Tankers carry oil and a story

Posted by Heading Out on June 7, 2005 - 10:04am

Prediction in the industries associated with oil is a risky business. Consider the case of the world tanker fleet. If the world supply is to continue to grow to match demand, then the amount that must be shipped around the world will likely grow at least in proportion and likely more, since as domestic supplies run out more must be imported to more countries.

Last year the world tanker fleet was fully committed, and rates for the largest tankers were as high as $200,000 per day last November. RS Platou reports that these rates have now fallen to around $25,000 per day and there are some 82 Very Large Crude Carriers (VLCC, ships of more than 200,000 tons deadweight) currently on order at a price of around $125 million each, with 18 new ones being launched this year. It is an average growth of some 6% per year, after years of very little change. This sensibly says that the world will likely have enough tankers to carry any anticipated growth in supply. But the drop in rate also suggests that the supply of oil is turning out to be less than the tanker owners had projected. And if the world supply is peaking, then there will likely be a growing extra supply of tankers and the rates may well stay down.

There have been suggestions that the 360,000 bd difference between what Saudi Arabia claims to have produced, and the number that is reported as being shipped is being stored in Saudi Arabia to provide an inventory against times when demand exceeds immediate production, as may well occur within the fourth quarter. May is reported to be the slackest time of the year for tankers as this is the time refineries do maintenance before the high production runs of the summer gas and fall heating oil seasons. This may well be a reason that there has been little increase in the loadings of oil from the Middle East. But the article goes on to say:

> ". . oil volumes out of the Middle East are 5 percent smaller, due to reduced oil output and higher local consumption. For the VLCC segment the drop in the utilization rate is possibly as sharp as 8-10 percent. Our tanker model indicates that total tonnage demand in the second quarter will be some 2-3 percent lower than in the fourth quarter of 2004 and the utilization rate consequently 6 -7 percentage points lower. This is definitely in line with the trends in freight rates.
>
> What is striking is the significantly slower growth pace in crude oil imports to China. Last year's 35 percent growth compares to only a 6 percent increase so far this year, due to low import activity in January and February! In March and April imports were up 23 percent compared with the same months last year. Crude imports to the US are up 3-4 percent year-to-date, but stagnated in April/May. On the other hand, product imports are up 12 percent so far this year and up 24 percent in the last four weeks. Crude imports to Japan and India have also stagnated in 2005, while crude imports to Europe and Korea were higher."

Reuters also reports that

> Supplies might tighten further as China, the world's second-biggest oil consumer, could start building its strategic oil stockpiles as early as August, when 10 million barrels of storage capacity of an eventual 150 million barrels would be ready in the east coast city of Ningbo.

While the news that there are now plenty of tankers is reassuring, the word that Middle Eastern exports are down, set against the news that the Chinese are going to increase their demand as they start their purchase of 650,000 bd to build their Strategic Reserve is not.
Go to the postings for today

Technorati Tags: peak oil, oil

This work is licensed under a Creative Commons Attribution-Share Alike 3.0 United States License.