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Maritime
OIL TANKERS
Product Tankers:
the vessels of the future
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Scenarios. Oil transport is adapting to changes in the geographical location of wells and production methods

New oil routes

Traditional tankers are lagging behind while product tankers are steaming ahead.

Raoul de Forcade

The geography and methods of global oil production are evolving rapidly and, as a result, the types of vessels used to transport oil products are changing, as is the freight value. In this context, the crude oil segment – in other words traditional oil tankers used to transport crude oil – is suffering from overcapacity and low freight rates. Conversely, product tankers – i.e. vessels used to transport refined products – are experiencing a new lease of life, leading to an increase in freight rates, even if they have not yet reached pre-crisis levels.

A study carried out by the international investment bank, Pareto Securities, provides an incisive overview of the situation, outlining the new geography of oil transport. The research shows that, since 2008, 15 European refineries with a capacity of 1.7 million barrels per day have closed, while a further 10 will close permanently by 2020. This means that, even if demand does not grow, the old continent will have to import increased volumes of refined products. Meanwhile, refineries in Australia, Japan and the Caribbean are also ceasing operations, while refining points in the Middle East, India (which, in 2012, exported 1.2 million barrels per day) and in China are growing. Finally, there is the phenomenon in the U.S., a country which, due to shale oil production (i.e. oil extracted from clay and then refined) is becoming the most important exporter of oil products in the world. Paolo d'Amico, head of d'Amico Group (with his cousin Cesare) that operates in the product tanker market through d'Amico International Shipping, explained the impact of these developments on shipping.

"Crude oil tankers," said Paolo d'Amico, "will load their cargo at the well location, which never changes position. Product tankers, on the other hand, load their cargo at refineries, the geographical location of which is currently evolving. Thus, the distance between refineries and the points of product use is increasing. Therefore, even if consumption levels remain unchanged, the demand for product tankers will increase." Paolo d'Amico also pointed out that, "unlike what happened in the past when crude oil tankers travelled longer distances, in the future, more and more refined products will have to cover greater distances by sea due to the location of modern refineries in oil-producing countries. As a result, there will also be a tendency to increase the capacity of product tankers, in particular Long Range 2 (LR2) tankers with 100,000/110,000 dwt capacity. However, smaller tankers – i.e. Handysize and Medium

Range (MR) vessels – will remain the carrier of choice for some time to come due to their flexibility and versatility, making them suitable for all types of traffic, without port limitation issues.” According to d’Amico, “major oil companies are currently looking for new, cutting-edge ships and will pay premiums on medium-term contracts for product tankers, higher even than spot rates. Many new shipbuilding projects are underway because a 5-year contract is currently so favourable that it justifies the construction of a one-off new ship, which can cost around 32 million dollars.”

CHANGE

Product tankers, used to transport refined products, are more in demand by major oil companies than crude oil tankers