



# Shipping Perspective -towards sustainable LNG market growth

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## Market Position in LNG Shipping/FSRU

- MOL has the world's largest LNG fleet.



### MOL's LNG Carriers

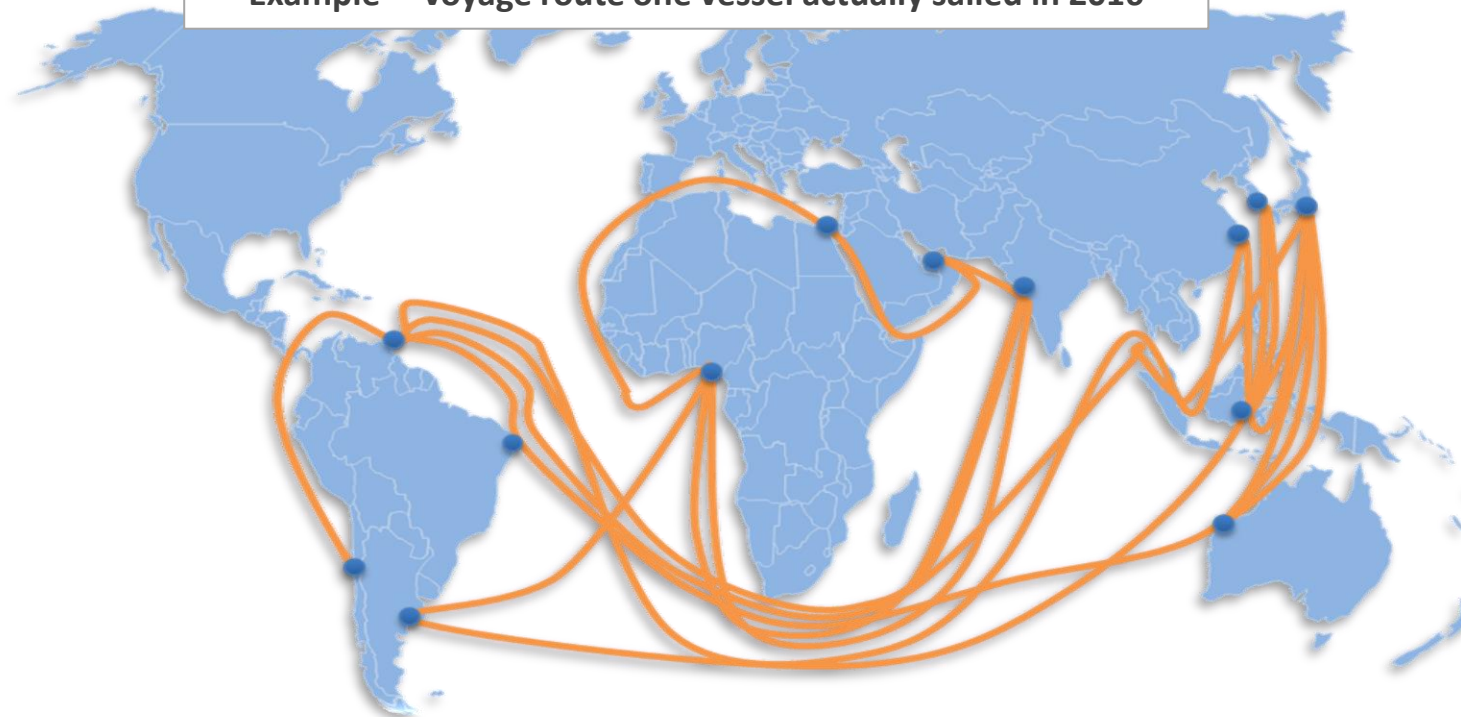
As of March 2018, including FSRU/FSU

	In Operation	On Order	Total
Number of LNG Carriers MOL has owner share	<b>78</b>	<b>18</b>	<b>96</b>
Number of LNG Carriers MOL involved in ship management	<b>53</b>	<b>18</b>	<b>71</b>
World Total	<b>497</b>	<b>105</b>	<b>602</b>

## LNG transport is no longer a shuttle service

- As LNG market expands, LNG trading requires more “Flexibility” and “Liquidity”. LNG trade was a repetition of round trip between A port and B port - but not anymore.

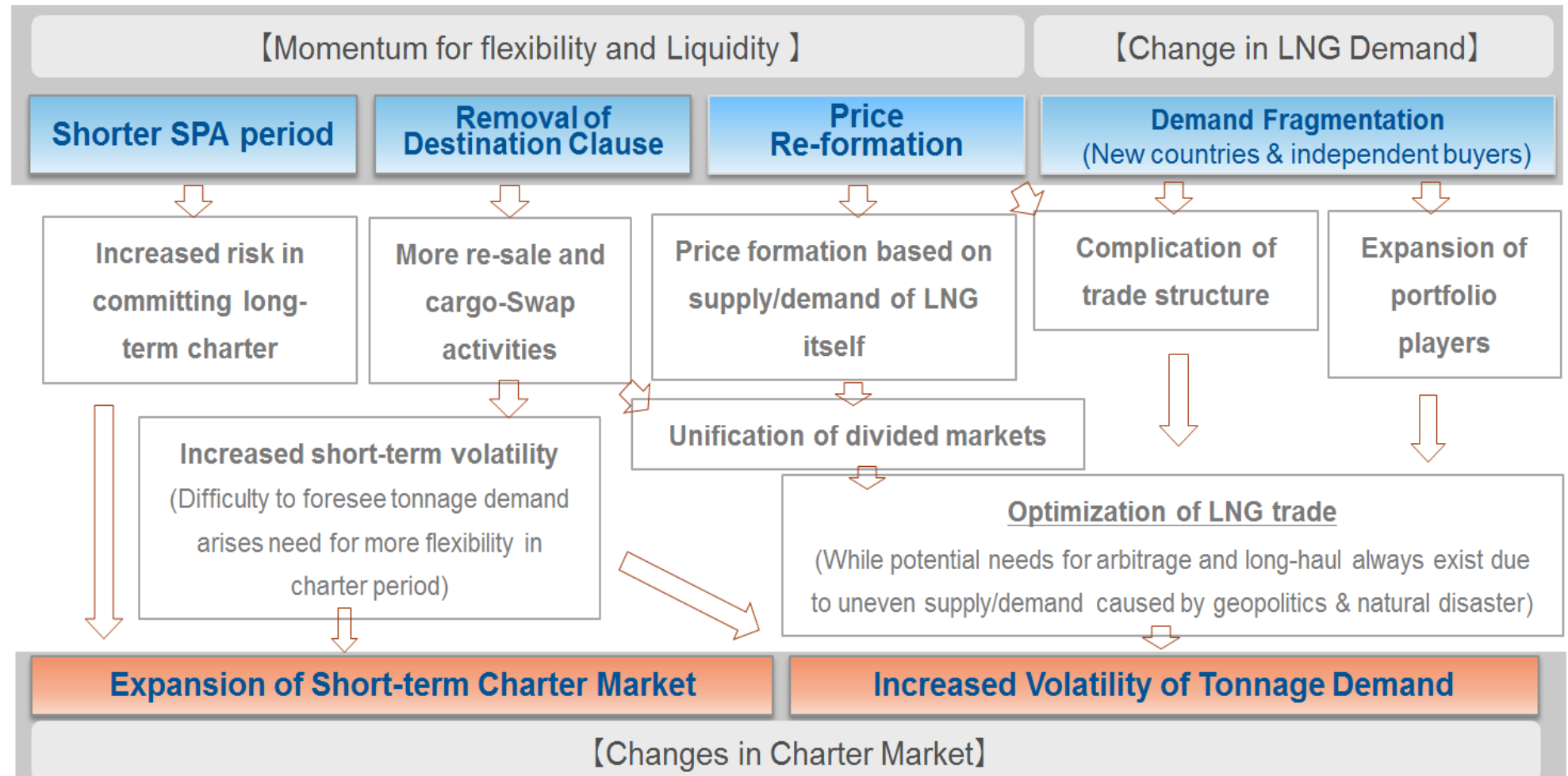
Example – voyage route one vessel actually sailed in 2016





## 2. Change in LNG trade from shipping aspects

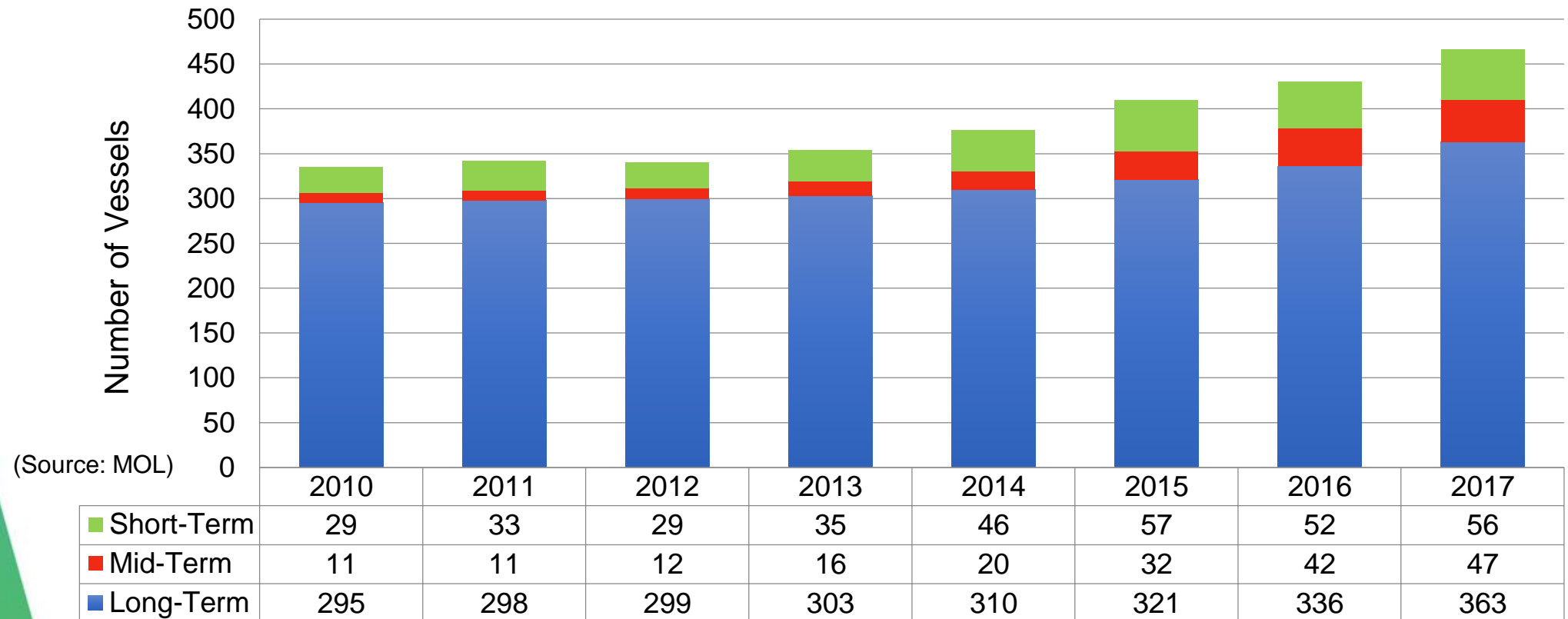
# Change in LNG trade and Impact on Vessel Charter Market



## 2. Change in LNG trade from shipping aspects

# Expansion of Mid-term and Short-term charter contract

- Long-term charter is still dominant, while Mid-term and Short-term charter gradually increase the share.

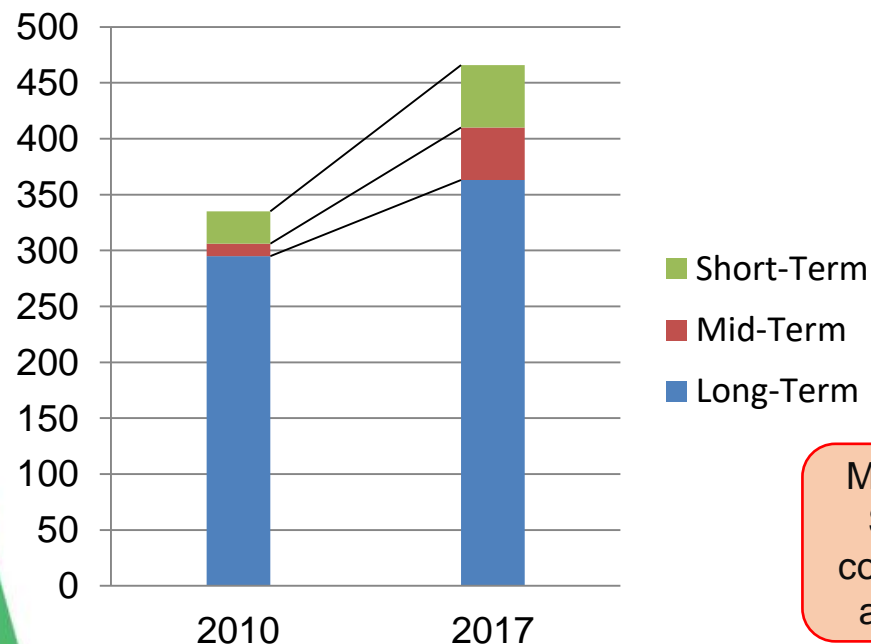


## 2. Change in LNG trade from shipping aspects

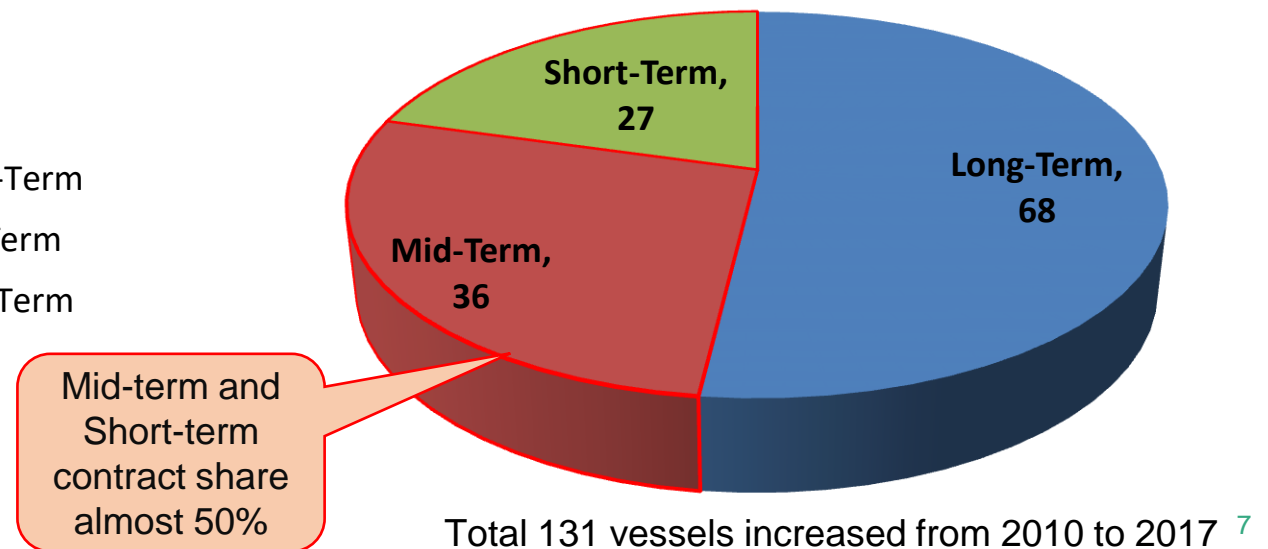
### Expansion of Mid-term and Short-term charter contract

- World LNG carrier fleet expanded by 131 vessels in last seven years, within which 50% was held by vessels chartered on Mid-term and Short-term.

【Number of vessels by charter contract duration】



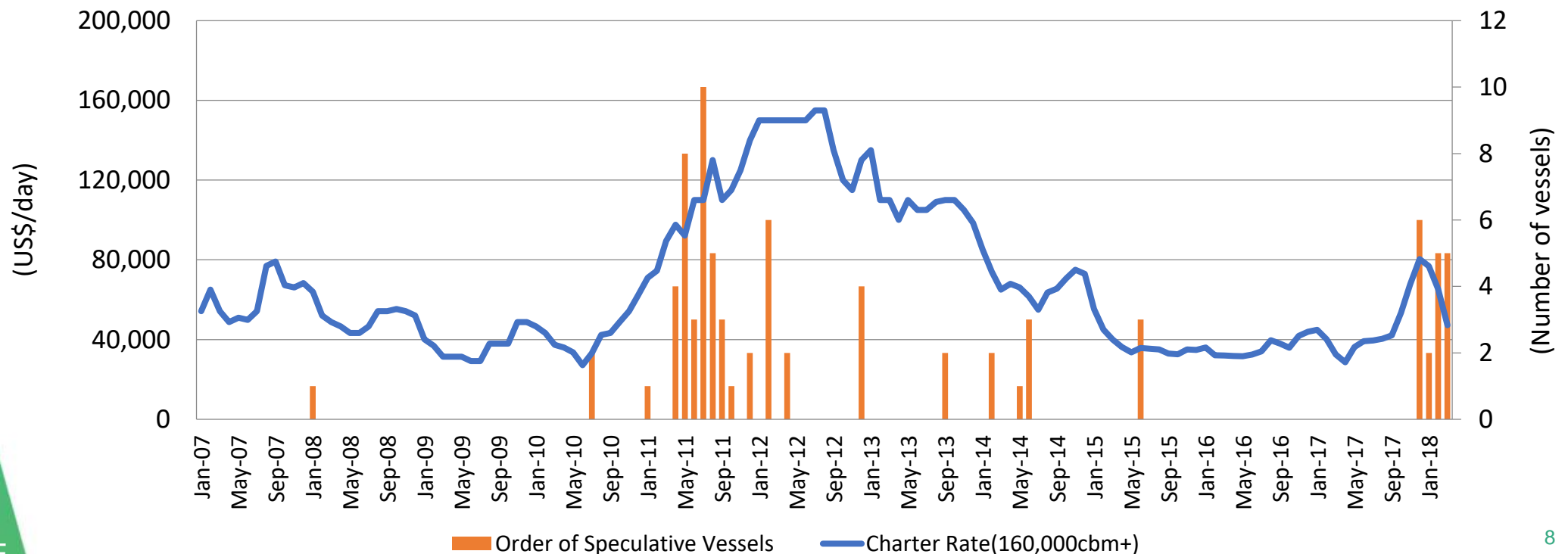
【Incremental number of vessels in last seven years by charter contract duration】



### 3. Spot charter market analysis

## Relationship between spot charter market rate and speculative vessel order

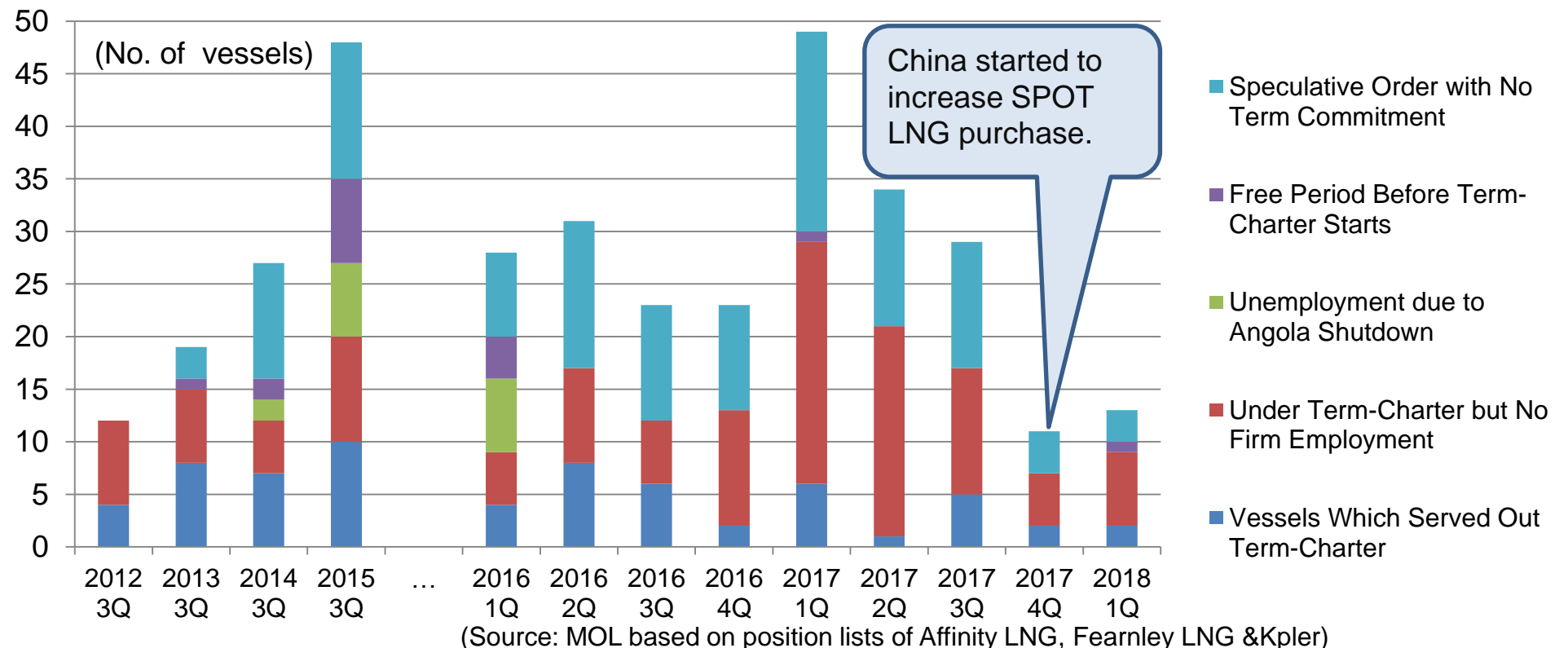
- Historically, speculative vessel's orders increased when spot charter rate hiked. The influx of speculative vessel has added high volatility to the charter market, disrupting sustainability of the market.





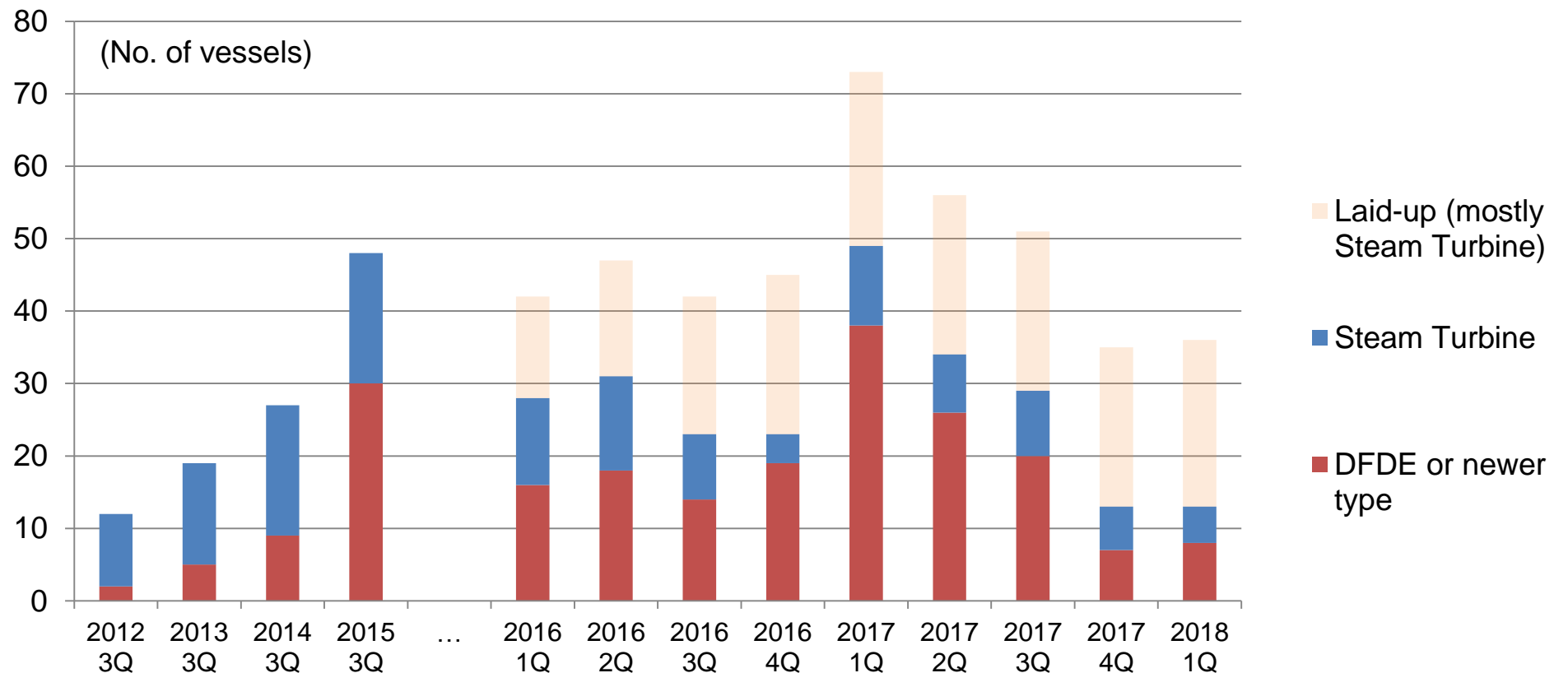
## Vessel availability in Spot charter market

- 20-30 vessels are always available in spot charter market. Number of available vessels became temporarily very limited in 4Q 2017 and charter market rate soared to some extent.



## Potential vessel availability in Spot charter market

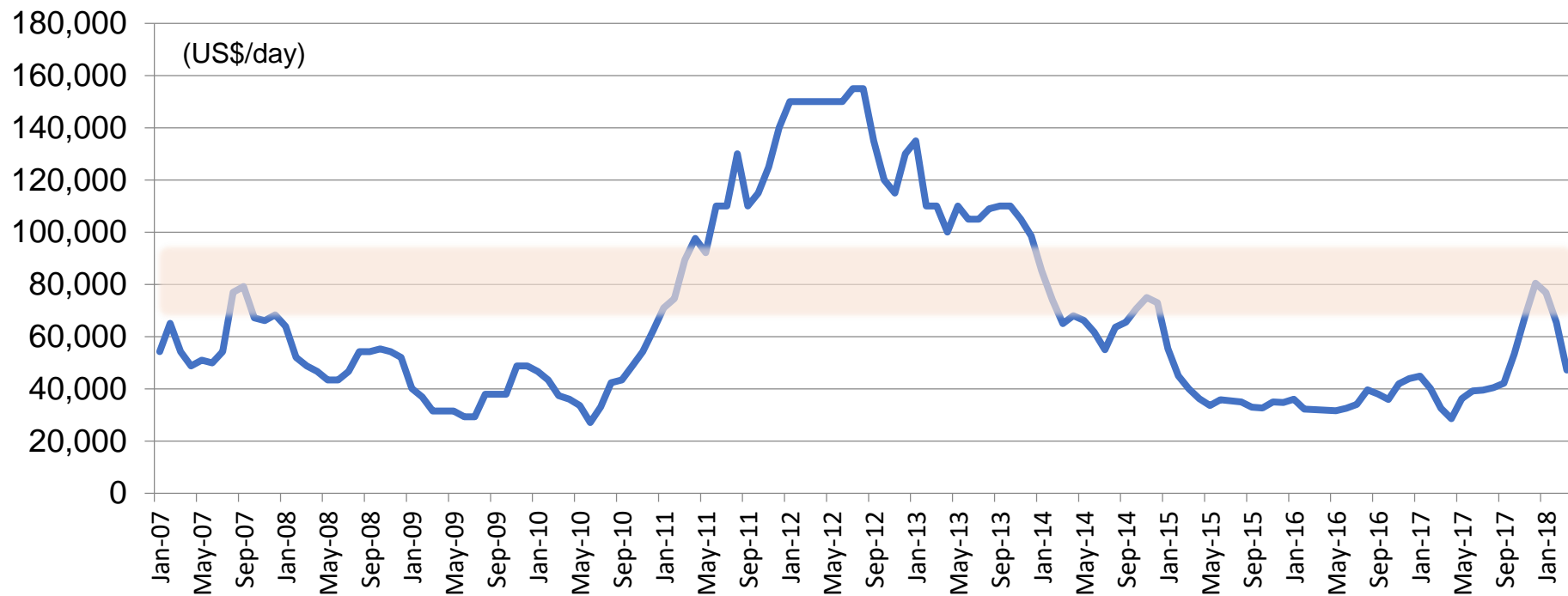
- 20 plus vessels which are mostly steam turbine types, are being laid up. It takes time and considerable cost to be reactivated.



(Source: MOL based on position lists of Affinity LNG, Fearnley LNG & Kpler)

## Appropriate Range of Spot charter market

- Spot charter rate has been often far below the breakeven point.
- The continued low-price may lead to bankruptcy of ship owners, operators and shipyards, which eventually hamper the sustainable development of whole LNG industry.



(Charter rate: 160,000cbm+ DFDE)

(Source: SSY)

## Conclusion

It is important that LNG industry has a decent size of spot charter market that can offer enough availability and flexibility to LNG trading.

There is high volatility in spot charter market. Spot charter rate has often been far below the breakeven point. It is disrupting the sustainability of the market.

The turbulence of spot charter market might be obstructive to the sound development of LNG industry. The framework needs to be created and maintained, where the price could move in a certain moderate range.