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Contents

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Troubled waters: LNG shipowners adapt to age of low profits

The LNG shipping industry is facing a potentially prolonged low-level profitability environment. The persistent LNG glut, coupled with global disruption and low energy demand caused by the Covid-19 pandemic, has driven spot LNG charter rates lower. This poses a seemingly insurmountable challenge for shipowners already faced with a reduction in charter agreement lengths from long-term 20-year deals to medium-term charters covering 5-7 years.

On the flipside, orders for new ships continue to be placed, including Qatar Petroleum's USD 19 billion mega-order of 100 vessels on 1 June, as shipowners respond to a need for more efficient, environmentally friendly vessels, which could prove pivotal in the LNG industry's decarbonisation drive. Although market fundamentals are set to stay very challenging for owners in the next few years, this prompts some cautious optimism for the future of LNG shipping, industry sources tell LNG Business Review.

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