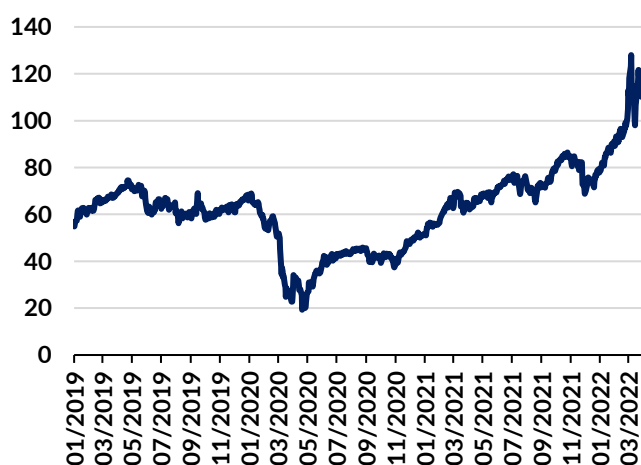


# North Sea Decisions

## Weekly Tanker Market Report

The combination of high oil prices and the need to find alternatives to Russian crude has led to renewed interest in North Sea oil from politicians and industry alike. Previously, many had written off the North Sea’s future as a major producing region given declining UK output due to rising costs, decarbonisation pressure and low oil prices during the pandemic. However, recent events may have thrown the basin a potential lifeline. If the North Sea can take advantage of higher oil prices and political support, it can develop and evolve itself into a more prominent position in lower carbon oil production as Europe reconciles its future need for oil alongside secure energy supplies over the longer term.

**Brent Crude Price \$/bbl**



The IEA estimates that combined UK and Norwegian production was 2.93 mbd in 2021, down from 3.09 mbd in 2020, with current Q1 output estimated at 2.97 mbd suggesting a slight recovery in volumes, mostly due to Norway whilst the UK has remained consistently around 900 kbd since 2021. In terms of tanker fixtures in the region, Gibson data shows the number of Aframaxes being fixed X-UKC for crude has risen since the start of the year from 38 in January to 56 and 51 in February and March respectively suggesting increased short haul demand. This is backed up by reports of producers with their own refining systems opting to keep barrels locally for their own use as opposed to trading them longer haul.

In the short term, keeping barrels within Europe may have little impact on the high prices for refined products such as gasoline and diesel as this would require an increase in regional refining output despite the loss in capacity following the Covid-19 pandemic. Nonetheless any additional feedstock would certainly be welcome. In terms of trade flows, the matter of Russian Urals is important. It seems there will be a reduction in imports of Urals to Europe either through official energy sanctions or self-sanctioning. Therefore, even if most Urals exports out of Russia shift from West to East, then the loss of about 1.2 mbd entering Europe from the Baltic could be mostly offset by North Sea grades remaining locally for European refiners in addition to volumes received from other sources such as West Africa, the Middle East, and the US.

Nonetheless, it remains to be seen the extent to which political aspirations for the region translate into strategic investments and rising output. It may take at least 5-10 years to fully develop new North Sea fields by which point the oil market will have likely moved on and such investments will be competing with alternative projects, including renewables as the energy transition in Europe advances further along its policy timeline.

Another issue is the state of the declining UK North Sea output compared to Norway’s expansion plan which is transforming the country into a leader in lower carbon oil production through fields such as Johan Sverdrup and Johan Castberg in which connecting the fields to cheaper and renewable shoreside power networks has been pivotal for cost optimisation and reducing production related carbon emissions. In terms of the future of UK fields, West of Shetland holds the most promise, although the area is challenging in terms of its conditions. Shell announced it may reconsider its decision to pull out of the Cambo field development, given the altered business environment. Environmentalists and the IEA highlight that further development of new oil projects is not compatible with limiting global warming to 1.5C. Therefore, decisions will have to be made at a political level as to what is the priority when it comes to energy security and climate policy.

## Crude Oil

### Middle East

A steady flow of VLCC activity throughout the week has enabled Owners to push for stronger fixing levels. This is combined with a stronger market in the West, has given Owners much more optionality and tonnage has been tempted away from the region. A voyage East is now expected to be around 270,000mt x ws 45 for modern and a voyage West would command something in the region of 280,000mt x ws 22 to the US Gulf. An active week, with the front end of the list much tighter as Suezmax Owners opening in the region ballast away to take advantage of higher numbers being paid in the West. Rates have been on a steady upward trend throughout the week, with recent big numbers paid. However, Owners sentiment is sky high so expect another jump. A voyage from Basrah to the UKCMed is now around 140,000mt x ws 57.5-62.5 and a voyage AGulf/East now 130,000mt x ws 95-100. Aframaxes are getting tighter again in the AGulf. Rates have yet to really move, but sentiment is simmering. Rates for AGulf/East sit at 80,000mt x ws 135 level with more on the cards expected next week.

### West Africa

This is no April fools, a remarkable week in the Suezmax market where rates have jumped up 50 points from the early part of this week. A tight list and greater optionality for Owners with the Americas remaining active sucking UKCont/WMed positioned ships states side and a

concentrated patch of mid-month enquiry has led to this surge in rates. WAF/UKCMed jumped at 20-point increments yesterday, with last done now 130,000mt x ws 140. Owners' tails are up and, with Charterers showing later dates and cargoes still uncovered, expect more to be paid. VLCC levels have adjusted upward but not to the extent as we have seen on the Suezmaxes. Last done holds at 260,000mt x ws 45 to the East but, with a few more Charterers open to the idea of combining stems to the UKCont this will inevitably give Owners a better chance to see some volatility that the Suezmaxes are seeing.

### Mediterranean

It has been a positive week for Aframax Owners on the whole, with rates continuing to tick up across the board. The position lists are thin and with Suezmax rates also improving, this will allow further room for rates to firm into next week, which currently stand at around 80,000mt x ws 160-165 for a X-Med run and Black Sea premiums going around 80,000mt x ws 335-345. Black Sea Suezmax cargoes have been slow and steady with much covered kept under wraps. Healthy premiums still being paid for CPC loads with rates rebounding from an early week blip to 135,000mt x ws 175-180. Enquiry levels in the Med have been slow, and rates untested for much of the week with Libya/Ningbo \$3.4-3.6 million and CPC/SKorea \$5.3-5.5 million. Owners will be emboldened by rates firming in the Atlantic basin. Expect it to hold and gains likely going into next week.

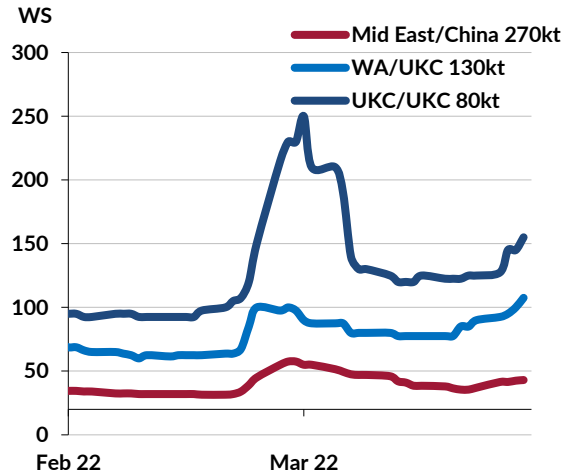
## US Gulf/Latin America

The Aframax market is becoming increasingly active with an uptick in both transatlantic and short haul enquiry ensuring availability remains light and, with the slow replenishing of ships coming back from the Cont will ensure that Owners really can push levels on to some extreme highs. Last done for transatlantic is now around 70,000mt x ws 225 and levels have jumped again up to 70,000mt x ws 260 for the short run off a natural date. Some fixing and failing has stalled levels for VLCCs although rates are still on an upward trajectory. An increase in voyages from WAF has taken away some potential Eastern ballasters, which will certainly help give Owners the chance to again push for more. Last done is around \$5.5 million for a voyage to the East and \$3.2 million for a run transatlantic with port costs for Charterers account.

## North Sea

Strong gains for the Baltic market this week with Aframax rates pushing up by over 100 points. The standard Baltic players have been replaced by perhaps more marginal ones helping to add fuel to the fire and boost rates demanded by Owners. Baltic/UKCont is now trading in the low ws 500s. X-North Sea has made some progress but Owners have been eyeing up the ballast to the lucrative States market. X-North Sea is currently trading in the 80,000mt x mid ws 150s with a warm sentiment.

## Crude Tanker Spot Rates



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

## Clean Products

### East

Much to Owners' disappointment, a quiet week for both the LR2 and LR1s could only lead to one outcome - a negative correction. And that's what's been seen: a lack of enquiry, a tonnage list building and some Owners getting twitchy giving Charterers the opportunity to stem the push that's been seen in recent weeks. LR2s heading West at \$3.2 million but should be tested towards the \$3.0 million next week. TC1 at the 75 x ws 160 levels but is due for a retest. Same situation on the LR1s also. West has been fixed at \$2.9 million; however, closer to the \$2.8 million should be achievable. TC5 on subs at 55 x ws 180 and appears to be flat for now. However, across all sizes the lack of stems currently open is a cause for concern for Owners. The tonnage list will look long come next week and as such, expect to see all sizes having a retest on last done rates next week.

Busy week for the MRs, with lots of ships disappearing off the list, mainly heading West. As a result, the position list now looks considerably tighter, especially for good young approved tonnage. This is why, looking back at the week, owners should be incredibly disappointed with the slide in TC17, dropping from ws 295 to 277.5 in 24 hours, in a market where ws 295 should have been maintained.

TC12 has been corrected to a much more realistic ws 192.5, which still earns \$22k/day on an eco ship (second best earning route to only AGulf/West at \$2.15 million paying \$24k/day).

Looking into next week, MRs should firm and rally into April (if Owners play the game well). Aramco have been very quiet for April so far and with Ramadan beginning, it wouldn't be a surprise to see a busy few days next week to cover April programmes.

### Mediterranean

Steady week here with rates trading sideways throughout at the 30 x ws 205 mark. A few delays have kept the front end of the list relatively tight and this coupled with decent enquiry has meant Owners and Charterers have been happy to fix at this level across the board. Fresh negative test has been seen for non-Russian Black Sea, which now trades at close to the +10 rule of thumb premium we have seen in the past, whilst Russian Black Sea remains Owner dependent and still justifies a large premium. Expect the tonnage list next week to be grim reading for Owners with pressure likely to mount.

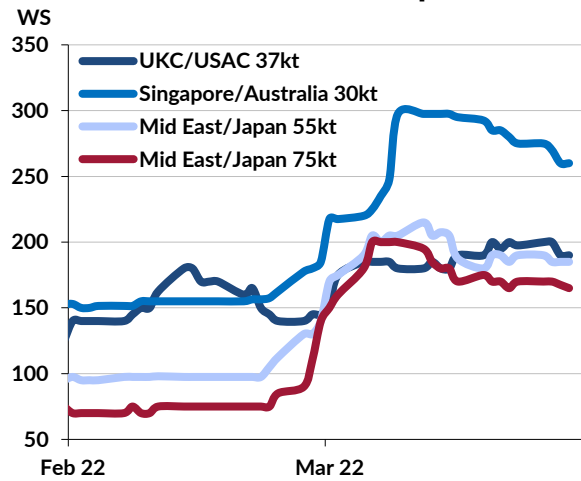
Week 13 started positively for the Med MRs with the list looking tight and rates trading at the 37 x ws 205 mark Med/transatlantic. However, as the week has progressed, cargo enquiry has begun to slow and as a result rates have started to feel the pressure. At the time of writing, 37 x ws 195 is the call for Med/transatlantic with Med/WAF expected to land at +10 points when next tested. Expect the weekend to bring a handful more candidates into play come Monday and, with the fixing window now into early second decade dates, it is likely we will see further pressure here.

## UK Continent

It has been a steady week for MRs plying their trade in NWE as consistent demand has been seen on both transatlantic and WAF. TC2 freight has fluctuated around 37 x ws 190-195 and WAF at 37 x ws 200-205. Cargoes are now being drip-fed into the market and with around 13 MRs opening up in the next 5 days, further enquiry will now be needed, if Owners are to hold onto last done levels. One point to make is that Europe is lacking ballast tonnage as the firm USGulf market has attracted USAC/SAM tonnage, which will leave a short in the list as we move into later fixing dates.

It has been an active week for Handies in the North, as continued demand from the Baltic has seen Russian ice business firm to 30 x ws 350. The front end of the list is tight for Russian willing candidates and, with improved volumes for the April ULSD Primorsk programme, there could be further gains here unless bigger tonnage is called upon. The Continent has also been busy as X-UKCont has firmed to 30 x ws 200, with higher being paid ex North Spain (30 x ws 215). Potential in this sector if enquiry persists.

## Clean Product Tanker Spot Rates



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

## Dirty Products

### Handy

A familiar pattern played out this week in the north where we saw the start of the week go by with very little action and, with very little in terms of enquiry throughout the week sentiment is slipping from Owner's grasp. Questions from the Russian Baltic are continuing to flow with ws 400 established as the benchmark, however, the rest of the region is suffering from a lack of enquiry and units are stacking up. With sentiment pushing BITR to the lowest point seen in sometime at ws 200, it is only a matter of time before further correction sees points shaved off from here.

In the Med, the stagnation of the market continued in week 13 where a quiet Monday saw 12 prompt ships pushed and the writing was on the wall for Owners at the top of the list needing to get moving. With a lack of Black Sea cargoes to soak up tonnage we have seen a significant decline in enquiry and the subsequent drop in rates sees ws 152.5 on subs. One or two Black Sea questions have seen rates settle in the high 300s, with the list of available units for these runs tight. With the current bunker price and the addition of a few inevitable idle days, the average TCE in the area for Owners is getting closer and closer to those levels where the risk of carrying oil is not worth the money any longer.

### MR

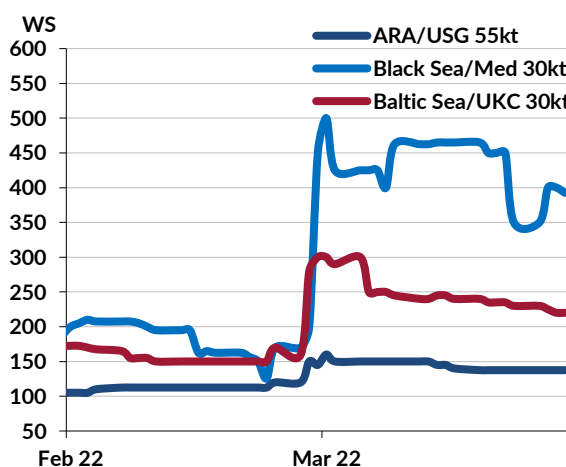
With tough conditions persisting across all markets a familiar story has played out on the MRs once again this week where full stems have been few and far between and Owners have been forced to find coverage mostly on a part cargo basis. In the North, starting the week with natural and ballast tonnage well spread across the list there was an expectation that softening sentiment could

see levels tested down. However, tonnage has been moved on an off-market basis and levels have maintained with reports of ws 145 for X-UKCont and ws 140 to head to the Med on full 45kt. As a result of full and part cargo levels are expected to hold going into week 14. Conditions in the Med have mirrored the North, however, rates are reflecting a softening in surrounding areas and the week closes with ws 140 on subs for X-Med.

### Panamax

Owners with tonnage to fix in the Panamax market in Europe continue to only see questions flowing from the North and not always for the preferred transatlantic run. Shorter haul runs to the Med have been keeping units ticking over this side of the pond of late however it has to be said those looking for the longer voyages are not having to sit idle for 2 weeks to wait for activity to surface. Transatlantic runs have just about kept levels at the recent benchmark of ws 137.5 and seeing an uptick in rates from the Caribbean, tonnage here will tighten as there is likely to be a stalling of ballast tonnage movement this way.

### 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	Mar 31st	Mar 24th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	+8	44	36	56	39
TD20	Suezmax	WAF-UKC	+18	104	86	94	71
TD7	Aframax	N.Sea-UKC	+26	153	127	235	120

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

			wk on wk change	Mar 31st	Mar 24th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	+12250	-7,250	-19,500	4,250	-13,750
TD20	Suezmax	WAF-UKC	+12750	15,750	3,000	11,750	-2,750
TD7	Aframax	N.Sea-UKC	+25500	29,250	3,750	88,000	3,500

## Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 31st	Mar 24th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-14	154	168	150	
TC2	MR - west	UKC-USAC	-7	192	199	150	158
TC5	LR1	AG-Japan	-3	183	186	178	128
TC7	MR - east	Singapore-EC Aus	-16	261	277	216	191

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

			wk on wk change	Mar 31st	Mar 24th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-2250	17,000	19,250	13,750	
TC2	MR - west	UKC-USAC	+1000	7,250	6,250	0	500
TC5	LR1	AG-Japan	+1250	16,750	15,500	14,000	3,000
TC7	MR - east	Singapore-EC Aus	-1000	18,750	19,750	9,750	6,500

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

ClearView Bunker Price (Rotterdam VLSFO)	-44	869	913	834
ClearView Bunker Price (Fujairah VLSFO)	-69	871	940	925
ClearView Bunker Price (Singapore VLSFO)	-60	855	915	904
ClearView Bunker Price (Rotterdam LSMGO)	-177	1088	1265	1096

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