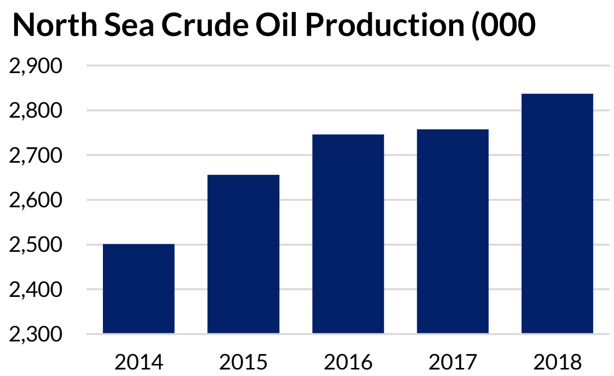
The North Rises Again
Weekly Tanker Market Report

North Sea oil producers have been somewhat revitalised during 2017. As Gibson reported earlier this year, OPEC led production cuts have, at times, increased the appeal of North Sea grades to Asian consumers. Simultaneously, signs are beginning to emerge that the sector has put the worst of 2014's oil price crash behind it and is proving more resilient in a new lower price environment. Due to the regions ageing infrastructure, high costs and declining production, some analysts have cast doubts over the long-term future of the North Sea. However, the embattled region has adapted to lower oil prices and over the next few years, looks set to post increasing production numbers.

New projects expected to come online within the next two years have the potential to add 1.2 million barrels/day of production, helping to offset declining output throughout the region. One of the largest projects undertaken, by Statoil, will begin producing 440,000 b/d in 2019 rising to 660,000 b/d by 2022. And in an example of reinvigorating older fields, BP has announced its Quad 204 project which aims to add 130,000 b/d of production alongside an expansion to their Clair Ridge field. These two projects are geared towards helping the company achieve its goal of doubling their UK production to above 200,000 b/d by 2020.



Executives from both BP and Shell have recently expressed confidence in the future of the North Sea as both companies have worked hard to reduce costs, and in some instances sold off assets in the region. Shell has identified areas such as the Penguin cluster north of the Shetlands which could be given the green light for expansion along with several other areas over the next 18 months. One of the main reasons for a revitalisation in production has been the regions ability to cut costs in the face of declining oil prices. BP's regional president for the North Sea recently stated their cost of production had fallen to \$16-\$17 per barrel from \$30 in 2014. This is in line with estimates provided by MOL Group, an integrated oil and gas company, stating that on average the regions cost of production is \$15 per barrel.

Mergers and acquisitions have been on the increase in the region with Wood Mackenzie indicating that up to \$15billion has been invested by international equity funds. In the first half of 2017, \$6 billion worth of deals have been concluded, including Shell's decision to sell around half of its UK production to a US based equity fund. And in a sign of further confidence in the region, Total's recent deal to buy Maersk Oil, including North Sea assets, highlights that it is not only private equity funds with a taste for the North Sea, but oil majors too.

Despite oil majors and private equity funds showing commitment and investing heavily in the region, doubts still remain over the long-term sustainability of production in the region. Research by Oil & Gas UK has highlighted that without sustained investment, as many as 80 fields could be shut by 2022. So far in 2017 only one new project has been sanctioned in addition to only one project in 2016. However, enough investment seems to have been placed to sustain and increase output over the next few years, providing an important source of Aframax demand in the region, and for long haul VLCC shipments to Asia.

Crude Oil

Middle East

The dearth of VLCC enquiry over the week would normally impact on sentiment here, but as it stands Owners have had very little encouragement for some time and levels are already at rock bottom. Even with increases in bunker costs further hitting Owners returns there continues to be no escape route for Owners to go down and find some optimistic ray of light to hold on to. The over-abundance of tonnage will ensure levels for the foreseeable future will remain flat. Currently levels to the East are around 270,000mt x ws 40 for modern and voyages West hold at 280,000mt in the high teens. A fairly uneventful week for the Suezmax market. Even with the release of a busy first decade October Basrah programme rates have still remained static at 140,000mt by ws 27.5 for European destinations. Owners have had more success in improving rates for long voyages Eastbound with 130,000mt by ws 78.5 to Australia being achieved. AG/East Aframax rates have firmed throughout the week off the back of vastly improved Mediterranean and Far Eastern markets. AG/East has been fixed at ws 92.50, but with outstanding enquiry going into Monday, expect Owners to push for more next week.

West Africa

Once a lower level was set it quickly attracted other Owners to follow suit here as Owners began to lose hope that the AG market is due for a recovery and provide a suitable alternative. Present levels today are on 260,000mt x ws 48 for Eastern destinations with potential discounts for older than 15 year units. Suezmax rates have seesawed back and forth and the week ends at 130,000mt x ws 70 for USAC discharge and ws 72.5 for European destinations with potential for rates to go higher next week.

Mediterranean

Aframax rates in the Mediterranean have moved from strength to strength this week. Further unexpected activity from Libya and especially Zawia (with force majeure recently lifted) have tugged harder on an already thin tonnage list. Rates have now increased steadily up to ws 135 levels for Black Sea-Med and X-Med voyages. With cargoes remaining and replacement jobs afoot, the going remains firm. By the middle of the week the supply of prompt Suezmax tonnage had grown and the prospect of rates softening looked on the cards. Fortunately for Owners the strong Aframax market absorbed some of this tonnage and in turn Black Sea Suezmax levels have remained unchanged throughout the week at 135,000mt by ws 87.5 for European destinations.

Caribbean

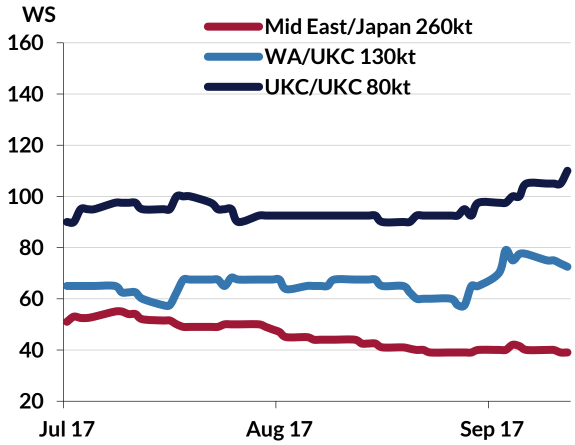
Some early VLCC cargoes have given Owners the chance to secure some healthy premiums over last done, whether such levels can be maintained going forward is doubtful as more Owners consider ballasting tonnage opening in the East. Presently levels from the Caribs to Singapore are in the region of $3.9 million and $3.35million to West

Coast India. Aframax Charterers are starting to claw back some bargaining power here as more tonnage slowly starts to free up after all the disruption from the previous couple of weeks, with this, levels have dropped to 70,000mt x ws 150 for a generic Caribs/USG run.

North Sea

The North Sea and Baltic Aframax markets have moved both in sympathy with the Med market and off the back of a thinning position list. Enquiry, although not as voluminous as previous weeks, has been consistent and has served to move rates up from ws 97.5 and ws 72.5 for vanilla North Sea and Baltic voyages to ws 107.5 and ws 90 levels. With no change in the landscape ahead rates are expected to stay rangebound into next week's opening.

Crude Tanker Spot Rates



GIBSON SHIPBROKERS

Clean Products

East

LR2s started strongly this week after the previous week's intense heat. But there was a lack of new business that stifled the push by Owners and it has taken all week for just a small 2.5 ws point increase. 75,000mt naphtha AG/Japan is now ws 115 and looks likely to have the strength to hit ws 120 next week. Westbound rates were untested going into the week and after a 2 days standoff rates were re-established at $1.75 million for 90,000mt jet AG/UKCont, some way down on Owners hopes. LR1s have seen steady enquiry and with a 3rd week of such activity tonnage is tighter and rates are moving consistently upwards. 55,000mt naphtha AG/Japan is now ws 145 and 65,000mt jet AG/UKCont has hit the equivalent of $1.475 million. It would seem unlikely these rates will climb much further for now though unless LR2s see more pressure.

A pretty slow and steady week for the MR's in the AG. With new cargoes being drip fed into the market the sentiment has been softer and as a result most rates have been negatively tested. GO cargoes to EAF have been quieter compared to previous weeks and a close at 35 x ws185. With the push that was seen towards the end of last week for naphtha cargoes moving East bound, Owners were hoping to see the trend continue, however, less than last done has been achieved this week and it sits at the ws 160 mark. Shorter voyages have seen the most activity this week, but the steady number of ships opening in the AG meant that even the short haul cargoes came under fire. Rea Sea closes at $450k and X-AG at the $190k mark. UKCont bound cargoes have seen a few bits of activity and held pretty consistent at $1.1 million however, with the soft sentiment $1.075 million could be on the books next week. Owners will be hoping for an influx of cargoes early next week to generate a little more activity than seen this week.

Mediterranean

Following on from a couple of weeks of joy in the Med with rates firming since hurricane Harvey, Owners were optimistic moving into week 37 that they could continue this period of positivity. Fresh cargoes were seen from Monday and this continued throughout the week and coupled with a lack of prompt ships meant that X-Med rates end the week at 30 x ws 145. Black Sea rates have struggled to achieve the +10 point premium seen before from X-Med rates over the past few weeks, however Owners are beginning to claw back these points and Black Sea ends the week at 30 x ws 150. With a healthy list of outstanding cargoes, Owners will be hoping for more of the same moving into week 38.

MR rates in the Med have continued to fall, mirroring those in NWE where times continue to be torrid. Med-transatlantic slipped to 37 x ws 110 and with rates at a low of 37 x ws 102.5 in NWE, we expect rates to continue to fall moving into next week.

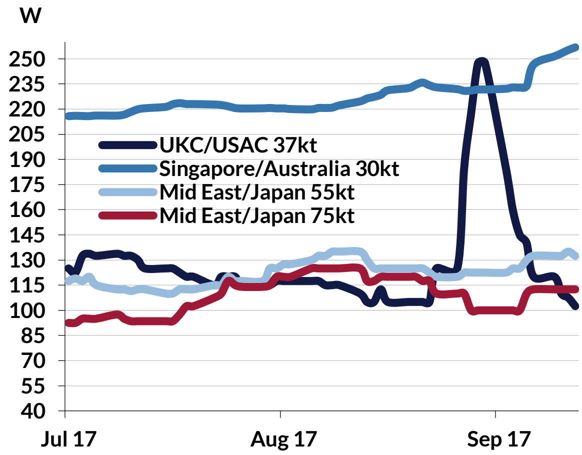
UK Continent

The writing has been on the wall all week for the MRs in NWE. Charterers had their pick of choice when it came to tonnage early in the week as the ballast positions pushed on the back of the inclement weather in the States flooded the market with boats in which demand was ultimately limited. As a result, rates rapidly declined from 37 x ws 120 early in the week to close out 37 x ws 102.5, with WAF and Brazil following suit offering 37 x ws 117.5-120 now. We look to have found the bottom of the market for now, but with little on the horizon to clear available ships and nothing to indicate a spike on fresh enquiry these numbers remain pressured going into next week.

What comes up must come down, and with the Handies we saw this happen in the first half of the week. As Monday came around, rates held at 30 x ws 150 for Baltic liftings, but the weight of available tonnage and limited enquiry pulled rates down with every fixture and by the midway point we levelled at 30 x ws 125 for the Baltic and ws 120 for X-UKCont runs. From there this market has managed to stabilise with further fixtures, and as we head into week 38, expect more of the same ahead. Owners will be hoping that we begin to see end month dates appearing soon at the start of the week to aid stability here.

With the sharp drop seen on the Handies, it didn't take long until Flexis followed suit and realigned to around the 22 x ws 160-165. That being said Flexi volumes have increased however, the short-term outlook remains bleak with supply still heavily outweighing demand.

Clean Product Tanker Spot Rates



Dirty Products

Handy

After the past few weeks of the North showing signs of tightening, this week finally took its toll as incrementally Owners have gained ground. As we conclude this week we report a firm 10 point increase in levels from where we started on Monday. This tightening is mainly due to the lack of workable tonnage that has been available through the week. Adding to this the continued trend of fixtures taking tonnage away from the region has been ever present. Next week is likely to continue with the firm sentiment we have signed this week off with.

The Mediterranean however has not fared as well as the North this week as starting Monday tonnage lists were looking over stocked. By mid-week rates were trading around the ws 150 level as Owners with prompt tonnage needed to find coverage. Moving into next week there is an underlying sentiment of firming in the region, but with little fresh enquiry reported towards the end of the week come Monday, hopes could be quickly flattened.

MR

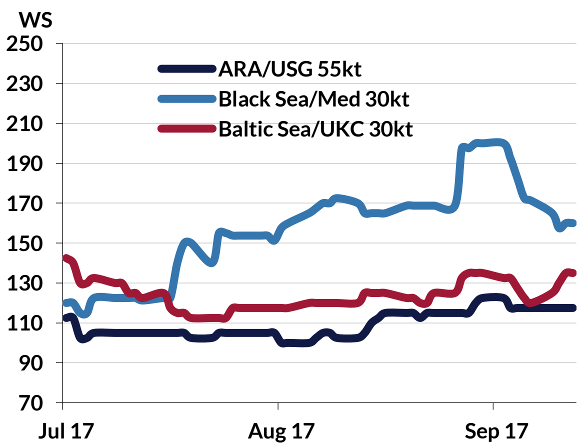
With a lack of firm, naturally placed tonnage for the duration of this week in the Continent, it is no surprise we leave this market still lying in wait for the next test. With the Handy market tightening in turn seeing an improvement in fixing levels, Owners with upcoming tonnage in the background will be keen to find out where the market now stands. In the same breath Charterers will be welcoming the upcoming weekend break for a chance for vessels to firm or else face another week of using alternate options.

A quiet start to the week in the Mediterranean with a distinct lack of full stem enquiry causing naturally sized units to creep up the position list. Looking ahead into week 38 and edging closer into end month fixing dates a few more questions are being asked and rumours a couple of early vessels placed on subjects, this has left the market in the balance as the tonnage list will prove key Monday morning.

Panamax

The level of enquiry this sector has seen this week has been pretty uneventful with very little to report. Owners that were in ballast or opening in the region took some time to come to terms with Charterers ideas of where the market should now be pinned, but settled for a small reduction with the new benchmark out of the Med and UKCont - transatlantic at the time of writing set at 55 x ws 115 levels. The problems these Owners were up against is that the window for covering this side of the Atlantic had shifted into October so they were forced to make a difficult choice of facing a sharper number from Charterers off earlier dates or brave out and suffer the idle days. The Caribs market saw a decent level of enquiry towards the back end of the week however, rates are yet to reflect this. The units that are employed could be the catalyst Owners are looking for once the ballast/natural tonnage this side of the pond is taken care of.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 14th	Sep 7th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-1**	40	41	46	61
TD20	Suezmax	WAF-UKC	**-3**	71	74	67	84
TD7	Aframax	N.Sea-UKC	**+10**	111	101	93	107

Dirty Tanker Spot Market Developments - $/day tce (a)

			wk on wk change	Sep 14th	Sep 7th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-1,000**	5,250	6,250	11,250	20,500
TD20	Suezmax	WAF-UKC	**-1,500**	10,750	12,250	10,250	15,750
TD7	Aframax	N.Sea-UKC	**+7,250**	14,750	7,500	1,750	12,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 14th	Sep 7th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+3**	113	110	120	
TC2	MR - west	UKC-USAC	**-43**	102	144	118	139
TC5	LR1	AG-Japan	**+8**	136	129	128	133
TC7	MR - east	Singapore-EC Aus	**+23**	257	234	220	

Clean Tanker Spot Market Developments - $/day tce (a)

			wk on wk change	Sep 14th	Sep 7th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+1,000**	11,500	10,500	14,250	
TC2	MR - west	UKC-USAC	**-6,000**	2,250	8,250	5,250	7,750
TC5	LR1	AG-Japan	**+1,000**	10,250	9,250	9,750	10,000
TC7	MR - east	Singapore-EC Aus	**+4,250**	16,250	12,000	12,000	

(a) based on round voyage economics at 'market' speed

ClearView Bunker Price (Rotterdam HSFO 380)	+7	324	317	302
ClearView Bunker Price (Fujairah 380 HSFO)	+3	338	335	314
ClearView Bunker Price (Singapore 380 HSFO)	+8	341	333	322
ClearView Bunker Price (Rotterdam LSMGO)	+5	505	500	475

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