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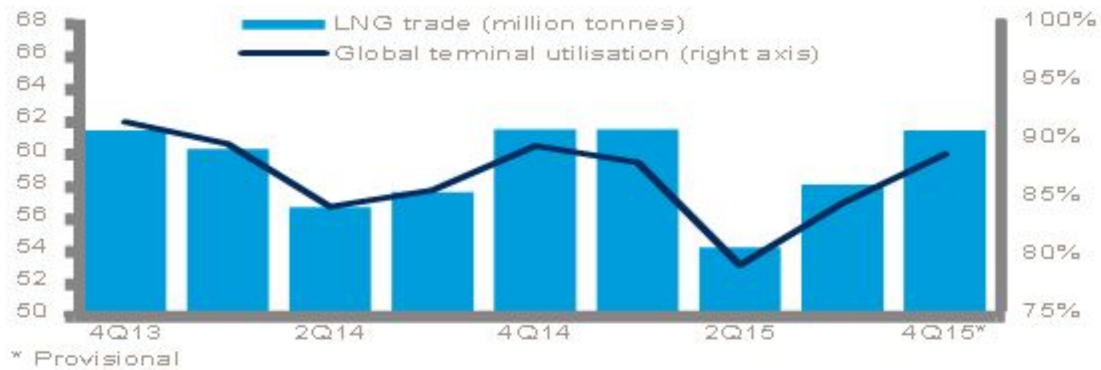
# *LNG shipping rates to remain under pressure in 2016*

**London, UK, 3 February 2016 –** LNG shipping earnings will remain under pressure in 2016 as accelerating fleet growth and changing trade patterns will weaken supply-demand conditions, according to the latest edition of the *LNG Forecaster* report published by global shipping consultancy Drewry.

LNG vessel fleet growth is forecast to double this year to 12%, compared to 6% in 2015. Meanwhile, as new sources of LNG supply kick in from projects coming online in Australia, demand for spot cargoes from the Middle East are expected to weaken which will adversely affect overall tonne mile demand for LNG shipping.

The final quarter of 2015 was disappointing for LNG shipowners, despite a seasonal uplift in demand for winter fuels. Drewry estimates that average spot rates in the quarter were $30,000 per day for East of Suez shipments, which was unchanged from the third quarter and 57% down on the previous year. The pressure on rates was principally due to oversupply of vessel capacity, as LNG trade actually grew over this period thanks to new LNG plants coming online. Drewry estimates that total fourth quarter trade totalled 61 million tonnes, up 6% quarter-on-quarter, and accounted for 88% of global liquefaction capacity (see graph below).

**Global terminal utilisation (liquefaction)**




Source: Drewry Maritime Research

Spot vessel availability remained high throughout the quarter which kept rates from rising. Drewry's research indicates that there was an excess supply of 38 vessels in the final quarter, three vessels higher than in the third quarter. Vessel oversupply was exacerbated by the fact that four new ships joined the fleet during the fourth quarter. In the year ahead, vessel deliveries are expected to accelerate to 53 while demolitions will be limited to just three.

"Vessel oversupply is the key problem for LNG shipping in 2016," said Shresth Sharma, Drewry's lead LNG shipping analyst. "Meanwhile, growing LNG supply in Asia-Pacific will reduce the dependency of Asian buyers on Middle Eastern supply which will weigh on tonne mile demand, diminishing overall LNG shipping demand. Hence, we see no let-up in vessel overcapacity, which will continue to put pressure on earnings through 2016."

## END

**“LNG Forecaster"** is a quarterly report published by Drewry Maritime Research and is priced at £2,115 for an annual subscription. The report is available from the Drewry website www.drewry.co.uk.

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Drewry serves its clients through four business units: Drewry Maritime Research, publishing market-leading research on every key maritime sector; Drewry Maritime Advisors, supporting the needs of shipping and financial institutions; Drewry Supply Chain Advisors, providing seafreight procurement support to retailers and manufacturers; and Drewry Maritime Equity Research, delivering an Investment Research Service on listed companies operating in the industry.

Drewry has a truly global perspective of the maritime sectors and areas of expertise it covers and employs over 100 professionals across an international network of offices in London, Delhi, Singapore and Shanghai.