

## D'Amico may look beyond its expansion into long range one product tankers

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LR2s are a possibility, but Italian product tanker company says it will take things one step at a time

**Fiori: "Let's see what we can do with these LR1s, then we'll think about other things."**

D'AMICO International Shipping, having recently dipped its toe in the long range one product tanker segment by ordering two new vessels, does not rule out branching out even further by entering the long range two product tanker segment.

However, the Italy-listed company, which just posted a healthy \$11m profit for the first quarter, is in no rush.

"One step at a time," d'Amico chief executive Marco Fiori told Lloyd's List when asked if he might be tempted by LR2s.

"Rome wasn't built in a day... let's see what we can do with these LR1s, then we'll think about other things."

Moving into the LR1 segment is a departure for the company, which has around 50 product tankers, nine of which are of handysize and the rest MRs.

Before its order for two LR1 newbuildings last week, the d'Amico orderbook comprised of four handysizes and four MRs.

However, the product tanker industry is being increasingly characterised by longhaul voyages, so d'Amico could not remain a handysize and MR tanker player for ever.

LR1s are product tankers in roughly the 55,000 dwt to 80,000 dwt size range, with internally coated tanks to prevent corrosion and facilitate cleaning when switching between cargoes; LR2s are larger vessels in roughly the 80,000 dwt to 120,000 dwt size range, with the same features.

Asked why he opted for LR1s instead of LR2s, Mr Fiori told Lloyd's List the former tend to be more flexible at the moment, given their slightly smaller size than LR2s.

However, they are larger than MRs, which makes them able to switch between shorter and longer voyages more easily than LR2s.

"We like this aspect of being larger and keeping the flexibility," he said.

But is there enough room for all product tanker companies to branch out in this way, going up against the industry's dominant force Scorpio Tankers, which is amassing a fleet of around 100 product tankers across the segments?

"If the market is good for them, then it's good for us," said Mr Fiori. "It's paramount that we all enjoy the market."

The challenge comes in the daily effort of keeping the fleet running as efficiently as possible, adhering to regulations and safety requirements.

There are always ways to try to match or improve on the previous day's business, said Mr Fiori.

### Considerable improvement

The company's first-quarter results marked a considerable improvement from last time, and the hope is that the second quarter can avoid its seasonal weakness as refineries turn around.

As for the longer-term picture for product tankers, there is plenty to get excited about.

For the next two years, some experts forecast 7% global demand growth, which is above the 10-year average of 5%-6%.

Overall global fleet growth is set to peak this year at just above 6% before declining to 4% in 2017, according to some estimates.

Australia's product imports are set to grow at the fastest pace in seven years in 2015, following the closure of a number of the country's ageing refineries as they face competition from new refineries in Asia.

Australia is also expected to become Asia's second-largest gasoline importer by 2020, and it is already the region's top importer of diesel, on which it relies heavily for the country's vast mining operations.

Saudi Arabia has a total refining capacity of 2.9m barrels per day and about 1.2m bpd of this capacity (40%) has been added since 2009 via three refineries of 400,000 bpd each, all built in joint ventures with foreign partners.

The MRs are still the workhorse of the product trade, but larger LR1s and LR2s are leading the way for the long-haul destinations in the Far East and Europe.

It would be a brave man who would bet against ambitious companies such as d'Amico delving further into the LR segments in the coming quarters.

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