

SHIPPINGWATCH

Italy's d'Amico sees product tanker upturn shrouded in uncertainty

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Product tanker has turned and the recovery happening. But it is too soon to say whether it sticks, Paolo d'Amico tells ShippingWatch. The Italian carrier's chairman points to the coming sulfur cap as key driver.



| Photo: dAmico

The fourth quarter has brought soaring tanker rates, but the prospects of a de facto recovery for product tankers remain uncertain, says Chairman Paolo d'Amico, who from the turn of the year will also take over as CEO of Italian carrier d'Amico International Shipping.

"Recovery has started, but we have to see if it consolidates," he tells ShippingWatch.

"Even if we cannot be too sure about the future, I feel optimistic about a market recovery. This scenario has been complicated by recent trade wars, with all limitation they brought to international trades," he tells ShippingWatch.

However, he explains that there are clear indicators that seem to indicate a change of direction. For instance rising charter rates for crude oil tankers, a scenario that has traditionally triggered similarly improved rates for ships carrying refined oil products.

"But it is better to be cautious, to wait and see."

The Italian's somewhat wary stance contrasts with the more assertive statements from competitors Torm and Concordia <<http://shippingwatch.com/eceRedirect?articleId=11019982>>. The two tanker carriers recently announced that the much-anticipated recovery in the market for oil product shipping is now in full swing.

Optimist competitors

Torm's Executive Director Jacob Meldgaard said that there has been a step change in product tanker.

"The market is improving compared to the third quarter, and we can already see it in our numbers," he said.



Jacob Meldgaard, Executive Director, Torm

Concordia Maritime CEO Kim Ullman agrees with Meldgaard.

"The way tanker markets work is that it typically starts with the big crude ships and correlates 'down' to smaller siblings which is happening now. The Americas started it some weeks back and now a successful Atlantic combo trade is around USD 15-18,000 a day," Ullman told ShippingWatch. He added that these rate developments will likely spread to other areas as well.

The product tanker market has been struggling at historical lows in 2018, but the rates for MR tankers in particular are now improving. A main driver is that the crude oil market is headed back toward sound rates, and the larger crude oil tankers are thus withdrawing from product tanker after having cannibalized the market for refined products due to a shortage of transport gigs in their own segment.

The 2020 effect

The upcoming IMO 2020 global sulfur regulations also loom over the market and are expected to make demand surge already through 2019.

Torm's Meldgaard has previously told ShippingWatch that demand could increase by 5 percent already from Jan. 1, 2020 when the new sulfur regulations come into force, and ships will no longer be allowed to sail on fuel with sulfur content exceeding 0.5 percent unless they have scrubbers installed to clean their smoke.

Paolo d'Amico also points to the sulfur cap as a main driver for product tanker.

"The sulfur cap, for example, will have a positive impact on the product tanker sector, as the scarcity of product will lead to an increase in refining. Moreover, as the 0.5 percent bunker fuel will need to be distributed, ships will sail more all over the world, and they will need more diesel," he tells ShippingWatch.

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