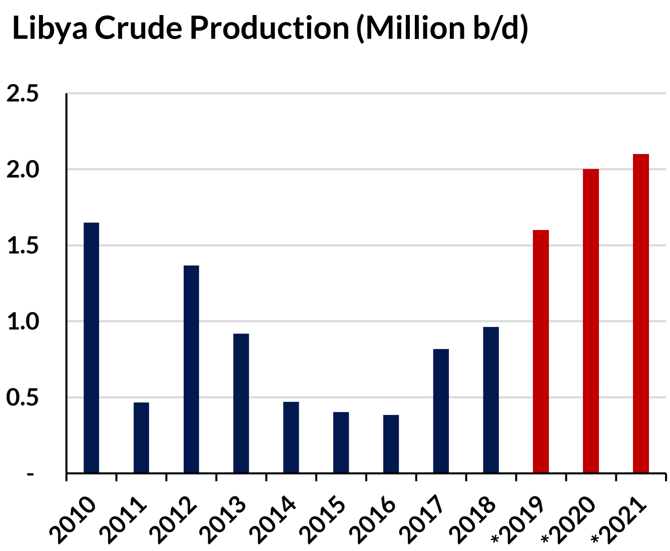
A Conflict of Interests

Weekly Tanker Market Report

In 2010 Libyan oil production topped 1.6 million b/d, 9 years on and crude output since has struggled to come close to sustaining anywhere near that. In 2018, it seemed like progress had been made and looked promising with production averaging almost 1 million b/d, showing signs of a potential road to recovery. With the country effectively split in two and rebel groups holding significant power - both in the east and west - oil facilities have at times been used as monetary and political bargaining tools for different groups to appropriate power. The latest issue concerns the shutdown of Libya's largest oilfield, El Sharara, which can produce 340,000 b/d and has been offline since December. If Libya wants to fulfil its potential, protecting these oilfields from insurgents will be key.



*Projected output (NOC, RASCO)

Libya is certainly not lacking in ambition, with the chairman of state oil company NOC - Mustafa Sanalla - signalling their intent to increase production to 2.1 million b/d by 2021, over 1 million b/d more than current levels, whilst also investing over $50 billion in infrastructure. Sanalla also indicated their desire to encourage foreign investment, stating that he will visit China in the first quarter of 2019 to formally discuss investment into Libya's oil and gas production opportunities. China has been steadily increasing crude imports from Libya since 2016 when they imported just over 11,000 b/d, up to over 155,000 b/d in 2018. Foreign direct investment from China could indicate a possible signal to increased Libyan imports in future. However, with previous uncertain investments from China in the past, notably Venezuela, it could be deemed an extremely risky investment.

Part of the investment plan is to build a state-of-the-art port suitable for VLCCs to berth. VLCCs haven't fully loaded in port for over 5 years due to a build-up in silt at the Es Sider terminal. The Libyan Seaport Authority have recently agreed to part fund, with the US based Guidry Group foundation, a $1.5 billion grant for the construction of the project on the eastern city of Susah. The harbour itself already has a natural depth of 18 metres, only a few metres short of what's needed for a fully loaded VLCC. Local neighbours Sudan and Chad have reportedly also welcomed the project stating their desire to use it. The port will hope to capitalize on being strategically placed for vessels travelling between Asia and Europe via the Suez Canal and to and from the US.

In the short term, national sources expect domestic crude output to rise back to 2010 levels this year, producing close to 1.6 million b/d. However, much of this will heavily depend on the domestic security and administration situation. Bearing in mind the frequency of armed attacks and the recent history of Libya unable to follow through on ambitious plans it looks increasingly unlikely. Despite being a country torn between competing militant parties, the central bank in Tripoli controls oil revenues and NOC budgets and has signalled their intent to rid of all militant controlled oilfields. Once this is under control, they believe production can ramp up and contribute to national growth. Whether that can be done efficiently and anytime soon remains to be seen.

Crude Oil

Middle East

VLCC Owners had hoped for pre Chinese holiday momentum to help reverse the recent slide but although activity did pick up there remained a wall of availability to soak hopes, and lead to a continuation of the decline. Rates now slide below ws 40 to the East for older units, and little better than ws 45 for modern vessels too, with runs to the West moving in the low ws 20's. A bottom may now be in near sight, but it will take a lot more digging for Owners to get out of the hole. Suezmaxes slowly circled around an unchanged centre point, with rates to the East at around ws 80 and a little over ws 37.5 to the West, with no catalyst for meaningful change in near sight. Aframaxes flattened further to 80,000mt by ws 100 to Singapore on thin demand, and easy supply. Charterers will be looking to chip away further next week.

West Africa

Suezmaxes had previously made gains, but this week Charterers initially held back, the mood quickly punctured, and rates tracked back to the mid ws 60's to the States, and ws 72.5 to Europe before stabilising. Early dates are a little tighter now, and any replacement needs could provide a catalyst for another upward push if the feeding recommences. VLCCs started slowly but then a mid-week pulse of demand allowed the market to find true value. Unfortunately for Owners, that meant a drop, and ws 50 to the Far East became the 'conference' mark. Further moves will be directed by AGulf operations.

Mediterranean

No recovery yet for compressed Aframaxes here. 80,000mt by ws 105 X-Med and to ws 117.5 from the Black Sea now and Owners will need to see a lot more enquiry to break the ceiling, and to also counter Eastern ballasters. Suezmaxes awaited forward programmes and only found limited earlier demand. Despite that, rates broadly held steady at 140,000mt by ws 92.5 from the Black Sea to European destinations, and to $3.7 million for runs to China. Sideways into next week also.

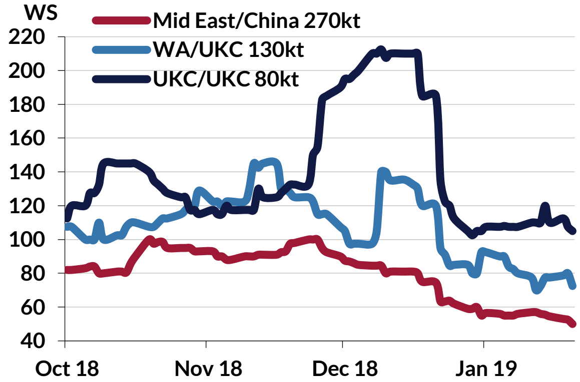
Caribbean

A week dominated by heightened problems in Venezuela, Although the extent of the probable disruption, and the effect of that, is still open to debate, although likely negative in the short term. Aframaxes were supported by solid transatlantic interest at a steady 70,000mt by ws 120 but upcoast movements began to retreat towards 70,000mt by ws 150. VLCCs weren't particularly busy and competition remained on the heavy side to start to weigh upon rate demands. $5.65 million was paid from the USGulf to Singapore, with rates from the Caribbean to West Coast India marked at, or a little under, $4.7 million.

North Sea

Aframaxes slipped a little over the week to 80,000mt by ws 105 X-UKCont and to 100,000mt by ws 87.5 from the Baltic, but although Owners are now digging their heels in to defend harder the near term outlook remains challenging. VLCCs have been in good supply and a number were called upon to 'perform'. Resultant rates didn't suffer too much damage due to ballasting alternatives, but did ease to $4.75 million for fuel oil from Rotterdam to Singapore and to $5.75 mill for crude oil from Hound Point to South Korea - levels that should be repeatable.

Crude Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Clean Products

East

It has been a quieter week and volumes are down. With LR2s still short, rates have not been hit yet, but the more available LR1s have seen drop. 75,000mt naphtha AGulf/Japan is a little off at ws 125 and 90,000mt jet AGulf/UKCont is now $2.60 million. LR1s saw more decline, with 55,000mt naphtha AGulf/Japan down to ws 122.5 and 65,000mt jet AGulf/UKCont to $1.70 million. Next week will be very quiet with Chinese New Year, so we expect more discounts.

Relatively inactive this week on the MRs and any activity we have seen has resulted in the market being tested downwards. Gizan down $25k to $600k on an option's deal, which implies beatable on a straight run especially considering how active the Red Sea has been when Owners were planning for next voyage.

$1.35 million on subs AGulf/UKCont which in context is $200k less than people fixed last week for AGulf/Argie on option's deal.

Feeling the pressure on the short hauls on the back of a sliding LR1/2 market and same sentiment is seeping through to the longer haul routes by definition.

We do however feel that we are near the bottom - against the context AGulf/East Africa is c50 points lower than 2 weeks ago so Owners will shortly have to stem the free fall in rates for dif preservation.

Mediterranean

The driving force for rates this week was certainly the Black Sea market, with a consistent level of enquiry and delays in the Straits leading to a jump in rates, with 30 x ws 205 the going rate for much of week 5. With this attracting much of the East Med tonnage, the list began to tighten and a variation started to be seen between East and West Med, with 30 x ws 165 the going rate ex East Med at the time of writing. For the majority of the week, West Med enquiry was very slow, which left Owners either sitting prompt or deciding to ballast East towards the profits. At the time of writing, 30 x ws 157.5 is achievable ex West Med, showing the disparity in rates as one moves further East. As we move into week 6, with weather on the horizon looking poor, it's likely that these rates (especially in Black Sea/East Med) could be maintained.

A fairly uninspiring week has passed for the MRs plying their trade in the Mediterranean, with minimal East runs keeping tonnage turning over and a light dusting of transatlantic / WAF. With this in mind, it is no surprise to see these rates being set by the slightly busier UKCont market, as we see 37 x ws 130 for transatlantic and a predicted ws 140 for WAF. Red Sea moves were seen in the $600k's and Black Sea/Japan at $1.55 million. Moving forward we expect rates to be defined by UKCont once again, but for now more slow steaming ahead.

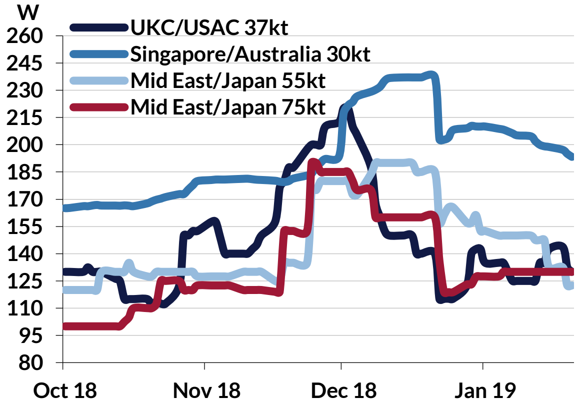
UK Continent

A two tiered market has once again occurred in week 5, as MR Owners with ice-class tonnage have been able to hold onto the last done levels due to the lack of ice units within the fixing window. Those with non-ice units have experienced the market soften and had to revise fixing ideas due to lack of enquiry and a healthy amount of vessels. TC2 has been rather inactive and has slipped to 37 x ws 125-130 levels and West Africa has taken a substantial hit from last done, with 37 x ws 140 being the new benchmark. China demand did improve in the latter stage of the week, with $1.4 million being fixed ex ARA and ice tonnage has held the line at 40 x ws 185 (although momentarily dipping below) for Baltic /UKCont, with many expecting this trend to continue moving forward.

The Handy market has stayed largely flat this week in NEW. Enquiry has been steady and consistent, meaning at no point did the tonnage list justify Charterers' calls for lower freight and the status quo for rates settled in. Baltic/UKCont routes have happily traded 30 x ws 197.5-200 for the duration of the week (although one Owner caught sleeping in equivalent 30 x ws 192.5 on Friday). This looks to remain positive next week, with Owners positive on the numbers of Handy stems seen on the Primorsk programme. X-UKCont enquiry has been a touch slow, meaning the gap between this and the ice routes remains large, 30 x ws 155 is achievable for vanilla X-UKCont stems, with 30 x ws 160 also seen for ports like Brofjorden etc. Little change expected here for the early part of next week.

Flexis have continued to tick over in much the same fashion as non-ice class Handies, which so often dictate the level on offer for the small units. 22 x ws 200-205 is the idea from most Owners playing in the market, although true assessment is on a case by case basis, as the few cargoes that do come to the market are often on standard 22 KT clips going X-UKCont. Looking ahead, keep an eye on the non-ice Handies for future sentiment...flat for now.

Clean Product Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Dirty Products

Handy

Week 5 for the Handies on the Continent will be resigned to the history books as one that failed to really get going. Liquidly lacked throughout Monday to Friday, however, from a Charterers perspective perhaps this is just as well. Tonnage stocks have remained in short supply, and even with the smallest amount of employment opportunity, Owners have again pushed levels further North settling just short of the ws 280 mark. Looking ahead there remains potential for this sector to firm, particularly if we see a small uptake in demand for ice class units.

In the Med, collective activity for the week has been enough to keep a balanced trend, with most deals from the Black Sea settling between the ws 260/262.5 mark. That said, the region has had some ambiguity to find common agreeance to whether ws +10 or 15 should be the differential for X-Med/Black Sea-Med, but slowly a trading pattern has developed. Furthermore, Owners now have a solid platform from which they can hold ground going into next week, where potential could be found.

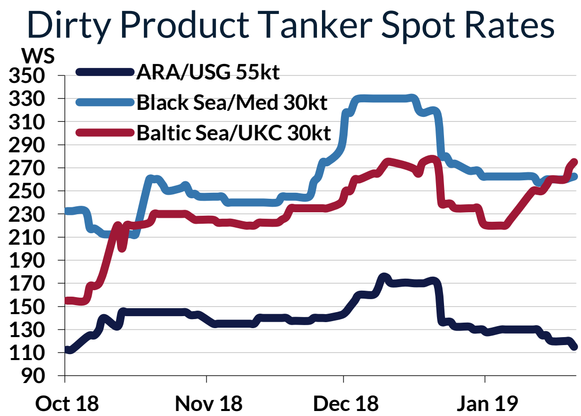
MR

With the recent weekly trend in the North offering no obvious pattern but instead being a case of quietly picking off units when they appear, we go into February in much the same way. Again, with there being just one MR candidate at the start of the week, it is no surprise there is little to report other than some fixing and failing and this unit then reportedly heading to the Med. Behind this MR, there are options but the problem of how to attract them away from a firm Med market is ever present, as these ballasters remain the only viable option.

In the Med, firm units showed at the beginning of the week in a greater abundance, which did tempt Charterers to market but, with Owners well aware of the surrounding Handy market offering a reasonable backstop rates remained unphased. As the week progressed, this sector did eventually gather some momentum where we have seen gains finishing the week, with an MR on subs from the Black Sea at ws 192.5 for a full stem. Looking ahead though it is now likely we will see trend remain flat until some of the early units are again cleared away.

Panamax

Although rates in Europe took a bit of tumble this week, the market does at least boast some underlying benefits from activity levels picking up where the tonnage lists have shaken off some of the excess weight. As such Charterers are now being more alert to reacting to fixing windows that are starting to reach ahead. Elsewhere, US markets have been thrown into turmoil, with sanctions being placed on Venezuela. The loss of such a significant source of Panamax employment has initially caused nervousness among ship Owners, with trend likely to continue to display a negative undertone until the impacts of these sanctions are fully figured out.



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125 YEARS GIBSON SHIPBROKERS 1893 - 2018

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 31st	Jan 24th	Last Month	FFA Q1
TD3C	VLCC	AG-China	**-7**	48	55	62	44
TD20	Suezmax	WAF-UKC	**-4**	71	75	89	69
TD7	Aframax	N.Sea-UKC	**-7**	104	111	116	104

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

			wk on wk change	Jan 31st	Jan 24th	Last Month	FFA Q1
TD3C	VLCC	AG-China	**-9,000**	20,250	29,250	42,250	15,500
TD20	Suezmax	WAF-UKC	**-2,750**	19,500	22,250	32,750	18,500
TD7	Aframax	N.Sea-UKC	**-5,500**	20,250	25,750	30,500	19,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 31st	Jan 24th	Last Month	FFA Q1
TC1	LR2	AG-Japan	**-4**	126	130	120	
TC2	MR - west	UKC-USAC	**-8**	127	136	115	124
TC5	LR1	AG-Japan	**-18**	123	140	161	120
TC7	MR - east	Singapore-EC Aus	**-8**	192	199	204	

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

			wk on wk change	Jan 31st	Jan 24th	Last Month	FFA Q1
TC1	LR2	AG-Japan	**-1,750**	25,250	27,000	18,250	
TC2	MR - west	UKC-USAC	**-2,000**	10,500	12,500	9,500	9,750
TC5	LR1	AG-Japan	**-4,750**	14,500	19,250	26,500	13,750
TC7	MR - east	Singapore-EC Aus	**-1,500**	20,500	22,000	17,000	

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

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