

Outlook

2025



SSY

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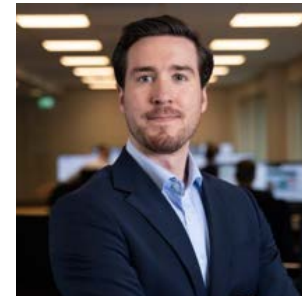
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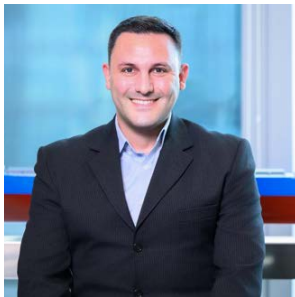
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About SSY

145

Years of broking experience

1880

Established in

550

Broking experts

25

Global offices

24

Hours of service

10

Broking divisions

1

Mindset



We believe that Experience Matters...

Our 145 years of experience as a trusted broking partner, the experience of our broking and research experts and most importantly, the experience that our clients receive from us.

Proudly independent, we have grown to become the largest privately owned broking house in the world. Consistently chartering our own course, we have shaped the broking industry that we know today.



Dr Roar Adland
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The Big Picture

While shipping is as diverse an industry as they come, virtually all of our markets are simultaneously affected by a small set of global “supertrends”. At the moment, these can be broadly classified into geopolitical strife, trade disruptions, climate change, and the rise of renewable energy. Few years have this been more obvious than in 2024, and with chaos being the order of the day we anticipate that these trends will continue to dominate shipping in 2025 as well.

Gone are the days when politicians left international shipping to its own devices, out of sight and out of mind on the high seas. Even shipbuilding has become a hot political potato, with US union representatives pushing for Chinese-built ships to be subject to punitive port fees over “unfair trade practices”. The ultimate effect of the Trump Administration’s latest push on new import tariffs remains to be seen. If the buck stops with US import tariffs on selected trade partners, the impact on commodity shipping should be minor. However, the fear is that we will see a wave of ‘tit-for-tat’ trade barriers

going up around the world in an attempt to protect domestic industries, reducing volumes and increasing regional trade. The transactional nature of the US Administration means we should also keep open the possibility that we will see a new attempt at a US-China trade deal with positive short-term repercussions for trade.

Perhaps the biggest issue facing shipping is whether we will see a continued push for global decoupling of both commodity trade and the global fleet along existing military and political fault lines. The growth of the dark fleet is one obvious symptom of this process. The accompanying maritime safety concerns and the dark fleet’s occasional dual use for hybrid attacks on civilian infrastructure has recently brought this issue to a head. The recent expansion of the western sanctions regime against tankers trading with Russia and Iran has seemingly given some receivers pause for thought, though it is too early to tell whether trade patterns and price discounts will once again adapt to enable this trade to continue.



“Geopolitical strife also ultimately drives the competition for the control of key maritime chokepoints such as the Suez Canal and, following Trump’s recent sabre-rattling, the Panama Canal.”

Geopolitical strife also ultimately drives the competition for the control of key maritime chokepoints such as the Suez Canal and, following Trump’s recent sabre-rattling, the Panama Canal. While the Houthi attacks on commercial shipping in the Red Sea since November 2023 have been made under the pretence of solidarity with the Palestinian cause in Gaza, a desired side effect has been the effective split of maritime supply chains into two, where western cargoes and vessels have been forced the long way around while Iran’s allies have continued to sail through the Suez Canal largely uninterrupted. Trump’s statements about the United States “taking back the Panama Canal” has to be seen in this context as, with the Suez Canal seemingly lost for now, the US position—rightly or wrongly—is that the neutrality and uninterrupted use of the Panama Canal is also under threat. Interestingly, the 1978 Neutrality Treaty for the handover of the Canal from the United States to Panama does give the US military the right to intervene in such a situation. Accordingly, we have unfortunately not heard the last word on this matter.

Given these challenges, the decarbonisation of shipping has taken a back seat for now. However, the impact of weather and climate change, and the related impact of climate policy and rapid build-out of renewable

energy globally, are increasingly becoming key drivers of shipping’s fortunes. As usual, developments in China dominate the outlook: The shift towards LNG-powered trucks and electric cars in the country is starting to have an impact on crude demand. With a weaker-than-expected hydropower production in 2024, the push towards electrification and another hot summer also kept coal-powered generation on an upward path, in spite of continued strong capacity growth for solar and wind power. For the time being, this has kept coal demand and coal imports high, not least also driven by low coal prices on the international markets.

We remain of the opinion that these energy trends will continue into 2025. However, at a higher level, the growth of intermittent energy sources such as wind and solar, along with more extreme weather cycles, will also translate into greater volatility in dispatchable energy production and, hence the demand for coal and LNG. This has two likely effects on shipping. First, stockbuilding, as a higher level of inventory is required to ensure energy security given the greater volatility in fossil fuel demand and, second, higher volatility in import demand.

All told—shipping volatility is here to stay for another year.



Dry Cargo



Dry Cargo

In many ways, the 2024 Dry Bulk market turned out to be a mirror image of 2023; A strong start and a weak end.

We entered last year from healthy freight levels, following a December 2023 market peak driven by strong year-end volumes and Panama Canal restrictions—with the additional Red Sea disruption and Suez Canal re-routing causing a short-term supply squeeze, particularly in the North Atlantic.

Given these supply-side disruptions, it did not take much of an upside surprise in Q1 volumes for the market to be caught off guard. So after a fumbling start in January—albeit at very decent levels in the mid-teens for Capesizes—the market quickly shot up to what turned out to be the 2024 peak in early March (at around \$35,000/day for Capesizes, \$20,000/day for Panamaxs).

A jump in Brazilian iron ore exports was arguably the main driver of the strength in Capesize shipping demand in the first quarter, up around 8.8Mt or 12% YoY based on official trade data. However, the growing relative importance of Guinean bauxite exports for Atlantic Cape demand also played a role, with estimated volumes up a strong 15% YoY in the first quarter (+4.4Mt), a pace of growth that was largely maintained for the full year, according to vessel tracking data. For the smaller sizes, grain exports were the main driver of first-half strength, with global grain trade showing a solid 8% increase over the same six months of 2023.

By the final quarter of the year, the situation was turned on its head—with both Brazilian iron ore exports and global grain volumes ending down on the year versus the same period in 2023. By our preliminary estimates,



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global Capesize tonne-mile demand actually fell 5% from the third to the fourth quarter as a result. The weakness in grain-related ship demand originated primarily from the Black Sea and Brazil, with volumes in the latter case below even those of 2022. While growth in US grain exports picked up some of this shortfall, a shift to Pacific-Coast origins for Asia-bound cargoes, given ongoing draft restrictions in the Panama Canal and an oversupply of mid-size vessels in the Pacific Basin, meant less of a ship demand impact. Weakness in Chinese and Indian coal imports towards the very end of the year also added to the market woes.

One aspect of the 2024 Dry Bulk market that many got wrong was the continued strength of Chinese coal imports. Like most market observers, we entered the year with the expectation of flat or declining imports from the record level seen in 2023. This was based on the view that most of the main drivers behind the earlier jump, notably low Chinese hydropower production, safety-related domestic mine shutdowns and policy-induced restocking, would provide less support going into 2024.

In the end, price arbitrage dominated these other factors once again, and Chinese seaborne coal imports set yet another record in 2024 (est. at 457Mt), up 14% on the year. Indian coal imports ended flat for the year as a strong start was offset by a very weak year end, with Q4 imports down an estimated 12% YoY, largely on the back of higher domestic production.

At the aggregate level, SSY's preliminary estimates for 2024 suggest a 4.8% YoY tonne-mile growth and a 2.9% YoY growth in bulker fleet supply (Dwt basis), excluding changes in fleet efficiency. We note that the effective growth in supply has been higher than this given the partial return of Panama Canal transits for geared vessels and the lower

Panamax congestion off the east coast of South America in 2024. These aggregate numbers also hide the fact that demand growth was largely limited to the Capesize and Panamax segments given strong Atlantic cargo growth in the first half of the year, whereas supply growth was the highest for the geared market and very modest (est. +1.8%) for the Capesizes. In reality, it was a year of diverging fundamental fortunes between the bulker segments, reflected in the Baltic Index annual averages which ended at \$22,592/day for the Capesize 5TC (up 38% vs. \$16,369/day in 2023), with the other segments showing more modest upticks of \$1,000–\$2,000/day on average.

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Outlook 2025

At a high level, we are looking for a continuation of many of the trends seen in 2024. The Chinese steel market should continue to muddle through, with some substitution of domestic iron ore concentrate in favour of imports and increasing Brazilian market share leading to modest growth in both imports and related Capesize demand, albeit at lower growth levels than in 2024. While there is some hope pinned on further action by Chinese authorities in terms of fiscal and monetary stimulus, their actions thus far suggest that focus is on derisking and destocking in the housing market, which is not expected to boost steel consumption.

Without material changes in Chinese demand, the global iron ore trade will once again depend on the ability of the major miners to expand production in what remains a “supply push” iron ore market. The expectation of positive but lower demand growth also extends to Chinese and Indian coal exports, as well as Guinean bauxite exports.

Specifically, we expect China to continue to be an active arbitrage buyer in an oversupplied global coal market.

Another trend that is expected to continue into 2025 is the shift in cargo mix across the segments. With continued low fleet supply in the Capesize market and growth in long-haul bauxite and iron ore shipments, coal will continue to shift into the post-Panamax and Kamsarmax vessel sizes, with a possible further trickle-down effect of grains moving into Ultramaxs, supported by very strong fleet growth and competitive pricing for the latter.

As has been commonplace these last few years, global geopolitics stands ready to throw a spanner in any carefully constructed 2025 Freight market outlook. Unfortunately, we see plenty of scope for shipping to be collateral damage in new geopolitical dust-ups.



“As has been commonplace these last few years, global geopolitics stands ready to throw a spanner in any carefully constructed 2025 Freight market outlook.

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The prospects of higher US tariffs and 'tit-for-tat' reactions from key trading partners can never be a good thing for global trade. The continued decoupling of global supply chains and a more aggressive US sanctions regime could eventually have an impact on everything from feasible ports of call to restrictions on demolition and even sanctions risk depending on the yard or country of build. The implications of these changes are pretty much impossible to fathom at this point. All we can say is that while "more chaos" has generally been good for shipping up until now, there will come a point where that is no longer the case.

If we ignore these risks and consider our fleet and trade projections for 2025, we expect overall drybulk tonne-mile demand growth to moderate to 2.0%, below our projected fleet growth at 3.0% in Dwt terms. However, the devil is in the details. We expect that the growth of the geared fleet will remain too high (est. +4.0% in Dwt terms) compared to expected demand growth (flat), while both Capesize and Panamax demand growth have a shot at outstripping the increase in their respective fleets. On our current projections, it follows that we expect an increasingly rangebound market, with geared markets capping Panamax freight rate levels which, in turn, keep a lid on Capesize rates, at average levels below those seen in 2024.

Given the heightened global risks, though, such predictions come with an even bigger disclaimer than usual...



Tankers



Tankers

There was a sharp contrast in the trading conditions and earnings of the tanker sector between the first and second half of 2024.

At the start of 2024, the market continued to grapple with trade disruptors that affected oil flows and sent rates soaring. Most significantly, an escalation in Houthi ship attacks in the southern Red Sea while transits through the Panama Canal remained restricted. By the second half of the year, the disruptors had largely been absorbed, leading to a pull back in rates. Fundamental factors came into play, namely a slowdown in oil consumption due to softer economic progress and a shift to alternative energy supplies, with comfortable oil product stock levels weighing on refining margins, as well as crude and refined product import needs. Most importantly, the strength of the major crude driver of recent years, China, came to a halt as its crude imports and refinery throughputs fell year-on-year.

As Houthi attacks intensified in January, owners chose to avoid the area and sail around the Cape of Good Hope, adding to voyage times and tonne miles. Clean rates from the Middle East Gulf to Europe experienced the biggest hike, reflecting the longer voyage taken to supply Europe with middle distillates, and this strength was sustained for the first six- months of the year. After an initial hike in crude tanker rates due to the diversion of cargoes away from the Red Sea, those peaks quickly dissipated as Europe sought more Atlantic Basin crude. Ultimately, the shift in crude trade because of the Red Sea issues weighed on Suezmaxes as the year progressed, capping that sector's rate strength as long-haul MEG-West and Med-



Claire Grierson
Head of Tanker Research

East cargoes via the Suez Canal declined. Meanwhile, VLCCs picked up additional cargoes on these routes due to economies of scale for the voyage around the Cape and as the use of the Sumed pipeline increased. Interestingly, there was a divergence in the direction of VLCC rates in March with greater support for MEG earnings compared with the USG, a reflection of the Red Sea disruption and shifts in oil prices that affected the economics of moving oil on some routes as Middle East oil became more competitively priced to Asia compared with Atlantic barrels.

Low water levels at the Panama Canal, due to a drought, had created delays through the waterway and prompted the reduction of transit slots, which impacted clean trade flows in early 2024. This bolstered the Asian MR market as trans-Pacific arbitrage opportunities opened to supply the west coast of Latin America with refined product, due to a dip in supplies from the USG that would typically have passed through the Panama Canal. This left the USG with more product to ship within the Atlantic Basin, and particularly to Europe, which elevated TC14 earnings through much of the year as the longer voyages squeezed US Gulf tonnage replenishment.



“Another factor negatively affecting the crude market was the scale of shadow fleet tanker trade during 2024.”

By the summer, tanker trade had adapted to the earlier disruptors and this coincided with a clear slowdown in China's oil consumption, refinery runs and crude imports that particularly affected the VLCC market. This was due to the domestic real estate crisis, slowing economic growth, rising electric vehicle use and an increasing switch to LNG fueling in trucking. Heavy spring/early summer refinery maintenance in Europe and Asia, as turnarounds had been pushed back from 2023 due to then firm margins, also started to weigh on crude tanker trade and pushed earnings down. This was compounded by peak Middle East oil use for summer power generation and the extension of OPEC+ voluntary oil output cuts.

Weaker crude earnings prompted the unprecedented move of several Suezmaxes and VLCCs to start cleaning up from June to load refined product cargoes from the MEG & India to the West due to strong LR rates. This led to a collapse in Middle East & Asian LR and MR rates through the 3Q and 4Q as the LR segments in particular lost a large swathe of cargoes, with a VLCC capable of lifting the equivalent of three LR2 cargoes. East of Suez

refiners also faced competition to supply Europe with diesel, due to record volumes arriving from the US as their refining margins outpaced other regions. This activity further underpinned USG-Europe MR earnings, outpacing Europe-US rates, as trade from Europe was dampened by falling US gasoline import demand and the start-up of Nigeria's Dangote refinery which weighed on trade to West Africa later in the year.

The clean-up of VLCCs and Suezmaxes did offer some underlying support for the crude sector later in 3Q, but 4Q earnings failed to see the usual seasonal climb, in part, due to weaker refining margins. Another factor negatively affecting the crude market was the scale of shadow fleet tanker trade during 2024. China raised imports from Malaysia (a proxy for Iranian oil) in 2024, and at the end of the year bought more Russian ESPO cargoes due to its competitive pricing amidst weaker refining margins. This in turn reduced trade for the wider trading fleet. However, Aframaxs did benefit from a new trade flow with the start-up of the TMX pipeline expansion from west coast Canada that raised shipments to both the USWC and Asia.

Outlook 2025

Geopolitically, it has already been an eventful start to the year for the tanker market. In the first week of January, China's Shandong Port Group banned US sanctioned ships and days later the US issued a fresh list of sanctioned tankers, the largest to date. In response, VLCC earnings briefly spiked as Chinese and Indian buyers sought alternative crude supplies with Russian and Iranian oil flows affected by these mandates. The increasing number of ships subject to US, UK and EU sanctions in recent months had already led to higher freight costs for sanctioned oil, making it less competitive with other crude grades, and some refiners were lessening their reliance on sanctioned grades as Trump took office. Furthermore, as Israel and Hamas agreed a ceasefire in January, the Houthis announced they will halt military operations against most ships sailing in the Red Sea. As of now, there has been no shift in shipowners' position on taking this route again.

The implications of these events will continue to play out in the coming months but there are

other uncertainties that will further influence the direction of rates and create periods of volatility. Specifically, any policies introduced by the new Trump government that affect tanker trade flows given the focus and rhetoric already on tariffs, sanctioned oil and the Russia-Ukraine conflict. As the market has witnessed in recent years, redirection of flows typically leads to higher rates initially.

So far Trump has proposed the possibility of placing tariffs on Mexico, Canada, Colombia, the BRIC countries and the EU, which all have major implications for tanker trade. Mexico and Canada are major crude suppliers to the US, while the US is Mexico's top supplier of gasoline. If the US reduces crude imports from these two countries, it may need to seek heavy oil from regions such as the MEG or Latin America. In turn, Mexico and Canada would redirect their oil. Yet US tariffs (and any retaliatory ones against the US) may lead to trade wars, have an inflationary impact and hit the global economy, therefore affecting oil consumption and weigh on tanker trade.





Other broader factors that will direct the tanker market include slowing growth in global oil consumption (especially in China), the delayed return of OPEC+ crude supply, increasing non-OPEC Atlantic crude production, refinery closures in Europe & the US, as well as rising tanker deliveries (that may place some downward pressure on earnings).

China's role as the main crude market driver is fading, with its domestic gasoline and diesel demand at, or close to, its peak, and it doesn't appear willing to underpin its domestic refining industry through product exports given its domestic clean air policy goal. However, there is additional refining capacity coming online this year while Beijing has allocated higher crude import quotas for independent refiners. Petrochemical and jet needs are growing which may be supported by economic stimulus packages alongside oil stock builds, suggesting that this will support crude import demand in 2025.

OPEC+ has delayed the unwinding of its 2.2M b/d crude output cut to begin in April 2025 over a planned 18-months. OPEC's oil may be more in demand from that point dependent on how the situation with sanctioned oil trades and tankers evolves over the next few months. This will be accompanied by rising non-OPEC Atlantic Basin oil output, specifically from the Americas, which would be supportive for longer-haul tanker trade.



“Tanker deliveries will rebound, mainly on the product tanker side, led by LR2s and MRs while Suezmax arrivals will also step up.”

Refinery closures will take place in the US and Europe in 2025, so that should lower Europe's crude import demand while still underpinning longer-haul clean import needs. There will be a shift in clean trade in the Atlantic basin, as US imports of gasoline remain under pressure and the ramping up of refinery capacity in Mexico and West Africa reduces their imports, therefore weighing on MR demand. Yet US exports to Europe and prospect of exports from Nigeria's Dangote refinery could offset some of that MR loss.

Tanker deliveries will rebound, mainly on the product tanker side, led by LR2s and MRs while Suezmax arrivals will also step up. The tanker fleet is ageing amidst limited scrapping in recent years. Removals could pick up if older ships come under pressure from these new arrivals, the increased sanctions and regulatory changes. Rising EU ETS costs and introduction of FuelEU may favour modern ships on some routes, while the Mediterranean will introduce an Emission Control Area (ECA).



Derivatives



Derivatives

The Dry Bulk Derivatives market maintained steady volumes in 2024, following a significant surge in 2023.

The FFA market consistently traded approximately 3 million lots/days across all segments, mirroring the previous year's performance. With a global fleet of approximately 12,500 vessels—including Capesize, Supramax, Panamax and Handysize—the 2024 FFA volume provided coverage for 66% of the available physical vessel days. However, coverage levels varied by segment; Capes achieved a higher coverage relative to their physical exposure, while Supramaxes remained underrepresented in the FFA market.

Despite flat trading volumes, the true size of the market tells a different story—2024 saw significantly higher rates compared to 2023. Settlement values soared, reflecting the sharp rise in pricing across all segments, with Capes being the leaders. This surge in rates drove a substantial increase in the total dollar notional traded in freight derivatives, highlighting the market's dynamic growth and evolving opportunities.

Total FFA market size in dollar terms was 30% higher in 2024 compared to 2023. That is due to the combination of higher volume and higher settlement value for Capesize despite the somewhat lower volumes on Supramax and Panamax.

Capesize 2024 FFA market size was 1.5m lots at an average settlement price of \$22,592. That is a total market value of \$34bn compared to 1.2m lots at an average settlement price of \$16,389, totalling \$20bn in 2023, which is a 67% increase YoY.



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Head of Business Development, Derivatives

Panamax 2024 FFA market size totalled 1.1m lots at an average settlement price of \$14,100. That is a total market value of \$15.5bn compared to 1.25m lots and an average settlement price of \$12,853, totalling \$16bn in 2023. It means Panamax market size was off slightly by 3.6%.

Supramax 2024 FFA market size finished at 388k lots with an average settlement price of \$13,600. That is a total market value of \$5.8bn compared to 522k and \$11,239, totalling \$5.2bn in 2023. Supramax market size was off by 10%.

The Capesize market participants traded 22% more, in volume terms, than the year before. Combined with the higher settlement value, Capesize raised the total FFA notional by an amount many times greater than the drop in the other segments.

Looking ahead, the CAL2025 FFA of all three main segments are trading below their 2024 average rates and also below their 2023-2024 average:

	2023	2024	2025 FFA	FFA to 2024	FFA to 2024-2023 AVG
Capesize	\$16,389	\$22,592	\$17,300	-23.4%	-11.2%
Panamax	\$12,853	\$14,098	\$10,250	-27.3%	-23.9%
Supramax	\$11,239	\$13,600	\$10,600	-22.1%	-14.7%

Historically this “buyer’s market” start of year is potentially consistent with higher volumes. The market participants having longer to reach a balance of consensus where open interest will take place. The obvious tendency is to lead to higher cover by naturally short players, such as charterers, while potentially leaving owners and operators waiting on the sidelines for better value.

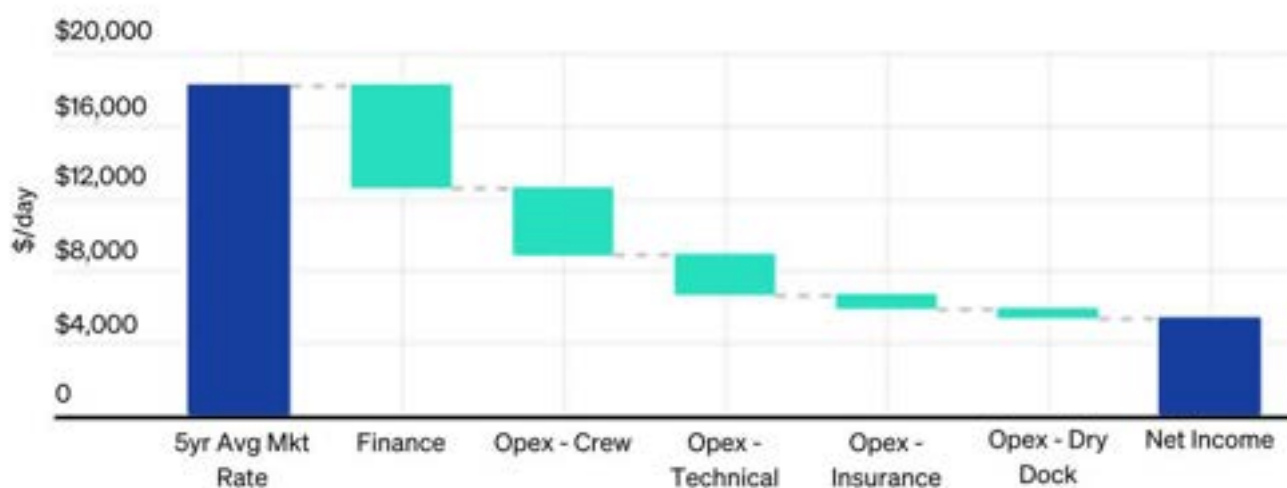
However, even for owners, the current 2025 FFA levels appear to be close if not higher than their breakeven levels.

Depending on one’s leverage, cost of capital and risk appetite, these levels can be seen as potentially good levels for taking some cash flow safety cover at least.

SSY Navigator analytics show the current FFA 2025 Capesize calendar rate of \$17,300 to be locking in net income for the owners of this segment. In fact, taking cover at these levels locks in \$1.5m net income per vessel for 2025 despite currently being 23% below the 2024 average.

Vessel Income Analysis

1 year and 5 year Annualised Investment Return: 5 year old vessel



SSY Navigator analytics also show that Cape Cal25 traded as high as \$22,700 intraday back in March. That would have allowed a Capesize owner to lock in a \$3.5m of net

vessel income for 2025. This is particularly interesting given vessel values were almost 10% lower at the time.

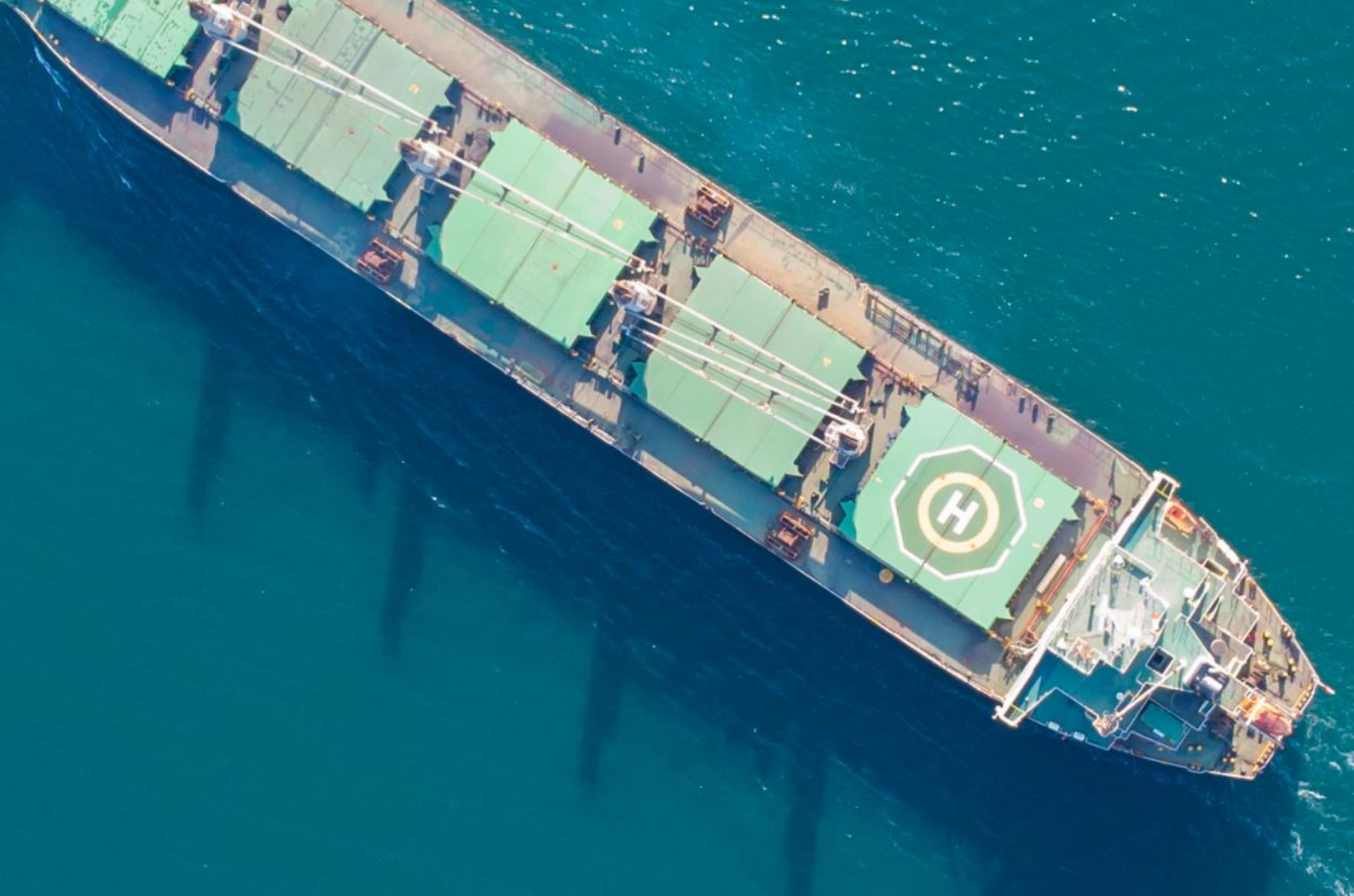
Cape Avg 5TC for Cal 25



Market Values

Newbuild & 5 year old vessel values





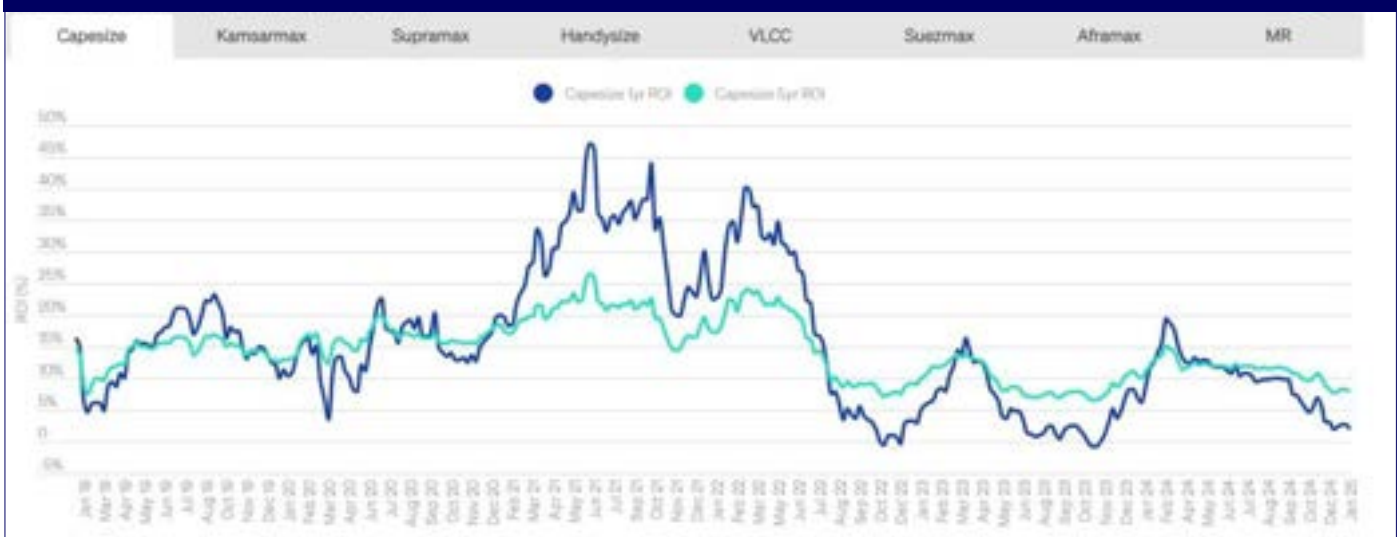
The latest Return on Investment of a Capesize owner locking in their forward exposure of the next 12 months reached its peak (15% for a 5 year old vessel) sometime back in Feb-March of 2024. Could a repeat of that level trigger bigger volumes?

At the same time, Panamax Calendar 2025 trades at \$10,000 which is very close to the breakeven rate for many owners.

SSY Navigator analytics indicates that at the 5 year Panamax Index average of \$12,075, owners earn a net income of \$2,600.

SSY 5 Year Old Vessel ROIs

1 year and 5 year Annualised Investment Return





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This evolution empowers us to capitalise on our unparalleled Freight market knowledge, allowing us to thrive in other derivatives markets where transportation, specialised insights, and precise execution drive profitability for our clients.

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That means that the breakeven rate is very close to \$10,000. We have heard through the year that many listed owners are buying back their shares because they feel the vessel values are too high to renew their fleet. Could this be an opportunity for them to gain their needed long exposure to the Panamax market? Could the current Cal 2025 Panamax FFA level of \$10,000 tempt some owners to come to the FFA market instead of the S&P market?

As a leading force in FFA brokerage, SSY Derivatives has naturally evolved its offerings to cover not only the goods transported by dry bulk vessels, but also markets that extend far beyond. Our mission remains clear: to enhance our service for existing clients by leveraging deep expertise and proven experience, all while delivering best in class service for our clients in well-established, more mature derivatives markets.

This evolution empowers us to capitalise on our unparalleled Freight market knowledge, allowing us to thrive in other derivatives markets where transportation, specialised insights, and precise execution drive profitability for our clients. We are a one-stop shop for execution, research and data, enabling clients to reach their trading goals.

Today, our expanding footprint spans key markets such as Iron Ore, Coking Coal, Aluminium and Steel. Additionally, we have made significant strides in high-growth sectors like battery materials—such as cobalt, lithium, and nickel—as well as soft commodities, including cocoa, coffee, and soybeans, reflecting our dynamic approach to market leadership and innovation.



LNG



LNG

If you were to divide LNG shipping market cycles into 3-year tranches, 2024 could be characterised as the first tricky year of what is expected to be a poor cycle.

As the curtain came down on the 12 months, there has been an overriding feeling of bearishness and that this is merely 'Act One,' of the three part play (or perhaps tragedy is more apt!).

The dizzy heights of 2022 and the solid levels witnessed in 2023 were still very fresh in people's minds at the beginning of the year, which made the severe drop that was witnessed thereafter all the more saddening. The winter of 2023 was not a strong one, as minimal demand for LNG was felt on a worldwide basis. We experienced mild weather that resulted in muted activity, and this rolled over into the early months of 2024. But as we take the whole of 2024 into context, let us remember that during the first month of 2024, charter rates were comparatively robust. For the purposes of this report, we will refer to 2-stroke charter rates when benchmarking the spot market. During January we witnessed an average rate of \$70,000/day—by no means the stuff of legend but respectable in comparison to where the year was to go from this point on. What followed was a steady decline for the duration of the rest of the quarter. Escalating tensions in the Middle East and increasing attacks on commercial vessels by the Houthis in the Gulf of Aden resulted in the cease of LNG transiting the Suez Canal by the third week of January and crucially, Qatari product, with offtakers from Ras Laffan diverting around the Cape of Good Hope.



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Despite this seismic change in trade flows, the market was not impacted. As January drew to a close, the LNG shipping market became rather topsy turvy, with plenty of activity seen on the spot, all under the ongoing shroud of uncertainty from the Middle East, although we didn't see any significant market reaction to the Red Sea being essentially closed to LNG carriers. Even during moments of high activity from February onwards, there was never a sense that there was enough cargo activity to reverse the direction that the charter rates were taking. This was a theme that was felt all year round as the market never felt truly very short shipping, aside from the odd moment.

Market activity fell significantly with the commencement of the Lunar New Year with only 2-3 spot requirements emerging in the Far East. Despite Lunar New Year, term discussions (for up to 12 months) for vessels delivering in Q2 and Q3 continued and a single 12-month charter was concluded in the

second week of February. Despite quieter periods it was a busy month, with over 50 fixtures reported for February. The start to March unfortunately began on the backfoot when contrasted against February with a minimal amount of reported activity. By our count as we moved beyond the mid-month, fewer than ten fixtures were concluded with activity evenly split across the basins.

As the Easter break loomed, one might have thought there would be some movement as people sought to close business, but instead the week's action running up to this generally reflected a relaxed approach. Despite the presence of multiple cargoes in late-April and early-May, predominantly out of the US Gulf but also from the Middle East and Australia, many participants did not appear in a rush. Again, following the trend that there was never any huge concern about finding a vessel for cargoes.

It was during April that we saw movement on the newbuilding side of the business, with QatarEnergy announcing its continued fleet expansion programme with the SBC for 18 271,000 cbm Q-Max sized vessels to be built at Hudong-Zhonghua which will be delivered between 2028 and 2031. A flurry of fixtures in the early part of May were concluded for early-June up to early-July loadings, mostly in the Atlantic out of the US Gulf and West Africa, which left a hefty dent in position lists. With 2-stroke tonnage trimmed down, there was a slight climb on levels for both intra-AB and cross-basin trading with a few ships taken well into the \$50,000s/day range and possibly even starting with a '6.' As the market braced itself for Posidonia in June, what was apparent (at the time) was that there remained a major jump between spot rates and the 12-month rate, proving there was confidence in a spot market uptick later in the year and perhaps that the storm would rise after everyone returned from Posidonia. As we moved into the second half of June, shipping availability for loadings in July out of the US Gulf continued to dwindle, which led to an emphatic increase in spot rates to levels not seen since January and we even began to record fixtures breaking the \$80,000/day

barrier for loadings in the second half of July. A handful of requirements remained uncovered for 2H July loadings, and with August interest already surfacing, the rise in rates found support.

July saw what was to be the highlight of the 12-month period—we actually witnessed a robust and strengthening spot market—with a rush of activity that yielded good returns for Shipowners. We saw deals done in the \$80,000/day range and offers that far exceeded that, buoyed by both fundamental strength and also sentiment. Historically speaking, July or August can be a turning point in the year as players look to position themselves for the winter uplift. Sadly, and as ever is the case in shipping, historical trends were to be proven wrong.

Unforeseen events took over as Freeport LNG shutdown and this led to significant disruption as 7-10 cargoes were cancelled. This in turn led to an oversupply of freight and a downward pull on levels. Conversely, the trend in the East was starkly different with numerous requirements absorbing larger tonnage and causing tightness in the market. This disruptive month proved to be the market tipping point for 2024.

“ Sadly, and as ever is the case in shipping, historical trends were to be proven wrong. ”



August was an entirely lifeless month. Holiday mode was fully engaged and the landscape was more akin to a still life painting than a dynamic market. The tonnage list grew week-on-week and rates felt continued pressure. Rates arguably came off less quickly than they should have done, only because everyone was enjoying their summer vacations (in the Northern Hemisphere). The Atlantic was particularly glum, with a closed arb pushing out further relet tonnage. A few optimisations and firm cargoes for 1H-September loadings received multiple offers which dampened the spot rates against the front-end of the fixing window. As we closed out August with the final September requirements finally getting wrapped up, the market found itself at an uncertain crossroads. The market had been on the edge of its seat, waiting for a swing in fortune and for better shipping economics. However, the end of August suggested we could be in for a poor winter after two previous blockbuster years.



Our feeling was justified, despite the market returning from holiday, the period of September until November was, frankly speaking, incredibly weak. Even though this was the mid-October fixing window, which meant November deliveries into Europe (from the US) or early-December into JKTC (if there was an open arb), winter remained completely flat. Gastech provided some mid-month relief as the LNG community descended upon Texas, with the Oil & Gas hub of Houston playing host. Houston is many things; sprawling, hot, amply supplied in terms of large Uber cars and enormous food portions. One thing Houston was not, was bullish. It felt like a conference shrouded in gloom in terms of the shorter-term prospects for LNG freight. Owners after a very strong 3 years still showed resilience and there was the feeling that many will be able to weather the proverbial storm better than the last really poor market in 2020. Sadly, negative movement for LNG tonnage continued after the conference and with a growing position list and only a smattering of cargoes, it was proving difficult to foresee a trend reversal.

We started off October thinking that 2024 was already "Annus Horribilis," and unfortunately, the market didn't improve, and rates plummeted to all-time lows. The downward slide of spot rates seen from late-September continued into the first week of October. The Atlantic became more pressured as availability continued to increase and narrowing bid/ask spreads continued to trend downwards. The Eastern market was a bit more lively, after weeks of stagnation. November kicked-off with the US Presidential Election and Donald Trump secured a comfortable victory, despite expectations of one of the closest elections in history. For the LNG Shipping sector, the promise of lifting the current freeze on export permits brought hope for long-term demand growth, though concerns over potential trade tariffs persisted.

Spot market activity in the Atlantic saw slight improvements due to a December US Gulf deal, while the East experienced increased activity with the emergence of Q1 requirements. LNG spot rates remained low across both basins, but the LNG market was not alone; Tanker and Dry Bulk markets mirrored this gloom, with earnings underperforming seasonal expectations.

The LNG market turned its attention to Berlin in the second week of December where LNG Shipping & Trading gathered for another conference. The German capital, not historically known as a venue for such events, offered a refreshing change from the usual hubs like Houston, Singapore, or Athens, despite the bleak December weather. Discharge delays in Egypt was a topic of discussion, sparking speculation about whether a surge in requirements would arise to cover unexpected short (although these shorts unfortunately failed to materialise). Rates in the Atlantic rose week-on-week with availability tightening for laycans in early to mid-January 2025 and there was even a deal reported for around \$30,000/day, although this felt like a slight anomaly compared to the actual market. In the East, the market continued as it had throughout the year, largely unaffected by the Atlantic's woes. FOB tenders continued to flow and ships continued to be fixed with the landscape for "non" 2-stroke tonnage remaining healthier.

The arrival of new volume from Plaquemines LNG in mid-December gave the Atlantic a very welcome boost as we closed out the year, with multiple cargoes offered on an FOB basis and multiple ships fixed against these new volumes. Rates rallied a bit, jumping to the mid-\$20,000s/day on a RT basis but still surprisingly low for the time of year. In contrast, the Far East experienced quieter conditions, but still remained fairly active for both Middle Eastern and Australian loadings, although unfortunately not enough to increase rates. Globally, we recorded over 11 spot fixtures in the third week of December, finishing 2024 with a bang!





Looking ahead, the LNG shipping market fundamentals appear bearish despite a ramp-up in production from under construction projects expected this year and next as over 150 newbuildings are expected to be delivered. However, a key unknown on the LNG shipping supply side is the rate at which older tonnage will be scrapped, or laid-up, in the face of the extremely low spot rates and increasing emissions scrutiny. In addition, we could see the extension of regulations in the EU to include methane emissions from 2026, in addition to carbon dioxide emissions, also impacting D/TFDEs.

While on the shipping demand side, the arb looks to remain closed for the time being as a recent cold snap in Europe has drawn-down gas withdrawals from storage sites faster than in previous years and a further reduction in Russian piped gas with the expiry of the Ukraine gas transit agreement could increase LNG demand in Europe.

Another key swing factor for the forthcoming 12 months will be the Suez Canal and whether it remains closed. Whilst tensions in the Middle East appear to be thawing (we hope) there is no suggestion (based on our view of the situation) that the Suez Canal will open again in the coming 12 months. With the recent announcement of a ceasefire in the Gaza Strip, the Houthis have indicated that they would limit their disruptive activity in the region to only Israeli-affiliated ships, however, this likely will be insufficient to encourage transits in the Red Sea given the fragility of the ceasefire and as the motivations of the Houthis extend beyond purely political. If this key LNG shipping route remains closed for 2025, it could help charter rates and Middle Eastern - UK/Continental Europe trade flows will be forced to continue via the Cape of Good Hope.



Sale & Purchase



Sale & Purchase



Toby English
Partner & Global Co-Head of S&P

During 2024, the S&P market exemplified the cliché of “a tale of two halves”. The year began with strong sentiment and heightened geopolitical disruptions fueling price hikes in Q1. However, a major price correction followed across most segments and vintages by year-end.

Bulk Carriers

The Dry Bulk market kicked off the year on a surprisingly strong note, buoyed by solid fundamentals carried over from 2023. Key drivers included Panama Canal diversions, a rebound in Chinese demand, a record corn harvest in Brazil and Red Sea avoidance. By late Q1, BCI had surged to USD \$35,000/day vs USD \$20,000/day for the BPI and approx. USD \$15,000/day for the BSI58 and BHSI. Such levels during the traditionally weaker part of the year pushed secondhand values higher, reflecting owners' robust expectations for the remainder of the year.



Alexandra Alatari
Senior Analyst, S&P

Capes were highly sought due to structurally tighter supply-demand dynamics. Buyers focused on modern eco units but shifted their attention to vessels built around 2010 due to a distinct lack of modern sale candidates. Prominent owners were often on the buying side, securing modern tonnage where available, contributing to further price increases.


However, this counter-seasonal strength in the Freight market led to an optimism bias, inflating asset values beyond levels justified by physical market conditions. While rates moved sideways, secondhand prices remained elevated, even surpassing levels seen during previous market upturns. For example, a 10-year old Japanese-built Kamsarmax with an MC engine was sold for USD \$29.5m in April, whereas similarly aged tonnage changed hands at USD \$23m at the end of 2023 or USD \$26m at the peak of Covid. For context, 1-year period rates stood at USD \$20,000/day in early 2024 compared to over USD \$30,000/day in mid-2022.



The disconnect between asset values and earnings persisted through July-August driven by sustained buyers' interest. Unlike tankers, gas carriers or containerships, the dry bulk sector offered greater price volatility, higher liquidity and a more attractive entry point. Meanwhile, after years of strong shipping markets, cash-rich owners were eager to invest in real assets amid rising inflation. Elevated shipbuilding costs also dragged modern values higher, while the lack of Japanese sales candidates further supported pricing.

S&P activity rebounded after the typical summer lull, but a weak physical market led to extensive price correction. While Red Sea reroutings continued, global congestion eased and Panama Canal water levels were replenished, reducing inefficiencies. Despite steady Chinese demand for iron ore, coal and bauxite, a 30% drop in Brazilian corn shipments, ongoing Russian attacks that restricted Ukrainian exports and China's political decision to not ramp up US soybean purchases dampened the market. Additionally, the impact of increased Ultra and Handy deliveries became more pronounced. By year-end, average spot earnings had retreated to USD \$8,000-10,000/day across the board.

Secondhand prices followed the downward trend, correcting by an average 15% from their peak earlier in the year. Mid sizes saw the steepest decline as their values had jumped disproportionately following the booming Cape sector. A 2010 Japanese-built Kamsarmax was sold in the mid USD \$15ms in late 2024, nearly 25% lower than a sister ship in Q1. Similarly, 5-year old Japanese-built Ultras traded in the low USD \$30ms vs USD \$36m in the first half of the year. As for Capes, S&P activity also slowed down significantly. Chinese buyers dominated the market absorbing 2007-12 built vessels. 2010 Japanese-built Standard Capes were sold for around USD \$30m.



“ We foresee increased volatility in secondhand bulk carrier values as many owners are positioning themselves for potential countercyclical opportunities.

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Despite the volatility in the secondhand market, interest in newbuildings remained firm throughout 2024. A total of 61m-dwt was contracted, up from 41m-dwt in 2023, marking a 10-year high. Although extensive fleet renewal occurred in 2022-23, Kamsarmax and Ultramax contracting continued unabated in 2024. We count 173 firm Kamsarmax and 246 Ultramax orders placed in 2024, up from 116 and 173 respectively in 2023. Owners seemed undeterred by elevated shipbuilding costs, securing Kamsarmax slots at prominent Chinese yards at USD \$37-38m by year-end, a 6% increase from early 2024. Ultramax pricing remain largely stable at around USD \$34m throughout the year. Another 112 Large Handys were ordered, in line with 2023, while 14 Gvaibamax orders emerged backed by Brazilian and West African miners.

Standard Cape orders were flat at 18. Fifty Newcastlemaxes were ordered with pricing in China ranging from the high USD \$70ms to the low-mid USD \$90ms depending on their preferred propulsion system.

Looking into 2025, the market is pricing in a low trade growth environment coupled with a modest rise in deliveries. Sentiment remains fragile largely due to the potential unwinding of existing inefficiencies should a resolution occur in the Russia-Ukraine and Middle East conflicts. We foresee increased volatility in secondhand bulk carrier values as many owners are positioning themselves for potential countercyclical opportunities. Consequently, S&P volumes are expected to remain relatively healthy.

Tankers

Red Sea diversions on the back of Houthi attacks dominated the Tanker market in early 2024. The impact on crude tankers was limited as Europe opted for more localised oil purchases. However, Europe's product imports from the Middle East remained relatively unchanged. As a result, LR2s on the MEG/Europe route spiked above USD \$100,000/day. MRs stood to benefit in an undersupplied East of Suez market. The MR Pacific basket peaked close to USD \$60,000/day in January, up from c. USD \$15,000/day before the onset of tensions in the Middle East. Secondhand prices were quick to react. MRs saw the strongest interest, particularly in the 9-17 year age range. A case in point, a 2010 Korean-built MR2 was sold for USD \$27m in March, up 10% since Middle East tensions began, although this pricing has subsequently softened. Crude tanker values also moved upwards, although activity was more muted in comparison.

By Q2 and early Q3, the market had gradually adjusted to the ongoing Red Sea disruptions though demand was tempered by heavy refinery maintenance and weaker-than-anticipated Chinese crude imports. As such, average earnings retreated from previous highs stabilising around USD \$20,000/day across most segments.

S&P activity slowed down significantly with most transactions focused on MRs. Despite lower activity and softer earnings, sentiment remained strong leading to further price hikes. A notable example was the sale of a 5-year old LR2 in Q2 in the high USD \$70ms, while sister ships of the same age traded in the low USD \$70ms before the Red Sea disruptions.

During this period, some owners tested the market with a couple of units, primarily attracting interest from Chinese buyers. However, sellers were not in a rushed selling mode after years of robust profitability and low outstanding debt levels on their vessels.





Therefore, many withdrew their ships from the market when the gap between buyers' and sellers' price ideas proved too wide. Only a handful of Suezmax and Aframax sales were recorded along with two notable en-bloc sales of modern VLCCs to a state-owned company raising 5-year old price benchmarks for Korean vessels north of USD \$110m. On the product side, MRs remained the most active segment. 10-year old MR2s achieved prices in excess of USD \$40m, up nearly 30% from the same time in 2023.

In late Q3-early Q4, the Tanker S&P market was exceptionally quiet. Owners awaited the US election results as well as the typical winter jump in the Freight market, which ultimately did not materialise. Chinese import demand remained lackluster, inventories built up amid sluggish consumption and dirty tanker clean ups put pressure on product tankers. Meanwhile, the period market underwent a major correction as ships booked for long-term TCs after the start of the Ukraine war were redelivered. By year-end, 3-year period rates for eco LR2s had dropped close to USD \$30,000/day, down from USD \$40,000-45,000/day in Q3. Owners even faced difficulty in securing shorter-term charters with 1-year eco Suezmax TC rates retreating to USD \$37,500/day, down from USD \$50,000/day in the first half of 2024. Similarly, eco MRs were fixed for 12 months at c. USD \$22,000/day in December or 37% below their Q1 peak.

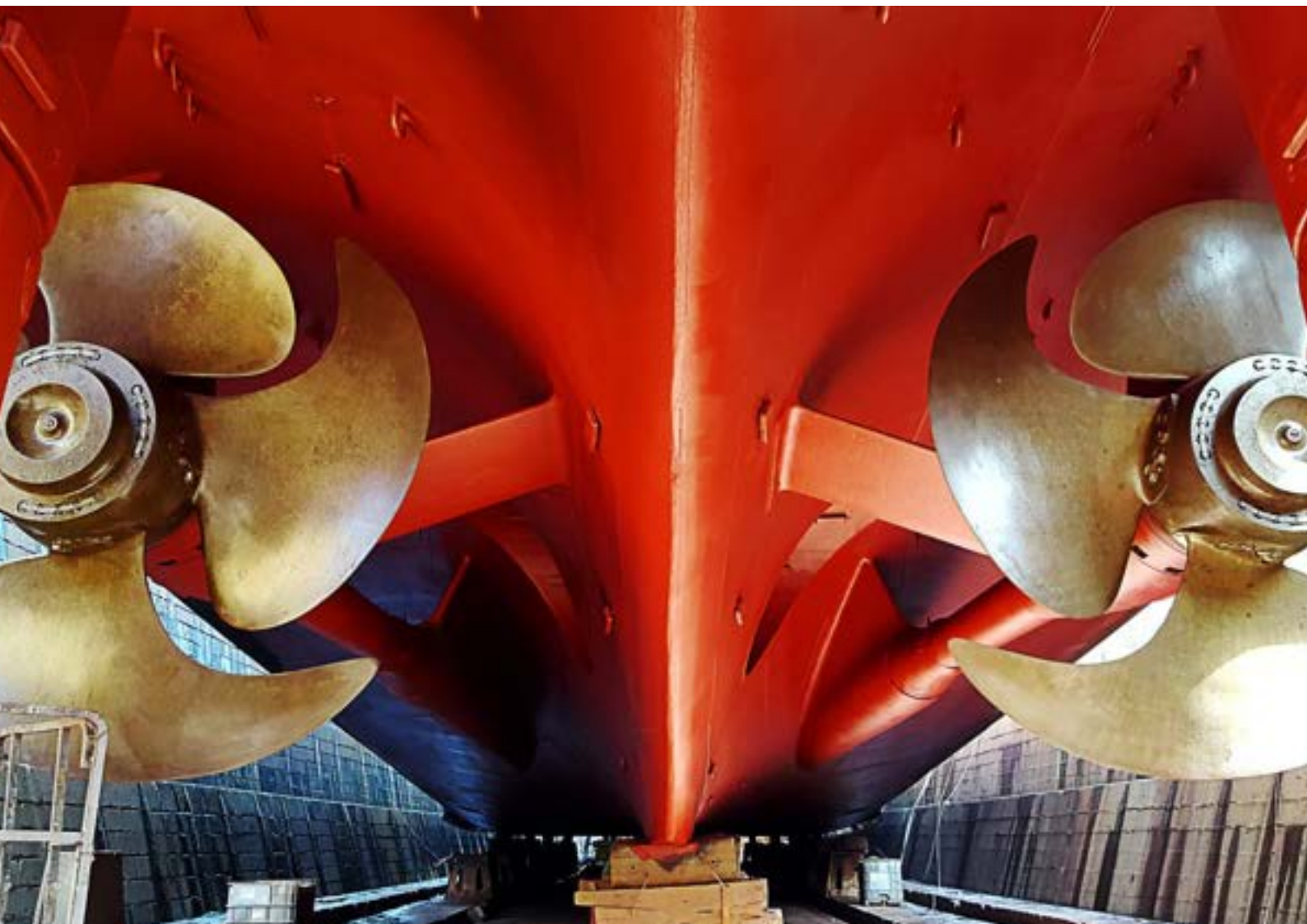
Following two years of increased buying, the more "exotic" buyers' appetite waned in 2024. While relatively more active early in the year amid rising tensions in the Red Sea, leading to price increases of 10-25% for vintage ships, it became apparent that their tonnage requirements had been covered as well as impacts of Western sanctions starting to take effect.

Prominent owners in this market were often on the selling side facing tighter Western sanctions and softer earnings. Although values for vintage tonnage came off by 30% on average since their peak earlier in the year, the various sellers of older tonnage—by no means all shadow fleet linked—still managed to capitalise on historically elevated pricing, with those owners having operated “cleanly” achieving clear premiums on their tonnage.

2024 marked the busiest year for tanker newbuildings since 2015 and 2006 before that. Activity was skewed towards product tankers; 101 firm LR2 orders, 38 LR1s, 177 MR2s and 29 MR1s, i.e. a 60% increase in contracted capacity compared to 2023. Aframax orders rebounded to 18, up from a 13-year low in 2023 though still historically on the low side as owners continued to opt for coated vessels. Suezmax orders were flat at 54, while VLCC contracting made a strong comeback with 54 orders placed in 2024.

The improved efficiency standards of new designs coupled with the sector’s aging fleet made a compelling case for owners looking to renew their fleets, potentially compensating for pricing and long-term demand concerns. VLCC and MR newbuilding prices were fairly stable throughout the year with VLCCs contracted for region USD \$130m in South Korea, while MRs for mid USD \$40s in China. Other tanker segments saw modest price increases of 5-8%.

Come 2025, we anticipate continued downward pressure on secondhand tanker prices although the latest OFAC sanctions should further bolster freight market volatility. Uncertainty around oil demand, rising deliveries and the severity of the latest round of sanctions could incentivise more S&P activity once there is more clarity on the geopolitical front. However, a rapid uptick in activity may not be imminent as asset values remain above previous cycle highs.



LNGCs

Turning to the gas sector, and in particular the LNGC market, we noted robust newbuilding demand despite berth availability extending through 2028 or 2029. A total of 76 firm orders for 174k cbm carriers were recorded in 2024, compared to 79 in 2023. Most of them were linked to Qatar Energy and ADNOC. South Korean shipyards accounted for 88% of total orders, up from 60% the previous year. Newbuilding prices showed limited signs of decline, with Korean builders consistently securing orders north of USD \$250m per vessel.

On the secondhand front, activity was subdued in the first half of the year with only a handful of transactions concluded. However, activity picked up in late Q3 as momentum in the charter market slowed. Notably, a 2018 Daewoo-built 174k cbm LNGC with a MEGI

engine changed hands at USD \$160m in August. In November, a 2021 Samsung-built 174k cbm vessel was sold for USD \$213m with a charter attached at USD \$30,000/day until 2030.

Looking ahead, tonnage oversupply is expected to continue to weigh on LNGC earnings, potentially exerting additional downward pressure on secondhand prices. With regards to newbuilding prices, yards could somewhat reduce pricing to secure more orders, as increased investment in recent years has inflated the LNGC orderbook to nearly 50% of the fleet. The recent sharp depreciation of the Korean Won, driven by political instability in the country, could also incentivise some builders to lower their USD asking prices. However, extended forward cover and heightened competition with VLCCs for available berths are likely to mitigate significant fluctuations in newbuilding prices.



Outlook 2025

In conclusion, we see the first signs of 2025 being a more negative earnings environment across a number of sectors, but equally the decline in rates and pricing is, for some, an opportunity to move for tonnage that they might not have pursued over the past year or two.

There is an argument for a significantly increased recycling environment, much needed in the clear out of older and less environmentally and economically viable tonnage.



Offshore



Offshore



Johan Gustafsson
Analyst, Offshore

2024 has been an exciting year in the Offshore market with the entrance of new market players, large fund interests and further fleet consolidations.

Global Market Conditions

As global oil demand continues to rise with renewable energies moving slower than anticipated, oil and gas companies are increasing global exploration to meet demand. On the same note we see strong synergies between more traditional oil and gas work scopes with offshore wind for several offshore vessel classes—an effect set to get bigger going forward.

With limited newbuilding deliveries since 2015, 2024 introduced the first meaningful orders in the offshore space for larger tonnage, indicating a renewed long-term optimism from the vessel's owners. Norwegian owners now have approximately 15 Construction Support Vessels (CSVs), also referred to as subsea vessels, on order which is commonly used

intercorrelated between the oil and gas industry together with the offshore wind industry.

On the Platform Supply Vessel (PSV) side however, the majority of the PSV orders were made by new entrants to offshore, represented by Greek owners previously involved in more traditional shipping. Even though the Greek entrance into offshore caught the market by surprise, the Greek owners are following a trend which has been evolving since the market started to pick-up in 2022-2023, where the offshore sector has seen growing interest from new market players.

The consolidations that have taken place within the offshore sector over the last couple of years have included fresh capital from new stakeholders venturing into the market, making large transactions possible. Global planned CAPEX spending is set to retain high levels towards the end of the decade. Looking at the high average age of the current fleet, fleet renewal is essential for some owners to keep their prominent position and to meet age restrictions and coming regulations over the next few years.

Activity going forward will continue to be regional as some countries have decided to slow down oil and gas exploration while others are ramping up at a fast pace. This is also reflected in the fleet consolidations we have seen over the last year, as owners are increasing their global footprint into new markets through acquisitions or extending their current operation with additional vessels. This is making it more convenient for owners to operate vessels intercorrelated between regions or increase exposure in a current market depending on where the more favourable rates can be achieved.



North Sea Outlook

Oil and gas activity on the Norwegian Continental Shelf continues to thrive, while the UK side presents a different picture.

The rig count in the North Sea has been reduced over the last year with three units being scrapped during 2024. However, the North Sea has also seen two units arrive during the year—one from China and one returning to Norway from Canada, while a third rig is set to return from Africa to commence a long-term contract in Norway starting in 2025. This puts the total number of rigs currently in the North Sea at 55, down from 64 rigs in 2020.

Even though there are fewer rigs in the North Sea, the number of working rigs has been rising since 2020, reaching a four-year peak in 2024. The number of working rigs on the Norwegian side is set to remain resilient with eight jack-ups and 13 semi-submersibles contracted throughout the year.

For PSVs on the Norwegian side, the O&G companies have engaged in pooling mechanisms to utilise their current term fleet more efficiently, which is set to reduce spot demand going forward. Activity is set to

remain high on the Norwegian Continental Shelf in 2025, with roughly 40 exploration wells set to be drilled, compared to 42 for last year. There are also some large projects commencing during the year, which is set to draw additional vessel days. However, as the UK is struggling with project postponements and cancellations as a result of the induced windfall tax, we might see a decrease in overall vessel demand.

For AHTS, work-scopes related to semi-submersibles working out of the UK usually draw the highest number of vessel days. Seeing that some of the most active semi-submersible units are rolling of contract in the UK during the year, AHTS demand in the North Sea is set to diminish in 2025. The rate development for AHTS and PSVs will still be highly determined by the supply side. Considering that the larger high specification units working out of the North Sea are seeing several requirements and project work-scopes in other regions, some owners have already decided to relocate their vessels to other regions for long durations during 2025. The North Sea region still represents one of the highest fleet counts globally, and the departing units will contribute towards a more firm supply/demand balance.

Middle East Outlook

With several offshore campaigns awarded years ahead, there is a clear visibility on continued high vessel demand in the Middle East.

The Middle East oil and gas CAPEX spending has continued to increase during the year, further solidifying the region as the world's largest exporter.

After the steep increase in rates for offshore vessels from 2023 and into 2024, we have now seen rates stabilising at mid-10 for both AHTS and PSVs across the main producing countries in the Middle East. With several mega-projects undergoing development to sustain production output, activity is expected to remain high through 2025.

Offshore campaigns have already been awarded into the start of 2027, giving owners

good visibility on demand for the next years. The good outlook and market conditions has sparked interest from new players entering the region through acquisitions and we expect further investments into the region in 2025.

As the region represents some of the highest age restrictions for vessels, while also utilising the vessel sizes with the highest average age, we think 2025 will be the year where we will start to see some meaningful newbuild orders being placed. The fleet is overdue for renewal and access to capital is more easily available compared to the previous years.

The region has traditionally been dominated by local owners, but due to the good market conditions, fresh capital coming from large funds and institutional investors wanting to partake in the market has emerged facilitating fleet expansions.

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With several offshore campaigns awarded years ahead, there is a clear visibility on continued high vessel demand in the Middle East.

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During 2024 several emerging markets have launched auction rounds and regulatory framework, a trend which is expected to continue into 2025.

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Offshore Wind Outlook

During 2024 several emerging markets have launched auction rounds and regulatory framework, a trend which is expected to continue into 2025.

2024 has contributed to a record amount of offshore wind capacity successfully awarded in auction rounds, strengthening the underlying solid outlook for the sector.

The year has also seen a high number of transactions where projects in different stages of development has shifted hands. Several developers have presented updated offshore wind strategies, where they would rather build out and strengthen their portfolio in key markets, while completely exiting other markets.

In this process, we have also seen some projects being put on hold for an uncertain amount of time, which presents uncertainty

around their completion. This development might at first seem negative towards the industry, but compared to previously announced project start dates and capacities, which is higher than what the supply chain could possibly deliver, this more rational approach gives a more realistic view of what is going to be built out.

Several emerging markets in the offshore wind space have presented plans for development in 2024, such as the Philippines, New Zealand and countries in Latin America with the likes of Brazil and Colombia. For 2025, we expect some of these emerging markets to firm up regulations and auction frameworks for offshore wind.

In addition, it is expected that the European offshore wind market will increasingly utilise the Asian supply chain for project development, with additional contracts announcements for equipment, surpassing previous years.



Chemicals



Chemicals

The past year has proven to be strong for the Chemical Tankers market. The global fleet entered 2024 already operating near full capacity due to disruptions in key transit points like the Red Sea and the Panama Canal.

The surge began in Q1 when China expanded its Clean Petroleum Products (CPP) export quotas, causing a rally in the NE Asia product tanker market that subsequently spilled over into the chemical sector.

Concurrently, China's sluggish economic growth and significant production overcapacity led to an abundance of competitively priced chemicals available for export to the Americas, Europe, and India. This situation was further fueled by disruptions at the Panama Canal, which bolstered Asian sulphuric acid exports to Chile. Chile, however, faced competition from Indonesia, where a booming mining industry was also driving sulphuric acid demand. Limited supply in Europe forced Morocco, a major sulphuric acid importer, to look to the Far East to meet its needs.

European green targets contributed to the rise in exports of bio-feedstocks from China and Southeast Asia, supporting the market rally in the first half of the year. Even when the EU imposed import tariffs on Chinese Hydrotreated Vegetable Oil (HVO) and Fatty Acid Methyl Ester (FAME), these flows were redirected to the U.S., maintaining high demand.



Plamen Aleksandrov
Head of Research, Chemicals

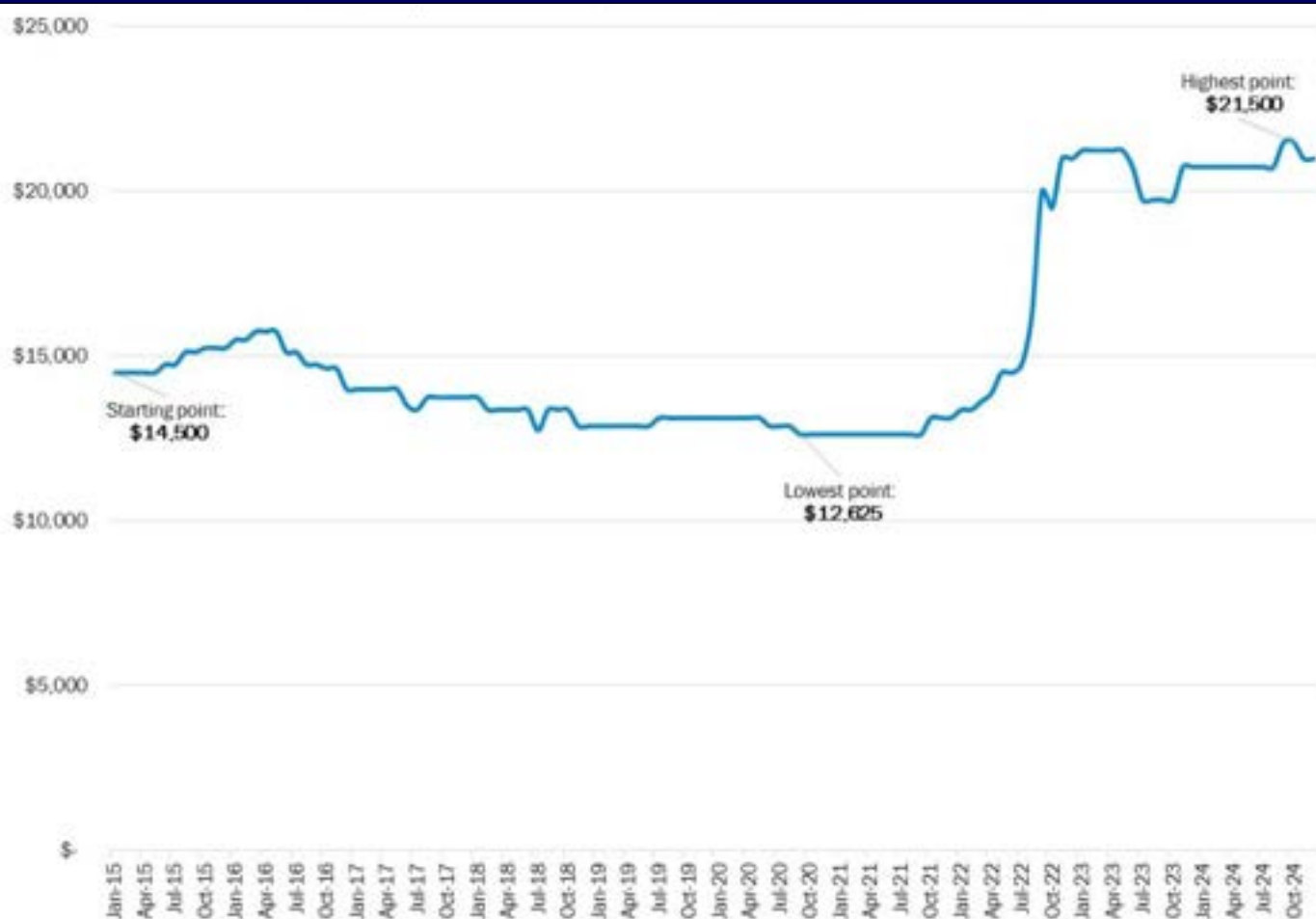
Meanwhile, Europe continued to feel the repercussions of the Ukraine-Russia war, despite claims that the worst had passed. Ongoing production capacity optimisations, a euphemism for plant closures, were prevalent throughout the year, causing concern among industry executives and owners of smaller chemical tanker vessels. The resulting deindustrialisation and trade imbalance benefited U.S. producers, who leveraged their cost advantages over Europe. This reliance on imports from Asia, the Middle East, and the U.S. added to the market's tightness, driving up freight rates.

The Chemical Tanker market saw record-breaking earnings throughout the year, which spurred a surge in asset prices. The strong fundamentals drew new participants eager to invest in newbuildings, second-hand tonnage, and long-term time charters at increasingly higher rates.



Chemical Tanker Market

1-year T/C rate for 20,000 DWT stainless steel tanker



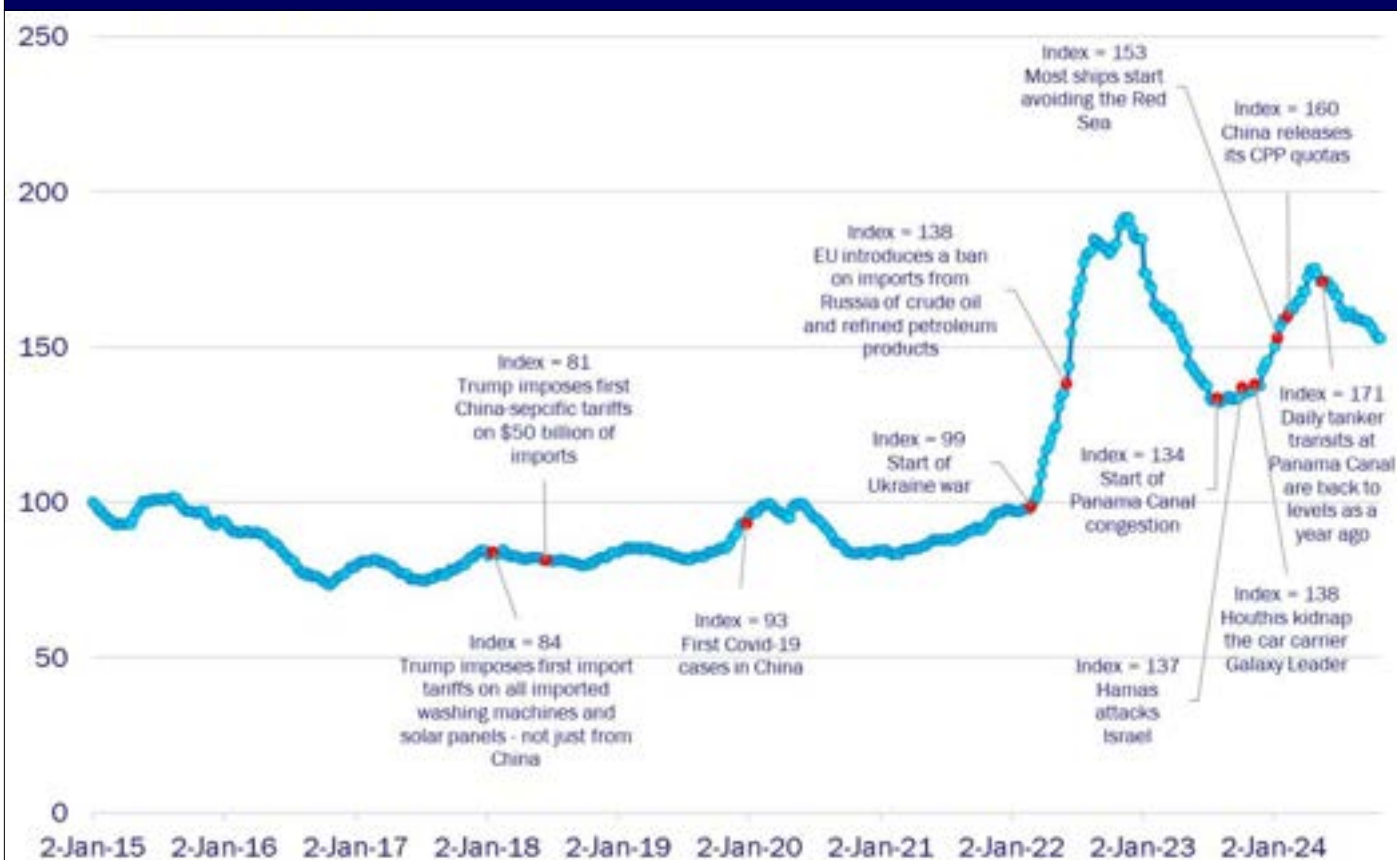
Source: SSY

However, sentiment began shifting in the summer, starting with crude oil and spreading to product tankers. The global push for renewable energy and electrification, particularly evident in China where electric vehicles dominated new car sales, began impacting petroleum demand.

The adoption of LNG and electric trucks, along with rapid solar panel deployment, further dampened demand for crude and refined products. Consequently, crude tankers began encroaching on clean trades, leading to a drop in freight rates for CPP markets worldwide.

Freight Rate Index Development

(The index is an average of the freight rates for 10,000mt of chemicals on all major trade lanes with 1 Jan 2015 = 100)



Source: SSY

The Mediterranean was hit particularly hard, extending its usual summer lull indefinitely. Owners seeking employment turned to the Red Sea, accepting increasingly competitive rates. By year-end, the premium between the Red Sea and the Cape of Good Hope routes to Asia had nearly vanished, reflecting the global market's slowdown.

Other factors, including India's economic slowdown, reduced biofuel flows to Europe, a tight sulphuric acid supply, and Europe's ongoing economic challenges, added to the changing market dynamics. Severe weather events in Q3, such as typhoons and hurricanes, further disrupted trade volumes.

The Year Ahead—More Unpredictability

Looking ahead, 2025 appears poised to be another year marked by uncertainty and volatility.

The latest IMF projections from October are for the world economy to grow by 3.2% in 2025, same as in 2024. Current economic growth is still lower than pre-Covid levels by about half a percentage point. As a rule of thumb, the chemicals trade grows at about half the rate of the economy. This means the world chemicals trade in 2025 will increase by about 1.6%. However, some major headwinds which will reduce volumes of chemicals traded worldwide—tariffs and protectionism in general; stricter environmental regulations; focus on self-sufficiency; climate change and associated natural disasters; deep structural and demographic changes within the major economies; etc. Chemical production overcapacity will continue to weigh on margins, forcing shutdowns or lower operating rates.

The past year's extreme natural disasters underscore the tangible effects of climate change, which is expected to worsen before improving.

This shift will heighten food and water security concerns, potentially affecting crop supplies and, by extension, edible oils. Crop-producing nations may prioritise domestic markets over exports under such conditions.

Environmental regulations aimed at mitigating climate change may also constrain exports of edible oils and related products. For instance,

Indonesia, facing the EU's anti-deforestation policies and committed to net-zero targets, plans to increase biodiesel blending to 40% in 2025 and to 50% by 2028. Import tariffs could similarly impact trade if exporting countries pivot to domestic consumption in response to tariffs, as China might do with bio-feedstocks or biodiesel if exporting becomes unprofitable.

The geopolitical landscape could shift with the re-election of Donald Trump as U.S. president, potentially leading to renewed trade wars and disruptions in trade and investment flows. Proposed tariffs, like a 60% import duty on Chinese goods, could halve China's economic growth, forcing it to cut chemical production rates and stimulate domestic demand. Early indicators suggest that China may already be preparing for such a scenario with a \$1.4 trillion stimulus plan.



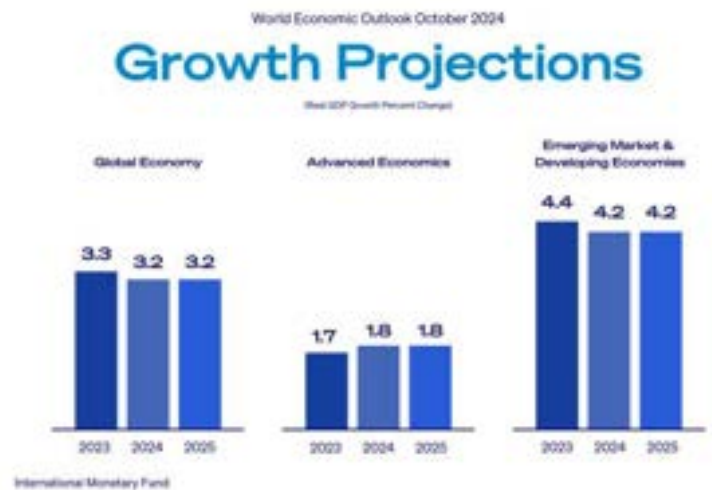
“ Looking ahead, 2025 appears poised to be another year marked by uncertainty and volatility. ”

India and Southeast Asia could benefit from the U.S.-China trade friction, provided they remain exempt from tariffs or position themselves as trade intermediaries. India's economy, in particular, could continue to capitalise on cheap Asian chemical imports due to its limited domestic production capacity.

Tensions in the Middle East are also expected to persist, especially if U.S. support for Israel remains strong. This may result in continued harassment of commercial shipping in the Red Sea and Indian Ocean.

The ongoing Ukraine-Russia conflict might see resolution in 2025, as negotiating parties express readiness for peace. However, any agreement would likely involve territorial concessions by Ukraine to Russia, and sanctions on Russia would probably remain. The EU's journey toward energy independence and economic transformation will continue, despite peace efforts.

The Trump administration's approach may further impact global trade by maintaining sanctions on oil-producing nations like Iran and Venezuela, reinforcing U.S. producers' competitive advantage.

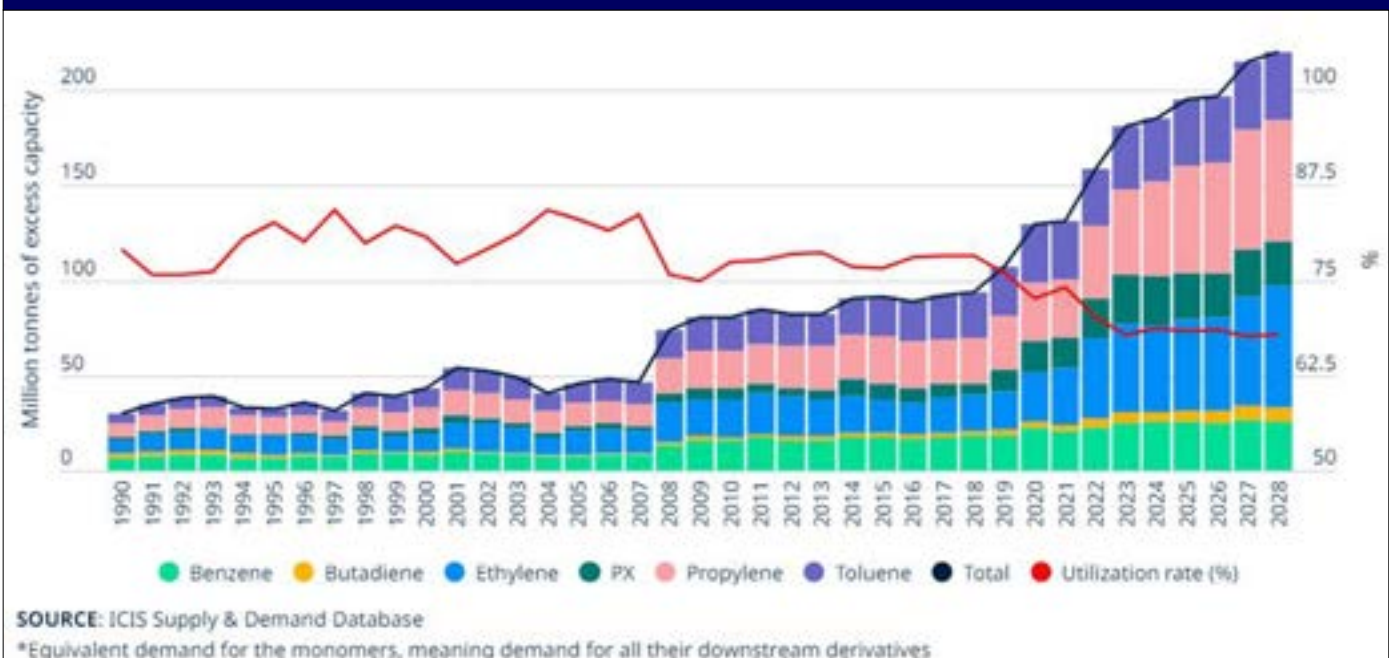


Domestically, the new U.S. president is expected to dismantle green energy policies and boost oil and gas production, potentially slowing the fight against climate change.

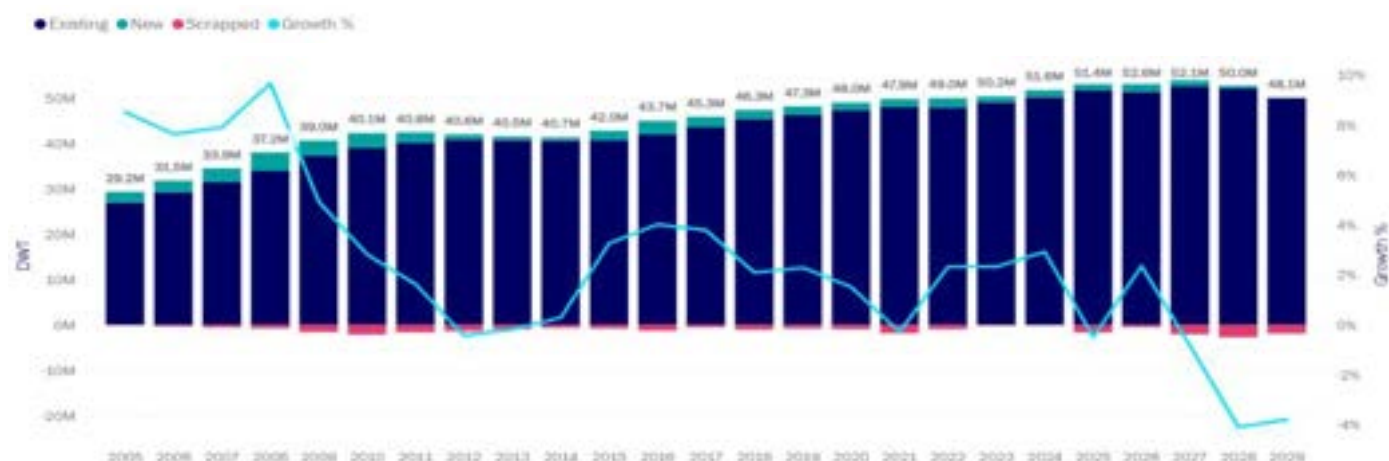
A shortage of critical metals, such as copper, could present additional challenges, potentially affecting smelter operations and keeping sulphuric acid supplies tight. The FuelEU Maritime regulation, mandating a reduction in the annual GHG intensity of energy used by ships trading within the EU, will add pressure to the shipping industry, with targets escalating from a 2% reduction in 2025 to an 80% reduction by 2050.

Global Chemical Production Capacity

Global capacity exceeding demand in the six petrochemical building blocks



Growth of the Chemical Tanker Fleet



Note: Scrapping projection for 2025-2029 are based on 50% of the fleet older than 25 years.

Year	2025	2026	2027	2028	2029
Projected growth (%)	-0.5 %	2.3 %	-0.8 %	-4.1 %	-3.8 %

Source: CKB Fleet

In anticipation of stricter regulations, shipowners began ordering aggressively in 2024, pushing the chemical tanker orderbook to about 10.5% of the existing fleet by year-end while the product tanker orderbook now exceeds 18%. 2025 will see about 126 CPP and 106 chemical tankers delivered with total capacity of 4.6 and 1.4 million dwt respectively—or roughly one ship of each type every 3 days. This influx will surely pressure freight rates, however the expected negative chemical fleet growth and the modest growth in chemicals trade may counterbalance that. The actual outcome is uncertain due the high level of unpredictability of many variables.

Despite a pool of over 250 ships, with a combined capacity of 3.4 million dwt, aged 25 years or older, widespread scrapping seems unlikely given 2024's high demand for older vessels. Many of these ships are expected to continue serving markets with less stringent requirements, such as sulphuric acid, caustic soda, vegetable oils, ethanol, and petroleum products in Asia, India, Africa and Latin America. However, this trend may push

established owners into more competitive markets, reshaping the global chemical tanker landscape in the years to come. If deterioration market conditions persist, distressed sales of second-hand or new tonnage may become common in 2025.

The outlook for 2025 suggests a complex year ahead for the Chemical Tankers market, marked by a blend of opportunities and challenges. Geopolitical tensions, shifting trade policies, climate change impacts, and evolving environmental regulations will contribute to an unpredictable environment. While potential peace negotiations and economic stimulus efforts might offer some stability, pressures from stricter emissions standards and a crowded orderbook could strain freight rates and market dynamics. With competition intensifying and global trade facing significant headwinds, market participants will need to stay adaptive and vigilant to navigate the uncertainties and capitalise on potential growth areas in emerging regions.



Outlook 2025

The world economy is expected to notch a decent growth in 2025 of about 3.2%. This would mean the chemicals trade will grow at a rate of about 1.6%. However, there are significant risks and headwinds in the year ahead, which may result in lower-than-anticipated growth. Some of the factors which will have negative impact on the chemicals trade are:

- Tariffs and protectionism in general;
- Stricter environmental regulations;
- Focus on self-sufficiency;
- Climate change and associated natural disasters;
- Deep structural and demographic changes within the major economies;
- The accelerating shift to renewable energy;

As a result of this trade volumes may be lower than expected.

Chemical overcapacity and low or negative margins will continue to weigh on the global markets. Pressure to export surplus from Northeast Asia to Europe or the US may face a wall of tariffs, thus reducing a potential torrent to a trickle (e.g. recent tariffs on HVO and UCO).

The crisis in the Middle East, the war in Ukraine, the second Trump presidency, ailing Chinese economy; enormous debt in all major economies; escalating geopolitical rivalry all pose significant risks to the global economy and trade in 2025 and beyond. Some may have positive influence on shipping, while others will be restrictive in nature.

Therefore, the high degree of uncertainty and volatility will continue to be a main feature of the markets in the next year. In navigating all these risks, the policy of the next US administration will be crucial. On the other hand, looking at the tonnage supply and the orderbooks in the chemical and CPP fleet suggest that the weakness in the market may be offset to some extent by possible negative growth of the chemical fleet. The actual outcome, however, is very uncertain.



LPG



LPG

Entering 2024, there were high expectations of the VLGC market considering how the year prior panned out.

2024 Review

2023 took most market participants by surprise and we saw regular headlines in shipping media about the red-hot Very Large Gas Carrier (VLGC) market, in particular during the second half of the year.

The first few days of trading in 2024 started in-line with how 2023 ended; extremely strong with TCE earnings in the spot market of about USD \$130,000 per day. However, in just a month the main spot freight index BLPG1 dropped by as much as 71%, representing a staggering drop of around 90% for TCE earnings. A weather snap in the US driving up product prices—and narrowing the US to Asia arbitrage—as well as lower than expected Panama inefficiencies were considered two of the main reasons. Also, the high number of 40 newbuildings delivered during 2023 (the highest amount since 2016) is believed to finally have contributed to the market pressure.

With such a rocky and sudden start of 2024, both the bears and bulls of the market got fuel to their respective view of the market. From the bottom seen in early February, the freight market did improve quickly, albeit in a volatile way, reaching more stable TCE earnings. However, the freight levels were a far cry from the record numbers seen the year prior.

The usual strong seasonality of the winter market was largely absent this year. Summing up 2024, the average TCE earnings amounted to approximately USD \$42,000 per day, marking a significant decline from the record-high USD \$94,000 per day achieved in 2023.



Thorstein Bergersen
Head of LPG

Market Outlook

Global Demand and Supply Dynamics

LPG production is closely tied to crude oil and natural gas outputs. With steady production growth in the United States, the country remains the world's largest LPG exporter. The Middle East also sustains healthy export levels, benefiting from expansive refining and gas processing capacities.

One significant development on the supply side is the expected increase in US Gulf export capacity, with an additional 250,000 barrels per day by Energy Transfer set to come online by mid-2025. This expansion will likely support stronger demand for LPG shipments, particularly to Asia, where consumption remains robust.

However, introduction of US tariffs under newly-elected President Trump, geopolitical tensions, OPEC+ production strategies, pose risks to supply and demand growth and stability.

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Going into 2025, in general we live in a more uncertain world, and also the VLGC market faces uncertainties with the global demand and supply dynamics. However, overall, it could be expected that LPG freight rates to remain relatively flat. But as the year progresses, we can expect both an increased volatility and tightening of the market.

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Orderbook

The global VLGC fleet is expanding, with 13 new VLGCs scheduled for delivery in 2025. Thirteen ships are to enter the water this year is indeed low when comparing to 2024 with 22 deliveries, as well as to the 10 years average of about 25 VLGCs delivered per year.

Freight market

Going into 2025, in general we live in a more uncertain world, and also the VLGC market faces uncertainties with the global demand and supply dynamics. However, overall, it could be expected that LPG freight rates will remain relatively flat. But as the year progresses, we can expect both an increased volatility and tightening of the market.

One significant development is the expected export expansion of Energy Transfer in the US Gulf. Another key factor is the Panama Canal. With the recent changes of the Panama Canal's slot allocation policies, which are likely to reduce the number of auction slots available, could result in congestion and delays, further tightening available capacity for

VLGCs. Furthermore, the large orderbook from the Container and LNG segments pose an increasing competition for the Panama slots. Given that the Panama Canal is a crucial chokepoint for US to Asia LPG shipments, any reduction in slot availability could have a ripple effect, driving up freight levels.

As mentioned, “only” 13 new VLGCs will be added to the overall fleet capacity this year and the shipping market will, at the same time, face some temporary supply constraints. This is because as many as around 80 VLGCs are predicted to go into drydock for mandatory maintenance, six times the number of new deliveries. This maintenance cycle will effectively reduce the available tonnage, potentially creating tightness in the freight market.

Looking ahead in 2025, the VLGC freight market is expected to be a volatile year and the record levels seen during 2023 are far gone. This new normal is also underpinned by recent developments in both the TC and SNP markets, where levels have come off a bit.

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LPG as a ship fuel presents a viable solution due to its lower carbon footprint compared to heavy fuel oil (HFO) and its compliance with sulfur emission caps.

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Regulatory and Environmental Considerations

Decarbonisation Goals

Environmental regulations significantly impact LPG shipping. The IMO's decarbonisation strategy, targeting a 40% reduction in carbon intensity by 2030 compared to 2008 levels, drives investments in cleaner technologies and fuels. LPG as a ship fuel presents a viable solution due to its lower carbon footprint compared to heavy fuel oil (HFO) and its compliance with sulfur emission caps.

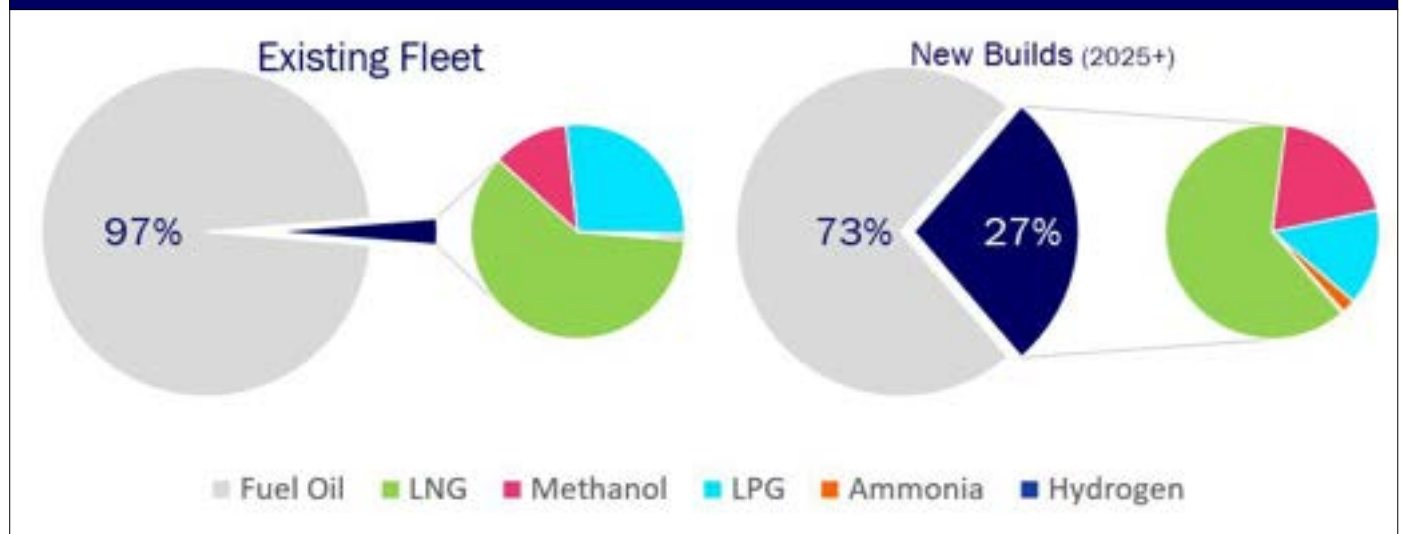
Alternative Fuels and Technologies

In 2025, shipowners are evaluating alternatives to LPG, such as ammonia, as long-term decarbonisation solutions. However, infrastructure limitations and higher costs make LPG an attractive transitional option. Investments in carbon capture technologies and operational efficiency enhancements, like slow steaming and hull optimisation, are also gaining traction.



Vessel Fuel Types used across Major Shipping Segments

Transition away from Fuel Oils 27% of Newbuilds leverage alternative, lower carbon fuels



Market Development in Shipping

Action is underway

As global regulations and businesses evolve to meet emission standards, new markets and conditions are emerging rapidly. Zero-carbon fuel technologies are undergoing testing, implementation and piloting by engine manufacturers and shipowners and are gradually becoming available to broader markets.

The first methanol-fueled ship began operation in 2015, and in 2024, the first ammonia-fueled tug was converted and put in operation. Since 2022, there has been an increase in new build contracts for methanol and methanol-ready ships, alongside a growing number of ammonia and ammonia-ready ships. LNG as fuel have been used in commercial ships since year 2000, and in 2019, approximately 2% of shipping fuel

was LNG. Looking at the orderbook for new ships we will soon reach 6% of the fuel being LNG.

Currently, about 30% of new builds in order books are equipped with dual-fuel configurations, and this trend is expected to grow in 2025. We expect focus will raise from charters allowing the charters to comply with regulations in their industry, and shipowners will invest in these technologies to both comply with regulations, prepare for a changing market and to build and establish expertise in own organization. We expect this trend will continue across all segments in shipping and we expect more shipyards will build capacity and experience in building ships featuring sustainable fuels.



Outlook 2025

It has become very clear that owners and charterers are adopting and implementing decarbonisation strategies that will result in tangible emission reductions, even as the regulatory environment continues to evolve. Going forward, to limit maritime sector greenhouse gas emissions and adopt zero/low carbon fuels, it is essential that the strategies and actions from governments, charterers, energy producers and ship-owners are aligned.

Ultimately, to reach the GHG emissions reduction targets, the maritime sector will need to migrate towards zero-carbon fuels and raise the efficiency of fossil fuel usage. We will likely see growing blends of low- and zero-carbon fuels with existing fossil fuels as an interim compliance measure, until eventually a tipping point is reached with the widespread availability of cost competitive zero carbon fuels.

The transition to sustainable shipping is a challenge but also an enormous opportunity. It requires investments, innovation, collaboration and investments in new partnerships across existing and new eco-systems. By embracing the change, aligning strategy, aligning regulations, fostering new partnerships and technological advancements the shipping industry can contribute significantly to the global net zero target while it in parallel drives economic growth, investments, new jobs and knowledge sharing across the world.

At SSY we continue to serve our clients through regular briefings, the provision of online emission calculators and tools, and through expert advice on managing the zero-carbon transition.



Japan



Japan Market

2025 marks a turning point for Japanese newbuilding investments, following a cautious period since 2023. Renewed momentum will increase Japanese-owned tonnage, driven by a strong orderbook, well-capitalised shipowners, and supportive financing conditions.

The maritime sector faces transformative challenges from global economic shifts, technological advancements, and geopolitical uncertainties. While these hurdles persist, they also open opportunities for growth. Lessons from recent crises have accelerated investments in supply chain resilience and advanced technologies like AI and automation, signaling a departure from Japan's earlier fiscal restraint.

Government initiatives in infrastructure, energy security, and technological innovation aim to improve productivity, mitigate labor shortages, and enhance decarbonisation efforts. Investments in robotics, electrification, and clean-energy solutions are vital to strengthening Japan's competitiveness in the global maritime landscape.

Shipowners are well-placed to upgrade fleets with energy-efficient vessels, while innovative Japanese shipyards meet demand for sustainable tonnage. Financiers benefit from stable credit conditions and increasing green investment opportunities.

Recurring themes—labor shortages, yen volatility, rising interest rates, AI advancements, and decarbonisation—will continue shaping the sector in 2025. The industry's adaptability and commitment to innovation will determine its long-term success.



Eugene Quek
Partner & Head of Japan

Strong Orderbook, Innovation and Resilience

As Japan's maritime industry enters 2025, it does so with a robust orderbook reflecting a sustained demand for high-quality, energy-efficient vessels, even amidst a relatively subdued bulk market in 2024. As a result, Japanese newbuilding prices have stayed elevated throughout 2024 with little to no signs of softening.

We maintain our belief that the "higher-for-longer" narrative for newbuilding prices, driven by limited global shipyard capacity and stringent regulatory demands for greener shipping, will continue to persist throughout 2025. Constrained supply and limited berth availability in Japan and neighbouring constructors' markets—China and South Korea—further support the scarcity principle, that prices will stay high even within subdued physical demand environments during the year.

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These advancements are not only critical to addressing Japan's intensifying labour shortages but also integral to enhancing productivity and maintaining yard's global competitiveness.

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We uphold our perspective that unless there is a broad downturn sustained over more than a quarter across dry, wet, box, car, and gas sectors, significant newbuilding price reductions appear unlikely in the year ahead. Instead, we anticipate that any consistent improvement in the physical market has a higher propensity to drive asset prices higher, with shipowners' willingness to reinvest earnings into fleet renewals and modernisation to capture berths from 2028 and beyond, particularly in anticipation of approaching emissions deadlines starting from the next decade.

From shipbuilders' perspective, the strong orderbook provides them with the breathing room and resources to invest in enhancing domestic infrastructure and progressive technologies such to incorporate AI, robotics and automation into existing construction methods. These advancements are not only critical to addressing Japan's intensifying labour shortages but also integral to enhancing productivity and maintaining yard's global competitiveness. We believe an effort to continue integrating innovative

technologies in 2025 will allow shipbuilders to reduce costs in the long run, and mitigate reliance on manual labour, positioning themselves to meet the ever-growing demand for sustainable and energy-efficient vessels in the years ahead.

The wave of innovation driven by labour shortages extends beyond the shipyards. Across industries, Japan is accelerating its investments in transformative technologies, with the maritime sector poised to benefit directly. The adoption of advanced systems is expected to reshape operational processes, strengthen human capital, and align the industry with the broader global shift towards decarbonisation.

The overall landscape is as such that there is an emphasis in prioritising investments in electrification, sustainable energy grids, alternative energy sources, and we would go as far as to argue that smarter ship construction processes are perhaps the only way to boost capacity and resilience going forward.



A standout example of this innovative momentum this year is Japan's ambitious push to regain its former glory in the semiconductor sector. Recognising this as the critical role in global supply chains and future technological advancements, the government has pledged ¥10 trillion (approximately \$65 billion) over the next seven years to reestablish Japan as a competitive force in a market currently dominated by the U.S., Taiwan and South Korea. This commitment underscores Japan's overall willingness towards leveraging technology to address structural challenges and reduce technological reliance on external players for national interests and security.

While these advancements demand significant upfront capital and organisational shifts, we believe that the Japanese shipping industry is well-positioned to embrace these opportunities in the coming year. Strong balance sheets and consistent earnings from recent market cycles shall provide the financial foundation for reinvestment in tonnage upgrades and innovative technologies. Making these strategic moves not only addresses immediate labour and regulatory challenges, but serves to position the maritime sector to capitalise on long-term growth in an increasingly competitive global market.

Currency and Interest Rates

The Japanese maritime industry is set to face a complex monetary environment in 2025, with interest rates and foreign exchange movements playing a pivotal role. As widely expected, the Bank of Japan (BOJ) has raised short-term interest rates last week from 0.25% to 0.5% as part of its gradual shift toward normalising monetary policy. This move aims to solidify the BOJ's inflation target while supporting a "virtuous cycle" of wage growth and increased consumer spending. Rising wages, spurred by labour union demands exceeding 5%, are expected to push operational costs higher for local businesses but yet critical to addressing Japan's long-standing deflationary pressures and stimulating domestic consumption. If these trends persist, we anticipate further rate hikes by the BOJ in the latter half of 2025.



While higher interest rates and wages will increase the cost of capital and operations, we believe well-capitalised shipowners with manageable debt ratios and steady earnings will remain resilient. These owners, having benefited from years of favourable financing conditions and robust market cycles, are well-placed to absorb the additional costs. Investing from a position of financial strength in 2025 will be a significant advantage, enabling shipowners to lock in strategic fleet renewals and modernisation plans while preparing for future market developments.

On the foreign exchange front, the BOJ has signaled its readiness to act to strengthen the yen below the 160 threshold against the dollar. We expect the yen to gradually stabilise within the 145–150 range during the year, provided the BOJ manages to introduce interventions and monetary policies effectively. For shipowners, a stable yen reduces currency risks especially when yen loans are paired with dollar earnings, ensuring predictable cash flows and returns.

Most shipowners who have financed projects using JPY-denominated loans over the past two years have generally based their financial calculations on an assumed exchange rate of

approximately JPY ¥145 to the greenback. For newbuildings scheduled for delivery in 2025, exchange rate staying range bound provides a strong foundation for financial planning. With cash flows aligning closely with these projections, owners can benefit from greater predictability in their financial performance, reinforcing the stability of their investment outlook.

The yen's stability will also depend on the interplay between Japanese monetary policy and actions taken by the U.S. Federal Reserve. While the Fed may move toward rate cuts, persistent inflation in the U.S., along with policy shifts under the Trump administration, could limit the scope of easing. We believe this should keep U.S. interest rates relatively high, indirectly supporting a stronger dollar and limiting yen movements.

Overall, we believe domestic owners are well-positioned to navigate these monetary challenges.

A stable yen, combined with strong financial fundamentals among owners, will provide the confidence needed to execute fleet strategies effectively. This adaptability will be essential in ensuring competitiveness in 2025.

Trade War and Geopolitical Risks

Geopolitical risks are expected to intensify in the years ahead, with the ongoing power competition between the United States and China driving protectionism, sanctions, export controls and tariffs. These measures are likely to exacerbate economic friction, and while global trade has shown resilience so far, this could shift dramatically if newly elected U.S. President Trump introduces a wave of new tariffs and imposes sanctions beyond grand posturing to get parties to the negotiation table. In response, diversification efforts are expected to increase, with exports rerouted through alternative transit paths to mitigate disruptions.

By 2025, the beneficiaries of these geopolitical shifts are likely to emerge, particularly countries leveraging new trade routes to boost exports. For domestic owners, escalating tensions and economic frictions are prompting the need for strategic adjustments, such as forming new partnerships and alliances, and realigning business away from counterparts which are exposed to high political risk.

This year alone we have continued to see shipowners adopting cautious strategies to mitigate geopolitical risks, including some who have avoided new investments into Chinese shipyards to reduce exposure to a potential political fallout. On the other end of the spectrum, we witness fresh interest in Chinese constructed ships from domestic owners increasingly as the price gap between Chinese-built vessels and those constructed locally widens, while quality disparities continue to narrow for low complexity ships in Bulk Carriers. This polar opposite approach in navigating the evolving dynamics highlight the immense and growing complexity of the geopolitical and economic landscape.

National policies are contributing to a more fragmented global order, with significant implications for trade and investment. The divergence in strategies among domestic shipowners is expected to persist in 2025, as there is no one-size-fits-all approach to navigating these challenges. One of the main challenges for owners in the coming year will be to continue adapting to the unique pressures of an increasingly unpredictable world.

While the physical market remains delicate, we contend that historical patterns are set to be disrupted as we increasingly yield to powerful macro-forces that push us away from the traditional business cycle. While volatility will remain a central theme, we anticipate that economic benefits will begin to outweigh political risks, provided these risks prove to be less severe than expected in 2025. This should drive greater willingness among domestic owners to capitalise on favorable economic openings by contracting newbuildings in China, given the ongoing constraints in supply within the domestic shipbuilding sector.





Decarbonisation and Sustainability

The decarbonisation narrative continues to shape the maritime industry, with Japan maintaining its position at the forefront of this transition. As a whole, investments in alternative fuels, electrification, and sustainable energy grids remain driven by both regulatory pressures and emerging market opportunities.

Likewise in shipping, major Japanese operators have taken the lead in pushing for advancements in alternative fuels and clean energy vessels, challenging shipyards to develop innovative solutions to meet this evolving demand. While interest in dual-fuel vessels has waned slightly in the latter half of 2024, we believe that the green transition conversation is far from over. As we move into 2025, we anticipate a renewed focus on alternative fuel technologies as regulatory frameworks solidify. Notably, ammonia-fueled vessels are expected to garner increased attention as the first of these vessels enter the market, sparking further discussions on their viability and potential to reshape the future of maritime decarbonisation.

The recent California wildfires have cast a stark spotlight on the realities of climate change, bringing renewed urgency to decarbonisation efforts. We believe this heightened awareness will serve as a catalyst

to fast-track climate goals and sustainability targets, particularly as nations and industries align their priorities heading into 2025.

Regarding the demand for global commodities and energy, we take confidence in the fact that the low-carbon transition will necessitate an extraordinary global allocation of capital toward infrastructure, rivaling the scale of the Industrial Revolution. In this transformative shift, shipping markets are set to play a crucial role in facilitating and driving this significant infrastructure expansion.

The journey toward net zero continues to offer compelling investment opportunities. While the current transition framework aims to mitigate risks for investors in this space, it has yet to fully establish a strong case for channeling capital into solutions that also drive economic performance. Striking the right balance will enable shipowners to capitalise on opportunities that align with their fleet portfolio strategies and secular goals.

We remain steadfast in our belief guided by the principle that you can't pour from an empty cup—the overall health of the maritime industry has to remain as stable to ensure the effective advancement of sustainable shipping development in the coming year.



Outlook 2025

2025 offers a critical juncture for Japan's maritime industry. Strong orderbooks and well-capitalised owners provide a solid foundation for growth, but persistent challenges like labor shortages, geopolitical risks, and decarbonisation require strategic focus.

Innovation remains key. Investments in AI, robotics, and alternative energy solutions will address immediate pressures and ensure competitiveness. Decarbonisation presents significant opportunities for shipowners aligned with sustainable development goals, while proactive financial strategies will help manage rising costs and explore new markets.

Geopolitical risks and shifting trade dynamics demand adaptability. Shipowners must balance caution with bold strategies—forming partnerships, entering new markets, and leveraging technological advancements to remain resilient.

With foresight, innovation, and resilience, Japan's maritime sector can navigate 2025's complexities and solidify its role as a global leader. As the saying goes, "smooth seas do not make skillful sailors." The industry's success will hinge on its ability to innovate and adapt.



Corporate Finance



Corporate Finance



Jarl Magnus Berge
Global Co-Head of Corporate Finance



Ali Susanto
Global Co-Head of Corporate Finance

Interest Rates

As of December 2024, financial analysts and central banks broadly anticipate a gradual decrease in interest rates throughout 2025. The Federal Reserve has signaled the possibility of lowering the federal funds rate to just below 4% by year-end, contingent on continued success in controlling inflation. Similarly, the European Central Bank (ECB) has begun reducing its deposit rate, with projections suggesting it could drop below 1.5% by the end of 2025. These reductions assume sustained declines in inflationary pressures, enabling central banks to adopt more accommodative policies aimed at fostering economic growth.

Nonetheless, uncertainties persist, particularly concerning the long-term impacts of government deficit spending and potential geopolitical disruptions.

These risks are partly evident in the rise of interest rate swaps and 10-year U.S. government bond yields, which climbed to approximately 4.5% by the end of 2024, despite reductions in short-term rates.

Ship Finance Market Trends

The Ship Finance market remains divided between traditional and alternative financiers.

Traditional Financiers: Established international banks are expected to focus on low-risk projects with strong counterparty credit profiles and stable cash flows. This category also includes the growing presence of regional banks which offer very competitive financing terms for standard modern tonnage. Notably, some major banks that exited the sector during the 2008/2009 financial crisis are re-entering.

Increased collaboration among banks to share risks and reduce competition is anticipated, like NIBC's announcement of the sale of its USD \$1 bn shipping portfolio to Hamburg Commercial Bank in June 2024. Other notable M&A transactions during 2024 include Magellan Capital's acquisition of Danish Ship Finance with a loan book around USD \$5bn and Aristotiles Mistakidis acquisition of controlling stake in Greek specialist lender Agean Baltic Bank, which is understood to manage a shipping portfolio of roughly USD \$0.5bn.

Alternative Financiers: This group comprises Chinese leasing companies, credit funds, tax-driven and non-tax-driven lease providers, and ESG-focused funds. While larger leasing firms and Jolco providers often compete with traditional financiers, alternative financiers increasingly support projects that fall outside conventional lender criteria. These include non-recourse deals, higher loan-to-value financing, older or specialised vessels and decarbonisation-focused projects. We noted

some consolidation during the year with EnTrust Global's acquisition of Offshore Merchant Partners (Norway), and Quantum Pacific's acquisition of Fleetscape Capital from Oaktree.

Market Fragmentation

The shipping and offshore financing markets are expected to stay fragmented in 2025. The market is seeing an influx of capital providers, ranging from traditional banks to alternative financiers.

This heightened competition is likely to create a diverse and dynamic market landscape. Smaller and regional players are expected to capitalise on opportunities in underserved markets. For borrowers, this fragmentation presents both challenges and opportunities: navigating the wide array of financing options will require a strategic approach, while financiers will need to differentiate themselves to remain competitive.



“The growing number of participants in the ship financing market is likely to lead to further margin compression and more flexible borrowing terms across projects and companies.”

Borrowing Terms and Competition

Over recent years, most shipping segments have undergone deleveraging, driven by improved cash flows, a cautious stance on newbuildings due to historically high prices, and rising capital costs. In offshore financing, reduced leverage has largely been a result of sectoral crises, losses, and the unavailability of funding.

The growing number of participants in the ship financing market is likely to lead to further margin compression and more flexible borrowing terms across projects and companies. While blue-chip shipping companies will continue to secure the most favorable terms, smaller operators may benefit from regional banks and alternative lenders eager to support their growth strategies.

Decarbonisation and ESG Trends

Decarbonisation will continue to be a primary focus in shipping finance, with ESG-compliant projects dominating discussions. Initiatives such as offshore wind projects, carbon capture vessels, and green retrofitting are expected to attract favorable financing terms, spurred by government incentives and strong investor demand.

Conversely, oil and gas-related projects may face continued scrutiny as lenders prioritise environmental compliance and long-term sustainability in their evaluations.



Geopolitical and Regulatory Impact

Geopolitical uncertainties and regulatory developments are poised to shape the financing landscape in 2025. Sanctions, trade restrictions, and environmental regulations could influence vessel valuations and borrowing conditions, necessitating flexibility and responsiveness from financiers.

Additionally, as the International Maritime Organisation (IMO) rolls out new decarbonisation initiatives, compliance will remain a critical determinant of capital availability and cost.



Outlook 2025

The 2025 outlook for shipping and offshore finance is cautiously optimistic. Expected interest rate reductions and heightened competition among financiers are likely to benefit borrowers.

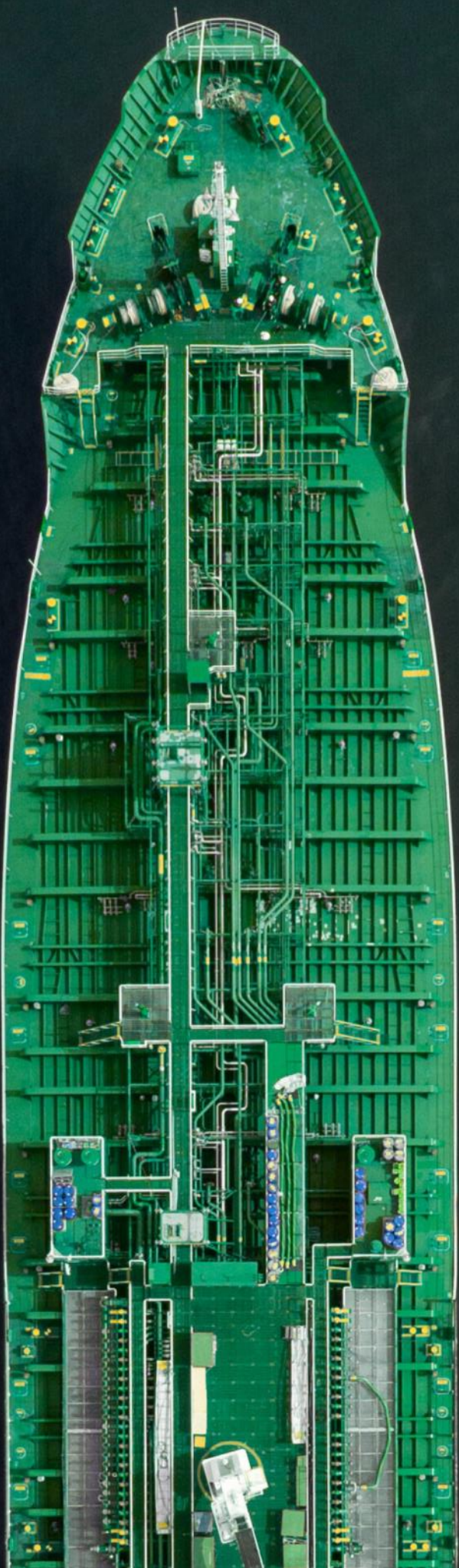
However, the LNG, dry, and wet segments have experienced softer sentiments in recent months, with declining charter rates and share prices. Should this trend persist, it may exert downward pressure on time charter rates and

values, weakening borrower credit quality, and adversely impacting financing conditions.

Nonetheless, the increasingly fragmented market and evolving regulatory environment underscore the need for experienced intermediaries to help clients navigate complexities and capitalise on emerging opportunities.



Decarbonisation



Maritime Decarbonisation



Alastair Stevenson
Head of Digital Analysis

The maritime sector accounts for approximately 3% of global greenhouse gas (GHG) emissions, facilitating the movement of goods and people that is essential to global commerce.

Historically these emissions weren't considered as they often fell beyond borders in international waters. That changed with the adoption of the UNFCCC Paris Agreement in 2015, which mandated that countries account for and mitigate maritime sector GHG emissions.

Over the past decade we have seen decarbonisation initiatives gain momentum worldwide with a growing emphasis on both the regulatory frameworks and, crucially, the implementation of practical solutions. There is no question that the focus on GHG emissions and the carbon intensity of fuels will intensify in the coming years, providing a multitude of challenges and opportunities for the shipping community.

Regulations

Decarbonisation regulations have been evolving at a global, regional, national and local levels. A key challenge facing the maritime community is ensuring that these regulations are aligned and applied consistently across all jurisdictions, and that they are properly reflected in shipping contracts.

Global

Since the 2015 Paris Agreement, the International Maritime Organisation (IMO) was tasked with developing a GHG response.



Cato Esperø
Project Director & Head of Alternative Fuels

An Interim Strategy was agreed in 2018, aiming to reduce maritime GHG emissions by 50% by 2050, relative to 2008 levels, and introducing the EEDI, EEXI and CII vessel GHG performance and operational metrics.

In mid-2023 a more aggressive Greenhouse (GHG) Strategy was adopted, targeting net zero by 2050, as well as interim milestone targets, which would be achieved through the implementation of technical and economic measures. The road map for achieving the 2023 strategy remains somewhat nebulous as the IMO has struggled to achieve consensus on the technical and economic measures and we'll be looking to the IMO MEPC83 meeting in April for further guidance.

Regional

Perceptions of slow progress at the IMO have led to a regional response, chiefly from the EU and EEA countries. The EU's Green Deal, or #Fitfor55 initiative, was launched in mid-2021 and, for the first time, included specific decarbonisation measures for the maritime sectors to be implemented over time and as part of an overriding objective to reduce GHG emissions at least 55% by 2030.

The first of these was the inclusion of the maritime sector into the EU Emission Trading System (EU ETS) from the beginning of 2024. This required owners of all vessels over 5,000 GT (including non-EU owners) to offset their assessed emissions on EU voyages by surrendering EU allowances (EUAs) annually from their Maritime Operator Holding Accounts (MoHAs). These allowances can be purchased in physical and financial carbon markets, and the EU's polluter pays principles placed the onus of paying for EUAs on the consumer—typically the charterer.

2024 has seen the maritime industry adapt to these new regulations and we are currently in the midst of the 2024 compliance/verification period ahead of September offsetting (surrendering) for 2024 emissions.



The next instalment of the EU's Green Deal is the FuelEU Maritime initiative that commenced at the beginning of this year and aims to encourage low and zero carbon fuels on EU voyages. FuelEU operates in addition to the ETS and sets a penalty for vessels in a compliance deficit where they consume fuels above the FuelEU carbon intensity threshold. This threshold will tighten significantly every five years.

In practice, this will mean that HFO burning vessels will pay a growing penalty on their compliance deficits over time – starting at close to \$30/t on a fuel oil basis for international voyages. LNG vessels will initially operate with a compliance surplus, but as the carbon intensity threshold declines they will incur compliance deficits and penalties from the mid-2030s. Methanol and biofuels will also achieve compliance surpluses over the next decade, but only zero carbon fuels will avoid compliance deficit penalties in the long term.

The compliance surpluses achieved by biofuels has gained considerable attention. By blending biofuels with fuel oil, the weighted average carbon intensity of the fuels consumed can be reduced below the 2025-29 threshold. Critically, there is an economic

incentive to blend biofuels because the the added cost of blending can be lower than the compliance deficit penalty. A key question is whether there will be a sufficient supply of EU certified biofuels with incremental demand expected from multiple industries.

Meanwhile, the owners of vessels with a compliance surplus (LNG, biofuel blends etc) are examining the economic merits of banking their surplus forward or monetise by selling their surplus into a pool. The FuelEU pool allows vessels to enter a single pool each year, where vessel surpluses are netted against vessel deficits and where, in a commercial pool, compensation is paid.

The big question for vessel pools is the value of a compliance surplus to a vessel with a deficit. Clearly this is capped by the compliance deficit penalty, but it may also be capped cost effective biofuel blending alternatives. For a VLSFO consuming vessel, three FuelEU options are summarised in the following chart but these economics are likely to change as we get a better feel for the quantity of surpluses available and biofuel supply/demand.

FuelEU Maritime

Minimising 2025 costs for a VLSFO-fuelled vessel on an international voyage into Europe





“The shift from fossil fuels to sustainable energy presents significant opportunities in both the short and long term.”

Further Green Deal initiatives include the Carbon Border Adjustment Mechanism (CBAM), taking effect next year, as well as the Alternative Fuels Infrastructure and the Renewable Energy Directive. Each adds another compliance layer or vessel owners and, in some cases, to charterers.

National and Local Regulations

National and local maritime decarbonisation initiatives have also been growing in abundance. These start with a plethora of Voluntary National Action Plans, all as part of the IMO's 2023 GHG Strategy, but many also reference the “green corridors” where emission reductions are targeted more efficiently on specific routes and vessel types.

ETS schemes are garnering more discussion, with UK and South Korea programs now applying to domestic shipping, while the proposed Turkish ETS would pick up international port visits later this year. In China, the 30-60 strategy (peak carbon emissions by 2030 and neutrality by 2060) includes commitments for LNG and battery fuel utilisation and will, reportedly, also require owners to submit emissions data to the Chinese government.

Local jurisdictions and particularly port authorities have also been introducing decarbonisation measures. These range from the provision of shore power and LNG/biofuel bunkering initiatives, similar to the EU, but extends to proposals to differentiate port fees based on the vessel's carbon footprint.

Green Transition Opportunities

The shift from fossil fuels to sustainable energy presents significant opportunities in both the short and long term. This transition drives innovation, creates jobs, boosts economic activity, and lead to substantial investments worldwide across both existing and new ecosystems. Regulatory changes and investments in renewable energy and low-carbon fuels will gradually reduce the carbon intensity in our energy consumption, paving the way toward Net Zero. Countries that successfully harness renewable energy will be more likely to produce green molecules that can be used globally.



The Role of Collaboration

Changing landscape and new players

This transformative journey demands both courage from policymakers and active participation from society. Some nations will lead the way in market shaping and technological development, facilitating global adoption and scaling. Currently, fossil fuels account for around 70% of energy production and benefit from large economies of scale.

To overcome this obstacle, it is imperative to foster strong collaboration between policymakers, energy producers and consumers to drive a shorter, cost-effective and efficient green energy transition.



Experience Matters.

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