

SHIPPINGWATCH

Paolo d'Amico highlights two crucial factors for the product tanker market

After a dreadful start to 2021, the product tanker market is now bottoming out, if you ask Paolo d'Amico, Executive Chairman of the Italian d'Amico Group. Two aspects will be vital for the recovery of the struggling market, he tells ShippingWatch.



Photo: d'Amico

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Published: 29.03.21 at 12:29

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Although Paolo d'Amico describes the current tanker market as highly volatile, he does eye bright spots ahead for the market, which took a tumble in the second half of 2020 after a spring season where freight rates rose to record-high levels.

He expects that the market is bottoming out these days, and he doubts that the rates will go below zero, as was the case for the crude oil players in March.

"We keep going into negative territories in many segments in the industry. Thank God we're doing better than crude, at least for now," says D'Amico, CEO of the Italian product tanker carrier d'Amico International Shipping and chairman of the family-owned d'Amico Group.

If I have to talk about the picture today, I would say that the market is very volatile"

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

However, d'Amico believes that the market can only improve from here on out, and he sees a possibility for a significant upturn in the year ahead. But this is wholly contingent on two factors in particular, says d'Amico, who is also Chairman of Intertanko.

"Mostly we depend on the vaccination rates in the US and Europe. If the vaccinations are a success, if the countries reach their vaccination targets of July and September, for instance, then people will immediately go out and take vacations and fly and drive," says d'Amico in an interview with ShippingWatch.

In a defensive position

He also points to US-based refineries as vital for the tanker company's business. The US-based refineries are slowly coming back online, and at the same time the country has been using up all of its oil reserves. These need to be replenished.

If the vaccination plans in the US succeed and the US-based refineries start to export oil products again, there is still hope.



Photo: d'Amico International Shipping

"This would completely overturn the picture we're seeing today. If I have to talk about the picture today, I would say that the market is very volatile," says d'Amico regarding the current state of the tanker market.

Satisfied with the company's performance in 2020, he notes that the company managed to generate a profit in the fourth quarter when many of its competitors reported red figures. It was a result of a conservative approach to the market and there are no plans to alter the course for the time being.

"We're taking a defensive position in 2021 just like we did in 2020, so we won't shift away from this approach. If anybody comes up with an idea, we'll put it on the back burner for now," he explains.

"It's only a moment to defend yourself."

No consolidation plans

In recent years, the product tanker market has undergone a consolidation process which several of the players in the industry have been promoting for years. Some see the low rates for tankers and the decreasing value on the market as yet another of factor that can sustain the consolidation efforts. But even if that's the case, d'Amico is unlikely to take any part in it.

Among others, the CEO of Hafnia, Mikael Skov, recently warned that smaller tanker companies will have a hard time keeping up with bigger players that have emerged on the market.

The idea of yielding to others and relinquishing
everything that has taken us years to build,
that's not something I see happening"

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

"We think that added value can be created from increased consolidation in the market. From a shareholder point of view, it makes sense to consolidate smaller players to create large companies that have greater financial muscle and have the ability to invest in the future," said Skov to ShippingWatch earlier this month.

However, d'Amico International Shipping currently has no plans for consolidation or investments.

"I'm very proud of having a very good chartering team and a strong operations team, and I'm very happy to pool with someone who wants to join us. But we're not going to join somebody else," says d'Amico.

"It's not a matter of vanity, but we work hard to maintain our name in the market, and to join someone else and to give up all of this, which took years to build, frankly I don't see it happening."

D'Amico International Shipping is listed in Milan and forms part of the company's predominantly private-owned shipping group, which includes a dry cargo business.

English Edit: Christoffer Østergaard