# D'Amico pins hopes on post-pandemic recovery after loss

*Signs of oil-product demand are emerging, although further restrictions in parts of the world relating to the pandemic will temper a full recovery*

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While gasoline and diesel consumption has picked up, especially in the US, jet fuel demand is being limited on reduced long-haul flights, says Italian product tanker owner

D'AMICO: 'WE HAVE ENOUGH CASH ON HAND TO FACE THE SITUATION AS IT IS.'

A CHALLENGING product tanker market has led to a second quarter of the year loss at Italian owner D'Amico International Shipping.

The company posted a net loss of $5.4m compared with a loss of $15.6m in the same period a year earlier.

The results were an improvement on the first three months of the year because of "a sound chartering strategy, which consisted both of a good level of time charter coverage and favourable positioning of our spot trading vessels," said chief executive Paolo d'Amico.

"Despite some concerns related to the spread of the Covid-19 Delta variant, the outlook for the second part of the year looks brighter for our industry, with an even stronger recovery expected next year," he said.

“Robust global economic growth, rising vaccination rates, steadily increasing mobility levels and the easing of social distancing measures should benefit oil demand,” which is now expected to rise by 5.9m barrels per day to 96.4m bpd this year.

China and the US have shown signs of oil demand recovery in the first half of the year, with consumption of gasoline and diesel rising quickly and overtaking pre-pandemic levels. But jet fuel demand remains low as a result of a drop in long-haul flights.

In addition, the fast-spreading Delta variant is ripping through countries in southeast Asia including Indonesia, Malaysia and Thailand, curtailing demand.

Mr d’Amico said his company can face the short-term challenging market and regulatory headwinds due to its young and mainly eco-fleet. It also has “a solid financial structure, and a proven commercial strategy, with a good level of near-term contract coverage”.

“We have enough cash on hand to face the situation as it is,” he told Lloyd’s List. “By the end of the year, the market should improve but this pandemic is making things complicated.”

Should the recovery be delayed, the company has tools at its disposal such as sale and leaseback deals or refinancing, which it will look to enact only if needed, he said. “The worst is behind us.”

The one-year time charter rate as of end of June for a conventional medium range two tanker was assessed at about $12,000 per day, while an eco-MR2 commanded a $2,000-$2,500 per day premium. While the rates cover operating costs, they fall short of break-even.

While its handysize and MR fleet are covered on the spot market, its long-range tankers are covered on period charters, and the blended rate of about $14,000 per day is not far from break-even, Mr d’Amico said.

Longer term, the company continues to be “positive”, supported by strong demand and supply fundamentals, with a tonne-mile boost expected from old, inefficient refinery shutdowns in Europe, the US, Australia and New Zealand being replaced with modern units in Asia and the Middle East.

About 1.9m bpd of confirmed capacity closures/conversions have already been announced, of which 60% are expected to occur this year.

For example, Engen has announced the conversion of its 120,000-bpd refinery in Durban into a terminal/storage facility. The plant was responsible for 17% of the country’s fuel production.