Charter Rates For Short-Term Fixtures Fall Back In 2008

According to a recently released report by Poten & Partners LNG Commercial Group, the short-term LNG shipping market was amply covered in 2008. Even though 63 single cargo and short-term fixtures were negotiated during the year, on par with the tally for 2007, charter rates were down some 17% to about $46,600 per day for steam turbine ships sized between 138,000 and 150,000 m3. With a record number of newbuilds entering the fleet, market needs were easily accommodated and except for a few instances prompt ships were always available. Charter rates showed very little volatility throughout the year, unlike in 2007, as the excessive length of the fleet absorbed all unexpected requirements without any material affect.

There were several instances in 2008 when only one prompt vessel was available. Even then, rates failed to spike or even trend upwards toward levels seen in recent years.
Daily charter rates floated in a narrow range from $40,000 to $50,000 about 60% of the time, only occasionally exceeding $55,000 per day or falling below $40,000.

The year started off slowly since most ships for winter service were fixed in late 2007. Despite a robust cargo market with record numbers of spot shipments being diverted from the Atlantic Basin to destinations east of Suez, chartering activity remained muted through July. Driven by floating storage and slow steaming opportunities, 26 fixtures were confirmed during the third quarter. This represented nearly 40% of the fixtures concluded in the entire year, as Asian buyers anxiously sought cargoes for the next winter. Oil prices touched record levels, suggesting winter cargo prices could reach $25 or even $30/MMBtu.

But it was not to be. Plunging oil prices put downward pressure on the LNG market and effectively eliminated the west to east arbitrage market. By mid-December, natural gas demand in Asia had begun to fall as industrial use weakened and inventories remained plentiful. By the end of the fourth quarter, delivered prices in Asia had fallen to around $10 or $11/MMBtu, charter rates had dipped to about $46,000 per day and 14 vessels were available for prompt service. The situation has subsequently deteriorated further, with as many as 30 ships looking for business. These figures exclude Qatar’s Qflex and Qmax ships, which are not generally available for charter by third parties. Its fleet consisted of 24 such vessels at the end of 2008, a number which has subsequently risen to 27.

This report chronicles spot trading activity and prices as well as spot and short-term fixtures for LNG carriers on a quarterly basis. It records developments as oil and LNG prices climbed to record highs and then receded in the second half of the year. Please contact Chris Gibson at cgibson@poten.com for information on obtaining the report.