



Svelling Capital

## “Never seen anything like it in 30 years”

The turmoil in the Red Sea sends shock waves through the shipping market. - We are most certain that this is good for the LNG shipping companies, says hedge fund manager Tor Svelling. This is how he positions himself now.

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**HECTIC MARKET:** The turmoil in the Middle East and the attacks in the Red Sea have sent shock waves through the shipping market. Hedge fund manager Tor Svelling talks about an unclear market. PHOTO: IVÁN KVERME  
**Energy**

### Per Stefan Præsterud

- I do not know what the Houthi rebels' next move is, but if there is one thing I am sure of, it is that what is happening in the Red Sea cannot be compared to the usual piracy that occurred on the coasts of East and West Africa for a few years ago, says manager Tor Svelling, who manages the commodity-focused hedge fund Svelling Capital from London.

Back then, pirates used boats to drill and take control of ships. Now the Houthis are using drones and advanced equipment. In response, the US and UK have sent warships to the area.

- We don't know how things will turn out, but what will the warships help with as the drones are sent from shore? I can't quite see them being able to stop this. This is a new variant, says Svelling.

- **Can have a significant impact**



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The attacks have meant that several shipping companies have chosen to divert cargo outside the Red Sea and the Suez Canal. This results in longer shipping distances and higher rates.

- The war premium for large tankers has gone up from 150,000 to 660,000 dollars to sail through the Red Sea. It takes around eight days, but there are only six to eight cargoes that sail from the Persian Gulf to Europe per year. month. What may be of greater importance are the ships that sail from Russia to India and China via the Suez Canal and the Red Sea. It can have a significant impact, says Svelling.

- *Are you making specific moves in the investments now that the situation is so unclear?*

**- What we are most sure of is that this is good for the LNG shipping companies. There will be delays in all LNG going from the Middle East to Europe. The question then becomes what happens to the gas reserves in Europe.**

European gas stocks are now at 88.7 percent, down from 98 percent at the peak.

- Stocks should fall due to consumption, but if they fall a lot and the gas from the Middle East does not get to Europe, because it is too expensive and sent the loads around and they rather send them to the East, then the stocks in Europe can fall quickly. So that this is positive for LNG is absolutely certain, says Svelling. The significance is limited for LPG, but the effect can be greater for refined products such as diesel and jet fuel, he believes.

- A lot of diesel and jet fuel enters Europe from the Middle East. If the loads have to be sent around, we can have a shortage and it affects us straight away. It goes beyond shipping via LR1 and LR2 ships.

The impact on shipping in the Red Sea comes at the same time as drought affects traffic through the Panama Canal. Svelling visited Bloomberg and talked about the freight markets on Monday.

- I have never seen anything like it in 30 years. If we still get dry weather in Panama, and the situation in Suez continues, it is an obvious shock to the system. The shipping market is characterized by underinvestment from 2017 and 2018 until now. There is no quick fix to this, he told the media agency.

### **Price ceilings will affect**

The price of oil has climbed slightly in the wake of the escalation in the Red Sea, but is only back to the same level as a week ago. Svelling does not think the oil price will react much to the situation, but points out that everything is unclear.

- For us who are sitting in the middle of the mess, there are several things happening at the same time, but what can really affect the price of oil is the price ceiling for oil, says Svelling.

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