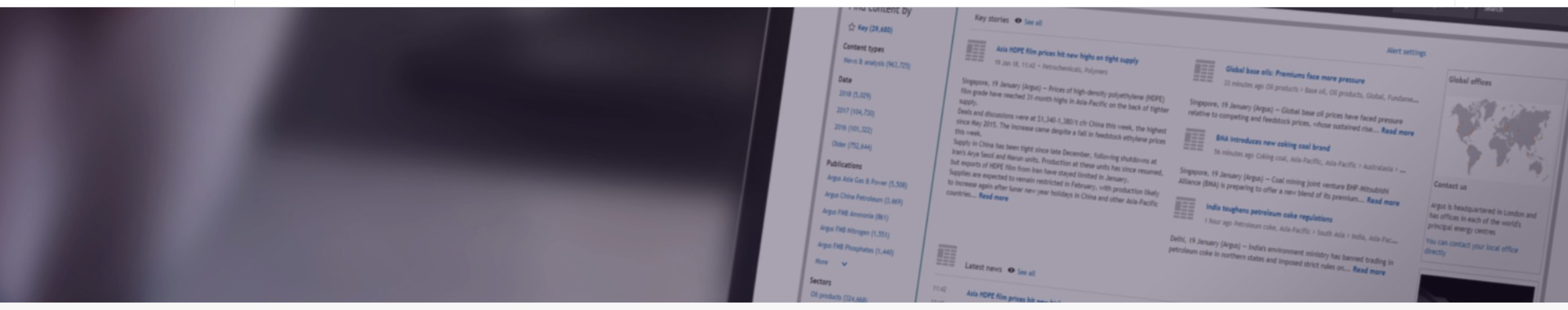

Emission rules to curb product tanker fleet growth: DIS

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The product tanker market should get some support from a low newbuild order book in the medium- to long-term, Italy-listed d'Amico International Shipping (DIS) chief financial officer Carlos Balestra di Mottola told *Argus*.

He said that there is a general industry trend of focusing on debt reduction rather than ordering new tankers, with the absence of a dominant technology that will allow shipowners to meet the International Maritime Organisation (IMO) 2050 emissions-reduction regulations providing perhaps the biggest obstacle to fleet growth.

"For vessels which navigate on more predictable routes, [shipowners] can make some sort of choice, to go for LNG or for dual-fuel ships," di Mottola said. But for shipowners who go to many different, unpredictable ports — such as in Medium Range (MR) tanker segment — vessels "need a lot of flexibility".

"It is very hard today, to know what solution will prevail. There are so many out there. So we are in a wait-and-see mode, also because we have recently completed an important newbuilding program," he said.

DIS has invested more than $750mn in 22 newbuild tankers since 2012, di Mottola said. But further investment is "not a priority" and the focus is now on reducing debt, even after it reported the highest operating profit since the second quarter of 2015 in the March-June period.

He said that other tanker companies seem to be following the same strategy, even though the first half of the year produced strong industry cash flows. This is because of a combination of the uncertainty around Covid-19 and an attempt by traditional banks to reduce their exposure to shipping, particularly in Germany and Scandinavia.

The lack of new orders are a counterbalance to the severe shortfall in demand that has led to a sharp downward correction in freight rates since late May, di Mottola said, although he said that the long-term fundamentals of the product tanker market are still favourable for DIS. He pointed to the low orderbook, the expansion of global refining capacity in the next few years — which will occur largely in regions which are export-oriented such as the Middle East — and government stimulus packages, all of which will help freight rates recover, he said. Also, tanker scrapping could pick up later this year and next year if Covid-19 restrictions that closed many of the shipbreaking yards are lifted.

DIS has a target of 40-60pc coverage in the time charter market, which provides "safety, visibility on our earnings", di Mottola said. It has focused on reducing operating costs since 2018.

The company has adopted "condition-based maintenance" on all its eco-design vessels delivered from yards since 2014, entailing use of technologies such as tribology analysis, sensory monitoring of vibrations, video endoscopy and thermal imaging to increase the average lifespan of spare parts and reduce breakdowns. This allowed DIS to reduce its average daily operating costs by more than 11pc from the first half of 2018, to $6,679/d in the first half of this year, di Mottola said.

By Nicolas Kyriakoglou

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