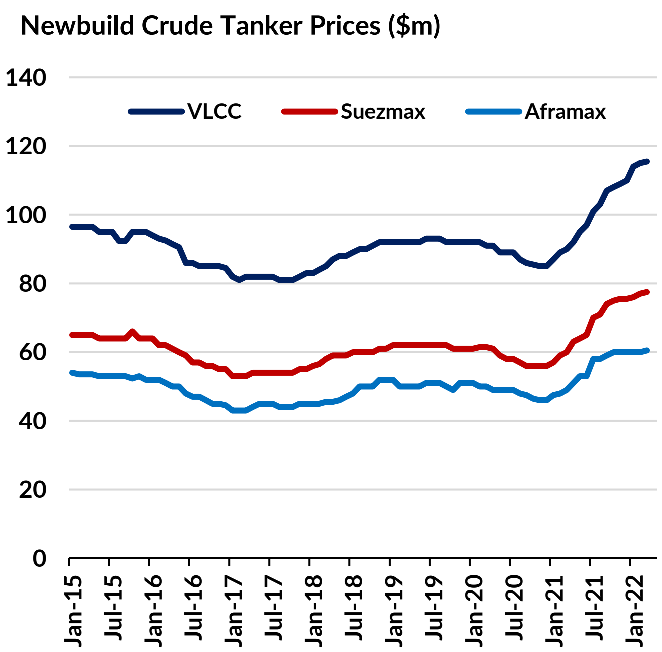
Investment Headache
Weekly Tanker Market Report

Tanker investments these days are not a straightforward decision. A prospective buyer is faced with a combination of price pressure, regulatory uncertainties, long term demand concerns and limited near term yard availability, all of which are making ordering newbuild tankers a complex undertaking. Thus far 2022 tanker orders have been limited. Between 2022 and 2023 59 VLCCs and 35 Suezmaxes are scheduled for delivery (90% of the current tanker order book). This will leave only 5% of outstanding VLCC and Suezmax orders for delivery past 2023. It is unlikely deliveries in 2023/2024 will increase beyond already scheduled deliveries as yard availability for larger tankers classes has been mostly booked up.

On the plus side, this has contributed to a low outstanding orderbook, that will help keep future fleet growth constrained. Reduced investor appetite can be partly explained by the disappointing state of tanker earnings between June 2020 and February 2022 compared to other sectors such as containers, where shipyards have received a much higher level of orders and interest. At the same time, weak industry returns combined with ESG pressure from traditional financiers and capital markets has reduced the attractiveness of tankers, making financing newbuild projects both more expensive and in most cases harder than alternative newbuild investments, which are perceived to be financially more attractive with lower ESG risk profiles.



In terms of newbuild crude tanker prices, a standard VLCC is now estimated at $116m a Suezmax at $78m and an Aframax at $60.5m. This compares to $92m, $63m and $51m respectively in January 2021, showing the considerable increase in prices over the last 16 months. Demand for newbuild vessels in better performing sectors has reduced the overall availability of yard slots which has resulted in higher newbuild prices across the board. Also, higher profit margins for non-tanker orders such as containers, LNG and dry bulk has reduced the incentive for many yards to offer newbuild tanker availability until at least 2025 delivery at the earliest in terms of VLCC tonnage. Additionally, higher commodity prices, in particular iron ore and steel are being passed onto owners through yard pricing. This has been made worse by the upward pressure on commodity prices following the Russia-Ukraine war and is adding further inflationary pressure to newbuild prices.

Additionally, owners must find a combination of currently available solutions and technology that will meet upcoming EEXI and CII regulations, whilst leaving sufficient flexibility in terms of new fuelling options and regulatory developments. Dual-fuel (DF) LNG propulsion is one of the most viable solutions currently available to the market; however, this is more expensive than a conventionally fuelled tanker, with an DF LNG VLCC currently estimated at an additional $19m over a standard designed version, likewise an Aframax is estimated to have a DF premium of $13m over non-DF propulsion. The Russian crisis, which is seeing LNG prices skyrocket, also makes LNG bunkering economics less attractive, as operating in DF mode is currently uneconomical due to the spread between LNG and fuel oil bunkers.

Overall, tanker owners do not have an easy decision with regards to future proofing their vessels from a risk management perspective. The only positive is the strong potential for controlled net fleet growth over the coming years, as limited orders and scrapping reduce the size of the global tanker fleet. For those keen to order today, the most fuel-efficient vessel with the option to retrofit in the future may be the best option, if they can find a yard slot and are willing to pay a higher price.

Crude Oil

Middle East

VLCC Charterers have really taken a far more secretive way of fixing this week as we see a good number of ships fixed away covertly. Naturally, availability has thinned to an extent where Owners have been able to arrest the gradual slide in levels which currently stand at around 270,000mt x ws 46.5 to the Far East. Levels West have dipped to around 280,000mt x ws 25 to the UKCont (via Suez) but again, these levels should hold as we head into the long weekend. Despite a much more active week, rates have moved in the wrong direction for Suezmax Owners. A flurry of mid-week enquiry merely pruned the front end of a well-stocked Basrah suitable list, with TD23 coming off to 140,000mt x ws 47.5-50 level and AGulf/East 130,000mt x ws 85-90. Activity levels have dropped off and the list should replenish going into next week with Charterers in the driving seat. Aframaxes are holding up solidly on the back of steady enquiry and a tight position list, with prompt positions remain very tight. The Suezmax market has also been busy and is providing support to the Aframax market. TD8 is now at 80,000mt x ws 205+ and some healthy premiums for short haul runs, while the West of Suez market has wavered, anything East looks set to remain in Owners favour for the short term at least.

West Africa

A relatively quiet week for VLCCs has led to levels coming off in big chunks. Owners that have already taken the decision to steer clear of the AGulf and look for opportunities in the West were met with apathy from Charterers which has led to levels coming off to 260,000mt x ws 48 to the Far East. West Africa cargo enquiry has been slow for the second week running and we expected rates to come off with tonnage building on the front end and a softer picture across all load regions. Rates have come off in large chunks from the 130,000mt x ws 115-120 seen last week to ws 75-77.5 this for TD20 with WAF/East at ws80-85. There has been under the radar activity, so lists do look slightly more balanced. Charterers however remain well placed going into the long weekend, any further erosion will be slow.

Mediterranean

A week of suffering for Aframax Owners as the dearth of Libya cargoes finally did bite. Rates for Ceyhan slumped from the 80,000mt x ws 160s to ws 147.5 and premiums for Black Sea loaders were eroded significantly. A CPC load for a large oil company resulted in a low of 80,000mt x ws 215 being recorded, when the previous had been ws 280. For now, the dust has settled and Owners are hopeful with Force Majeure on the cusp of being lifted. Activity levels have been light once more here with Suezmax cargoes working receiving multiple offers and Charterers able to go slow.

Premiums for Russian business have come off sharply but are still paying well compared to the wider market. TD6 has softened off once again to 135,000mt x ws 170-175 level. Long haul East runs have tested downwards with Libya/Ningbo now at $3.6-3.7 million and CPC/South Korea $5.2-5.3 million. Lists remain well supplied and we expect a quiet end to the week.

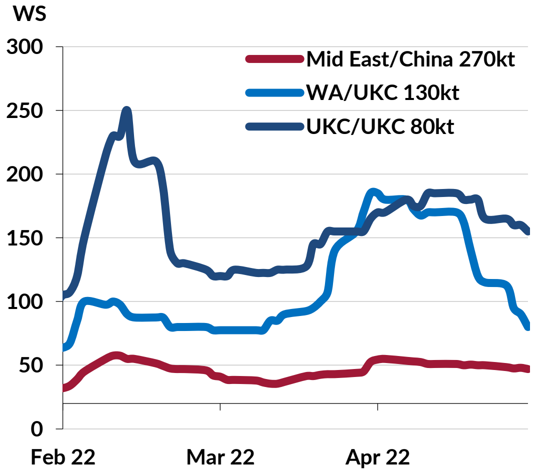
US Gulf/Latin America

Against a replenished Aframax position list, the early part of the week provided Charterers the opportunity to secure some big discounts from last done, although these lower levels only attracted more Charterers to participate which has led to some stability as the week progressed. As of now, both Owners and Charterers seem content to repeat last done although as we head into a long weekend, a healthier position list may well encourage Charterers to once again push for lower. VLCC interest has been pretty flat all week, which has led to substantially lower levels being concluded with last done being fixed at $5.65 million from the USGulf to the Far East. Bunker prices may well be the only reason to prevent any further serious erosion from now on.

North Sea

A damp squib of a week for northern and Baltic Aframaxes as rates slid off the back of limited enquiry. Mid-May sanctions are pressuring Owners into tough decisions perhaps causing them to change tack from their previous course. Baltic/UKCont is trading around 100,000mt x ws 300 level and X-North Sea circa 80,000mt x ws 155 levels. The tide has gone out for now but don't expect a tsunami in the near future.

Crude Tanker Spot Rates



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

Clean Products

East

LRs in the East have continued to firm this week, with rates rapidly ramping up as soon as markets opened on Monday. Both sizes have been busy although LR2s are slightly quieter now with the focus more on the LR1s. 55,000mt naphtha AGulf/Japan has moved some 80 points, with ws 290 now the market and ws 300 likely to be breached. 60,000mt jet AGulf/UKCont is now at $4.3 million and done a few times. More is on the cards as we still have a wealth of short hauls to cover and there really is very little tonnage. LR2s have stalled slightly although rates haven't seen any drop and Owners are still incredibly bullish. 75,000mt naphtha is last done at ws 225 and would likely be hard to better ws 250 now. 90,000mt jet AGulf/UKCont is now $4.8/4.9 million but could again see $5.0 million breached soon if any more activity hits the market. Overall, the main talking point now is how long this spike can last. The signs are we will see this continue for a few more weeks at the moment but June will inevitably see some sort of rebalance even if only small.

An incredible week for the MRs, and we are left with nothing left before mid-month. Last done TC12 is 35,000mt x ws 370 and you may have to pick out the right ship to repeat. TC17 last done 35,000mt x ws 415 but Owners will push to narrow diffs in their favour. Last done UKCont is $3.3 million and Argie $4.4 million for a prompt replacement, which likely gets repeated. Please note we focus on last done, but post the long weekend break we will move again.

Mediterranean

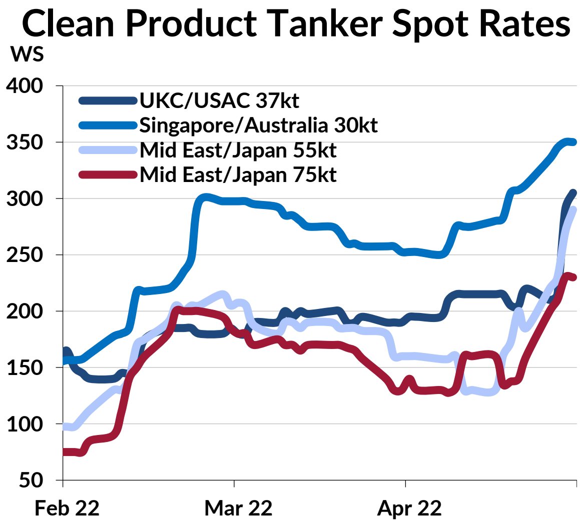
With the news of 30 x ws 300 on subs on a DPP history vessel trickling into the market on Monday morning, the writing was on the wall for Owners and this number soon became the going rate for vanilla X-Med voyages (50 points lower than rates on Friday). Sluggish enquiry coupled with a replenished list soon led to further losses, with 30 x ws 275-280 levels the going rate for most of the week (and at the time of writing). With a lack of cargoes, we could've seen further pressure however, with the MR market in the East flying and rates in the UKCont rising too, the rates on the larger sizes have propped things up. Charterers are turning to bigger cubed Handies for MR stem cover (30 x ws 292.5 was seen mid-week) and, so we could see Handies picking off longer haul options at higher rates which will inevitably tighten up the list. It would only take a flurry of cargoes for this market to move but for now we find ourselves relatively stable at the back end of the week. Expect the long weekend to bring some pressure but Owners will dig their heels in on Tuesday.

Finally, to the MRs in the Mediterranean where it has been a positive week for Owners with rates rising. We began the week with Med/transatlantic at the 37 x ws 250 mark, with WAF tracking at around +15 points. However, with the East market flying up causing many to keep an eye on rates through Suez and the potential ballast for higher TCE's and improved levels also seen in the UKCont, Med rates have followed suit and at the time of writing, 37 x ws 295 is on subs Med/transatlantic. WAF levels have also received a fresh test since with the premium now up to +20 points. Despite there being little currently outstanding, Owners will be positive they can push for more given the tightness of the list and TC2 now trading in the 300 levels.

UK Continent

It has been a real positive week for MR Owners up in the North as TC2 has jumped around 70 points. A surge of prompt TC2 enquiry was the catalyst and by Wednesday there were around 12 ships on subs resulting in all eyes on the fixed to fail ratio. Ultimately a few failures did occur, but those ships were swapped into other cargoes as TC2 now closes at 37 x ws 300 and 37 x ws 310 for WAF. The front end of the list is tight with around 4 ships opening in the next 5 days with this market expected to be maintained for the short term.

The Continent Handies have been the real talking point this week as consistent volumes partnered with a tightening tonnage list meant freight jumped by 50 points on Thursday with 30 x ws 275 on subs for X-UKCont. TC9 Russian ice business has remained steady at 30 x ws 345 as COAs continue to dominate most of this business under the radar. There has been an improvement also for TC9 non-Russian lifts as 30 x ws 295 went on subs. Potential here.



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Dirty Products

Handy

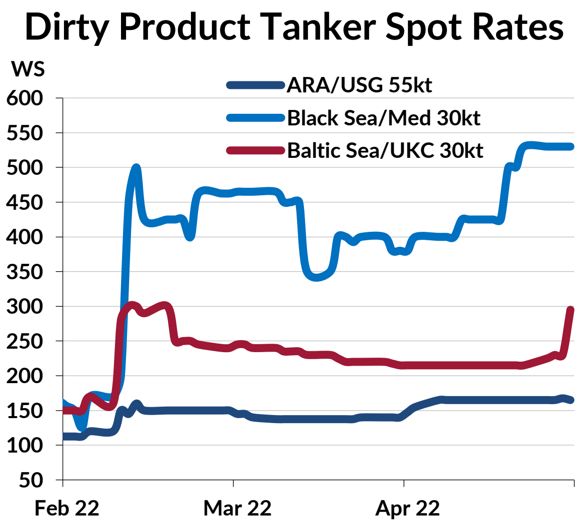
The Handy markets both in the North West Europe and Med/Black Sea have continued to go from strength to strength, where limited supply of tonnage and a sustained flow of cargoes has kept lists ticking over nicely. On the Cont, the pace of enquiry started the week very much in the same trend as we have seen of late, with sentiment firm and levels largely holding at last done. However, fast forward to the end of the week, where the need to cover before the long week in the UK saw Charterers scramble for the last available units. A combination of limited availability and voyage specific needs saw a leap of some 65 points for Cont-Med and we close the week with a further jump on the same run, with ws 345 on subs. Likewise in the Med, the familiar story continues, with units being clipped away as soon as they surface across the region and Owners holding all of the cards. Going forward, the expectation is of more to come in both regions where tonnage is tight.

MR

MRs continue to ride the coattails of the Handies both in the Cont and Med, where very few MR stems have surfaced and Owners being able to take advantage of ever firming levels. Limited marketed tonnage in both regions has seen sentiment push projected levels higher and in line with a pro-rated Handy, despite the market still waiting for a next done. With potential replenishment after the long weekend not guaranteed right now, Owners are expected to commence next week as they finish this week.

Panamax

The Panamax market in Europe continues to be the only market in the region where there is very little to report as the gap in supply of tonnage continues for another week. With natural tonnage either yet to firm or only willing local runs, very few questions have been asked. Added to the mix is the fact that attracting ballasters from the US is proving a tough task, as the markets state side remain firm albeit illiquid .



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 28th	Apr 21st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-2**	47	49	44	48
TD20	Suezmax	WAF-UKC	**-45**	78	123	104	104
TD7	Aframax	N.Sea-UKC	**-10**	158	168	153	127

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

			wk on wk change	Apr 28th	Apr 21st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-1750**	-2,000	-250	-7,250	500
TD20	Suezmax	WAF-UKC	**-22750**	2,250	25,000	15,750	18,000
TD7	Aframax	N.Sea-UKC	**-4750**	28,000	32,750	29,250	7,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 28th	Apr 21st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+85**	234	149	154	
TC2	MR - west	UKC-USAC	**+101**	306	205	192	239
TC5	LR1	AG-Japan	**+93**	287	194	183	217
TC7	MR - east	Singapore-EC Aus	**+52**	366	314	261	248

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

			wk on wk change	Apr 28th	Apr 21st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+29000**	44,750	15,750	17,000	
TC2	MR - west	UKC-USAC	**+19500**	27,250	7,750	7,250	16,000
TC5	LR1	AG-Japan	**+23250**	43,250	20,000	16,750	27,250
TC7	MR - east	Singapore-EC Aus	**+9250**	37,000	27,750	18,750	17,750

(a) based on round voyage economics at 'market' speed, non eco, non scrubber basis

	wk on wk change	Apr 28th	Apr 21st	Last Month*
ClearView Bunker Price (Rotterdam VLSFO)	**-48**	821	869	869
ClearView Bunker Price (Fujairah VLSFO)	**-24**	837	861	871
ClearView Bunker Price (Singapore VLSFO)	**-14**	837	851	855
ClearView Bunker Price (Rotterdam LSMGO)	**-44**	1271	1315	1088

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