

Bangladesh scrapping rates reach fresh 13-year high

Rates over \$600 per ldt price would see cash buyers pay just under \$25m for VLCC tonnage

09 Aug 2021 | **NEWS**

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The Baltic Exchange weekly indices show rates of between \$608 and \$614 per ldt paid for large, medium and small tankers at Bangladesh, some \$25 to \$40 per ldt above what Pakistan and Indian breakers were paying.

Bulk carrier scrapping rates for small to larger dry bulk vessels in Bangladesh are also close to breaching the \$600 per ldt rate, at around \$598-\$599 per ldt, indices show.

There are expectations that the highest scrapping levels in 13 years will induce more owners of elderly tankers to sell to cash buyers as fresh outbreaks of the coronavirus Delta variant delay the anticipated recovery in oil demand growth and hence crude and product exports.

“There has been a noticeable slowdown in the supply of tonnage of late, but as tanker charter rates continue to suffer, perhaps news of these post-2008 record numbers will entice a growing number of shipowners to commit their aging units for recycling,” cash buyer GMS said in a weekly report.

“Just how much longer this momentum will last remains to be seen.

“But for now, fundamentals for this seemingly sustained rally (of demand and pricing) from sub-continent end-buyers is clearly far from being satisfied at this time.”

Recycling rates have doubled in the past 13 months as steel plate prices gained over 2021, making scrapping economics more favourable for tanker and non-bulk carrier tonnage.

A very large crude carrier would fetch almost \$25m at current recycling rates, in excess of prices of \$18m to \$21m paid by buyers over the past 12 months to keep the ships trading.

Some 161 ships (over 10,000 dwt) totalling 13.2m dwt have been recycled so far this year, according to Lloyd’s List Intelligence data.

That is about equal to volumes seen for the comparable year-to-date period for last year when 176 ships (over 10,000 dwt) totalling 13.2m dwt were beached at subcontinental yards.