



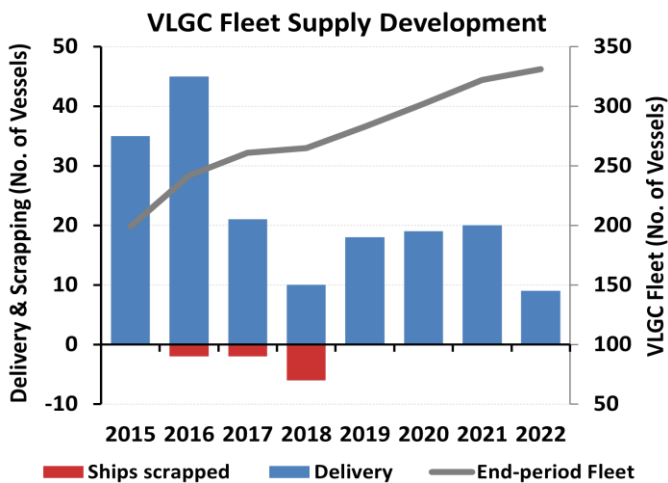
## LPG in World Markets

### VLGC fleet expansion gains momentum

The rate of growth in the net VLGC fleet supply increased in 2019 as there were more vessel deliveries and no scrap sales. A total of 18 vessels were delivered in 2019 and 16 VLGCs have already joined the existing fleet during the first nine months of 2020, with three more expected in 4Q. The VLGC fleet comprised of 300 vessels as of September 2020. Following the rapid expansion of the fleet in 2015 and 2016, which collectively saw 80 VLGCs enter the market, only 21 VLGCs were added in 2017 and just 10 vessels were delivered in 2018, the lowest annual delivery total since 2014.

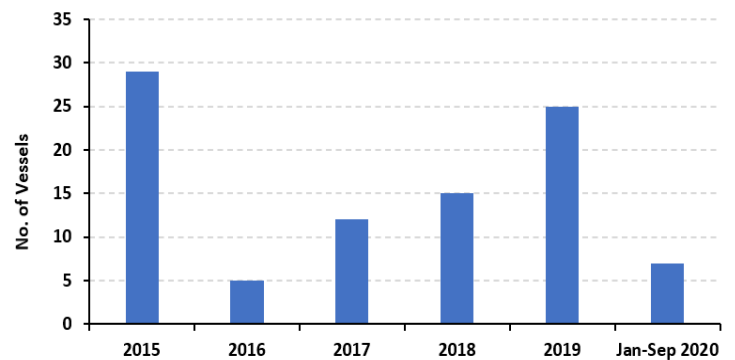
In 2019, total 25 new orders for VLGCs were placed with firming sentiments and a positive outlook on seaborne trade and freight markets.

However, as the world struggles with the pandemic and freight markets along with seaborne supply concerns eroded owners' confidence. Only seven VLGC orders have been placed so far in 2020. VLGC newbuilding activity at shipyards previously declined from a high of 29 vessels in 2015 to just around five in 2016.



The nearby graph plots a projection for overall VLGC supply through 2022, based on the latest orderbook schedule without accounting for future orders or scrap sales.

VLGC Newbuilding Activity



Newbuilding activity increased to 12 VLGCs in 2017 and 15 in 2018 with recovering forward sentiments.

At the same time, the demolition market has been quiet as no vessels were sent for recycling in 2019, and during the first nine months of 2020, a few old vessels were utilized as floaters, while a few others continued to generate value for their owners in restrictive trade lanes.

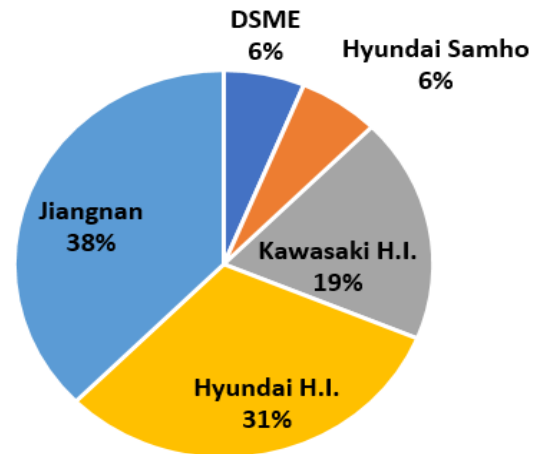
Six VLGCs were scrapped in 2018, while two vessels were sent for recycling each in 2017 and in 2016.

Although there are 26 vessels over the age of 25 years, Poten believes that any material increase in demolition activity will be limited by the current strength in the freight market and a firm secondhand resale market.

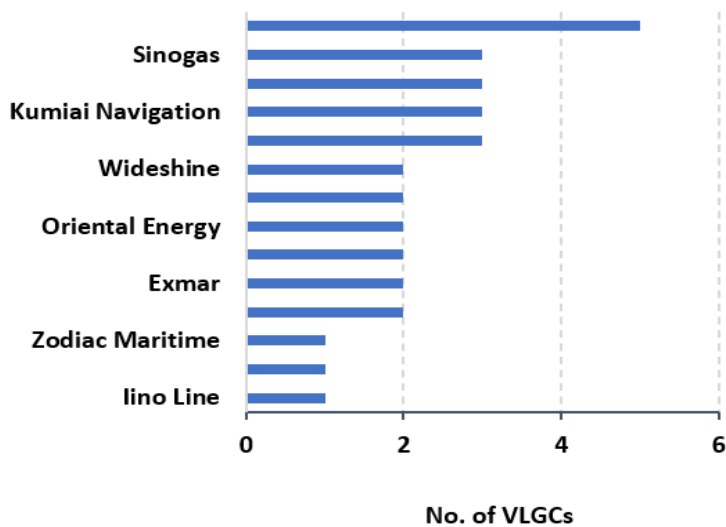
With 20 VLGCs expected to be added to the existing fleet in 2021 in a market challenged with near-term LPG supply and demand due to the pandemic, a few of those older vessels may be recycled in next couple of years. The total VLGC orderbook stands at 32 vessels or around 11% of the current fleet. According to the latest orderbook schedule, total 20 VLGCs will be delivered in 2021 and nine in 2022.

While the yards in South Korea account for the majority of newbuild orders, the appetite from Japanese owners has also thrown business in the direction of Japan’s VLGC shipyards that are collectively responsible for building out less than one-fifth of the orderbook. Jiangnan shipyard also remains a popular choice amongst traders and Chinese end-users, which accounted for 38% of the current orderbook for VLGCs.

**VLGC Orderbook by Shipyard**



**VLGC Orderbook by Owner**



The list of companies who are due to take delivery of VLGCs over the next couple of years is as long as it is diverse. A host of traditional Japanese owners including Nissen, Kumiai Navigation and Lino Lines are set to add to their fleets while trading houses, such as Trafigura are trying to consolidate their position.

Meanwhile, owners such as Exmar and AW Shipping are also making their first push into the VLGC market.