Consolidation remains a constant consideration in an industry like shipping

As the global LPG shipping market faces heightened volatility and shifting geopolitical dynamics, BW LPG stands at the forefront of adaptation and strategic foresight. In this exclusive interview with *Naftika Chronika*, BW LPG's CEO Kristian Sørensen discusses the company's recent consolidation with Avance Gas, its expanding footprint in key markets like India and the US, and its approach to navigating the freight market's unpredictability. From expanding LPG trading and shipping to the emerging ammonia trade, Sørensen offers valuable insights into the opportunities and challenges shaping the next phase of growth for one of the sector's leading players.

Kristian Sørensen,
CEO of BW LPG,

talks to Giannis Theodoropoulos

What does the future hold for BW LPG after the deal with Avance Gas? Can we expect further consolidation moves in the segment?

We are very pleased with the outcome of the Avance Gas transaction, which represented a meaningful step towards the consolidation of the VLGC market. The deal, which involved the handover of 12 modern VLGCs, expanded our commercial footprint considerably and strengthened our position as a larger, more investable company for shareholders. A major advantage was our ability to take delivery of all 12 vessels within four months of signing, enabling us to have assets on the water in a healthy market environment for VLGCs.

In addition to the Avance Gas transaction, we have also declared two purchase options over the past year linked to long-term time charters. With these additions, we are satisfied with the current size of the BW LPG fleet. For the time being, our plan is to let the assets work and generate revenue.

In general, consolidation remains a constant consideration in an industry like shipping. However, the feasibility of such moves is heavily influenced by asset prices, which remain elevated at present and continue to pose a challenge for further consolidation.

What are the reasons behind the ongoing volatility in the LPG spot freight market, and what are the short-term prospects?
The VLGC market is one of the most volatile segments in shipping, primarily due to the dynamics of the US LPG exports. It is a highly dynamic export market driven by the price difference between the US and the importing markets in Asia, as well as to a certain degree in Europe. Although the price difference allows for exports most of the year, there are periods when incremental spot cargoes are either in short supply or in surplus, influenced by factors like weather, geopolitical developments, the number of available transit slots in the Panama Canal, etc. Given the relatively small size of the VLGC sector, even a limited number of additional or withdrawn cargoes can significantly shift market sentiment and trigger sharp rate fluctuations.
At the moment, the Israel-Iran conflict is driving spot rates up, as the US is the only LPG exporter that can mitigate the risk of a potential shortfall of LPG cargoes from the Middle East. Furthermore, long-haul voyages from the US to Asia absorb considerably more capacity compared to Middle Eastern exports, tightening global fleet availability and amplifying freight market volatility in the short term.

In a recent public statement, you stressed that investing in other parts of the supply chain can help mitigate volatility. What investments is BW LPG pursuing at the moment?
Over the last years, we have substantially expanded our LPG trading activity with BW Product Services, where we expect to trade 6 million metric tonnes of physical LPG this year.
In addition, we explored opportunities to invest further along the supply chain and expand into LPG infrastructure by teaming up with local Indian partners in order to build an import terminal outside Mumbai. Initially, we were supposed to invest a relatively modest amount of equity in the range of USD 10-15 million, but the project, like many greenfield infrastructure developments, proved to be quite complex and required substantial attention and time from management and directors. Given the increasing geopolitical volatility and the frontline exposure of our shipping and trading operations to these developments, we ultimately decided to exit the terminal project. This decision allows us to concentrate fully on our core business areas, i.e., shipping and trading, which remain our primary value drivers. At present, we have no plans to expand further into other parts of the LPG supply chain. We believe that focusing on our core competencies is the most prudent approach in the current environment.

What impact is President Trump's energy policy expected to have on LPG carrier demand?
It's important to keep in mind that the US LPG production and exports have increased consistently across successive administrations since President Obama. Moreover, in the US, private companies explore, drill, and export hydrocarbons based on professional

and corporate investment decisions.
That said, the current political environment under President Trump appears more favourable for permitting new natural gas and crude oil projects. This could, in turn, lead to increased LPG availability for export.
Moreover, we view the planned investments by US export terminal operators as a positive sign for the future growth of LPG exports, as they are expected to support a sustained demand for LPG shipping capacity.

Why is BW LPG enhancing its presence in the Indian market? What are India's prospects in the seaborne LPG trade?

India is the second-largest importer of LPG, where it is primarily used for heating and cooking. The country already accounts for 50% of LPG exports from the Middle East, and with the world's largest population on a path toward prosperity, its energy needs are expected to grow. LPG fits well into India's energy mix – it is easy to distribute, competitively priced, and a versatile energy source. Due to this versatility, we anticipate that India will use additional LPG as feedstock for its growing petrochemical industry, similar to what we've seen in China.

Through our subsidiary, BW LPG India, which owns and operates the largest fleet of Indian-flagged VLGCs, we have gained valuable experience in the Indian LPG market and are firm believers in the fuel's prospects in India. We are also seeing signs that India is looking to diversify its energy sources by importing more from the US, which in turn is increasing its shipping capacity.

What are the prospects for the ammonia/VLAC market? What challenges should be addressed for ammonia to be considered a viable marine fuel option?

The development of the VLAC market is closely tied to the realisation of large-scale blue ammonia projects in the US over the coming years. A key enabler for this will be the establishment of long-term offtake agreements with importers in the Far East, which would drive demand for long-haul transportation of ammonia in significant volumes, suitable for VLAC deployment.
At present, the ammonia trade is effectively served by midsize and handysize LPG carriers, and most of the existing onshore infrastructure is not yet configured to accommodate VLACs. Overall, the pace of growth in the ammonia trade has been slower than initially anticipated and remains reliant on supportive policy measures, such as the US Inflation Reduction Act (IRA), to gain momentum.
From a technical perspective, the LPG shipping industry has decades of experience handling ammonia as cargo. However, for ammonia to become a viable marine fuel, several considerable challenges must be addressed, including the commercialisation of ammonia-compatible propulsion technology and engines, the resolution of safety concerns related to its use, and the establishment of a cost-competitive fuel supply chain. The new emission regulations are beginning to support this transition through a combination of taxes and subsidies, and we remain cautiously optimistic that a technically and economically viable pathway will emerge.