



LPG TANKER NEWSLETTER

BRS LPG Tanker Newsletter is a summary for BRS clients of current market trends and developments.

N° 172 - July 2012

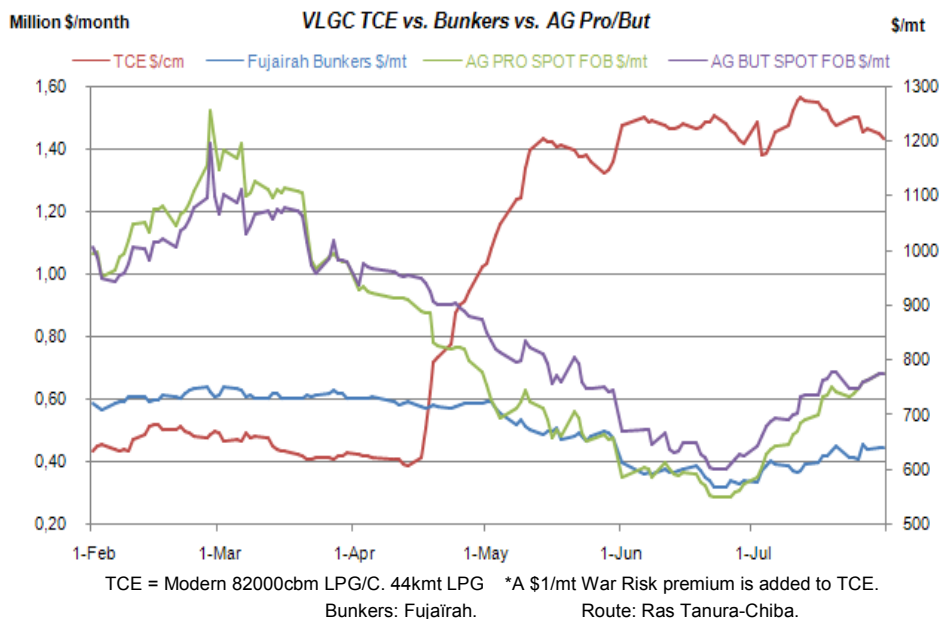
FREIGHT MARKET

VLGC

The slight fall in the Baltic ended up being a blip as predicted and rates stayed firm in the lower \$70s/pmt during July. Spurious activity was seen in the Middle East at the beginning of the month as a large amount of extra spot cargoes were made available to cover the greater demand caused by low Japanese inventories and Ramadan, this year from the 20th July to 18th August. High demand coincided with tight tonnage and one vessel ended up failing more than 5 times on subs as owners and charterers battled for a fair price. Most reported fixtures ended up in the high \$60's/pmt. A few cargoes remained through the month but most of those available had been snapped up by Week 30. On the product side the August loadings were released with no published disturbances, however, it seems that there is neither the demand nor the supply to repeat the high volume of spot cargoes seen in July. We predict that rates will remain high, but the Baltic will perhaps dip to a range of \$69-71/pmt through August with added pressure for owners as bunker prices are again on the rise. One of the major traders was out in the TC market during June; taking one vessel on long term, one on a 6 months + option 3 and the last on a TC Voyage.

LGC / MGC

At the start of July the LGC market was well employed by the Ammonia trade. Caribbean production problems have led to a growing number of vessels working the Black sea to USG route, adding significantly to ton-miles and translating into high rates for the sector. Little Spot activity was reported. Most requirements were covered by contracted



tonnage with trader re-lets filling any surplus demand. Out of the 18 LGCs, 3 will soon finish long-term TC and be redelivered towards the beginning of September. These vessels will be interested in the growing Indian Ocean LPG trade, that offers cargoes better suited to LGC sizes than VLGCs. The MGCs have been well employed by the Ammonia trade and quite a few TCs were organized during July. Most notably a seventh vessel was extended by PDVSA for a further year. Exmar was reported to have sold the *Tielrode* (35,058cbm, blt.93) to Turkish traders.

HANDY / SMALL

The start of July was slow for the Handysizes. Charterers took advantage by employing Semi-Ref tonnage, rather than the more expensive Ethylene vessels, to ship Petrochemical cargoes into the Eastern market where a large arbitration window had appeared. By H2 the Western market was tight after several vessels had sailed East. NOC came back on the Small market during July with a TC and several spot requirements, fulfilled by Italian vessels. Despite this, July saw the Small-sizes struggling to keep hire rates at previous levels. The lower rates were the result of a lack of available North Sea product, which stemmed from the Norwegian strike action that started on the 10th July. High propane prices have discouraged traders from going to market during July, a month that usually supplies cut prices and in which the traders cover their primary storage demands for the coming winter. After having redelivered several small vessels from TC, Shell benefitted from the lower freight on the Spot market and was responsible for nearly 80% of the reported voyages in NWE. An improvement in this sector's rates is unlikely as several small pressurized type vessels will be freed from TC in the first week of August. The *Gaz Evoluzione*, will be returned to the spot market by Stealth after being chartered to Gazprom for the last two years. Owners and traders will be hoping some quality large cargoes arrive in NWE soon, otherwise the combination of a shutdown at Brayfoot Bay and a short term small-size arbitration opportunity into the Med might induce a market heart attack for the northern coasters.

MONTHLY T/C LEVELS BASIS 6/18 MONTHS (US\$ per month)

SIZE (Cbm)	May-12	June-12	July-12	Aug-12
3500 PR	260 000	250 000	255 000	→
5000 PR	315 000	312 000	315 000	→
7500 PR	375 000	350 000	360 000	→
8000 SR	500 000	510 000	525 000	→
8000 E	535 000	535 000	550 000	→
22500 SR	720 000	750 000	800 000	→
35000 FR	720 000	740 000	750 000	↗
60000 FR	745 000	760 000	750 000	→
82000 FR	940 000	960 000	980 000	↗
82000 FR spt MEG/JAPAN	68.99	69.85	71.40	↗
IFO 380 / MDO*	656/905.5	589.7/853	610.3/891	↗

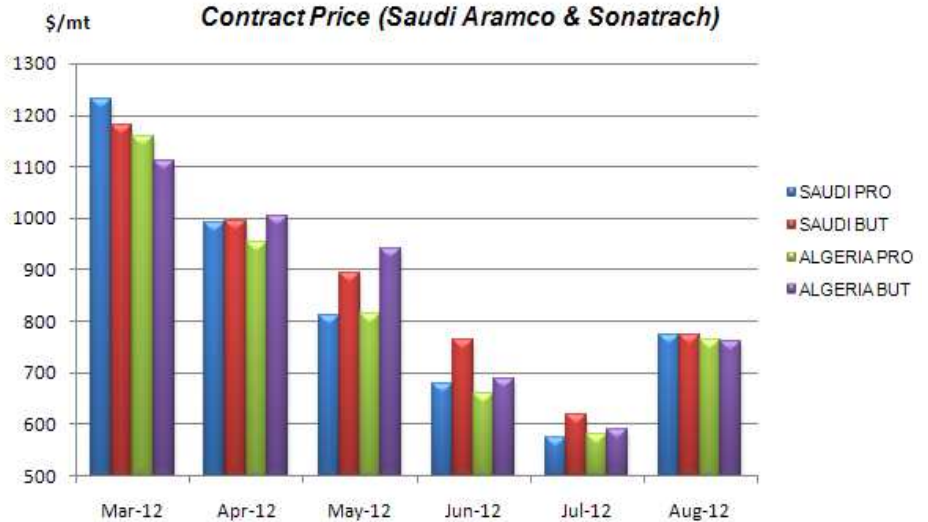
* Monthly Average Prices Spore/Rdam



PRODUCT

USA/NWE/MED

The Propane market was slammed into backwardation across the cargo sizes as production stopped in Norway during early July due to a lock-out organized by the OLF union of Norwegian oil workers. Inventories were at already the usual seasonal low and this situation was compounded by cheap prices in June that encouraged feedstock use. All these factors translated into a steep rise in Large Cargo CIF prices from lows of \$610/mt in June to \$797.5 by Week 28. The graph below shows the average of the spread of Propane Large Cargo CIF Prices. Butane prices were not as reactionary in NWE during the beginning of the month, only in the Med was demand high and accordingly prices were at a notable premium of about \$75/mt MED on ARA. Nearing August there was low spot demand in NWE; however, large cargo prices kept rising on the back of strike action in Norway, high demand in the Med and the loss of a diverted import cargo from the US. The pressure of large cargo spot prices made trader's contract negotiations for winter imports more difficult, led to a stagnant coaster and inland market in the ARA region and led to a hike in med spot prices as well. Butane, the preferred cooking fuel in North Africa, has been in high demand in the Med. This was a result of low supply, Ramadan and a current preference for Butane as a cracking feedstock. Consequently the value relative to Naphtha rose to a high of 90%. The US was relatively quiet during H1 July as locals escaped the heat on holiday. Low prices kept the arbitration window for large cargoes of Pro into NWE jammed wide open, only a flood of good quality propane into the continent will help bring down prices and with the VLGC market very tight in the West this seems unlikely to happen. Any trader with contracted tonnage or a spot ticket already booked for the USG/NWE route will be smiling for some time yet, prices for propane will likely stay low as a widespread drought continues and petrochemical crackers focus on the plentiful US ethane inventories as their feedstock.



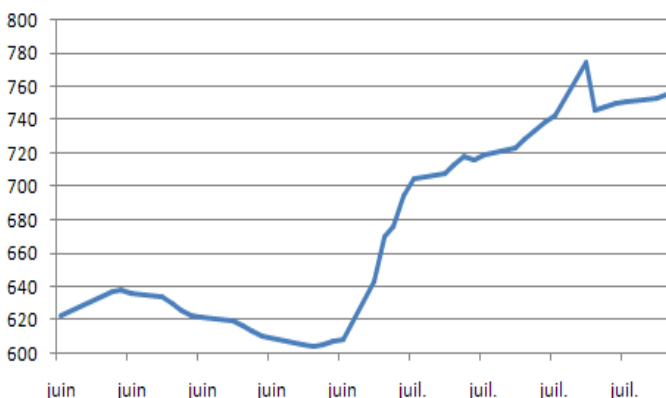
MEG

The release of the Saudi Aramco CP for July, Propane at \$575/mt and Butane at \$620/mt, kicked the Middle East LPG engine into action and it was to start a month of enormous volumes. Estimates range from 300-400kmt of product being traded FOB in week 27, followed by around 250kmt during Week 28. Several traders struggled to find tonnage to move prospective cargoes as a result of the sheer amount of available product. Naturally prices reacted quickly pushing to a premium on the August CP and encouraged in H2 by increases in Crude. July saw new players attempting to enter the market, encouraged by the large amounts of available product, and a new export destination was also christened as a 44kmt Qatari cargo was the first to be discharged at the Ennore LPG terminal in South Eastern India. The activity during July is not likely to be repeated in August, prices have risen and volumes will be more in line with the normal seasonal activity. In line with this prediction the Saudi Aramco CP was released with both Propane and Butane priced at \$775/mt, a respective rise of \$200/mt for Propane and \$155/mt for Butane.

ASIA

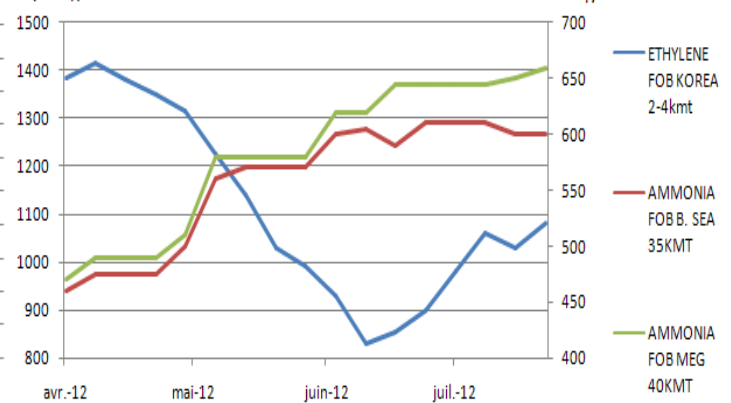
Demand in the Far East was healthy after the low price of the SA CP sunk in. CFR prices rose quickly adjusting to the higher freight rates and increases in FOB prices in the Middle East. Low inventory levels in Japan and Ramadan were stand out reasons for the high demand, but it seems that rather than just market volatility demand is growing in year on year in SE Asia. The Petrochemical market was flooded with Middle Eastern Ethylene and European C4s and Propylene as traders took advantage of strong demand and an arbitrage window for Propylene into the Far East. Thai production problems and the difference in manufacturing performance between Europe, where productivity was the worst in almost three years, and China, which is in steady recovery, are at the core of the opportunity. At the same time FOB Ethylene in Korea rose significantly in price from the comparatively deep lows of the last three months and the price rise have been mirrored by the re-ignition of crackers in Asia. On the back of higher production the tonnage suitable for Petchem transport that arrived in Asia during July might be tempted to await further employment.

North Sea Propane Large Cargo CIF (\$/mt)



Ethylene \$/mt

Ethylene & Ammonia FOB



SPOTLIGHT

SPOTLIGHT brings you the Broker's opinion on issues that effect both the LPG freight and product markets

Chinese territorial claims in the South China Sea have been a longstanding source of tension in the Far East and recent developments point to a prolonged battle with a more boisterous China. Until 2008, Vietnam, China, and the Philippines had a joint exploration agreement for oil and gas in the region, although due to more vocal disagreements over territorial waters the countries diverged and began separate exploration.

The disputed South China Sea region has proven oil and gas reserves of slightly over 7 billion barrels, although a US Geological Survey projected total reserves at over 28 billion barrels of oil equivalent hydrocarbons in the region, potentially putting the South China Sea on par with West Africa and the North Sea in terms of future extraction.

Tensions have since heightened due to discoveries of larger offshore oil and gas reserves, the feasibility of deep water drill rigs and the increasing price and consumption of oil and gas in the region. Then in April tensions came to a head when China prevented Chinese fishing vessels from being arrested by Philippine government ships off of the Scarborough Shoal, which is claimed by both the Philippines and China.

While the borders remain in dispute, bidding on production and extraction of subsea gas reserves have continued. Recently local energy companies have submitted bids to the Philippine government on three blocks, two of which are situated in the 'nine dash line' which China claims as their waters. There is a notable absence of bids from oil majors as the big players feel bidding on Philippine tenders in this region will jeopardize their relationship with China,



Source: D. Rosenberg/MiddleburyCollege/Harvard/AsiaQuarterly/Phil Government

the world's largest energy consumer.

China's foreign ministry spokesman Hong Lei responded to the Philippines exploration tender's by saying "It is illegal for any country or company to engage in oil and gas exploration activities in waters under China's jurisdiction without the permission of the Chinese Government."

The disputes threaten to delay exploration and production and as a result have pressured both China and the Philippines to consider joint exploration of some reserves, while at the same time creating increasing political and military pressure to defend claims to the region. Most recently China has established a military garrison for the South China Sea on the island of Yongxing, which is also claimed by Vietnam

and Taiwan.

In a display of power Vietnam began live fire drills in late July and issued a decree clarifying who would be exempt from a draft in the event of military engagement. China's Hong Lei responded by stating "We will not resort to the use of force or the threat of force."

The political and economic stakes are increasingly high and with no resolution in sight the region remains volatile. With China beefing up defense spending and the US promising to increase its presence in the region and protect the Philippines, the border dispute could become a catalyst for ulterior political motives.

By Guthrie Jones, BRS Gas

REPORTED REPRESENTATIVE FIXTURES (dates / freight rates approx.)

VESSEL	QUANTITY MT	PRODUCT	LOAD/DISCHARGE	DATE Day/Month/Year	RATE US\$ per MT	CHARTERER
Elizabeth	1600	PRO	LE HAVRE — AMBES	14/07/2012	60	CSS SA
Gas Ceberus	1800	BUT	IMMINGHAM — AMSTERDAM	14/07/2012	33	PHILLIPS 66
Sigas Ingrid	1800	PRO	GABES — NAPLES	25/07/2012	62	STASCO
Maersk Humber	11500	BTD/PPL	ARATU — FAR EAST	04/08/2012	390	BRASKEM
BW Tokyo	44 000	LPG	AG — VIETNAM	05/08/2012	71	PETROVIETNAM
TC - PERIOD	CBM / BLT	PRODUCT	DELIVERY	PERIOD	HIRE	CHARTERER
Vessel			Date		US\$/month	
Caribe	20500/08	LPG	01/07/2012	12 Months	900,000	PDVSA
George N	60000/09	LPG	04/07/2012	1.5 Months	1,025,000	TRAFIGURA
Gaschem Bremen	35000/12	Nh3	31/07/2012	12 Months	750,000	KOCH
SNP	CBM / TYPE	BLT	SELLERS	BUYERS	PRICE	COMMENTS
Pacific Harmony	75286/FR	1990	KUMIAI	GREAT EASTERN	21 Million	
NB	CBM / TYPE	BLT	BUILDERS	BUYERS	PRICE	COMMENTS
9666663 & 9666675	38000/FR	2013	HHI	NEGMAR	48.5 Million	Option 2 (2014)

While all information is presented in good faith, Barry Rogliano Salles cannot accept liability for any errors of fact or opinion or for any loss incurred by any person who may seek to rely on this information.