

Shipping Finance and Floating LNG Assets

www.stirlinginfrastructure.com



Stirling Infrastructure - A brief introduction

Stirling Infrastructure, a financier and adviser on all aspects of infrastructure investment, is a leading solution provider specializing in infrastructure assets. Stirling Infrastructure offers direct lease, sale and leaseback, refinancing, and equity financing within the shipping, floating LNG infrastructure, aviation and railway (rolling stock) industries.

Understanding asset financing the Stirling Infrastructure way

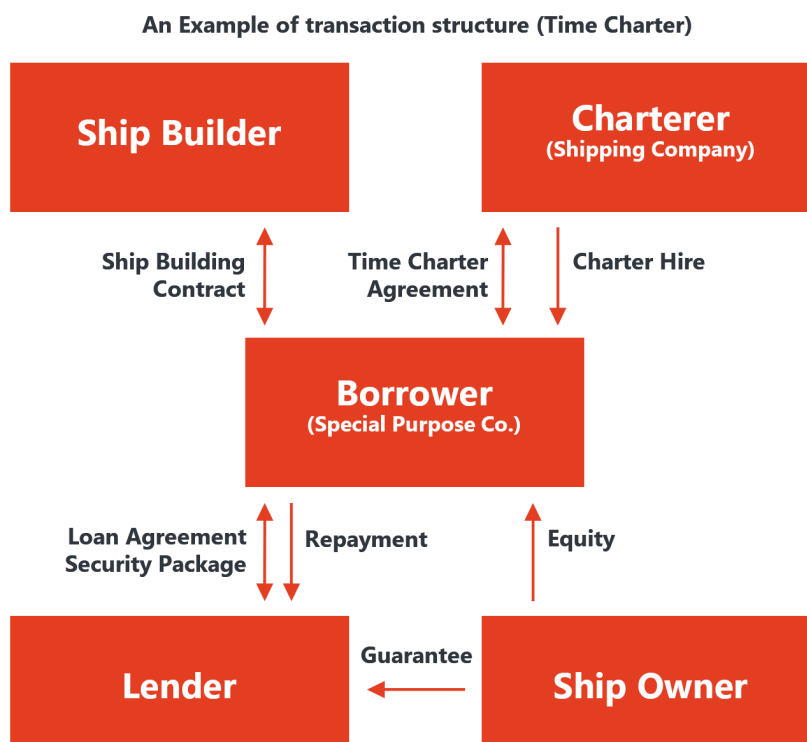
Stirling Infrastructure uses asset finance to help businesses obtain the equipment they need to grow or to release cash from the value in assets they already own. This allows the firm to access the equipment at a lower up-front cost which in-turn helps manage the firm's liquidity and risk, be tax efficient and practice Capital Optimisation. This report explains Stirling Infrastructure's shipping finance arrangement, and the role Stirling Infrastructure plays in not just helping understand the alternatives, but also in providing tailor-made solutions to suit clients' needs.

A guide to shipping finance

Stirling Infrastructure's shipping finance method involves acquiring the vessel on credit whereby the Special Purpose Company (SPC) gets the delivery of the ship from the ship builder, financed by equity from Ship owner and debt from Debt Lender. The SPC enters into a Charter Agreement with the Charterer (the shipping company), and leases the vessel to the Charterer on terms and conditions agreed in the Charter Agreement. The Charterer pays the total amount of the Charter agreement in instalments to the SPC. The ownership of the vessel at the end of the Charter Agreement depends on the terms of the agreement. Stirling Infrastructure connects SPCs to the lenders and equity investors to help finance the shipping vessels. Stirling Infrastructure will engage in due diligence, help provide debt and equity financing in the most cost-efficient way and assess and price the capital at risk.

Under this arrangement, though vessel charter fee is the principal source of repayment, various forms of collateral may be involved in the agreement to help mitigate credit risk.

The diagram below shows the relationship between each party under our shipping finance agreement.¹



Types of shipping finance charters

Stirling Infrastructure helps to finance the following types of shipping charters: Time, Voyage, Bareboat and Demise Charter. The table below summarises the main characteristics of the four charter agreements:

Type of Charter	Duration	SPC's Obligations	Charterer's obligations	Control of the vessel at the end of agreement
Time Charter	Time duration specified in the agreement	-Manage the vessel and provides crew -Carries risk of marine accidents and pays for insurance	-Selects the port and directs the vessel -Operating costs including fuel, port changes and commissions	Remains with the SPC
Voyage Charter	Voyage basis	-Manage the vessel	-Selects the port and directs the vessel -Payment on lump sum basis -Operating costs including fuel, crew, port changes and commissions	Remains with the SPC
Bareboat Charter	Time duration specified in the agreement – short, medium or long duration	-Provides the vessel	-Administrative and technical maintenance -Operating expenses, including fuel, crew and hull insurance expenses	Charterer takes full control of the vessel, including legal and financial responsibilities for it
Demise Charter	Time duration specified in the agreement- long duration	-Provides the vessel	Administrative and technical maintenance -Operating expenses, including fuel, crew and hull insurance expenses	Charterer takes full control of the vessel, including legal and financial responsibilities for it









IMO 2020 low carbon shipping and pollution control

The International Marine Organisation has adopted regulations to actively reduce Greenhouse Gas emissions from ships through implementing energy-efficiency measures.² From the first of January 2020, all vessels are required to comply with the 0.5 weight percent cap on sulphur content in shipping fuel (0.1% in emission control zones) as the marine sector is required to reduce sulphur emissions by over 80%.³ As low sulphur fuel oil is currently in limited supply compared to high sulphur fuel oil (HSFO), an alternative method to comply with the sulphur cap is to install an exhaust gas cleaning system (scrubber).

Stirling Infrastructure's specialism is to provide a financing solution that enables the customer to finance and place orders at the lowest cost of capital available on the market. Stirling Infrastructure will act as a 'capital arranger' to enable clients to meet their Green Shipping targets and principles. Stirling Infrastructure will only finance the vessels that comply with the IMO regulations.





Guidance on the cargo ships, LNG carriers, and tankers Stirling Infrastructure finances

Stirling Infrastructure finances newly built, fuel efficient cargo ships with over 3,000 Twenty-foot Equivalent Unit (TEU) of capacity, which will include the following:

	Early Container Ship 500 - 800 TEU, 137x17x9m	✗
	Fully Cellular 1,000 - 2,500 TEU, 215x20x10m	✗
	Panamax 3,000 - 3,400 TEU, 250x32x12.5m	✓
	Panamax Max 3,400 - 4,500 TEU, 290x32x12.5m	✓
	Post Panamax 4,000 - 5,000 TEU, 285x40x13m	✓
	Post Panamax Plus 6,000 - 8,000 TEU, 300x43x14.5m	✓
	New Panamax 12,500 TEU, 366x49x15.2m	✓
	Triple E 18,000 TEU, 400x59x15.5m	✓

Additionally, Stirling Infrastructure helps finance LNG carriers:

There are currently two types of LNG Carriers, Moss-Rosenberg type and Membrane type. The two types differ by the design of containment system. The Moss-Rosenberg type has a containment system consisting of insulated independent spherical tanks, while the Membrane type has a containment system consisting of insulated cargo tanks surrounded by a complete double hull ship structure. Stirling Infrastructure is interested in financing both types of LNG carriers that are designed and constructed in compliance with the requirements of the International Maritime Organization (IMO).

Types of LNG carriers and ships	Description
Moss-Rosenberg 	LNG carriers with containment system consists of insulated independent spherical tanks
Membrane 	LNG carriers with containment system consist of insulated cargo tanks surrounded by a complete double hull ship structure
LNG-Powered Ships 	Ships with marine LNG engine fitted and uses only cleaner-burning LNG as fuel
Floating Gas Terminals 	FLNG and other floating gas infrastructure

Reasons to choose Stirling Infrastructure

In addition to the quick, simplified and easy financing that Stirling Infrastructure provides, following are additional reasons that place Stirling Infrastructure at a competitive advantage:

1) Access to diversified sources of capital: Stirling Infrastructure has a global network of over 1,500 institutional investors and market participants. As a trusted advisor, Stirling Infrastructure can arrange for capital provision from local financiers, global banks, insurance companies, asset managers, and sovereign wealth funds.

2) Flexible and bespoke solution: Stirling Infrastructure will structure the leasing contract that best fits the clients' objectives and needs. Stirling Infrastructure can offer a range of financing options with different tenets and flexible payment options.

3) Profound industry knowledge: Stirling Infrastructure's extensive industry knowledge allows the firm to understand the challenges faced by different clients. Stirling Infrastructure works closely with the client and helps identify the most needed financing solution that could help the client continue to grow its business.

Stirling Infrastructure will provide clients with full guidance on the structure of the leasing contract. Stirling Infrastructure will design the contract based on clients' requirements and provide flexible options upon the end of the agreement period. Stirling Infrastructure does not provide tax/legal advice.

References

1. Disclaimer: details are subject to change on a contract to contract basis
2. <http://www.imo.org/en/MediaCentre/HotTopics/GHG/Pages/default.aspx>
3. <https://www.woodmac.com/nslp/imo-2020-guide/>

Cover Image: Tanker ARCTIC PRINCESS vor Hammerfest (N) - Juni 2015 by Joachim Kohler Bremen is licenced under CC BY 4.0

Disclaimer

This document has been prepared for information purposes only and does not represent advice. Stirling Infrastructure can provide advice on a case-by-case basis depending on a specific requirements of our client.

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