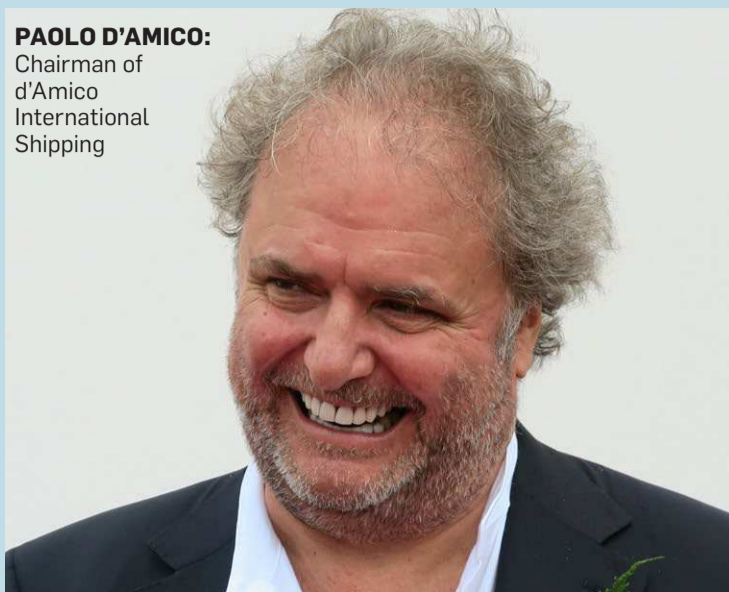


PAOLO D'AMICO:
Chairman of
d'Amico
International
Shipping



SISTERSHIPS: (From left) The 75,000-dwt *Cielo di Rotterdam*, *Cielo Rosso* and *Cielo Bianco* are the first LR1s to be delivered to d'Amico International Shipping
Photos: Andy Pierce



JY GO: Hyundai Vinashin Shipyard president and chief executive

D'Amico enters new territory with



LAUGHS: D'Amico tankers general manager Antonia d'Amico (left) shares a joke with Italian ambassador to Hanoi Cecilia Piccioni

Andy Pierce
Nha Trang

Italian shipowner Paolo d'Amico is no stranger to ship naming ceremonies.

His 40-year career has afforded plenty of opportunity to see champagne bottles broken on steel hulls as new vessels are welcomed into the family's fleet.

Such events have become an increasingly familiar feature of his diary during the past three years as d'Amico International Shipping began to take delivery of 22 new tankers contracted between 2012 and 2015.

While d'Amico says it is always emotional to christen a new ship,

festivities at Hyundai Vinashin Shipyard last week carried particular significance for the chairman of d'Amico International Shipping.

The bottles of bubbly that simultaneously zipped up wires at the Vietnamese shipyard shattered on the bows of the first three LR1 product tankers to join the company's fleet. Three more 75,000-dwt sisterships will soon follow from the same yard as a \$755m fleet growth and renewal programme enters its final phase.

Perhaps ironically given the sums involved, d'Amico is economical in his assessment of the overall project. "I feel comfortable, of course," he says in an interview

ahead of the ceremony. "I think we needed to do it."

He explains the company did not expect new sulphur emissions legislation, due to be enforced in 2020, when it began ordering its first eco-ships back in 2012. At that time, the high oil price was influencing many in the industry to look for more efficient vessels.

Bunker prices will rise after 2020, says d'Amico, and those who have more economical vessels that burn less fuel will have an advantage.

The company's investment programme has spanned the handy-size, MR and LR1 markets. However, the owner sees the move into a larger segment of the product



COLLEAGUES: Ishima chief financial officer Thierry Langlois (left) and project manager Salvatore Spinali



YS HAN: Hyundai Mipo Dockyard president and chief executive



ALL SMILES: Antonio Carlos Balestra Di Mottola (left), d'Amico International Shipping chief financial officer, and Barry Rogliano Salles partner Jacques Faurisson



FAMILY BUSINESS: D'Amico International Shipping director Stas Jozwiak (seated) with son Simon (far right), head of newbuildings and sale and purchase, and their wives

LR1 trio launch at Hyundai Vinashin

market as a logical progression.

"When I started over 40 years ago, my father was running 20,000 tonners," d'Amico recalls. "From there we moved to 30s, and then in the 1980s to the 40s. So, the LR1 for me is a natural evolution from the MR.

"I'm not saying everything will go to the LR1s and MRs are going to disappear," he adds.

The first of the LR1s, the *Cielo Bianco*, is set to enter the market in the coming days. While product rates are poor, chatter around the naming ceremony suggested a possible landmark from its maiden spot voyage — the tanker may become the first from d'Amico International to pass through the Panama Canal's new locks.

The second ship, the *Cielo Rosso*, has a time charter in place. The final tanker in the trio named last week, the *Cielo Di Rotterdam*, will not enter the market until next year and also remains open. The same is true for the final three LR1s still to come from Vinashin.

Milan-listed d'Amico International has historically had contract coverage of up to 50% of its fleet and typically has about 40% of its tankers on time charters. While the current figure is lower, d'Amico says the company will target similar coverage in the LR1 space as it has historically in the MR and handy arenas. "We are very opportunistic," he adds.

D'Amico International played a lead role in introducing oil majors to Vinashin and d'Amico says there is demand for the latest

vessels, with discussions ongoing with potential charterers. "We have a lot of enquiry on these ships. It's only a matter of the rate, I would say," he explains.

Product tanker earnings have fallen in the past year but the sector is expected by some to be next in line for a recovery.

On the eve of the ceremony, JP Morgan analyst Noah Parquette noted high inventory levels that have been problematic for the freight market are starting to come down.

"Our hope is the normalisation of product inventories sets the stage for a good year in 2018, when vessel supply growth is expected to fall materially," he said in a report.

'OF COURSE I'M POSITIVE'

His forecasts suggest LR1 rates will rise from \$11,161 per day in 2017 to \$16,000 per day in 2018. Further progress of \$18,000 and then \$20,000 per day is projected for 2019 and 2020 respectively.

"After you invest more than \$700m on one thing you can't not be positive," d'Amico says. "Of course I'm positive. I think the fundamentals are there. I think the tonne miles are increasing.

"There is still overcapacity on ships. I think there is still overcapacity on oil production. There are a lot of things that still have to go into balance, but this is going to happen.

"Whether that is six months earlier or six months later, frankly there is nobody who can tell

you. What matters is that there is a trend and the direction it is going."

While the recovery may be arriving more slowly than some previously thought, d'Amico says major investments need to be assessed over the 25-year lifetime of a ship.

"If it [a recovery] takes one year more or one year less is not important," he says. "You have to take trend and get into bed with it."

D'Amico International has more than 50 vessels on the water with the newbuilding programme ensuring a modern fleet. With that in mind, the major growth projects are not required or anticipated.

"What we want is, number one, to serve our most important clients," d'Amico says.

"We are doing that. It was very much investing in an industrial plan. It's not because we saw that the price at the time was right and thought, 'OK, let's do it because it's cheap.' We did not think that way."

One thought in the mind of d'Amico and the wider market is if the shift into LR1s will be followed by a push into the LR2 space.

"It's very interesting," d'Amico says, noting the close relationship between LR2s and aframax.

"Up to the LR1, we are really pure petroleum product.

"When you go to the LR2 you start talking crude oil. There is nothing wrong with it but we abandoned crude oil 30 years ago so whether we will go back to it we will see," he says.



JAMES KIM: Hyundai Vinashin Shipyard



YEONG AE BEYEON: Godmother to the *Cielo Rosso*



RUBBING SHOULDERS: Ishima site manager Nicola D'Alesio (left) and d'Amico senior chartering manager Peter Russotti