20 Reasons Why The Shipping Markets Will Be Different This Decade

Dr Adam Kent – Maritime Strategies International (MSI)

11th Annual Marine Money London Forum – 22nd January 2020

Annual Cargo Growth Rate by Commodity

Slower decade for growth

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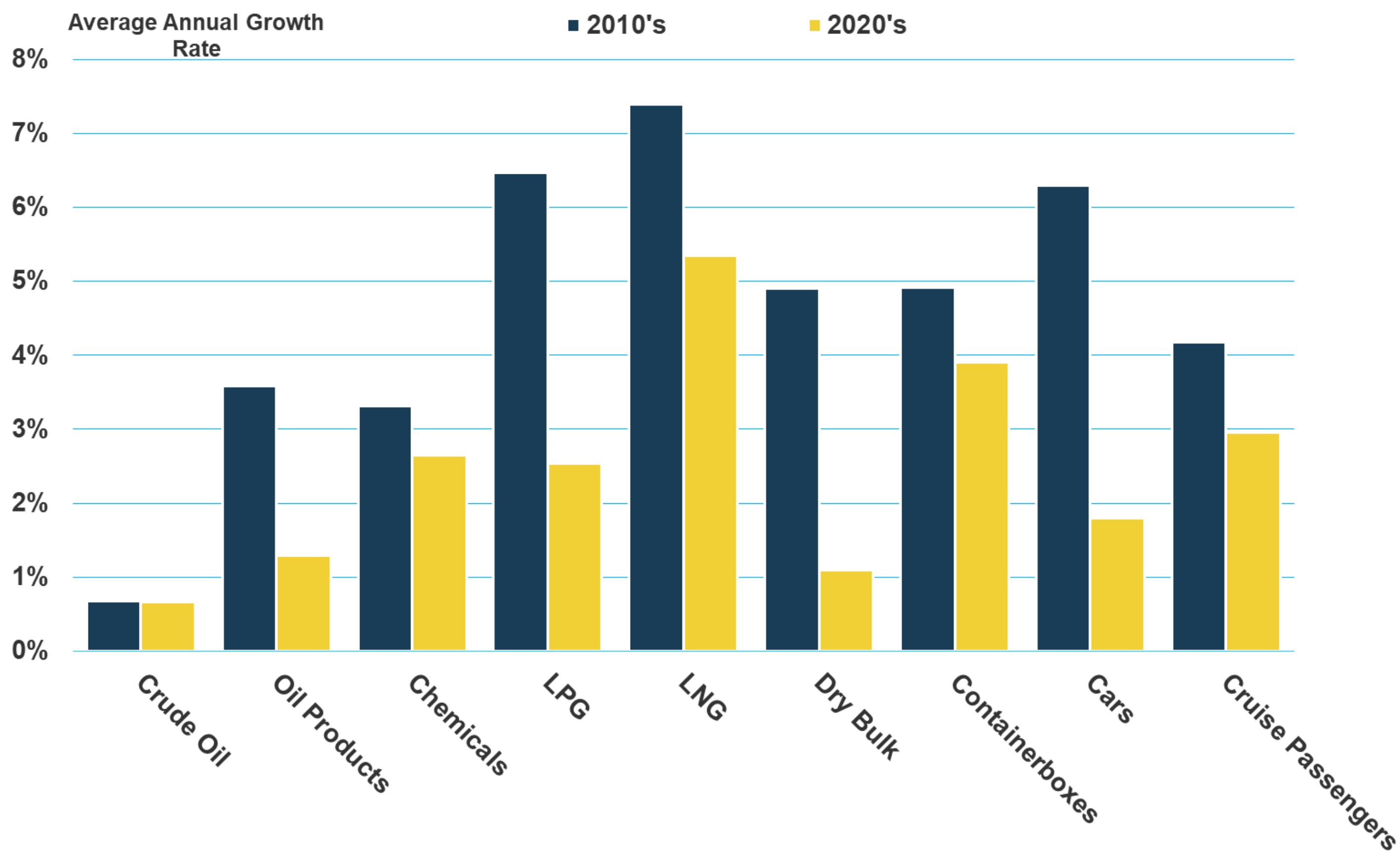

China's Economy is Evolving as it Slows

Fixed investment with a lower share

1. Cargo Growth
2. Chinese Value (i)
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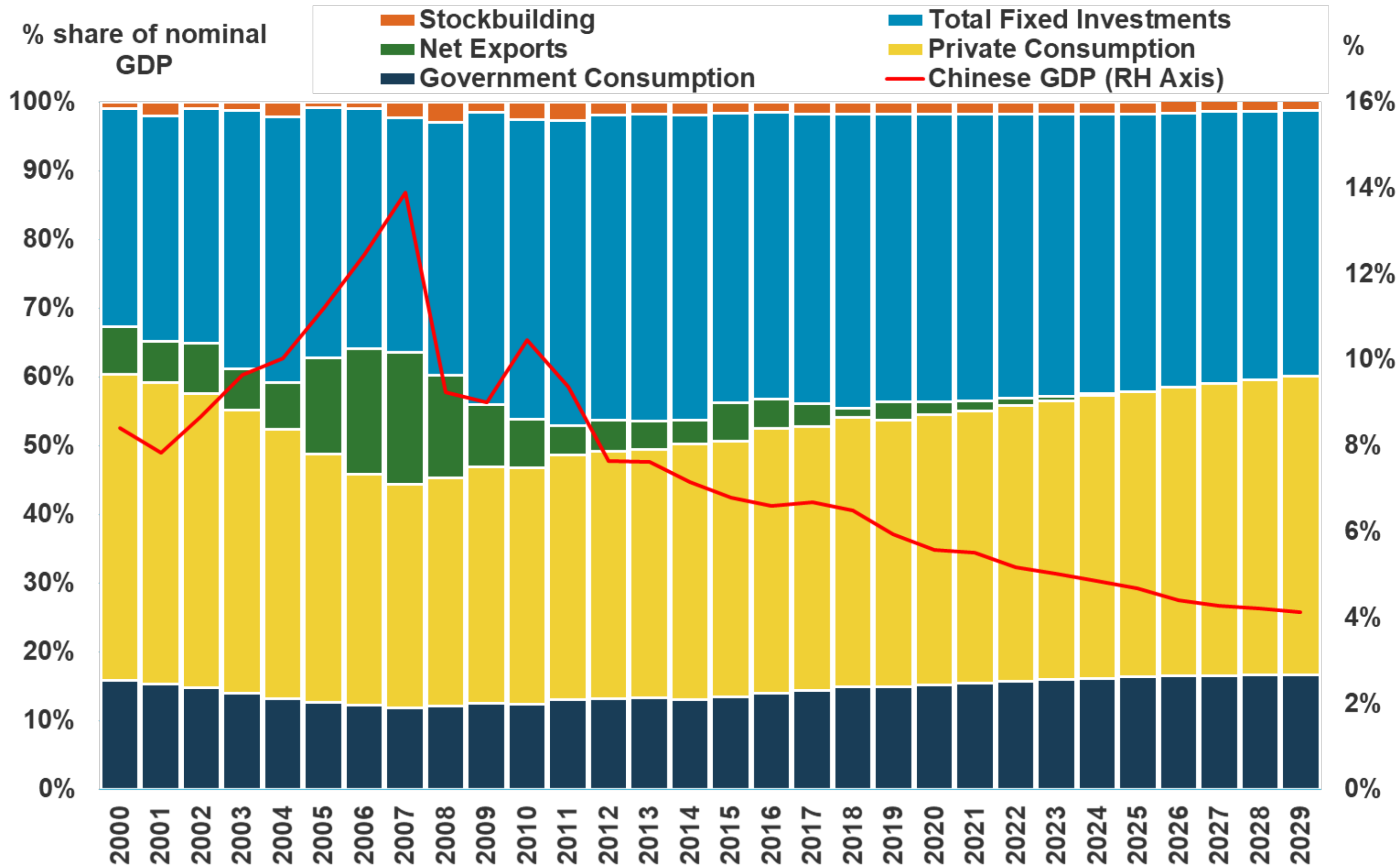

Source: MSI/Oxford Economics

China is Moving Up the Value Chain

Increasing capacity = self sufficiency (& exports)

1. Cargo Growth
2. Chinese Value (i) (ii)
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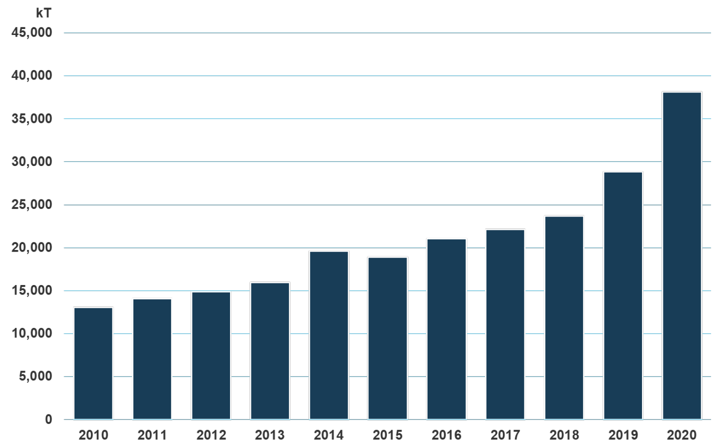
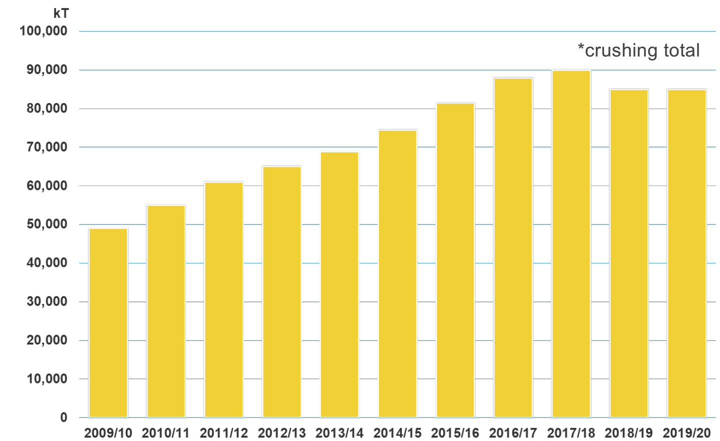
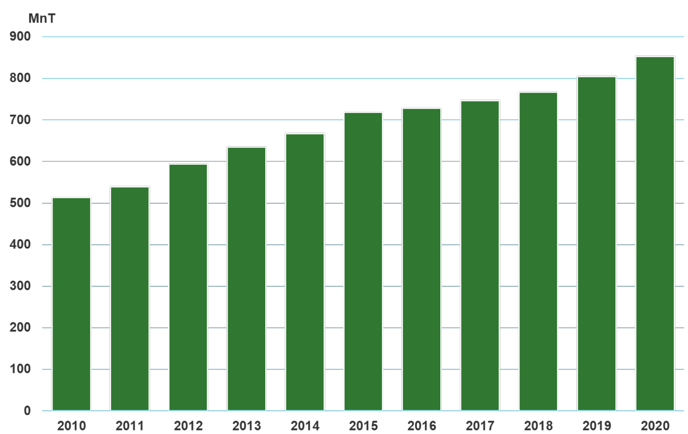
Paraxylene & Styrene



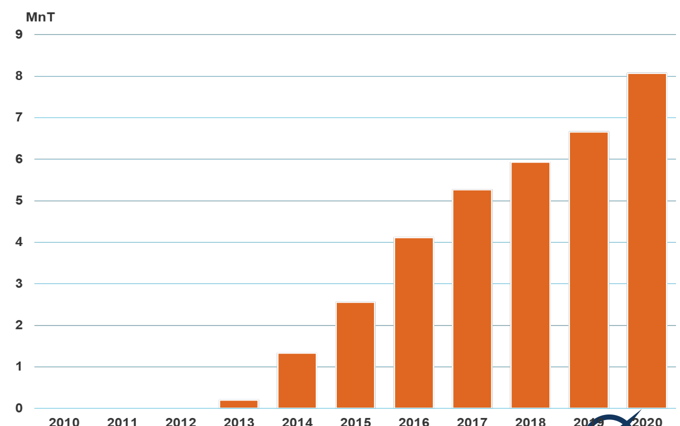
Soy Bean Crushing*



Oil Refineries



PDH (Propane Dehydrogenation)



World Primary Energy Demand

Change in volumes and share

1. Cargo Growth
2. Chinese Value (i) (ii)
3. Energy Demand
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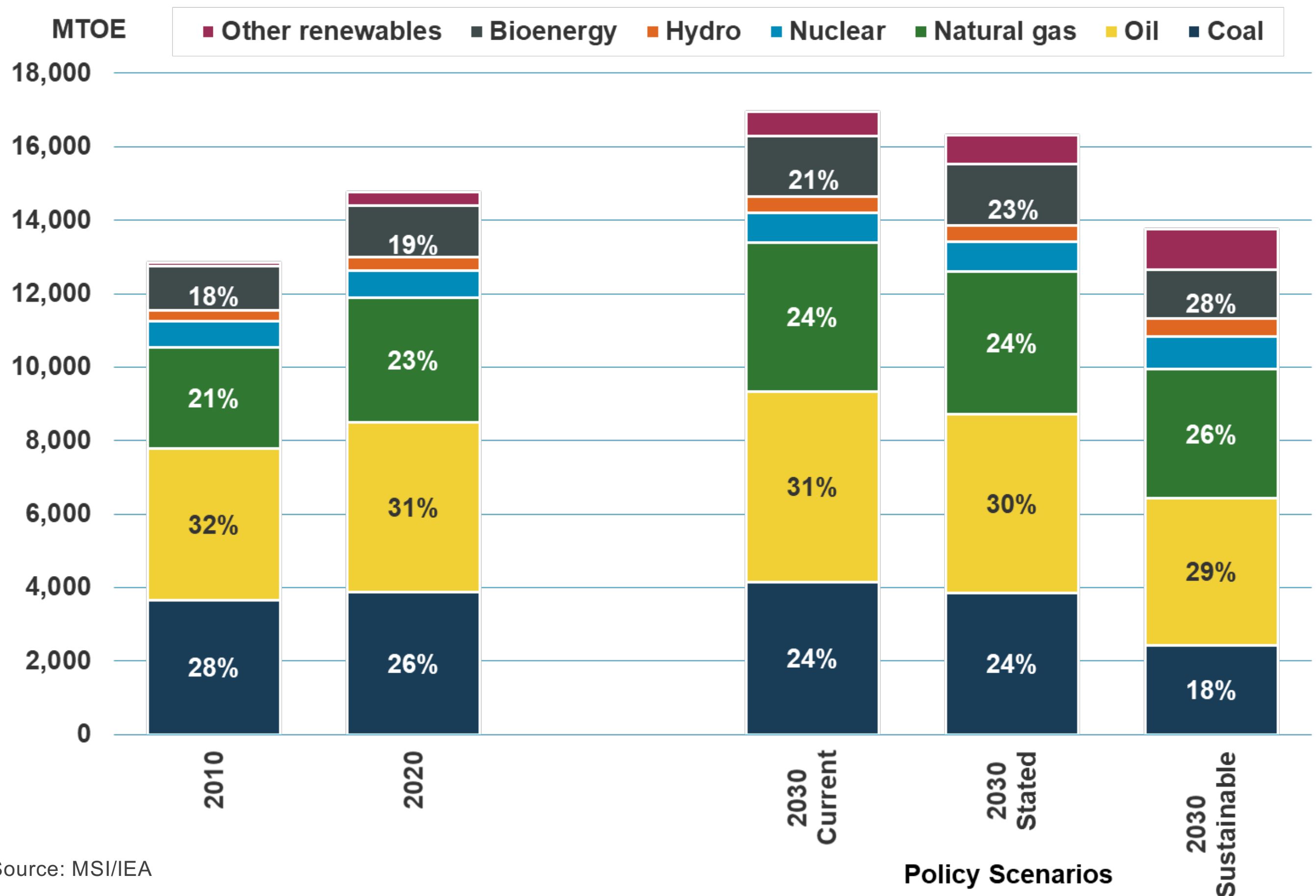

Source: MSI/IEA

Changes in Seaborne Energy Trade

Requirement for more sophisticated vessels

1. Cargo Growth
2. Chinese Value (i) (ii)
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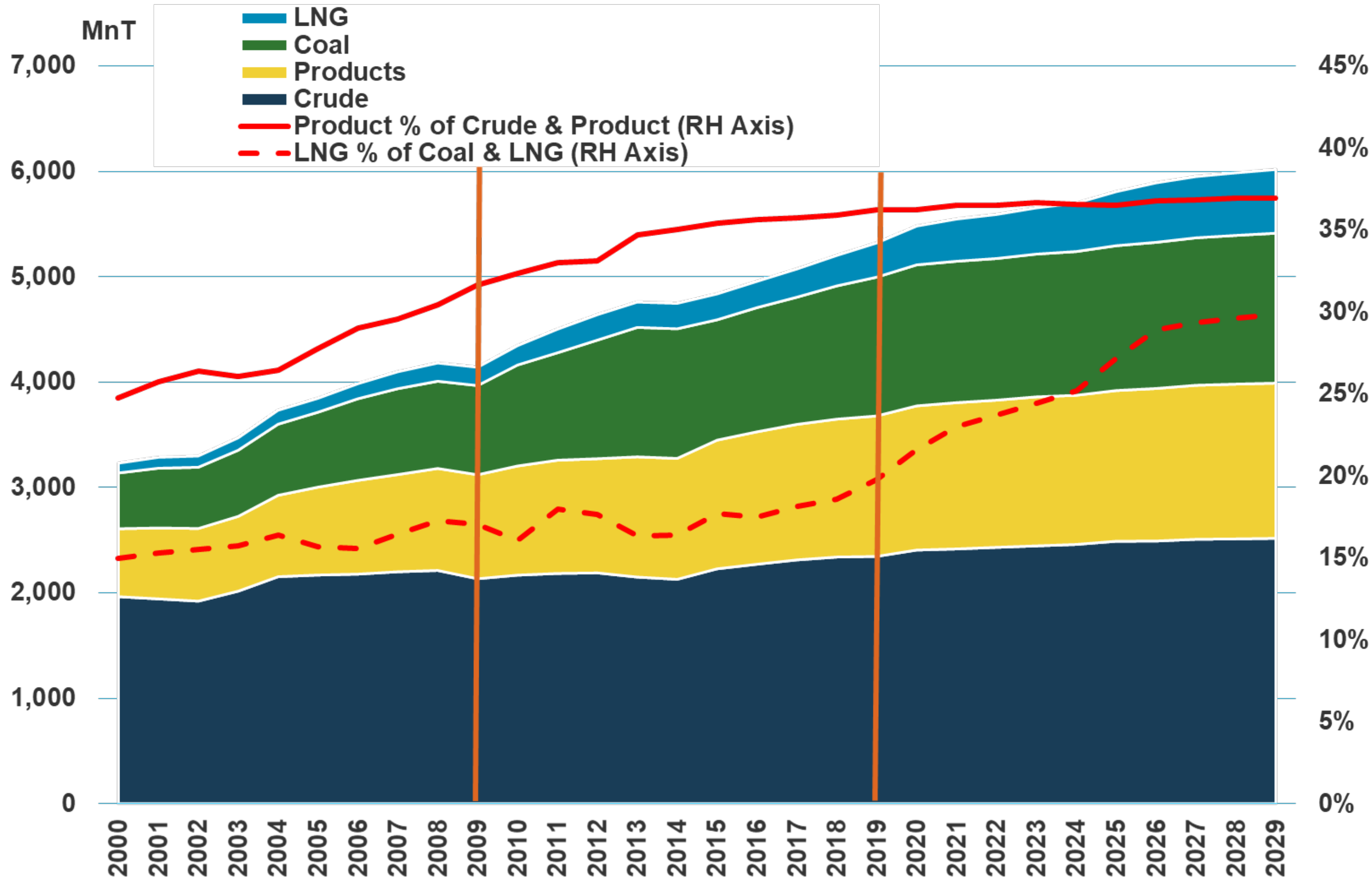

Crude Oil Exporters and Importers

Changing landscape

1. Cargo Growth
2. Chinese Value (i) (ii)
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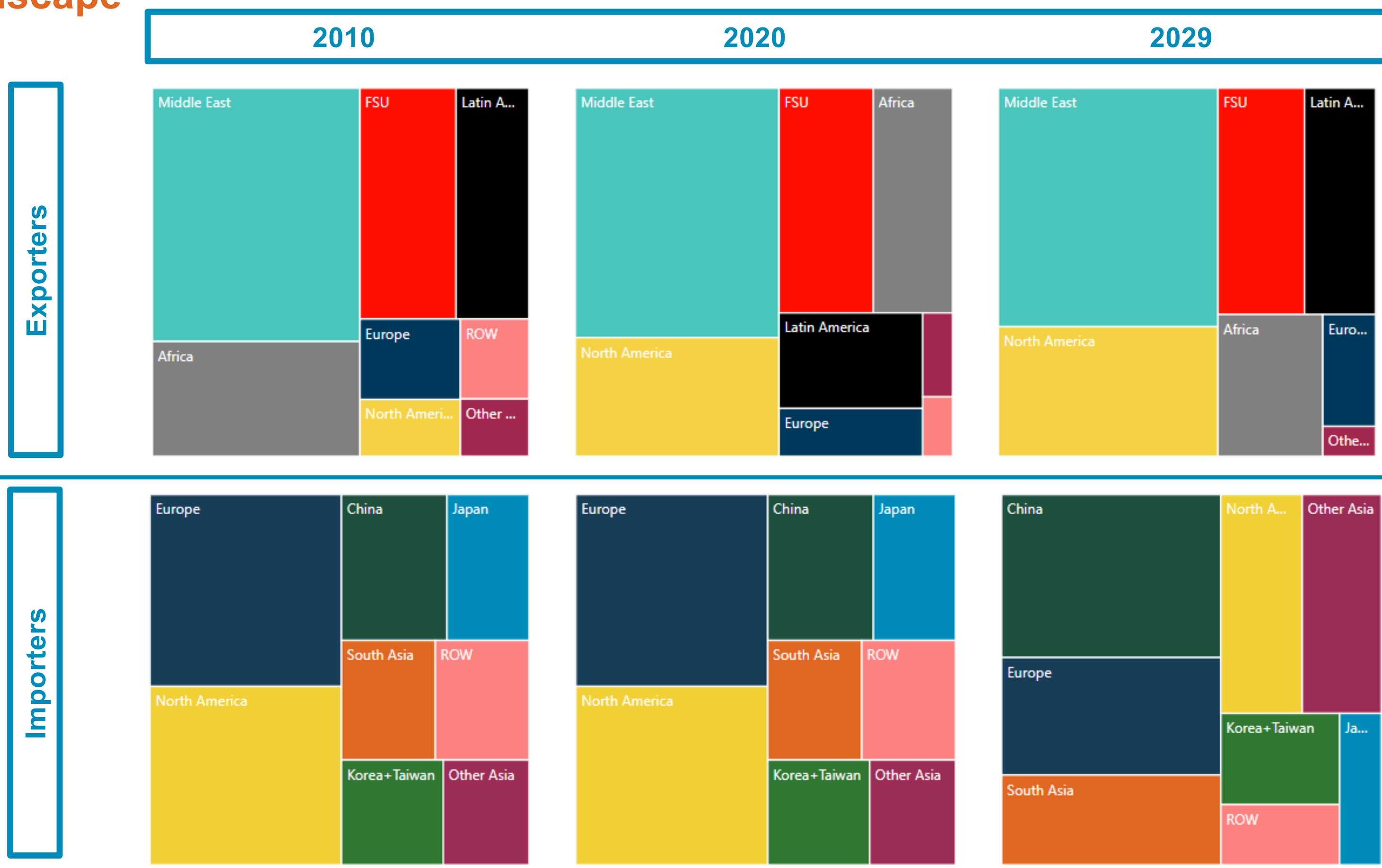

Refinery Capacity Locations

Middle East & ISC increase at detriment to Atlantic Basin

1. Cargo Growth
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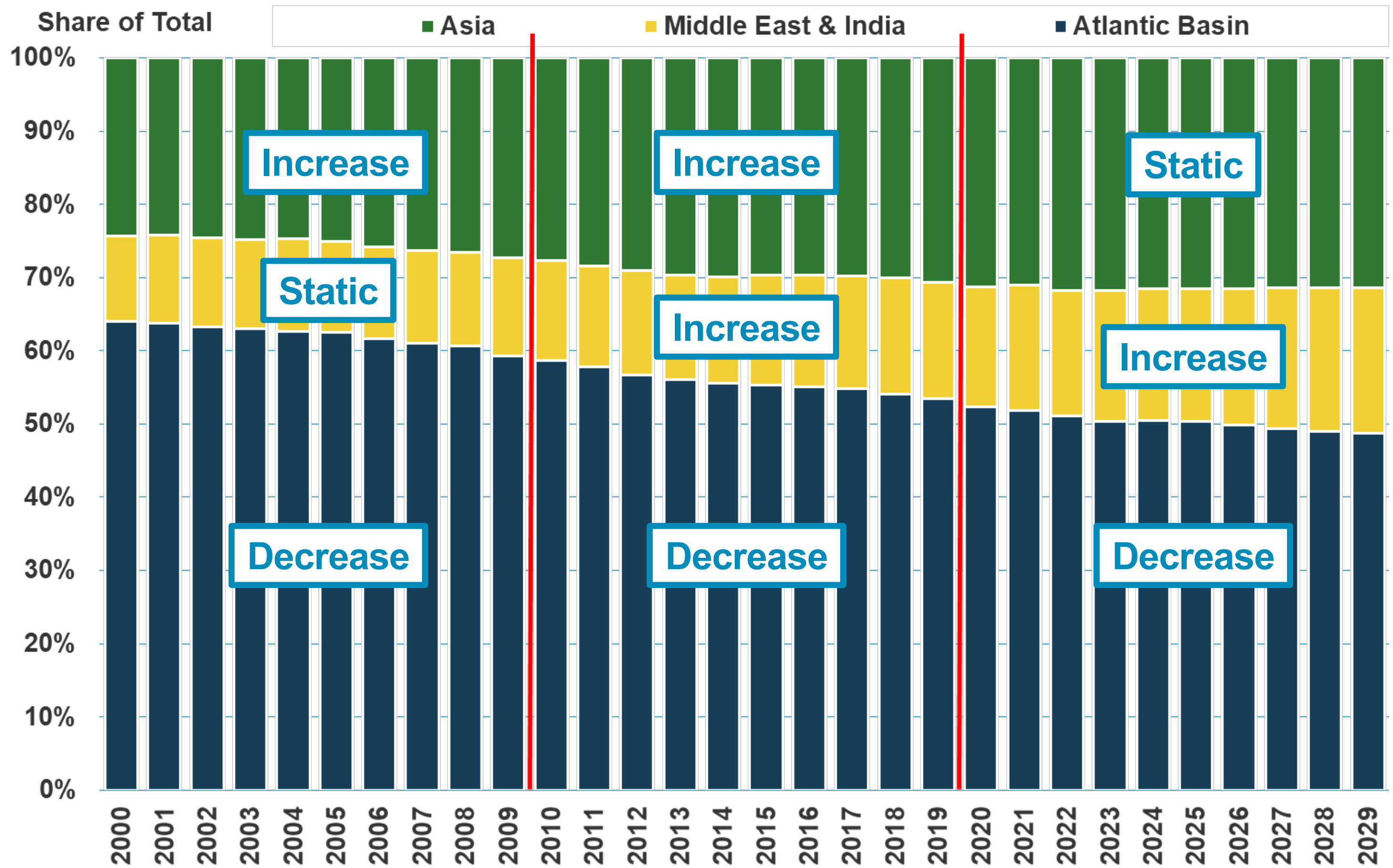

Indicative Capacity Surplus

Refinery capacity minus oil consumption (decade averages)

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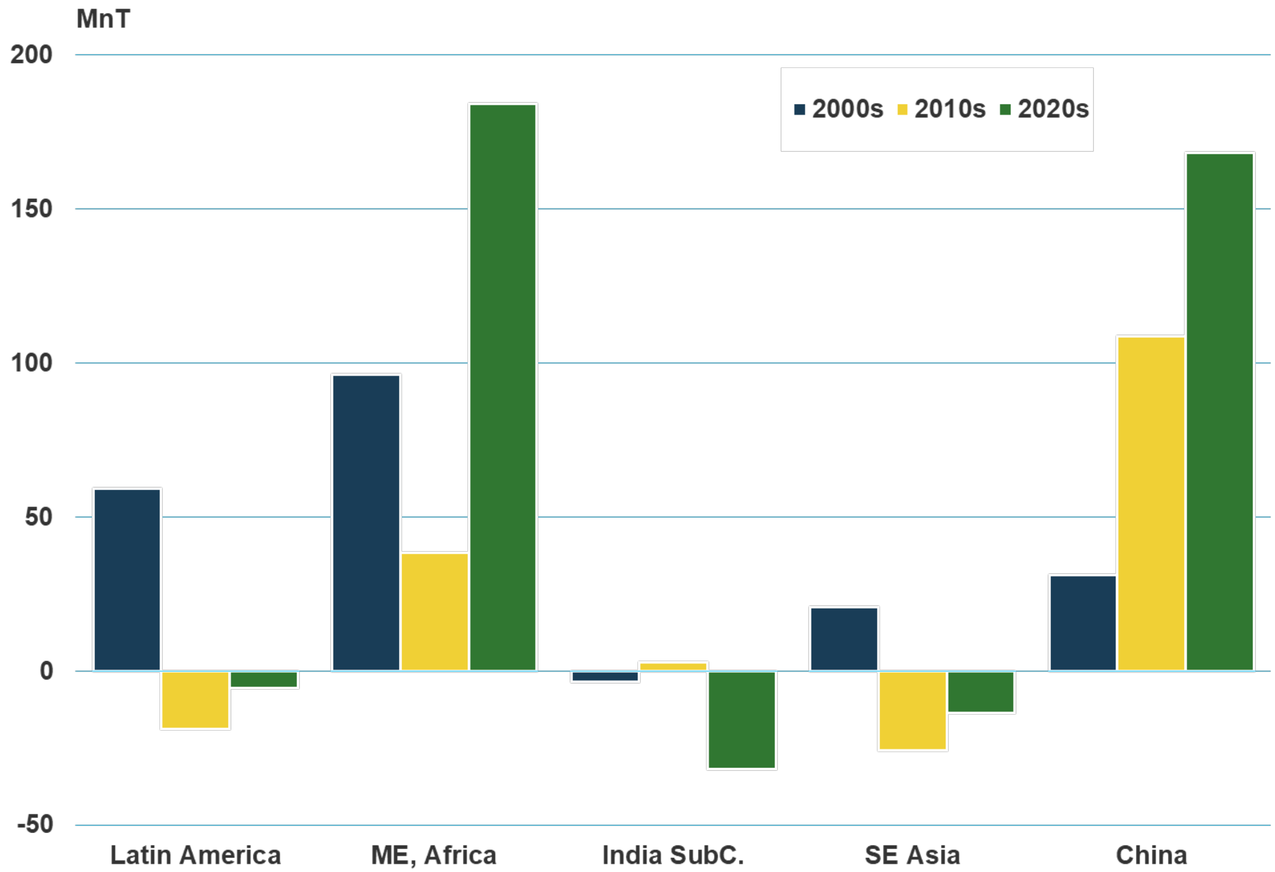

China's Run Its Course

All eyes on India

1. Cargo Growth
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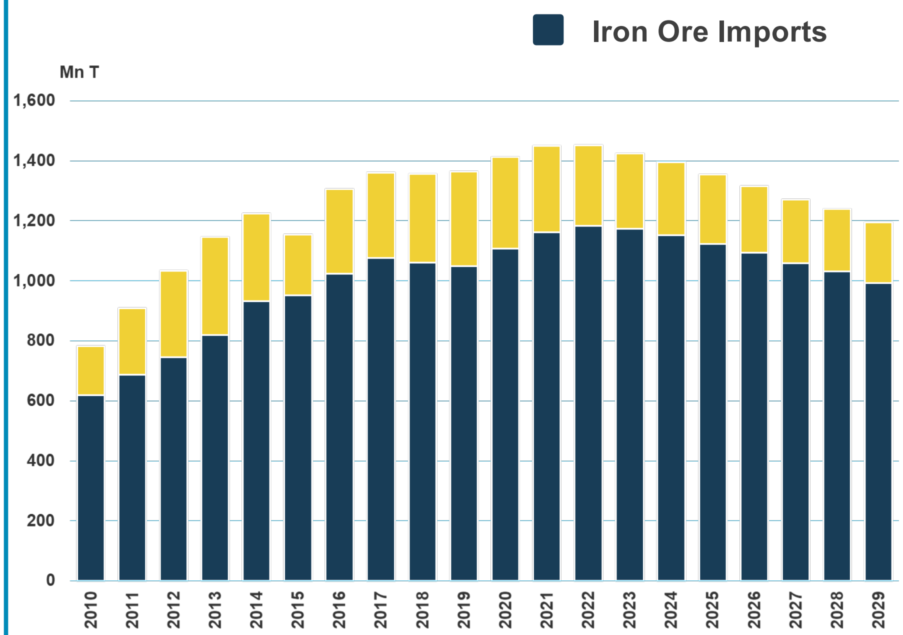
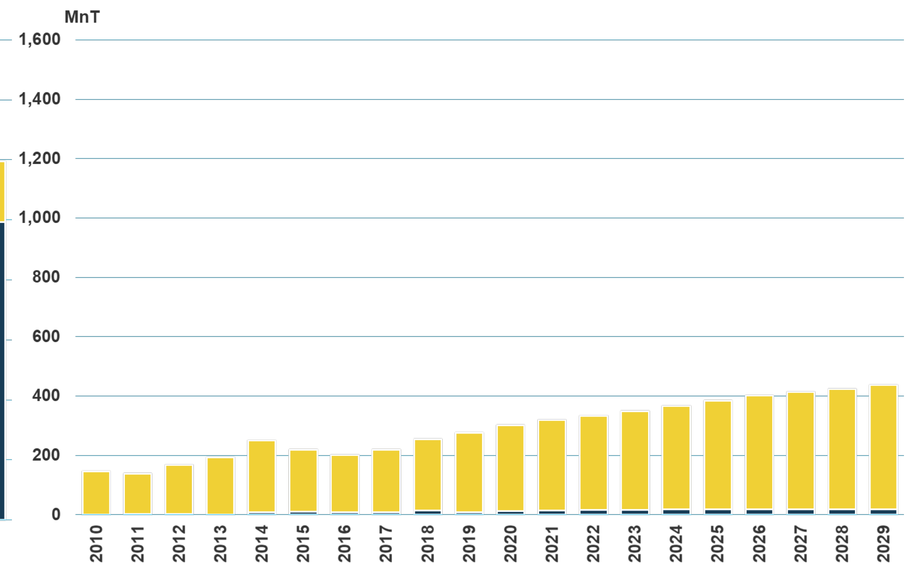
China

India





Total Ore and Coal Imports - average yoy growth rate	2010-2014	2015-2019	2020-2024	2025-2029	2029 v 2020 Net Difference
China	10%	2%	0%	-3%	-218 MnT
India	19%	3%	6%	4%	+134 MnT

Incremental Dry Bulk Shipping Demand

Minor bulks major driver of growth in the 2020's

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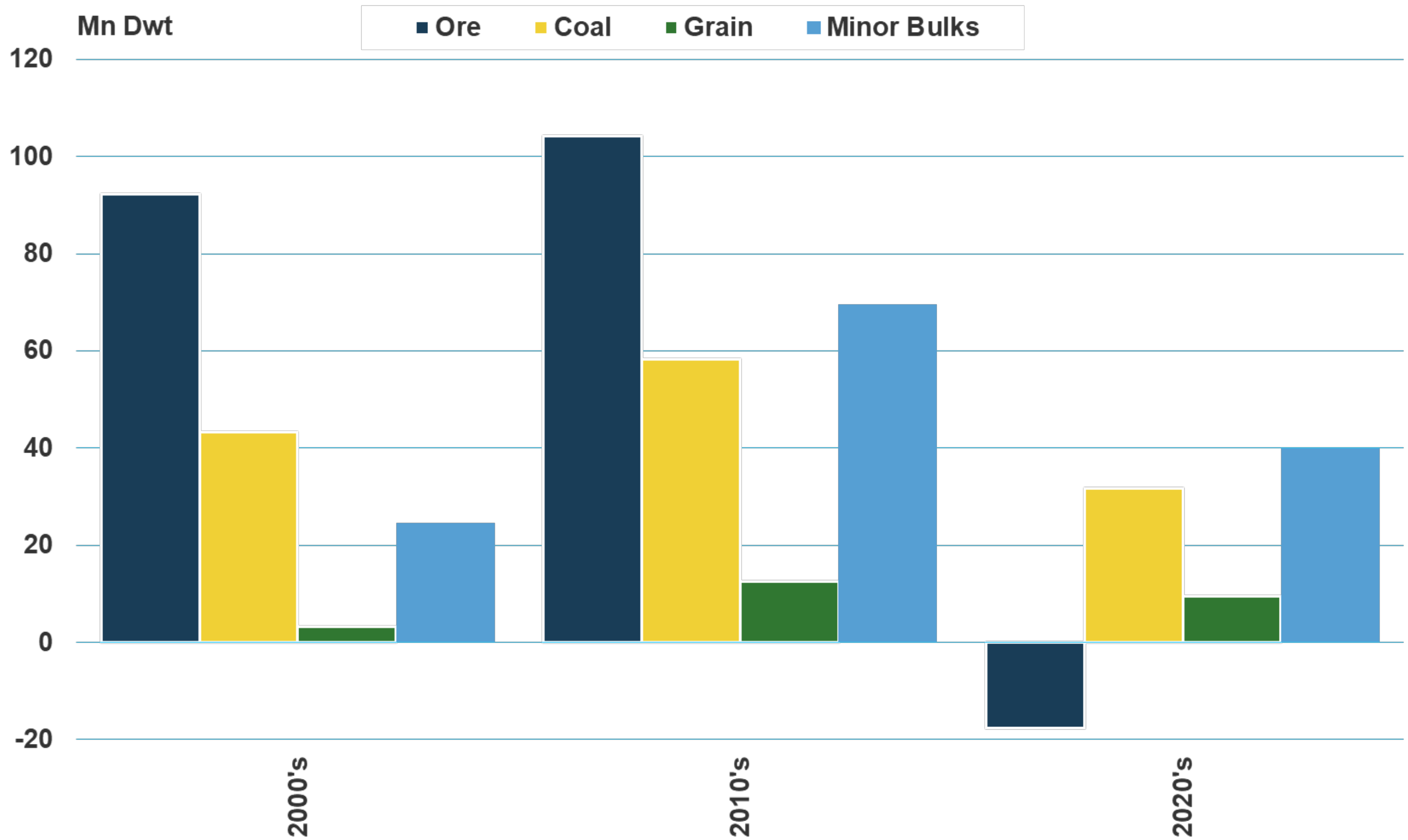

Container Trade

The future is Non-Mainlane, but geography could favour 5,000-15,000 TEU flexibility

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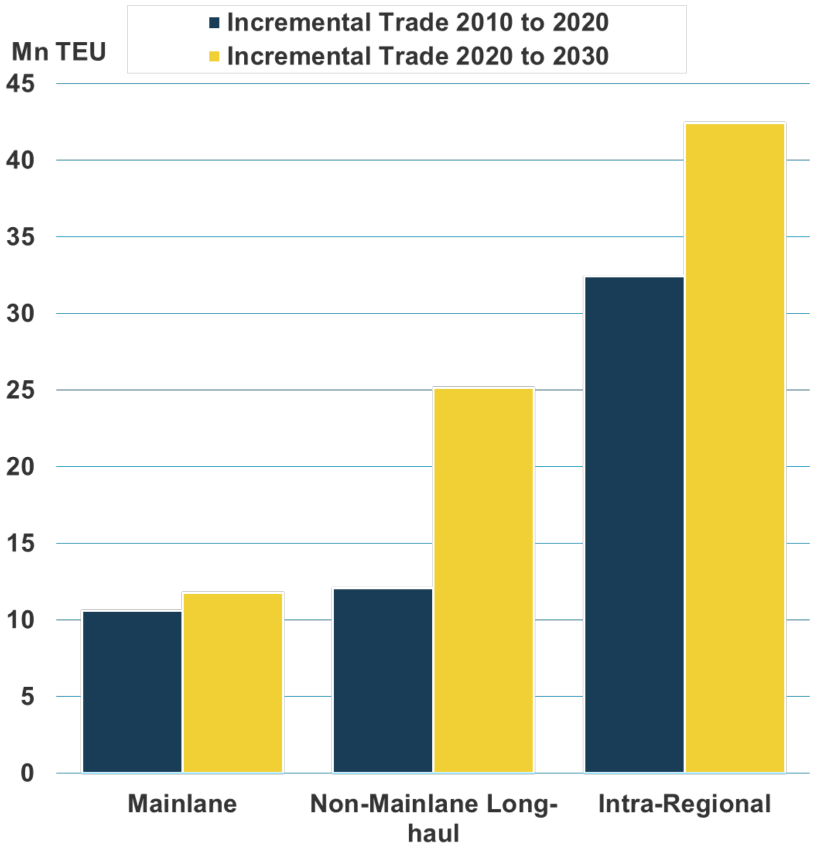

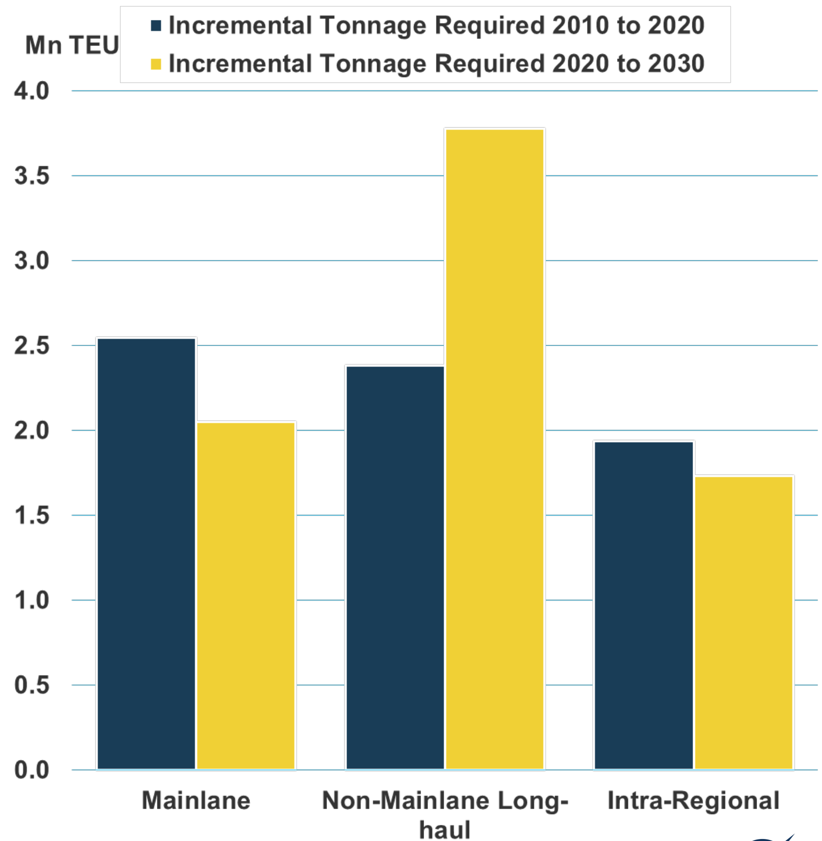

LNG Capacity Increase

Will demand keep up with LNG supply?

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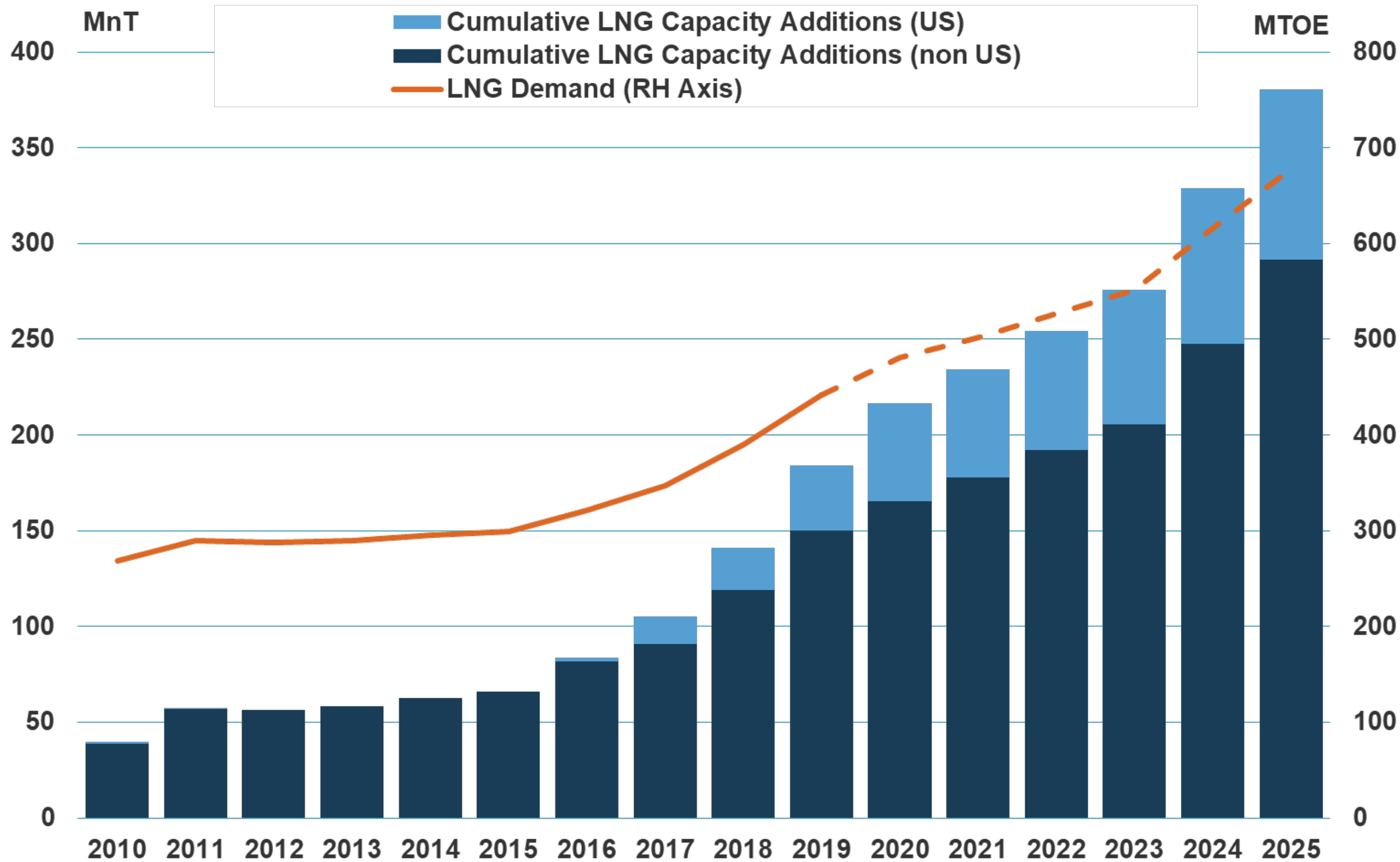

Tonne Mile

Commodities moving over greater distances

1. Cargo Growth
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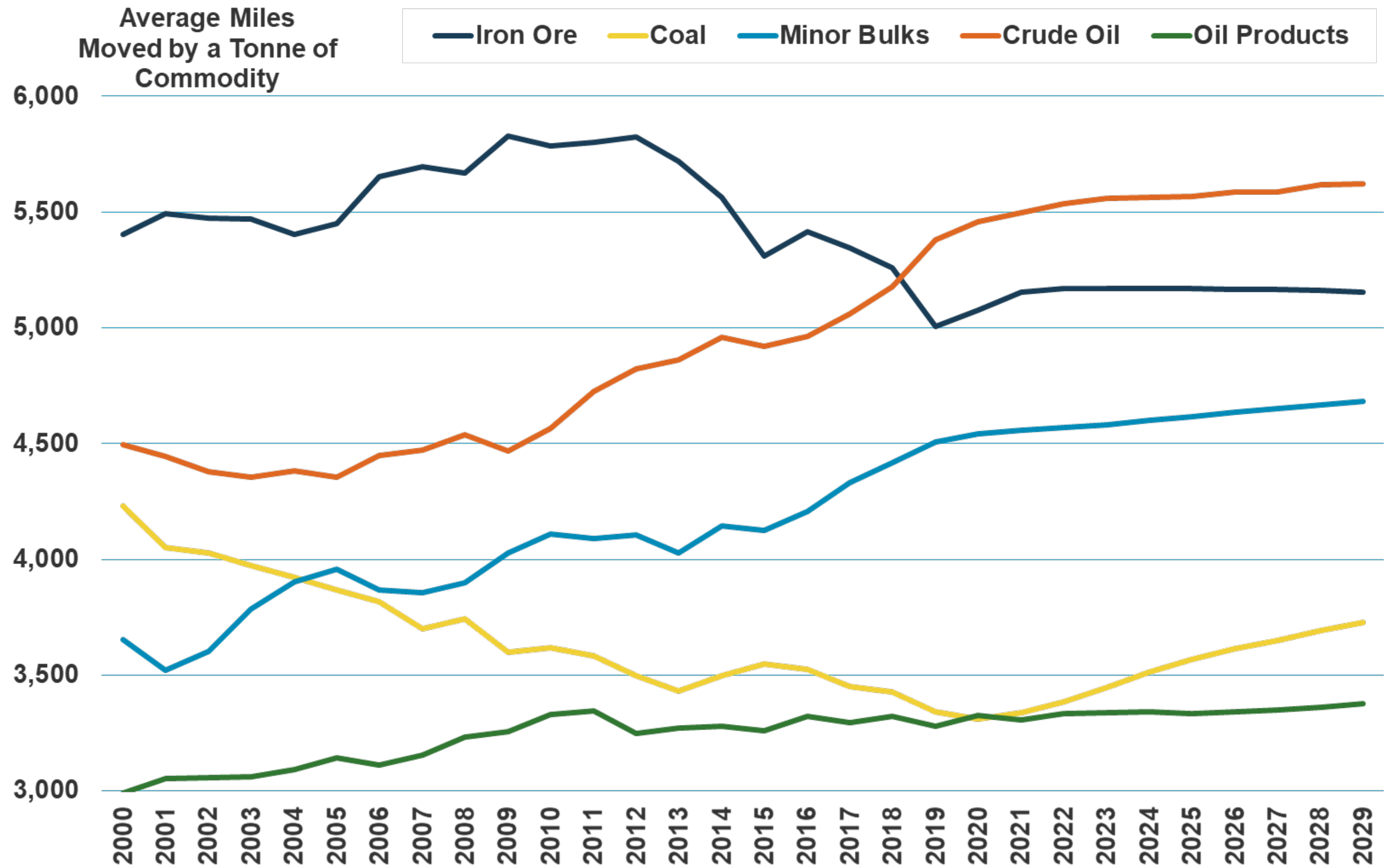

Global Economic Policy Uncertainty Index

Uncertainty will remain heightened

1. Cargo Growth
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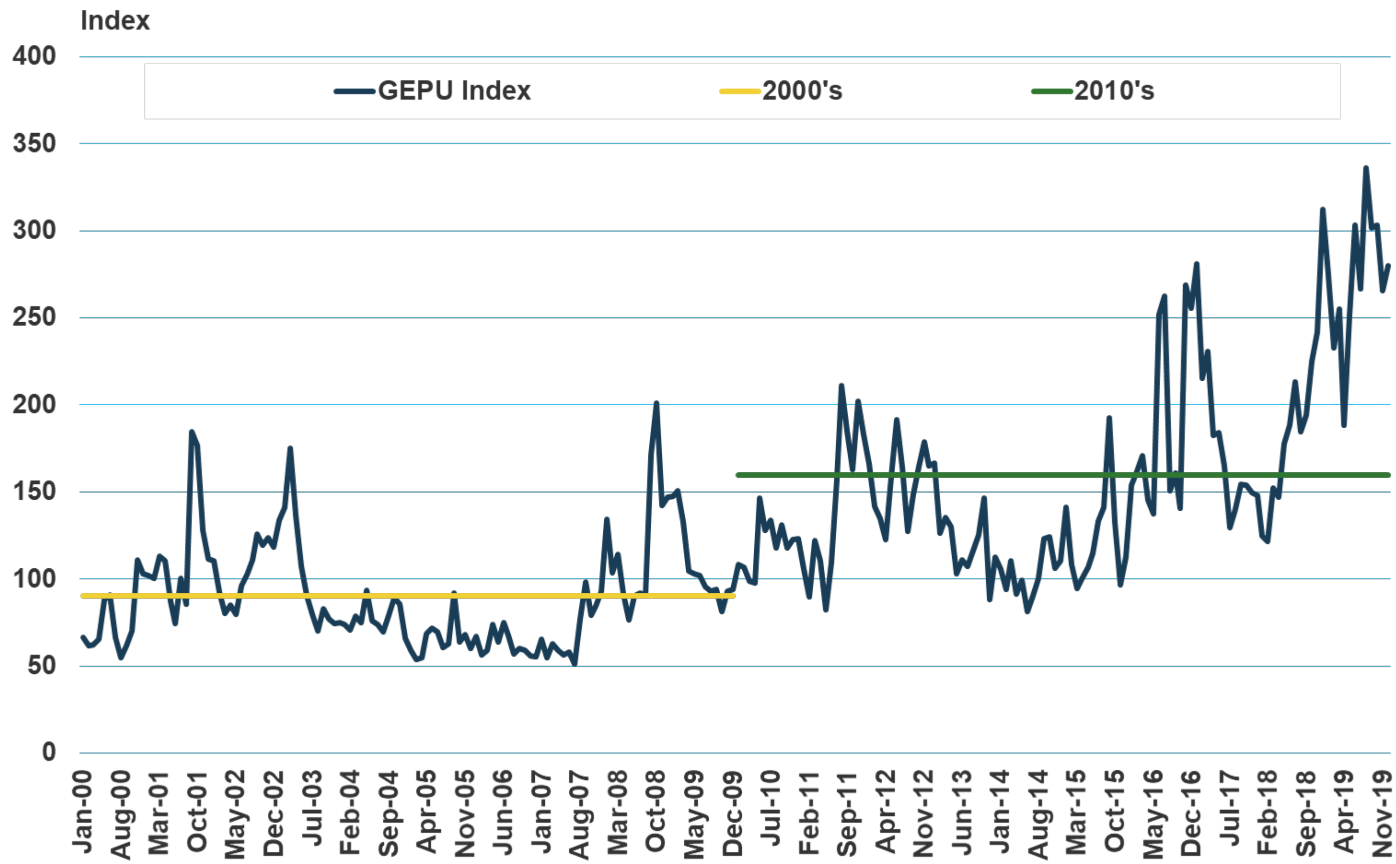

Source: www.policyuncertainty.com and Baker, Bloom and Davis (2016)

Fleet Growth

Low (manageable) levels of fleet growth

1. Cargo Growth
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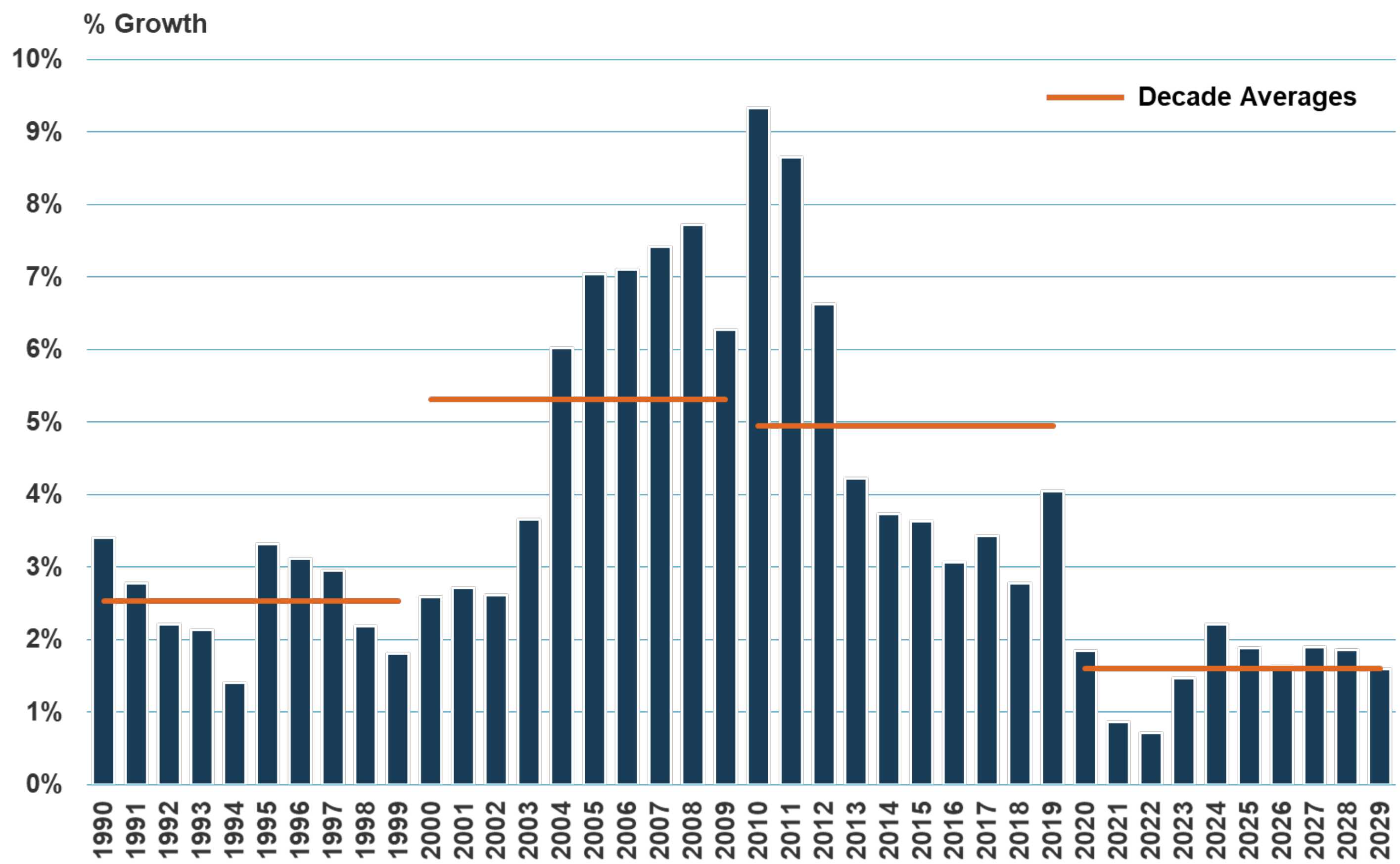

Source: MSI/IHS

Fleet Age Profile

Significant fleet renewal required

1. Cargo Growth
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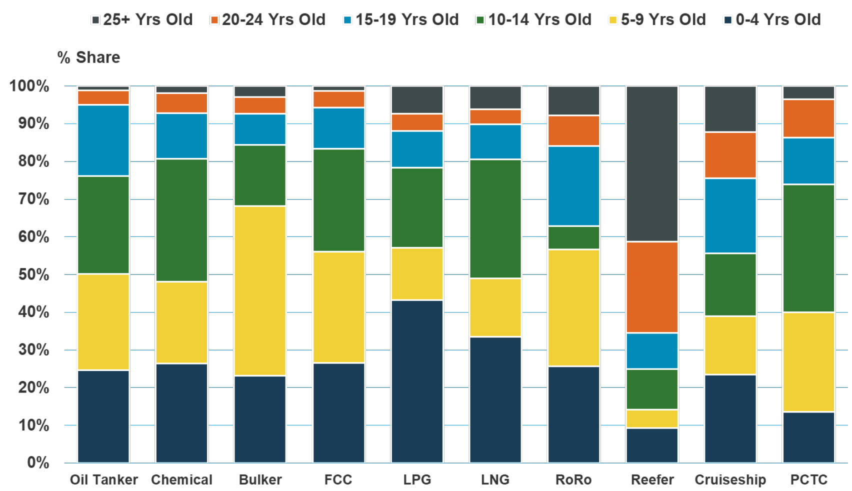
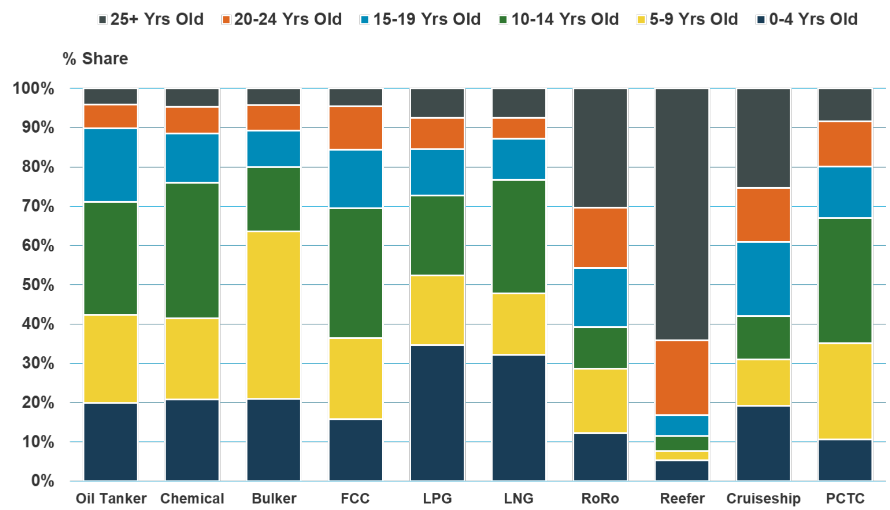
By Deadweight



By # of Vessels



# of Ageing Vessels	Oil Tanker	Bulk Carrier	Containership	LPG Carrier	LNG Carrier	RoRo Vessel	Chemical Tanker	Reefer Vessel	Cruiseship	Vehicle Carrier
15-19 Yrs Old	705	1055	783	93	58	77	518	20	61	105
20-24 Yrs Old	226	744	579	63	29	79	288	72	44	92
25+ Yrs Old	151	474	240	59	42	156	192	241	82	66
Total	1082	2273	1602	215	129	312	998	333	187	263

Source: MSI/IHS

Shipyard Capacity Evolution

Capacity will be managed better

1. Cargo Growth
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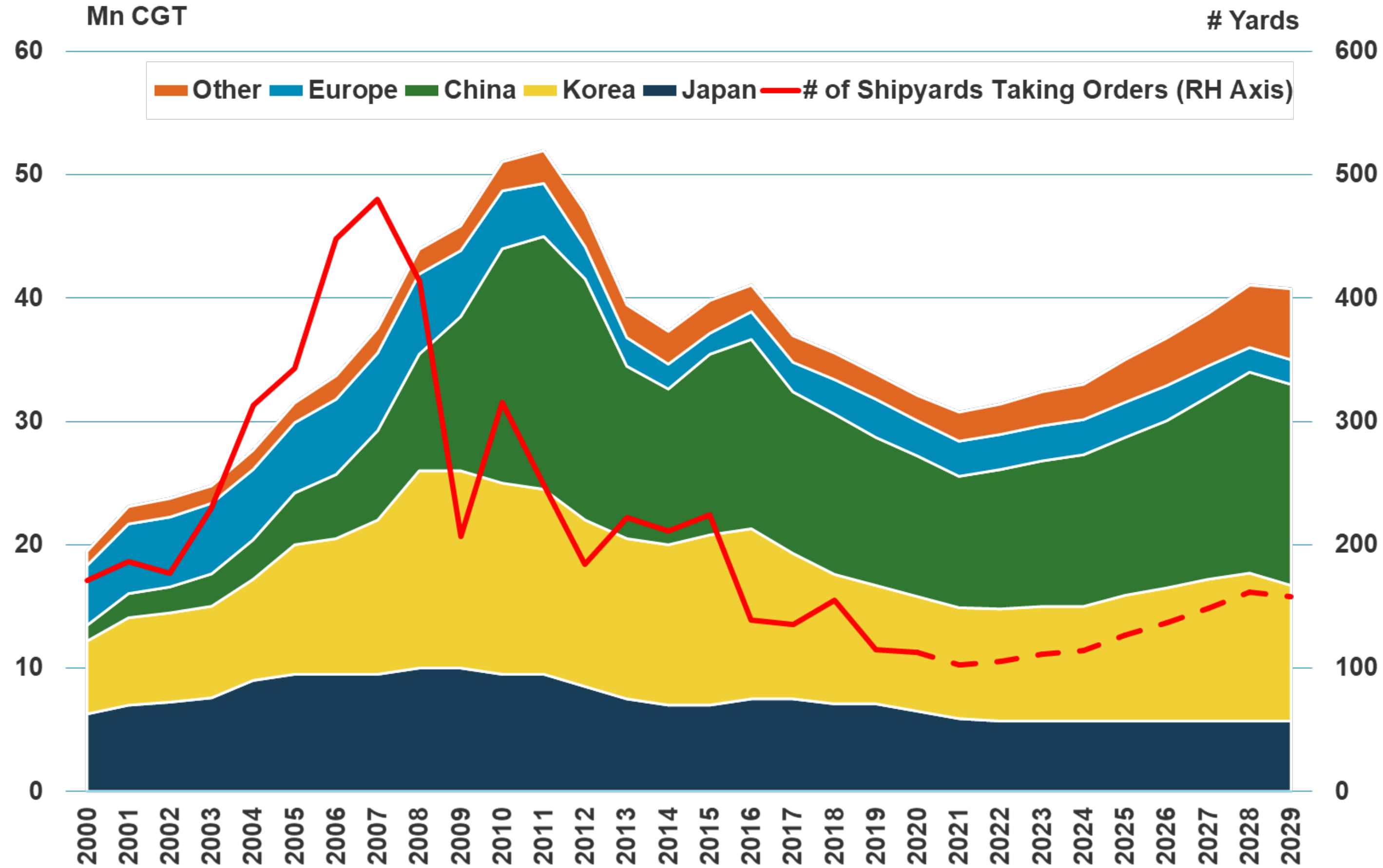

Source: MSI/IHS

Newbuilding Prices

A return to the 2000's for most

1. Cargo Growth
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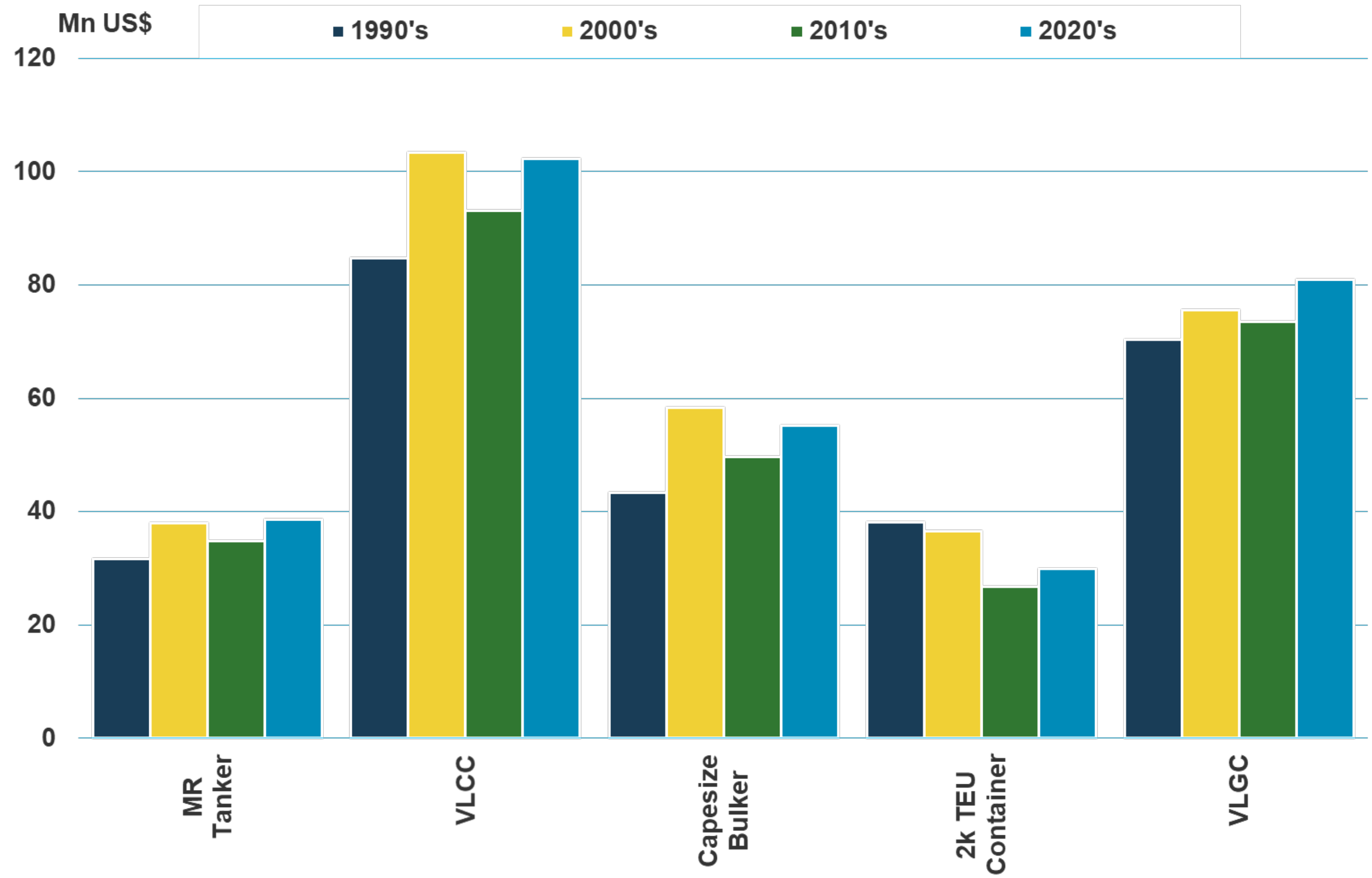

Partnerships & Consolidation
Is this finally the decade?

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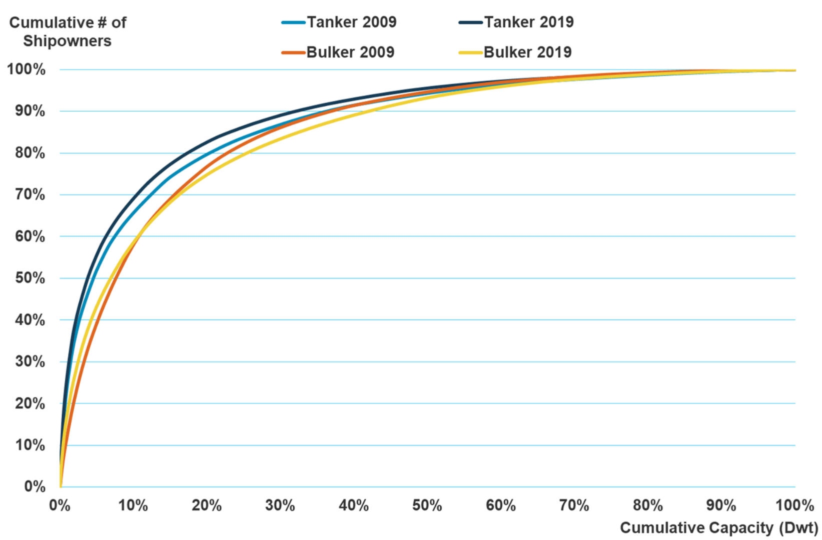

Consolidation Drivers

- Access to finance
- Cost of finance (widening gap)
- Financing terms
- Institutional and ESG investments

- Access to technology and associated CAPEX
- Ability to capitalise on technological developments
- Risk mitigation/migration e.g. new fuels

- Maximise employment/minimise ballast legs
- Proximity to end customer
- Economies of scale

New Fuels - LNG Uptick

2019 the dawn of LNG fuelled vessels?

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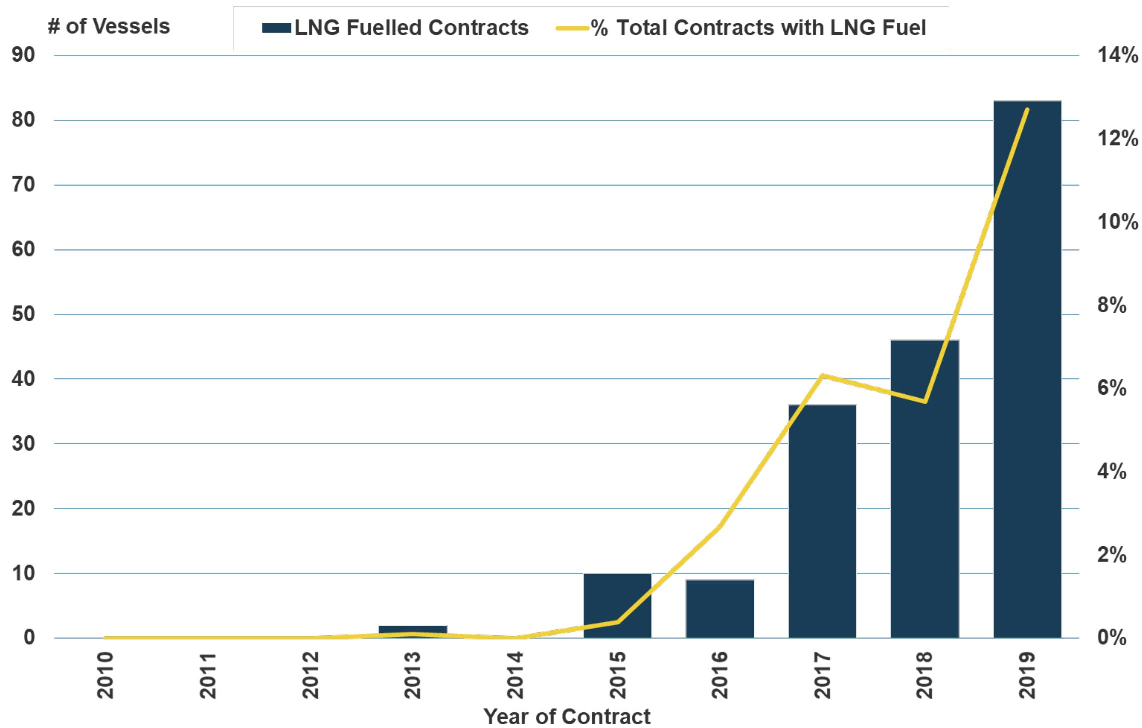

Source: MSI/IHS

- LNG as a fuel finally taking off
- Transitional solution before lower emission fuels are made commercially viable
- Infrastructure is still a concern
- Many adopters are oil companies or larger corporates with company wide climate change policy i.e. doing nothing now is not an option

Tiered Earnings Market

1, 2, 3, 4+

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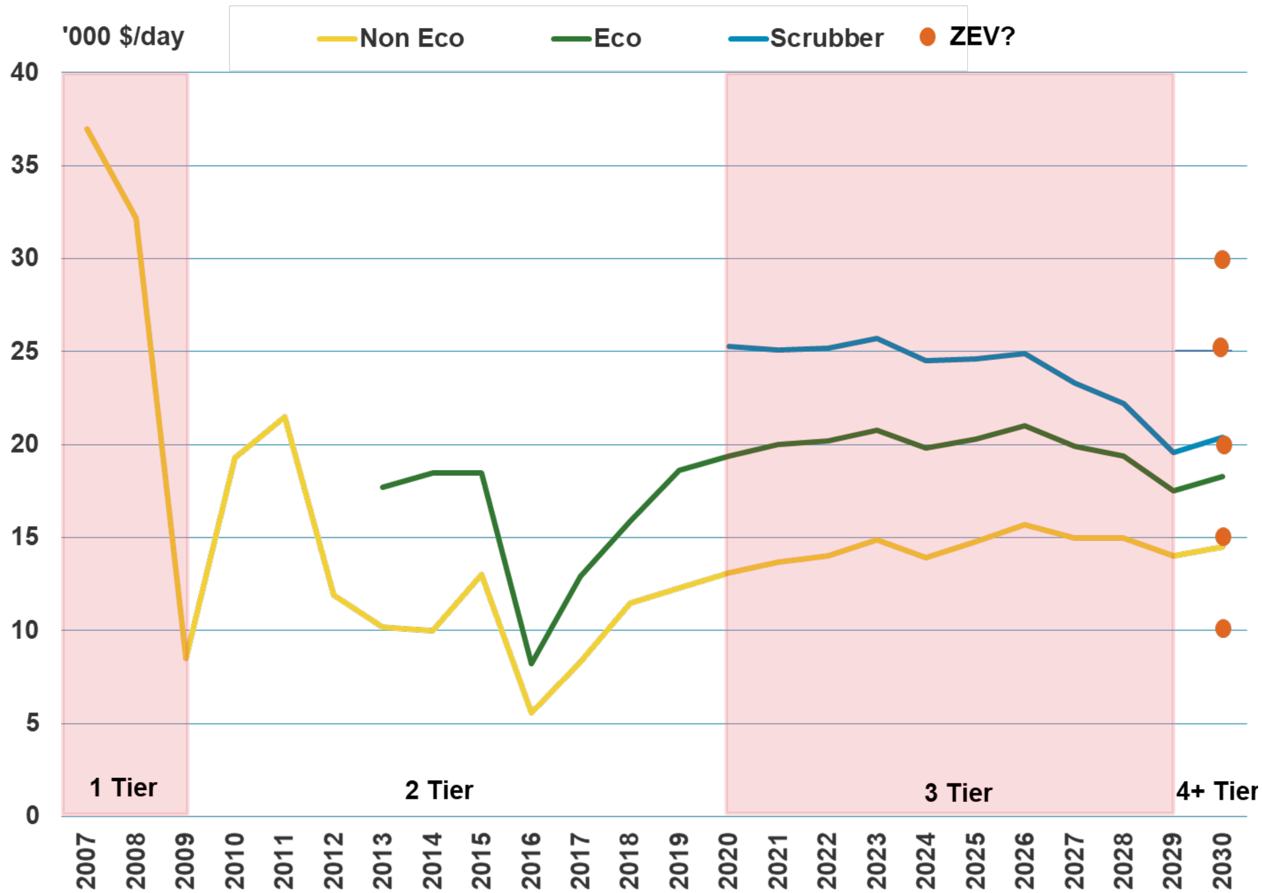

Information Availability

24-7 media, digitalisation, AIS data etc.

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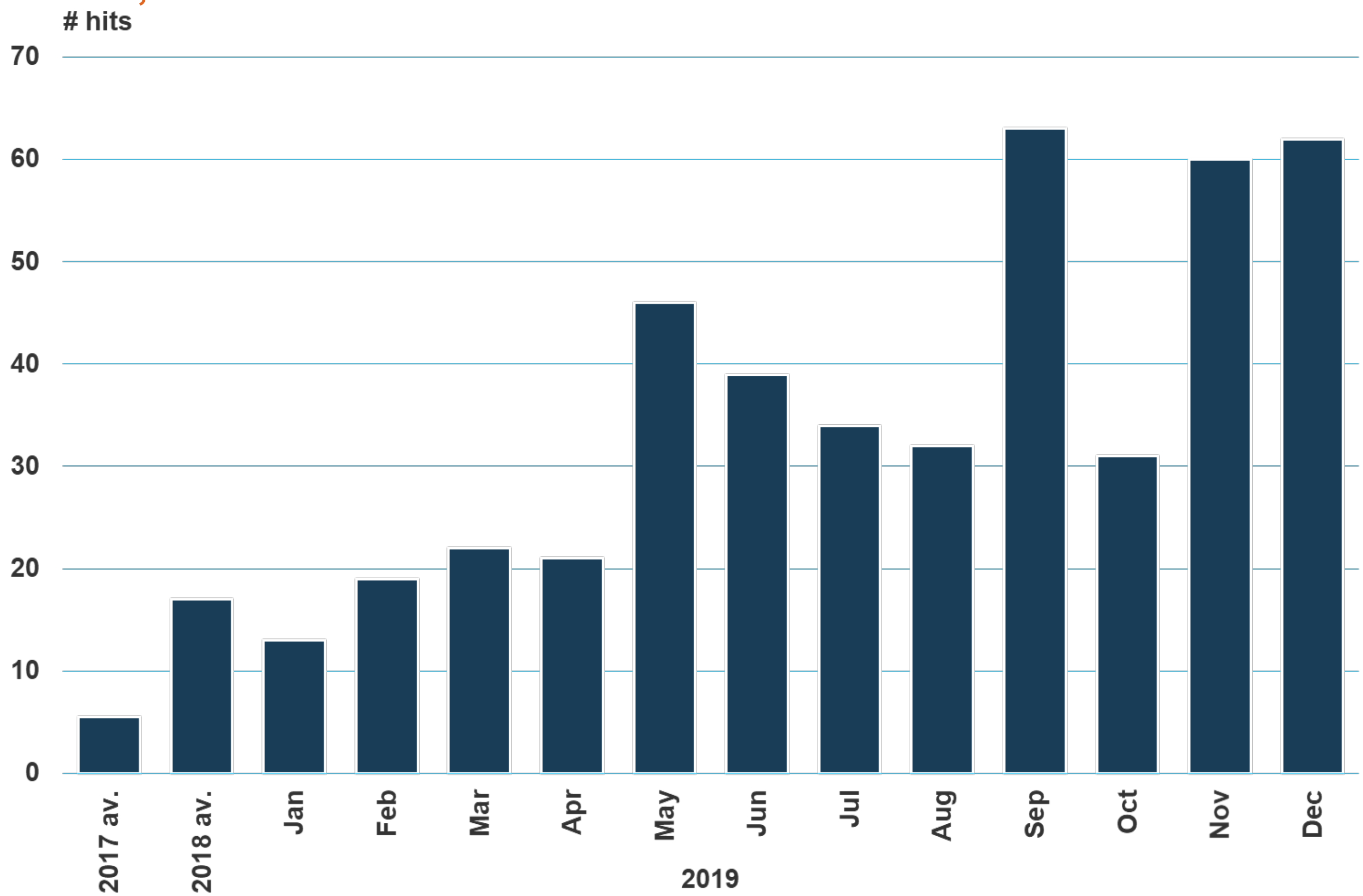

Monthly hits of “Shipping Emissions” on Google News sites

Shipping Profitability

Above breakeven cash flows – decade investments

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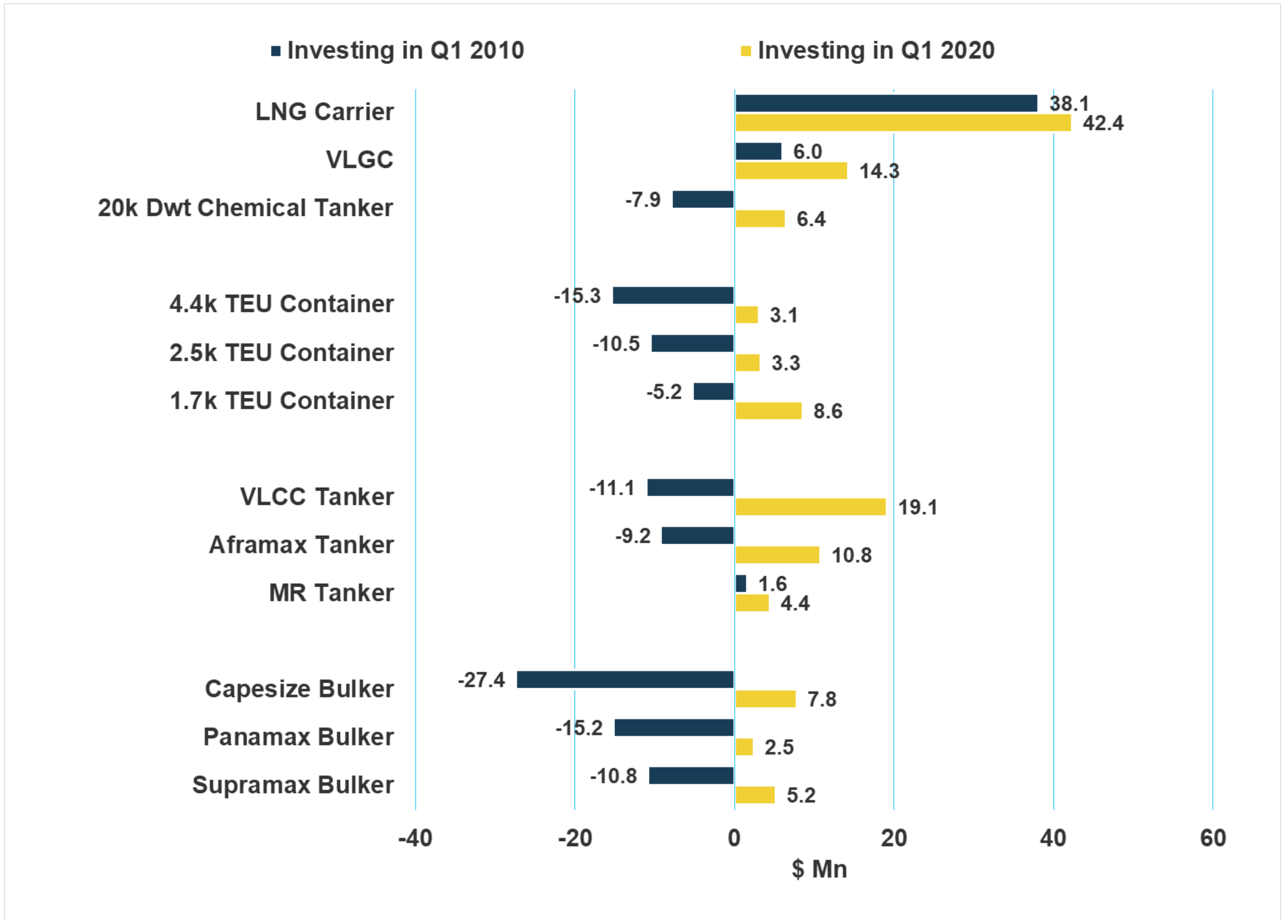
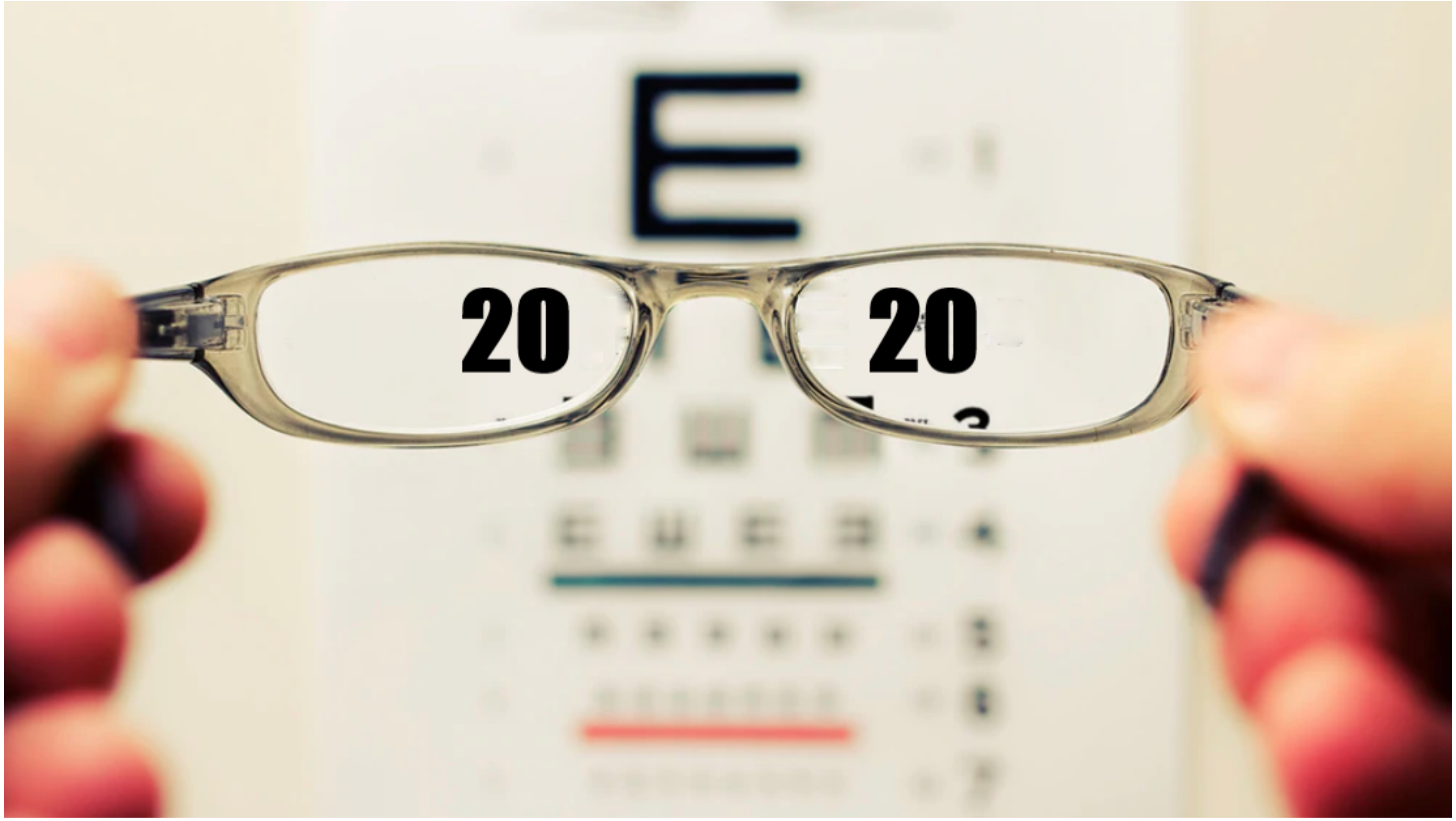


2020's Vision
Thank you for listening



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MSI's expertise covers a broad range of shipping sectors, providing clients with a combination of sector reports, forecasting models, vessel valuations and bespoke consultancy services.

MSI's team is comprised of professionals with extensive academic credentials, deep industry knowledge and many years experience of delivering successful client projects.

MSI balances analytical power with service flexibility, offering a comprehensive support structure and a sound foundation on which to build investment strategies and monitor/assess exposure to market risks.

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