

D'Amico sees growing Chinese impact on product tankers demand

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Beijing's move to temporarily freeze fuel pricing could also result in greater product exports.

China's new product export quota offers employment opportunities for product tanker owners

CHINA is playing an increasingly important role for product tankers, helping to spur cargo-carrying opportunities and boost owners' bottom lines, according to major product tanker owner d'Amico International Shipping.

"We're seeing that route being created," d'Amico International Shipping chief executive Marco Fiori told Lloyd's List, speaking from Milan.

China's transformation from creating oil products for its domestic market to being an exporter is one of the tanker industry's most intriguing developments, he said.

China's state-owned refineries have applied for more gasoil export quotas this year, he explained, pointing out that diesel exports are likely to grow as diesel constitutes more than 40% of Chinese refinery output.

In addition, China's energy company Sinopec has offered financial incentives to its refining subsidiaries to export product in order to maintain high refinery runs, while China's so-called teapot refineries are attaining rights to start exporting oil products.

Moreover, Beijing's move to temporarily freeze its fuel pricing could also result in greater product exports as refiners will be looking to the export market to cash in on higher margins, due to domestic prices being kept artificially flat.

There are usually four Chinese export quotas per year, however the 2016 one, at 21m tonnes, is much higher than those of 2015, according to the International Energy Agency.

"This opens the door to even greater Chinese exports," said the IEA recently.

On the back of strong margins towards the end of 2015, China's gasoline exports surged in December to 880,000 tonnes, or 7.5m barrels, which was nearly double the monthly average between January and November, according to Arrow Research.

Consequently, d'Amico, which controls a large fleet of 50 product tankers, expects 2016 to be another strong year for product tankers on the back of trade flows, if not quite as robust as 2015.

However, tanker shares might still not put in stellar performances in 2016, as investors continue to back away from shipping.

The "downside pressure" on tanker company values has been caused by this general caution towards shipping across the board, despite tanker companies earning well, lamented Mr Fiori.

The poor performance of certain sectors such as containers, dry bulk, offshore and shipyards means "everybody gets penalised," he added.

Nevertheless, tanker companies are all in the same boat, and so d'Amico plans to maintain its focus on earnings and improving on the [\\$54.5m net profit achieved in 2015, the best result since 2009](#).

Mr Fiori, however, was coy on whether this meant boosting its joint venture partnerships.

It currently has solid ties with Japan, having established High Pool Tankers with Nissho Shipping Co and Mitsubishi Corp in 2003.

In addition, it has a joint venture, DM Shipping, with Mitsubishi, and has in the past talked about broadening the scope of its relationship with the Japanese company.

"We're always looking at something," said Mr Fiori.

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