

# D'Amico splashes out \$88m on two LR1 product tanker newbuilds

Tuesday 09 June 2015, 12:07 by [Hal Brown](#) [Back to Lloyd's List Asia](#)



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## Italian owner targets new opportunities in a segment of the market it had previously shunned

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D'Amico International Shipping today ordered two long range one newbuilding product tankers at Hyundai Mipo Dockyard for \$44m each, showing it is serious about expanding in what is a new segment for the Italy-listed product tanker owner.

These latest orders follow hot on the heels of the two LR1s ordered by the company around six weeks ago, as it entered this segment for the first time. The Italian company has traditionally been a medium range and handysize product tanker player.

The latest LR1 tankers were ordered through its subsidiary d'Amico Tankers Limited Ireland.

The eco-design newbuildings are each sized 75,000 dwt and will be built by Hyundai Vinashin Shipyard Co, Vietnam. They are expected to be delivered to d'Amico in the second half of 2017 and first quarter of 2018.

D'Amico International Shipping chief executive Marco Fiori said the new orders will “strengthen our presence in what I see as a very promising segment within the product tanker market”.

He said the trend is pointing towards an expansion of the tonne-mile demand, following the concentration of the world refining capacity in the US, the Middle East and the Far East.

“In this context, I believe LR1s, with their larger cargo capacity, will be in great demand in the years to come, thanks to their ability to carry larger quantities on the same distances,” he said, adding that “in fact, we are actually seeing a constantly growing demand from oil majors and leading market players for these types of ships”.

The company’s fleet includes 53 product tankers — in the MR and handysize range — of which 23 are owned and 30 are chartered-in.

Subsidiary d’Amico Tankers Limited Ireland has a total of 12 new eco-design product tankers on order, which include four LR1s, four MRs and four handysizes, all under construction at Hyundai Vinashin Shipyard Co, all expected to be delivered between 2015 and first-quarter 2018.

However, some owners are sticking to MR tankers for the time being, rather than branching out into LRs.

[Stena Bulk](#), for example, wants to build a critical mass of MR tankers. This will allow Stena to secure the risk by having depth in a particular segment, said chief executive Erik Hånell.

It is easy to see the attraction of LRs, however, and why executives such as Mr Fiori want a piece of the action.

New refinery capacity in Saudi Arabia is forecast to add an extra 1m barrels per day of Middle Eastern refining capacity in 2015-2016. Export cargoes will largely be carried longhaul on LRs.

Middle Eastern product exports are set to swing upwards from the third quarter onwards, [said Energy Aspects chief oil analyst Amrita Sen](#) at a recent industry event.

LR1s are currently able to earn around \$28,000 per day on the Middle East to Asia spot trade, according to the Baltic Exchange. This is the highest earnings level since the Baltic Exchange started reporting earnings for the route back in June 2009.

Larger LR2s can earn even higher – almost \$34,000 per day, Baltic Exchange data shows today.

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Article from Lloyd's List

<http://www.lloydslist.com/ll/sector/tankers/article462875.ece>

Published: Tuesday 09 June 2015

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