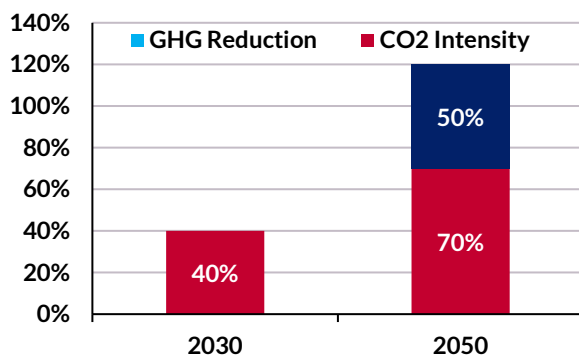


Elephant in the Room

Weekly Tanker Market Report

This week the IMO agreed short term measures to address climate change. For many, it was felt that these measures lacked the ambition needed to reach the IMO’s goal of reducing total GHG emissions by 50% and carbon emissions by 70% by 2050. The short-term measures will see even stricter newbuilding designs adopted via the energy efficiency design index (EEDI), the Ship Energy Efficiency Management Plan (SEEMP) and new measures called the Energy Existing Ship Design Index (EEXI) and Carbon Intensity Indicator (CII). Combined, these measures are intended to improve vessel design and operational efficiency. Logically this makes sense; extract every drop of efficiency out of the existing fleet and ensure newbuild efficiency continues to improve. However, under IMO protocol the new rules will not enter into force until late 2022 at the earliest. What is really needed is clarity on what the IMO’s medium and long-term measures will look like to give owners the confidence to invest in the next generation of vessels. However, for this the industry will need to be patient with the IMO pledging to address these measures before 2023, with entry into force not expected until the second half of the decade.

IMO GHG Strategy



What shape these measures will take is up for debate, but several key issues need to be addressed. One of which is carbon pricing. Many industry bodies, regulators, and even individual market players are calling for carbon pricing to be introduced to incentivise uptake in green technology; however, so far, the IMO is yet to address this issue. Nonetheless, the matter is of critical importance. Hydrocarbon based fuels are likely to remain cheap compared with the greener alternatives meaning that in pure economic terms, zero emission/low carbon fuels are never going to make financial sense without some form of

incentive. Biofuels, including bio-LNG and bio-MGO are expected to price at a significant premium to conventional fuels, whilst green ammonia and hydrogen will also be significantly more expensive, even if costs fall over time. Carbon taxes might be the only way to make future fuels more competitive.

The other elephant in the room is emissions from LNG which has been heralded as a transition fuel. LNG is lower carbon, low SOx and NOx, as well as emitting lower particulate matter. However, when total GHG emissions from the full supply chain are accounted for, emissions can be higher than conventional fuels. A study by the International Council on Clean Transportation showed that over a 20-year timeframe, there might be no climate benefits in using LNG when upstream and downstream emissions are accounted for. This is down to the fact that methane traps 86 times more heat in the atmosphere than CO2 over a 20-year time period. However, over a 100-year timeframe, the maximum life cycle GHG benefit of LNG is a 15% reduction compared with MGO, and only when high pressure dual fuel engines are used, and upstream methane emissions are well controlled. Competing studies do of course show differing results. A study by thinkstep on behalf of SeaLNG found that the use of LNG as a marine fuel led to a GHG reduction of 21% over the entire life cycle from well to wake, depending on the engine technology installed.

Clearly the debate as to whether LNG should be used as a transition fuel or not rages on. Proponents of LNG argue that LNG dual fuel engines could be retrofitted to use cleaner burning fuels such as green ammonia and hydrogen as and when they become commercially viable, although such a move would incur retrofitting costs. Engine manufactures will also continue to improve methane slip, yet it is emissions from natural gas extraction, liquefaction and transport which cannot be controlled by the shipping industry. What the industry needs right now is clarity as to where LNG sits within the IMO’s climate goals and the likely shape and form of its medium and long-term goals. Until the industry has more guidance, the best thing many owners can do is nothing, although this is exactly the opposite of what is needed to address climate change.

Crude Oil

Middle East

VLCCs get fixed but tonnage lists don't get any shorter and whilst production cuts hold sway, the supply/demand balance will remain challenging for Owners, to say the least. Higher bunker prices are starting to impact a larger proportion of the ready-to-go fleet, however, and with earnings already at rock bottom levels, Owners will have to extract some compensatory Worldscale points in order to trade at all. Next week should start to see a modest reset accordingly, but, if that happens, it will only be the spin-doctors that would then be able to truthfully term it a 'higher' market. For now, rates to the Far East continue to rest at around ws 26, with down to ws 16 still theoretically available to the West. Suezmaxes initially twitched a little higher upon solid enquiry, but then began to flag somewhat as interest fell away again. Rates end the week a touch over ws 40 to the East and to around ws 20 West, with a defensive re-start likely. A marginally better week for Aframax upon improved volumes, although rates failed to break much above the previous 80,000mt by ws 55 to Singapore level. The further inter-east scene is more bullish though, and owners here should begin to see a little more benefit through next week.

West Africa

Suezmaxes drifted off to lead rates down again to 130,000mt by ws 35 to Europe and to ws 30 to the USGulf but Charterers are now stretching to forward dates and there will be resistance to continue at

such poor levels and a continuation may eventually lead to a degree of fightback. VLCCs crabwalked at little better than ws 29 to the Far East - again. Volumes were modest and, with the AGulf being so poor, there are plenty of hungry candidates to keep it that way, although the same bunker compensation needs will begin to apply here too.

Mediterranean

Aframaxes couldn't re-find upward momentum and spent the week defending their lines, and then retreating. 80,000mt by down to ws 57.5 X-Med, and to ws 60 from the Black Sea, are the disappointing reality and much heavier shopping is required to turn the market nose once again. Suezmaxes did enjoy a mini-boost early in the week but just as quickly then lost momentum and began to shrink back to 140,000mt by ws 50 to European destinations and to \$2.5 million for runs to China. A rather shaky near term outlook too.

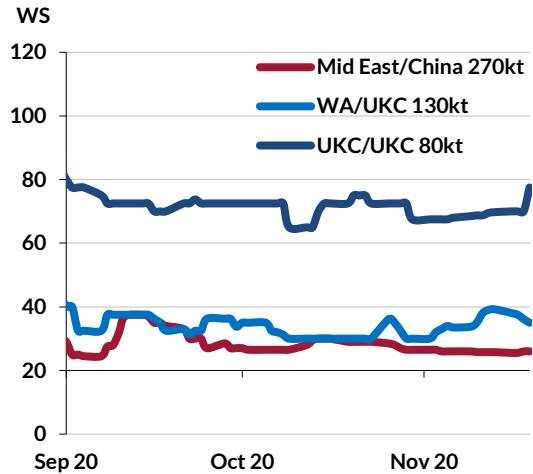
US Gulf/Latin America

Better local interest for Aframax here, complemented already solid transatlantic enquiry, and rates moved up towards 70,000mt by ws 90 upcoast as a result. Again though, to be maintained, Owners will need an ongoing conveyor belt of similar volume, and that is far from a given. VLCCs started slowly but then enjoyed a busier phase...it had no positive effect on rates however, and keen ballasters from the Far East will likely keep rates flatlining as the opening 2021 stems begin to get covered next week.

North Sea

Better than last week, but not by a lot.. Aframaxes made the most of the little extra enquiry they saw and pushed rates towards 80,000mt by ws 82.5 X-UKCont and to 100,000mt by ws 50 from the Baltic but then had to try to find patience as Charterers began to hold back from further engagement. Consolidation rather than attack may now be the favoured option. VLCCs saw occasional fixing at down to \$4.3 million to South Korea/China, which is probably as low as it's going to go over the near/medium term.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have firmed this week generally but so far LR2s have fared better than the LR1s. 75,000mt naphtha AGulf/Japan is up to ws 80 and more is being pushed for. 90,000mt jet AGulf/UKCont is last seen at \$1.775 million but no less than \$1.85 million is available today. Accordingly, Yanbu exports are seeing the most active rises, with 90,000mt ULSD Yanbu/UKCont last done at \$1.5 million but nothing below \$1.60 million is available now.

LR1s have been talking a better game than has been realised so far. TC5 has seen 55,000mt naphtha AGulf/Japan rise to ws 80 but now stay stable at that level. Similarly, 65,000mt jet AGulf/UKCont is still flat around \$1.35 million and some shorter runs have seen rates drop away slightly. Overall tonnage has thinned and availability on both sizes has reduced, but unless activity levels pick up further there is unlikely to be much more progress for Owners this year.

A very good week overall for the MRs, blighted by a few terrible deals, which have halted further progression. EAF on subs at ws 117.5 last weekend looked sharp come Monday, with BP soon covering their Kuwait barrels at ws 132.5 on an ex DD ship. The list continued to thin and all Owners were talking a big game at ws 155 next done, one of the more vocal being Norient. Logic went out the window when Norient then dropped the market by 5 points in an incredibly tight window. ST took advantage of a last veg sireless vessel to cover their EAF at ws 122.5. We wait to see if this clears come Monday, but good to see, following Scorpio's ws 145 prompt EAF coverage, that Owners have taken the reigns again and are now pushing for ws 155 EAF next done. Argie offers are coming in at \$1.2 million, with Owners only offering to come off this peg if Charterers can

come up to meet them on EAF levels. With questions coming in for both naphtha and distillate longhaul cargoes end/early dates, there is seriously potential for further movement as we move into the new week. Shorthaul will be on a par with the LR1 segment at the high 1s/low 2s and some of these prompt requirements now on subs with less-than desirable tonnage may need to be replaced off prompt dates...good signs all round for the MRs.

Mediterranean

For much of week 47, we saw sluggish enquiry and prompt tonnage continuing to build, which has left rates cemented at the bottom of the market at 30 x ws 70 and 30 x ws 80 for X-Med and Black Sea respectively. Thursday and Friday, however, have finally seen an influx of stems, which is beginning to clear out the front end and give Owners hope of a touch of momentum. That being said, with rates stretching to end month now for X-Med cargoes, ample fixing window tonnage is available, which will dampen any positivity. A good end to the week but Monday will need further cargoes in order for this market to progress.

On the MRs in the Mediterranean the market has sat on the coattails of the busier UKCont market and has been able to hold similar rates throughout as by the midpoint of the week we reached 37 x ws 75 transatlantic and ws 85 to WAF. Despite the lower levels of enquiry, Owners worked this bottomed sector well and with the gold rush seen in the UKCont on Friday, any fresh enquiry will no doubt be shown equally hostile ideas as transatlantic runs look to push into 3 digits once again.

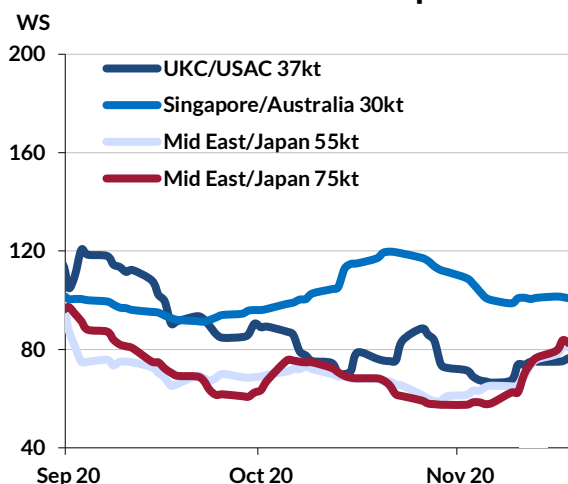
UK Continent

A positive week finally started to pay dividends on Friday, as rates started to react to a busy fortnight that had only yielded about 5 points in Owners favour up to this point. Demand has been consistently improving over the past 2 weeks with transatlantic runs in particular noticeably busier. With a substantial boost to the outstanding cargo list today numbering at least 10 uncovered end month stems at one stage, we finally saw rates take a sizable jump upwards. TC2 is currently trading at 37 x ws 100 but, with a good 5 or 6 stems still outstanding we could yet see further gains before the close of the day. WAF will track these gains and should be in the region of 37 x ws 110 currently. The only negative impact from this improvement will be more ballasters heading this way from a struggling U.S market, but that won't be felt for another 10-15 days giving Owners every opportunity to continue pushing for more.

All in all, it's been a pretty lacklustre in the UKCont Handy market, which saw rates decline on Monday. Since then however, Handy Owners have done a good job to keep rates holding at 30 x ws 85 ex Baltic given the amount of prompt tonnage available to Charterers over the course of this week. X-UKCont runs had been trading between 30 x ws 80-82.5 at the front end of the week with this very much dependent on the Owner but it seems that rates have now settled solely at 30 x ws 82.5. At the time of writing, Handy enquiry has improved with a few end month cargoes coming out into the market. Handy Owners will also take positives from the extremely busy MR market and will be hoping this can also feed down into the 30kt sizes as we head into week 48.

Week 47 has been a very quiet one in the UKCont Flexi market, with any glimmers of activity being kept below the market surface. As has been the case throughout the week, rates continue to be benchmarked against discounted Handy levels in the North with the call for a X-UKCont run around the 22 x ws 105-107.5 mark. Much of the same is expected here unless this market can capitalise on the improving rates seen on larger tonnage.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The NWE sector has been plagued with tonnage simply outweighing enquiry this week and as a result rates were steadily chipped away at by Charterers and eventually bottomed at ws 100. This soft trend continued throughout the week, with early tonnage continuing to be marketed. Looking ahead, we are going to need an upturn in enquiry to clear down these early units. Only time will tell but we fear we could see a repeat of this come week 48.

Similar to recent weeks we witness in the Med, the majority of activity being focused over only a couple of days trading. This was loaded towards the front end of the week, where in fact Owners managed to gain a couple of points from the Black Sea, with ws 102.5 being established a couple of times. But come mid-week, activity levels dropped off and prompt vessel availability started to build again. As a result, rates did not move anywhere. A late push for coverage over the weekend has seen a clear down in prompt tonnage on the final day of trading and come Monday should cargoes show, Owners will be ready to push on from ws 102.5.

MR

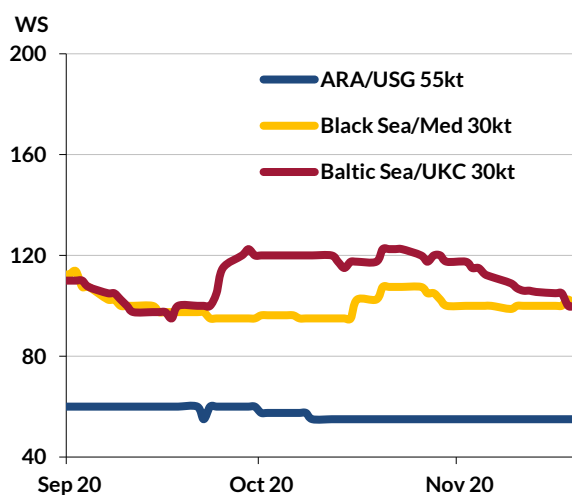
With marketed units on the Cont looking sparse at the start of the week, the market may have been forgiven for having high expectations for what was to come. Fast forward to mid-week, however and, with further softening in the Handy market and a lack of firm enquiry on full 45kt stems, Owners were left hoping for any questions from any size to flow. This story has continued to the end of the week where natural and ballast MR tonnage has built, and the backup of a Handy cargo means

competing against a long list of available units there too. Likewise, in the Med, the usual Black Sea full cargoes have been soaked up by one Owner with very little else on offer. With Handy stems seeing a slowdown in frequency, expect prompt MR tonnage to continue to compete in both markets in an attempt to reduce the number of idle days.

Panamax

There are reasons to be optimistic for Owners, however, for this week at least the immediate problem of fixing spot tonnage remains. That said, numbers remain consistent at ws 55, which appears to be firmly set as a market floor. As for this positivity we mention, the U.S. has seen levels move up into the mid ws 80's, which alleviates units willing to ballast over and also gives confidence that when fixing transatlantic its the right decision by heading into a firmer market.

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	Nov 19th	Nov 12th	Last Month*	FFA Nov/Dec
TD3C VLCC	AG-China	+0	26	26	29	28
TD20 Suezmax	WAF-UKC	-2	37	39	30	41
TD7 Aframax	N.Sea-UKC	+5	74	69	74	91

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

		wk on wk change	Nov 19th	Nov 12th	Last Month*	FFA Nov/Dec
TD3C VLCC	AG-China	+0	7,000	7,000	12,500	9,250
TD20 Suezmax	WAF-UKC	-1,750	5,750	7,500	3,000	8,750
TD7 Aframax	N.Sea-UKC	+3,000	0	-3,000	1,000	12,250

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Nov 19th	Nov 12th	Last Month*	FFA Nov/Dec
TC1 LR2	AG-Japan	+8	82	74	62	
TC2 MR - west	UKC-USAC	+1	76	75	76	85
TC5 LR1	AG-Japan	+8	82	74	66	81
TC7 MR - east	Singapore-EC Aus	+1	102	101	120	114

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

		wk on wk change	Nov 19th	Nov 12th	Last Month*	FFA Nov/Dec
TC1 LR2	AG-Japan	+2,750	15,250	12,500	9,000	
TC2 MR - west	UKC-USAC	+0	3,750	3,750	4,500	5,500
TC5 LR1	AG-Japan	+2,250	10,000	7,750	6,250	9,750
TC7 MR - east	Singapore-EC Aus	+0	7,000	7,000	11,000	9,250

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

ClearView Bunker Price (Rotterdam VLSFO)	+0	328	328	306	
ClearView Bunker Price (Fujairah VLSFO)	-13	356	369	341	
ClearView Bunker Price (Singapore VLSFO)	+5	360	355	331	
ClearView Bunker Price (Rotterdam LSMGO)	+3	359	356	331	

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