Capital Clean Energy
Third Quarter 2024 Financial Results
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Presenters
Jerry Kalogiratos, Chief Executive Officer
Brian Gallagher, Executive Vice President Investor Relations
William Bjorn, Vice President Commercial

Q&A Participants
Alexander Bidwell – Webber Research
Omar Nokta – Jefferies
Frank Galanti – Stifel
Liam Burke – B. Riley Securities

Operator
Thank you for standing by and welcome to the Capital Clean Energy Carrier Corps Third Quarter 2024 Financial Results Conference Call. We have with us. Mr. Jerry Kalogiratos, Chief Executive Officer; Mr. Brian Gallagher, Executive Vice President Investor Relations; and Mr. William Bjorn (ph), Vice President Commercial. At this time, excuse me, all participants are on a listen-only mode. There will be a presentation followed by a question and answer session. At which time, if you wish to ask a question, you will need to press star, one, on your telephone and wait for your name to be announced.

I must advise you that this conference is being recorded today, November 8th, 2024. The statements in today's conference call that are not historical facts, including our expectations regarding acquisition transactions and their expected effect on us, cash generation, equity returns and future debt levels, our ability to pursue growth opportunities, our expectations or objectives regarding future distribution amounts or unit buyback amounts, capital reserve amounts, distribution coverage, future earnings, capital allocation, as well as our expectations regarding market fundamentals and the employment of our vessels, including redelivery dates and charter rates may be forward-looking statements as such, as defined in Section 21E of the Securities Exchange Act of 1934 as amended. These forward-looking statements involve risks and uncertainties that could cause the stated or forecasted results to be materially different from those anticipated. Unless required by law, we expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in our views or expectations to conform to actual results or otherwise. We make no prediction or statement about the performance of our common shares.

I would now like to hand the call over to your speaker today. Mr. Brian Gallagher. Please go ahead, sir.

Brian Gallagher
Thank you, operator. Good morning or afternoon to wherever you are listening to the Capital Clean Energy Carriers Q3 2024 Earnings Call. As a reminder, we will be referring throughout the presentation to the supporting slides available on our website as we go through the presentation today. Let's start with slide three, the third quarter highlights. The third quarter of 2024 was an important and a busy quarter for the company. As you know, we've changed our name to Capital Clean Energy Carriers. This reflects our new focus on gas transportation. And we've also moved from an MLP corporate structure to a C-Corp status, with its customary and transparent corporate governance.

We continued our strategic repositioning with a sale of five containers in September, releasing nearly $300 million in cash. Our finance team have continued their excellent work this quarter, refinancing an additional two LNG vessels and releasing another $73 million of additional liquidity. This is also reduced further the cost of our debt, and also extended their maturities to 2031. If we turn now to slide four, we can see the wider progress the group has made. With the recent container sales, we are now left with just three very modern container vessels on very long-term time charters following the sale of 12 container ships in total since March.

Indeed, since 2021, as the slide shows, the group has been very proactive in selling non-core assets, generating in excess of $600 million in proceeds. That is, without taking the latest five vessel sale of containers into account. A large part of these proceeds has gone towards funding our pivot towards LNG carriers and other gas assets. Moreover, we continue to make progress, not just strategically within our name change, but also in terms of our corporate governance, which has been reflected in a recent increase in our ranking in terms of ESG criteria and scorecards.

We intend to build on these credentials going forward with our gas focused strategy. We are, of course, though, very conscious of our need to focus on other objectives. We recognize that share liquidity is a key issue for current and prospective investors. The group has moved quickly and on a significant scale over the last 12 months, to pivot to where it is operationally and strategically. We appreciate the need to continue to work hard to ensure our corporate side and our investability matches these significant changes.

To that end, we are looking at tools that can help enhance our trading liquidity, such as putting an ATM in place to satisfy both potential and incoming demand from investors. We hope that such initiatives will facilitate liquidity in the trading of our shares, and we tend to back this up with further raising of the company profile, as we have done in recent quarters. Research coverage, for instance, has doubled in the last four months, and we expect to expand our coverage going forward.

We know and appreciate that this will take time, but we are aware that this is a necessary process to provide the group with a trading currency in the future and also progress our further strategic optionality. Part of this change is my appointment as a full-time, dedicated Investor

Relations Manager. I'm excited by the challenge of delivering on the company's ambitions, and I'm here to assist you investors in any way I can.

I will now turn it over to our chief executive, Jerry Kalogiratos, to run through the financials.

Jerry Kalogiratos
Thank you, Brian. It's good to have you on board, and I'm sure our listeners are glad to hearing your voice on the call. Now, turning to the financials on slide six. On a technical level, the sale of the 12 container vessels following the announcement of our strategic shift towards gas shipping means that we now report on these containers as discontinued operations. On a continued operation basis, the quarter was a fairly mechanical quarter, with five new LNG carriers making a full contribution to the revenue and expenses, driving operating income from continuing operations higher to $57.2 million from $30.5 million on the comparative quarter last year. Interest charges rose as the fleet increased in size to $40.7 million, compared to $25.6 million during the same quarter last year. Net income from continuing operations rose to $15.8 million, from $5 million the comparative quarter in 2023, while the dividend was held flat at $0.15 for the quarter.

Turning to slide seven. Our balance sheet continues to grow with the addition of new vessels, and with our asset base, over $1 billion higher from the start of this year. The mix of our asset base has clearly changed in the past year, but our mix of funding has not, being 80% floating based This has obviously turned into an advantage for the group and now with interest rates in the US and globally beginning to fall and forecasted to move lower progressively in 2025. Our funding base would benefit with around $21 million lower interest costs for every 100 basis points move lower in rates. We expect our capital base to consolidate now for a period, as we have no delivery schedule until early 2026.

Now turning to slide eight, as mentioned in our highlights page, we have refinanced the year-to-date certain of our facilities, thus improving our liquidity position by $130 million, and at the same time, reducing our annual debt amortization under these facilities by $4 million. Importantly, we have also improved our funding costs by 56 basis points. When comparing the nine months of 2024 to the same period last year and taken our average floating rate margin 290 basis points.

Where does this leave the group in terms of funding for (inaudible) building commitments? Slide nine looks at our funding sources and commitments. Out of the total capex of $2.3 billion, we have already advanced 420 towards these acquisitions. Our cash at hand as of quarter end was $183 million. While we expect to generate nearly $300 million from the agreed sale of the five container vessels, less the repayment of $42 million of an outstanding seller's credit. Under conservative debt assumptions, we expect to raise more than $1.5 billion in debt, which is more than enough to cover our remaining CapEx program and actually leave some additional liquidity on the balance sheet. This, of course, without taking into account an incremental cash flow

generated by the company, which, as you can see in the next slide, is well underpinned by your existing fleet and its contracted revenues.

So on slide 10, you can see our revenue backlog of $2.6 billion, remaining highly diversified with no counterparty, having more than 20% share. $2.3 billion of this backlog will come from our LNG assets. Our remaining (inaudible) duration is over 70 years, and we expect to add to this strength as we start again taking deliveries of our new builds in 2026, onwards, and fixing long-term employment for these assets.

Now moving to slide 12. The current spot LNG market deserves commentary, given its pronounced weakness in recent weeks. The extent of the drop in spot rates has come as a surprise, but reflects certain key factors at play, such as a lack of LNG arbitrage opportunities, limited contango and storage place, again, driven by warmer than usual weather patterns, over supply of vessels. Put simply, there has been more ships available than has been required. A situation which, of course, has been further exacerbated by delays in certain LNG projects. And as a result, charters end up long shipping due to these delays and then seek (inaudible) to the spot market at any cost.

All of these factors have helped create something of a perfect storm in pushing rates lower. However, it is important to stress that our company, CCEC, has no exposure to spot markets. We have one existing LNG vessel coming up for charter renewal in the third quarter of 2026 and while the current market is certainly challenging the short-term, it will, if it stays at such levels, put extreme pressure on older donuts (ph). We look to address this on the right hand side of slide 13, illustrating that there are currently around 40 steam turbine investors that are trading the spot market, and this number will increase to almost 100 ships by the end of 2026. Our view remains firm that these vessels will find it very difficult to compete in a market like this, and we will be led to exit the market either in the form of conversion to alternative uses, such as FS use or FSR use, layups, and more likely than not, over time, to recycling yards.

Moving now to slide 13 and the longer term potential and drivers on the LNG market. Our thesis regarding the strong long term fundamentals driving the market remain intact. Asset prices for the latest two stroke technologies remain firm, underpinned by limited, severe capacity, competition from other segments, a robust long-term times at the market pipeline and high volume of liquefaction projects in the medium to long-term. Clearly, as the chart on slide 13 at the top right, shows, there is some oversupply of vessels in the short-term. And as discussed, this is a contributory factor to the current spot rates environment. However, the focus on this pressure will be on the older technology portion of the global fleet. And as the chart also makes clear, once projects come online, the market could begin to require additional shipping to manage the higher volumes.

Turning now to slide 14 and the longer-term charter market. While, as discussed, we see a challenging spot mark in the short to medium-term, the large increase in LNG liquefaction capacity on the back of projects that have taken FID and licensing bodes well for the long-term

charter market, even if there are slight delays when it comes to projects. With the incoming Trump administration in the US, we expect more tailwinds ahead in terms of regulatory approvals, as President elect Trump has clearly stated that his administration will support all energy projects, including LNG liquefaction projects. From the third quarter onwards, we saw a corroboration of his thesis as a number of charters have come or are in the market to charter (inaudible) on long-term basis, with a focus from 2026 deliveries onwards.

They are seeking to both cover additional LNG volumes that they will need to trade from these new projects, but also looking to replace steam turbine vessels that are coming off charter of the next three years. Almost all of these inquiries are for charter periods of seven years, 15 years, and the overwhelming majority is for more than one vessel. Hence, we remain constructive on the LNG market going forward, and we see the short-term paying the spot charter market as a catalyst for the removal of older technology vessels, which in turn will help the market balance over the coming years, as the new liquefaction capacity comes online, with potential to have even greater upside from new projects yet to take FID.

But today, we intend to take advantage of the fact that we have no LNG market exposure until 2026 and take a break from our core market and Q3 commentary to focus on our liquid CO2 vessels currently under construction in Korea, as you can see on the next slide. We believe that spending some time on this sector would be interesting to our investors as it is a new segment and wanted to share a bit of what we're seeing in this nation market. So on slide 16, you can see our other gas fleet made up of six mid-sized gas carriers and four liquid CO2 carriers. As the slide shows, these are all due for delivery within an 18-month period, starting early 2026.

At this point, I want to hand over to William Bjorn, our Vice President of Commercial Projects for Energy Transition, to run through this next section, and we will, of course, be happy to take questions at the end of the call on these and all other discussion points after our prepared remarks. William, over to you.

William Bjorn
Thank you, Jerry, and thank you for inviting me to speak on this call. So hi, everyone. Thank you for joining today's earnings call. It's a pleasure for me to present Capital Clean Energy Carriers' planning investment in LCO2 vessels, as I spend most of my time on energy transition shipping such as LCO2 and low carbon (inaudible). Today, the focus is going to be on the LCO2 vessels, and I hope that on another call we can (inaudible) carbon and (inaudible) in more details. So for those listening on the call, I will refer to liquified CO2 as LCO2.

Let us jump onto the next slide of the presentation to understand all dynamics of this catching industry, as well as setting the scene and the context for the company investment. So moving to slide number 17. Starting from the top of the slide, it's evident there are several central demand drivers propelling the carbon capture industry forward. First, decarbonization in hard to abate sectors, sectors like (inaudible) and cement production, refineries and chemical manufacturing have increasingly focused on carbon capture and storage. These industries are

constrained by CO2 emissions intrinsic to their production processes as limited, realistic alternatives to decarbonize. CCS represents one of the only viable solutions to meet emission reduction targets.

Secondly, the rising carbon credit markets. So the market for carbon credit is growing rapidly with a surge in agreements between emitters and large corporates aiming to offset emissions. For example, our state in Denmark and Microsoft recently signed an agreement for 400,000 tons of carbon removals while stuck on exergy secured a carbon removal contract value close to $15 million US for 2028 to 2030. Leading corporations like Shopify, Meter (ph), JP Morgan, H&M and McKinsey Sustainability have committed to this initiative showing proven signs of an emerging carbon dioxide removal market. E-fuel productions.

So the production of E-fuel such as E-SAC (ph) and E-methanol requires carbon molecules to create fuels that retain carbon-based properties. Importantly, this carbon must come from green sources such as biogenic (inaudible), further driving the need for carbon capture technologies and concepts. Lastly, oil and gas production via the carbon capture concept. So carbon capture technologies can significantly reduce emissions from oil and gas production, as exemplified by recent initiatives over the US Inflation Reduction Act.

Such regulatory framework (inaudible) provide substantial incentives to adopt CCS (ph)as a core part of mission (inaudible) strategies. So collectively, these factors create a vast on-track model for transporting CO2 (inaudible) ships, which are indispensable in the limitation of pipelines. So based on current plan volumes and net zero volumes, analysts expect that the industry will need between 40 to 90 ships by 2030, and high triple-digit numbers of ships by 2050.

Let's move on to slide number 18. The overall LCO2 type of market aligns with the carbon capture utilization and storage ecosystem. Broadly, utilization refers to using CO2 in (inaudible) and other products, while storage focuses on the permanent sequestration of CO2 in the underground. Here's an outline of the CCUS value chain. First, we see capture. So CO2 is captured at the emission source. Then secondly, CO2 is then transported via pipelines or grids to port facility, then CO2 is loaded onto ships for maritime transport. Ships did show the CO2 designated port facilities or offload terminals. And lastly, we see that the CO2 is (inaudible) applications such as E-fuels or sequestered in the underground.

So the bottom line here is that much of this ecosystem depends on shipping. Without dedicated CO2 carriers, large scale CCS becomes difficult to implement. On the supply side, the current fleet profile for CO2 carriers includes four older, smaller, 1500 cubic meter LCO2 ships for the food and beverage industry; two additional small test vessels, four 7500 cubic meters carriers related to this LCO2 storage project called Northern Lights; and then our full-time 22,000, cubic meter vessels (inaudible) order. (Inaudible) fleet of, let's say, approximately 10 to 14 vessel highlights a major supply constraint. Looking forward, no more CCS projects are expected to reach final investment decisions and commence operations within this decade, creating a potentially undersupplied market for the LCO2 carriers.

Turning to slide 19, attaching a few words to our full-time 22,000 cubic meter low pressure LCO2 motor gas carriers currently under construction at (inaudible), South Korea, and set for delivery for fall 2026. In terms of LCO2 storage technology, we offer the low pressure low temperature technology, which offers lower unit freight costs through increased carbon density, maximizing ship capacity utilization. These vessels are designed with flexibility in mind. Science for both inter and intra regional trades and cable handling various project requirements. (Inaudible) can transfer other carrier types, such as LNG and (inaudible) of all colors, types and grades and petrochemicals. This multicast capability is possible due to tank designs and cargo handling systems being similar to similar refrigerated gas carriers.

(Inaudible) also features state-of-the art capabilities such as free on board relay plans to minimize cargo loss, simultaneous motor gas cargo handling and power and connectivity enhancements such as increased energy output for the onboard carbon capture plans, and also amp control power. Further, bow and stern (inaudible) winterization (ph), ICE class and many (ph) others. So these ships are truly state-of-the art and provide CCEC with a unique asset capability in the growing market and low carbon solutions including CCUS, low carbon (inaudible) and other gasses.

Let's turn to slide number 20. If we dive into the global CCUS market and the emerging trade, it will help to simplify the market into the following, CO2 storage hub, just anticipation to be permanently stored. Then we have CO2 for usage, which will be predominantly located in locations with access to cheap renewable energy, for example, hydro energy in the northern (inaudible) area, solar power in the Middle East to Australia, or with energy in the South America. Lastly, they meet us on the so called emission points, where CO2 will be captured and nicotine.

So this leaves us with three key trades (inaudible). First, the intra year will be dominated by shorter voltages, whereas the APEC region will be characterized by longer voltages due to great distances and imbalances between emissions and available storage fields. And then vastly, extra storage capacity for sample in the US can lead to competitive pricing of storage to cater for intra regional trades. The announced global targets from various agencies for carbon capture and storage reflects (inaudible) significant implications for maritime transport. In Europe alone, projected CCS volumes for 2030 are estimated at approximately 60 to 90 million tons per annum. So even with conservative estimates on the maritime transport uptake, this translates to a demand for 20 to 30 LCO2 carriers in the European market and known by 2030.

In the APEC region, CCS will likely be characterized by longer transport distances or higher (inaudible) miles, creating a need for larger vessels. Projections suggest demand for an additional 20 to 40 ships by 2030 in this region to accommodate both volume and distance requirements effectively. Overall, these forecast points of strong growing demand for dedicated LCO2 carriers in North Europe, and impact with vessel requirements set to increase significantly in the coming years.

So (inaudible) next slide, slide number 21. Now let's (inaudible) macro level numbers shaping the carbon capture utilization and storage industry. Recently, Morgan Stanley included CCUS as item number six in their big themes of 2024, recognizing it as a one of the last viable technologies to realize climate goals. Their research estimates that the total addressable market for CCS could reach $30 billion US by 2030 and expand to $225 billion US by 2050 these projections align closer with scenarios outlined by key research agencies, including the IEA and Wood (ph) Mackenzie, as well as insights from other energy agencies and intergovernmental organizations.

It's a consensus that reinforces the importance of CCUS in a broad global strategy to feed climate targets. However, achieving a true net zero scenario will demand far greater CCUS capacity. On the right side of slide 21, we can see projections from IEA and shell, which indicate a need for exponential growth in CCUS capabilities to meet climate objectives. This represents a significant challenge, but also sizable and tangible market opportunity.

With that said, let us turn to slide number 22 covering the supply side, specifically the current (inaudible), which will be critical (inaudible) in meeting this emerging demand. So let's begin by examining the left (ph) graph, which illustrates the decline in number of shipyards capable of building gas barriers. It's essential to understand that this decline impacts all gas types and vessel sizes, meaning that only a select few top tier yards equipped to build specialized LCO2 carriers. Adding to this challenge, we need to consider the capacity constraints of specialized suppliers and equipment manufacturers who serve multiple gas segments. For example, a major tank manufacturer in South Korea currently has the production capacity to supply tanks for only about four vessels annually.

This limitation underscores the broader supply chain constraints that affect the entire sector, from change to cargo handling equipment. Furthermore, when we consider the current shipbuilding (inaudible) across all segments, available slots are already extending out to 2028 and the new building rate is at a historic highest with no significant slowdown in sight. This raises a crucial question, will there be sufficient shipbuilding capacity to meet the rapid and growing demand for LCO2 carriers within the CCUS market, which we just reviewed.

In light of these market conditions, we have particularly decided to invest into the structural growth area for shipping. It is highly likely (inaudible) will commence their life in 2026 as LBK (ph) and carriers, but given the supply and demand dynamics, they will be very well-positioned to capitalize on opportunities for the transportation of LCO2 in a potentially undersupplied market.

So that was it from my side. Thank you. I'll now hand it back over to Jerry.

Jerry Kalogiratos

Thank you, William. I hope this was, overall, a useful introduction to LCO2 CP (ph). We will, of course, take questions on this following my summary remarks, which I will give now. So turning to the conclusion and slide 24. We have talked at length about our growth plans and fleet, but it is always clearer with the diagram that you see on this slide. Our LNG fleet on the water will be augmented by six new vessels growing the (inaudible) LNG fleet by 50% by Q3 2027. 10 mid-sized gas carriers will be on the water by that final LNG delivery, reflecting in full or pivot towards a gas transportation and solution company.

For the moment, we still retain three containers which have long term employment in place for the next nine years, with options to extend by further six years beyond that. These vessels give us strategic optionality, which we will consider going forward. So that is the fleet, our investment proposition for investors. And on the next slide, slide 25 we discuss the earnings power of this fleet.

While this chart is a pro forma and only illustrative and with rather conservative assumptions behind it described at the end of the slide deck, it should be evident that there is considerable earnings power from the delivered fleet, which is only 10 or so quarters away. The pro forma fleet, in this scenario, will be capable of delivering over $630 million of EBITDA per year upon delivery, with adjusting free cash flow of $180 million, or over $3 per share. To put that into context, if only 50% were distributed as a cash dividend, then on the current share price, our stock would have a sustainable dividend yield between 8% to 10% and that is without taking into account additional growth that could come from our strong liquidity position that we're building over the next year or two.

Importantly, this platform will have a very young fleet. This is critical in gas transportation sector, where the latest shipping technology would be key to success. So to conclude, and before we take questions, please turn to the summary slide number 26. In short, the platform for Capital Clean Energy Carriers will be the largest LNG (inaudible) carrier fleet available to investors upon delivery, in addition to the other 10 multi-gas vessels. The platform has considerable contract coverage of over seven years already, and strong visibility on cash flows.

We have an advantage over many of our peers in only being invested in the latest gas technology vessels with almost all having dual fuel capabilities. Our growth is largely financed already, with our focus now in ensuring the investable platform listed on NASDAQ starts to have sufficient (inaudible) liquidity for investors to participate. We appreciate this, and building our profile will take time, but we're pleased and proud of the progress we have made in just 12 months and look forward to making further gains on our objectives going forward.

With that, I will hand it back to the operator for Q&A. Thank you for your attention.

Operator

Thank you. Ladies and gentlemen, the floor is now open for questions. If you would like to ask a question, please press star, one, on your telephone keypad. Today's first question is coming from Alexander Bidwell of Webber Research. Please go ahead.

Jerry Kalogiratos
Hello?

Operator
Alexander, please make sure your phone is not on mute.

Alexander Bidwell
Can you guys hear me?

Jerry Kalogiratos
Yep, we can hear you. Hi.

Alexander Bidwell
Sorry about that, guys. So I just wanted to take a look at the LCO2 market real quick. So looking at that potential disparity between the global fleet and the future shipping demand, how has that been influencing commercial discussions as you guys seek employment for these ships?

Jerry Kalogiratos
I think that part of the thesis is that as many of these projects start to only take form today, including FID, and many of the incumbents not necessarily being very experienced with shipping, they are more focused today on getting these projects across the line, rather than secure shipping. Some of the more advanced projects, especially those ones that have received EU funding, they have been coming to us lately, as well as to other counterparties and trying to better understand the shipping markets and what it means in terms of availability of vessels. But overall, I think the market only now starts to appreciate that this is not--finding LCO2 carriers is not going to be as easy as finding a tanker or a dry bulk vessel.

William, do you agree? Any comments to that?

William Bjorn
No, I fully agree, and no further comments on this, further questions.

Alexander Bidwell
Thank you. Appreciate the color there. And quick follow up. So looking at that, rather with most of these companies focused on the projects themselves and, I guess, less focus on the shipping side, are you seeing any other LPG players or gas shipping players looking into ordering LCO2 vessels? Are you seeing any uptick in interest in booking some order book slots?

Jerry Kalogiratos

Yeah, I think there is quite a few players looking into this segment, understanding the strong demand and supply fundamentals. We have been the only ones that follow a slightly different business model. I mean, the traditional business model, which you also find in the LNG business is, I'll secure the long-term employment, and then I will order on the back of that. Our business model is building scarcity value around our new building positions.

So most of the other players, and many, actually very experienced gas players, have been more following the traditional route. We have been following more closely our business model, which we have quite a bit of success in LNG shipping, as well as other parts of the business, by ordering in advance. Because as that demand squeeze, or rather supply squeeze, in this specific case, comes up, you can then capture oversized returns, but definitely there is a lot of interest and a lot of movement in this business.

Alexander Bidwell
All right. Thank you very much. I'll turn it back over.

Jerry Kalogiratos
Thank you, Alex.

Operator
Thank you. The next question is coming from Omar Nokta of Jefferies. Please go ahead.

Omar Nokta
Thank you. Good afternoon. Just a couple questions for me, and maybe just kind of, maybe more broadly on the LNG spot market. What would you say has changed here over the past couple of months? I know you talked about it, Jerry, in your opening remarks, but it felt like rates had been building momentum back in July and August, and then just sort of all of a sudden, came under a lot of pressure. And just wondering, was there a trigger to cause this sell-off in the spot market, or has it been a combination of things all coming together at the same time? And so that's the spot market. And then any kind of spillover into the term market, as you would from your vantage point?

Jerry Kalogiratos
Yeah, absolutely. I think it's more the latter, so it's more a confluence of circumstances. Actually, in July, we had a pretty strong market for that very early in the season. But I think with the warmer temperatures, the lack of arbitrage cargos, the delay of certain projects, that is also for sure weighing on the market. And then ships being delivered often without having captive volumes. We saw increasingly, all these factors weighing on rates. And then there is also a bit of psychology, right?

As we also highlighted in the prepared remarks. There's also the older ships, TFDs, but especially steam turbine vessels. Continuously, you see those being redelivered and many of these vessels have been paid off. And given also the unit freight economics delta, they will take

any business, so they have been dragging the market down. And then many of the charters that do not have volumes because of project delays, for them, shipping the same cost, so then they will take any business that they find, and all that created a bit of an avalanche effect. So we see it. Obviously, it's never good to have a market like this, but I think it will flush out the older technology vessels.

Already, many of these vessels are struggling to find employment. I mean, steam turbine vessels, and this is in the high season. So from February, March onwards, many of the owners that have uncommitted vessels, they will have to take a decision as to what they do. There are certain FSUs use of floating storage inquiries, FSRU conversions, but I think there is also talk of warm and cold layup for these vessels. And depending on the market conditions, if you have a cold layup of a vessel like this for more than five, six months, then it becomes increasingly a challenging economic decision as to whether you reactivate it and at what cost. So I think that's probably the important silver lining to this market.

Omar Nokta
OK. Thanks, Jerry. That's a good sense of things. And then maybe perhaps just kind of sticking with the fundamental backdrop of the market, or maybe just kind of switching, perhaps, then to asset values, it seems that you've obviously been very busy. You've refinanced two vessels, so you've got a pretty good sense of kind of where values are. Has there been any change? We've seen values obviously, have risen quite a bit here over the past couple of years, and I'm sensing, just at least looking at the two refinancings and how much you've been able to extract from that, are values still firm? And has there been any shift in LNG pricing, LNG ship pricing?

Jerry Kalogiratos
Yeah. And we have had recently data points to this effect. So we have seen at least three vessels recently ordered, and between the $250 million, low $250s million, $260 million mark. All these vessels were delivered over the last month or two so, and in different shipyards. So we have a pretty good feeling as to where new building prices are, and these determine the wider, if you want, curve for both the asset prices as well as the long-term charter market. So yeah, I think values have been pretty steady, and we expect them to remain range bound.

There is very limited severe capacity overall, especially for larger vessels. There are projects. There are charters that come from time-to-time to the market, as we have seen over the last few months, to take vessels on long-term basis, which then leads to inquiry for more new builds. So I think there is--values are well supported. Where probably we will see more pressure again, is on older technology vessels, especially if their utilization falls consistently over the coming months.

Omar Nokta
OK. Yeah. That makes sense. All right, Jerry, thank you so much. I'll turn it over.

Jerry Kalogiratos

Thank you, Omar.

Operator
Thank you. The next question is coming from Ben Nolan of Stifel. Please go ahead.

Frank Galanti
Yeah. Hi. This is Frank Galanti for Ben. Thanks for taking our questions. I wanted to sort of double-down on the demand for LNG carriers, right? Obviously, shorter term market is rolling over pretty heavy. Has that sort of affected the sort of six LNG carriers that are currently unchartered? Has that sort of changed conversations on getting those locked up?

Jerry Kalogiratos
So I think what we have seen over the last quarter is that we have seen more long-term inquiries that we have seen in the, let's say, in the first half of 2024. And mostly people coming to the market to cover new off takes or replace older technology ships, and we had some recent data points or chartered (ph) in the market. I think what we see is probably a 10% reduction in long-term charter rates compared to the peak. So we are on a 10-year deal, we are probably more in the low 90s area than in the hundreds of thousands that we were maybe 12 months ago or six months ago, but we also believe that this is probably where the market is going to stay also for charter rates, quite range bound, because in the end, the determinant of what owners will ask is the replacement value, or new build values. And new build values have been pretty steady.

But I think the encouraging thing is that we have seen quite a bit of new inquiries coming to the market. And some of them, they were scheduled because this is when people wanted to come to the market to secure tonnage. But some of them, they were encouraged by the slightly lower charter rates compared to last year. And they said, well, given the fundamentals that we see, that is long-term, this market is expected to be tight. Severe capacity is going to be tight. It's better to take coverage now rather than wait later on. So we are quite constructive for the 2026, 2027 deliveries.

Of course, as I said earlier on, we like to take our time when it comes to fixing the vessels at what we consider to be the right time. We will be, of course, looking at developments, and gradually, we will start getting coverage. Again, the idea is to secure long-term coverage for these assets at accretive rates, potentially also a portfolio of expirations. We don't want everything to expire at the same time, but hopefully we can be able to share more over the coming quarters.

Frank Galanti
Great. That's really helpful. And then sort of on the decision to split out the containers into discontinuing operations this quarter, can you talk about the rationale to do so, and then what that sort of implies, or not to the remaining three container vessels?

Jerry Kalogiratos
So yeah. The remaining three vessels will stay in the continued operations. The discontinued operations financials will apply only to the 12 vessels sold over the last year or so, or since the announcement that we will be focusing on gas assets. So you should expect the three container vessels to stay in the continued operation financials, unless at some point we decide to divest from those assets, in which case, we will then, of course, notify the market and they will belong then to these cops.

Frank Galanti
OK. Yeah, that clarification is really helpful. Thanks for taking our questions.

Jerry Kalogiratos
Thank you, Frank.

Operator
Thank you. The next question is coming from Liam Burke of B. Riley Securities. Please go ahead.

Liam Burke
Thank you. Hi, Jerry. How are you?

Jerry Kalogiratos
Hi, Liam. I'm well. How are you?

Liam Burke
Good. Thank you. Could we talk about the--I mean, the long-term demand for the LBT (ph) is great, but how do you feel about the timing of the delivery of the vessels and how you would charter those? I mean, you're comfortable enough, you've had enough inquiries on the counter parties?

Jerry Kalogiratos
Yes, absolutely. I think this is really when we start to see most of the demand for long-term charters, starting in '26 and into 2027. This is also coincides with when a lot of the new liquid fashion projects come online. So yeah, it is a liquid market, and hopefully we will be able to share more over the coming quarters.

Liam Burke
That's great. Rates are low. Omar discussed the pressure on asset values. I know that you're you only take assets with long-term charters attached, but do you see anything potentially outside your traditional drop downs that might be interesting if asset values get softer?

Jerry Kalogiratos
We are always open to new additions. And as I said during our prepared remarks, I think we will be building up liquidity, given where we stand. But to be honest, in the two stroke LNG vessel

class where we are focused, I don't expect to see any serious discount on asset values, given where new building prices are and the overall healthiness of the long-term market. Where I think there will be pressure on asset prices, is on TFD vessels, as well as steam turbine vessels. Utilization will weigh on them because of the weakness in the spot market, but also environmental regulations, especially EU ETS and now fuel EU will have a big effect as increasingly as we move, for example, in the EU ETS framework, from 40% to 70% payment of CO2 emissions. Increasingly, these vessels will be more and more expensive in terms of unit freight costs, plus, of course, the fact that especially steam turbine vessels tend to be smaller vessels that do not really fit cargo stems in this market. So I think there we will see a lot more pressure on our focus asset class. I don't expect to see large drops, but of course, we will keep our eyes open for opportunities.

Liam Burke
Thank you, Jerry.

Jerry Kalogiratos
Thank you, Liam.

Operator
Thank you. At this time, I'd like to turn the floor back over to Mr. Kalogiratos for closing comments.

Jerry Kalogiratos
Thank you and thank you all for joining us today.

Operator
Ladies and gentlemen, this concludes today's event. You may disconnect your lines and log off the webcast at this time and enjoy the rest of your day.