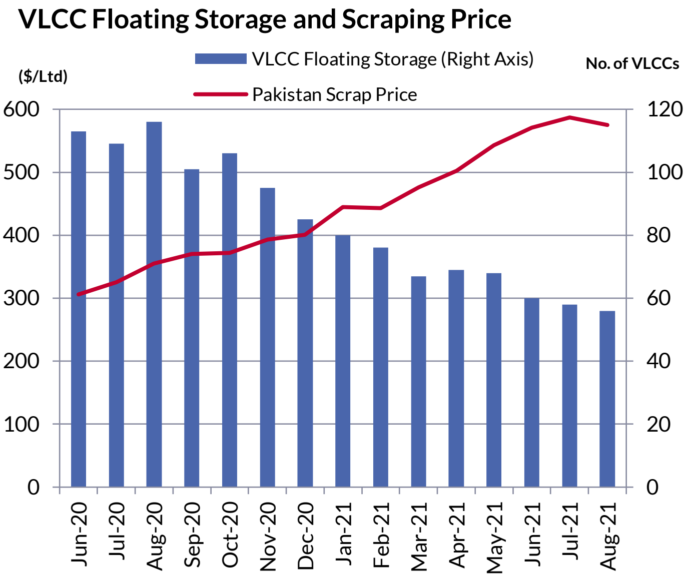
What a scrap

Weekly Tanker Market Report

The latest VLCCs that have been reported as scrapped have joined a small, but up to recently growing number of tankers heading to recycling yards. The *Sea Coral* (1996-built, 298 k dwt) and the *Jubilee Star* (1996-built, 310 k dwt) have both been sold for record high scrap prices. The *Jubilee Star* was sold for $24.5 million, or equivalent to $572 per ldt, while the *Sea Coral* was sold for $24.7 million, equating to $578 per ldt. The timing of their departure from service has coincided with, what is seen as the peak of scrapping prices as well as the removal of vessels from the floating storage fleet.

However, we had both vessels as FSOs and as such they were already removed from the active VLCC fleet as they were on permanent fuel oil storage off Malaysia. It may come as no surprise that these older vessels have been scrapped as the requirements for floating storage has been falling. Last June, at the peak of the storage cycle, according to Gibson Floating Storage database there were 77 non-Iranian VLCCs involved in all forms of storage, including crude, clean and dirty products. As oil production was moderated to take account of the developing Covid-19 pandemic, storage requirements declined. According to our records, there are 30 non-Iranian VLCCs currently providing some form of floating oil storage. Perhaps surprisingly, as the demand for floating storage declined, there hasn't been a corresponding rise in scrapping of older vessels.



So far this year, according to the Gibson Fleet Database there have been five active VLCCs scrapped. The oldest vessel was the 1996-built *Em Vitality* (343 k dwt), whilst the youngest has been the 2003-built *Eurodestiny* (343 k dwt). This compares to just one VLCC that was reported as scrapped during the whole of 2020, the 1996-built *Sam* (338 k dwt).

Nearly non-existent levels of scrapping during 2020 were partly understandable due to record high TCEs reached in spring 2020. However, the drop in crude production levels and the decline in demand for storage vessels witnessed since 2H 2020 would normally have seen an up-tick in scrapping candidates. However, this did not happen to a significant level. We wrote back in May that this might be due to demand for vintage tonnage to operate in sanctioned trades. Embargoes against Iran and Venezuela had forced buyers and sellers of sanctioned crude to find owners willing to undertake such trades. At the time we estimated that up to 10% of VLCCs were involved in such trades. This could partly explain the hiatus in scrapping. But what is surprising is that more vessels have not been sold for scrap during the recent run on scrap price. The average tanker scrapping price during 2020 in Pakistan was $357 per ldt, whilst up to July 2021 the average price was $509 per ldt. There was a rise in scrapping prices from August last year. This was partly due to the rise in commodity prices, including rising steel plate prices. But, this bull run seems to have come to a halt. Recent reports that scrapping deals have not reached conclusions as prices have been falling have meant that owners are unwilling to commit tonnage to a falling market. This is despite scrap prices still remaining historically high.

So what ray of hope can we provide? Well, there is the scheduled OPEC+ 400,000-bpd increase in crude exports every month. However this will only require around four VLCCs per month. Unless scrapping levels bounce back, it is highly unlikely that if current market conditions continue, there will be any prospects of tanker earnings lifting from their present doldrums.

Crude Oil

Middle East

VLCC Owners will be wishing there were a few extra days to the working week as a decent supply of enquiry has started to shorten availability, giving Owners small opportunities to push levels on. The coming weekend has ensured enquiry has slowed but Owners will be hoping that we see another similar week to this to really press home their advantage. Currently last done to the East stands at 270,000mt x ws 32 and a voyage West remains untested with levels holding at 280,000mt x ws 18.5 to the US Gulf (via cape). Another nondescript week for Suezmax Owners and rates have been further squeezed down to 140,000mt x ws 25 to Europe and 130,000mt x ws 55 East. It's been a less active week for Aframax Owners in the AGulf region. However, caution still needs to be taken by Charterers as following a couple of busier weeks lists remain thin on quality units and, with earnings for Owners near to the ground, many Owners are unwilling to speed up or ballast, which reduces workable tonnage. AGulf-East is holding at 80,000mt x ws 97.5 to close the week.

West Africa

Suezmax Owners tried their best to push rates higher in the early part of the week with little success. Charterers have manoeuvred well during a tricky patch when availability of tonnage became tight. As cargo dates have moved forward, the availability of tonnage has grown and we end the week at 130,000mt x ws 57.5 to Europe and similar levels to the East.

Not too much VLCC excitement to be had here, with Owners having only a few scraps to work with. Rates on the forward position have stagnated at around 260,000mt x ws 33 to the Far East but anything off an earlier position would naturally demand a small premium.

Mediterranean

On the whole a decent week of activity for Aframaxes in the Med. Tonnage has been rotated due to some forward reaching from Charterers before the UK bank holiday. Owners have pushed ever so slightly, which has cemented a new floor, with last done around 80,000mt x ws 87.5-ws 92.5 levels ex Ceyhan, a potentially smart move as we face a shortened week on Tuesday. Suezmax Owners made gains this week off the back of further replacement cargoes, which saw an Algerian cargo pay 130,000mt x ws 67.5 to Rotterdam and $2.65 million for a Black Sea to Ningbo cargo. Charterers should be under less pressure next week as the availability of tonnage once again opens up.

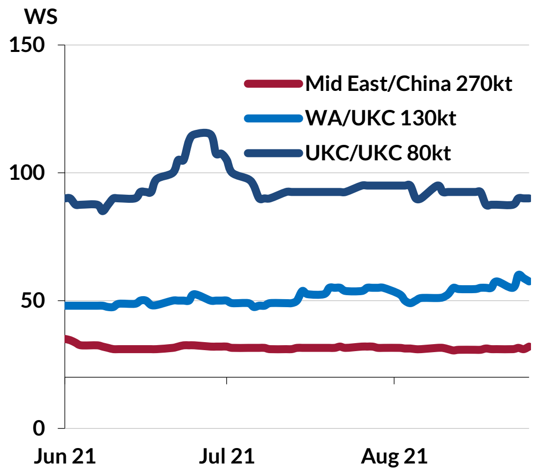
US Gulf/Latin America

A better week for Aframax Owners in the sense of increased activity for short and transatlantic runs but, with Charterers still having plenty of optionality, it will be a little time before we see Owners start to turn things around. With a dwindling amount of naturally placed VLCCs in position, Charterers will be increasingly reliant on Eastern ballasters to fill demand, which should trigger a mini revival in rates. Last done currently holds at around $4 million to the Far East.

North Sea

A fairly interesting week for Aframaxes in the North, with plenty of fuel enquiry. Most of this didn't stick but it still caused a bit of a stir which we have been missing in recent weeks. Baltic/Cont is currently trading at 100,000mt x ws 60 levels, with X-North Sea trading at around 80,000mt x ws 90. Good to see an uptick in action, although levels looks set to crabwalk into September.

Crude Tanker Spot Rates



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

Clean Products

East

A very mixed week in both sizes. LR1s started the week on the downturn after volume moved to the LR2s, due to such a differential in costs. But even with minimal activity the LR1s have managed to reverse the slide and gain back a bit of ambition. 55,000mt naphtha AGulf/Japan is now expected to be back at ws 140 again for approved units and 65,000mt jet AGulf/UKCont now rates at $1.85 million. Unless we see a serious narrowing of the gap to LR2s, volume won't return to the LR1s and so all they can do is hold their own. For now, LR1s remain confident though, so it's hard to see much changing.

LR2s started the week with a long early list but, with volume moving from the smaller size and Admic coming in hot and heavy, the rates have started to move and are expected to continue into next week. 75,000mt naphtha AGulf/Japan is now ws 105, up around ws 12.5 points this week, but ws 110 is also rumoured now. 90,000mt jet AGulf/UKCont has moved up from $1.90 million to $2.0 million, but Owners are now pushing harder and will ask $2.20 million. We are expecting this to push on into next week. Although lists have been cut considerably, there is still value in the LR2s even at the higher freights.

An incredibly tight tonnage list remains to see out the week. The East market continues to surge and South loading cargoes are earnings on average $7k per day more than AGulf. As such, we continue to see a lack of ballasters from this region. Ship availability is almost zero in the next 10 days and picking out next done levels is tough, as there are very few options available to Charterers. In theory, last done levels are $1.285 million to UKCont, 35 x ws 150 for TC12 (on last Veg history), 35 x ws 192.5 to EAF and $500k levels to Gizan. However, Owners' ideas are much more bullish and those Charterers who NEED to move barrels on an MR will be paying a fair bit more to secure tonnage against outstanding enquiries.

Mediterranean

Similar story this week, with rates trading consistently at the bottom of the market for X-Med at the 30 x ws 115 mark. With the bunker price where it currently stands, Owners can't justify any less, although we have seen Black Sea achieved at both 30 x ws 115 (due to a Black Sea opener) and 30 x ws 117.5 (with the premium slashed 2.5 points). Although activity has been higher, there are simply too many prompt ships (19 counted on Tuesday) littered across the Med. With a three day weekend looming, most will get back to their desks on Tuesday with plenty of ships to pick off and market likely to trade sideways.

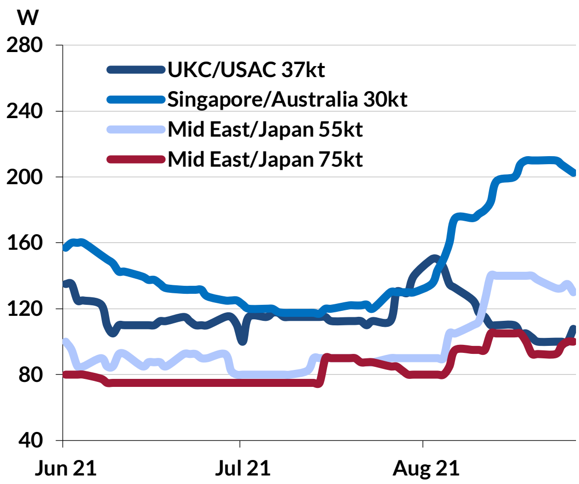
The start of the week saw rates holding at the bottom of the market at the 37 x ws 100 mark for Med-UKCont-transatlantic voyages, with a fresh test seen to AGulf at the $850k mark. However, with talk of a hurricane hitting the US Gulf, the market started to come to life. Thursday saw the majority of front-end ships ex UKCont go on subs for transatlantic voyages as coverage in case the hurricane is as feared, although we won't know until start of next week of the repercussions. This influx of enquiry has led to 37 x ws 115 on subs off the UKCont. Although last done ex Med is at the 37 x ws 102.5 mark for a LC Veg ship, expect Owners ideas to be bullish.

UK Continent

A tale of two halves has been seen in this UKCont MR sector, as we started the week sitting in the doldrums of 37 x ws 100 for transatlantic, with little positivity and average levels of fixing being confronted with a hefty tonnage list killing any possibilities of improvement. However, with the potential of hurricane delays on the horizon in the US Gulf, a handful of Charterers jumped on this weary tonnage list. As Thursday morning appeared, we saw 10+ vessels on subs. The following cargoes were treated with some hostility and it wasn't long till 37 x ws 115 was the new call and anything outstanding was shown higher. With the UK bank holiday around the corner, this market sits on a knife edge, as come COB tonight we shall see if subs are lifted or failed, which will define what sentiment we walk into come Monday/Tuesday.

A steady week for Handies up in the North as both parties have been content to fix at last done levels throughout. Enquiry did improve towards the latter stages of the week but, with still a good supply of ships available to Charterers, 30 x ws 120 for TC9 was once again repeated. Handy Owners remain hopeful that the busier/tighter MR market could see some longer haul cargoes being quoted and clean some ships out of the region but for now they wait …

Clean Product Tanker Spot Rates



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Dirty Products

Handy

The prolonged inactivity in the North painted a negative picture for the start of this week for Owners in the region and inevitably rates were corrected downwards, with Owners incapable of resisting. A couple of uneventful days saw the writing on the wall and by mid-week the first cargo up saw a drop to ws 145, carving some 10 points off where the market traded the same time last week. This drop saw a few more cargoes attracted to the market; however, fixing and failing sees the list stable. Rates have also stabilized and the week is closing without further corrections. Looking ahead, Owners shall still cope with the high number of units in the area and somehow try and hold the levels while waiting for the activity to pick up.

A refreshing week in the Med market, where the prospect of a bank holiday in the UK saw dates stretch forward and cargoes covered. Cargo volume has sustained enough throughout the week to finish with a push seeing the equivalent of ws 125 on subs for a X-Med run, albeit off the earlier part of the natural fixing window. By Tuesday afternoon half of the prompt units in the region were reported on subs and, with a thinner tonnage at the top of the list, sentiment remains with Owners as the week closes out. Going forward, expect to see Owners confidently hang on to today's levels; however, as always with a 3 day weekend, we expect tonnage replenishment to show the region once again well stocked.

MR

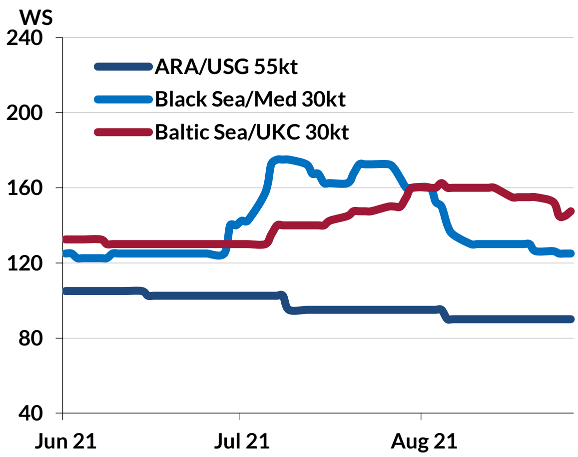
Owners in this market have faced another frustrating week where fixing and failing has kept tonnage just above the level of enquiry, leaving little space to push on last done. The majority of activity came at the front end of the week and saw a drop of ws 2.5 points on last done for a full cargo to the Med, as surrounding markets also struggled to get going. We close the week with prompt tonnage open in the region and very little in terms of positivity on the horizon - expect much of the same as we enter week 35.

Following on from the smaller Handy sector, the MRs in the Mediterranean have witnessed a steady week of trading this week. As Monday started with a fairly well populated tonnage list, sustained activity in both sectors by mid-week cleared down prompt tonnage and units towards the top of the list. This activity combined with the looming bank holiday weekend saw dates push forwards to cover positions where possible. Looking ahead to next week, we expect to see some tonnage replenishment, with dates pushing well into the end of the first decade.

Panamax

This week has been somewhat of a contrast to what we have seen over the past couple of weeks trading from this side of the Atlantic, where we have seen some dip their toe into the market looking to secure tonnage. As we close the week with some units still on subjects until the end of trading today, we may see a very different looking position list at the start of trading on Tuesday. However, we do not expect to see much of a change in sentiment and levels as the albatross of the more competitive Aframaxes covering the majority of longer haul stems remains in play.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 26th	Aug 19th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+1**	32	31	32	32
TD20	Suezmax	WAF-UKC	**+1**	58	55	55	54
TD7	Aframax	N.Sea-UKC	**+3**	92	89	96	95

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

			wk on wk change	Aug 26th	Aug 19th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-1,250**	-2,500	-1,250	-4,250	-2,250
TD20	Suezmax	WAF-UKC	**250**	5,250	5,000	2,250	3,250
TD7	Aframax	N.Sea-UKC	**750**	-3,750	-4,500	-2,750	-2,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 26th	Aug 19th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-10**	100	93	80	
TC2	MR - west	UKC-USAC	**-7**	108	103	130	120
TC5	LR1	AG-Japan	**-8**	131	138	89	110
TC7	MR - east	Singapore-EC Aus	**-10**	200	210	131	157

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

			wk on wk change	Aug 26th	Aug 19th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**1,250**	9,500	8,250	2,500	
TC2	MR - west	UKC-USAC	**250**	1,250	1,000	4,000	3,000
TC5	LR1	AG-Japan	**-2,750**	12,250	15,000	2,250	7,750
TC7	MR - east	Singapore-EC Aus	**-2,250**	14,750	17,000	3,250	8,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**+26**	497	471	524
ClearView Bunker Price (Fujairah VLSFO)	**+22**	518	496	536
ClearView Bunker Price (Singapore VLSFO)	**+32**	525	493	545
ClearView Bunker Price (Rotterdam LSMGO)	**+32**	563	531	589

** WS spot rates converted into 2021 WS100*

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