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Tankers to benefit from Deepwater Horizon spill

Delays to refinery deliveries could push tanker rates higher

Rajesh Joshi - Tuesday 4 May 2010

TANKER rates and tanker company shares could benefit from the uncontrolled Deepwater Horizon oil spill, according to industry experts.

Wall Street reflected the changed sentiment on Friday when shares in Frontline and General Maritime gained 4%-5%. Teekay and Overseas Shipholding Group also benefited.

Shipbroking house Compass Maritime Services said: “The loss of 11 workers, tragic and deplorable as it is, is overshadowed by the environmental damage — about 5,000 barrels of oil per day leak — and the financial impact. The US government has suspended new oil drilling in the Gulf of Mexico, and the spill may impregnate new regulations.

“There is also the potential impact on shipping, as the oil spill is very close to shipping lanes, especially for tankers, since a great deal of the oil imported to the US is by way of the Gulf of Mexico, particularly Texas and Louisiana.

“Assuming that efforts to stop the leak are fruitless in the immediate future, it is likely that tanker rates might be affected since vessels in the vicinity are presently forced to slow-steam and therefore lightering operations will be more time consuming.”

Tanker brokerage McQuilling Services highlighted the potential impact on US refining. The immediate impact on US gasoline prices was unclear at the weekend.

The US Petroleum Administration for the district that stretches from Alabama to Texas accounts for 48% of US crude runs, or 8.5m barrels per day of refining throughput. McQuilling said some 7m bpd of this was contributed by 14 major refiners active in the area, led by ExxonMobil, Valero, Motiva and ConocoPhillips. These majors source much of their crude from tanker imports.

McQuilling said: “While some of their vessels deliver cargoes direct into Gulf ports, others lighter their crude from offshore anchorage sites. The effects of the encroaching spill upon seaborne traffic and anchorage areas are yet to be fully realised, but the potential dilemma posed to US refiners and impending delays to tanker deliveries is certainly worth paying close attention to.”

Analysts’ estimates on clean-up costs have ranged from $1bn-$7bn. The owners of the leaking well, 65% shareholder BP, 25% shareholder Anadarko and 10% shareholder MOEX 2007, are responsible for the clean-up. They have not published an estimate, but BP has confirmed it is spending $6m a day.

Switzerland-based Transocean owned the semisubmersible Deepwater Horizon. The basic financial impact on this company is estimated at more than $1bn, including $600m in the cost of the rig and a similar amount on lost lease rent.

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