

American Ethane thinks big for the next generation of VLECs

Multigas design would mean very large ethane carriers could be capable of carrying something more

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Would-be US ethane exporter American Ethane is drawing up a new multigas design concept for what look set to be some of the biggest very large ethane carriers (VLECs) to be built yet.

Sources close to the project said American Ethane is planning an initial order for nine vessels that will have the optionality to carry ethane or LPG in the event that ethane cargoes are not yet ready.

Others working on the business said the option of adding LNG to cargoes that the vessels can carry is also being considered.



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The likely size of the vessels has now been upped from 80,000 cbm to 85,000 cbm to 93,000 cbm to 96,000 cbm with a length of 236 metres, as new ports in the US and China will be able to accommodate vessels of this size.

The shipbuilding project remains contingent upon getting permits to build the ethane-ready chemical plants in China that will receive the cargoes.

So far, American Ethane's main customer is China's Nanshan Group, which has a preliminary agreement to buy nearly one quarter of the output from the company's planned 10-million tonnes per annum US plant, which also needs to be built. Nanshan is one of a group of seven chemical makers that have applied for permits with the Chinese government to build ethane-ready plants.

American Ethane chief executive John Houghtaling told TradeWinds that he is "highly confident" in Nanshan receiving a permit as it already has a preliminary financing guarantee from ICBC to build the plant. "There are a number of developments that have to dovetail together," Houghtaling said.

Equipment and shipbuilding sources said there is now a continuous dialogue on the ships, which are being referred to simply as very large gas carriers, with changes to the design ongoing.

Yard sources question whether the ships will eventually be built with LNG-carrying capability. Ethane is denser and needs more structurally reinforced tanks but its colder cousin LNG, which is shipped at -163C compared with ethane's -93C, would need additional insulation and equipment that could prove cost prohibitive.

There is fascination about how many newbuildings might emerge for American Ethane.

Some sources report that the volumes the US developer is talking about could eventually stack up as a requirement for up to 40 vessels based on its planned 10 million tonnes per annum of exports.

A memorandum of understanding, which was signed in April by American Ethane, China LNG Shipping and Hudong-Zhonghua Shipbuilding Group, on the shipping of ethane from the US to China has excited interest in the project.



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The ethane carriers are expected to be ordered on the back on long-term charter contracts of at least 10 years.

This year, American Ethane announced that private-equity fund Energy & Minerals Group would co-sponsor its US Gulf export terminal and source and supply ethane to the plant.

The world's first long-haul trade in ethane was established last year as India's Reliance Industries put its six MOL-owned and operated VLECs into operation, shipping 1.5 mtpa from Enterprise Products Partners' export facility in the US to its Jamnagar refinery in Gujarat.