

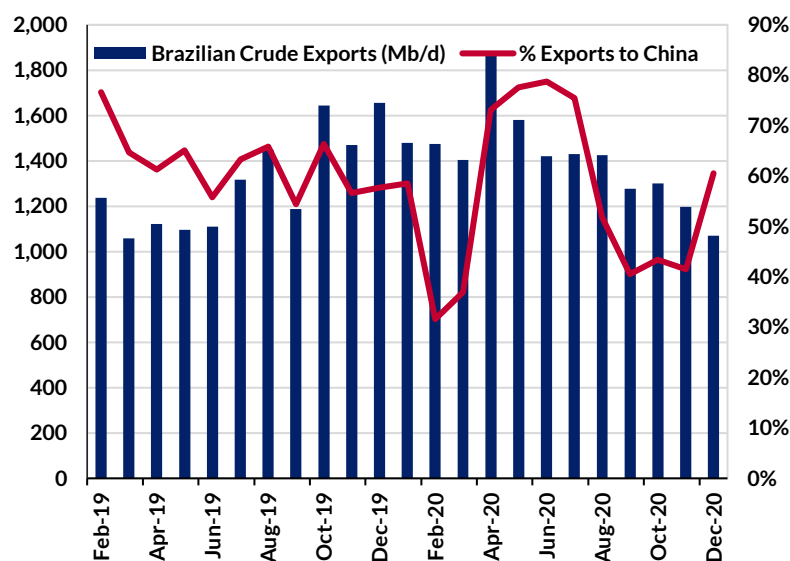
Brazil Stepping Up

Weekly Tanker Market Report

Since 2019 Brazil has become the top crude exporter in Latin America, with crude shipments (for all producers) reaching a record 1.4 million b/d last year. Further growth is likely, with Petrobras announcing its plans to double the company's crude exports between 2021-2025 to 891,000 b/d from an average of 445,000 b/d. Under Petrobras' new plan, domestic crude sales will drop from 1.348 million b/d during this period to 1.252 million b/d. The company is also in the process of selling around half of its 2.2 million b/d domestic refinery capacity and assumes that the new refinery owners will purchase oil from alternative sources. This will allow the current allocated crude to those refineries to be diverted for export trades.

As part of the plan to increase crude exports, Petrobras will invest around \$37.8 billion in pre-salt projects through to 2025. The Buzios field remains Petrobras top medium-term development, attracting around 30% (\$16.7 billion) of total spending. The field is forecast to increase output from 600,000 b/d to 2.0 million b/d through the addition of up to eight FPSOs by 2030. The Campos basin, will also receive around \$13 billion to revitalise production back to around 1 million boe/d. In addition, Petrobras plans to invest around \$17 billion on 13 offshore platforms through to 2025, 11 in pre-salt and two for the Marlim field. Whilst there is major investment in additional production, Petrobras will also divest itself of around 600,000 boe/d of crude production.

Brazilian Crude Exports



This revitalisation comes as Petrobras has established a \$35/bbl break-even baseline for upstream investments, which could be difficult for some pre-salt projects. However, with the additional investment, the company anticipates it will be able to bring break-even down to \$19/boe as lifting costs are reduced.

Within the plan, Petrobras will have to provide around 10% of the Buzios output to its partners CNOOC and CNPC, who purchased a combined 10% interest in the field in 2019. China has emerged as the

country's most important export market. During 2020, China accounted for over 56% of total Brazilian crude exports. Petrobras is also working on developing other markets, such as India.

Petrobras's ambitious production targets will undoubtedly support the tanker market, with higher crude exports to China and beyond likely. Likewise, the company's plan to rationalise its refining assets could see Petrobras divert a greater share of its production for export, whilst the new refinery owners are free to optimise crude purchases according to margins, which may support higher crude imports into the country. However, if the new refinery owners are able to run their plants more efficiently than in the past, then refined product imports into Brazil may face headwinds. For now, Petrobras's plans seem more optimistic for crude than they do for product tankers. However, the biggest dependency is whether the strategy to double crude exports and increase production can be delivered on time and on budget.

Crude Oil

Middle East

VLCC Charterers started the week in complete control with good availability be it modern / approved or older / handicapped, the choice was theirs. Now though, due to the Western markets strengthening, Owners mindset changing, a repeat of last done may not be so easy to achieve. Last paid for East discharge was 270,000mt by ws 25.5, on an ex dry-dock vessel, and we estimate for a voyage West, rates around 280,000mt by ws 18 (via Cape). Suezmax tonnage has fared better this week and Owners have been able to marginally increase rates to 140,000mt by ws 18.5 for European discharge and 130,000mt by ws 48 for East destinations. The week closes with a standoff as Owners look to push rates higher and Charterers are in no rush to fix. Aframax enquiry continues to be drip feed into the market and remains flat at 80,000mt by ws 60 for East discharge.

West Africa

What a difference a week makes and this area has been the driving force for improved Suezmax earnings. Owners seized the opportunity to build on rates throughout the week due to tight availability of tonnage. Owners have achieved rates of 130,000mt by ws 60 for Europe and there is still potential for higher to be paid next week before rates peak. Suezmax tonnage is now being priced out for East destinations and a current ceiling of 130,000mt by ws 65 is in place. A rather tumultuous week for VLCCs but it looks as though it will be ending on a slightly more positive note for Owners, aided by the uptick in interest on

Suezmaxes. This has triggered more Charterers to turn their attentions to the VLCCs and in doing so we are in the midst of a mini recovery. Last done for WAF/China is 260,000mt by ws 33, with the likelihood that higher will be paid next.

Mediterranean

This has been a topsy turvy week for Aframax. The usual story was told at the start, with a list of ships available but not much enquiry for them. However, as the week progressed a combination of less regular fixers showing their faces, replacement cargoes and forward fixing saw a raft of ships taken on Tuesday and Wednesday. The result was a much tightened position list and a real chance for rates to move from their conference 80,000mt by ws 75 for Libya load, ws 70 Ceyhan and CPC levels. So, this did come to pass with a Ceyhan loader pushing rates up a few points and an ordinarily well sought-after cargo paying about 5 points more than expected. As the week ends though, momentum has predictably stalled and further rate moves will require an active Monday and some more bad weather. The latter of which is always a possibility in winter.

Suezmax Charterers have been competing with other Atlantic load areas for tonnage this week and in turn rates have rebounded to lumpsum \$2.35 million for East discharge and 135,000mt by ws 42.5 for Black Sea to USAC. We now have bad weather in the area, which will keep the availability of tonnage tight going into next week.

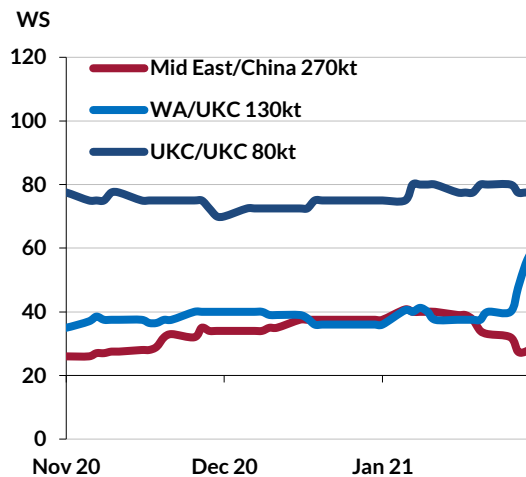
US Gulf/Latin America

Aframax Owners remain on a more positive footing here as weather delays are pushing back potential competition from the tonnage lists. Last done for a generic ECMex/US Gulf run is 70,000mt by ws 90. VLCC levels, like in other load areas, started the week deflated with no light at the end of the tunnel. However, with West Africa being the catalyst driving to push levels up, Owners here will be emboldened and should look to push rates higher. Last done to the Far East was concluded at lumpsum \$4.2million.

North Sea

A steady week for Aframax tonnage in the North as rates tick sideways. The market seems static with a decent balance of available tonnage. X-North Sea is fixing at 80,000mt by ws 77.5-80 level and Baltic/UKCont hovering around the 100,000mt by ws 60 mark. Weather delays are becoming more frequent and might hold up tonnage giving a hint of optimism to next week, but don't write home just yet!

Crude Tanker Spot Rates



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

Clean Products

East

It has been a dire week for the larger clean units in the East. The lists are too long and rates have suffered accordingly. LR1s started the week with optimism but rates were soon tested and, with a lack of real enquiry quickly slipped. 55,000mt naphtha AGulf/Japan is now ws 80 and 60,000mt jet AGulf/UKCont is \$1.20 million, both down from last week's busier times.

LR2s have been hit harder though, with so few cargoes being quoted what has come in has been hard fought over. 75,000mt naphtha AGulf/Japan has hardly been tested due to lack of activity but will reside at ws 75 for now. 90,000mt jet AGulf/UKCont was rapidly reduced to \$1.575 million down some \$200k on last week. Both LR sizes are at rock bottom with returns that hardly make fixing worthwhile, so Owners can only sit tight and wait for more volume to eventually feed through.

The list has really caught up with market sentiment on the MRs this week. A relatively busy start has descended into a quiet end to the week, with plenty of older tonnage sat off the front end and veg history boats in the mix as well, the writing is on the wall. EAF is down to ws 145 this afternoon on Sahara - but you would argue that their specific stow plan stopped them achieving less. TC12 will slip off to ws 100 in the new week with further scale economies needed to persuade charterers to utilise this

segment of the market. Shorthaul will be more popular as longhaul returns are so dire, which will push numbers sub \$150k levels again. All in all, not pretty.

Mediterranean

This week has been a stark contrast to previous weeks, with rates firming consistently throughout. An influx of cargoes around East Med/Black Sea coupled with poor weather in the East Med which limited firm tonnage allowed Owners to demand higher rates from the off. At the time of writing, 30 x ws 160 is the going rate in the Med (50 points higher than Monday), whilst ex Black Sea, heights of 30 x ws 185 are being seen. End month stems are still there to be covered so expect Owners bullish ideas to translate into next week.

MR's in the Mediterranean have been fairly active with a good amount of cargo entering the market over the course of the week. With a lack of quality tonnage available to Charterers and the Med Handy market firming up, Owners were able to push their market up to the 37 x ws 115 mark transatlantic in the middle of the week. However, since then we have seen a slip in rates to the 37 x ws 112.5 levels transatlantic, with WAF runs expected to land around the 37 x ws 122.5 mark when next tested. Rates are expected to hold as we enter the weekend.

UK Continent

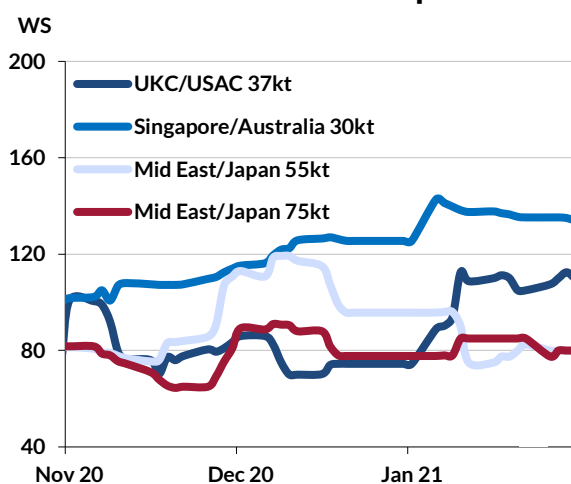
An on / off week passes on the MRs, with Owners and Charterers battling to agree on rates but come Friday, we question how much ground has really been made off the back of another relatively active week. Owners were uplifted early on with Monday providing a glut of fresh enquiry and after a day of reflection, managed to pull rates up to 37 x ws 110 for transatlantic and ws 120 for WAF, with the belief more was possible as the ice class requirements were seeing a good premium, and the Mediterranean market showing strength also. Available tonnage was also aiding Owners with much of the list offering Ice vessels and relets (ready for O/P), but it seems enquiry off these trickier prompt dates dried up, and Charterers pushing into the early February window saw a few more opportunities for coverage keeping this market trading sideways. A slight blip on Friday of 37 x ws 105 for transatlantic will dent Owners positivity, but with good levels of fixtures again seen and a slimmer tonnage list, a repeat in enquiry levels next week could offer further opportunities of positivity.

What a difference a week can make in the world of shipping! With the Baltic continuing to get colder and the need for Ice class for certain ports intensifies, Owners have managed to push freight up by 35 points on TC9. A driving factor for the increase has been a healthy number of cargoes being quoted for end month dates and, with Ice units tight for that window Owners have been able to build

on each fixture with rates now trading at 30 x ws 160. Further gains are likely in this sector. In contrast, the Continent has struggled to generate any momentum with enquiry lacking on generic routes and a few failures later in the week adding further weight to our tonnage list. A fresh test is now required for a vanilla X-UKCont.

All round it's been a pretty lacklustre week for this UKCont Flexi market, which has seen slow levels of cargo enquiry and minimal fixing activity throughout. As a result, rates have been trading in line with their 30kt counterparts over the course of this week with the call for a X-UKCont run holding around the 22 x ws 150 mark for the majority. Heading into next week Owners will be desperate for an influx of fresh enquiry but until that happens, expect this market to come under some pressure with tonnage building.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

What a difference a week can make in shipping, where activity levels in both the Med and the Continent picked up offering relief to many of the units sat idle. Admittedly, on the Continent this has not yet been enough to see any transformation in rates but at least a floor seems to have been set and Owners have been afforded the luxury to be a bit more selective on what cargoes they offer in on. In the Med, however, conditions seem to have progressed a little further in terms of sentiment, where levels started to rebound from the Black Sea where restrictions have further reduced availability for Charterers. In both regions, however, there is an understanding that if we are to see a meaningful turnaround, then week 4 will need to be a mirror image of what has transpired this week.

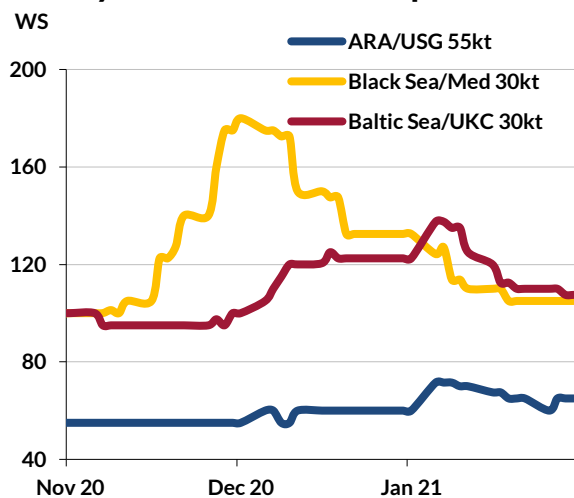
MR

MRs were also offered some reprieve this week, which is often the case when the Handies spring into life. That said, this week full stem MR activity was also present in both the Med and the Continent where a number of units that have found employment. It is worth noting that there hasn't quite been enough activity to see a complete reduction of spot availability but another week like this and green shoots of recovery could be upon us.

Panamax

For the Panamax sector to transform, a number of things must happen. First, Aframaxes need to gain momentum, which removes the ceiling of where natural 55kt values can be placed, then we must see Charterers show interest in moving oil on this size bottom. Sounds all very logical right? Well for now tonnage stocks are building in Europe with many units stacking up. In turn the outlook remains subdued with rates best described as "saturated".

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	Jan 21st	Jan 14th	Last Month*	FFA Q1
TD3C VLCC	AG-China	-5	30	35	30	34
TD20 Suezmax	WAF-UKC	+20	58	38	58	47
TD7 Aframax	N.Sea-UKC	-2	78	80	78	96

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

		wk on wk change	Jan 21st	Jan 14th	Last Month*	FFA Q1
TD3C VLCC	AG-China	-5,000	0	5,000	15,750	4,750
TD20 Suezmax	WAF-UKC	+10,000	8,750	-1,250	4,500	3,250
TD7 Aframax	N.Sea-UKC	-1,500	-6,500	-5,000	-4,750	5,750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Jan 21st	Jan 14th	Last Month*	FFA Q1
TC1 LR2	AG-Japan	-7	78	85	90	
TC2 MR - west	UKC-USAC	+7	110	103	71	119
TC5 LR1	AG-Japan	-6	75	82	119	87
TC7 MR - east	Singapore-EC Aus	-1	134	135	123	143

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

		wk on wk change	Jan 21st	Jan 14th	Last Month*	FFA Q1
TC1 LR2	AG-Japan	-2,250	5,250	7,500	16,750	
TC2 MR - west	UKC-USAC	+1,250	4,500	3,250	1,250	6,000
TC5 LR1	AG-Japan	-1,500	2,000	3,500	18,750	4,500
TC7 MR - east	Singapore-EC Aus	-250	6,500	6,750	9,500	8,000

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

ClearView Bunker Price (Rotterdam VLSFO)	-3	412	415	383
ClearView Bunker Price (Fujairah VLSFO)	-3	446	449	402
ClearView Bunker Price (Singapore VLSFO)	+2	451	449	401
ClearView Bunker Price (Rotterdam LSMGO)	-5	451	456	423

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