

SHIPPINGWATCH

Coronavirus pandemic is "extremely worrying" to d'Amico

Product tanker rode a booming recovery in the spring, which is reflected in the interim reports. The market looks weaker going forward, and the threat from the pandemic is far from over. ShippingWatch has interviewed Italian d'Amico, which is not yet part of the consolidation in the sector.



| Photo: d'Amico

BY TOMAS KRISTIANSEN

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Italy's d'Amico International Shipping is the product tanker ship operator which none of its competitors are putting out feelers for, even though the sector has in recent years been through a veritable consolidation wave in which major and medium-sized shipping companies have grown significantly.

Most recently, Hafnia informed the public that it had sent a takeover offer to the shareholders of Ardmore, which rejected the offer. And Hafnia itself is the result of a merger between BW Tankers and Hafnia Tankers.

But according to Paolo d'Amico CEO of d'Amico International Shipping, no one has at this point contacted the Italian shipping company in an effort to build up mass.

And the CEO is not worried about this, as it is only natural that "the big ones eat the smaller ones," as he says in an interview with ShippingWatch, adding that "we have right dimension."

Along with Scorpio Tankers, the Italian shipping company has announced some of the first figures showing that the product tanker sector benefited big-time from the unusually strong market that emerged in the spring.

Strong conditions remain in place

"The year started well, but when Covid-19 exploded and turned into a global pandemic, it had significant consequences for the market along with the unrest created when OPEC+ was unable to agree on a production cap. This resulted in floating storages, and rates were pushed up. But the fundamental conditions remain in place, for instance a very low supply of ships," says Paolo d'Amico.

This development is reflected in the interim report, which shows a profit of USD 15.6 million, up from a deficit of USD 18.8 million in the second quarter 2019.

A similar development was reported by competitor Scorpio Tankers, which made a profit of USD 143.9 million after taxes in the second quarter of the year, against a deficit of USD 29.7 million in the second quarter 2019.



Photo: d'Amico

And then there is Ardmore's profit of USD 13.6 million, compared to a loss of USD 9.9 million last year. Next week will bring results from players such as Torm and Norden.

But everything depends on how covid-19 develops. This is of course something we're extremely worried about"

PAOLO D'AMICO, CEO, D'AMICO INTERNATIONAL SHIPPING

Taking d'Amico's word as an indicator of how the industry views the market after the recovery in the spring, there is no uniform image of how things will develop – beyond the facts that the contango was extraordinary and that rates started to soften already in June.

"Things are going back to normal, and we're seeing demand return while fleet growth is low. For the longer term, we expect a strong economic growth again in 2021. But everything depends on how Covid-19 develops. This is of course something we're extremely worried about," says the CEO.

This normalcy in the market is evident from the fact that, among other factors, the floating oil storages, which boosted rates to historic highs, are now being depleted and sold, and this puts a damper on the demand for, and thus prices of, transport.

This was felt in both June and July, and it made the one-year rates for an MR2 vessel drop from USD 20,000 at the start of the second quarter to now around USD 13,000, in the case of d'Amico International Shipping.

The shipping company projects that demand for oil will drop by almost eight million barrels per day, before recovering by 5.5 million barrels per day in 2021.

English Edit: Daniel Logan Berg-Munch

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