May 2025

Shipping Market Review

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Partnership

The sustainability agenda is evolving beyond its traditional focus on climate change.

Today, the protection of biodiversity is emerging as a core pillar of global sustainability initiatives, standing alongside climate action in importance. While the challenges associated with biodiversity are inherently more complex, the financial costs of addressing them are comparatively lower than those of mitigating climate change.

In recognition of this critical development, Danish Ship Finance has partnered with DFDS to examine how the shipping industry can advance its efforts to safeguard ocean biodiversity.
We extend our sincere thanks to Jakob Steffensen, Director of Biodiversity and Eco-innovation at DFDS, for his invaluable contribution and collaboration to this important initiative.

DANISH SHIP FINANCE

DFDS

Perspectives and key takeaways

A public–private partnership for ocean science

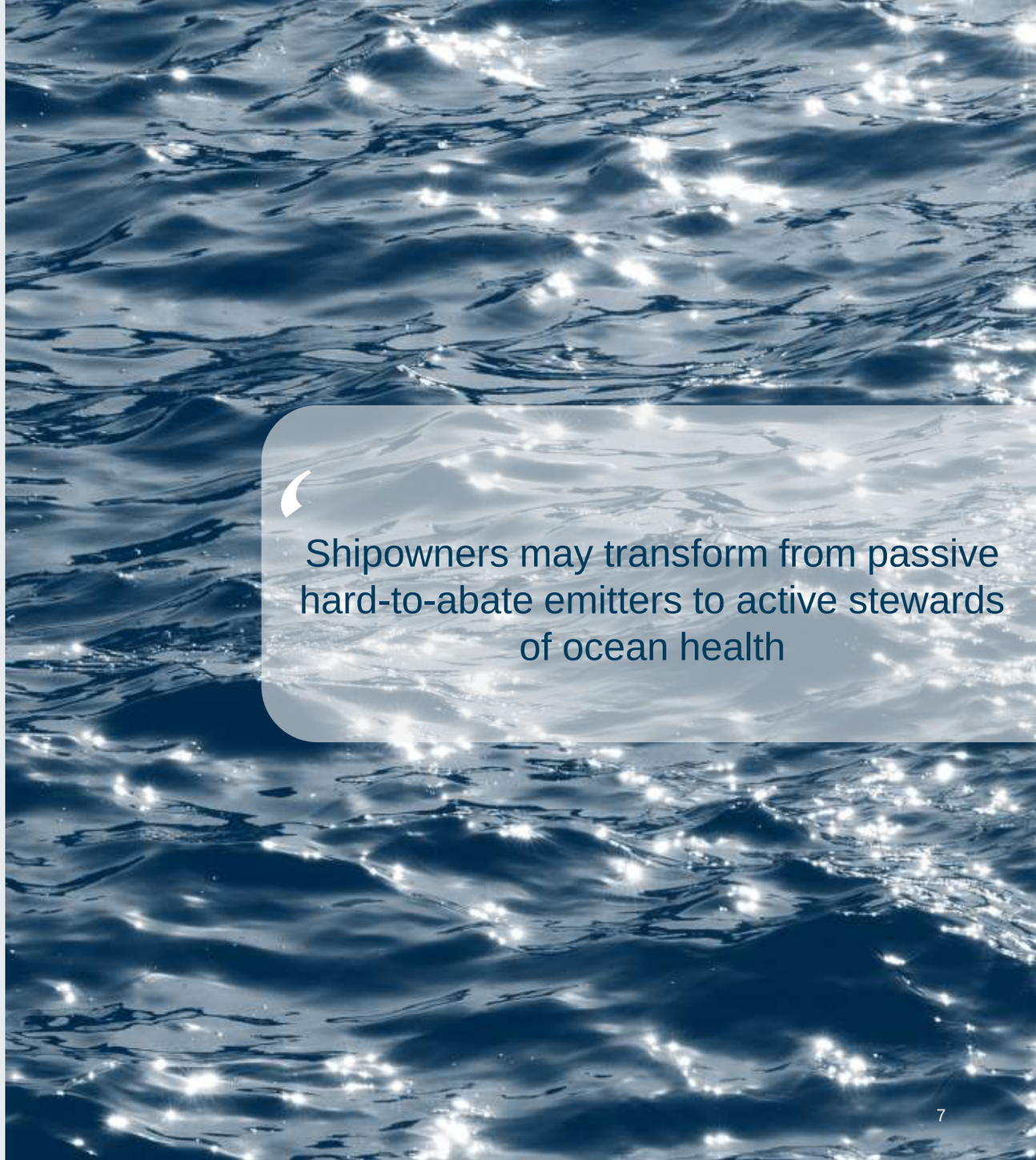
Outside the shipping industry, the climate agenda is losing momentum as political support weakens and global priorities shift. Improved energy efficiency continues to be the short-term priority for shipowners navigating the climate agenda, while the industry is exploring ways to incorporate alternative fuels into its decarbonisation journey.

Heightened focus on transition risks
The new IMO Net-Zero Framework (MEPC 83) intensifies pressure on shipowners to allocate capital toward long-term decarbonisation. Yet many climate-focused investments reduce emissions without addressing critical environmental risks such as biodiversity loss. Strategies that focus solely on carbon reduction, while overlooking biodiversity, risk undermining long-term operational efficiency, increasing exposure to future regulatory demands, and triggering costly retrofits.

Protecting ocean biodiversity
This report proposes that shipowners should widen their focus to include less capital-intensive but equally vital areas such as biodiversity preservation. Even when operating within regulatory bounds, shipowners may inadvertently impact ocean biodiversity due to limited awareness. The good news is that targeted operational and behavioural changes can significantly reduce a vessel's biodiversity footprint, often without the need for major investment.

Increased investment in crews
Shipowners will need to invest in crews and shore-based teams, however, and advance their digital maturity by introducing data-driven route optimisation tools that allow adjustments to routing, speed, and discharge practices in ways that actively minimise biodiversity impacts. Future voyage planning, particularly in ecologically sensitive regions, will balance emission efficiency with equally important environmental risk considerations.

Creating a partnership for ocean science
The shipping industry is not one of the primary drivers of global biodiversity loss, but shipowners do have the potential to become active stewards of ocean health by turning routine operations into a global platform for collecting ocean data. In doing so, the shipping industry can start to shed its reputation for primarily being a passive hard-to-abate emitter and become an integral part of the global environmental solution toolbox. In this model, public investment would cover the cost of sensors and equipment, while shipowners would continue to operate the vessels, effectively creating a public–private partnership for ocean science.



> Shipowners may transform from passive hard-to-abate emitters to active stewards of ocean health

Navigating the Climate Journey

The commercial architecture supporting the journey is still under construction

… it is difficult to justify a major capital commitment against a cost line that offers no upside beyond regulatory compliance.

The shipping industry's road to decarbonisation remains bumpy, but the destination is coming into increasingly sharp focus, even though the industry's commercial architecture supporting the journey is still under construction.

Paving the way for decarbonisation

Many of the technical and regulatory barriers that have hindered the shipping industry's decarbonisation efforts now appear closer to being resolved. However, not all proposed solutions are straightforward to implement. Some entail significant costs, while others do not — in most cases, though, existing business models will need to evolve before economic incentives align. Only then can progress extend beyond the lowest-hanging fruit.

New fuels continue to present challenges

The adoption of new fuels is an issue in itself. Pilot projects, green corridors and local initiatives are already driving some progress, but there seems little to indicate that the shipping industry, in isolation from other industries, can build a demand signal which translates into broad-based production of hydrogen-based fuels that are distributed globally. This even applies in a scenario where shipping regulators manage to close the green premium.

De-risking fuel investments remains critical

Fuel producers face substantial upfront capital requirements when developing new production capacity. Long-term offtake agreements with creditworthy counterparties are critical for de-risking these investments. Yet in the fragmented shipping sector, few shipowners have the balance sheet strength or strategic mandate to enter long-term fuel procurement commitments. Traditionally, such investments fall within the remit of institutional investors and infrastructure funds, but these also require a strong, unambiguous demand signal before deploying capital.

Many do not directly bear the cost of the fuel

For most shipowners, the business case for entering long-term fuel offtake agreements is weak, beyond speculative plays on future fuel prices. Many do not directly bear the cost of the fuel that their vessels consume, while others see fuel as a significant operating expense, rather than a value-generating asset. From an investor's perspective, it is difficult to justify a major capital commitment against a cost line that offers no upside beyond regulatory compliance.

Strategies to financially reward operational excellence

Regular readers of this report will recall our earlier arguments for business model innovation in vessel ownership — in which we have proposed shifting away from the asset game and towards cash-flow-stable long-term contractual partnerships with cargo owners. We have advocated for diversifying revenue streams beyond traditional freight rates by linking equity returns to operational performance. In this model, fuel consumption is benchmarked per voyage, with a pre-allocated fuel budget. "Fuel not used"— but paid for out of the fuel budget — serves as an equity kicker, directly rewarding operational excellence and fuel efficiency.

Delivering higher returns on invested capital

This model has yet to gain widespread traction in the shipping industry. For many, it may appear unnecessarily complex, particularly following a period of surging asset values and strong investor returns. However, for stakeholders committed to the decarbonisation of shipping, it represents one of the few viable pathways for translating long-term investments in energy efficiency into higher returns on invested capital. Crucially, this holds true regardless of who bears the fuel cost, or which fuel is ultimately used.

A Shifting Global Agenda: Balancing Environmental and Geopolitical Priorities

The global decarbonisation agenda appears to be entering a period of recalibration. Political and financial support for large-scale climate initiatives has weakened, with several major investments, particularly in hydrogen and other capital-intensive technologies, either delayed or cancelled. Broader sustainability regulations are being scaled back or eased, reflecting a shift in priorities as governments and industries grapple with competing pressures such as energy security, inflation and geopolitical uncertainty. The risk to decarbonisation is a sustained loss of momentum at a critical juncture, despite the IMO's continued drive through its Net-Zero Framework.

Long-term risks to planetary health

The environmental impacts of climate change are already materialising in ways that are becoming increasingly severe and difficult to ignore. Rising sea levels, extreme weather events, shifting ocean currents, and the degradation of marine ecosystems are no longer projections but measurable realities.

These developments pose long-term risks to planetary health and create immediate operational and financial challenges for global industries. The growing frequency and intensity of climate-related disruptions underscore the urgency of the need for sustained environmental action, regardless of short-term political or economic cycles.

Biodiversity and ocean stewardship

This moment offers an opportunity for the shipping industry to widen its focus to include less capital-intensive but equally vital areas such as biodiversity preservation and ocean stewardship.

A core business strategy

Climate leadership today is less about avoiding risk and more about shaping the conditions for long-term value creation. Sustainability is more than a compliance task; it is a core business strategy, even as other urgent global issues demand short-term attention.

> *… the shipping industry to widen its focus to include less capital-intensive but equally vital areas such as biodiversity preservation and ocean stewardship.*

Strategic Capital Allocation for Environmental Risk

Global capital allocation is shifting in response to an increasingly complex geopolitical landscape. Indicators suggest that environmental priorities are at risk of being downgraded, despite the growing financial materiality of climate change and biodiversity loss.

Capital stewardship
This is particularly relevant for shipowners, as investment decisions made today will shape their future exposure to environmental risks and influence long-term returns on invested capital. Prudent capital stewardship demands that capital allocation strategies fully integrate both climate- and nature-related risks, ensuring alignment between near-term financial performance and long-term operational resilience and strategic flexibility.

Climate and biodiversity protection
Many climate investments (i.e. decarbonisation measures) result in lower greenhouse gas emissions but do not necessarily mitigate the environmental risks associated with biodiversity loss. Recognising and accounting for this distinction is essential to make climate investments resilient to a broader set of environmental challenges — while still being aligned with evolving regulatory, stakeholder and market expectations.

Navigating long-term sustainability risks
Investors are having to navigate a delicate and complex balance between short-term financial results and long-term sustainability risks. While deferring sustainability-related investments today may appear attractive in the near term, it could lead to declining operational efficiency, increased downtime, costly retrofits, or early asset obsolescence in the future.

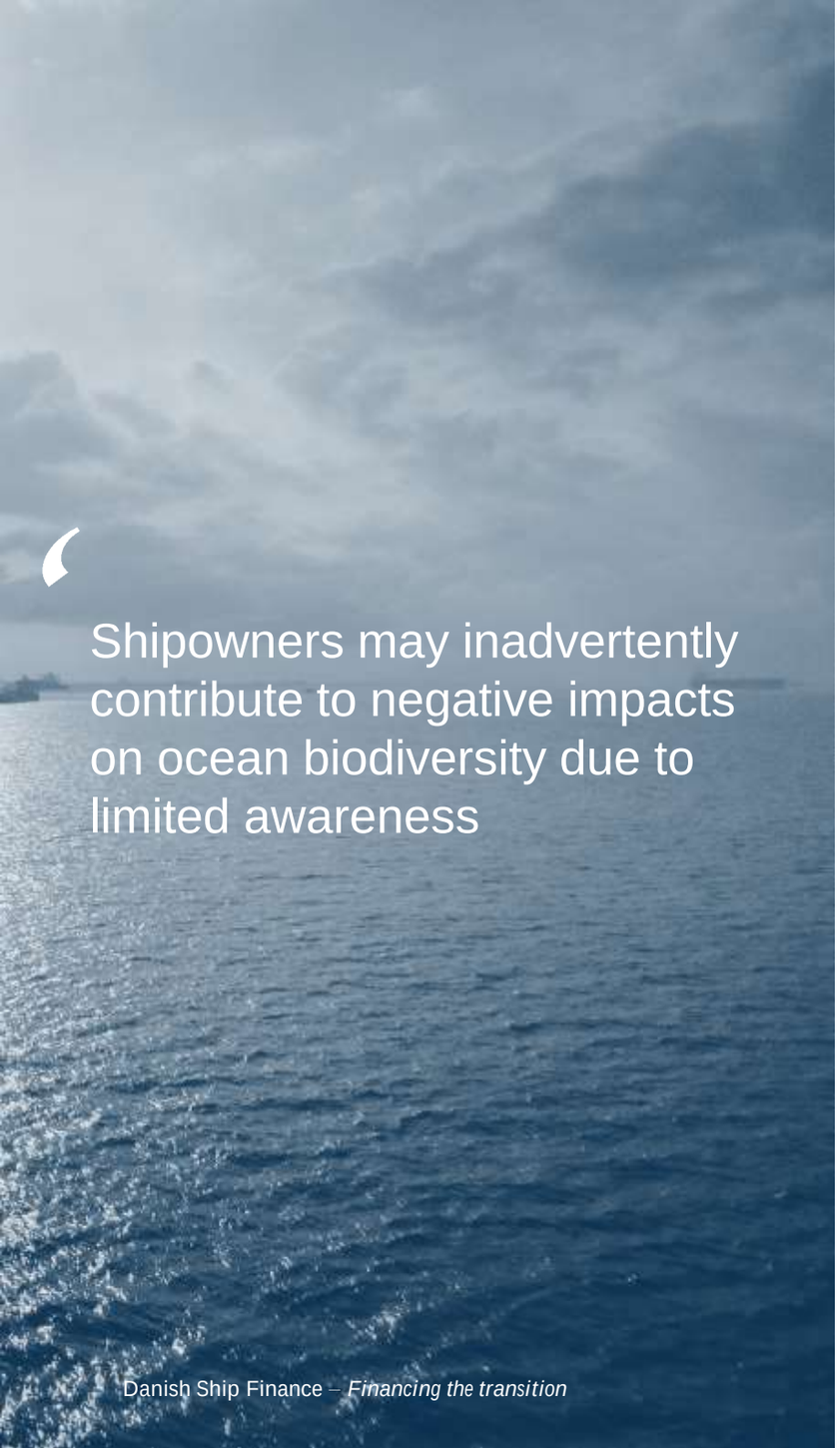
Early signals of transition exposure
The valuation of publicly listed companies can be affected well before these risks fully materialise, as capital markets are increasingly attuned to early signals of heightened transition exposure.

Rising stakeholder expectations
Shipowners that view capital allocation through a short-term lens may prioritise immediate returns while overlooking longer-term transition risks. Although this strategy may deliver higher yields to investors in the near term, it could lead to rising costs over time as cargo owners, banks, insurers and institutional investors increasingly factor climate- and nature-related risks into their pricing, lending and underwriting decisions.

Minimise the total cost of ownership
This challenge is particularly evident in the context of fleet renewal. Integrating biodiversity considerations at the ship design and newbuilding stage presents a strategic opportunity to minimise long-term environmental and financial risk. By proactively addressing potential biodiversity impacts, shipowners can minimise the total cost of ownership by reducing the likelihood of future retrofits, which are often costly and disruptive (i.e. operational downtime, crew training, and compliance risk).

Low incremental cost
Many of these design adaptations can be incorporated during construction at relatively low incremental cost, especially compared to the commercial and operational expenses associated with retrofitting vessels later to meet evolving environmental standards.

A forward-looking approach to shipbuilding
The ambition to minimise future retrofitting costs and the growing awareness of protecting long-term asset values through future environmental compliance underscore the importance of taking a forward-looking approach to shipbuilding.



> Shipowners may inadvertently contribute to negative impacts on ocean biodiversity due to limited awareness

Beyond Climate: The Silent Crisis of Biodiversity Loss

Optimising emissions efficiency while safeguarding biodiversity

The Kunming-Montreal Global Biodiversity Framework, adopted by nearly 200 countries in December 2020, is considered a landmark agreement that aims to halt and reverse biodiversity loss by 2030. At the heart of the framework is the ambitious "30x30" target, which commits signatories to protecting 30% of the world's land, inland waters and oceans by 2030. The agreement is widely regarded as the "Paris Agreement for nature" and establishes biodiversity as a central pillar of global sustainability efforts, on a par with climate action.

Growing regulatory focus on biodiversity

The regulatory frameworks that guide international shipping are increasingly addressing biodiversity. Certain areas, such as the transfer of invasive species, are already subject to regulation, while others, including underwater radiated noise (URN), remain unregulated but are subject to voluntary measures designed by the IMO. Looking ahead, biodiversity-related regulation is expected to become significantly more stringent.

Low awareness undermines biodiversity protection

Despite operating within current regulatory boundaries, shipowners may inadvertently contribute to negative impacts on ocean biodiversity due to limited awareness. Key areas of concern include cooling water systems, antifouling systems, propeller design, vibration management, and light pollution from deck lighting. These operational and design elements, while compliant, can still pose significant risks to marine ecosystems.

A strategic opportunity to mitigate financial risks

Integrating biodiversity considerations at the ship design and newbuilding stage presents a strategic opportunity to minimise both long-term environmental and financial risks. In contrast, retrofitting existing vessels can incur costs that, in some cases, may not be commercially feasible. Encouragingly, however, operational and behavioural changes alone can often deliver meaningful reductions in a vessel's biodiversity impact.

Investing in crew and shore-based teams

Meeting rising expectations around biodiversity protection will require shipowners to operate within a more data-enabled environment where operational decisions are increasingly guided by environmental intelligence and region-specific biodiversity risk. Both crews and shore-based teams will need the tools, training and insights to adjust their routing, speed and discharge practices in ways that actively minimise their ecological impact.

Empowering operational decisions with data insights

In practical terms, this will require each vessel to operate with live geofencing capabilities, real-time alerts, and integrated ecosystem data that actively informs operational decisions. These systems must be able to incorporate local environmental regulations and ecological sensitivities into voyage planning and onboard practices.

Advancing to the next generation of route optimisation tools

Shipowners that adopt such systems are not only advancing their digital maturity and data-driven decision-making, but are also enabling the next generation of route optimisation — one that balances emissions efficiency with equally important environmental risk considerations. This integrated approach supports regulatory compliance while reducing operational risk.

A Call to Action

Recommended actions

Shipowners

1. Develop and embed advanced proficiency in ocean biodiversity protection across all operational levels
2. Implement advanced routing systems that optimise emissions efficiency while equally safeguarding ocean biodiversity

Regulators

3. Establish a public-private partnership for ocean science
4. Turn the merchant fleet into ocean data collectors

> … turning routine operations into a global platform for collecting data for the public good.

Ocean Stewardship: From Impact to Action

The shipping industry can become part of the global environmental solution toolbox

The shipping industry is not one of the primary drivers of global biodiversity loss — sectors such as agriculture, land use (i.e. urban development, forestry or infrastructure) and resource extraction play a more direct role. Still, the cumulative impact of human activity is accelerating the degradation of ocean environments and associated ecological systems. Pollution, overfishing, habitat loss, climate change and maritime operations are all contributing to the deterioration of marine ecosystems and the erosion of biodiversity.

The existing knowledge base remains insufficient
There are still significant uncertainties around how multiple pressures interact over time. The cumulative impacts, feedback loops and potential ecological tipping points within marine ecosystems are still not understood, highlighting an urgent need for more comprehensive monitoring and research. While scientific tools and observation networks are advancing, the current knowledge base remains insufficient to fully capture the scale, pace and complexity of changes taking place in the ocean.

More data is needed
Closing this knowledge gap will require sustained investment in data collection and closer collaboration between science, industry and regulators to enable more informed and resilient ocean governance.

The merchant fleet can support data collection
The global merchant fleet represents a vast, largely untapped, platform for advancing ocean science. With thousands of vessels operating daily across international waters, including in remote and under-monitored regions, commercial ships are uniquely positioned to contribute to closing critical data gaps in our understanding of ocean health.

… consistently and reliably
Merchant vessels offer consistent, repeatable access to the ocean's surface. Through the use of automated sensors and sampling tools on existing voyages, commercial ships can contribute to a more complete picture of ocean conditions, without altering routes or compromising operations.

Measuring surface ocean conditions
This can be achieved by installing instruments which measure surface ocean conditions, including temperature, salinity, oxygen and pH level. These systems provide high-resolution data that supports climate research and marine forecasting. Additional sensors can track dissolved CO_2 and methane, offering insights into the carbon cycle and the ocean's role as a carbon sink.

… and eDNA sampling
Biodiversity monitoring is also increasingly feasible through eDNA sampling, which allows for the detection of marine species ranging from invasive organisms to those at risk. This supports the establishment of biodiversity baselines and the tracking of ecosystem changes.

Shipowners can play a leading role
In short, shipowners have the potential to become active stewards of ocean health by turning routine operations into a global platform for collecting data for the public good. By equipping vessels with environmental sensors and sharing relevant data, shipowners can support scientific research, regulatory monitoring, and marine conservation initiatives that would otherwise lack access to high-quality, high-frequency observations across remote and under-monitored ocean regions.

… and become an integral part of the environmental toolbox
In this way, the shipping industry can start to eliminate its reputation for being a passive hard-to-abate emitter and become an integral part of the global environmental solution toolbox.

Creating a Public-Private Partnership for Ocean Science

A high-impact, low-cost opportunity for the shipping industry

Ocean data, like weather and atmospheric information, is broadly recognised as a public good. Weather and atmospheric data systems have been built through decades of public investment and coordinated agency support. As biodiversity rises on the international agenda, there is growing interest in how shared, multinational platforms, such as the European Space Agency or CERN, might serve as models for advancing collaborative approaches to ocean data. These institutions have demonstrated how strategic investment and international cooperation can deliver high-impact scientific infrastructure in support of global policy objectives.

Conventional data collection remains expensive

Collecting ocean data remains resource-intensive and operationally demanding, often relying on dedicated platforms such as research vessels, autonomous underwater vehicles, gliders, Argo floats and moorings. While these tools are indispensable, their high cost and complexity limit both the frequency and geographical reach of data collection.

A cost-effective alternative

Enrolling the fleet of commercial vessels into the global network of ocean data collectors makes it possible to establish a cost-effective, scaled collection of critical data without altering ship routes or disrupting commercial operations.

Minimal cost to shipowners

In this model, public investment would cover the cost of sensors and equipment, while shipowners would continue to operate the vessels, effectively creating a public–private partnership for ocean science.

A unique high-impact opportunity

The integration of the global merchant fleet into ocean data networks presents a strategic, scalable, and cost-effective opportunity to monitor ocean health and safeguard biodiversity. By bridging commercial operations with public science, this initiative can help address critical data gaps and advance collective progress towards biodiversity protection.

> Integrating the global merchant fleet into ocean data networks presents a strategic, scalable, and cost-effective opportunity to monitor ocean health and safeguard biodiversity.

Shipping Markets at a Glance

Shipping Market Review – May 2025

Perspectives and Key Takeways

Policy uncertainty tests global trade resilience

Shipping markets are entering a period of heightened uncertainty. Freight rates and secondhand prices are projected to normalise at significantly lower levels as early as this year. Freight rates are expected to come under pressure as fleet expansion outpaces demand, likely coinciding with a reduction in average voyage distances. Secondhand prices are likely to decline in many segments, not only due to weaker freight rates but also because of shorter expected economic lifespans for older vessels, with the latter having a more pronounced impact than lower freight rates.

A supply surplus is emerging

The orderbook across most major tramp segments is considerably more balanced than in 2008; however, even modest fleet growth becomes excessive if distance-adjusted demand declines. The low scrapping activity during the past five years has improved the respective fleets' retirement potential, but in segments such as LNG, LPG and Container, it is likely to be difficult to balance supply and demand without prematurely scrapping or laying up vessels. The appetite for ordering new vessels is expected to be heavily reduced in segments that are struggling to restore balance between supply and demand.

The world economy is drifting into deeper disunity

Geopolitical tensions were already shaping the global economy, but Donald Trump's return to the US presidency has added a new layer of unpredictability. The world is undergoing a deeper fragmentation. Long-standing global alliances are beginning to fracture, and economies are re-evaluating their supply chains, a process that first gained traction during the pandemic. The need for strategic supply chain resilience has become a critical priority. This emerging landscape demands a strategic reassessment of global dependencies and a renewed focus on resilience and regionalisation.

The cost of globalisation

Over the past three decades, globalisation and increasingly integrated trade flows have played a pivotal role in lifting millions of people out of poverty across developing economies. Simultaneously, consumers in advanced economies have reaped the benefits of abundant and affordable imported goods. However, this progress has not been without consequences. The influx of low-cost imports has contributed to the erosion of domestic manufacturing in many Western nations, heightening their dependence on foreign supply chains and exposing structural vulnerabilities.

Rising strategic vulnerability

In this newly fragmented global landscape, interdependence has shifted from being a driver of efficiency to a strategic vulnerability. Economies are now compelled to safeguard critical areas such as supply chains, energy systems, defence capabilities and technological infrastructure to ensure long-term resilience and national security. The era of global economic stability appears to be coming to an end.

The outlook for seaborne trade volumes is weakening

The sharp rise in tariffs and policy uncertainty is set to weigh heavily on global growth in the near term. What follows is less predictable. There are multiple potential trajectories, but tariffs are inherently detrimental to economic growth, trade volumes, production costs and consumer prices. For trade volumes, tariffs constitute mostly a negative demand shock that drives customers away, even if some countries could benefit from the rerouting of trade flows. When businesses face uncertainty over market access, both their own and that of suppliers and customers, their instinctive response is often to delay investment and scale back spending, thereby compounding the drag on global economic growth. There is little to indicate that there is much upside potential to seaborne trade volumes, even if some vessel segments may experience periods when they benefit from reshuffled supply chains.

Earnings and Vessel Prices

Freight rates and secondhand prices are set to normalise at lower levels during 2025

Shipping markets have benefited from temporary factors that have masked the build-up of an underlying surplus in vessel supply. Elevated freight rates have spurred a surge in new vessel orders, many of which are now nearing delivery just as travel distances are expected to decline. This imbalance suggests that freight rates may come under pressure as early as this year until demolition restores the balance between supply and demand.

Longer travel distances fuelled shipping markets between 2020 and 2024

The ClarkSea Index rose by 68% between 2020 and 2024, while the average secondhand price index nearly doubled. During this period, a supply surplus built up in the shadow of elevated freight rates, as the world fleet expanded by 14% while seaborne trade volumes grew by 8%. A mix of extraordinary events – from the Covid-19 pandemic to broader geopolitical tensions – led to a 7% increase in average travel distances, temporarily boosting fleet utilisation by 1%. The longevity of these factors remains highly uncertain, but market conditions are expected to normalise once they subside.

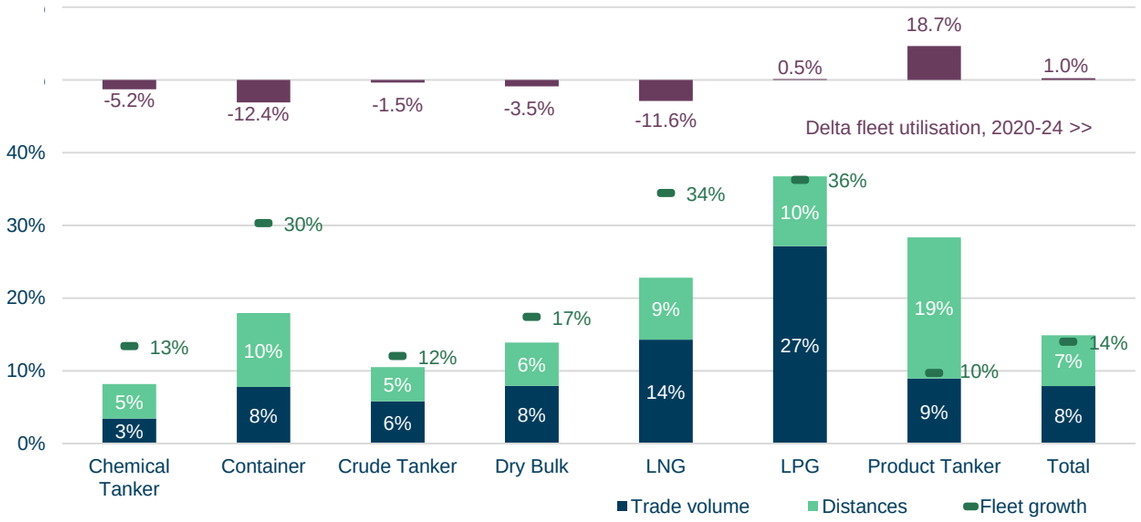
Stability does not necessarily signal a stable outlook

The ClarkSea Index has remained relatively stable over the past six months, submerged just below USD 25,000 per day – placing it among the top 30% of rates observed since 2000. Secondhand prices are similarly elevated, currently ranking within the top 20% recorded over the same period. Like freight rates, secondhand prices have also shown stability over the past six months.

High newbuilding prices for longer

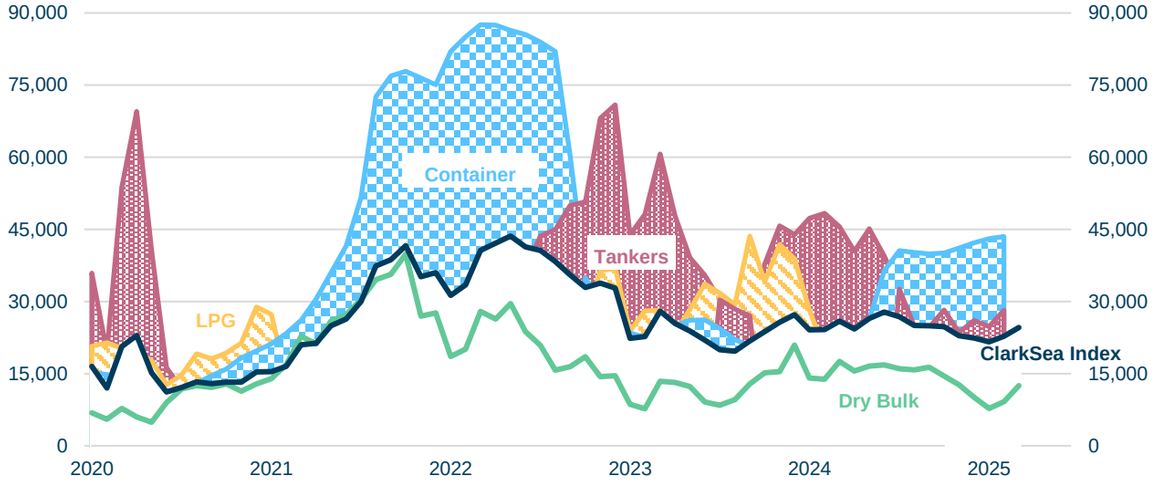
Contracting activity has surged between 2020 and 2025, nearly doubling the size of the orderbook. Newbuilding prices have risen steadily as yard capacity has become increasingly scarce, and now rank among the highest levels on record. Average delivery times remain just under three years, though some yards are booked much further ahead, while others are struggling to capitalise on the boom. There is little indication that newbuilding prices will decline in the near term, but the number of shipyards securing new orders may fall as the appetite for new vessels wanes along with softening freight rates.

Supply and demand balance*, 2020-2024



*Not including infrastructural bottlenecks

ClarkSea Index (USD per day)



Sources: Clarksons, Danish Ship Finance

Market Outlook

Fleets continue to expand ahead of demand

Supply is expected to exceed demand from 2025 and beyond. Four years of elevated earnings have triggered a surge in orders for new vessels, many of which are scheduled for delivery just as average travel distances are anticipated to decline.

Significant fleet renewal raises market uncertainty

The recent high freight rate environment has triggered a significant fleet renewal programme, enabling further improvements in emission efficiency per transported unit, though at the expense of lower fleet utilisation. However, the pace of renewal has been uneven across segments. Smaller vessel segments have driven the increase in the orderbook-to-fleet ratio, while larger tramp segments have remained more cautious.

Notable growth in Container and Gas Carrier orders

The overall orderbook-to-fleet ratio has risen from 10% in 2020 to nearly 16% in 2025. Orders for Gas Carriers have more than doubled in this period, while Container vessel orders have nearly tripled. Product Tanker orders have also nearly doubled, in contrast to Crude Tanker orders, which have almost halved.

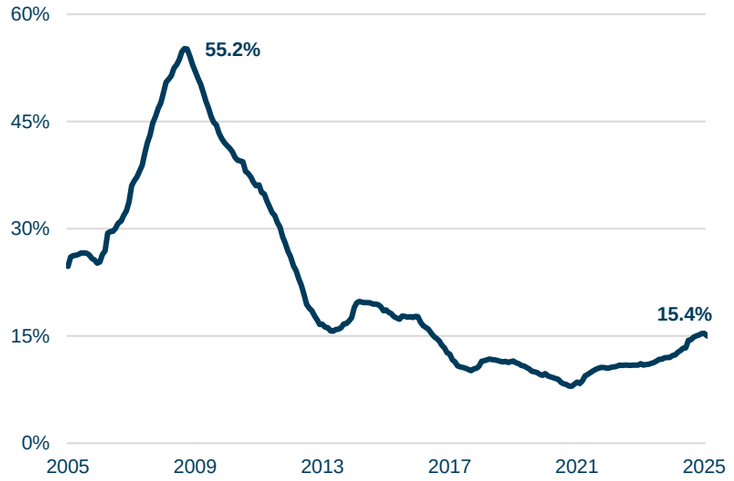
More balance in tramp shipping segments

The LNG segment has maintained an orderbook-to-fleet ratio of 50% for the third consecutive year, despite robust yard activity. The capacity of the orderbook is now over four times the number of vessels older than 20 years. Meanwhile, the LPG and Container segments face similarly large orderbooks – although theirs only exceed the older fleet capacity by a factor of two. The remaining segments appear more balanced in comparison.

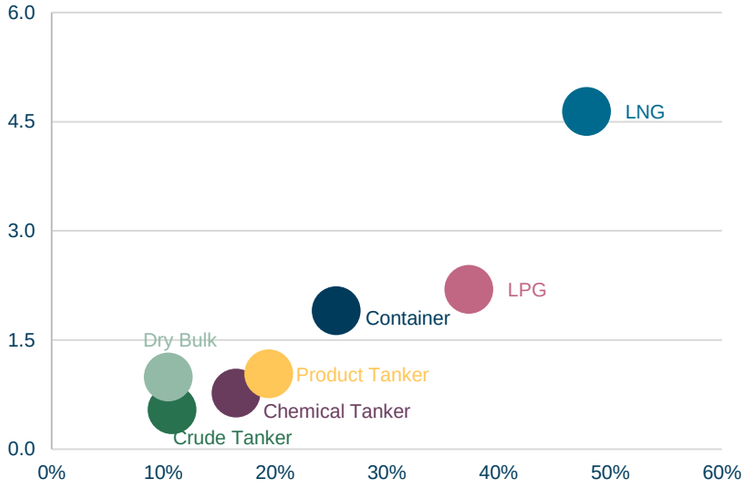
Freight rates likely to decline in 2025

All vessel segments are expected to continue expanding their fleets faster than the growth in seaborne trade volumes. Fleet utilisation is currently inflated by the longer travel distances that supported freight rates between 2020 and 2024. However, these distances have already started to decline and are expected to decrease by at least 1 percentage point in 2025. Rising geopolitical tensions and the prospective impacts of a tariff war further cloud the outlook, with both trade volumes and travel distances potentially facing a decline if tensions continue to escalate.

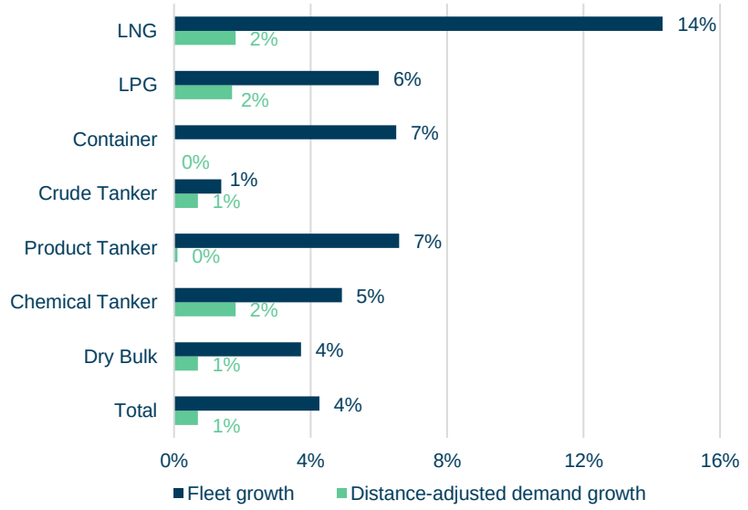
Global orderbook-to-fleet ratio



Orderbook-to-fleet ratio (%)



Expected fleet utilisation, 2025



Sources: Clarksons, Danish Ship Finance

Secondhand Price Outlook

Vessel purchases should not be rushed into – steeper price declines ahead

Scrapping activity has steadily declined since its peak in 2012, when nearly 4% of the fleet was scrapped, compared to just 0.4% in 2024. Although the fleet's potential for retirement has improved, it still seems too limited given the large orderbook and decreasing travel distances. Several signs point to falling secondhand prices from 2025 onwards, driven by lower freight rates and shorter economic lifespans for older ships.

Increased fleet availability weighs on the outlook

Not all vessel segments are equally exposed, but Product Tankers offer a useful example. The segment's orderbook-to-fleet ratio stands at 21%, with deliveries scheduled over the next four years. This represents 40% more capacity on order than the number of vessels currently over 20 years old — suggesting that, in a weak market, even younger ships may be idled or scrapped. While this in itself is not unusual, it becomes a cause for concern when factoring in the temporary effects that increased average travel distances by 19% between 2020 and 2024. If these effects begin to unwind in an already oversupplied market, it could trigger significant disruption — not only to freight rates, but also to secondhand vessel prices.

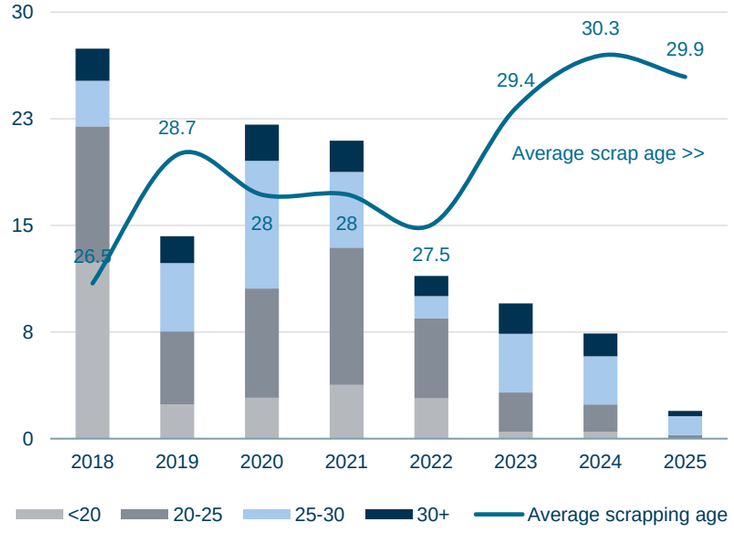
Reduced lifespan outweighs lower freight rates

Consider a five-year-old LR2 as an example of how the market may respond. In 2025, 6 million dwt of new capacity is due for delivery, while only 4 million dwt of the current fleet is over 20 years old. If demand fails to absorb the 12% gross fleet growth, lower freight rates and early scrapping are likely. In a scenario where this leads to a 30% drop in the one-year timecharter rate and a reduced vessel lifespan from 25 to 17 years, the LR2's secondhand price could fall by USD 15 million — USD 3 million from lower earnings and USD 12 million from the shorter lifespan. This would mean a 23% drop, from USD 65 million in February 2025 to USD 50 million. Even so, USD 50 million for a five-year-old LR2 would still place it within the top 30% of secondhand prices since 2000.

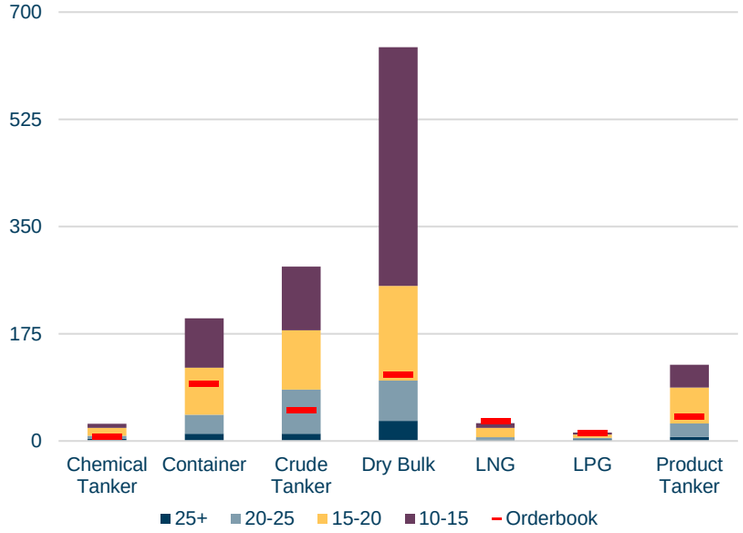
A structural reset of secondhand prices

The point is that premature scrapping may affect secondhand prices across most vessel segments even more significantly than lower freight rates until supply and demand balance.

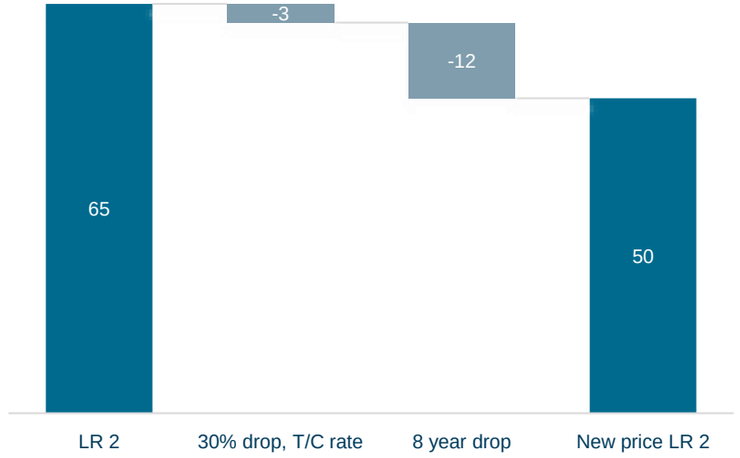
Average scrapping age and scrapping volume (million dwt)



Age distribution and orderbook size (million dwt)



Ship price, LR2, scenario (USD million)



Sources: Clarksons, Danish Ship Finance

Shipbuilding

Shipping Market Review – May 2025

Shipbuilding

A positive outlook – especially for Chinese yards

The outlook for the shipbuilding industry appears consistently positive in the short term, with utilisation rates projected to grow further from already firm levels and high newbuilding prices. Although some global capacity is sitting idle, it is the tight availability at the preferred yards that is keeping newbuilding prices elevated. Chinese yards are the centre of attention, as they are reducing delivery times and securing large order backlogs, backed by their ability to attract newbuild contracts from a wide range of vessel segments.

Status across shipbuilding countries

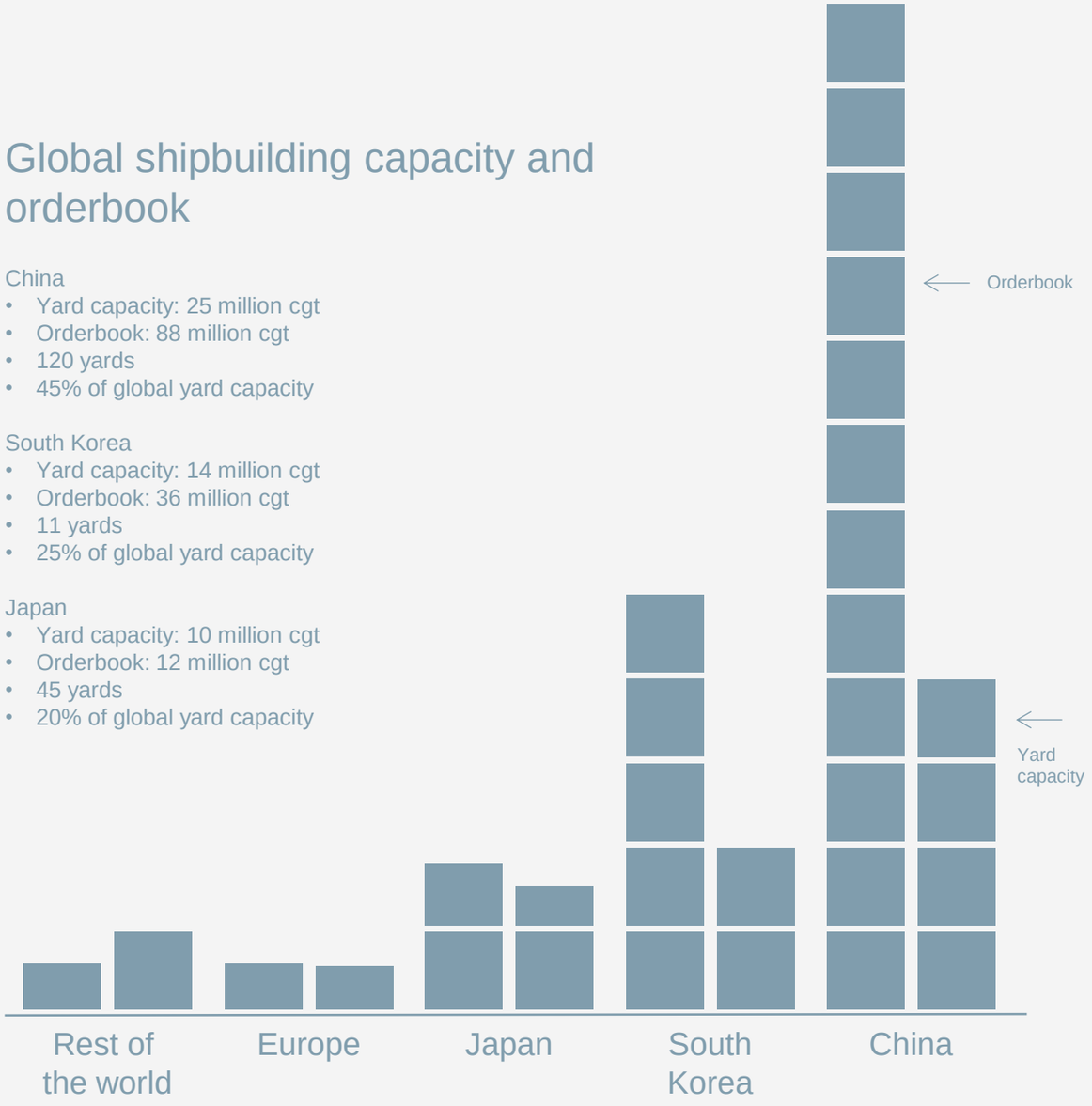
The global shipbuilding industry is, broadly speaking, defined by the three major shipbuilding nations: China, South Korea and Japan. Each of these countries brings its own story to the table. Together, they control the lion's share of global shipyard capacity, yet the balance between how much capacity they hold and how much of the global orderbook they attract is anything but proportional. The 120 active Chinese yards account for around 45% of global yard capacity, but hold about 60% of the global orderbook. In contrast, yards in Japan and around the rest of the world may find themselves underutilised, pointing to a mismatch between output capacity and commercial competitiveness. The positioning of South Korean yards appears to be well balanced in the current market, as they hold 25% of both the global orderbook and global yard capacity. These (im)balances form the entry point to our analysis.

Global shipbuilding capacity and orderbook

China
- Yard capacity: 25 million cgt
- Orderbook: 88 million cgt
- 120 yards
- 45% of global yard capacity

South Korea
- Yard capacity: 14 million cgt
- Orderbook: 36 million cgt
- 11 yards
- 25% of global yard capacity

Japan
- Yard capacity: 10 million cgt
- Orderbook: 12 million cgt
- 45 yards
- 20% of global yard capacity



Sources: Clarksons, Danish Ship Finance

Market dynamics in the Last Six Months

Newbuilding prices and contracting activity at high levels

The newbuilding price continues its trajectory towards all-time highs

The shipbuilding market finds itself in a sweet spot, with more newbuilding orders and the accompanying effect of ever fewer available yard slots for the ship types in demand. The average newbuilding price has increased almost constantly since the end of 2020 and continued its upward trend throughout 2024 before stabilising in the first three months of this year. During the last six months, the newbuilding price index has remained stable, hovering just below the all-time high observed in 2008 (at least in nominal terms).

2024 marks the second most active contracting year on record

2024 stands out as a particularly active year for newbuild contracting, surpassed only by the level of 2007. Global contracting reached 62 million cgt (equivalent to 8% of the fleet), distributed across 150 yards. During years with somewhat comparable levels of contracting (2013 and 2021), newbuild orders were placed among 180-200 yards. In relation to the size of the fleet, contracting remains below the structural high of 2007, when new orders accounted for around 15-20% of the fleet. Still, last year's total contracting measured in cgt was just 3% below all-time highs, supported by record activity in the second quarter, when new orders corresponded to 3% of the fleet. Over the last six months, contracting has totalled 1.5% of the fleet.

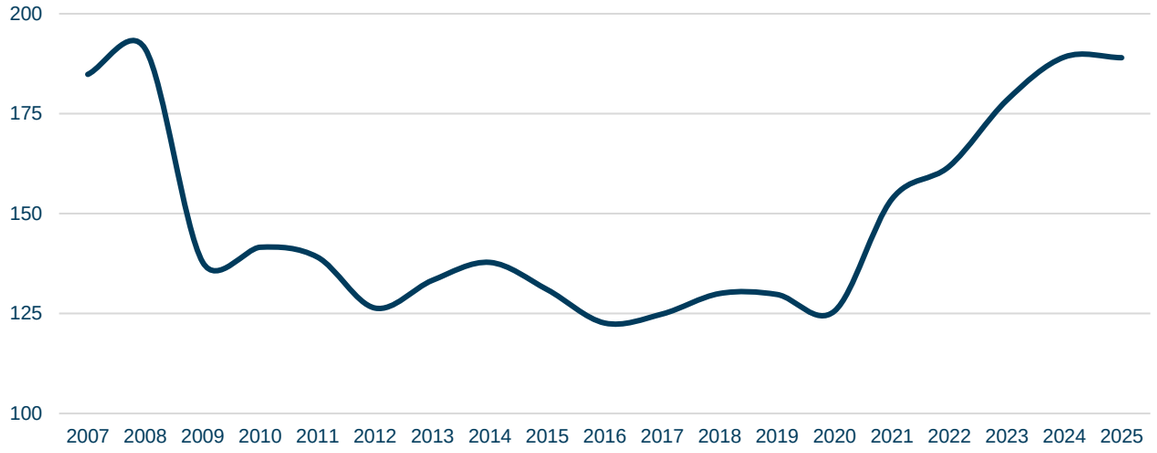
The global orderbook has grown during each of the last 17 consecutive quarters

The orderbook for vessels of a minimum of 10,000 dwt has remained steady at 140 million cgt (18% of the fleet), as contracting and deliveries have both totalled 1.5% of the fleet in the last six months. This stability follows a period of consistent orderbook growth (measured in both total cgt and in relation to the fleet), with 17 consecutive quarters of expansion between the end of 2020 and 2024 – a trend only seen once before, when the orderbook grew for 25 straight quarters between 2002 and 2008.

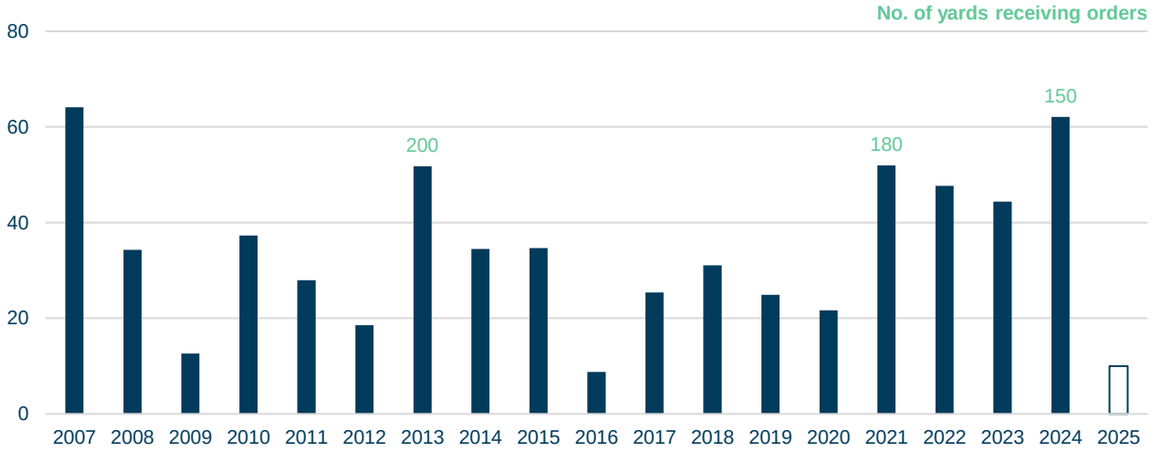
Yard capacity and utilisation

With a growing orderbook, the structural consolidation into fewer yards has been less apparent in recent years. The current orderbook is split between around 220 yards with a total annual capacity of 56 million cgt – a level that has remained almost unchanged in the last two years. In comparison, the number of active yards saw a decline of 50 yards between 2019 and 2021. The deliveries in 2024 reflected a global yard utilisation rate of 67%, up marginally from 65% in 2023. The firm global level was driven by utilisation rates at yards in South Korea and China.

Newbuilding price index



Contracting of 10,000+ dwt vessels (million cgt)



Sources: Clarksons, Danish Ship Finance

Shipbuilding Outlook (1/2): Lengthening Orderbook...

…with Chinese shipbuilders as the main beneficiaries

Global yard utilisation is expected to grow to around 70% this year. As with delivery performance, higher future utilisation rates seem to be concentrated among yards in China. A subgroup of 40 Chinese first-tier yards are expected to drive utilisation up to 2027 and a few years beyond.

Yard utilisation in China and among first-tier yards is projected to follow an upward trajectory

The 100 first-tier shipyards – representing 70% of global capacity – are set to build 93% of all scheduled future deliveries. First-tier yards will utilise almost all their capacity to deliver newbuild vessels in 2026 and 2027, up from the already high levels of 2024-2025. Meanwhile, second-tier yards are projected to see a sharp decline from this year's level. With most of the scheduled deliveries at first-tier yards set to originate in China, Chinese yards are expected to see utilisation rise from 75% this year to 90% in 2026 and 95% in 2027. In contrast, utilisation at their South Korean peers is projected to peak this year at 85%, before softening to 70-75% in 2026 and 2027. Meanwhile, the Japanese yards could see average utilisation drop from 50% this year and next to 20% in 2027 unless they secure more orders.

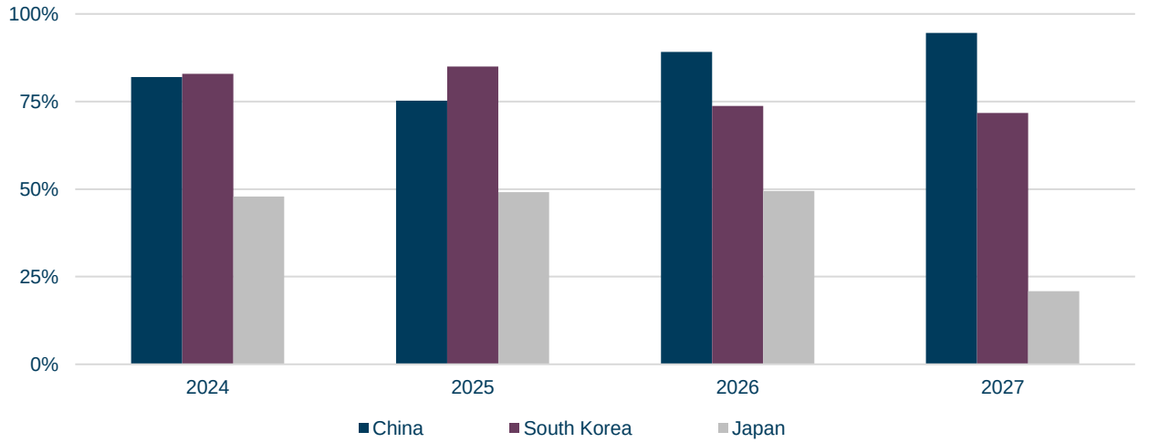
Orderbook expiry has lengthened…

At the beginning of 2021, only around 5% of the global orderbook had been due for delivery beyond the following three years. In today's market environment, shipowners (influenced by high secondhand prices and fleet decarbonisation targets) and shipyards (by high contract prices) are increasingly willing to commit to deliveries that are scheduled further in the future. The current orderbook may still be considered frontloaded, but the share of expected future deliveries that extend beyond the next three years has risen to 20%. Even without the deliveries of the large cgt-intensive LNG Carriers, which make up 20% of the global orderbook and are due as far out as 2031, 15% of future deliveries are still scheduled for beyond the next three years. Delivery times for newbuild contracts signed today have seen one year added, on average, relative to four years ago.

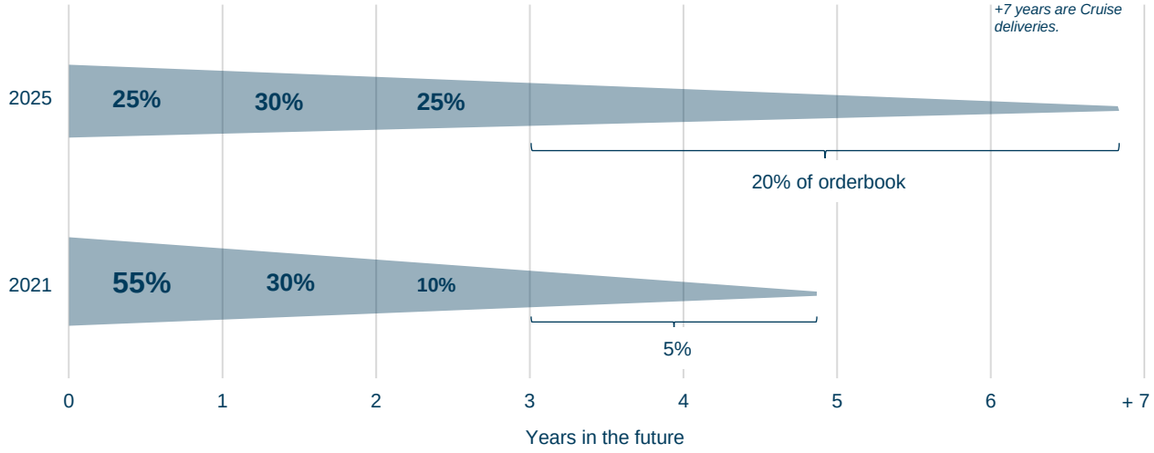
…mainly benefiting Chinese yards – specifically, a subgroup of 40 first-tier yards

Chinese yards account for three out of every four deliveries due beyond 2027 and have already secured preliminary utilisation rates of 50% in 2028 and 20% in 2029. Although this is significantly lower than the projections for 2026-2027, the corresponding rates for 2028 and 2029 in other shipyard nations are less robust. South Korean yards come closest. However, order backlogs for large Container and LNG Carriers are thinning out, and these yards have – so far – only secured 30% utilisation in 2028 and 1% in 2029. The 40 Chinese yards with orders beyond 2027 are considered first-tier and represent 70% of China's yard capacity but 90% of its total orderbook. These yards may already be sheltered from any short-term slowdowns in newbuilding demand at Chinese yards (e.g. due to proposed US port fees).

Yard utilisation rates by yard country



Global orderbook expiry as of the beginning of 2025 vs. 2021 (% of total orderbook)



Sources: Clarksons, Danish Ship Finance

Shipbuilding Outlook (2/2): Attracting Orders from More Segments

Recent developments have highlighted the importance of segment diversification when (second-tier) yards are securing future employment

65 second-tier yards are projected to run out of orders this year. Recent patterns have shown that the fate of yards running out of orders may be determined by their ability to attract orders from a wider range of ship segments.

Yards running out of orders

The number of active yards has hovered around 200 for the last two years, but – in line with the industry's ongoing consolidation into fewer and larger yards – this is likely to have been transitory. 65 second-tier yards (14% of global yard capacity) are already set to deliver their last vessels on order in 2025, and half of these yards only received their first orders within the last two years. In a scenario where yards shut down operations the same year they deliver their last orders, we may see utilisation exceed current projections. Second-tier yards may see utilisation growing from 23% to 50% in 2026, and from 5% to 20% in 2027.

The importance of diversification

By early 2024, we had identified 70 second-tier yards at risk of exhausting their orderbooks within the year. Since then, 46 of these yards have successfully secured employment extending into 2025–2026, and in a few cases, as far as 2027. These successful yards have, on average, demonstrated versatility by delivering vessels across five distinct ship segments. In contrast, the 24 yards that failed to attract new orders had historically depended on just one or two vessel types, leaving them particularly exposed to fluctuations within specific market segments.

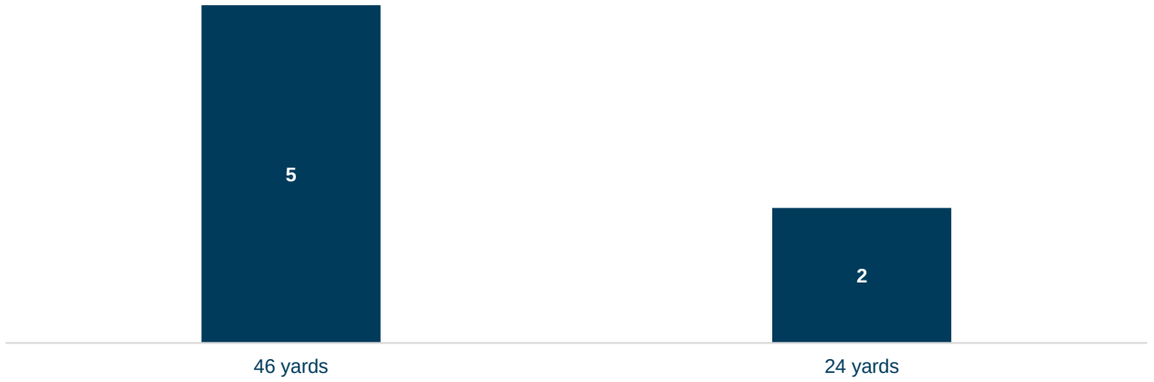
Specialisation without scale may forces closure

Looking ahead, based on the current orderbook, 30 second-tier yards remain at risk due to their reliance on just one or two vessel types. However, on average, each would require only two to three orders for medium-sized Dry Bulk Carriers to secure an additional year of forward cover.

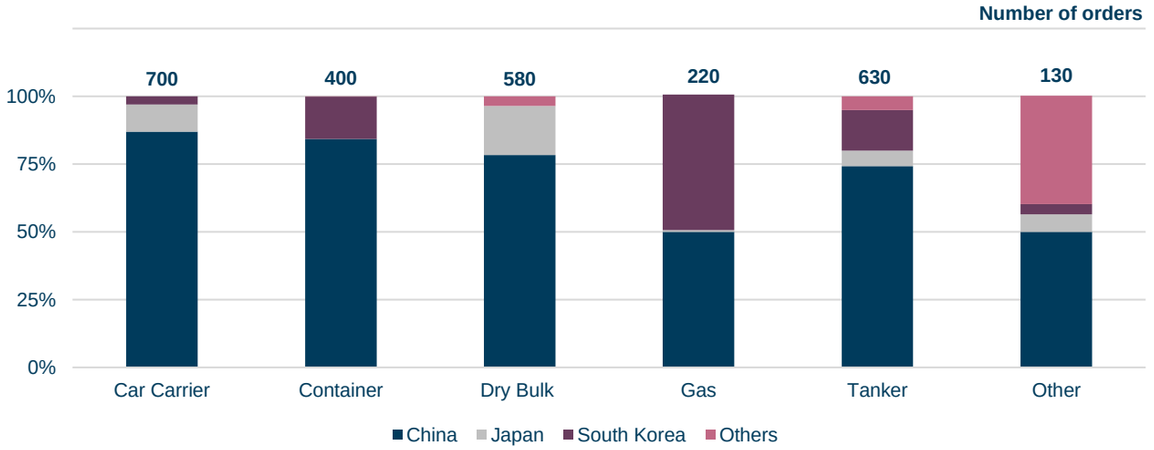
Diversification exemplified at Chinese yards

Over the past year, Chinese shipbuilding has increased its share of the global orderbook from 50% to 60%. This growth cannot be traced to a single segment; instead, it underscores China's ability to attract a wide range of orders. Throughout 2024 and into the early months of 2025, Chinese shipyards secured no fewer than half of all new orders across every major ship segment.

Average number of built segment types



Share of contracting in Q1 2024 – Q1 2025 by segment and yard country



Sources: Clarksons, Danish Ship Finance

Container

Shipping Market Review – May 2025

Container

The Container market is facing great uncertainty

After a strong first quarter 2025, the Container market is exiting a period during which extraordinary events substantially lengthened travel distances reducing the fleet's cargo-carrying capacity. The time of exorbitant freight rates and secondhand prices is coming to an end. A massive orderbook is flooding the market with new vessels at the same time as travel distances are reversing and trade volumes are expected to experience low growth due to the US imposing high tariffs on key trading partners. A return to slow steaming will not be enough to absorb surplus vessel capacity. Market dynamics for Feeder vessels seem most resilient, given the fleet's ageing age profile and the brighter outlook for intraregional trades relative to the main east-west trades.

Freight rates and secondhand prices

Average timecharter rates have continued to climb, up 7% since January 2025, placing them within the top 10% observed since 2000. In contrast, average box rates have declined by more than 40% over the same period – though they remain above pre-pandemic levels. The average secondhand price index has held steady in 2025 but is now nearly 50% below its 2022 peak. Similarly, newbuilding prices have remained relatively stable and are only 10% below their all-time high.

8,000+ TEU vessels: The large-scale rerouting of vessels around the Cape of Good Hope due to the Red Sea crisis has effectively reduced active fleet capacity in the 8,000+ TEU segment, helping to keep freight rates elevated. However, average fixture periods have dropped by 15%, and are now around 19 months, reflecting the market's expectations of a short-lived earnings boom. The one-year timecharter rate for a 9,000 TEU vessel has remained relatively stable since the start of 2025 at around USD 106,000 per day. The price of a five-year-old 9,500 TEU vessel has been steady, at around USD 95 million.

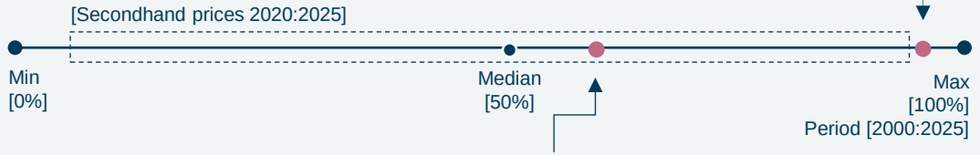
3-7,999 TEU vessels: As capacity has been pulled from other routes to serve the Far East-Europe route, active fleet capacity has also declined in the 3-7,999 TEU segment. As such, the one-year timecharter rate for a 5,000 TEU vessel has increased by 5% since the start of 2025, going from USD 59,000 per day to USD 62,000 per day. The price of a five-year-old 5,300 TEU vessel has remained stable, at around USD 70 million.

Feeder vessels: The one-year timecharter rate for a 2,500 TEU vessel has increased by 6% since the start of 2025, to USD 33,750 per day. The price of a five-year-old vessel is USD 39 million, having risen by 8% in the same period.

DS:FUNDAMENTALS

MARKET CYCLE POSITION – May 2025

Freight rates have increased by 14% in the past six months and are roaming in the top 10%.



Secondhand prices are above the median and have increased by 12% in the past six months.

The Container market has been powered by one disruption after another. Seaborne trade volumes increased by 5.9% in 2024. Distances added another 12.4% to demand growth, as the Red Sea crisis prompted shipowners to reroute vessels around the Cape of Good Hope. Fleet utilisation strengthened in 2024, although the Container fleet expanded by a massive 10.1%. Average speeds have been more or less stable in 2024. Fleet utilisation weakened in the first four months of 2025, as fleet growth outpaced demand.

Deliveries: Around 700,000 TEU was added to the fleet (2.3% of the fleet) in the first four months of 2025, compared to 1.0 million TEU in the same period in 2024. An additional 1.6 million TEU is scheduled for delivery this year.

Scrapping has continued its low trend in 2025, with only 1,500 TEU (three Feeders) scrapped in the first four months of 2025, compared to 30,000 TEU in the same period last year.

Contracting almost tripled in the first four months of 2025 compared to the same period last year. However, it declined versus the previous quarter. Primarily LNG dual-fuel vessels were ordered.

Orderbook: The orderbook has increased by around 40% in the past year and now accounts for 29% of the fleet. Measured in TEU, the orderbook has reached an all-time high.

Demand: Seaborne trade volumes have, so far, experienced an increase in 2025, driven by US importers rushing to stock inventories. Average distances have remained high, as Container vessels have been rerouted around the Cape of Good Hope.

Market Dynamics in the Last Six Months

Disruptions and uncertainty have so far characterised the Container market

Rising fleet capacity has finally started to weigh on earnings, dampening shipowners' appetite for ordering new vessels.

A market characterised by disruptions and uncertainty

Having been boosted by a wave of disruptions since 2020, the Container market now faces a new period of major upheaval. In April 2025, the US administration ignited a severe trade war by imposing unprecedented tariffs on key trading partners. While these measures are expected to disrupt the global economy, seaborne Container trade has remarkably seen a short-term boost as US retailers rushed to restock inventories ahead of the tariffs, lifting retail inventory levels around 3% above the long-term trend.

2024 marked the strongest fleet growth in 17 years…

The Container market saw substantial fleet growth in 2024, with net fleet growth reaching 10.1% — the highest rate since 2008. Although all subsegments contributed to the increase, nearly half of the growth came from vessels over 15,000 TEU. The Container fleet grew by a further 1.2% in the first quarter of 2025.

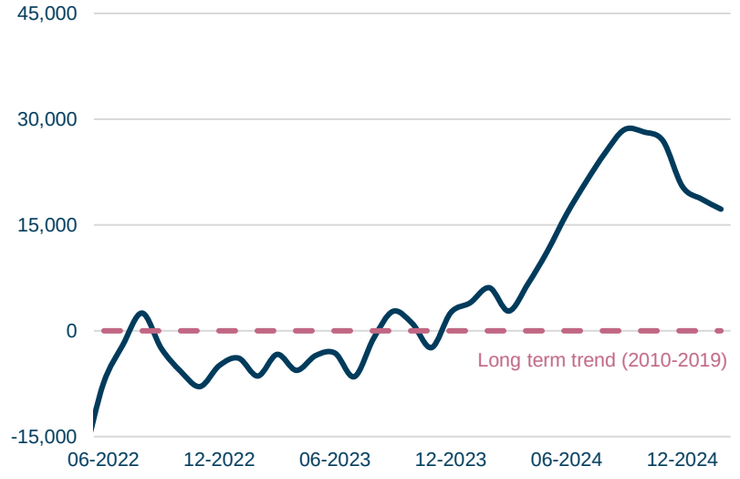
…but uncertainty has reduced the appetite for new vessels

Contracting activity picked up in the second half of 2024, at a rate equivalent to almost 10% of the Container fleet, with 80% of these orders placed at Chinese yards. However, growing uncertainty surrounding the outlook for seaborne Container trade, coupled with the US administration's plans to impose fees on Chinese-built vessels, has dampened the appetite for new orders. As a result, contracting activity fell by approximately 30% in the first quarter of 2025 compared to the previous quarter.

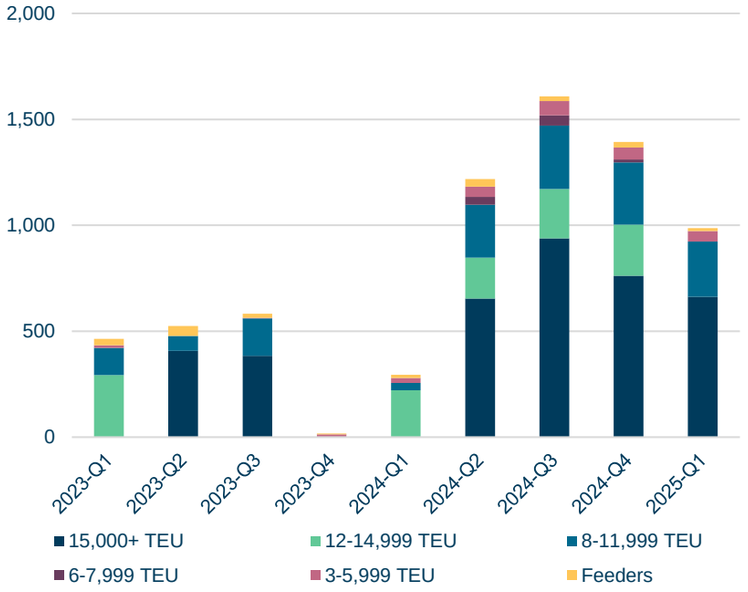
Box rates have dived while charter rates remain steady

Despite a short-term boost in seaborne Container trade, the surge has not been enough to absorb the heavy influx of new vessels. Additionally, importers have managed to work around some of the disruptions stemming from the Red Sea. As a result, box rates have dropped by over 40% since the start of the year, though they remain within the top 25% observed since 2009. In contrast, timecharter rates have held relatively steady and continue to hover within the top 10%.

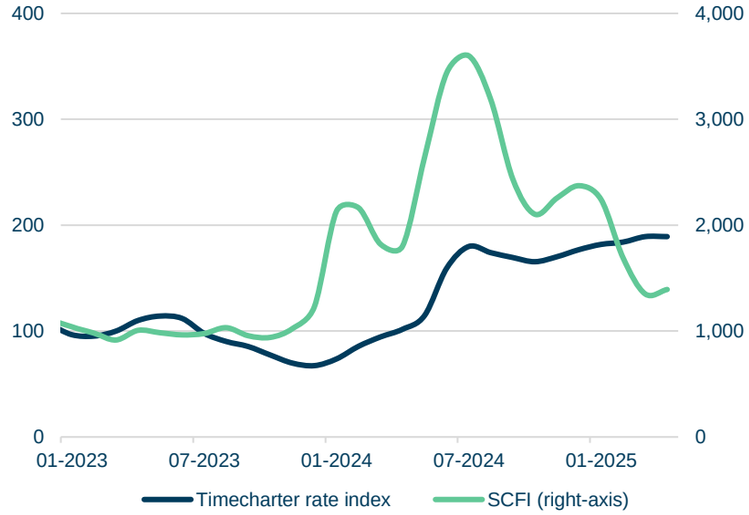
Deviation in US retail inventories (USD million)



Contracting activity by subsegment (thousand TEU)



Timecharter and box rates (index)



Sources: Clarksons, FRED Database, Danish Ship Finance

Container Outlook (1/2): An End to the Ordering Spree?

Shipowners are navigating increased uncertainty in the Container market

High fleet growth coupled with weakening demand is expected to pressure freight rates and secondhand prices. A potential escalation of the trade war could add further fuel to the fire.

High fleet growth in the coming years

The surge in contracting activity during 2024 has led to a 40% increase in the orderbook over the past year and now accounts for around 29% of the fleet. Based on the current orderbook, the fleet is projected to grow by 6.8% in 2025, 4.1% in 2026 and 6.9% in 2027 before scrapping. While upcoming hull surveys and scrubber retrofits may temporarily reduce the effective fleet capacity by an estimated 1.4% annually from 2025 to 2027, overall fleet growth is still expected to remain elevated.

Structural overcapacity is building up

Since 2020, the Container market has been driven by disruptions, with supply chain bottlenecks and longer travel distances helping to absorb surplus vessel capacity. The most recent, the Red Sea crisis, has boosted average travel distances, with vessels rerouted around the Cape of Good Hope. Between 2020 and 2024, trade volumes grew by 7.6%, while extended travel distances added another 12.3% to demand. However, fleet capacity surged by 33% during the same period – far outpacing demand growth. Still, the market experienced high freight rates as the active supply of vessels was reduced by supply chain bottlenecks.

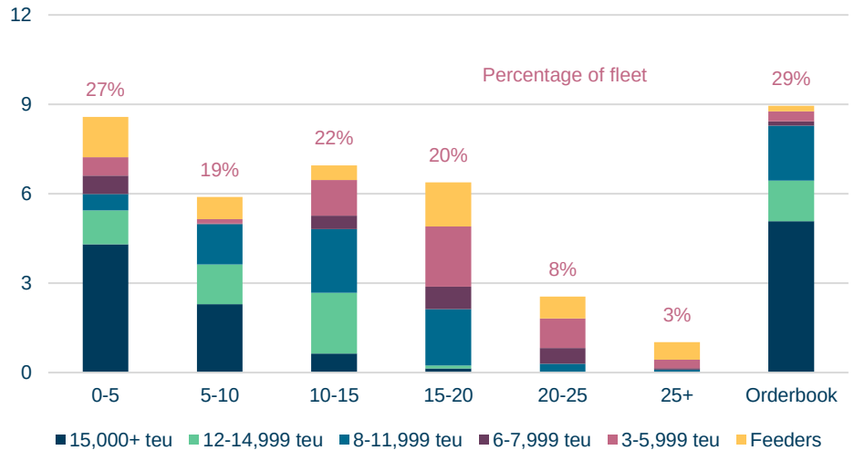
Orders for new vessels likely to decline and diversify

As noted earlier, contracting activity dropped sharply in the first quarter of 2025 – a trend that is expected to persist. Moreover, we may see a shift in shipbuilding preferences, with greater diversification towards the large South Korean and Japanese yards. Although these yards currently hold a smaller share of the orderbook, they still account for approximately 50% and 10% of the existing Container fleet, respectively. Some large liner operators have also started exploring opportunities in India's shipbuilding sector, even though Indian yards only have two small Feeder vessels in the current orderbook. These trends will likely limit further additions to the fleet growth in the coming years.

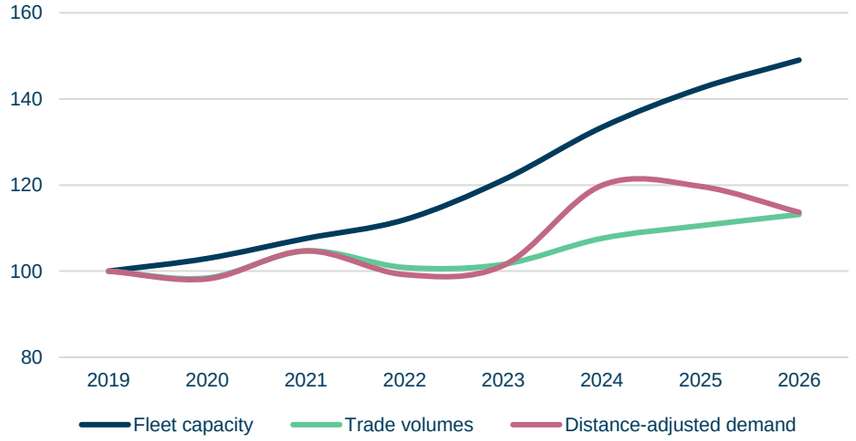
Recent IMO regulations may add to the uncertainty

The IMO's MEPC 83 recently approved new GHG fuel intensity requirements (on a well-to-wake basis) set to take effect from 2028 onwards. These regulations aim to financially incentivise the use of low- and zero-carbon fuels, while imposing penalties on fossil-based alternatives. Due to limited uptake of zero-carbon fuels, many shipowners have instead turned to LNG dual-fuel vessels, which offer greater fuel availability and lower CO_2 emissions on a tank-to-wake basis. As such, LNG dual-fuel vessels now represent 55% of the current orderbook. However, under the new framework, these vessels will incur fees starting in 2028 for each tonne of CO_2 emitted above an increasing emissions threshold. Although 25% of LNG dual-fuel vessels are ammonia- or methanol-ready, conversion comes at a high cost – estimated at 8-10% of the newbuilding cost, but likely to reduce over time. This growing uncertainty will likely temper shipowners' appetite for new vessels until more clarity emerges.

Age distribution of the fleet (million TEU)



Fleet utilisation (index)



Sources: Clarksons, Maersk Mc-Kinney Moller Center for Zero Carbon Shipping, IMO, Danish Ship Finance

Container Outlook (2/2): A Long Period of Structural Overcapacity

Fleet utilisation was already set to worsen before the escalation of the trade war

Re-employment risk persists for tonnage providers

The Container market is undergoing a structural shift in ownership. Liner operators now control some 62% of the fleet – the highest share since 2001 – and hold around 81% of the current orderbook. Around 30% of the fleets of both liner operators and tonnage providers are Chinese-built. With surplus vessel capacity expected in the coming years, the re-employment risk for tonnage providers may rise. This risk is further compounded by the fact that over 80% of orders placed by tonnage providers are being built at Chinese yards, potentially reducing chartering interest amid geopolitical tensions.

Tariffs and uncertainty may give a short-term uplift…

The impacts from the current trade war ultimately depend on the breadth and severity of the protectionist measures implemented. The US administration has, for now, paused tariffs on all countries except China for a 90-day period. In the short term, this may boost seaborne demand for Container vessels as US importers rush to replenish inventories ahead of potential future measures. Similar to what was seen in 2018, the disparity in tariff rates could also incentivise producers and importers to reroute goods in an attempt to bypass higher duties. If the US administration maintains its current stance, US imports from regions such as Southeast Asia will become significantly more attractive than China. This will likely boost intraregional trade, which is currently expected to grow by over 3.0% in 2025 and 2026.

…while increasing inefficiencies

Another layer of uncertainty stems from the US plans to impose fees on Chinese-built or operated vessels calling at US ports. Currently, more than 400 Container shipowners (accounting for 17% of the capacity) have fleets composed of at least 70% Chinese-built vessels. Several of these owners have tonnage deployed on US-bound routes. Thus, shipowners may be forced to reshuffle their fleets, shifting Chinese-built vessels away from US trades. Owners heavily reliant on Chinese-built tonnage could effectively be excluded from these routes, potentially creating a two-tier market. This would benefit owners that are able to serve the US market without incurring additional costs and could lead to increased inefficiencies. Operators may also try to minimise the number of US port calls, freeing up additional tonnage.

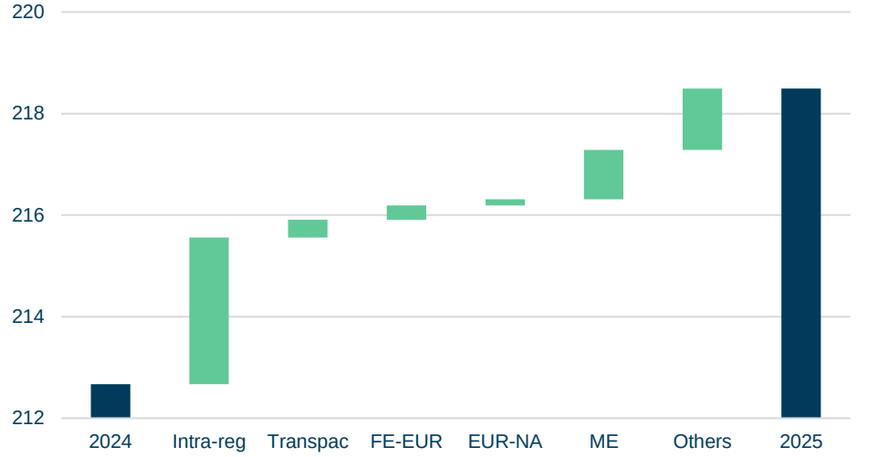
But long-term effects are expected to be negative

Although we may see a short-term uplift in demand, the long-term effects will most likely be negative, if the US maintains its current position. A further escalation of the trade war could weigh on global economic activity and fuel inflation, with particularly adverse effects on seaborne Container trade (c.f. Container deep dive).

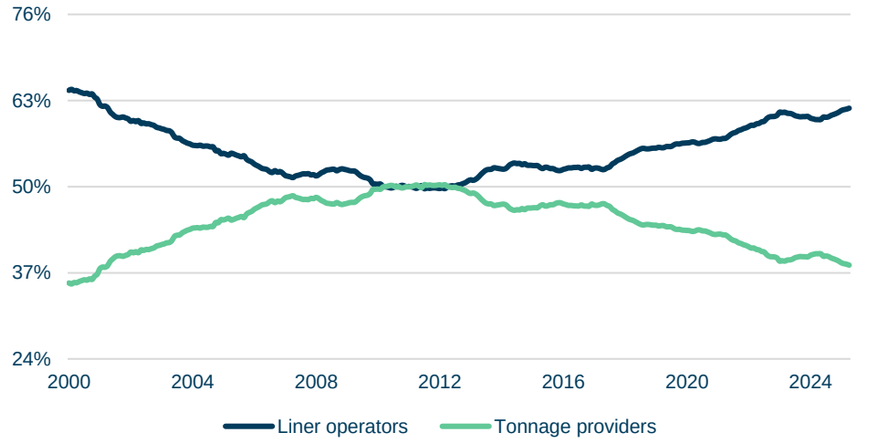
Fleet utilisation is set to worsen in the coming years

Demand projections for seaborne Container trade were already negative even before the US announced tariffs. The attacks in the Red Sea are expected to subside, which will prompt operators to redirect vessels via the Red Sea. Recent projections indicate a 0.2% drop in distance-adjusted demand in 2025 and a sharp 5.0% decline in 2026, despite trade volumes rising by 2.7% and 2.3%, respectively. Thus, fleet utilisation was already on track to deteriorate significantly – even before accounting for the impact of a potential trade war.

Seaborne Container trade volumes by route (million TEU)



Market share of fleet by owner type (%)



Sources: Clarksons, Danish Ship Finance

Container Deep Dive: A Structural Shift Underway?

The long-term impact of the tariffs could prove significantly more severe for the Container market

Should the US maintain its current position, the trade war's long-term impact will likely dampen global economic activity and fuel inflation. This could potentially mark the beginning of a structural shift towards more regionalised supply chains.

The impact of the trade war will depend on the longevity and severity of reciprocal tariffs

The tariffs announced on 2 April 2025 (some of which have been paused for 90 days, however) have increased the average effective tariff rate in the US from 2.4% to over 20% – a level not seen since 1910. The full impact of the trade war remains uncertain and will ultimately depend on two key factors: the duration of the US tariffs (which could change rapidly) and the severity of the response from trading partners (China has so far chosen a tit-for-tat approach). First-order effects, primarily substitution effects, are likely to lead to some shift in US import sources – either towards regions facing lower tariff increases or through the reshoring of production. However, second-order effects, such as those stemming from slower economic growth and rising inflation, are expected to be more severe. If the trade war escalates and retaliatory tariffs are introduced, it could significantly dampen global economic activity.

Other countries may follow suit

China is the world's largest manufacturing nation, accounting for over 30% of global manufacturing output. Currently, the country is facing manufacturing overcapacity. If US tariffs reduce Chinese exports to the US, it could incentivise Chinese producers to dump prices and redirect exports to other regions, such as the EU. This may, in turn, prompt the EU to raise its own tariffs to protect domestic industries from a surge in low-cost imports. As such, the trade war may escalate to other regions.

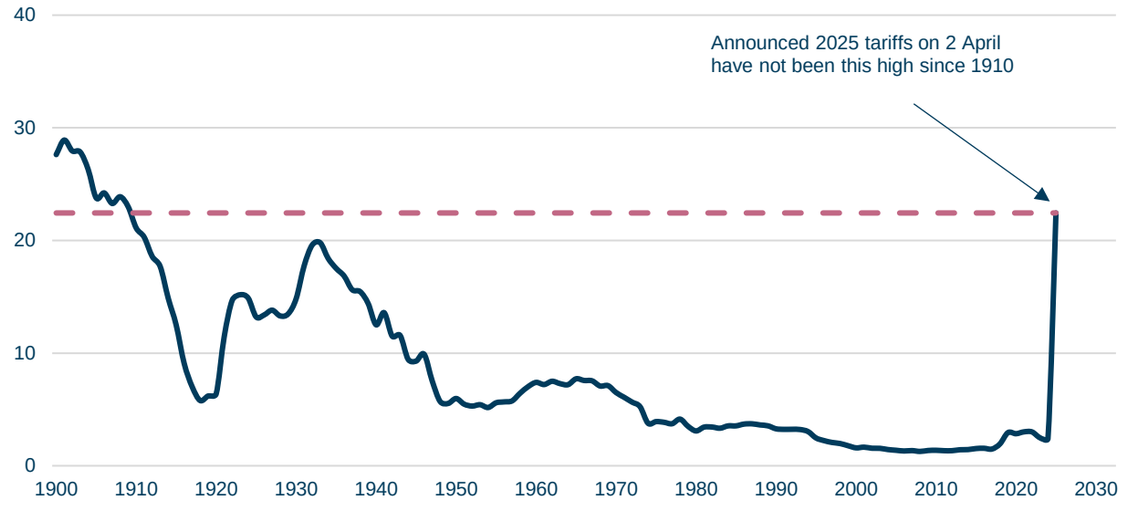
Volatility and uncertainty may lead to increased regionalisation in the medium to long term

The volatile and unpredictable policymaking of the current US administration may encourage companies to regionalise or diversify a greater portion of their supply chains over the long term. However, such decisions will largely depend on each country's comparative advantages and cost structures. For example, average manufacturing wages in China are just one-fifth of those in the US, meaning reshoring production to the US would raise costs sharply. Moreover, the supply chain infrastructure built in China over the past decades has significantly increased efficiency while reducing costs. As a result, reshoring will not be viable for low-value goods or where production cannot be heavily automated (the latter also means that few jobs will be created in the US).

North American imports account for 16% of global seaborne Container trade

The announced tariffs are targeted at consumer goods and luxury items, which are predominantly transported by Container vessels. As such, the Container segment is expected to be the most negatively affected. North America recorded around 34 million TEU Containers in 2024, with the US accounting for the vast majority. This corresponds to around 16% of global seaborne Container trade. The Far East supplies about 70% of these imports, while Europe contributes roughly 15%. As approximately 60% of the vessel capacity serving North America falls within the 8-15,000 TEU range, this segment is expected to be the most directly impacted by the tariffs.

US average effective tariff rate (%)



Sources: Clarksons Research, WTO, ING, Bureau of Economic Analysis, The Budget Lab, Danish Ship Finance

Dry Bulk

Shipping Market Review – May 2025

Dry Bulk

Persistent clouds on the horizon

This year and in 2026, fleet utilisation in the Dry Bulk Carrier market is expected to deteriorate from already modest levels. During the period, fleets are expected to expand by a total of 7% (before scrapping), outpacing the projected 1% increase in distance-adjusted demand. Seaborne iron ore and coal face cloudy outlooks, spilling over to demand expectations mainly for the larger vessels. Meanwhile, US tariffs and potential port fees may provide some upside for small and mid-sized vessels – provided that trade negotiations do not significantly harm seaborne Dry Bulk trade.

Freight rates and secondhand prices

Average freight rates have decreased by 15% in the past six months (mostly due to seasonal trends). Meanwhile, Dry Bulk Carrier secondhand prices have decreased by 8% during the same period. Secondhand prices have fallen from their 15-year highs observed around mid-2024, but they remain within the top 30% recorded since 2000. The decline has been driven by lower prices for small and mid-sized secondhand tonnage, while Capesize secondhand prices have remained resilient (still only surpassed by the levels of the boom period in 2007).

Capesize: The precipitation seasons in Australia and Brazil (affecting seaborne iron ore trade) have sent average freight rates on their usual seasonality-driven rollercoaster ride during the last six months. The one-year timecharter rate is currently near USD 18,000 per day, 10% lower than six months ago. Meanwhile, the secondhand price for a five-year-old vessel has remained stable at around USD 63 million.

Panamax: Front-loaded fleet utilisation growth (supported by peak Panama Canal reroutings and strong Chinese seaborne coal imports) buoyed freight rates for most of 2024. Average rates have decreased since then, and the one-year timecharter rate has come down 10% over the past six months, to USD 13,000 per day. The price of a five-year-old vessel has also declined by 10% and is now at around USD 32.5 million.

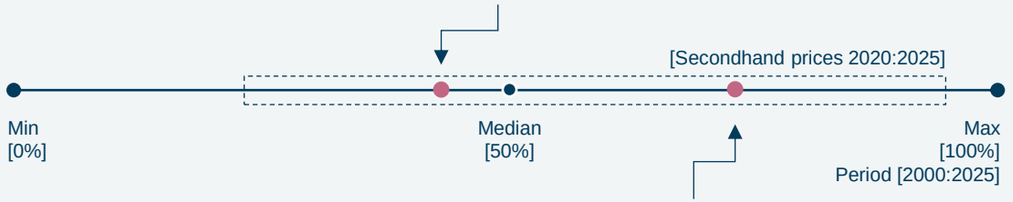
Handymax: The segment has seen similar market conditions to the Panamax segment, with both freight rates and secondhand prices falling over the past six months. The one-year timecharter rate has dropped 20% to USD 12,000 per day, while the price of five-year-old vessel has reached USD 31.5 million (down 12%).

Handysize: The one-year timecharter rate has slowed by 10% in the last six months, to below USD 12,000 per day. Still, rates remain within the highest 30%, as Minor Bulk trade continues to be strong. The average five-year-old vessel is priced at USD 25 million, down 7% from six months ago.

DS:FUNDAMENTALS

MARKET CYCLE POSITION – May 2025

Freight rates have decreased by 15% in the past six months to below the median level.



Secondhand prices have decreased by 8%, on average, in the past six months but are still at high levels.

Fleet utilisation increased (albeit only marginally) during 2024 and the first four months of 2025. Seaborne Dry Bulk volumes increased by around 3% across the 16-month period, while longer distances added another 1.5% to demand growth. The fleet expanded by 4% in the same period, although effective supply growth was likely lower, since lower average vessel speeds curbed the fleet's cargo-carrying capacity.

Delivery: 9 million dwt (1% of the fleet) was added to the fleet in the first four months of 2025. Another 29 million dwt is scheduled to be delivered this year, bringing gross fleet growth in 2025 to 3.7% – in line with growth in the last six years.

Scrapping activity remains low, averaging just 0.5% of the fleet in the last four years. So far in 2025, 16 vessels (0.1% of the fleet) have been scrapped.

Contracting corresponded to 5% of the fleet in both 2023 and 2024. Activity has since slumped, with vessels equivalent to only 0.1% of the fleet contracted so far in 2025 – with Q1 being the lowest quarterly level on record (aside from Q3 2016).

Orderbook: The orderbook has softened from 11% to 10% of the fleet since the beginning of the year.

Demand: Seaborne trade volumes grew by 3% in 2024 compared to 2023, as China shrugged off widespread expectations of lower seaborne demand and set new records for both seaborne iron ore and coal imports. In the first four months of 2025, volumes remained stable compared to the same period in 2024.

Travel distances increased in 2024. The net effect across the last 16 months has also been positive, despite a marginal decline in the first few months of 2025.

Market Dynamics in the Last Six Months

Dry Bulk Carrier freight rates have not been easily swayed

Yet another year of record-high seaborne Dry Bulk imports in China (coupled with reroutings away from key maritime chokepoints), paved the way for a 5% increase in distance-adjusted Dry Bulk Carrier demand in 2024 – outpacing the 3% growth in the fleet's cargo-carrying capacity. Still, freight rates, for now, remain anchored around their seasonal average.

Record-breaking Chinese imports…

Contrary to widespread expectations, the ongoing weakness in China's property sector did not translate into a contraction in seaborne Dry Bulk trade during 2024. Despite persistently weak signals from construction and real estate activity, China closed the year having set new records for seaborne imports of both iron ore and coal – up approximately 5% and 15%, respectively, from the previous year. China's rising import volumes not only lifted total seaborne Dry Bulk demand, but also increased average sailing distances, as some of the short-haul iron ore from Australia was replaced with long-haul shipments from Brazil.

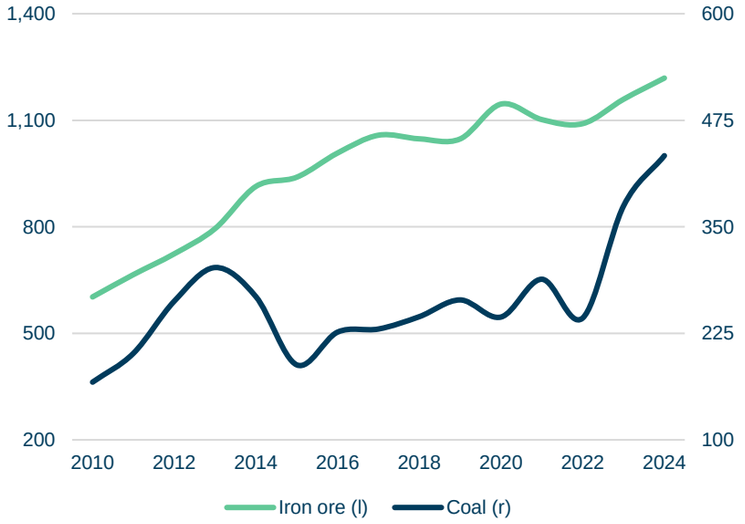
…and elevated Suez and Panama Canal reroutings…

Weather-related disruptions at the Panama Canal and the ongoing security situation in the Red Sea have also shaped Dry Bulk trade patterns since the beginning of 2024. While transits through the Panama Canal have normalised to some extent and some easing is expected in the Suez region over time, the continuous rerouting of voyages has reduced the active supply of vessels.

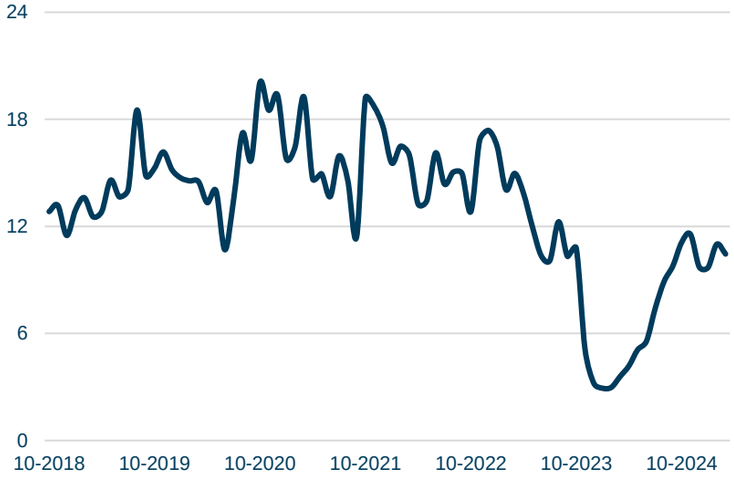
…have not been enough to significantly boost freight rates

Aside from 2022, seaborne Dry Bulk volumes have grown continuously since 2010. Still, average fleet utilisation has remained on a tight leash. From 2010 to 2023, seaborne Dry Bulk volumes rose by 43% (53% in tonne-miles), but this was more than offset by a doubling of the fleet's cargo-carrying capacity over the same period. The gradual weaking of utilisation throughout previous years suggests that the structural balance between vessel demand and supply is not so easily shifted. Dry Bulk demand outpaced the expansion of the fleet during 2024. Yet, despite an apparent uptick in utilisation, any significant upward pressure on freight rates has been limited. The Baltic Dry Index got off to a strong start in early 2024 but has since remained anchored around its seasonal average.

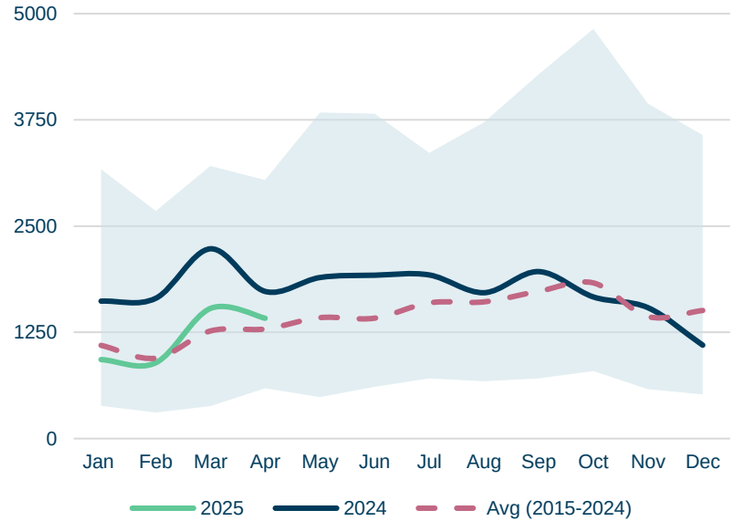
Chinese seaborne imports by commodity (million tonnes)



Dry Bulk Carrier Panama Canal transits (million dwt)



Baltic Exchange Dry Index (BDI)



Sources: Clarksons, AXSMarine, Danish Ship Finance

Dry Bulk Outlook (1/2): Renewal Without Removal?

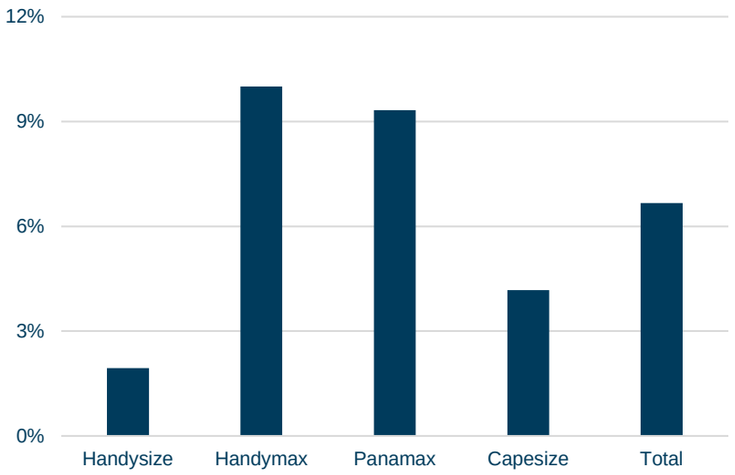
Fleet growth in the context of the ageing of the fleet

The pace of fleet renewal appears balanced with ageing in most subsegments. The Handymax fleet may be the only exception.

Panamax and Handymax fleets are set for the largest growth

Dry Bulk fleet growth looks fixed for the next two to three years, with most of the recent newbuild orders scheduled for delivery in 2028 or beyond. From now until the start of 2027, the Capesize and Handy-size fleets are projected to grow by a modest 4% and 2%, respectively, before scrapping. The Panamax and Handymax segments are set for the largest expansion, with both fleets growing by 9-10% during the period. Upcoming hull surveys may periodically reduce the projected annual fleet growth for Panamax and Handymax vessels in 2025 and 2026, but only by 1-1.5% annually.

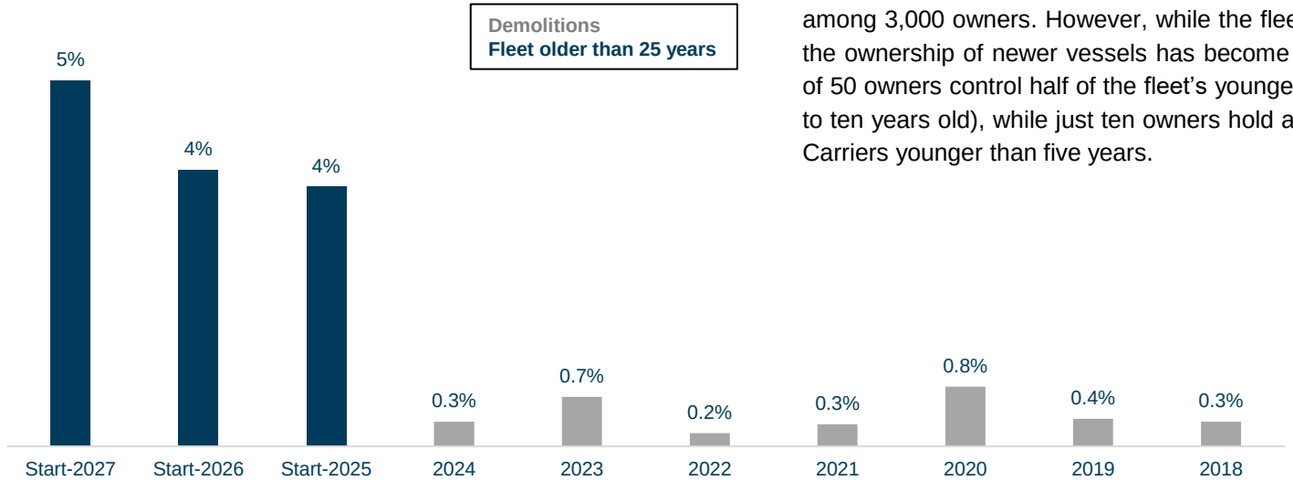
Gross fleet expansion by the start of 2027 (% of million dwt)



Demolition of older tonnage may cap net fleet growth...

The pace of fleet growth appears well aligned with the ageing profile of most subsegments. In contrast, the balance looks less robust for the Handymax fleet. Despite low scrapping activity in the last few years, just 5% of Handymax capacity is projected to be older than 25 years by the start of 2027, assuming no further contracting or demolition. In practice, the larger Handymax (Ultramax) vessels that make up the majority of the orderbook and offer better economies of scale are likely replacing their smaller, ageing counterparts. Even so, if Handymax fleet utilisation is to remain firm in the short to medium term, most of the incoming vessel supply will likely need to be absorbed by growth in vessel demand (see next page), as the mitigating effects from demolition of older tonnage could be limited.

Handymax scrapping and fleet older than 25 years (% of dwt)



…but it does not rule out vessel oversupply

While ageing profiles may be used to indicate potential removals from the fleet, they can give a misleading sense of balance between new vessels entering the fleet and older vessels exiting. If older, less efficient ships are not removed at the same pace as new tonnage enters (and seaborne demand falls short), excess vessel capacity and decreasing fleet utilisation may yet materialise. As an example, the Capesize fleet will have expanded by 4-5% at the beginning of 2027 and so too will its share of scrapping candidates. Meanwhile, annual demolition activity has only averaged 1% of the Capesize fleet in the last five years.

Modern tonnage in few(er) hands

Pressure on future fleet utilisation and earnings may have a greater impact on owners that lack access to the most commercially attractive tonnage. The global fleet of Dry Bulk Carriers is distributed among 3,000 owners. However, while the fleet continues to expand, the ownership of newer vessels has become concentrated. A group of 50 owners control half of the fleet's youngest capacity (vessels up to ten years old), while just ten owners hold a quarter of all Dry Bulk Carriers younger than five years.

Sources: Clarksons, Danish Ship Finance

Dry Bulk Outlook (2/2): Iron Ore and Coal in Focus

Headwinds for iron ore and coal are (continuously) weighing on the larger Dry Bulk Carriers

The outlook for iron ore and coal (accounting for around half of seaborne Dry Bulk volumes) is murky, which is spilling over to the demand prospects for Panamax and Capesize vessels in particular.

China and India determining the global trend for seaborne coal

Although the goalposts for peak coal demand have previously been moved, the IEA currently expects global coal use to rise towards 2027. Growth in China and India (together accounting for 70% of global demand), coupled with upticks across ASEAN countries, is projected to outweigh declines in the rest of the world. Still, country-specific divergence between changes in coal demand and coal production could shape the outlook for seaborne trade. China may plug a domestic supply gap with an additional 60 million tonnes of seaborne coal imports to meet its demand by 2027. In contrast, India could displace around 100 million tonnes of seaborne coal imports with domestic supply. The resulting net effect (all else being equal) indicates a 40 million-tonne (3-4%) decline in seaborne coal trade in 2024-2027, clouding the outlook for the Panamax and Capesize segments, as they cover around 75% of the trade. Seaborne coal trade may face further pressure if China meets rising energy demand through increased uptake of renewables or by drawing down its record-high coal stockpiles – though the latter may have a greater short-term impact, as stored coal loses energy content over time.

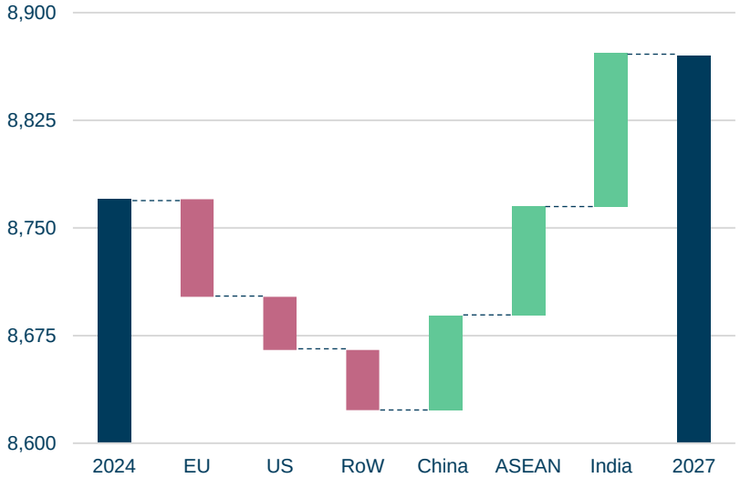
New Indonesian policy may aid distance-adjusted coal trade

Indonesia (the largest seaborne exporter of coal) recently decided to force coal exporters to adopt a government-set minimum (benchmark) price. While the medium-to-long term impact remains subject to review, it could provide some short-term solace for seaborne distance-adjusted coal demand. Should market prices drop below this price floor, it could – for instance – discourage Indonesian shipments to China (the largest seaborne importer of Indonesian coal). Instead, China may choose to substitute some short-haul Indonesian spot cargoes with long-haul shipments from other established coal exporters like Australia. As such, although China's seaborne coal imports are expected to decline, its average seaborne coal imports may be shipped over longer distances. If this scenario materialises, Capesize and Panamax vessels will benefit – potentially at the expense of the Handymax segment. In 2024, Capesize and Panamax vessels carried almost all the coal volumes between Australia and China, while Handymax vessels carried 30% of the Indonesia-China trade.

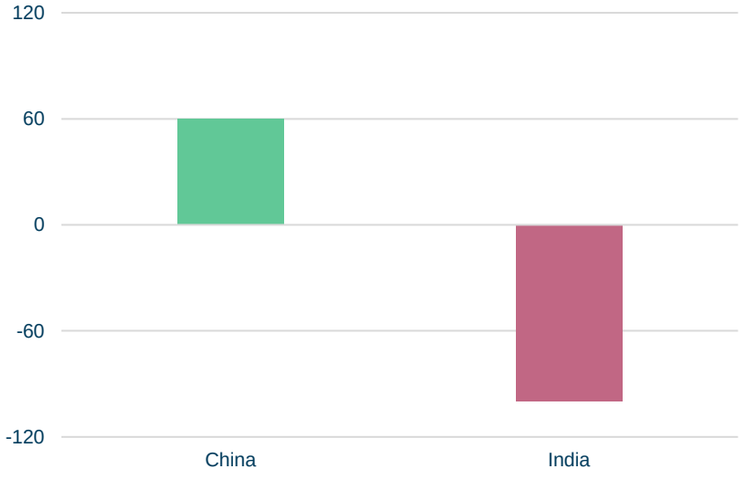
Inflection point looks overdue for seaborne iron ore

Chinese steel demand is widely considered to be past its peak, and its decline means less need for iron ore. China still represents most of the global demand (accounting for 75% of seaborne iron ore demand in 2024), but an inflection point appears overdue. Signals from the nation's property sector are continuously weak and domestic steel mills are under increasing financial pressure (amid tight margins). The expected commencement of long-haul iron ore trades between the Simandou site in Guinea and China may provide a glimmer of light through the gloom surrounding the outlook for seaborne iron ore. However, maximum production at the West African site is not expected before the end of 2027. The bleak outlook for seaborne iron ore trade affects the Capesize segment, as the trade accounts for more than 80% of its total demand.

Global coal consumption, 2024-2027 (million tonnes, mt)



Potential net effect on seaborne coal imports by 2027 (mt)



Sources: Clarksons, IEA, AXSMarine, Wood Mackenzie, S&P Global, Reuters, Bloomberg, Danish Ship Finance

Dry Bulk Deep Dive: Trade War Between the US and China

Could “tariffs” and “US port fees” prove to be the favourite words of small and mid-sized Dry Bulk Carriers?

Additional tariffs (currently only active between the US and China) and future US port fees could increase inefficiencies of small and mid-sized Dry Bulk Carriers and force them over longer distances.

US port fees may have a greater impact on small and mid-sized vessels

The US administration recently moved to impose US port entry fees on China-linked vessels. The proposal includes fees on vessels that were either built in China or are owned/operated by Chinese companies. While the fees do not take effect until mid-October, any emerging concerns and seaborne trade flow shifts will likely be biased towards shipowners in vessel segments with greater dependence on US trade. In this context, the effect on the seaborne Dry Bulk market may be limited. Abundant domestic resources of the major Dry Bulk commodities mean that only around 2% of total Dry Bulk Carrier volumes are discharged in the US. However, the effect may be greater for small and mid-sized Dry Bulk Carriers exporting agribulks and coal from the US, as 10-15% of their total loadings are carried from US ports. Empty vessels arriving at US ports to load bulk exports are – currently – exempt from the pending port fees, but this does not necessarily exclude the Bulk Carrier market from the potential impact.

Chinese relevance in seaborne Dry Bulk trade – and in US seaborne Dry Bulk trade

Of all the main commercial ship segments, Dry Bulk has the largest share of Chinese ownership, with many vessels built at Chinese yards. As the largest seaborne importer of Dry Bulk commodities, China owns one out of every four Dry Bulk Carriers and has built around half of the total fleet. In 2024, 50% of US exports on small and mid-sized vessels were carried on vessels with ties to China (via Chinese ownership and/or shipbuilding). Most of these voyages were undertaken following laden trades into US ports. Under the current port fee scheme, shipowners/operators may be urged to embark on more ballast voyages into US ports. They may also shift vessels with no (or at least fewer) ties to China to US trades, and China-linked vessels, for which admittance into US ports would be expensive, to other trades. In either case, this will create a fragmented market for the small and mid-sized vessels, increasing fleet inefficiencies and reducing available capacity.

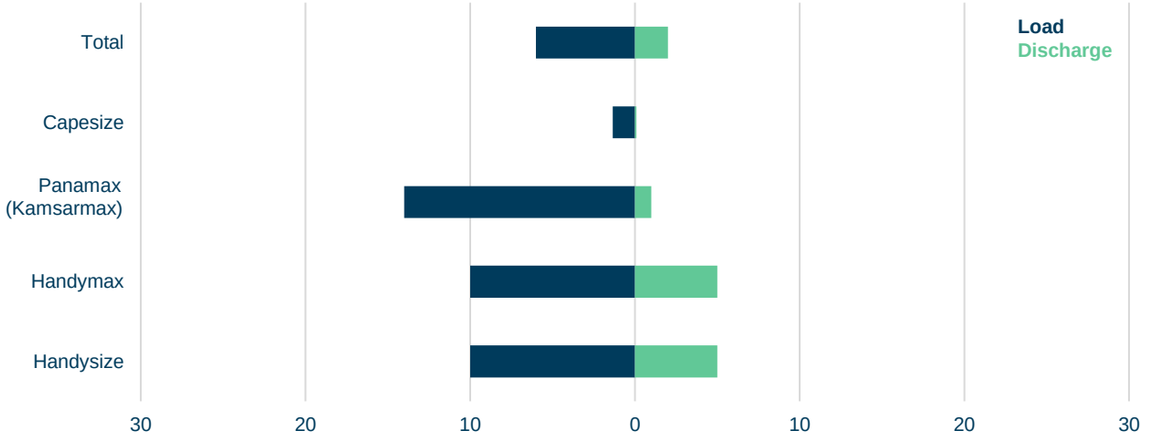
Tariffs may limit the effect from US port fees – but increase demand for mid-sized vessels

Discussions about (additional) US tariffs have grabbed most of the recent headlines. The majority of tariffs have currently been paused, but reciprocal import duties between China and the US are ongoing. In 2024, 20% of US volumes carried by Handymax and Panamax vessels were bound for China, with soybeans as their main cargo. China relies on both US and Brazilian soybean imports to meet domestic demand but may choose to source more from the growing Brazilian production to hurt US exporters (which are highly dependent on Chinese buyers). Substituting US-China trade with more Brazil-China trade would add four days per round trip, on average. If tariffs do not lead to a decline in seaborne Dry Bulk volumes, distance-adjusted demand is likely to increase – mainly for Panamax vessels and, to a lesser extent, Handymax vessels. However, this will also limit (though not erase) the inefficiencies potentially resulting from the prospective US port fees. In either case, inefficiencies in trade flows will increase, boosting utilisation of small and mid-sized Dry Bulk Carriers as available capacity decreases.

Few are better positioned for the original port fee proposal

The current US port fee scheme is a scaled-back version of a previous proposal that also applied to vessels whose owners had newbuild orders at Chinese yards and/or Chinese-built vessels in their fleets. While a full revival of the original port fee proposal may seem unlikely, recent events have shown just how quickly things can change. Should the original port fee proposal be reinstated, few shipowners would currently be positioned to dodge all the port fees. Only one out of every three shipowners in the small and mid-sized segment is not Chinese, owns no Chinese ships and has no newbuild orders at a Chinese yard.

US shipments in 2024 (% of total mt carried per subsegment)



Sources: Clarksons, AXSMarine, CONAB, Reuters, Danish Ship Finance

Crude Tanker

Shipping Market Review – May 2025

Crude Tanker

The outlook for Crude Tankers has softened

The Crude Tanker market faces near-term headwinds entering mid-2025, characterised by softening freight rates and weakening asset values from historically elevated levels. Despite sustained geopolitical disruptions lending intermittent support to Tanker demand, fleet utilisation has retreated amid slower global oil demand growth. In the short term, the market is in for a bumpy ride, as geopolitical wildcards unfold. While ongoing sanction enforcement and trade rerouting could temporarily tighten markets, looming peak oil demand scenarios complicate long-term fleet renewal decisions. The ageing Crude Tanker fleet combined with a modest orderbook has created ample scrapping capacity, should headwinds escalate.

Freight rates and secondhand prices

Crude Tanker earnings have fallen by an average of 25% over the past six months, albeit from previously high levels. One-year timecharter rates are nearing historical medians for VLCCs and Suezmaxes, while still ranking in the top 30% since 2000 for Aframaxes. Weaker earnings have also driven down secondhand prices, with older vessels seeing the sharpest declines – average prices for 15-year-old Aframax and Suezmax vessels are down 20% over the past year.

VLCC: After a long period of high earnings, freight rates have come down. In the past six months, the one-year timecharter rate has decreased by 19% to USD 37,500 per day. The price of a five-year-old VLCC has declined by 3% to USD 112 million. This is still among the highest 20% observed since 2000.

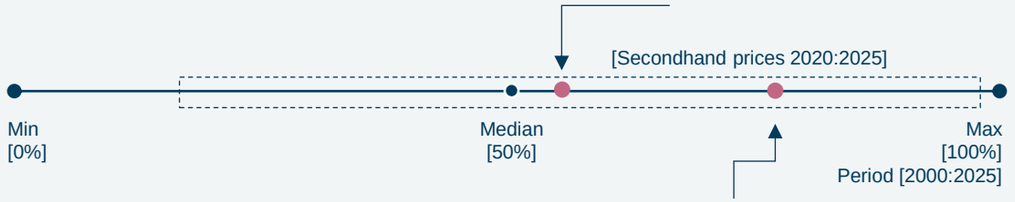
Suezmax: Demand for Suezmax vessels has waned following slower oil demand growth and increased deliveries in late 2024. The one-year timecharter rate has decreased by 26% in the last six months to USD 30,750 per day. The price of a five-year-old vessel has decreased by 4% to USD 77 million.

Aframax: Since mid-2024, volumes carried on Aframax Crude Tankers have declined by 7% compared to year-ago levels. This has been driven by lower volumes to the EU and the US. Over the past six months, the one-year timecharter rate has declined by 32% to USD 26,250 per day. The price of a five-year-old Aframax has dropped 11% to USD 62.5 million.

DS:FUNDAMENTALS

MARKET CYCLE POSITION – May 2025

Freight rates have decreased by 25% in the past six months, but they are still above the median.



Secondhand prices are well above the median but have decreased by 8% on average in the past six months.

Fleet utilisation decreased during 2024 and the first four months of 2025. Seaborne volumes carried on Crude Tankers dropped by 1% in the first four months of 2025, while a reduction in distances pushed distance-adjusted demand down further. The fleet contracted marginally in the same period.

Delivery: 1.2 million dwt was added to the fleet in the first four months of 2025. An additional 6.3 million dwt is scheduled to be delivered this year – bringing 2025 to just 7.5 million dwt in total. While this marks a pickup from the record low in 2024 of 2.5 million dwt, it still ranks as the second-lowest delivery level in over a decade.

Scrapping picked up from 0.4 million dwt in 2023 to 1.7 million dwt in 2024. Four vessels (0.8 million dwt) have been scrapped so far in 2025.

Contracting surged to 31 million dwt in 2024, up from 16.7 million dwt in 2023. In the first four months of 2025, two Aframaxes and 9 Suezmaxes were contracted.

Orderbook: The orderbook has been steadily increasing since the beginning of 2024, with 50 million dwt on order (11% of the fleet).

Demand: Seaborne trade volumes decreased marginally by 0.3% in 2024 compared to 2023, driven by softer Chinese demand. In the first four months of 2025, volumes increased by 0.4% compared to the same period in 2024, driven by an increase in clean cargo.

Travel distances remained stable in 2024 compared to 2023 and have since declined in the first four months of 2025.

Market Dynamics in the Last Six Months

Weaker Chinese oil demand and increased vessel availability are weighing on Tanker earnings, while renewed sanction enforcement provides partial relief

Rates and values declined during late 2024 as Chinese demand softened and vessel availability increased. In early 2025, renewed sanction enforcement triggered trade flow shifts that offered some support to tonne-mile demand.

Slower Chinese crude demand and weak macro backdrop

The downward trajectory in Crude Tanker rates during the second half of 2024 was primarily driven by a loss of momentum in Chinese crude imports, alongside broader macroeconomic softness. After a strong start to 2024, China's purchases fell sharply from August onwards, reflecting weaker refining margins, elevated inventories, and muted economic sentiment. At the same time, oil demand in several OECD economies showed signs of stagnation as high interest rates and slow industrial output weighed on consumption. In response, the IEA revised its global oil demand growth forecast for 2024 to just 0.8%, down from 1.9% in 2023.

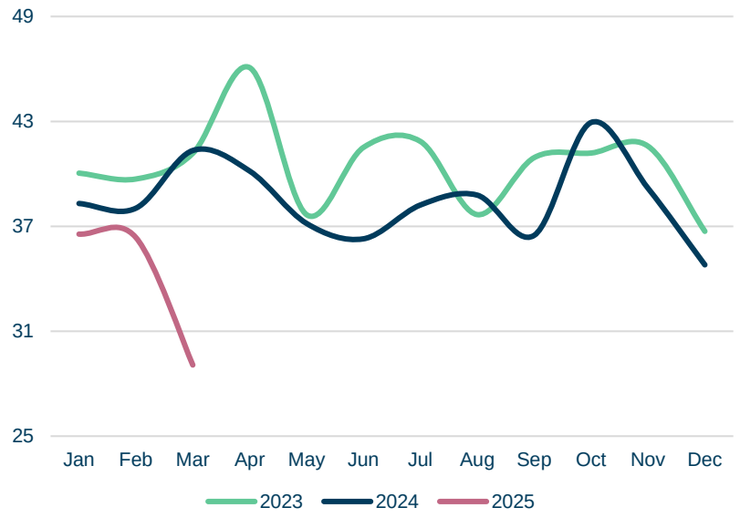
Fleet availability increased due to limited scrapping

The impact of softer demand was exacerbated by an increase in available tonnage. Although earnings declined during the second half of 2024, scrapping activity remained subdued, as older vessels – particularly in the Aframax and Suezmax segments – continued trading, often in sanctioned or lower-compliance markets. Meanwhile, newbuild deliveries picked up, especially in the Suezmax segment, with owners taking delivery of tonnage ordered in earlier upcycles. With few vessels exiting the fleet and new capacity entering the spot market, vessel availability increased, putting downward pressure on freight rates across key trades.

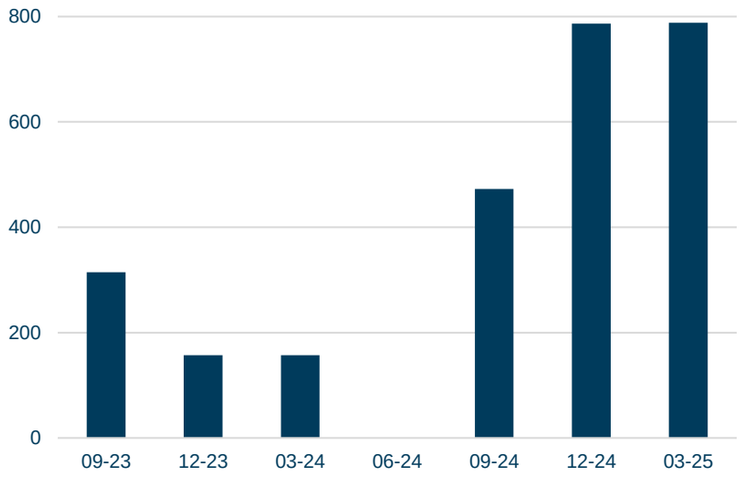
Shift in trade flows as sanction enforcement tightened

In early 2025, tighter US sanctions on vessels carrying Russian and Iranian crude prompted a shift in sourcing strategies – particularly among refiners in Asia. Several buyers began turning to non-sanctioned alternatives, including US, Brazilian and West African grades, leading to longer-haul voyages and a modest tightening of VLCC employment. Although this shift did not reverse the rate decline entirely, it contributed to a recovery in spot earnings from February 2025, as trade dislocation temporarily increased tonne-mile demand and reduced vessel availability on key routes.

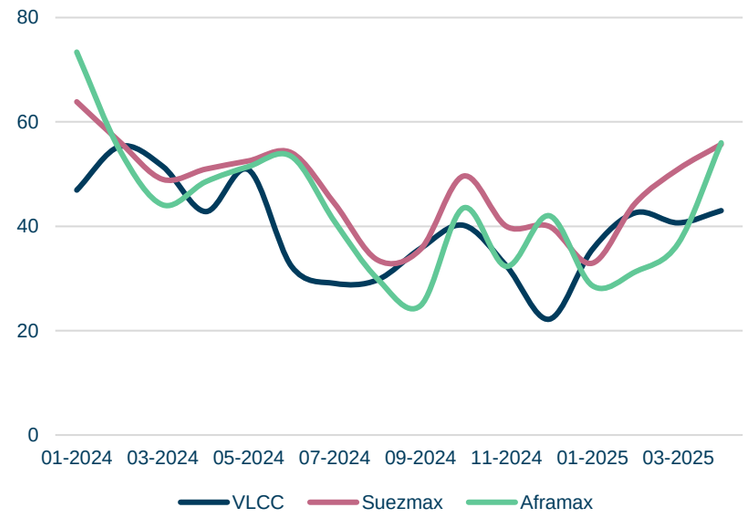
Crude imports to China (million tonnes)



Suezmax deliveries (thousand dwt)



Average spot earnings by subsegment (thousand USD/day)



Sources: Clarksons, Reuters, IEA, S&P Global, TradeWinds, Danish Ship Finance

Crude Tanker Outlook (1/2): The Medium-term Squeeze

Accelerating fleet renewal remains modest amid looming peak oil scenarios, as pressures associated with an ageing Crude Tanker fleet are mounting

Fleet renewal has picked up, but pressures related to an ageing fleet are building. Older vessels remain active in sanctioned trades and slowing global oil demand growth points to structural shifts ahead.

An ageing fleet on the rise

The Crude Tanker orderbook has grown from a mid-2023 low of just 2% of the fleet to around 11% today. However, this recovery remains modest when set against the fleet's ageing profile. The average fleet age has risen steadily over the past decade, from seven to eight years in 2012 to 13 years in 2024, and around 19% of the fleet is now over 20 years old. While ordering has picked up – especially in the Suezmax and VLCC segments – it is still at risk of falling short of what is needed to offset ageing and potential retirements. Unless ordering continues to accelerate or the oldest vessels remain in service longer than expected, the market could begin to face a structural thinning of supply capacity.

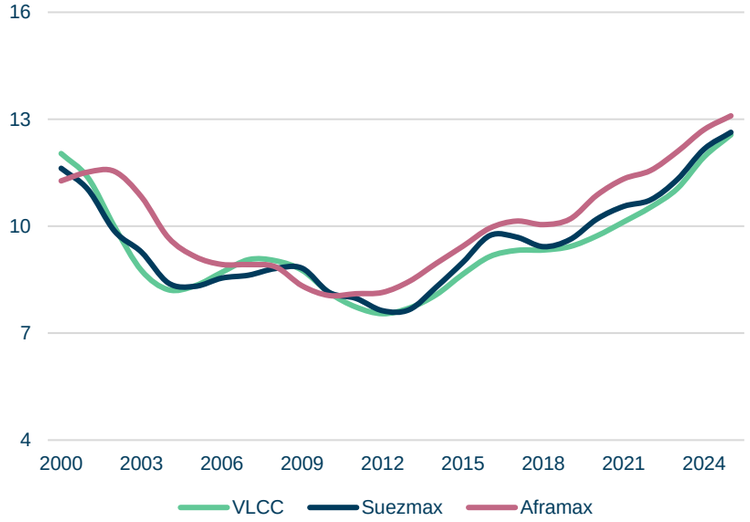
Sanctioned trades absorb old tonnage

While the global fleet is ageing and renewal remains limited, many older vessels continue operating in sanctioned trades, transporting Russian, Iranian or Venezuelan crude. Most of these vessels are over 20 years old and would normally have been retired. If sanctions are eased or geopolitical tensions shift, these ships are unlikely to seamlessly rejoin mainstream trade, given regulatory hurdles and their advanced age. Instead, many will face accelerated scrapping or relegation to secondary markets. Initially, this transition could pressure freight rates through shorter voyages and rising fleet availability, though the market balance should eventually improve as ageing tonnage exits.

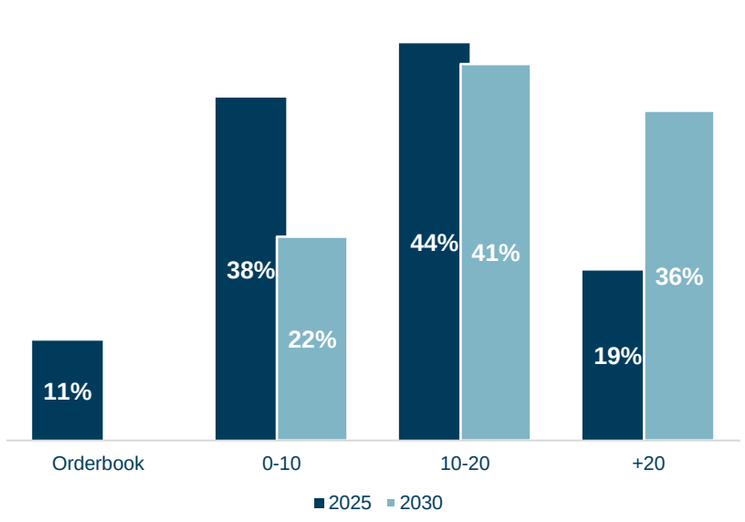
Peak oil demand

Global oil demand growth is forecast to slow to below 1 million barrels per day annually over the coming years, with China's economy as the primary swing factor. Most global consumption growth is now concentrated in emerging markets, while OECD demand is flattening or declining. As the market inches toward peak demand, focus in the Crude Tanker segment may shift from volume-driven growth to route optimisation and emissions-based fleet differentiation.

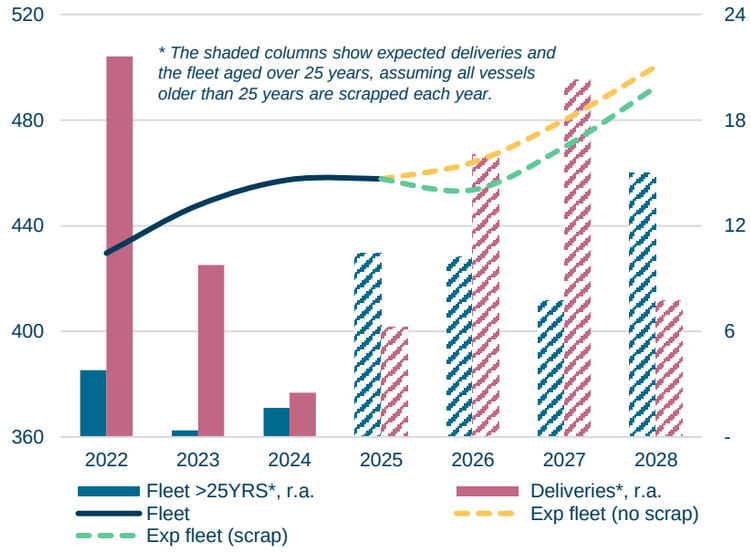
Average age by subsegment



Fleet distribution by age bracket in 2025 and 2030 (dwt)



Fleet development (million dwt)



Sources: Clarksons, Reuters, IEA, S&P Global, TradeWinds, Danish Ship Finance

Crude Tanker Outlook (2/2): Geopolitical Wildcards

The market is entering an uncertain phase, with OPEC+ production shifts, European rearmament, trade tensions and route disruptions complicating future demand patterns

Fleet growth and demand fundamentals set the baseline, but geopolitical shifts will dictate the range of outcomes. With OPEC+ production changes, rising trade tensions, and persistent regional instability, global flows are entering a new phase of uncertainty. The balance between supply expansion and trade dislocation will determine whether tanker markets stabilise or face renewed volatility in the months ahead.

OPEC+ unwinding

OPEC+ began unwinding its 2.2 million barrels per day of voluntary cuts in April 2025, increasing Middle Eastern crude exports, particularly to Asia. All else being equal, lower oil prices are expected to stimulate demand, while the IEA forecasts that global oil supply will exceed demand during 2025 – even before these additional barrels return. Historically, such imbalances have led to inventory builds, including floating storage, which can support Tanker demand in the short term. However, if Middle Eastern volumes displace long-haul US or Brazilian barrels to Asia, average voyage lengths could fall. The net effect depends on whether new demand offsets this shift.

European rearmament and industrial uptick

The European Union's ReArm Europe Plan aims to mobilise up to EUR 800 billion in defence-related investment over the coming decade. This includes joint procurement programmes, expanded national defence budgets, and incentives for member states to accelerate military and infrastructure spending. According to the IEA, such efforts are expected to boost GDP growth in the eurozone, potentially offsetting some of the drag from renewed global trade tensions. While the direct effect on global oil demand may be limited, increased fuel consumption in the transport, construction and logistics sectors could support regional crude runs and strategic stockpiling.

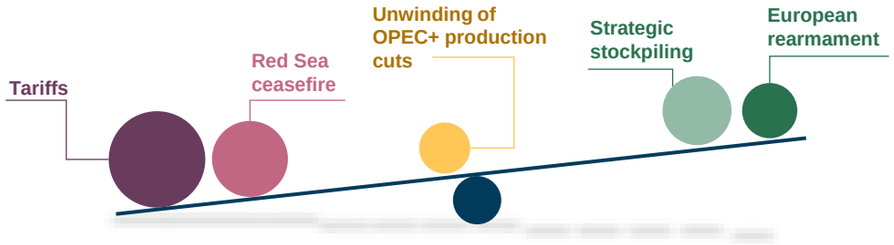
Tariff-driven trade tensions

In early 2025, renewed trade tensions between major economies triggered a new round of tariffs on industrial goods, electronics and key commodities. Retaliatory measures have already been introduced, and further escalation remains likely. These developments risk undermining global GDP growth. Historically, trade conflicts have led to slower growth in diesel, jet fuel and petrochemical demand – sectors closely linked to industrial production and freight activity. With global oil demand growth already decelerating, any drag from tariffs could further weaken seaborne crude volumes, particularly from late 2025 into 2026-27.

Red Sea corridor and ceasefire stability

Since the middle of 2023, traffic through the Red Sea has been severely constrained due to sustained attacks on commercial vessels. Most Crude Tankers continue to opt for detours around the Cape of Good Hope. This rerouting has structurally increased laden and ballast time, tightening effective supply across the Aframax and Suezmax segments. Should the disruption continue throughout 2025, it will support elevated tonne-mile demand, particularly on east-west trades.

Geopolitical risk balance: Market tilt driven by key disruptions



Crude Tanker outlook scenarios: Geopolitical drivers and market impact

	Low case	Base case	High case
OPEC+ production adjustments	OPEC+ barrels displace long-haul flows, reducing distance	Volumes rise, some substitution, floating storage builds	Demand surges, routes remain long, storage expands
Red Sea conflict and ceasefire	Traffic normalises early, voyage lengths shorten	Disruption continues throughout 2025, resolves in 2026	Red Sea closure extends into 2026–2027
Tariff-driven trade tensions	Broad tariffs weaken demand, global volumes shrink	Targeted tariffs slow trade, modest demand headwind	Tariff impact contained, minimal oil demand disruption
European rearmament	Delayed execution, limited near-term impact on demand	Modest fuel and stockpiling boost in EU regions	Large-scale reindustrialisation and reserve building

Sources: Clarksons, Reuters, IEA, S&P Global, TradeWinds, Danish Ship Finance

Crude Tanker Deep Dive: Hesitation About 25-year Bets

Fleet renewal slows as long-term uncertainty reshapes investment in crude tankers

A stark decline in the number of dual-fuel (DF) vessels has upended expectations for a green transition in the Crude Tanker market. In 2021, some 74% of new tonnage included DF capability. By 2024, this share had fallen to 43%. While green propulsion once seemed inevitable, owners now face a combination of ambiguous fuel paths and looming peak oil forecasts that complicate 25-year investments.

From certainty to hesitation

At the start of the decade, DF propulsion seemed set to become standard in Crude Tanker contracting. In 2020, around three out of four new orders had DF capability. Yet, as total contracting rose from 15 million dwt in 2020 to 30 million dwt in 2024, the share of DF-capable tonnage fell to 43%. LNG bunker prices spiked during the 2022 energy crisis, raising questions about long-term competitiveness. At the same time, alternative fuels such as methanol, ammonia and biofuels gained attention, though none emerged as a scalable option.

The 25-year bet: Peak oil vs. technological uncertainty

Crude Tankers ordered today are likely to remain in service into the 2040s – and in some cases the early 2050s. This timeline extends well beyond many forecasts for peak oil demand. While long-haul crude trade will not vanish overnight, the prospect of declining volumes raises questions about long-term fleet utilisation. Technological pathways remain unresolved, adding to the uncertainty around investments with multi-decade horizons. These challenges differ from those faced in other shipping segments. In Container shipping, long-term viability is less contested. In 2024, 89% of Container vessels contracted included DF capability.

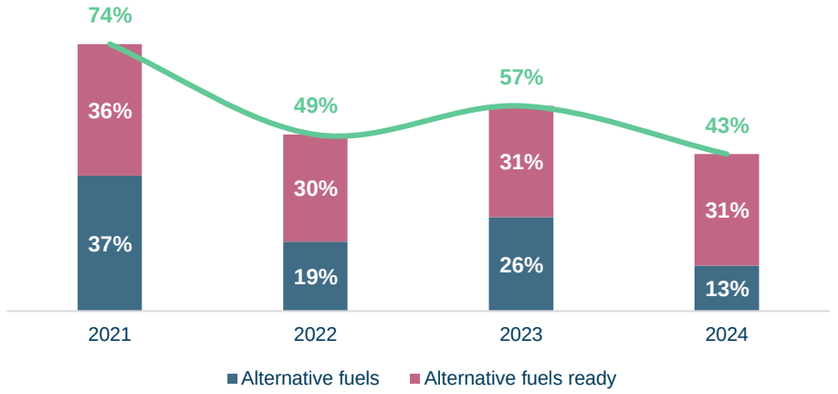
Short-term gains and older tonnage

Strong freight markets throughout 2023 and into 2024 have sustained demand for older Crude Tankers, including units in their third decade of service. While prices have softened recently, secondhand values remain well above pre-pandemic levels. Since 2020, average values for ten- and 15-year-old tankers have risen by 66% across the VLCC, Suezmax and Aframax segments, and for five-year-old vessels by 47%. Instead of committing to costly newbuilds, many owners have extended the commercial lives of existing vessels.

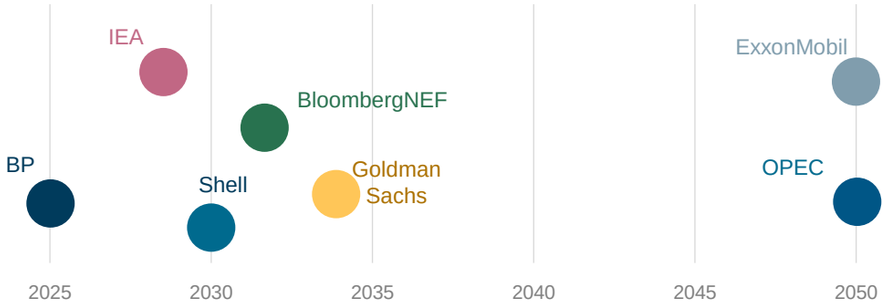
Triggers for a new ordering wave

Fleet renewal is concentrated among a small group of owners. As of 2025, just 20 companies – less than 5% of the known owner base – control the entire DF Crude Tanker fleet and orderbook, whether capable or fuel-ready. Meanwhile, the top 20 owners account for 77% of the total Crude Tanker orderbook, highlighting the growing concentration in newbuilding activity. As of 2024, the EU ETS covers emissions from voyages to and from EU ports, and FuelEU Maritime, which has come into force in 2025, sets fuel intensity targets. Although only 18% of global crude trade loads in the EU, 48% of DF crude volumes are loaded there – pointing to region-specific incentives. A fragmented market may emerge, with a few large owners renewing for EU exposure, and others continuing to trade older tonnage elsewhere.

Share of dual-fuel contracting (dwt) for Crude Tankers



Peak oil demand forecast by source



ExxonMobil and OPEC project continued growth in global oil and gas demand through 2050, with no peak on the horizon.

Sources: Clarksons, Reuters, IEA, S&P Global, TradeWinds, EIA, BP, Shell, Goldman Sachs, BloombergNEF, Danish Ship Finance

Product Tanker

Shipping Market Review – May 2025

Product Tanker

Short-term squeeze – long-term resilience?

Following the outbreak of the Russia-Ukraine war, longer travel distances have been the primary driver of Product Tanker market strength. However, early 2025 has seen a softening in fleet utilisation, caused by slowing long-haul demand and continued fleet growth. The expansion of the orderbook has raised concerns that this trend may persist in the coming years. Utilisation is expected to weaken further in the short to medium term if we see a gradual normalisation in the Red Sea. Nonetheless, some owners may strategically position themselves, anticipating that shifts in the global refinery landscape will support renewed growth in long-haul trade.

Freight rates and secondhand prices

Freight rates and secondhand prices have softened in the past six months. One-year timecharter rates have declined by between 15% and 22% across all subsegments, reaching some of the lowest levels since the onset of the Russia-Ukraine war. Still, they remain among the highest levels observed since 2008. Secondhand prices have experienced declines of around 10% but are still hovering in the top 25% recorded since 2000.

LR2: Since mid-2024, weaker Crude Tanker earnings have pushed more Crude tonnage into clean cargo trade. Suezmax capacity has replaced LR Tankers on long-haul voyages from the Middle East to Europe (one of the largest trades in the segment – measured in both tonnes and miles), eroding utilisation of the largest Product Tanker vessels and spilling into freight rates. The one-year timecharter rate is currently USD 27,500 per day (the lowest level since the start of the Russia-Ukraine war), marking a 22% decline in the past six months. The price of a five-year-old LR2 has fallen to USD 65 million, representing an 8% decrease in the same period.

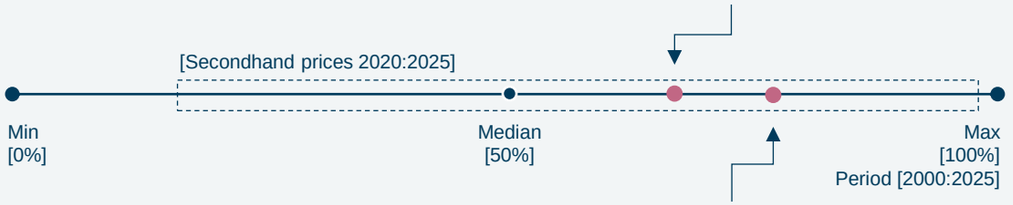
LR1: The LR1 market has also felt the ripple effects of Crude Tankers moving into clean trades. As of April, the one-year timecharter rate has dropped to USD 20,500 per day, down 22% in the last six months. Meanwhile, a five-year-old LR1 is currently trading at USD 50 million, representing a 12% fall in the past six months.

MR: Long-haul trades continue to support the MR Tanker market, but cascading effects from larger segments have contributed to a softening of MR demand. The one-year timecharter rate has dropped by around 15% in the past six months. Meanwhile, the price of a five-year-old MR is USD 41 million, down 13% from six months ago.

DS:FUNDAMENTALS

MARKET CYCLE POSITION – May 2025

Freight rates have decreased by 30% in the past six months, but they are still above the median.



Secondhand prices are still well above the median but have decreased by 10% on average in the past six months.

The Product Tanker market has been driven by longer travel distances amid the Russia-Ukraine war. Trade volumes remain 6% below the peak levels seen in 2018, while distance-adjusted demand has increased 19% since 2018 – compared to an 18% fleet expansion over the same period. Fleet utilisation softened in the first three months of 2025, as demand for seaborne oil products remained steady, while the fleet grew by 1.2%.

Deliveries: 2.6 million dwt (1.5% of the fleet) was added to the fleet in the first three months of 2025, compared to 1 million dwt in the same period in 2024. 3.5 million dwt is scheduled to be delivered this year – a ten-year high.

Scrapping continues to be slow (amounting to 0.1-0.2% of the fleet in both 2023 and 2024). Just seven vessels were demolished in the first four months of 2025.

Contracting activity amounted to 21 million dwt in 2024 (10% of the fleet) – the highest level since 2013. 0.4% of the fleet was ordered in the first four months of 2025.

Orderbook: 40 million dwt is currently on order, and the orderbook has been stable at around 20% of the fleet since mid-2024. The stabilisation follows a two-year period of continuous growth in the orderbook, rising from an all-time low of just 6% of the fleet.

Demand: Trade volumes remained steady in the first four months of 2025 compared to the same period in 2024. Travel distances reached an all-time high in 2024, driven by the sustained impact of the Ukraine invasion and disruptions in the Red Sea.

Market Dynamics in the Last Six Months

Earnings remain volatile

Disruptions have continued to characterize the Product Tanker market in the past six months. Since 2018, distance-adjusted demand experienced a significant increase despite a decline in overall trade volumes. This, coupled with a steady increase in the fleets, has caused utilisation to remain volatile.

A market driven entirely by travel distances…

In recent years, the Product Tanker market has been reshaped by disruptions and geopolitical tensions, driving longer travel distances. From 2020 to 2022, global refinery outages boosted long-haul imports, especially into Europe. From 2022, the Russia-Ukraine war and the subsequent sanctions triggered a major reshuffle of global trade flows, while Red Sea disruptions further added to longer travel distances. As a result, distance-adjusted demand temporarily rose 19% between 2018 and 2024, despite seaborne trade volumes falling 6% below their 2018 peak.

…leaving a tight balance between vessel supply and demand

The jump in distance-adjusted demand was almost fully absorbed by an 18% expansion of the fleet during the same period, leaving a seemingly tight trail for Product Tanker utilisation to follow. While average earnings have seen rapid increases recently, the ensuing declines have often been just as steep. Average earnings doubled from mid-2023 to the start of 2024, but this was followed by a 60% drop within the same length of time.

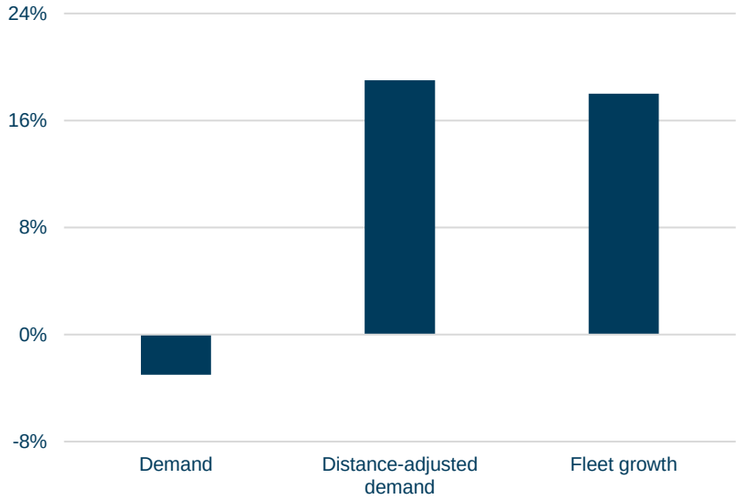
Product Tanker contracting spiked in both 2023 and 2024…

Ordering activity in both 2023 and 2024 needed no more than the first three or four months before it had already surpassed the total annual amount of newbuilding contracts in each of the preceding years since 2018.

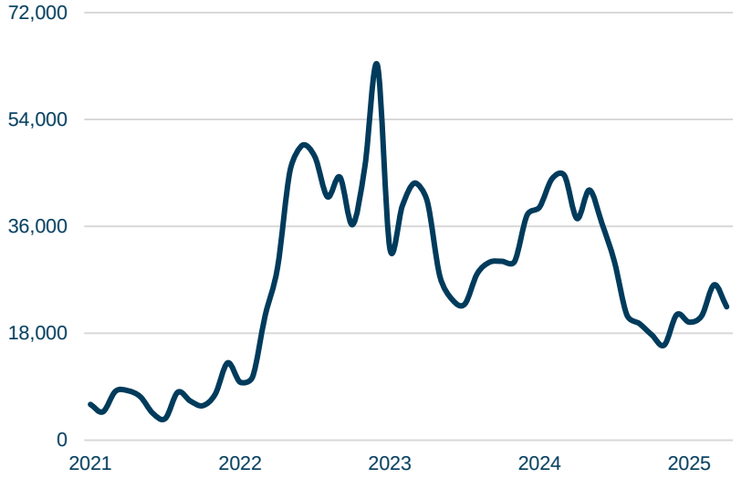
…but newbuild orders with alternative fuel capabilities are few

The tramp shipping nature of the Product Tanker market limits the potential for scaling of a common transitional fuel. This barrier appears well reflected among the vessels currently on order, as only 10% of these are scheduled for dual-fuel readiness/capability.

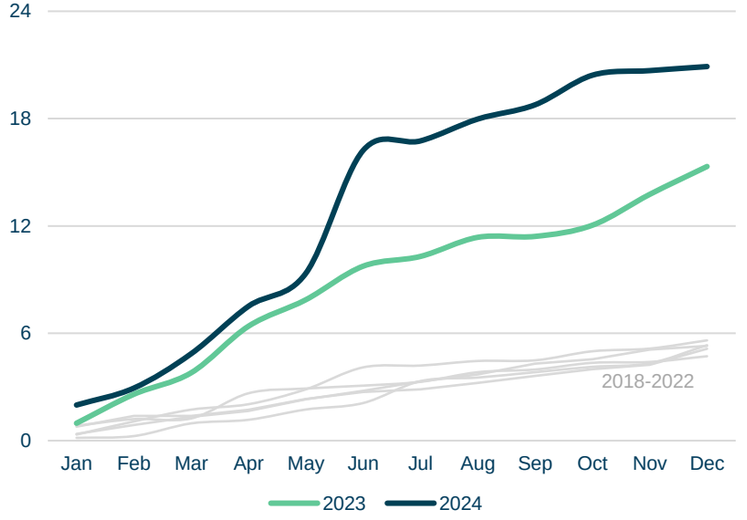
Seaborne refined product demand vs. fleet growth, 2018-2024



Average Product Tanker earnings (USD/day)



Accumulated Product Tanker contracting (million dwt)



Sources: Clarksons, AXSMarine, Danish Ship Finance

Product Tanker Market Outlook (1/2): Normalisation Ahead?

Freight rates are likely to decline but remain at elevated levels

Depending on the outcome, a gradual normalisation in the Red Sea is likely to reduce fleet utilisation over the coming years. However, many of the large owners are positioning themselves for a shift in trading patterns towards longer hauls due to expected changes in the refinery landscape.

High fleet growth in the coming years…

The Product Tanker orderbook has reached its highest level since 2008 and is now at 21% of the fleet. With the current orderbook, the fleet is projected to grow 6.6% in 2025 and 6.9% in 2026 before scrapping. The orderbook is heavily tilted towards MRs and LR2s.

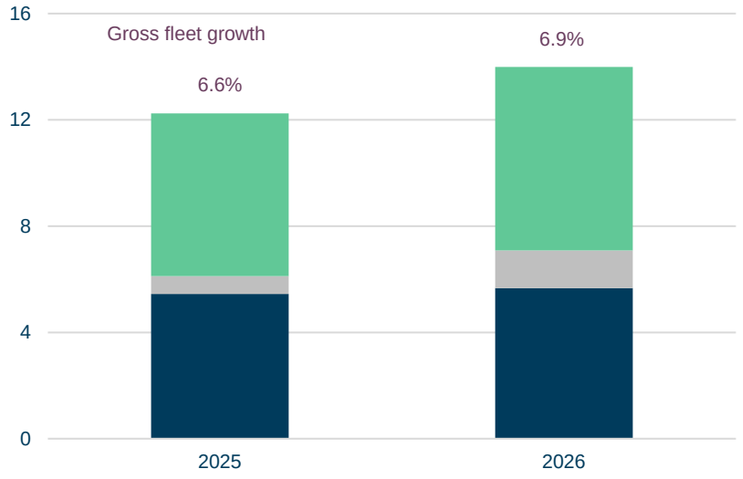
…while scrapping potential remains uncertain

Years of historically low demolition activity have resulted in an ageing fleet, with nearly 15% now over 20 years old. However, a significant share of these older vessels operate in dark or sanctioned trades, primarily transporting oil products from Russia. As long as demand for Russian oil continues, these vessels are unlikely to be scrapped. Despite expectations of increased demolition, overall fleet capacity is still likely to grow ahead of expected demand.

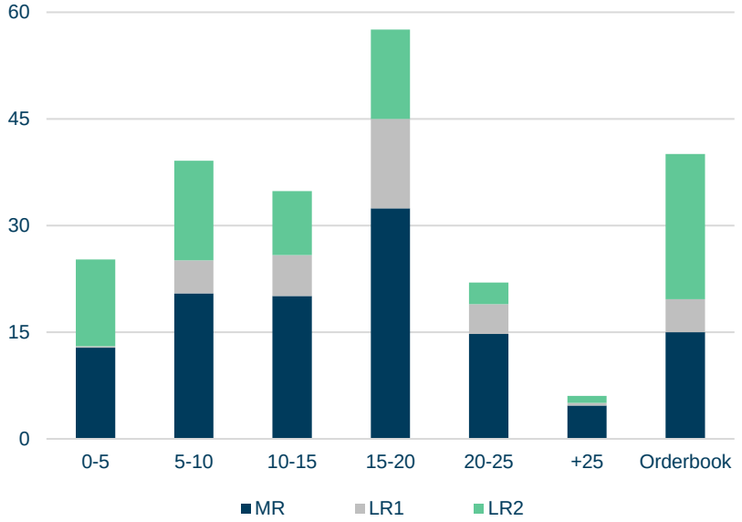
Weakening fleet utilisation will likely pressure freight rates

Seaborne trade volumes are not expected to return to 2018 levels in either 2025 or 2026, despite projected growth of 1.5% and 2.8% in those respective years. In contrast, average travel distances are forecast to decline by 1.1% in 2025 and 3.0% in 2026. While Red Sea transits remain more than 50% below 2023 levels, the projected decline in distances will mainly be driven by a gradual normalisation in the region, freeing up additional tonnage. Furthermore, the expansion of refinery capacity in India and China is expected to diminish the reliance on long-haul imports from Russia. Consequently, seaborne demand growth for Product Tankers is likely to remain subdued in the short to medium term. Strong fleet growth, coupled with limited upside in demand, is expected to exert downward pressure on freight rates and secondhand prices.

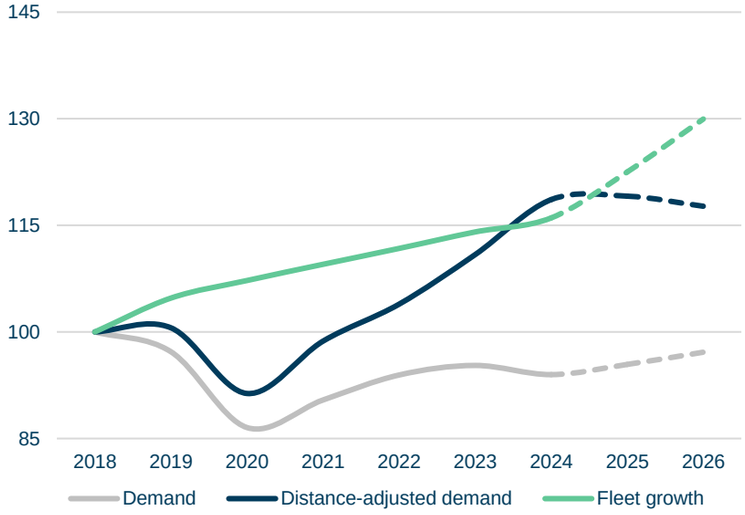
Expected fleet development (million dwt)



Age distribution (million dwt)



Supply-demand balance (100 = 2018)



Source: Clarksons, Danish Ship Finance

Product Tanker Market Outlook (2/2): Volumes vs. Distances

The changing refinery landscape will have an impact on the long-term outlook

Trade war may have an impact on oil demand

In addition to the gradual normalisation of travel distances, the Product Tanker market is increasingly exposed to the broader impacts of the ongoing trade war. The IMF recently revised its global economic growth forecast for 2025 downwards, from 3.3% to 2.8%, with the most pronounced slowdown expected in the US. As the US accounts for approximately 7-8% of global seaborne Product Tanker demand, a weaker US economy could dampen demand for oil products – particularly gasoline, which makes up around 45-50% of total US oil consumption. However, the sharp decline in oil prices following the announcement of new tariffs may potentially offset some of the negative effects in the near term.

A few players in a more concentrated market…

A few dominant players were behind the surge in contracting activity in 2024, with just over 90 group owners placing orders for 350 vessels. The last time contracting volumes reached similar levels was in 2006 – however, back then, nearly 300 group owners were involved. This shift highlights the growing degree of concentration in the Product Tanker market, with a smaller number of strong players increasingly set to dominate the tonnage landscape, particularly for new and dual-fuel vessels.

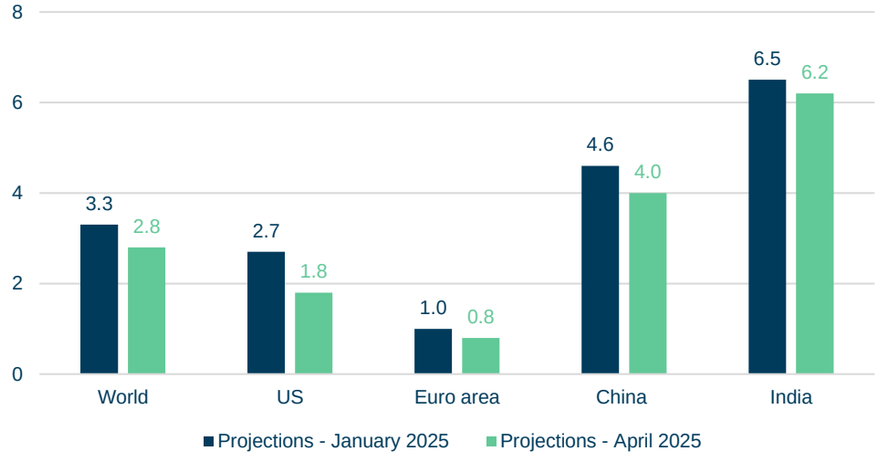
…are betting on being dominant in the long term

This gives rise to a key question as to why certain owners are showing a strong appetite for new orders, especially considering the long technical lifetimes of these assets and the anticipated structural decline in oil demand (c.f. the Crude Tanker chapter). One possible explanation is that a select group of owners are positioning themselves to play a more dominant role in the future market. According to Wood Mackenzie, approximately 21% of current global refinery capacity is at risk of closure within the next decade. This outlook is driven by a combination of peaking oil demand and increasing carbon emissions costs, which are expected to pressure margins and accelerate closures – particularly in Europe, where nearly 60% of these at-risk refineries are located. If refinery closures outpace the decline in demand, the resulting shortfall will likely be met by supplies from the US, the Middle East and Asia. As a result, seaborne trade in oil products could experience a transitory upswing in the longer term.

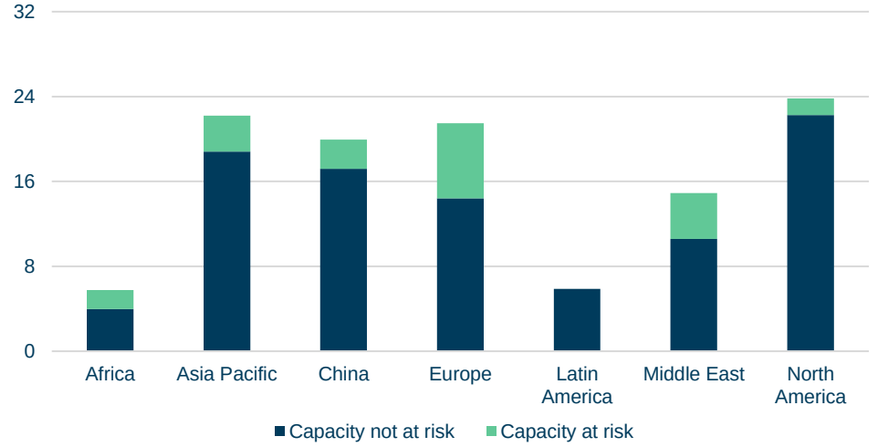
But energy security is high on the agenda

Rising geopolitical tensions are amplifying the importance of energy security across global supply chains. As a result, while some European refineries face potential closure due to expectations of declining oil demand and tightening margins, political priorities around energy independence may support their continued operation for longer than market fundamentals alone would suggest. Ultimately, this will also depend on the pace at which renewable energy is scaled up in the region. Should this happen, it may offset the transitory upswing in the market.

IMF projections for GDP growth in 2025 (%)



Refinery capacity at risk (mbpd)



Sources: Clarksons, Wood Mackenzie, IMF, Danish Ship Finance

LPG Carrier

Shipping Market Review – May 2025

LPG Carrier

A large orderbook amid softening demand and trade disruptions

After two years of elevated earnings, the LPG Carrier market is facing a more challenging outlook. In 2025, seaborne LPG volumes are projected to increase by just 1.6%, while fleet growth is expected to surpass 6%, driven by a large wave of VLGC and MGC deliveries. Tonne-mile growth is set to decelerate to only 0.7% as trade routes shorten and long-haul flows come under pressure. The renewed US-China trade war adds further uncertainty, with ethane and LPG exports at risk and limited alternative demand for specialised VLECs. While the long-term demand fundamentals remain intact, the near-term outlook points to declining utilisation and intensifying competition across subsegments.

Freight rates and secondhand prices

Average LPG earnings have declined from their record highs, as distances have declined. Still, average secondhand prices have continued their upward trajectory, with prices across all ages ranging among the top 10% observed since 2004. Secondhand prices for older vessels have seen the sharpest rises, having increased 16% and 29% in the VLGC and MGC segments, respectively. Ongoing contracting for dual-fuel vessels has pushed newbuilding prices to record highs.

VLGC: Freight rates have declined from their record highs at the end of 2023. Since mid-2024, weather-related delays coupled with maintenance at US export terminals have created surplus capacity. The one-year timecharter rate has decreased by 24% in the past six months, to USD 39,400 per day. In contrast, both newbuilding and secondhand prices have increased across ages in the past six months.

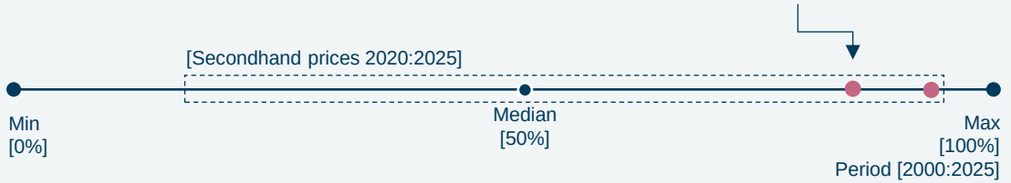
MGC: The softer VLGC earnings have trickled down to the MGC segment, which has seen earnings decline by 9% in the past six months – to USD 25,500 per day. Volumes to Europe have dropped by 4% since mid-2024, partly countered by an increase in volumes to India. Meanwhile, secondhand prices have risen across all ages, with the price of a five-year-old vessel having increased by 6% in the past six months.

SGC: Demand growth for SGCs has weakened, as Chinese discharges have softened by 12% since mid-2024. Nevertheless, the one-year time charter rate has remained stable at USD 21,200 per day for the past six months.

DS:FUNDAMENTALS

MARKET CYCLE POSITION – May 2025

Freight rates have decreased by 17% in the past six months but are still well above the median.



Secondhand prices have increased by 4% on average in the past six months and are near historical highs.

Freight rates have declined across subsegments, as the fleet has expanded ahead of demand. The high inflow of new vessels during 2025 is expected to weaken fleet utilisation and lower freight rates. The fleet is scheduled to expand by 6% (cbm) before scrapping in 2025, while distance-adjusted demand is projected to grow by 0.7% in the same period.

Deliveries declined by 40% to 2.8 million cbm in 2024 compared to 2023. Deliveries are expected to remain modest in 2025, with 0.2 million cbm delivered (0.4% of the fleet). Another 2.5 million cbm is scheduled to be delivered this year.

Scrapping reached historical lows in 2024, with no vessels scrapped. This trend has continued into 2025, with only one vessel (SGC) scrapped so far.

Contracting surged to historical highs in 2024, with 10.3 million cbm contracted during the year (23% of the fleet). Of the 150 vessels contracted, 82 were VLGCs, divided among VLACs, VLECs and regular VLGCs. One vessel has been contracted so far in 2025.

Orderbook: The orderbook has continued to expand and now contains 20 million cbm distributed between 295 vessels. The orderbook corresponds to 41% of the fleet. The VLGC segment accounts for the lion's share of the orderbook.

Demand: Demand growth softened in 2024, due to shorter routes. This trend is expected to continue into 2025, with tonne-mile growth expected to reach only 0.7% year-on-year, down from 7.9% in 2024.

Market Dynamics in the Last Six Months

The last six months have seen freight rates soften amid rising vessel supply, shorter voyages and narrowing arbitrage margins

After peaking in Q4 2023, freight rates experienced a sharp drop in early 2024 due to disruptions to US exports and a colder-than-expected winter. Freight rates declined again from mid-2024, driven by narrowing arbitrage margins and rising vessel availability.

Vessel oversupply

The LPG market is struggling to absorb a significant influx of new tonnage. The fleet has expanded by more than 17% in the past two years, with the VLGC segment growing the most. With limited demolition activity, the additional capacity has weighed on earnings across all segments.

Tonne-mile demand softened as Panama Canal delays eased

Increased rainfall in early 2024 replenished water levels, enabling access to the Panama Canal. VLGCs were once again able to use the shorter US-Asia passage. Effective vessel supply increased due to shorter travel distances, contributing to softer spot market rates.

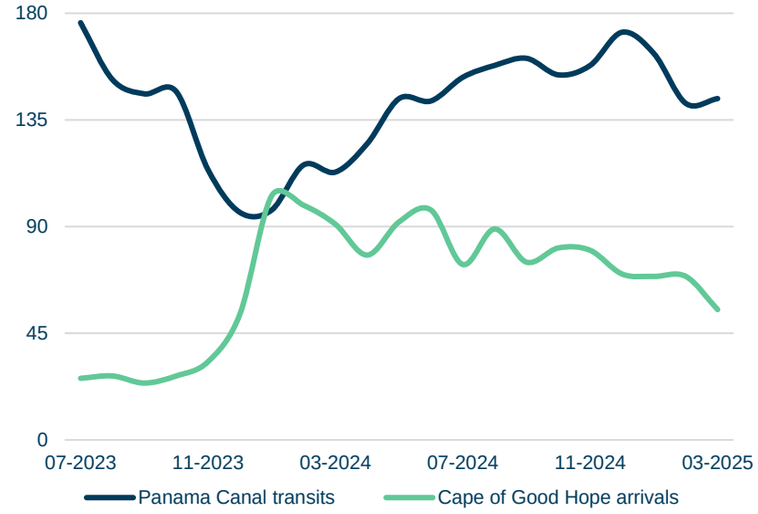
Narrower arbitrage margins limited long-haul activity

The freight market faced additional pressure from reduced arbitrage opportunities. Increasing domestic LPG prices in the US, driven by weather-related domestic demand and infrastructure constraints, narrowed the price differential with Asia and Europe. This compression in arbitrage margins led to fewer long-haul spot fixtures and a decline in tonne-mile demand.

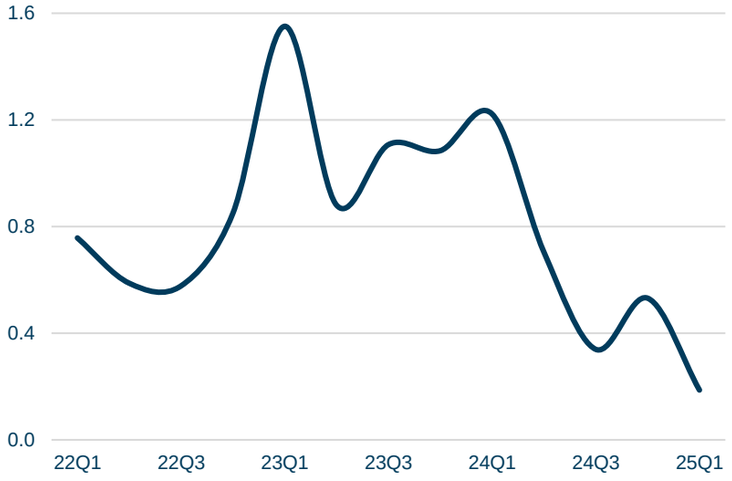
Contracting has slowed down

Contracting activity declined across all subsegments in Q4 2024, indicating growing caution among shipowners. VLGC orders fell from 24 in Q3 to 17 in Q4, while MGC orders dropped from 13 to just two – the lowest quarterly total in two years. The slowdown reflects increasing pressure on freight rates, with the orderbook – equivalent to 41% of the existing fleet – set to expand supply further up to 2027. Amid high replacement costs and subdued near-term earnings, owners appear more reluctant to commit to new tonnage.

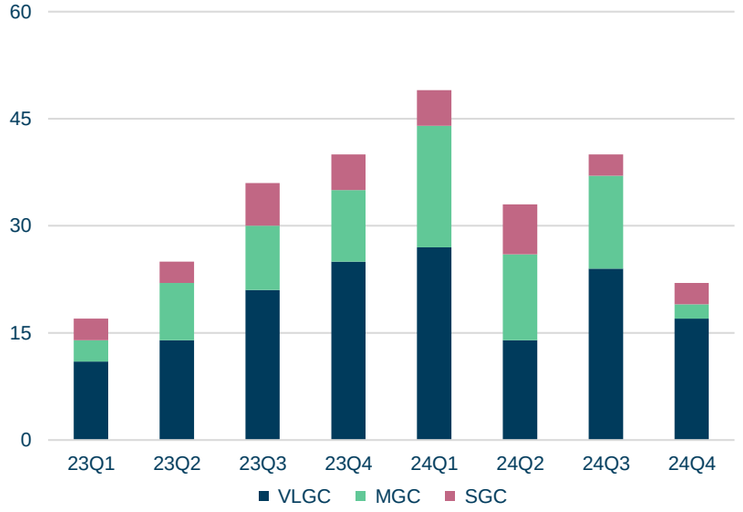
LPG Carrier transits and arrivals, number



LPG Carrier deliveries, million cbm



Contracting by subsegment, number of vessels



Sources: Clarksons, AXSMarine, Drewry, TradeWinds, IEA, Danish Ship Finance

LPG Outlook (1/2): Surplus Vessel Capacity Clouds the Outlook

High orderbook volumes and shifting vessel roles are creating structural pressure across segments

The large orderbook is scheduled to flood the market with new vessels up to the end of 2027. Demolition activity is expected to increase but is not likely to be sufficient to balance the market. Freight rates and secondhand prices are expected to decline.

Fleet expansion ahead as orderbook deliveries accelerate

The fleet is set to experience substantial growth over the next three years, particularly in the VLGC and MGC segments. The VLGC orderbook – including VLGCs, VLACs and VLECs – is at 45% of the existing fleet, with 154 vessels scheduled for delivery between 2025 and 2027. The MGC segment is likewise positioned for rapid growth, with an orderbook of 40% of the existing fleet. This wave of new tonnage follows an already substantial capacity increase from 2022 to 2024. Demolition activity is expected to pick up markedly but is unlikely to balance the market in a timely manner.

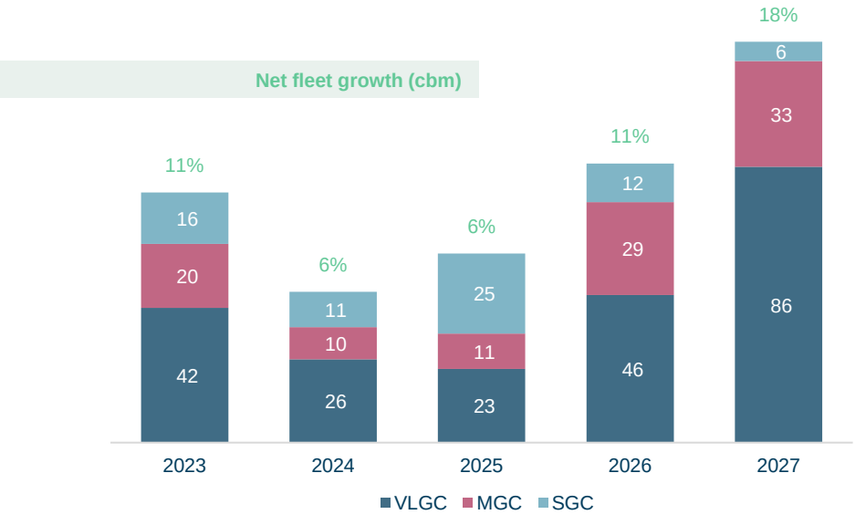
Diversifying orderbook composition: Rise of VLACs and VLECs

The composition of the VLGC orderbook is becoming increasingly diverse, with around 75% of orders being specialised vessels intended for ethane or ammonia transport. The VLECs are being built for long-haul ethane trade, while the VLACs are targeting anticipated growth in clean ammonia trade (see deep dive). The VLECs were originally contracted on long-term ethane charters, but the escalating trade tensions (see demand outlook) have introduced uncertainties regarding these commitments. As a result, the incoming VLEC capacity might exert additional pressure on the broader LPG segment if ethane trade routes remain disrupted, potentially exacerbating oversupply risks alongside conventional VLGC and VLAC deliveries.

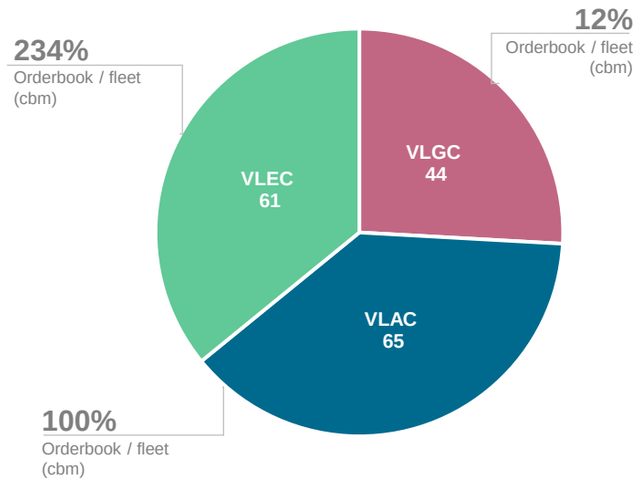
Delivery wave to peak in 2026-2027, led by VLACs and VLECs

The delivery schedule for VLGC-sized vessels is heavily weighted towards 2026 and 2027, with a sharp increase in VLAC and VLEC deliveries during this period. While conventional VLGC deliveries are front-loaded to 2025 and 2026, the majority of VLACs and VLECs are expected to enter the fleet from mid-2026 onwards, meaning that any additional supply-side pressure from these vessels is likely to emerge just as the bulk of VLGC deliveries begin to taper off.

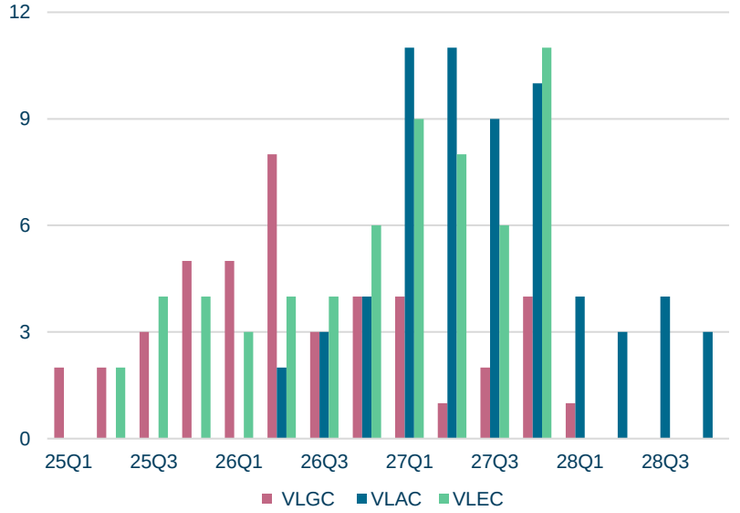
Deliveries by subsegment (number of vessels)



The VLGC orderbook (number of vessels on order)



VLGC delivery schedule by type (number of vessels)



Sources: Clarksons, AXSMarine, Drewry, TradeWinds, IEA, Danish Ship Finance

LPG Outlook (2/2): Trade Tensions Complicate the Demand Picture

Growth in LPG and ethane demand is slowing as geopolitical disruptions alter trade flows, intensifying downside risks for fleet utilisation

Demand growth is set to slow, trade routes are shortening, and the trade war is disrupting key flows. These factors are likely to weigh on utilisation and freight rates until 2027.

Fleet growth to outpace LPG demand growth

LPG seaborne trade is projected to grow modestly in 2025, with volumes rising by just 1.6% – a marked slowdown from the 6.2% CAGR recorded between 2020 and 2024. Tonne-mile growth is expected to lag further at 0.7%, down from a CAGR of 8.5% over the same period, reflecting reduced average voyage distances. The limited volume increase is expected to come primarily from China and India, supported by new PDH capacity and growing residential demand. However, at the same time, the LPG Carrier fleet is set to expand by over 6% in 2025, with further acceleration up to 2027. Unless demand growth picks up or long-haul trades regain momentum, fleet utilisation is likely to decline, particularly in the VLGC segment.

Trade war disrupts ethane and LPG outlook

The trade war has raised significant uncertainty for Very Large Ethane Carriers (VLECs), a specialised fleet initially dedicated to the US-China ethane trade. Currently, 29 VLECs service routes primarily between the US Gulf and Chinese petrochemical terminals, with limited alternative destinations available at scale. The renewed US-China trade war has cast doubt on the structural shift towards ethane and LPG in China's petrochemical sector. In 2024, China relied on the US for nearly all its ethane imports and over half of its LPG supplies. New tariffs of up to 125% imposed in April threaten to sharply reduce these volumes.

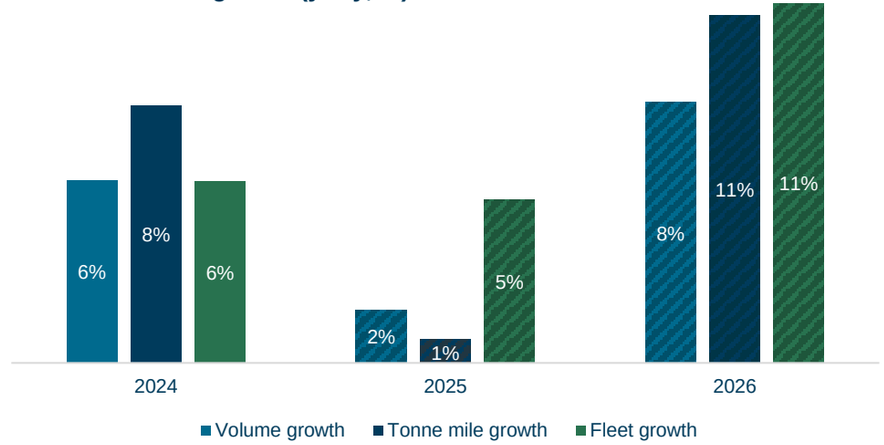
VLECs at risk as ethane trade falters

China's shift from ethane to naphtha as a feedstock appears likely given the limited number of alternative ethane suppliers in the near term. Displaced US ethane and LPG volumes might find new buyers in India or Europe, but neither region can absorb volumes on China's scale in the short term. Consequently, this introduces substantial downside risks for vessel utilisation, with VLECs particularly exposed due to their narrow deployment profile. These vessels may temporarily redeploy into LPG service, as technical barriers are minimal and most VLECs were designed for cargo flexibility. However, the LPG market itself faces increasing oversupply, potentially limiting redeployment opportunities and placing additional downward pressure on freight rates.

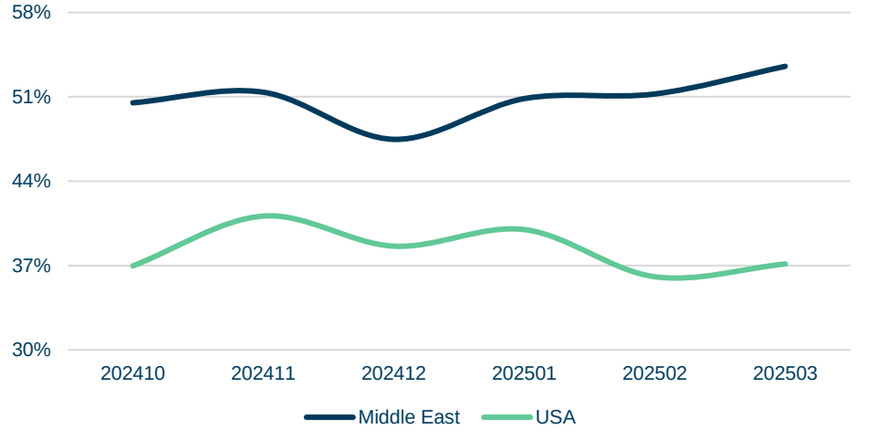
Shifting Asian trade patterns intensify rate pressures

Beyond trade tensions, Asian LPG trade patterns have begun shifting structurally. Rising petrochemical consumption and energy diversification continue to underpin LPG demand growth in China and India, yet trade routes are becoming shorter as Middle Eastern suppliers leverage cost advantages and expand export capacities. Chinese importers' increasing preference for shorter-haul Middle Eastern LPG supplies over US volumes – partly accelerated by geopolitical concerns – is reducing average voyage distances. This trend is independently contributing to declining tonne-mile demand and will compound downward pressure on freight rates.

Demand and fleet growth (y-o-y, %)



LPG imports to Asia by export region (share of total imports, %)



Sources: Clarksons, AXSMarine, Drewry, TradeWinds, IEA, Danish Ship Finance

LPG Deep Dive: Ammonia Carriers – Betting Big on an Uncertain Future

With limited terminals and policy setbacks, early VLACs face a multi-year detour via the LPG market

Ammonia has emerged as a key candidate in the race for zero-carbon fuels, attracting major investment and driving a sharp uptick in VLAC orders. Yet while long-term demand signals are strong, the near-term picture is less clear. Infrastructure constraints, uncertain regulatory timelines and limited cargo availability raise questions about how and when the new fleet will be deployed.

MGCs likely to dominate early ammonia trade

Today, almost all seaborne ammonia is carried on MGCs. This reflects the structure of existing ammonia trade, which is regionally concentrated and largely limited to industrial and agricultural consumption. Initial ammonia demand growth will likely be incremental, favouring smaller and mid-sized vessels on short- and medium-haul routes. Infrastructure limitations at import terminals further restrict VLAC deployment, as many terminals cannot yet handle VLAC-sized ammonia cargoes. This interim reality could delay VLACs' full-scale entry into ammonia trades until at least the early 2030s.

Betting on flexibility: VLACs as disguised LPG Carriers

VLACs are essentially modified versions of VLGCs but are designed to carry full ammonia cargoes. This conversion adds just USD 1-1.5 million to the capital cost of a standard VLGC, making the decision relatively low-risk. Owners have effectively placed a call option on ammonia's future – without sacrificing the ability to trade conventional LPG in the meantime. While this design flexibility is sensible, it also means that many VLACs may not transport ammonia for several years. The vessels will instead compete for LPG cargoes, adding to the oversupply already projected for the VLGC segment.

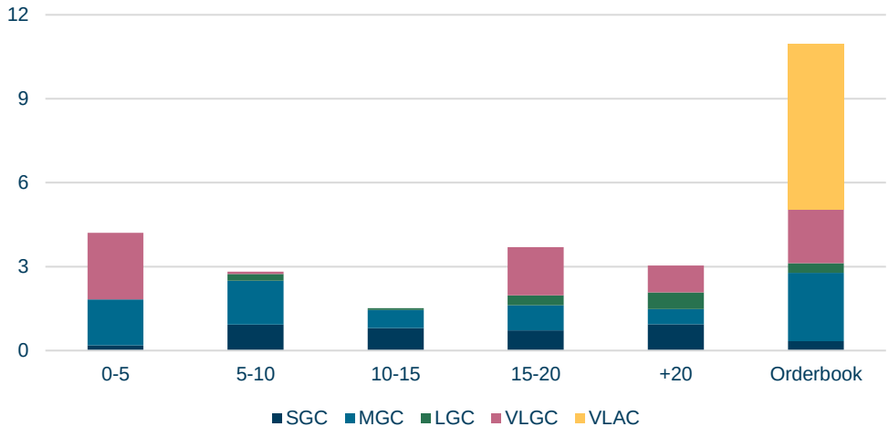
Regulatory uncertainty and political risk

The expansion of clean ammonia supply is heavily dependent on subsidies, certification frameworks and offtake agreements. The recent election of the Trump administration in the US – home to several planned blue ammonia export hubs – has created new uncertainty. The administration has already signalled plans to scale back key clean energy provisions, delaying FIDs on multiple projects along the Gulf Coast. Meanwhile, Europe is tightening sustainability criteria for low-carbon fuels, and Japan is prioritising state-sponsored bilateral partnerships. These trends may weaken demand for US ammonia and slow the rollout of large-scale exports.

Real market growth remains modest in the near term

While long-term ammonia trade scenarios remain ambitious, near-term expectations are far more conservative. Drewry forecasts seaborne ammonia trade to grow from 15.5 million tonnes in 2024 to 27 million tonnes in 2029. Notably, the bulk of this increase is expected to occur after 2027. This gradual trajectory raises concerns about the timing of VLAC deliveries, with the bulk of new tonnage scheduled to enter the fleet from 2026 to 2028. Unless demand accelerates faster than expected, the ammonia story may play out more slowly than many owners are hoping – leaving a large share of the incoming VLAC fleet deployed in an oversupplied LPG market well into the 2030s.

Age distribution of LPG Carriers with ammonia-carrying capacity (cbm)



Types of ammonia

Produced from fossil fuels	Grey
Produced using natural gas but with CO_2 capture and storage	Blue
Produced from hydrogen made through water electrolysis using renewable energy	Green

Sources: Clarksons, AXSMarine, Drewry, TradeWinds, IEA, Danish Ship Finance

LNG Carrier

Shipping Market Review – May 2025

LNG Carrier

The tide is going out, exposing the scale of market imbalances

The LNG market finds itself in a predicament, despite strong demand expectations: It is currently facing significant overcapacity, historically low freight rates, and a heavy delivery schedule. Widespread scrapping and order cancellations are expected as the market seeks to restore balance. Secondhand prices appear set for a period of deflation, with shorter economic lifetimes driving lower valuations, even for relatively young vessels. By 2027, the vast majority of steam turbine and four-stroke single-fuel vessels could have been scrapped. Let us hope that further measures will not be necessary.

Freight rates and secondhand prices

The one-year timecharter rate for a 174,000 cbm LNG Carrier peaked at USD 260,000 per day in October 2022, only to bottom out at an all-time low of USD 19,000 per day in February 2025. The gradual descent over a 29-month period reflects a widening supply surplus. While the timecharter rate lost 93% of its value during the period, the price of a five-year-old secondhand vessel increased by USD 10 million or 5%, to USD 215 million. The newbuilding price rose from USD 248 million in October 2022 to USD 255 million in April 2025. The timecharter rate increased to USD 29,000 per day in March 2025.

The decline in the one-year timecharter rate over the period equates to an estimated USD 80 million in foregone earnings over the one-year period. This was effectively capitalised into a USD 10 million **increase** in the market value of a five-year-old vessel. In April 2025, the ship price declined by USD 5 million to USD 210 million.

Lower S&P activity

The divergence between declining freight rates and relatively stable secondhand vessel prices has been clearly reflected in sale and purchase activity. While 41 vessels changed hands in 2022, this figure dropped to 21 in 2024, with only three transactions recorded in the first quarter of 2025. Current market dynamics suggest that a significant correction in secondhand prices may be necessary before transactional activity returns to more robust levels.

Record-high appetite for LNG Carriers

A strong appetite for new vessels has propelled the orderbook-to-fleet ratio from 27% in 2022 to 51% in 2024 and 50% in 2025.

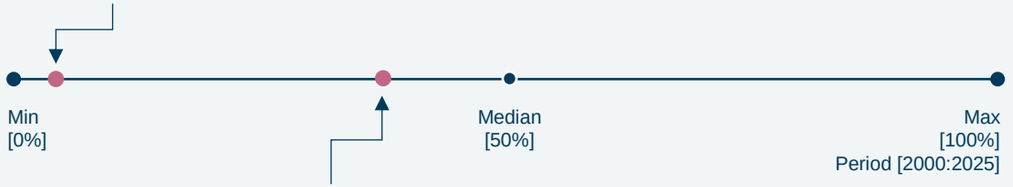
Vessels with steam turbines

Demolition activity intensified during the period, with 25 steam turbine vessels, representing 3% of the current fleet, sold for scrap. The average age at demolition was 32 years; however, notably, 25% of the vessels scrapped were under 25 years of age, with some as young as 20 years.

DS:FUNDAMENTALS

MARKET CYCLE POSITION – May 2025

Freight rates have decreased by 14% during the past six months



Secondhand prices (five-year-old) have decreased by 5% in the past six months

The surplus vessel capacity that has been building since 2022 continued to increase in 2024. The fleet grew by 7.9%, while seaborne trade volumes remained fairly stable. However, travel distances increased by 5%. Increased congestion at European ports combined with reduced speeds bridged some of the gap, but freight rates continued to decline throughout 2024 and into 2025.

Delivery: Between 2000 and 2021, annual deliveries averaged 4.5 million cbm. In 2024, this figure more than doubled, and is projected to triple in 2025, to a level that is expected to be maintained through 2026 and 2027.

Scrapping: An all-time high of one million cbm was scrapped in 2024, with eight vessels scrapped. All vessels were steam turbine vessels.

Contracting: Between 2000 and 2021, annual contracting averaged 5.5 million cbm. From 2022 to 2024, nearly 60 million cbm were contracted.

Orderbook: The orderbook-to-fleet ratio stood at 27% in 2022 and has since risen to 50%. Qatar's Q-Max vessels represent 11% of the current orderbook, equating to approximately 5% of the global fleet.

Demand and travel distances: Between 2000 and 2021, seaborne trade volumes increased by 6.4% annually, while longer travel distances added 1.8% each year. Since 2022, volume growth has declined to 3.3%, while travel distances have increased fivefold. In 2024, volumes barely increased.

Market Dynamics in the Last Six Months

Structural oversupply is meeting subdued demand

The oversupply of vessels has reached a point where traditional spot rate seasonality is no longer evident.

Seaborne LNG volumes have remained muted…

Seaborne trade volumes remained broadly stable in 2024, with growth in Asia counterbalancing a decline in European imports. Asia was the primary driver of resilience in import activity, underpinned by increased seaborne uptake from China. However, this growth reflected a shift in global trade flows, rather than the emergence of new demand. Higher Asian intake primarily absorbed cargoes previously destined for Europe, where ample inventories and weaker downstream consumption led to a notable decline in seaborne LNG arrivals.

…while voyage distances have seen some upside

The reshuffling of US export volumes supported growth in travel distances, although overall volumes remained stable. Reduced demand in Europe – traditionally the largest buyer of US LNG – was offset by an increase in long-haul trades to Asia, effectively doubling the duration of the average round trip. The average voyage distance for the fleet increased by 5% in 2024.

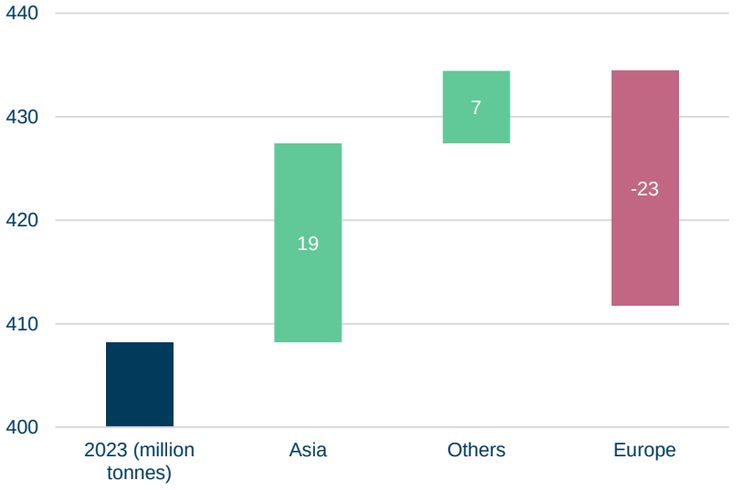
A flood of additional tonnage

The fleet expanded by 9% in 2024 and is set for a further 14% increase in 2025. Fleet utilisation has been declining steadily since 2022, although the market has experienced periods of surplus vessel capacity, largely due to project delays, since 2012. The current orderbook reflects more than a simple mismatch between supply and demand; it demonstrates an ongoing process of fleet renewal, with market balance contingent on the scrapping of older and less efficient vessels.

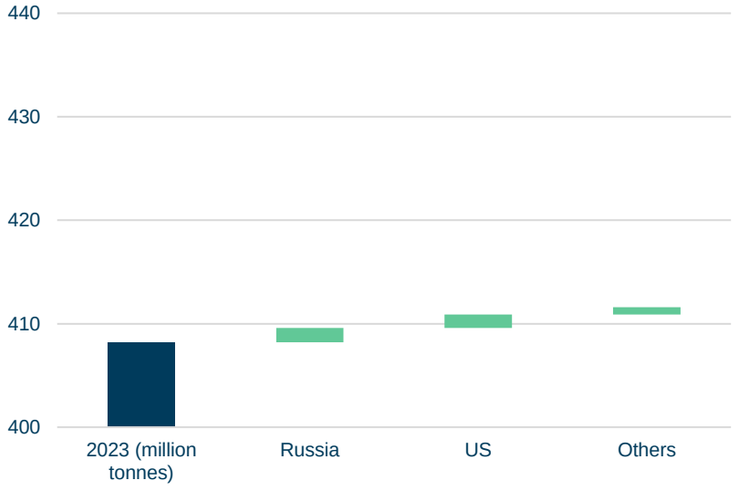
Unseasonably low spot rates

Spot rates typically rise in line with the seasonal build-up in heating demand across the northern hemisphere, with fourth-quarter rates historically doubling relative to the average of the preceding three quarters. While this seasonal premium narrowed in 2023, it disappeared entirely in 2024, highlighting the extent of the market's overcapacity.

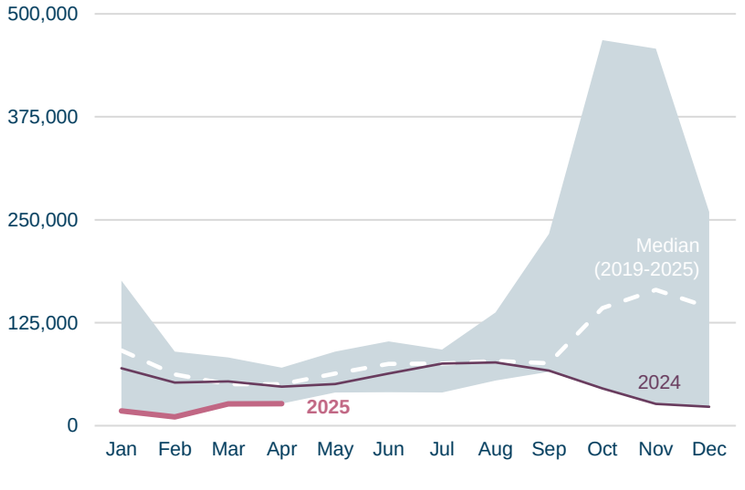
Seaborne LNG import growth (million tonnes)



Seaborne LNG export growth (million tonnes)



174,000 cbm LNG Carrier spot rate (USD per day)



Sources: Clarksons, AXSMarine, Danish Ship Finance

LNG Outlook (1/2): Reduced Lifetimes – and Secondhand Prices?

Demolition of surplus vessel capacity?

The market outlook is defined by severe overcapacity and a heavy delivery schedule. This section examines secondhand price dynamics, assuming accelerated scrapping of older, less efficient vessels. Shortening the economic lifetimes of ageing tonnage could significantly depress secondhand prices for steam turbine vessels until balance has been restored.

The LNG market is grappling with surplus vessel capacity, historically low freight rates, and an orderbook-to-fleet ratio of 47%. With 80% of the orderbook scheduled for delivery before 2028, the fleet is set to grow by over 12% per annum until then. In the absence of a strong demand catalyst, such as the phase-out of Russian pipeline supplies to Europe, any discussion of the market outlook beyond identifying scrapping or lay-up candidates is largely meaningless. Secondhand prices are expected to decline until supply and demand rebalance. A reversal in travel distances would only exacerbate the situation.

Reduced economic lifetimes as early as 2025

A further 14 million cbm of capacity is scheduled for delivery over the remaining seven months of 2025, while just 11 million cbm is currently aged over 20 years. If all these first-generation vessels were scrapped during 2025, the average demolition age would fall from 32 to 26 years.

Limited impact on prices in the short term

The price of a 15-year-old 145,000 cbm vessel peaked in March 2023 at USD 65 million and has since fallen to a four-year low of USD 40 million. Should this vessel be currently priced based on an expected economic lifetime of 30 years, the price would drop by another USD 6 million (15%) alone from the decline in the economic lifetime to 26 years. Prices can clearly fall beyond the decline in economic lifetimes.

Economic lifetimes could shorten to 18 years

A further 16 million cbm of capacity is scheduled for delivery in 2026. To improve fleet utilisation, scrapping would need to extend beyond the oldest vessels and target tonnage aged between ten and 20 years (consisting of steam turbine, single-fuel and DFDE vessels). If all steam turbine vessels within this age bracket were scrapped in 2026, the average economic lifetime could fall from 26 to 18 years.

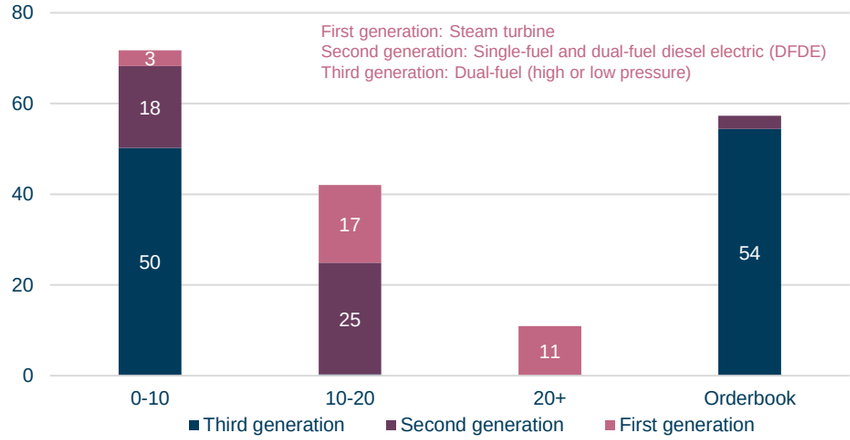
Massive downside risk in secondhand prices

While a scenario in which all first-generation vessels aged between ten and 20 years are scrapped during 2026 is unlikely, it serves to illustrate the potential impact on secondhand prices. In such a case, a 15-year-old steam turbine vessel would suddenly face a remaining economic lifetime of just two years. If its secondhand price were solely determined by the shortened economic lifespan, its price could fall by USD 21 million to USD 13 million – a 62% decline.

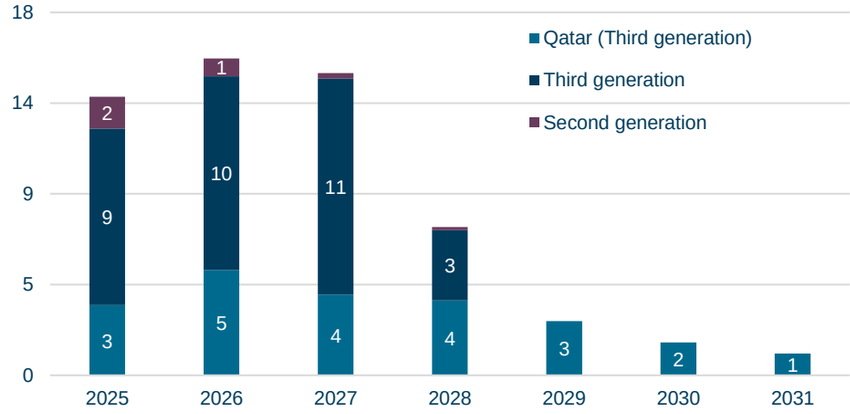
Order cancellations and conversions

A further 15 million cbm of capacity is scheduled for delivery in 2027. By then, the vast majority of first generation (steam turbine) vessels are expected to have been scrapped. The outlook remains bleak. Should market conditions evolve as outlined above, it would be prudent to assume that not all newbuilding contracts will be fulfilled. Order cancellations and conversions are likely to become part of the industry's response toolkit, alongside vessel lay-ups, as a means to balance the market without scrapping modern tonnage.

LNG fleet and orderbook (million cbm)



Delivery schedule (million cbm)



Sources: Clarksons, Danish Ship Finance

LNG outlook (2/2): Waiting for the upturn

Expansion plans and peak demand projections

Demand is expected to stay subdued in the short term, with new export capacity driving growth in the medium term. However, the long-term outlook hinge on the pace of global decarbonisation.

Demand is expected to remain muted in the short-term

Recent projections indicate that LNG demand will remain subdued in the short term. While global trade volumes are expected to grow by 5.2% in 2025, distance-adjusted demand is projected to rise by a mere 1.8%. European imports are forecast to increase by over 18% due to inventory buildup, yet they remain approximately 4% below 2022 levels. In contrast, Asian imports are expected to decline by 0.6%, driven by sluggish economic activity in China and weaker demand from price-sensitive markets like India. The anticipated rise in European imports will likely be met through short-haul shipments from the US, weighing on the distance-adjusted demand projection.

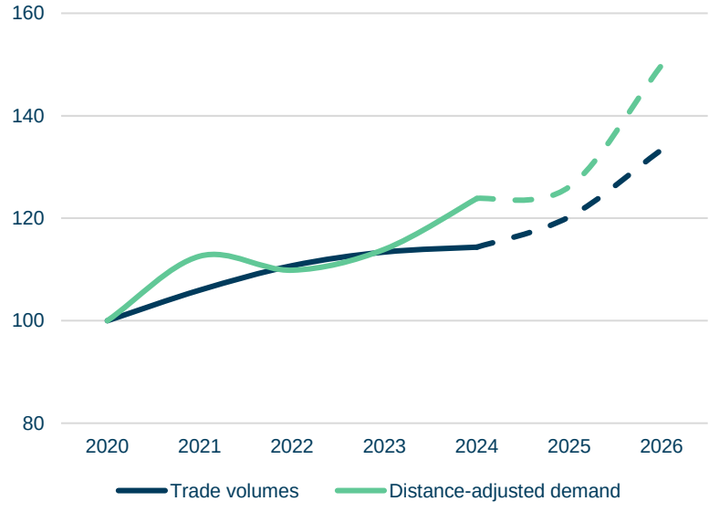
Shipowners are relying on expansion of LNG capacity…

The surge in LNG newbuilding orders is primarily fueled by a planned expansion of liquefaction capacity, which is expected to grow by over 50% by 2030. The US and Qatar are leading this growth, together projected to account for more than 40% of global seaborne LNG exports.

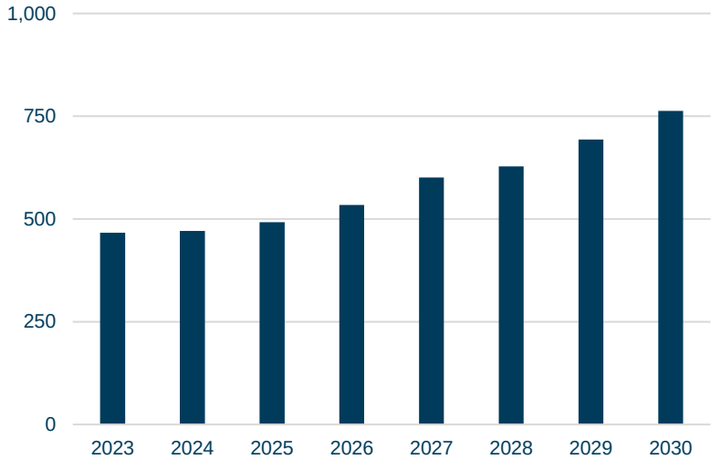
…but this will ultimately depend on future demand for gas

The Russian invasion of Ukraine has reshaped global gas trade, highlighting the growing importance of supply chain resilience. This shift is expected to support medium-term LNG demand, as importing nations diversify their sources. As such, the number of LNG trading routes has grown from just over 300 in 2021 to nearly 400 in 2023. While LNG is widely seen as a transitional fuel and demand is expected to rise in the medium term, long-term growth may be capped by climate policies. In one of its low-case scenarios, the IEA forecasts global natural gas demand to peak around 2030, followed by a gradual decline through 2050 as renewable energy gains momentum. Under the IEA's net-zero scenario, demand would fall by 6% annually between 2035 and 2050. If realised, this trajectory could pose a significant challenge for shipowners who have invested heavily in new LNG carriers with technical lifespans of 35–40 years.

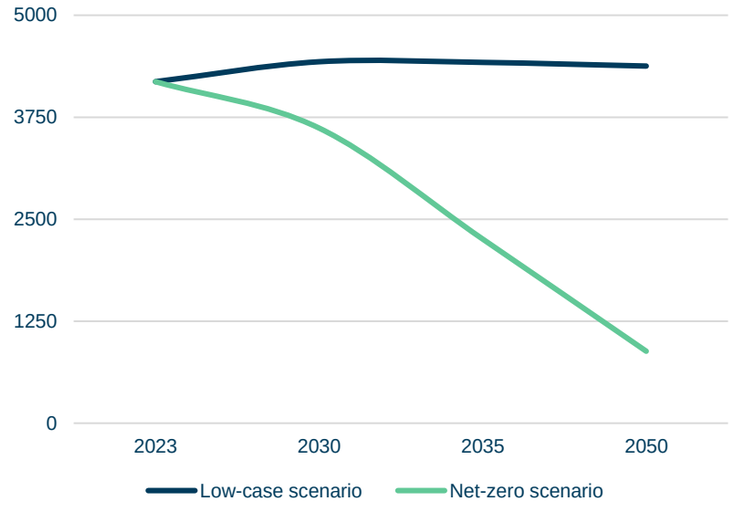
Trade volumes and distance-adjusted demand (index)



LNG liquification capacity (MTPA)



IEA natural gas demand projections (bcm)



Sources: Clarksons, IEA, Danish Ship Fiance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