believe that most definitely many owners will decide not to go through with that investment and especially regarding the sulfur regulation which is coming in 2020."

With the webinar coming shortly after the announcement of the merger between Scorpio Tankers and Navig8's product carrier fleet, consolidation was also a topic. Ullman, pointing to Concordia's alliance with Stena Weco, said: "We've gone from 15 ships to 65 ships in that organic pooling, so to speak. So it's good and we're happy that it's continuing."

Fiori also waxed positive on the topic saying: "Consolidation can be done through pooling, and can be done through time chartering in ships of other owners. So there are many ways to seek consolidation. But for sure, I think that this will continue in the future."

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## NEW DOWNLOAD: The guide to the 2020 IMO 0.5% fuel sulphur regulation (<http://ubm.seatrademaritimeevents.com/sulphur-cap-storybox/>)

Explore the few options Shipowners have to choose from to comply with the regulation, while refiners are expected to make changes to refinery configuration and production in response to market demand.

### Contents:

- Executive summary
- On the receiving end - shipping
- What it means for the refiners
- Shipping options
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