

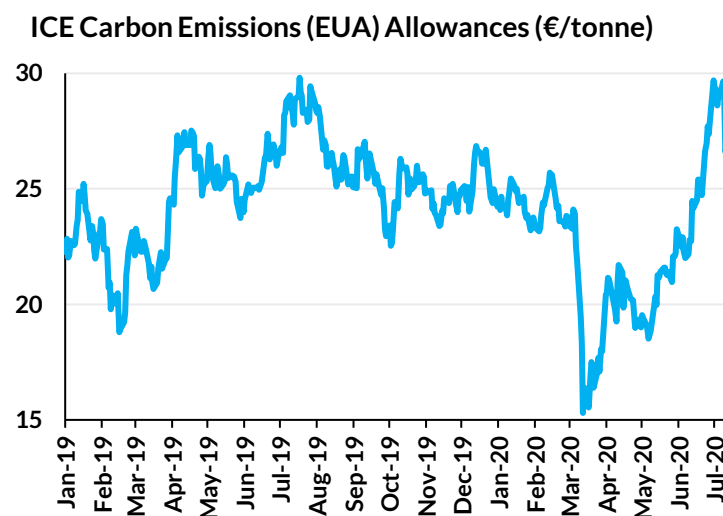
More Questions than Answers

Weekly Tanker Market Report

Last week, the European parliament voted to include emissions from shipping within the EU Emissions Trading System (ETS) by 2023, if there is no comparable IMO system in place by 2021. This move has been debated in the past, and by some was seen as an inevitable step in the journey towards greening the economy. However, the announcement gave few details, other than there would be further debate on the issue at a meeting scheduled for 14-17th September.

It is currently understood that the legislation will apply to vessels of 5,000 gross tonnes and above, trading to, from or between EU ports. Exactly what shape the tax will take is unknown, however, effectively it could be viewed as a secondary Emissions Control Area. In addition, the European Parliament intends to introduce binding requirements for shipping companies to reduce their annual average CO2 emissions by 40% by 2030 and calls for the establishment of an 'Ocean Fund' to support investment in innovative technologies to help achieve the required reduction in emissions, financed by proceeds from the ETS. Plans also exist to make vessel berthing emissions free by 2030.

According to the EU, the current ETS works on the 'cap and trade' principle. A cap is set on the total amount of certain greenhouse gases that can be emitted, whilst companies can trade emission allowances. The volume of allowances in circulation is controlled so that values are maintained. The historical price trend of carbon emissions can be seen in the chart below.



Whilst the shape of the legislation is yet to be defined, it will likely serve as an impetus towards stimulating investment in alternative fuels, which so far have had to be made on the basis of comparing the cost of alternative vs. conventional (compliant) fuels. However, new legislation which 'taxes' emissions could drastically alter the economics in favor of lower, or zero carbon fuels, particularly for vessels which are likely to spend the majority of their time trading within Europe. This legislation therefore gives new technologies a helping hand. However, the key question is who pays

for the cost of compliance? The shipowner, the charterer, or the end consumer? Ultimately it is likely that the commercial operator will pay, with costs passed onto the consumer or absorbed by the operator, in the same way higher fuel costs due to the introduction of Emission Control Areas have been passed on, depending on market dynamics.

Whilst this potential legislation is also likely to face stiff resistance from some, it ultimately aligns with the goals and ambitions of many industrial players who have already announced their long-term climate goals. And worst, this development will provide further incentives in the uptake of lower carbon vessels. Indeed, some would argue that this legislation is needed to encourage market players to invest in more expensive, but greener technologies. Likewise it could foster the development of a time charter market for zero, or lower carbon vessels. However, in the meantime, for an owner trying to decide what type of vessel to order, the decision just got even more complicated.

Crude Oil

Middle East

VLCC Owners had already eased into defensive mode late last week and spent this week doing their best with light end July closing interest and very measured approaches on the August programme too. Additionally, hopes for a cargo boost to come were dashed by Opec signalling a very cautious approach to reversing their sharp Summer production cuts. Rates eased into the low ws 40's East, and towards ws 20 to the West accordingly. Suezmaxes remained steady but, with a large slice of the action merely for the shortest hauls, there was never enough 'meat' to add market muscle and a steady stream of ballasters from the East ensure rates remaining capped at around ws 50 to the East and very low ws 20's West for a while yet. Week on week, Aframaxes in the East have been improving and is now starting to have a more positive knock on effect here too. Baby steps for now, but rates are marked a little higher at 80,000mt by ws 70 for Singapore, nonetheless.

West Africa

Suezmaxes slipped a gear early week and despite enquiry then keeping to a steady beat, there was always more than enough competition to dampen prospects, and rates eased off to under ws 40 to the USGulf, and to ws 45 for Europe. Another active week will be needed to force any meaningful issues for Charterers. VLCCs found little to do initially but did enjoy a brief pulse of mid-week attention, although by which time the AGulf had

turned its nose even lower and rates here also had to settle back to remain in line. Down to ws 42.5 to the Far East now but Owners will attempt to dig in there unless/until the Middle East makes another move.

Mediterranean

Aframaxes busied below the surface but without finding enough volume to seriously challenge Charterers and force rates above their recent 80,000mt by ws 65 ceiling both X-Med and from the Black Sea. A - probably - temporary improvement in the North Sea will add some support, but it will need to mature further in order to make a real difference to availability here. Suezmaxes posted no change over last week's modest rate levels as enquiry merely drip fed an always easy looking tonnage list. 140,000mt by ws 55 again from the Black Sea to European destinations, with down to \$2.7 million - again - the mark to China.

US Gulf/Latin America

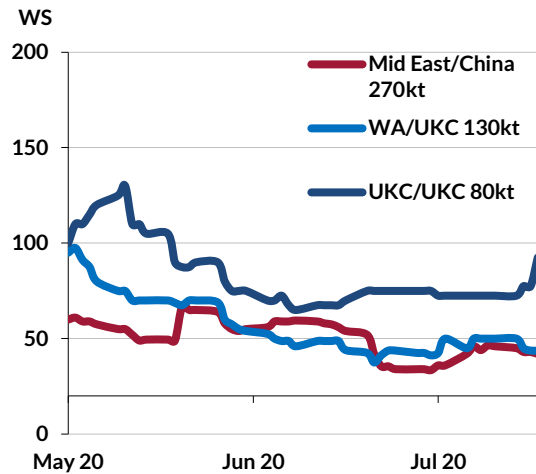
Aframax Owners remained frustrated that what was actually quite solid enquiry through the week, failed to allow sufficient leverage to force average rates much above 70,000mt by ws 70 both upcoast and transatlantic. Surely, that would change if next week re-starts upon the front foot...but not necessarily. VLCCs became more competitive as other areas lost ground and rates were chopped back to under \$5 million from the USGulf to Singapore before any stronger defence could be mounted. Further discounting is

possible but, for now, the need for ballasters will prevent anything too savage over the near term, at least.

North Sea

Aframaxes had started to claw upwards by the end of last week, and Owners then enjoyed a rare moment of glory within their class as volumes picked up and actually re-found the courage to ask for more. Rates jumped to 80,000mt by ws 97.5 X-UKCont, and to 100,000mt by ws 60 from the Baltic but there remains an uncertain air, and any small break in the flow of enquiry could quickly vaporize the recovery. VLCCs got very occasional interest but traders struggled to follow through, even as rate demands dipped to well under \$6 million for crude to South Korea-China as USGulf levels softened.

Crude Tanker Spot Rates



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

Clean Products

East

As we wrap up the week, not an awful lot has changed on the MRs. Rates remain rooted to the ground and the lack of overall volume is really telling. Owners will likely take hope from the activity of the LR1s this week but, with the LR2s finally succumbing to even more pressure, the MRs don't seem to be close to getting out of the woods just yet. There will of course be isolated pockets, which are strong on their own merit, Red Sea for example, but any tightness is likely to be brushed off as a rare speed bump on an otherwise clear road for Charterers.

LR rates have continued to spiral downwards this week, with new lows being seen. LR2s are now \$1.55 million for 90,000mt jet AGulf/UKCont and 90,000mt ULSD Yanbu/UKCont pushed down to \$1.375 million. The Singapore rate has dipped below ws 60 too, whilst TC1 is pretty untested so far at the new levels but no higher than ws 55. So little volume is making Owners pretty desperate to just take what is now available. Little optimism exists for the next few weeks.

LR1s have also suffered but the last 48hrs have seen more business than expected and Owners have started to have a little optimism once again. 55,000mt naphtha AGulf/Japan though has been pegged down to ws 50 and can probably be repeated. 65,000mt jet AGulf/UKCont is now \$1.15 million but is increasingly harder to repeat. Next week will set the direction. If activity levels continue, rates may see a gentle lift from the bottom.

Mediterranean

Another negative week all in all for the Owning fraternity in the Med, with rates slipping throughout. The lists pulled on Monday were grim reading for Owners, with over 20 prompt ships littered across the pond and, with enquiry subdued, it left rates trading sideways at the bottom of the market for much of the week at 30 x ws 80 and 30 x ws 90 for X-Med and Black Sea respectively. At the time of writing, 30 x ws 77.5 is on subs for a Med/UKCont voyage although this vessel is being repositioned here for COA action. Come next week, expect Owners to continue holding their ground at the ws 80 and ws 90 combination. Until the prompt units are cleared away, little momentum will occur.

MRs in the Mediterranean saw a limited number of fixtures concluded in comparison to the UKCont and thus rates have had to ride on the coattails of the busier sector. We push off from the lows of Monday's 37 x ws 72.5 for transatlantic and expect with a fresh test to be sitting around the ws 80 mark and, with a positive US market some will hope to see this filter to the European coast and further gains to be on the cards for next week.

UK Continent

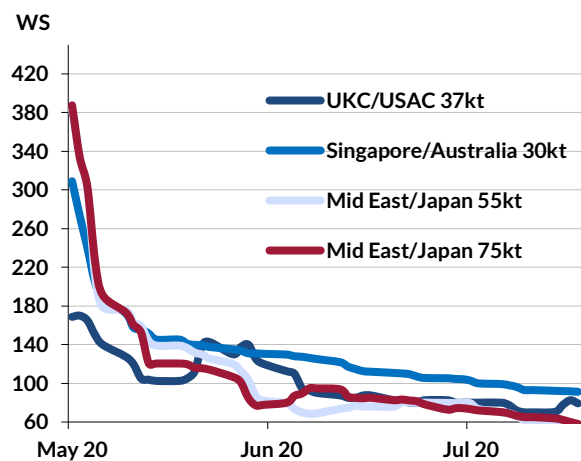
A busy front end of the week saw plenty of fresh cargoes and rates improved as a result against a thinning front end of the position list and most laycans being off fairly prompt dates. The middle part of the week slowed somewhat as rates settled for TC2 at 37 x ws 80, with a very untested WAF market hovering around the 37 x ws 92.5 mark. Slightly unusually, today has seen a number of fresh cargoes in the market once more, which might be a reason to feel optimistic that next week could see further improvements in demand. This side of the weekend, we don't anticipate seeing anything more than last done being paid but assuming some or most of these cargoes will roll over we can see some positive movement early next week. With a lack of ballasters coming across the Atlantic, we should start to see the position list tighten for the 3rd decade laycans and this is where Charterers may start to find securing tonnage starts to become more challenging against Owners firming ideas.

There has been just enough cargo enquiry in this UKCont Handy market this week to help hold off any vast build-up of prompt tonnage, keeping the list balanced and as a result rates have remained on a steady course. Baltic liftings have been trading sideways at the 30 x ws 90 mark, which seems to be the bottom of this market. In terms of X-UKCont action, rates have been stable between the 30 x ws 82.5-85 mark dependent on the voyage. Heading into week 30, Owners

will be hoping for an influx of fresh enquiry to help continue clearing the front-end and potentially drag rates off the bottom.

It's been a lacklustre week in this UKCont Flexi market, with little to report in the way of fresh fixing activity and slow levels of enquiry throughout. As a result, Flexi rates have been tracking that of the UKCont Handies, which has seen levels trade at last done all week. 22 x ws 105-110 therefore remains the current benchmark for a X-UKCont run when next tested.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The Continent this week perhaps shouldn't be measured through ws rates, as suffering a ws 5 point week on week drop, sentiment looked pretty soft. However, as the week progressed, we saw ws 120 established as the conference rate, and it was at this marker where support was subsequently found. Under the radar activity has now reduced the tonnage list (current fixing window), which is back to the bare bones and, with Charterers now booking further ahead, the next stage of a possible recovery is already in play. Watch this space next week!

In the Med, Owners came in on Monday with all the optimism of week 28 and ready to push on from last done levels, however, with little to get their teeth into in terms of cargo, by mid-week rumours of a correction were floated. Despite tonnage thinning in the East Med off the back of recent activity, availability of firm units in the Central and West Med willing to ballast across has resulted in the recent gains being lost, with ws 130 now firmly in place for Black Sea runs. As the Black Sea approaches end month dates, expect to see more ballast movements from West to East for coverage. For now, the premium is not there for the ballast, but should enquiry tick up early next week, then those with firm itineraries are ready to claw back some value.

MR

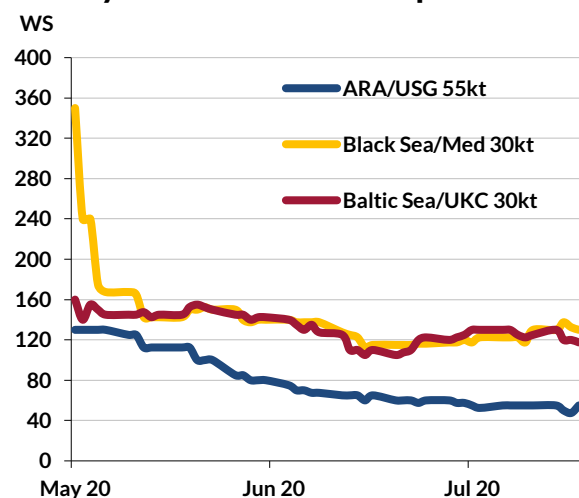
This week the NWE region was presented with limited natural units on offer. With one unit being prompt and little enquiry surfacing, MRs had to take out what was on offer on the Handies. Looking ahead into next week, tonnage replenishment will likely come from ballast units arriving, although availability will

remain somewhat limited. The Med on the other hand is where the majority of units continue to open up, but here too, full size activity levels have been suppressed this week with little to report on. Expect on Monday, a number of units to be positioned close to the top of the tonnage list which is only going to keep the already soft sentiment in place.

Panamax

The Panamax sector needed something special to happen this week, and if this were a sports match, this would be akin to starting the second half chasing a heavy deficit. Such was the extent of excess capacity, that rates initially fell to ws 50, but then something pretty remarkable has occurred with a stark revival in conditions. At time of writing, ws 65 is now on subs, off the back of numerous cargoes working before the end of July. Perhaps though, it may be a little premature to pop those champagne corks as there remains healthy availability for August dates in the Continent, and the Med cannot yet report such positivity where units sit prompt.

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	July 16th	June 9th	Last Month*	FFA Q3
TD3C VLCC	AG-China	-5	42	47	56	41
TD20 Suezmax	WAF-UKC	-7	45	52	48	49
TD7 Aframax	N.Sea-UKC	+21	93	72	71	74

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

		wk on wk change	July 16th	June 9th	Last Month*	FFA Q3
TD3C VLCC	AG-China	-5,250	29,500	34,750	47,750	27,500
TD20 Suezmax	WAF-UKC	-4,250	13,000	17,250	15,500	15,250
TD7 Aframax	N.Sea-UKC	+15,750	16,000	250	750	1,750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	July 16th	June 9th	Last Month*	FFA Q3
TC1 LR2	AG-Japan	-7	58	65	84	
TC2 MR - west	UKC-USAC	+9	79	70	85	101
TC5 LR1	AG-Japan	-10	51	61	76	73
TC7 MR - east	Singapore-EC Aus	-2	91	93	112	109

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

		wk on wk change	July 16th	June 9th	Last Month*	FFA Q3
TC1 LR2	AG-Japan	-2,500	7,500	10,000	17,500	
TC2 MR - west	UKC-USAC	+1,750	5,500	3,750	7,250	9,750
TC5 LR1	AG-Japan	-3,000	2,250	5,250	9,500	8,000
TC7 MR - east	Singapore-EC Aus	-250	6,000	6,250	10,250	9,250

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

ClearView Bunker Price (Rotterdam VLSFO)	+0	299	299	286
ClearView Bunker Price (Fujairah VLSFO)	+0	323	323	316
ClearView Bunker Price (Singapore VLSFO)	+0	331	331	322
ClearView Bunker Price (Rotterdam LSMGO)	-3	354	357	343

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