

### **Black swans and peak oil at the dawn of a golden age**



**Shipowners and analysts were in high spirits as they dissected the current market situation and its root causes at Marine Money in New York.**

Barry Parker | Jun 26, 2024

Optimism was effusive at the Marine Money signature conference in midtown New York. The theme for the second day of the conference both set the topic and outlined the mood: "Sustained Profitability for Shipping- a Golden Era Dawns."

Dr. Adam Kent, Managing Director of Maritime Strategies International (MSI) kicked off the day's proceedings by bringing the details into focus. Comparing June 2024 hires and values across sectors with those of June 2023 showed that all vessel categories notched increases in value, led by 10-year-old Offshore

Service Vessels (OSVs) which rose by 62%, and increases ranging from 6% for containerships to 17% for multipurpose vessels. The only exception was for LNG carriers, where values dipped by 4%.

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Contrasting present one-year time charter rates against their maximums since 2010, Kent showed the numbers buttressing the market's optimism; hires in multiple sectors were at or near the highs over the 14-year timeframe.

Increased uncertainties in recent years have buttressed strength across market sectors; in Kent's words- "Swans are rife," referring to unpredictable Black Swan events. "A series of events has increased volatility in shipping markets in recent years... It does not look like Black Swans are migrating anywhere anytime soon," said Kent.

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On a chart comparing vessel hires, MR and chemical tankers were both at or near previous highs reached in the last 14 years. Kent emphasised that the oil side has been about "remapping" of trade routes, and that in over two years since the beginning of the Russia Ukraine conflict, "many trade routes have been redefined indefinitely."

A quartet of tanker owners provided detailed color and insights on the market's dynamics, and how they are preparing for the future, in a later session moderated by Jefferies' equity analyst Omar Nokta. Lars Barstad, CEO of Frontline Management AS, noted that the market's strength presently favors smaller sizes, adding with optimism for Frontline's majority VLCC and Suezmax fleet that "we believe in economics of scale, we think that the bigger ships will prevail at the end of the day."

Fellow Panelist Tony Gurnee, CEO of product and chemical tanker owner Ardmore Shipping, explained a surface detail and deeper effect in the tanker

market. “Stating the obvious” the stronger market has provided an opportunity for de-leveraging through paying down debt and obligations, said Gurnee. “Stating the not-so-obvious”, this de-leveraging against a backdrop of higher interest rates has enabled daily breakeven rates to be lowered substantively, “from over \$17,000/day three years ago, to current a breakeven below \$13,000/day,” said Gurnee.

Fresh from an April listing on the New York Stock Exchange, [Hafnia](#)’s Mikael Skov emphasised that the company’s leadership was now “preparing the organisation for a period of change.”

“If you are a tanker company, at some point you need to go through a transformation... in the energy complex, there’s a lot of things that are going on. We are starting to position our company... for what might happen over a longer period of time,” said Skov.

Rystad Energy’s Mike McCormick suggested on the first day of the event that “peak oil” would be happening around 2030, although that didn’t seem to dampen the tanker owners’ spirits.

Vessel efficiency was a recurring theme throughout the conference as owners and operators look to get the most out of existing fuels, which are expected to remain in use throughout this decade and beyond. This outlook was supported by Shell SVP Shipping & Maritime at [Shell](#) Karrie Trauth when interviewed by Jeffries’ Doug Mavrinnac. Existing fuel types including LNG and biodiesel could continue to play an important role in powering vessels, she said.