

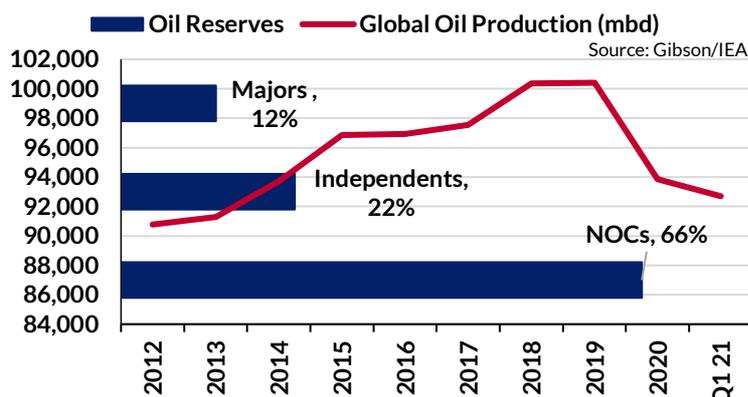
The Future of Black Gold?

Weekly Tanker Market Report

Last week we wrote about the future of North Sea oil production and how it is a story of two halves. With production in the UK sector on a downward trajectory, whilst in the Norwegian sector the recent start-up of the Johan Sverdrup field will see production hit multi-year highs. This comes just as the world is still getting to grips with the impact of COVID-19 and the trail of destruction to lives, economies and companies in its wake. We are still far from getting back to what we can call 'normal life', despite extensive vaccination efforts across the globe. Here in the UK, we have been told to expect to live with restriction in various aspects of our lives for several years to come. The pandemic has led us to adjust how we do things resulting in fewer people travelling via planes, trains and automobiles for work and leisure, leading to a slump in demand for oil.

It is anticipated that once we get back to whatever we call 'normal' overall demand for oil will have changed, forever. Have we reached peak oil demand? Will there be a gradual decline in oil demand? The pressure to combat climate change is likely to continue unabated, especially as Pres. Biden has committed the US to halve CO₂ emissions by 2030. How demand will change around the world will depend on a variety of factors. Currently, 'oil majors' actually only hold around 12% of oil reserves,

Black Gold Production and Market Players



this compares to around 66% of the world's petroleum supplies are in the hands of National Oil Companies (NOCs) such as Saudi Arabia's Aramco, Russia's Rosneft or Mexico's Pemex. Other independent oil companies take the remaining 22%. This means that even if the oil majors commit to become cleaner 'energy' companies, their influence is smaller than in the past.

So, it would seem that NOCs will have a far bigger role in influencing future supply. For states that rely heavily on oil, it would appear there is little incentive to cut production. With peak demand somewhere on the horizon, there may actually be an incentive to produce more oil; it may be better to sell the resource at a lower price now than leave it in the ground. Carbon Capture may be a way for NOCs to continue producing hydrocarbons to offset their future carbon emissions.

There is also going to be the question of need. Even if the world managed to electrify car and train transport, it's going to be an awful lot harder to power ships (and planes) with anything other than oil products. Similarly, there are the massive plastics, chemical, fertiliser and textiles industries that depend on products derived from oil. So, the overall 'greening' of the global economy currently seems to focus on the easiest parts to green, those of the power and transport sectors. A combination of renewable energy and electric vehicles means that oil is facing competition in the transport and industrial markets – something that has never really happened before.

Oil has made the modern world in which we live, finding a replacement for the black gold and the many things that it can provide will be a hard-won process. That process now seems to be gaining momentum, but, despite all this, direct replacements will be at least a generation away. Meaning that there will be continued demand for oil, product, and chemical tankers for decades to come, even if the industry has to live with easing absolute demand at some point.

Crude Oil

Middle East

A measured approach from VLCC Charterers over the week with again the majority of intra-Chinese deals making up the numbers concluded. Owners have been able to hold on to recent gains achieved as the lure of a better Western market has pulled tonnage away and increased sentiment to what Owners remain. Last done to the East is 270,000mt x ws 34, with a run West estimated at 280,000mt x ws 19.5 (via Cape). Despite a lengthy Suezmax list Owners have done well to resist at around the 140,000mt x ws 20 mark for AGulf/UKC-Med and 130,000mt x ws 57.5-60 level to the East, with only occasional, cosmetic discounts achieved from Charterers. Next week will be a challenge for Owners to defend these levels again. Its been a fairly quiet week in the East on the Aframax. Owner sentiment continues to seep away and, with that AGulf-East rates are steadily inching down. AGulf-East closes the week at 80,000mt x ws 82.5 level.

West Africa

The volatility of the US Gulf market is having an influence in rates here as Owners look at the returns potentially achievable there versus what the current market is doing here. Charterers have not been overly active here but rates have held against this minimal interest, with last done off a normal position being 260,000mt x ws 34.5, with premiums for tighter dates. A replacement cargo early in the week gave rates an aesthetic push,

however, tonnage supply is such that Charterers can simply put the brakes on. Where WAF to Europe may have commanded 130,000mt x ws 62.5 early in the week, we have seen this ease to ws 57.5-60 at best and 130,000mt x ws 65 for Eastern destinations.

Mediterranean

A week of disappointment for Aframax Owners as X-Med volumes have not been in thick supply. This is what would have been required for Owners as the CPC programme has been healthy enough to give hope. The result is a backlog of early ships which now will compete for whatever morsels are on offer. By the close a generic Ceyhan voyage is paying 80,000mt x ws 77.5 levels and CPC cargoes are similar, with returns in the Med only providing low single digits for many. The prospects for the next 7 days do not look hugely different as port delays are insignificant and better weather is arriving. The heavy CPC programme will allow modern well approved units to perhaps push a couple of points but it will be likely just that. Prompt Suezmax tonnage in the East Med and drab inquiry levels have been the thorn in the side of this market with levels stapled to the bottom. TD6 paying 135,000mt x ws 62.5-65 levels and Black Sea/East at around \$2.75million, with the outlook no better for next week.

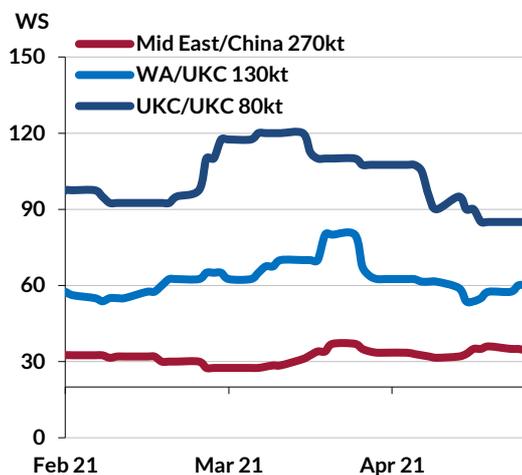
US Gulf/Latin America

A week of two halves for Aframax Owners here, with the start of the week being on a more defensive footing although as interest built throughout the week for transatlantic and short haul runs this quickly changed, with Owners taking a far more attacking stance with levels swiftly moving to 70,000mt x ws 115 for short and 70,000mt x ws 100 for a transatlantic run. VLCC Owners were blessed with a good few Charterers asking questions mainly for tender business, which creates additional excitement which generally translates to higher levels being asked, unfortunately the success rate ensures there is plenty of ships failing subjects which inevitably just adds to the volatility of the peaks and troughs of this market. Last done for a voyage from EC Mexico into South Korea is \$4.20million.

North Sea

A week of bumping along the floor for Northern Aframax as X-UKCont trades at the 80,000mt x ws 85 level and Baltic/UKCont in the low ws 60s. May holds some hope and with a spike in the Urals programme we may see some rate gains. Transatlantic enquiry has picked up somewhat increasing the amount of vessels leaving the region and helping to trim the list. The market has bottomed but the short-term outlook suggests some upward movement.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have had a tough week again, with rates dropping away. LR2s have been hardest hit, with daily returns really struggling and lists still very long. Demand has been lower than hoped and the rally in March is all but gone now. 75,000mt naphtha AGulf/Japan is down to ws 80 and could see more of a discount for early May dates. 90,000mt jet AGulf/UKCont fell fast to \$1.70 million and is being repeated for now at this level, but less is achievable if desired, although everybody has a mind on not destroying the market too badly.

LR1s are seeing a sympathetic reaction and rates have had to fall accordingly to have any value. 55,000mt naphtha AGulf/Japan rests at around ws 110 but is not being tested. There will have to be further discounts to see much interest from anybody who can resize. 60,000mt jet AGulf/UKCont is now \$1.65 million, just below the LR2 rate, and so really has no value except those stems that cannot be upsized. While LR1 lists remain short, rates will trade just a fraction below LR2s but, with less activity rates eventually will have to find their own realistic trading level.

A quiet and disappointing week for MR Owners in the AGulf, with limited fresh cargoes (13 fixtures this week, compared to 31 last week and 29 the week before). As such rates have continued to fall and earnings are now the wrong side of \$5k/day for practically every route. Going forward it looks like rates should come off further as the tonnage list remains well supplied and the LR2s continue their downward trend.

Mediterranean

It was a busy start to the week in the Med Handy market as a large influx of fresh enquiry helped clear out a big chunk of prompt tonnage. On the back of this rush in activity, Black Sea levels pushed up to the 30 x ws 162.5 mark with E-Med rates expected to follow suit. However, with Black Sea and E-Med being the main drivers for any potential gains we saw a split market begin to form, with 30 x ws 145 put on subs ex W-Med a handful of times. This combined with a regeneration of open end/early month tonnage on Friday morning saw Charterers able to also achieve the 30 x ws 145 ex E-Med with Black Sea/Med expected to fall in line to the 30 x ws 155 mark when next tested. At the time of writing, some end month cargoes still remain but given the list, it is likely that Charterers will be able to prevent any increase in rates.

For MRs in the Med, despite Owners great efforts in keeping the market afloat, the negativity seen in the UKCont has no doubt affected their abilities. A tighter tonnage list in general saw rates hovering around 37 x ws 135 transatlantic especially for those looking for April coverage still, but as we creep a little further ahead, options will open up and expect some aggressive countering to be seen on the next stems ahead. How low we will go is the question and for Owner's sake, we hope this is seen soon. A quiet start to next week will only exaggerate any negativity ahead.

UK Continent

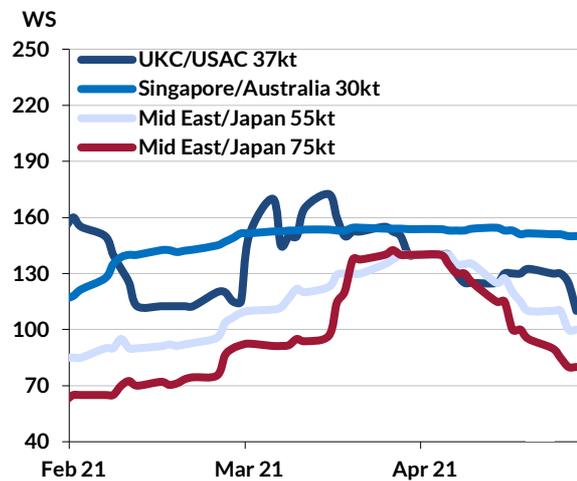
A rather disappointing week for Owners across the board as the expected wave of excess tonnage finally reached our shores wiping 30 points off the TC2 market. At the start of the week this market was artificially being held up by some last minute cargoes facing a limited stock of candidates causing

rates to push above 37 x ws 135 but looking at a tonnage list even the most positive Owners were nervous. A few failures mid-week with cargoes either going handy or own tonnage further dented the mood and as Thursday appeared, along with it came a rather aggressive chop, just like many a London broker visiting a barbers for the first time in 4 months. 37 x ws 115 was quickly upstaged by ws 105, which had Owners scrambling to find excuses to call these anomalies but with some further testing these new lows had become a reality. For now, we stare at around 37 x ws 110 for transatlantic, Owner/last cargo very much dependent and WAF 5-10 points higher, with hope that these new levels improve activity ahead.

A week to forget for Handies plying their trade up in the North, as the combination of lacklustre enquiry and a long tonnage list has seen freight soften throughout with TC9 now trading at 30 x ws 120, 30 x ws 115 for X-UKCont and UKCont/MED down to 30 x ws 85. It does feel that the market has now bottomed at current levels but the short-term outlook remains bleak and, with the MRs underperforming too, it's difficult to see any light at the end of the tunnel currently.

A lacklustre week in the UKCont Flexi market, with slow levels of cargo enquiry throughout. Low activity over the course of the week has meant rates have been guided by levels achieved in the UKCont Handy market, which has seen rates slip all week. On this basis the call for a X-UKCont run currently stands at the 22 x ws 150 mark but a fresh test will be needed next week to see where this market really lies.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Conditions this week were rather different all round in the Handy sectors where inactivity in both the Med and Continent led to a correction in levels. In the Continent it seems that the damage was done last week, where tonnage stocks grew, with testing only being seen over the last few days and, with sub ws 160 being on subs, the deterioration shows how much confidence has been lost. Furthermore, with additional units hitting the lists on Monday, recent lows aren't likely to be isolated cases. Switching our focus onto the Med and Black Sea, we haven't quite seen the market stagnate to such extent, however, critical mass of units trading in the region has turned a firm market on its head in just a few days. For now, the decline seems to have been stemmed at just 10 points with further testing to be done once the May program really gets underway come Monday.

MR

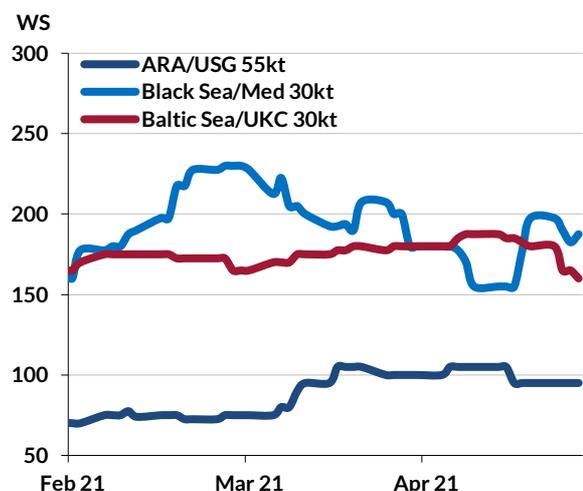
Trading conditions on the MRs move slightly out of kilter, with the surrounding Handies (particularly in the Continent) seeing supply tighten against an initial reduction in levels. In turn this is now likely to create liquidity problems for the Continent, which often means benchmarks are frozen for a short time or are reformulated down the line depending on the strength of surrounding markets and the prevailing Handymax options available. The Mediterranean, however, does suffer a slight dip week on week, although with the list being

somewhat more balanced, the near term outlook is rather more pleasing for Owners.

Panamax

This week has actually been one of the most interesting there has been in a while as it has provided an opportunity to really dial into what both sentiment and underlying conditions are saying in this sector. What we have learnt is that with the US firing on all cylinders we are at a point at which Panamax Owners refuse to move on numbers that Aframax units will prorate at and will rather ballast back to the US once they pass their open dates (example seen again this week). Furthermore, when the market has been tested, options have been rather limited to Charterers who prefer the 55kt bottom, with a lack of different Owners needed to generate competition. Looking ahead, this sector is likely to remain inflated due to these factors.

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	Apr 22nd	Apr 15th	Last Month*	FFA Q2
TD3C VLCC	AG-China	-1	34	35	33	35
TD20 Suezmax	WAF-UKC	+3	59	56	77	59
TD7 Aframax	N.Sea-UKC	+0	86	86	110	92

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

		wk on wk change	Apr 22nd	Apr 15th	Last Month*	FFA Q2
TD3C VLCC	AG-China	+250	2,250	2,000	2,000	3,500
TD20 Suezmax	WAF-UKC	+1,750	7,000	5,250	17,500	7,250
TD7 Aframax	N.Sea-UKC	+500	-2,750	-3,250	14,500	750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 22nd	Apr 15th	Last Month*	FFA Q2
TC1 LR2	AG-Japan	-19	80	99	138	
TC2 MR - west	UKC-USAC	-22	109	131	154	126
TC5 LR1	AG-Japan	-17	106	123	130	113
TC7 MR - east	Singapore-EC Aus	-2	150	152	154	149

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

		wk on wk change	Apr 22nd	Apr 15th	Last Month*	FFA Q2
TC1 LR2	AG-Japan	-5,250	4,750	10,000	22,750	
TC2 MR - west	UKC-USAC	-3,250	2,750	6,000	11,000	5,500
TC5 LR1	AG-Japan	-3,250	8,250	11,500	13,750	9,750
TC7 MR - east	Singapore-EC Aus	+0	8,000	8,000	9,000	8,000

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

ClearView Bunker Price (Rotterdam VLSFO)	-7	474	481	446
ClearView Bunker Price (Fujairah VLSFO)	-11	488	499	483
ClearView Bunker Price (Singapore VLSFO)	-13	487	500	477
ClearView Bunker Price (Rotterdam LSMGO)	-10	506	516	481

GIBSON Paratus

SHIPBROKERS

OFFERING THE WORLD'S FIRST PARAMETRIC FUEL AND FREIGHT PRICE INSURANCE

Please contact enquiries@gibsonshipbrokers.co.uk to find out more on how the Paratus range of products could meet your risk management needs.

www.gibsons.co.uk

London

Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Mumbai

Office 128, Level 1, Block A,
Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai, Maharashtra, 400018,
India

T +9122-6110-0750

Hong Kong

Room 1401, 14/F,
OfficePlus @Wan Chai,
303 Hennessy Road,
Wanchai. Hong Kong.

T (852) 2511 8919
F (852) 2511 8901

Dubai

Platinum Tower, 39th Floor,
Unit 10, Jumeirah Lakes Towers,
Dubai, UAE

Singapore

8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston

770 South Post Oak Lane
Suite 610, Houston
TX77056 United States