



Korean Shipping messenger

A collection of articles and daily news for the shipping industry with focus on the Korean shipping and shipbuilding markets.

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Shipbuilding News

Boxship orders to near \$30bn

Shipowners have ordered over \$7bn worth of new containerships in the first quarter of 2011.

With plenty more orders set to be in the pipeline, the final outturn for 2011 could be on a par with 2005 and 2006 when the value of contracts signed exceeded \$30bn in each year. Both were surpassed by a record-breaking 2007 when containership newbuilding orders topped \$56bn.

Latest figures from Clarksons show the container sector is overshadowing both bulkers and tankers where orders placed in the first quarter came to just \$2.8bn and \$500m respectively.

Containership orders inked so far this year are in line with the full tally for 2010 when a total of \$8.2bn was committed.

In March alone, a total of 20 boxships with combined capacity of 172,000 teu were ordered, Clarksons reports in its latest monthly intelligence, the majority of which were in excess of 8,000 teu. They brought the quarterly figure to 55 vessels of 511,000 teu, worth \$7.2bn.

Daewoo inks LOI for LNG carriers

South Korea's Daewoo Shipbuilding & Marine Engineering is nearing to winning its first fresh LNG carrier newbuilding order this year.

The shipbuilder has inked a letter of intent with Norway's Awilco to build four LNG carriers.

Both parties are now negotiating newbuilding prices, detailed specifications and delivery schedule.

The 160,000-cbm newbuildings are said to be costing around \$200m per ship.

If the deal is sealed, Daewoo will become the second South Korean shipbuilder after Samsung Heavy Industries to win fresh LNG carrier orders this year.

Samsung benefits most from offshore

Korea's Samsung Heavy Industries is believed to be the biggest beneficiary of the industrial improvement of the shipbuilding industry moving its center to the offshore plant sector.

True, Samsung is recognized worldwide as the strongest offshore facility builder.

According to an analysis released by Seoul-based SK Securities, the sales of Samsung for the first quarter came to KRW 3.3445trn (\$3.08bn) and the operating profit hit KRW 267.4bn, increasing by 0.4% and 24% y-o-y respectively.

The little increase in sales and sharp hike in profit are because the low-priced ships contracted after 2009 were not considerably reflected in the sales. Therefore, the yard would easily see its annual operating profit outreach KRW 1trn.

Also the yard is expected to continue a growing tone by securing a stable amount of new orders since there are increasing demands for offshore plants worldwide.

Considering the quality of new orders the yard will additionally win in the future, the yard's premium specializing in high value added ships will be reassessed, according to the majority of experts.

Choi Kwang-sik, researcher of Seoul-based LIG Investment & Securities, says, "Samsung has won six drillships so far this year out of the 15 units ordered worldwide since this year. The yard is losing its old domination in the drillship market with 52% market share including options, but it can still enjoy more benefits than ever before as the drillship market is getting bigger."

Thanks to the continuous new order intake for drillships and FPSOs, the yard would see the offshore sector surpass 50% in sales this year.

The increasing proportion of the offshore can reduce the usage of steel plates and, at the same time, keep stability in sales with cost decreasing. Therefore, the yard would see little fluctuation in sales.

China imports most ship parts from S Korea

Korea is known as the major supplier of ship equipment to Chinese shipyards.

According to China Customs Statistics, the combined export and import value of Chinese yards during January and February this year came to \$1.087bn, increasing by 23% y-o-y. Out of the total value, exports accounted for \$389m up by 30% while imports for \$698m up by 20%.

During the period, China-produced ship equipment was exported to 147 countries or areas, and the biggest market of China was Asia with the total export value of \$255m up by 58% y-o-y.

Europe and North America followed after Asia with \$70.45m down by 15% and \$41.9m up by 23%, respectively.

By nations, Singapore was the largest export market of China with overall export value of \$65.92m up by 265%, Oman was the second and Japan was the third.

Meanwhile, China imported ship equipment from 53 countries or regions, in total, during the period.

The combined import value from Asia came to \$452m, increasing by 32% y-o-y, followed by Europe with \$203m down by 0.2% and North America in third.

By nations, China imported the biggest amount of ship equipment from South Korea with the total import value of \$260m up by 28%.

Japan was the second largest after Korea with \$176m up by 54% and Germany in third with \$96.95m up by 18%.

Rongsheng acquires engine maker

China's Rongsheng Heavy Industries has snapped up compatriot engine maker Quanchai Group.

Rongsheng will pay CNY 2.15bn (\$330m) for Shanghai-listed Quanchai, allowing it to move into the high-speed diesel engine market.

Quanchai is currently 100% owned by the Government of Quanjiao County, Anhui Province.

Rongsheng is buying the stake through its subsidiary Jiangsu Rongsheng Heavy Industries, in which it owns 96.09%.

Hyundai Steel ups plate price

Following Posco's price hike by KRW 160,000 (\$147.5) per ton on its steel products, Hyundai Steel has also decided to raise its product price by the same amount.

Hyundai Steel gave notice to its customer companies on April 26th that it will raise the price of thick steel plate from current KRW 950,000 to KRW 1,110,000 and the price of hot-rolled steel from KRW 900,000 to KRW 1,060,000.

The hiked price will be applied to the products rolled out from the next month.

Meanwhile, Dongkuk Steel Mill is also in negotiation with customer companies on raising the thick steel plate price by KRW 160,000 per ton.

China & Norway develop LNG marine engine

Cooperation between Guangzhou Diesel Engine Factory and the Norwegian maritime research institute Marintek has led to the development of an innovative LNG ship engine soon ready for the Chinese market.

LNG eliminates sulphur emissions, significantly reduces NOX emissions and cuts CO2 emissions by at least 20 %.

Based on a test model of a LNG (liquefied natural gas) ship engine created in the research institute Marintek in Norway, Guangzhou Diesel Engine Factory Co. Ltd. has built a corresponding engine for the Chinese market. It is expected to become popular in China for several reasons:

Firstly, using LNG as fuel does not reduce the effect of the engine compared with conventional diesel engines, something which is a common problem for other engines run on LNG. This Norwegian-Chinese 6230SG LNG engine will perform as well as a diesel motor.

Secondly, ships need to meet new IMO emission standards that will come into effect already in 2016. These entail, among other things, that NOx emissions cannot be larger than 2 gram per kw/h. The 6230SG LNG engine meets these requirements, and gives a 20 % reduction in CO2 emissions compared to a diesel engine with the same effect.

Thirdly, even though a LNG fueled engine is more expensive than a conventional engine, LNG is less expensive than diesel, making LNG engines an investment which pays back over time.

The Guangzhou Diesel/Marintek LNG motor is now ready for being certified by DNV, and will be available in the Chinese market this year.

"As a significant shipping nation with a clear position on climate change, Norway has made reduction of CO2 emissions from maritime transport a priority. The co-operation between Marintek and Guangzhou Diesel makes for a concrete contribution to this aim. It also illustrates the potential in Sino-Norwegian co-operation in the maritime sector", says Consul General Tormod C. Endresen.

Shipping & Business News

VLCC earnings hit record low

Earnings for very large crude carriers on the benchmark Saudi Arabia to Japan trading route have fallen to just \$1,030 per day, according to the Baltic Exchange.

This is the lowest level reported by the Baltic Exchange since it started recording time charter equivalent earnings in 2008.

Many owners acknowledge that daily returns are not enough to cover daily operating costs of around \$10,000-\$11,000 per day.

The VLCC fleet has expanded to 553 ships at the start of April, up from 510 at the start of 2008, according to data from Clarksons.

Deepsea Metro I wins work

A joint venture led by Theodore Angelopoulos' Metrostar has chartered out the first of its two new ultra deepwater drillships.

Oil and gas producer BG Group will lease the ship for one year soon after Hyundai Heavy Industries delivers the vessel at the end of May.

BG will pay \$175m to use Deepsea Metro I in a drilling campaign in Tanzania, East Africa.

A sister vessel, Deepsea Metro II, will be delivered in November.

Deep Sea Metro is a joint venture between Greece's Metrostar (60%) and Norway's Odfjell (40%).

Golar LNG buys more in Golar LNG Energy

John Fredriksen's Golar LNG has taken a firmer hold of its spin-off company Golar LNG Energy in two stock deals.

The gas carrier owner has built its stake to 90.5% from 61.1% in a move it said best served its strategy for the sector.

Fredriksen himself was one of the sellers, with his World Shipholding offloading 33.54m shares. Two institutional investors sold the rest of the 69.84m tranche.

They will be paid in 11.52m new Golar LNG shares issued at \$30.30 - one for every 6.06 Energy shares they are selling. The stock was trading at NOK 160 (\$29.89) in Oslo on Tuesday morning.

Golar Energy also said chairman Tor Olav Troim had sold 1.71m shares.

The deal valued their shares at about \$5, compared to a current price of NOK 25.80 (\$4.82m) on Tuesday.