



# Drewry LPG Shipping Webinar

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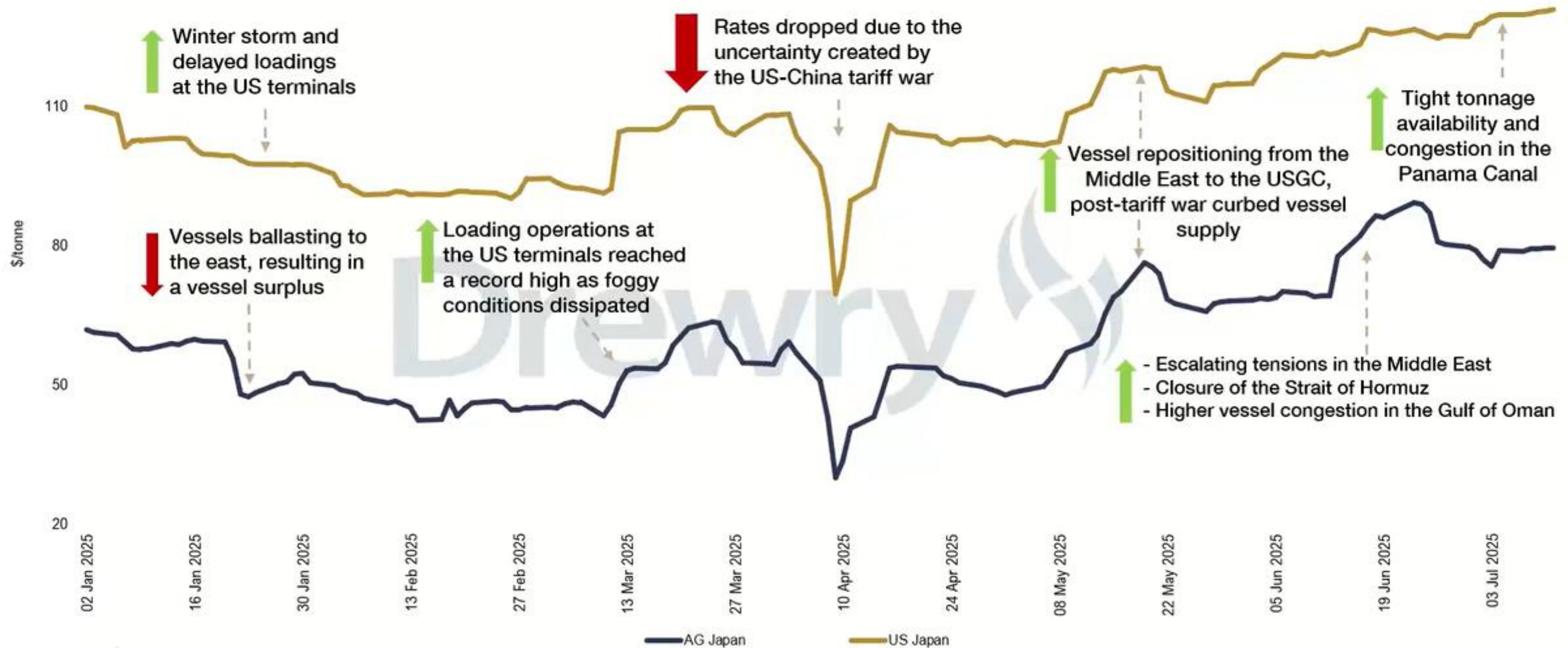
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# Volatile 2025 for LPG shipping unfolding

Frequent vessel repositioning, geopolitical tensions, trade pattern changes amid a fundamentally high vessel supply

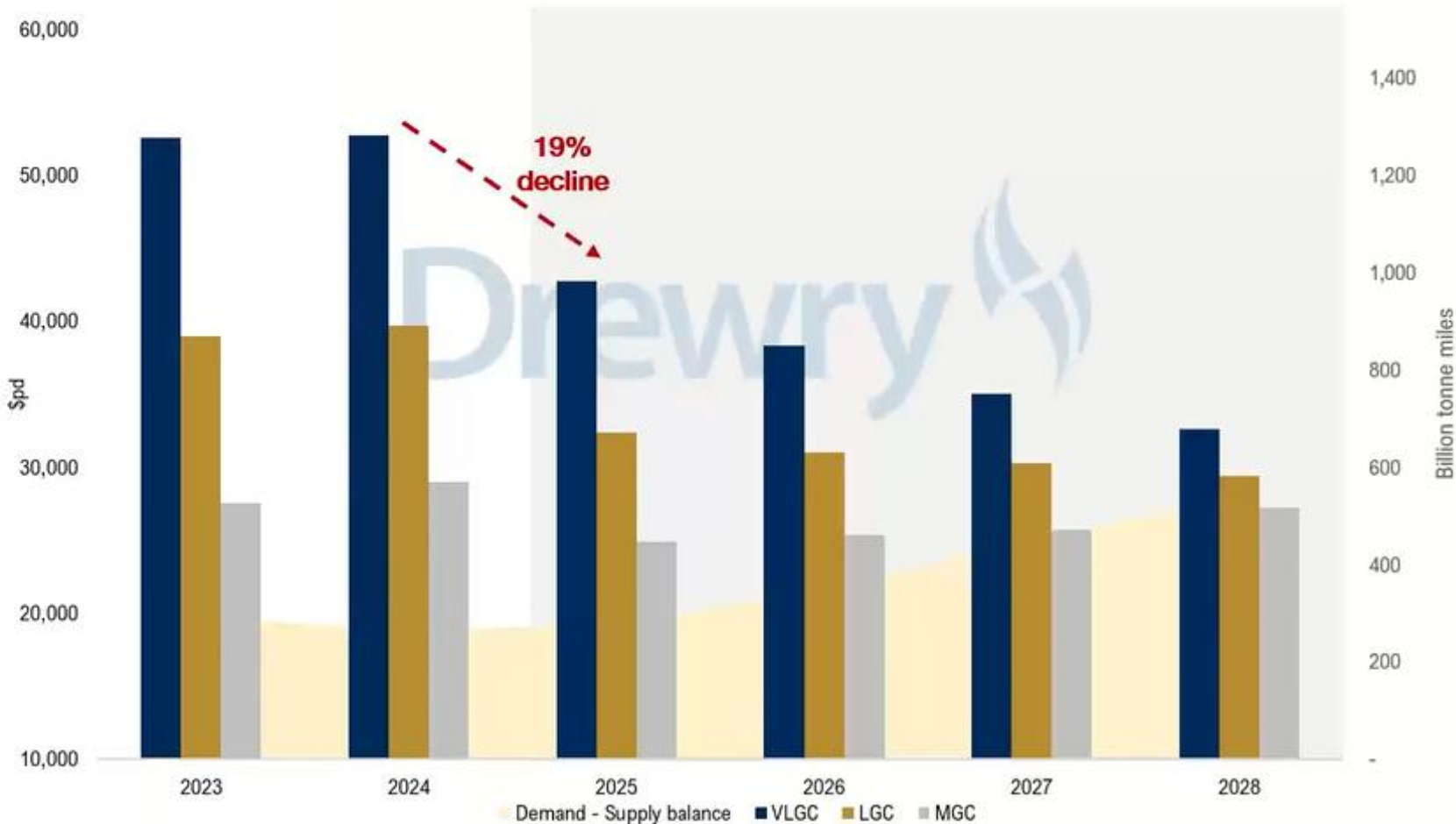
Volatile conditions for VLGC spot rates in 2025



# Despite upsides, 2025 rates outlook still bleak

VLGC 2025 TC rates projection revised upwards on stronger 2H25 expectations - Panama Canal congestion, trade realignment, and tight vessel availability

Drewry TC rate forecast



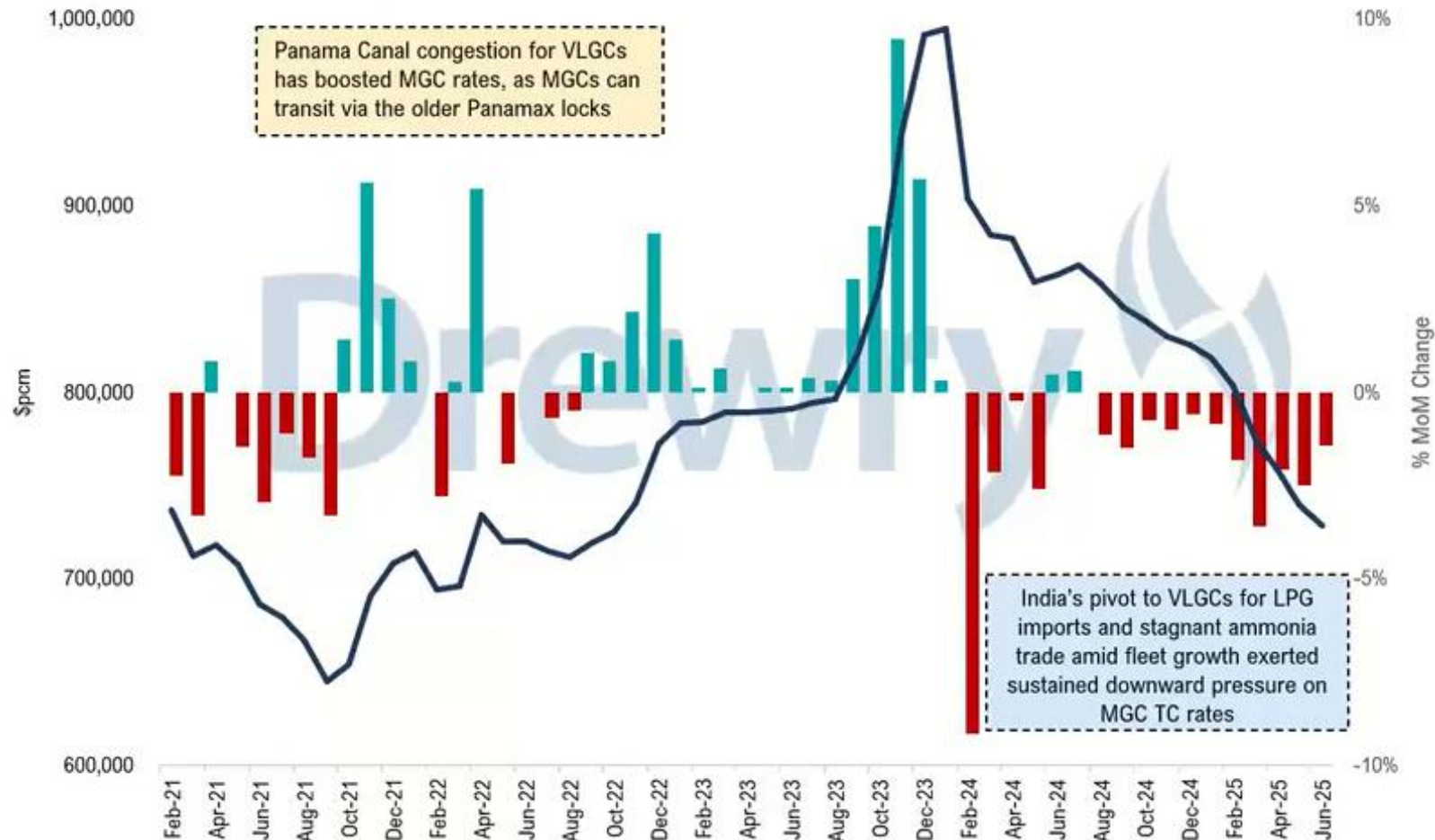
- VLGC TC rates projected to fall 19% YoY owing to high fleet supply and sluggish trade growth.
- Short-lived gains in spot rates failed to lift TC rates sustainably in 1H25, as underlying market fundamentals did not support them.
- But a stronger 2H25 is expected as Panama Canal congestion and low deliveries keep 3Q25 rates strong.
- Sustained weakening in rates expected till 2030 as fleet supply growth outpaces demand growth.
- Trickle-down effect expected on all TC rates of all vessel segments
- But MGCs and MRGCs are expected to have relatively stable rates as they will be the first vessels to transport clean ammonia.



## Under strain but holding course: MGCs in a shifting LPG landscape

Since early 2025, MGC rates have decoupled from VLGC trends, showing a rare negative correlation not seen since the 2015 market collapse

MGC rates falling in 2025; breaking their correlation with VLGCs



### Sustained decline in TC rates since 2024

- MGCs face mounting pressure from VLGC oversupply, shifting trade patterns, and rising competition from VLGC shadow fleets.
- Declining LPG imports in India, infrastructure upgrades favouring VLGCs, stagnant ammonia trade, and costly newbuilds further strain earnings in the segment.

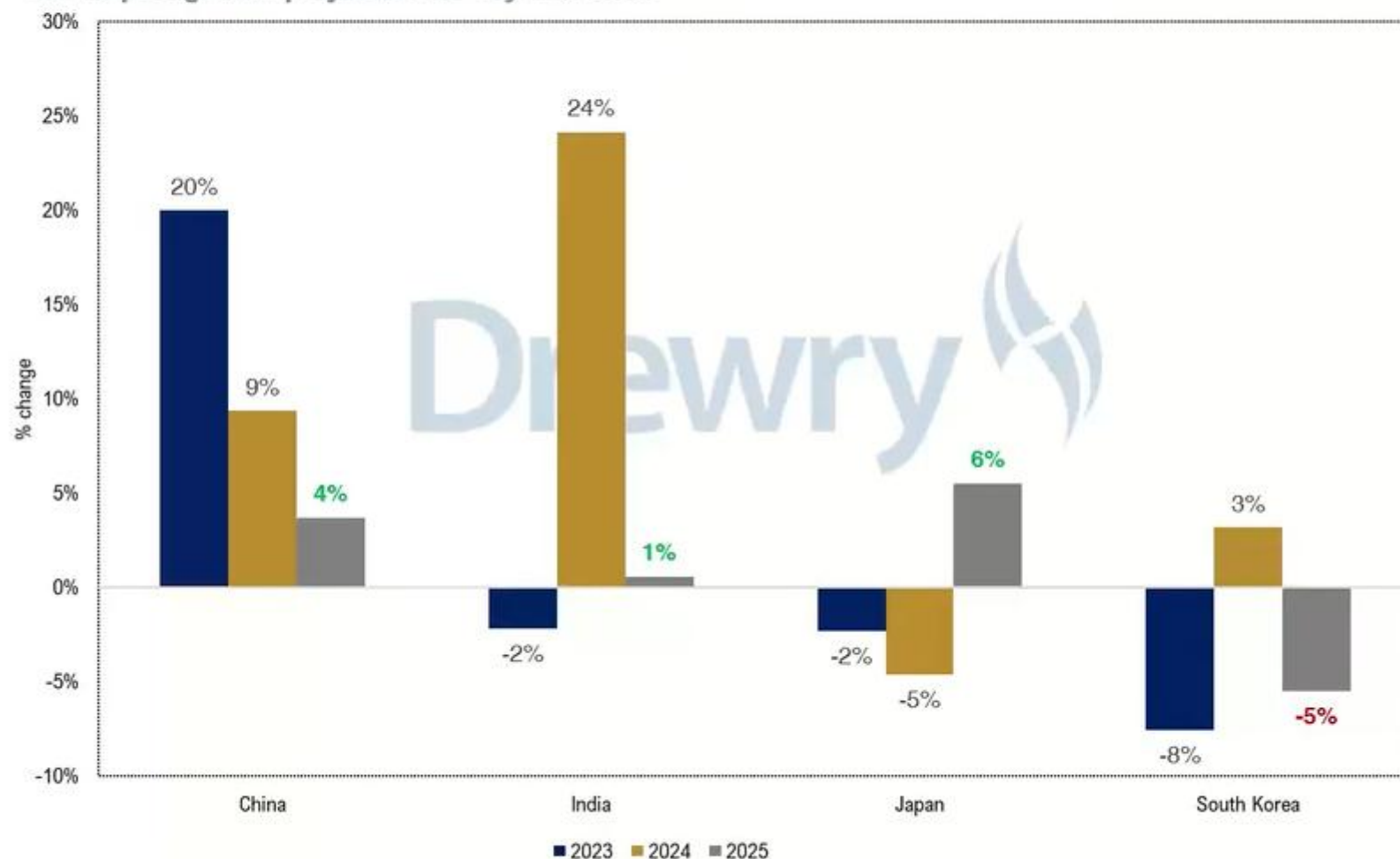
### Long-term MGC earnings to remain stable

- MGCs benefit from rising Southeast Asian LPG demand, growing US–Europe flows, early green ammonia trade involvement, and a smaller, versatile fleet—supporting stable long-term prospects

## Global LPG trade growth to remain low in 2025

Global LPG growth has been revised upwards to 1.9%, exceeding our earlier projections of 1.4%.

LPG import growth projection for key countries



- Global LPG trade growth revised upwards for 2025 as accelerated rollback of OPEC+ cuts and robust US production
- US-China trade was impacted by tariffs, but global trade remained resilient as India, Japan, and Indonesia increased US cargo intake by swapping their term supply from the Middle East with China.
- China's LPG import growth suffered as elevated landed costs from the tariff war impacted imports.



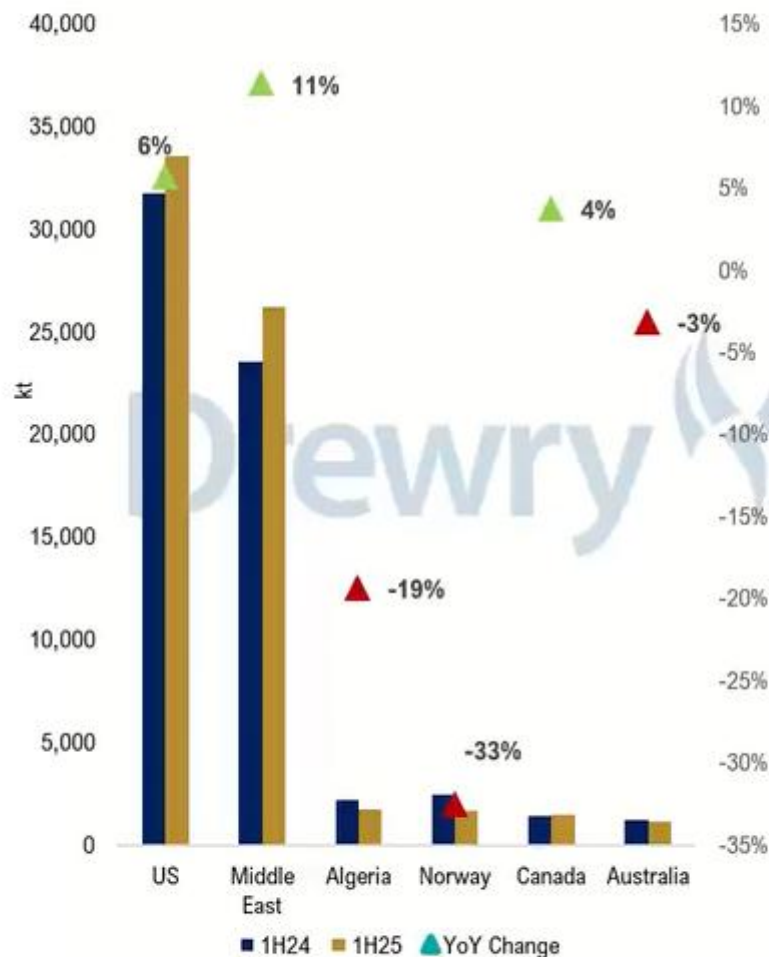
- India's LPG imports remained low in 1H25 due to high Saudi CP prices and reduced residential demand.



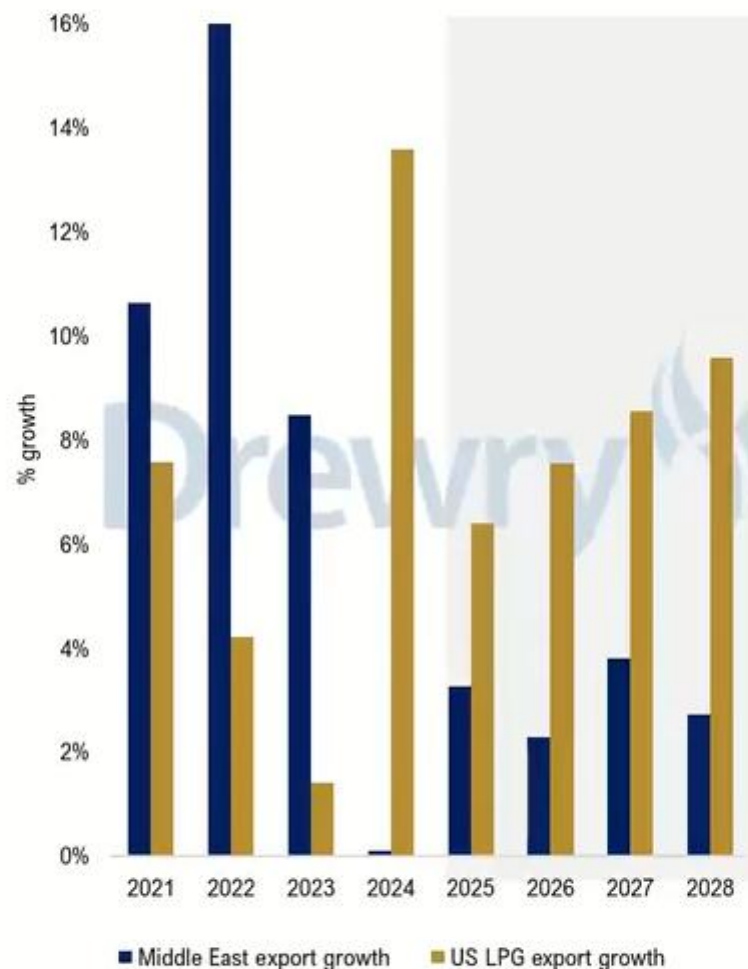


## Middle East exports rise 11%, US resilient at 6% in 1H25

### 1H24 vs 1H25: Exporters outlook



### LPG exporters outlook

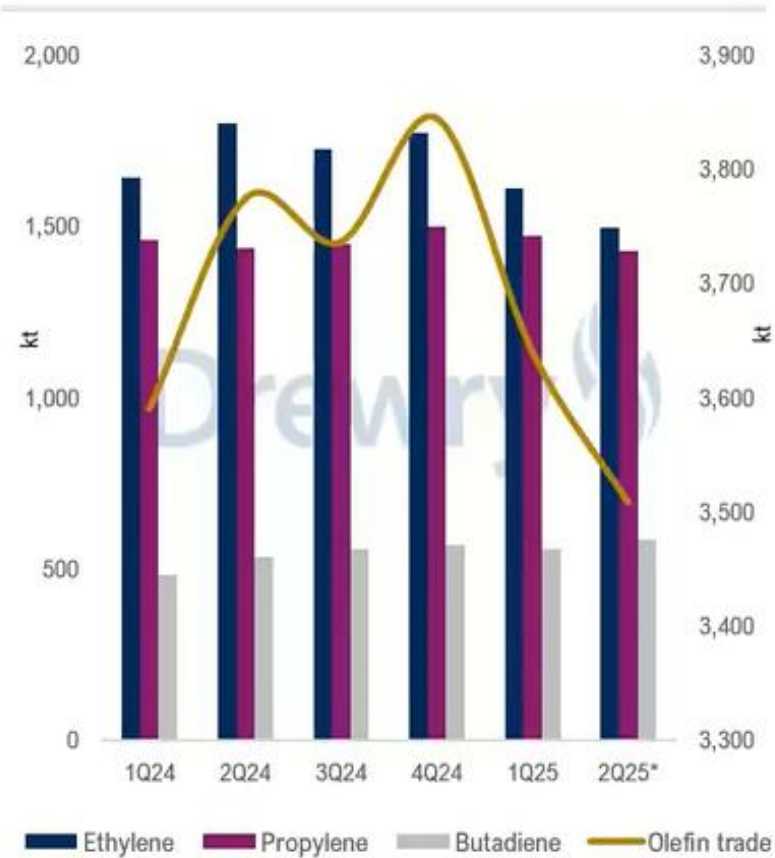


- **Global LPG supply remained robust in 1H25**
  - Reversal of production cuts in the Middle East and increased US terminal capacity boosted exports.
  - Constrained supply from other exporters kept overall LPG supply growth low.
  - Australia's LPG exports contracted in 1H25 due to reduced production in gas fields.
  - Russia's LPG exports (land and seaborne) were firm in 1H25, driven by increased shipments to China, Turkey, and Central Asia.
  - Canada's LPG exports in 1H25 remained steady, although shipments towards China strengthened due to reselling of cargoes by Japan in the aftermath of the US-China tariff tussle.
- Global LPG supply is tipped to rise in the forecast period owing to new terminal capacities in the US backed by robust NGL production, and new gasfield development projects in the Middle East.
- Risks remain: Declining US rig count, natural gas prices, Tensions in the Middle East, US sanctions on Iran.

# Petchem trade continues to fall; recovery unlikely in 2025-26

For 2025, we expect the olefins trade to be steady, with limited potential upside. In 1H25, olefin trade was down 3% YoY, with ethylene and propylene trade registering a downturn, while butadiene recorded a mixed trajectory. Europe's petchem closures to support seaborne trade. But, we remain cautious over the US-China tussle, which could have indirect implications for Sr rates, especially with the US requiring licenses for exporting ethane to China.

## Olefin trade down 3% YoY in 1H25



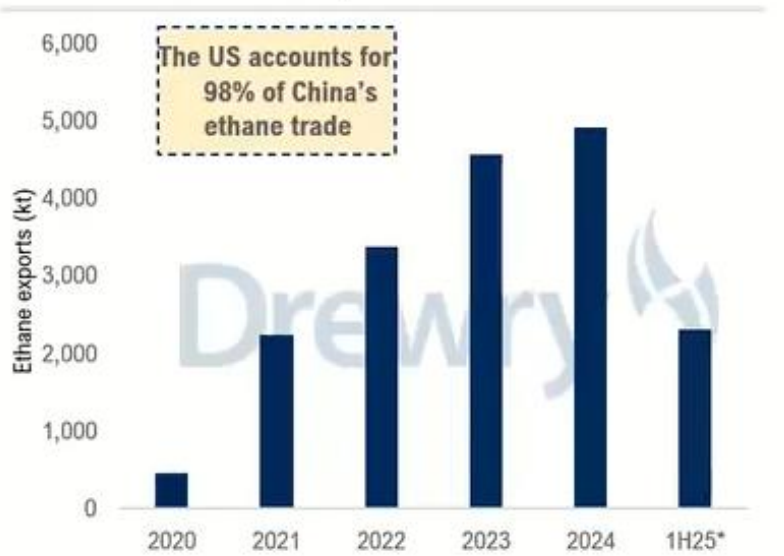
## Europe to increase its reliance on petchem imports

### Ethylene-plant closures expected during forecast period

Terminal	Country	Capacity (bpd)	Closure year
Bohlen ethylene steam cracker	Germany	540,000	2027
Total Energies' Antwerp steam cracker	Belgium	550,000	2027
ExxonMobil's Gravenchon steam cracker	France	425,000	Mid-2025
Sabic ethylene plant	UK	786,000	2025
Eni-Versalis steam cracker	Italy	440,000	End-2025

- 1 High energy and feedstock costs
- 2 Drastic rationalisation of the petchem industry across the continent
- 3 Stringent regional regulations
- 4 Growing competition from newer, cheaper, and more efficient facilities, especially in the US and Asia

## US-China tussle to impact 'Ethane' trade



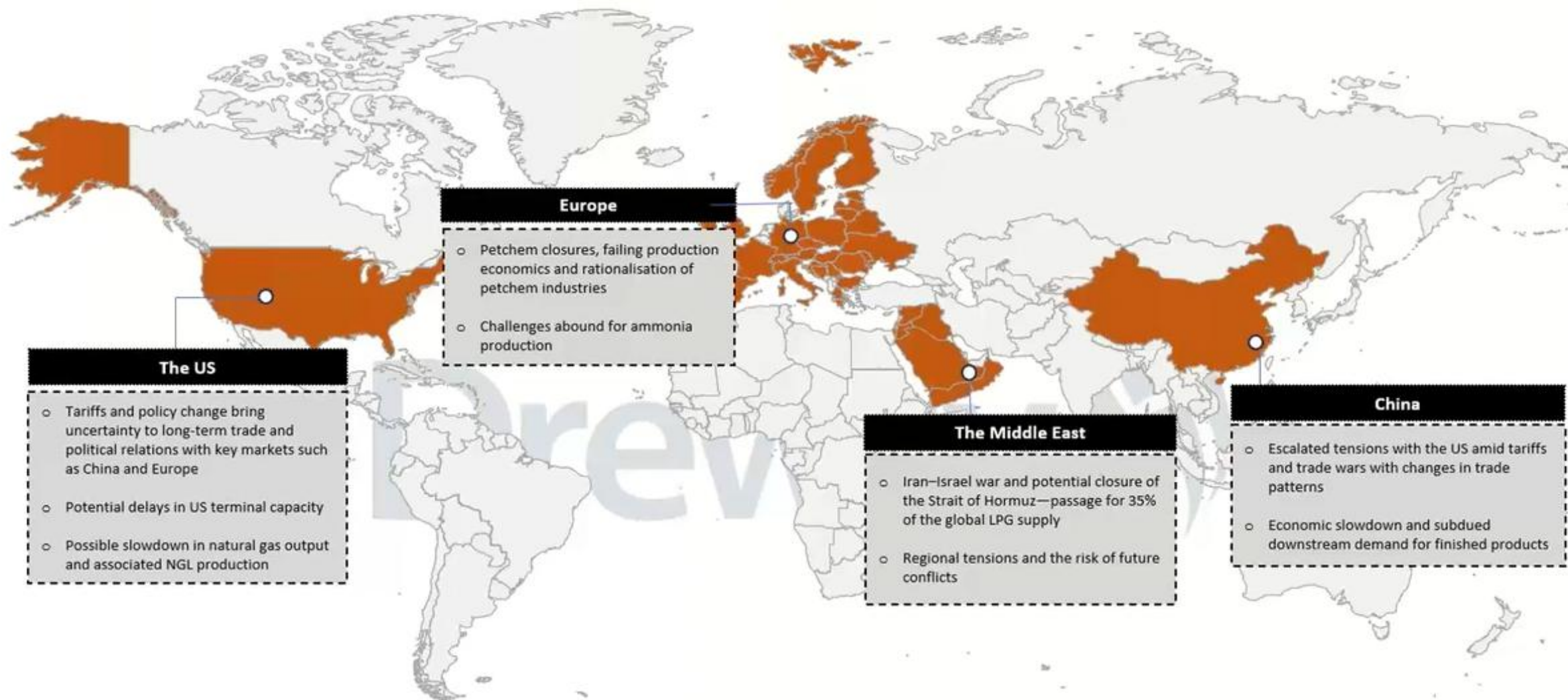
### Impact of US-China trade war on olefin trade:

	Total imports (kt)	Volumes from US (kt)	Import dependency on US
Ethane	553	540	98%
Ethylene	2,223	79	4%
Butadiene	431	17	4%
Propylene	2,018	32	2%



## Key events that impact LPG shipping

The US, Europe, the Middle East and China remain the key hotspots, dictating LPG Shipping dynamics.

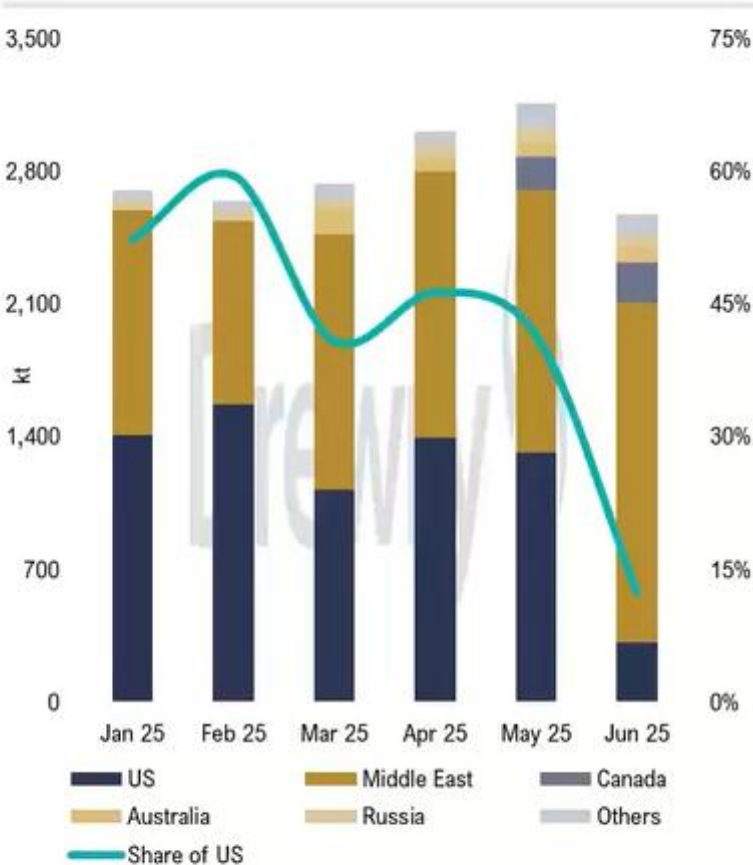




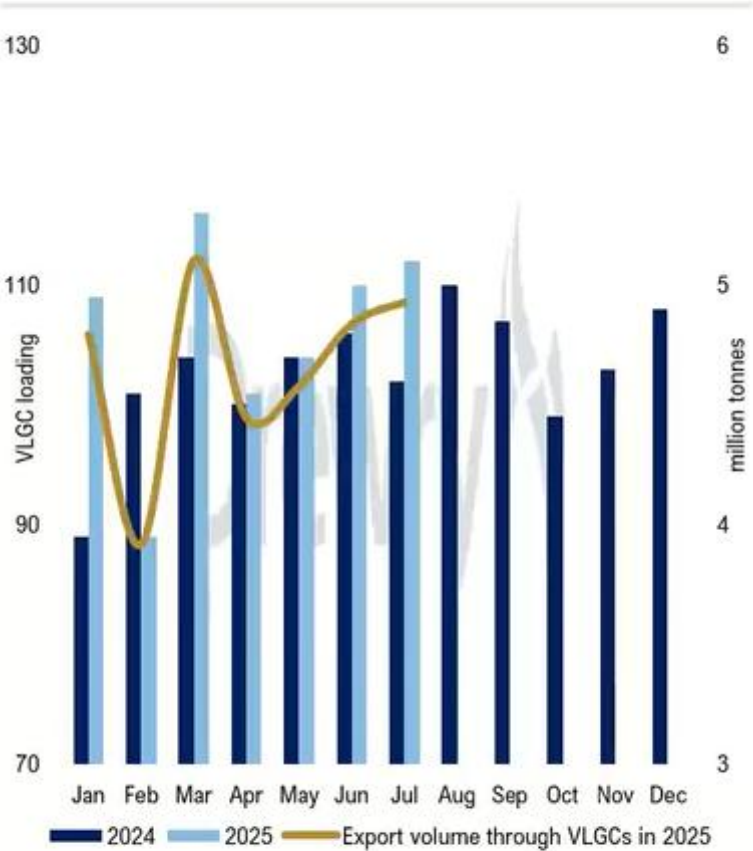
# US-China tariff war and its implications on LPG trade in 1H25

US-China tariffs led to trade pattern changes, with the US-China trade being impacted the most, while other countries also felt the changes. China's retaliatory tariff of 10% on US LPG persists despite a second 90-day tariff pause extension.

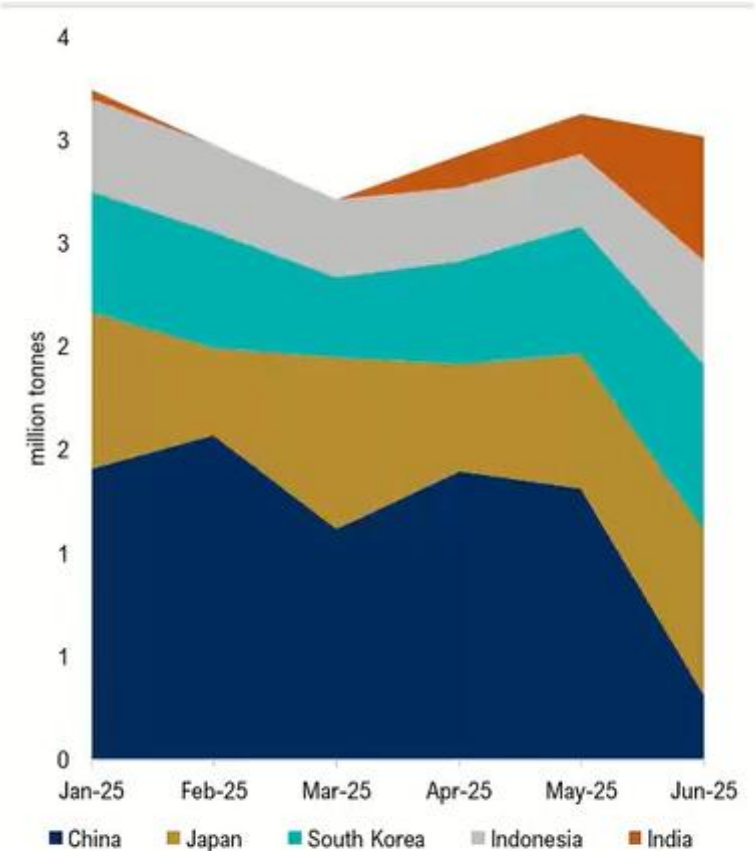
Chinese buyers curtail US LPG imports due to tariffs



US VLGC loadings robust despite fall in Chinese imports



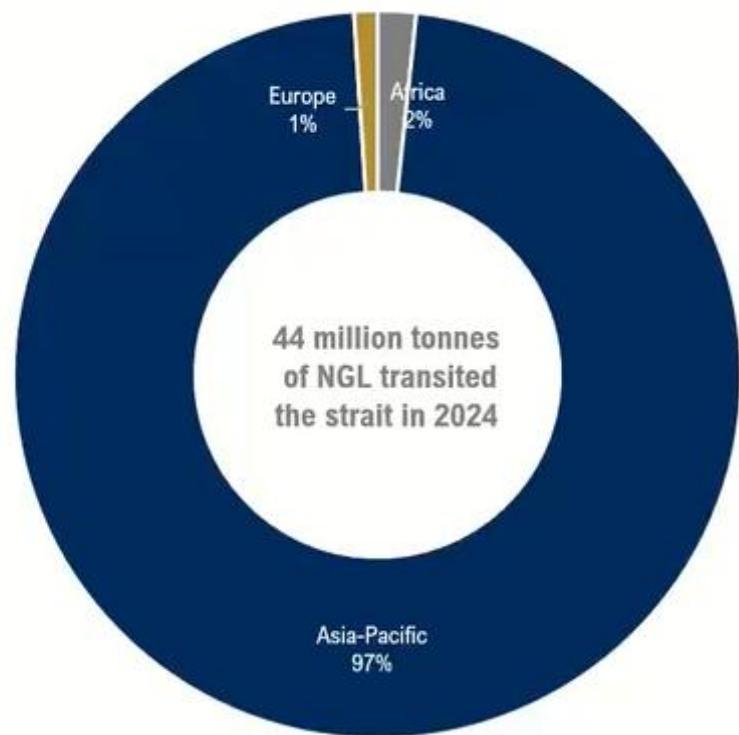
US cargoes find new homes in Asia



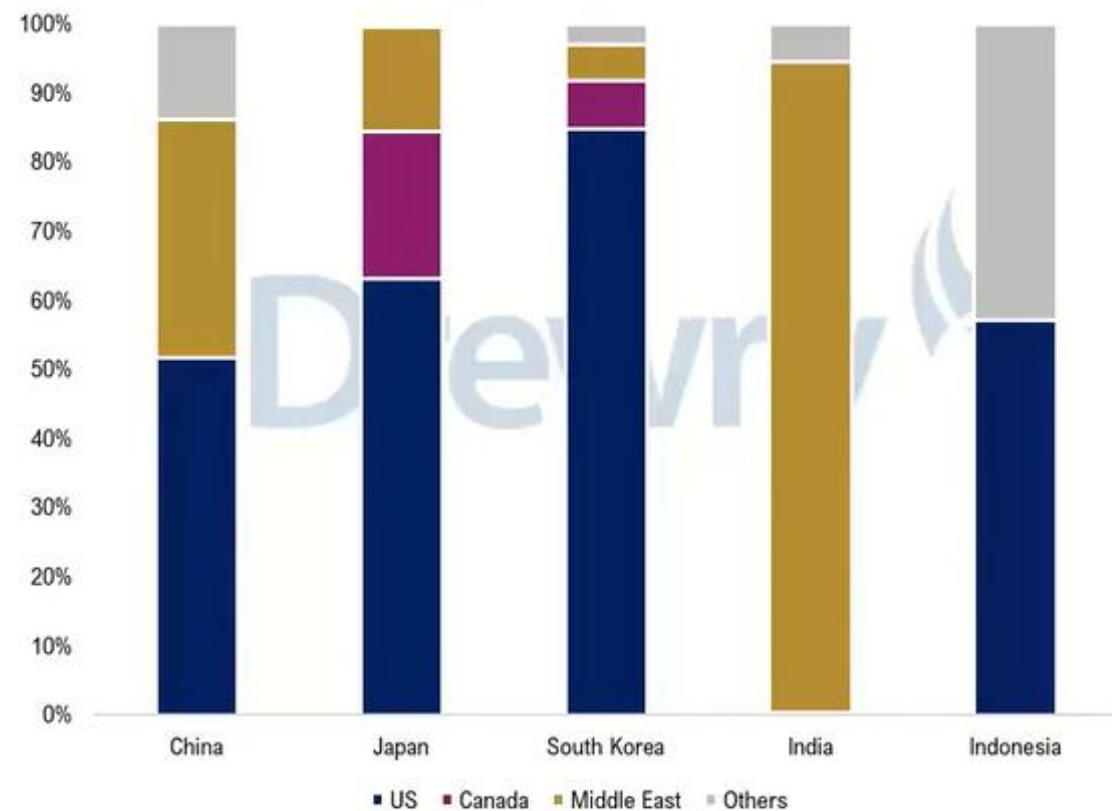
# Israel-Iran tensions complicate LPG trade dynamics

In 2024, the Strait of Hormuz accounted for over 800 VLGC and 350 MGC transits in the laden state, totalling 44 million tonnes of NGL\* exports. These shipments accounted for 92% of Middle Eastern exports and 34% of Global exports. Iran-Israel tensions and the fear of the Strait of Hormuz being closed in mid-June drove a sharp spike in rates. High war risk premium kept rates elevated despite weak market fundamentals.

Asia accounts for 97% of the LPG exports from the Middle East, all passing through the Strait of Hormuz

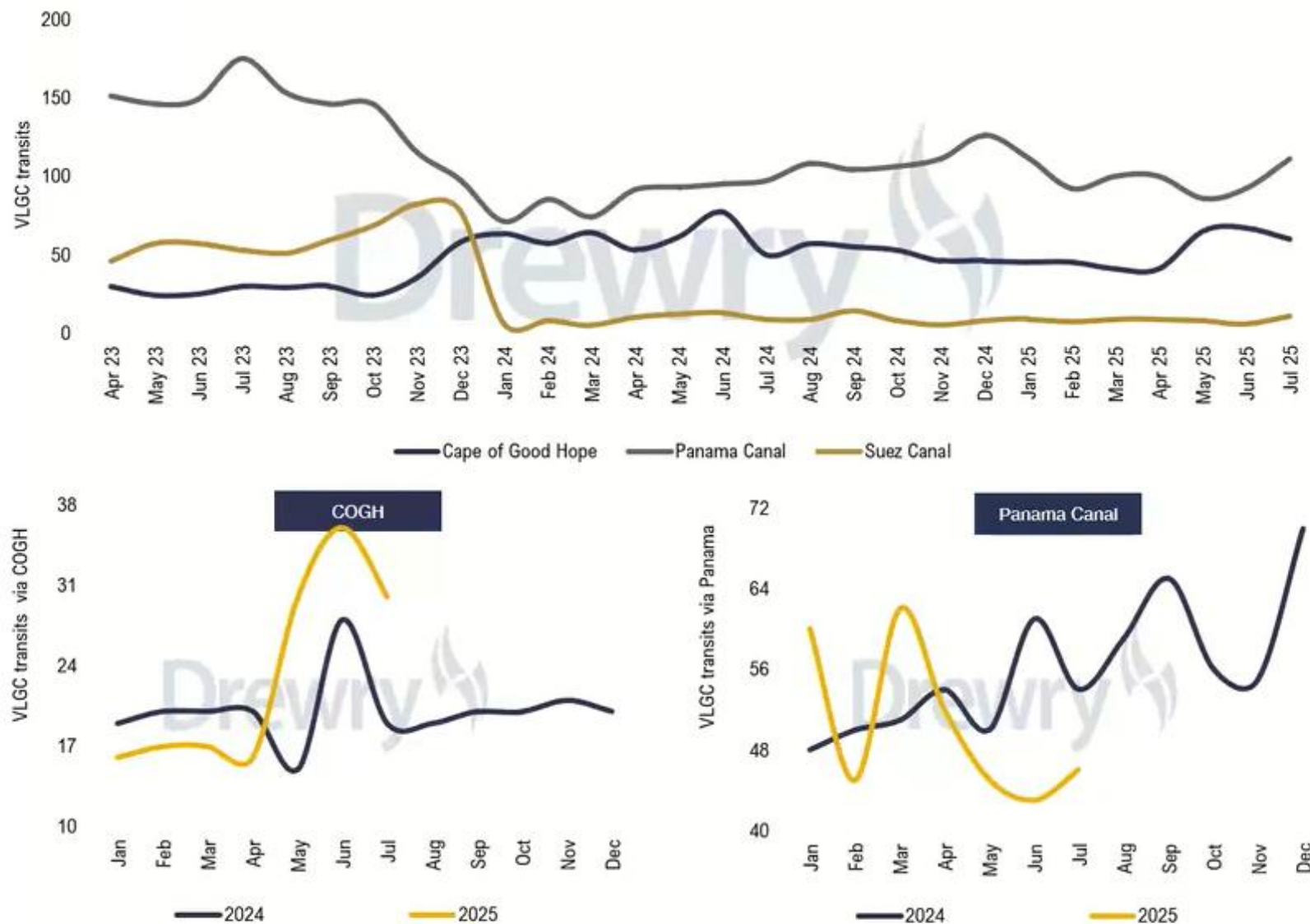


Chinese and Indian LPG imports are at significant risk due to Strait closure; China's risk higher with the impact on Iranian LPG supply





# Canal transits in 1H25 reflect global trade shifts

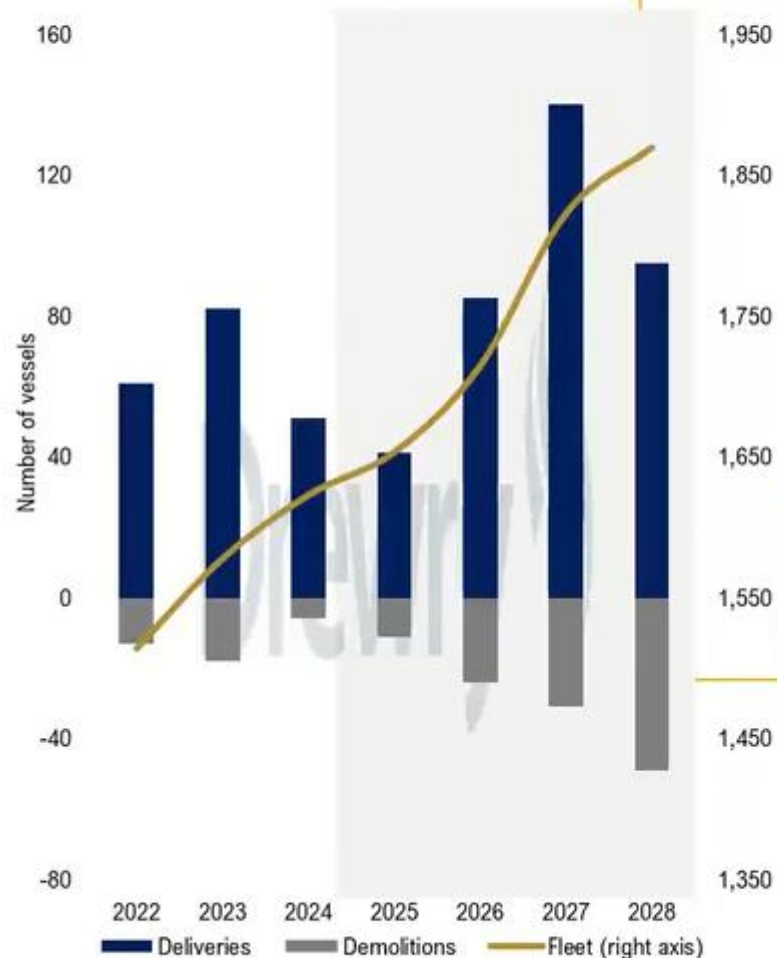


## COGH and Panama transits rise, Suez struggles:

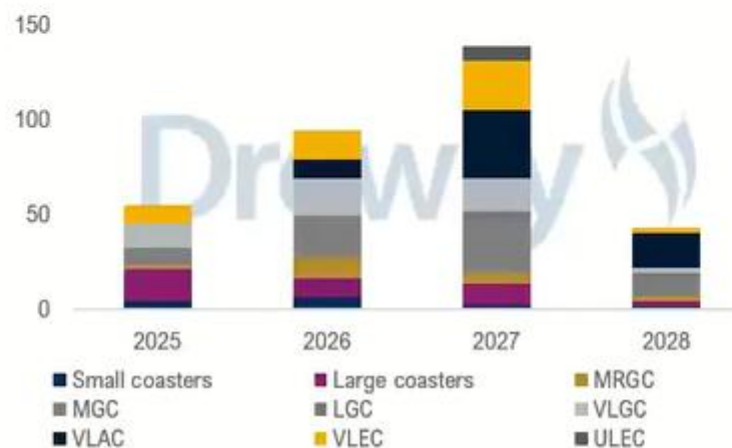
- 1. VLGC transits via the Panama Canal remain below 2023 levels despite improved navigability. They are constrained by elevated transit fees, limited slot access due to competition from other sectors, and trade uncertainty. Suez Canal volumes also stay subdued amid persistent security risks in the Red Sea.
- 2. VLGC-laden transits via COGH rose in May–June on firm US-India/Indonesia LPG flows, while Panama Canal transits declined amid weak US-China trade. However, as tariff pressures eased in July, trade realigned, softening COGH transits while Panama Canal transits recovered.
- 3. The trend of VLGCs utilising Panama for the laden leg and COGH for ballast has reversed, resulting in a decreased effective fleet supply in 2Q25.

# LPG fleet development

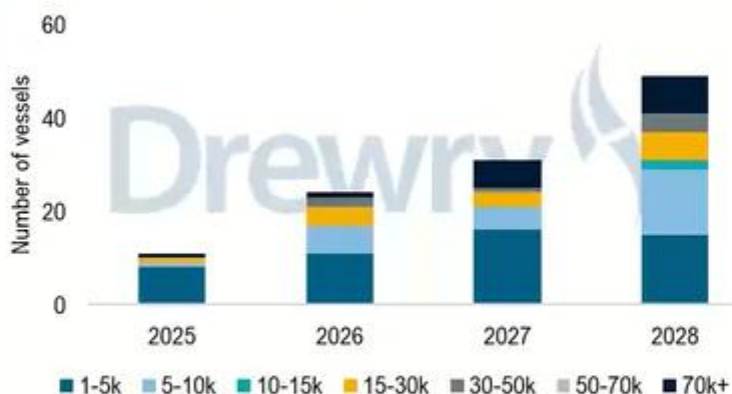
## Fleet expanding at 8.4% CAGR



**Deliveries are set to accelerate with the commencement of VLAC additions**



**Vessel scrapping to accelerate from 2026 with a vessel surplus and regulatory compliance**



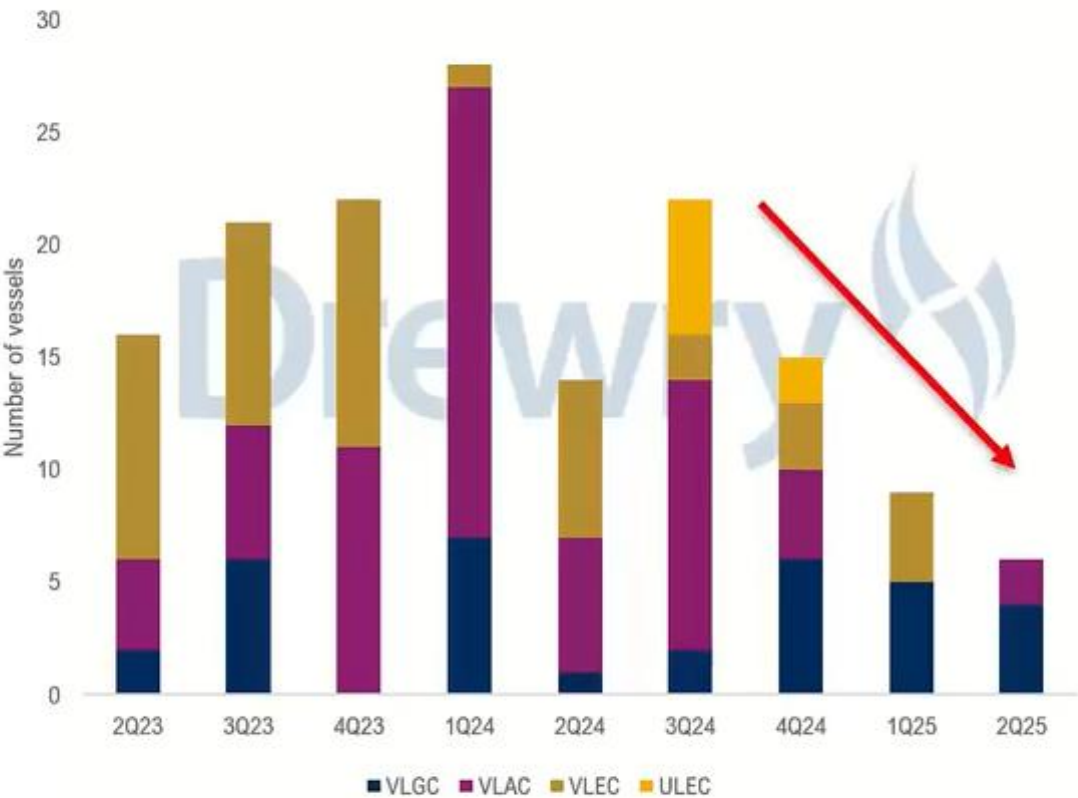
- LPG fleet is projected to expand at a CAGR of 8.4% between 2025 and 2030 (1.3% higher than the 7.1% CAGR registered during 2019–24), primarily due to a stacked orderbook consisting of VLGCs/ VLACs and ethane carriers.
- The orderbook-to-fleet ratio is 41% (in terms of capacity), with over half the orders for larger VLGCs/VLACs and ethane carriers—VLECs and ULECs.
- Deliveries throttle down in 2025 but will rise in 2026 and 2027 – with VLACs incoming.
- Vessel surplus fears on the horizon with owners postponing their deliveries.
- Same concerns coupled with high newbuild prices, curtailing new orders.
- Nevertheless, replacement orders are trickling in, especially in the smaller vessel segments
- Interest for specialised carriers – ethane, ammonia on the rise; along with modern dual fuel carriers



# VLGC newbuild prices

The newbuild price for a VLGC declined marginally to \$122 million in 2Q25 for the first time in several years. The was partly due to a fall in new orders in recent quarters.

New Orders for LPG Carriers >70k cbm



VLGC Newbuild prices



## Take aways

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- 1) VLGC rates to decline 19% in 2025; 2H25 to be stronger than 1H25
- 2) Slow fleet growth in 2025 and geopolitical tensions, trade pattern changes squeeze fleet
- 3) LPG trade growth projection revised upwards; Higher LPG supply from the US and the Middle East
- 4) US-China tariffs, Middle East tensions, China demand concerns, US hurricane season and Panama Canal congestion the 'got-to-watch' factors
- 5) Fleet growth to accelerate in 2026 and 2027
- 6) New orders slow in 2025 on vessel surplus concerns; replacement orders to trickle in





**Thank You!**

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