

Newsletter Article – Winter 2019: Tank Barge Market Update

As of November 2019, of the 3,681 barges and 13,519 vessels we currently track, 680 are tank barges with 27 inland and 25 ocean or coastal barges officially on the market for sale. Two of the 25 inland barges are 10 years of age or less. Eleven or 40.7% of the inland barges are at least 25 years old. The oldest inland tank barge listed today is a 76 year old, 9,000BBL tank barge previously used for transporting #2 oil in the U.S. Great Lakes. This old lady is counterbalanced by two U.S.-flagged 2009-built 1,600mt capacity tank barges located on the U.S. Gulf Coast. Eight double hull inland barges listed in the Americas from 11,066-28,000BBL capacity were built after 2005. One year ago, 31 inland barges were available with an average age of 26 years and five years ago, 35 inland barges were available with an average age of 30 years. The inland barges currently available for sale average 23 years old. Excess barges continue to sit on the market, however, we know of continued scrapping of older units.

Of the 25 ocean/coastal barges, six are 10 years of age or less. Twelve or 48.0% of the ocean & coastal barges are at least 25 years old with the oldest one, a U.S. flagged, double-hull, 119,000BBL barge, built in 1970 and retrofitted in 2006. This is countered by a 2016 built U.S. flagged 82,000BBL double hull barge. In November 2014, 42.1% of the 38 ocean and coastal barges listed for sale were 25 years of age or over, with the oldest barge being a 1961-built 30,000BBL barge in the U.S. Today, 13 fewer ocean/coastal barges are officially available for sale compared to five years ago and six fewer from one year ago, although we expect to see another 140,000bbl coiled, double hull black oil tug & barge unit coming on the market in May 2020 after it completes its current contract. Average age of all ocean/coastal barges for sale today is 25 years old (1994), compared to 23 years both last year (1995) and five years ago (1991). The closeness in average age suggests that while older barges have been disposed of, relatively younger units are coming onto the market for sale.

Twenty inland tank barges which Marcon has today listed for sale are located in the U.S., followed by four in Europe and one each in Africa, Latin America and location unknown. Eighteen ocean / coastwise barges listed for sale are in the U.S., followed by four in Southeast Asia and one each location unknown, Latin America and the Mid East. Thirty-seven of the 52 tank barges listed for sale worldwide are double hull. Twenty-eight of these are U.S. flag of which three are three to ten years old, 14 are 11 – 25 years old and the remaining 11 barges are 26 - 54 years of age. The foreign double-hull barges range from six years old in Southeast Asia up to 39 years old in Latin America.

Marcon has several US and foreign flagged tank barges for sale but there has not been much appetite for the prices offered against the requirements of the Buyers. There have been many purchase requirements for storage jobs outside of the USA, but it generally appears that these jobs will not have the revenue potential to cover the expected selling prices to satisfy the Sellers. The ocean / coastal market generally remains in a situation of 'over tonnage' with too many barges, and not enough work. Marcon has some 80,000BBL clean D/H, 120,000BBL D/H and larger dirty barges (foreign and domestic) not receiving the interest that we might have expected just a few years ago. Larger ATB units are also struggling to obtain charter rates to justify their expense. Unfortunately, the somewhat stagnant situation continues.

Looking at select third quarter earnings releases, owners are reporting that in the inland and coastal markets, day rates were flat or slightly up, while utilization remained flat. The inland market was still feeling the effects of excessive flooding earlier in 2019 and has been and will continue to be impacted by the U.S. – China trade dispute and competition from cheaper grain sources in South America. Corn and soybean export demand and sales for 2019 are down significantly from 2018. There is legitimate concern if we will see rebounds in these commodities in 2020.

Per the **U.S. Energy Information Agency's Short Term Energy Outlook** for December 2019, the International Maritime Organization's Sulphur restrictions (known as IMO 2020) become effective January 1st, 2020. The EIA is predicting that with U.S. refinery runs will increase by 3% in 2020 with the upgrading of high-sulfur heavy fuel oil into low-sulphur distillate fuel. How much of this increase will be moved by tank barges versus pipeline remains to be seen.

According to **Colton Co.**, as of September 5, 2019, year-to-date one tank barge over 5,000GT and 100 under 5,000GT were delivered from U.S. shipyards. In 2018, three tank barges over 5,000GT and 76 under 5,000GT were delivered compared to eight over 5,000GT and 85 under 5,000GT in 2017 and nine over 5,000GT and 100 under 5,000GT tank barges delivered in 2016 from U.S. shipyards.

In 2019, Marcon sold or chartered 17 vessels and ten barges, including three ocean tank barges totaling 189,080bbl, a 16,800bbl inland tank barge and 13 tugs totaling 58,060BHP. In 2018, Marcon sold or chartered 41 vessels and barges, including six ocean tank barges totaling 945,000bbl and 22 tugs totaling 77,280BHP. Since 1981, Marcon International has closely followed the tug, barge and offshore petroleum markets with over 1,494 vessels and barges sold or chartered worldwide. Sales include 102 ocean tank barges totaling 8.175 million BBL capacity (abt. 1,104,725dwt), 64 inland tank barge total 1.048 million BBL capacity (abt. 141,574dwt), 361 tugs (1,158,747BHP), 240 ocean & inland ocean deck barges (1,098,973dwt), 127 hopper barges, four tankers (7,794dwt) and one 2,995dwt LNG/LPG carrier.