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- A look at how MLP is ideal for LNG shipping



A look at how MLP is ideal for LNG shipping



By [Barry Parker](#) from New York

Capital Link's second annual conference on Master Limited Partnerships (MLPs), with a heavy concentration on energy investments, saw a large maritime contingent,

due, perhaps, to its panel devoted to LNG shipping.

The impact of lowered oil prices on all manner of energy investments was a theme throughout the day, with many presenters pointing out that they have neither commodity price or volume risk. The shipping partnerships are no exception - the prices of their traded "units" are all down from mid-2014 levels.

MLPs have been ideally suited for the LNG transporters because of the tendency towards longer-term contracts (to pay the requisite "distributions"), and the credit-worthy counterparties (including big oil companies). From a shipowner's money raising perspective, MLPs are "tax-efficient" and therefore have a lower cost of capital than other funding alternatives. For investors, in times of low interest rate, the "yields" are an attraction.

On the LNG panel, Tyler Rosenlicht, a portfolio manager with fund packager Cohen & Steers, said: "We consider these businesses to be floating pipelines....," adding that his funds shun any type of construction risk, or spot market plays.

Andrew Orekar, ceo of GasLog Partners LP, which works in tandem with the GasLog corporate entity, explained that the spot market for LNG shipping (where his firm is not a participant) could see "...fewer opportunities..." when oil prices are low. Tony Lauritzen, the ceo of Dynagas LNG Partners LP stressed that, lower energy prices, overall, could stimulate demand and therefore could be a good thing.

Panelist Richard Tyrrell, from Hoegh LNG Partners, talked about the dynamics of the US export boom with gas likely going to numerous destinations - requiring new infrastructure - a good thing for the sector, overall, and certainly for the FSRU's which Hoegh LNG specializes in.

Graham Robjohns, ceo of Golar Gas Partners LLC characterized the business as being supply-led (ie liquefaction projects) and noted a nearby mis-match shown on charts presented by the panel's moderator Matt Phillips- from Clarksons Platou, where nearby vessel availability exceeding demand for vessels.

Rosenlicht from Cohen & Steers, who talked about the importance of "...the longer duration of the fixed contracts..." and revealed a focus on "Who's your counterparty? How good are your assets?" and similar questions. At one point, when discussing the overall context of vessels and terminals, Rosenlicht said: "We pay a premium for assets with access to water..." really because of the optionality of destinations- causing the shipping contingent at the conference to cheer.

Other panels throughout the day had relevance for shipping-with MLP's representing, "a new pool of capital..." in the words of Rosenlicht. Investment banker Nicholas Stillman, from Clarksons Platou, said he expects to see additional regulatory filings for shipping MLPs, but he cautioned: "...it all depends on valuations..." which have been negatively impacted (along with the entire energy sector_ and therefore, the list of maritime MLPs is temporarily empty.

It emerged during the day that investors really value MLP growth prospects, which, in the shipping context, means brighter prospects for MLPs that are tied to strong "sponsors" that can develop projects (ie build vessels and put them on period charters, after delivery) and then transfer them to the MLP through "drop-downs", where the MLP buys the vessel-charter package.

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