

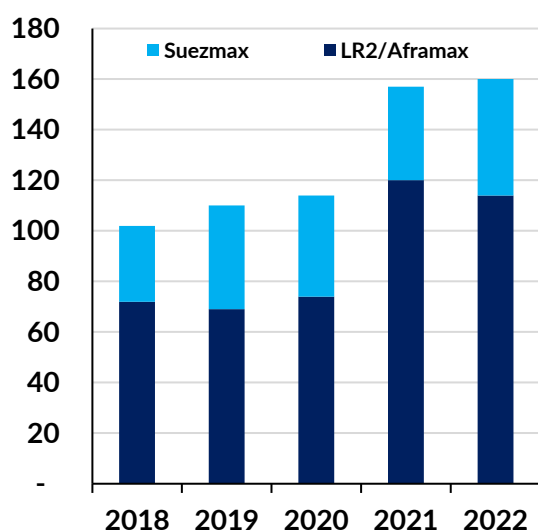
## Picking a Side

### Weekly Tanker Market Report

With just over 5 weeks to go until the European Union’s ban on Russian crude oil imports come into effect, companies are now being forced to decide which market they wish to trade in. Simultaneously, the G7 oil price cap is also due to enter into force and although the price cap is yet to be finalized and requires EU ratification, the EU’s crude oil embargo looks set in stone. So, the question now turns to who will continue to buy Russian crude post December 5<sup>th</sup>, and how logistically are they going to transport that crude.

If the price cap fails to materialize, EU shipping companies might be allowed to continue transporting Russian crude to third countries, as has been the case with Russian coal exports following clarification after the EU’s August embargo. Nevertheless, price cap or not, the volumes of Russian crude which can be legitimately transported without falling foul of EU, US, or UK sanctions (if G7 services are used) is expected to be below today’s volumes. Shipping companies will therefore have to choose their side. The balance of tonnage in both the Russian and non-Russian trading fleets will be critical for the strength of the mainstream crude markets. Ahead of December 5<sup>th</sup>, it is expected that many companies trading with Russia will pull back to ensure all Russian cargoes on board have been discharged by the deadline and migrate back into non-Russian trade.

**Aframax/Suezmax S&P Activity (no.)**



Our analysis shows that in the last 6 months, 366 Aframax/LR2 and Suezmax tankers have been observed loading in Russian ports (excluding CPC), with more than 55% of those vessels controlled from EU, G7 or allied countries. Of those 366 vessels, 37 have been involved in ownership changes this year, with further analysis of their current ownership suggesting they will largely remain in Russian trade. However, with over 200 vessels leaving Russian trade, it is reasonable to assume that there might be insufficient tonnage to transport Russian oil to market, particularly given that those barrels currently traded to Europe will have to be redirected longer haul.

So far this year, Gibson counts around 160 Aframax/LR2 and Suezmax S&P transactions. Of those, around 2/3rds have gone to buyers which could be willing to transport Russian crude post sanctions implementation. However, it is important to consider that vessels currently engaged in Iranian or Venezuelan

trade could migrate, which has been seen on a limited scale already, and VLCCs could be used in transshipment operations, with over 40 VLCCs sold this year to Asian or Middle Eastern buyers. Some sales will have also gone under the radar, whilst other vessels from non G7/EU countries could be attracted into Russian business if freight premiums rise.

Of course, the Russian trading fleet could remain undersupplied, which would drive increased S&P activity and potentially support secondhand values higher. It is also important to note that the Russian fleet might not trade efficiently. Evidence of Iranian and Venezuelan trading patterns teach us that sanctioned barrels often go through multiple transshipments before reaching their final destination. Such practices are inefficient, meaning more vessels are required for the same volume of non-sanctioned cargoes. In any case, some transshipment activity will be necessary this winter, with ice class tonnage needing to be kept locally during peak ice conditions.

In the short term, there is a risk that as vessels migrate out of Russian trade, non-sanctioned trade routes will see increased vessel supply, putting downwards pressure on rates. However, this will be partially offset but increases in tonne mile demand, meaning that earnings are expected to remain comfortably above historical averages. Furthermore, increased S&P activity will likely readdress the balance as we move into 2023.

## Crude Oil

### Middle East

The start of the week was disrupted with holidays in India and the Far East and that general disruption seemed to continue for the remainder of the week with only a slow drip feed of enquiry. Rates have slipped as the week progressed and we end with levels around 270,000mt x ws 99 to China and, for voyage West levels are around 280,000mt x ws 55 via Suez. It's been a steady week on the Aframaxes in the AG. There's been a bit of shortage of activity, but rates are firm due to limited tonnage. AG/East sits at around 80,000mt x ws225. Suezmaxes in the AG remain firm, with ballasters passing Singapore being poached from a firming West African market. Market levels today will have Owners expecting to achieve 140,000mt x ws 102.5 for Basrah/Med. Runs into the East are still rather infrequent at the moment and to send a vessel East, Charterers should expect to pay somewhere around 130,000mt x ws 177.5.

### West Africa

Any vessels committed to ballasting West are unlikely to pin their hopes on cargoes emanating from West Africa as levels here fall into line with the AG market against a US Gulf market remaining respectable. Rates currently stand at around 260,000mt x ws100 but this does need to be tested. The list of vessels with safe itineraries is very tight off natural dates, rates have pushed up in West Africa to a level of 130,000mt x ws 190 for WAF/UKCM. The list has the potential to open up off of later dates but delays in Europe are keeping the available tonnage down and rates firm. Cargoes heading to the East are still paying a reasonable premium and levels stand at 130,000mt x ws 205.

### Mediterranean

The Med remains firm and with the season for delays in the Turkish Straits coming into swing, Owners with vessels on the water are going to be looking for a rate of 130,000mt x ws 205 for X-Med. With a strong WAF market, ships from the region have plenty of options at the moment and for a Med/China run the market level is around \$6.5m. A healthy flow of cargoes has kept sentiment firm in the Med. 80,000mt x ws 237.50 remains the fixing level as Owners become increasingly bullish that the heat in the

Med is here to stay. With the US markets once again taking off, some vessels have been seen ballasting TA which has kept the list here tight. CPC/Med was achieved at 80,000mt x ws 275 with output expected to continue. Although Turkish straits delays are only at 2.5 days, Charterers will begin to fix further ahead for Black Sea runs as weather will begin to have an impact in weeks to come.

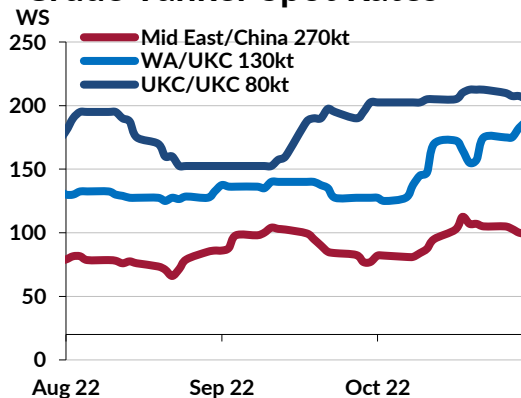
### US Gulf/Latin America

Aframax enquiry has remained relatively constant this week with a steady flow of interest keeping levels inflated. Availability is certainly in Owners' favour and as seen and any date sensitive positions are securing a very healthy premium. Rates currently stand at around 70,000mt x ws 375 for short haul runs and just in excess of ws 300 for TA off of natural dates. VLCC Owners have had a relatively stable week where other areas have faltered. Naturally placed ships are few and far between and Charterers are now starting to focus on early December laycans. Rates on the forward position are now just below \$12m and anything earlier will be commanding a premium.

### North Sea

Northern action has levelled out a bit this week finding somewhat of a balance as unanswered questions remain in the Baltic. X-North Sea is fixing at 80,000mt x ws 210 levels but there is not a huge amount of well approved safe tonnage around so those with earlier dates may get stung.

### Crude Tanker Spot Rates



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

## Clean Products

### East

Not enough volume has moved through the LR2 segment to address an overhang of tonnage and we therefore see a softening on both naphtha eastbound runs, and those going west. TC1 was last tested at 75 x ws 190, but those with outstanding enquiry in the market are aiming five points less off the slightly later window - Owners will wait to see whether more volume firms up the floor to the market. Westbound last on subs \$4.05m which constitutes a \$200k drop since this time last week, highlighting a need from Owners to keep tonnage moving.

The LR1s have been busy. Good shorthaul enquiry, but full cargoes and MR enquiry alike which suit units which want to relocate short into a moving market. TC5 is on subs 55 x ws 200 and yet to live up to the 240 levels seen traded on paper for November. Westbound is a busier run which has pushed up to \$3.5m after a couple of difficult cargoes ex India. Little remains outstanding now as we head into the new week, so perhaps some slight downward correction into the next window.

A very busy week on MRs where we have seen a good push on rates across the board. TC17 which a big driver for firmer sentiment is up to ws 400 and Owners are talking 425 for next week. TC12 has a flatter trajectory with Owners seeing extra value to locate East for Q4 still. Westbound is on subs both at \$2.8m and \$3.1m to the UKC, the latter dropped late this week. The list remains thin and some traders covering off forward dates to hedge against another pop next week could be interesting.

### Mediterranean

A tough week for the Owners in this Mediterranean handy market, which has seen rates come off throughout. We began the week with X-Med trading at 30 x ws 305, but a build-up of tonnage on the front-end saw rates come under pressure with 30 x ws 280 now the call here. As a result of this, Non-Russian BSea levels have negatively corrected to 30 x ws 315, whilst Russian loads remain at a premium. At the time of writing a few more first decade cargoes have been quoted but with the weekend likely to replenish the list once more, expect further pressure to come on Monday.

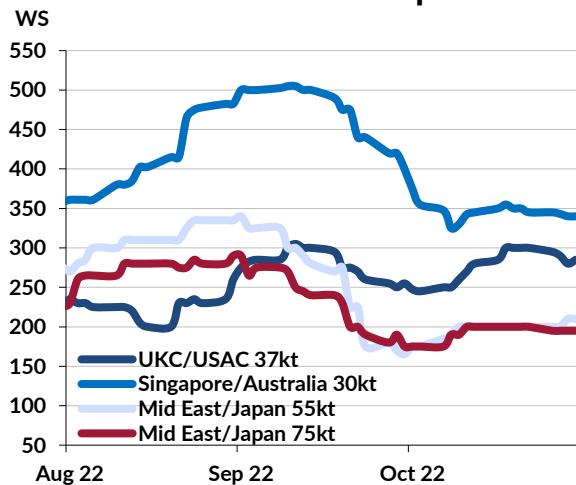
MRs in the Mediterranean have seen levels under pressure from the off this week. Monday evening saw a big drop in levels after 37 x ws 290 was achieved on a Med/WAF run which saw TA levels follow suit. Fast forward to Friday and we now see Med/TA at the 37 x ws 275 mark with WAF expected to land at ten points more when next tested. Little remains outstanding in the Mediterranean as we approach the weekend but with TC2 potentially improving expect Owners to dig their heels in.

### UK Continent

MRs in the north have corrected down this week to 37 x ws 280 as supply has outweighed demand. That being said, there is a feel that the market is now bottoming out and with gasoline stocks low in the USAC, Owners will be hopeful that enquiry does pick up heading into next week. WAF enquiry has been lacklustre and tracks in line with TC2 (+10). There is potential for the market to bounce back if enquiry levels improve.

It has been an active week for Handies plying their trade in NWE/Baltic which has resulted in freight improving. Russian Baltic enquiry has been busy and is very much entity dependent as levels trade at 30 x ws 430 for the well-known players and 30 x ws 500 for newer entities. The front end of the list is tight and with a few X-UKC cargoes remaining outstanding rates close at 30 x ws 255. Potential here.

## Clean Product Tanker Spot Rates



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

# Dirty Products

## Handy

Owners with units to fix on the Continent this week have fought off the potential drop in levels that threatened at close of play last week. With a low of ws 380 seen, an injection of pace to cargoes surfaced to clear down the top of the list with prompt cargoes giving the rest of the list some confidence of a resurgence. Throughout the week ws 385 has been repeated with enquiry largely meeting availability. We close the week with the majority of marketed natural units on subs in the north and the expectation of a short list come Monday offers the potential for rates to climb next week.

In any ordinary week a few quiet days in the Med would have seen levels tumble, however the clear down in firm units and a spike to ws 425 has seen sentiment stay with Owners. Tonnage has been heavily weighted towards the West Med where there has been potential for a test which has not yet surfaced but looking at Central and East Med position lists shows very little in terms of firm options. One caveat is that enquiry has not picked up in pace and we close the week on a knife edge with strong potential for decrement should the list grow even further.

## MR

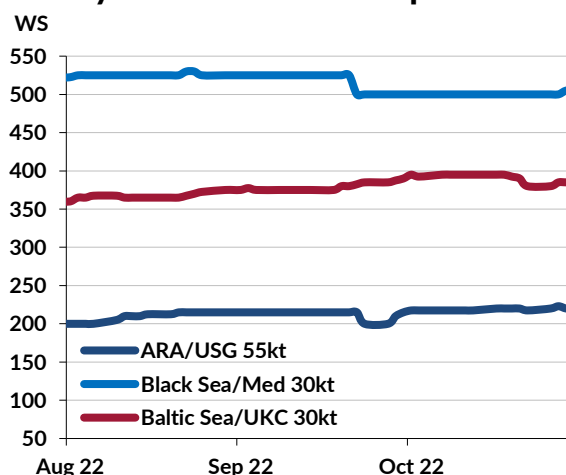
The fortunes for MR Owners in both the Med and North continue to ebb and flow with changes in the handy market. In the north specifically, despite naturally positioned tonnage having been tight, MR Owners are yet to capitalise on the fundamentals as the surrounding Handies have taken a breather and tonnage options have been better stocked than in recent weeks. In the Med, firming sentiment has seen rumours circulate

of a possible ws 300 X-Med, but details are yet to come to fruition. Nonetheless earnings are favourable for Owners heading into a seasonally firm period.

## Panamax

Workable tonnage this side of the pond has been limited still this week with only a couple of potential candidates there to test. When shown a cargo, Owners do have the bit between their teeth, however last done is yet to be surpassed or chipped away at. Both Owners and Charterers are well aware of the firming in the US market and have one eye on potential ballasters heading that way for employment.

### 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	Oct 27th	Oct 20th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	-8	99	107	85	101
TD20	Suezmax	WAF-UKC	+31	185	154	136	173
TD7	Aframax	N.Sea-UKC	-3	209	212	197	172

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

			wk on wk change	Oct 27th	Oct 20th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	-9500	64,250	73,750	50,250	67,250
TD20	Suezmax	WAF-UKC	+17250	70,750	53,500	44,750	64,750
TD7	Aframax	N.Sea-UKC	-2500	75,750	78,250	70,750	51,000

## Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 27th	Oct 20th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	-6	192	198	194	
TC2	MR - west	UKC-USAC	-19	283	302	267	305
TC5	LR1	AG-Japan	+11	210	199	216	251
TC7	MR - east	Singapore-EC Aus	-7	341	348	458	381

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

			wk on wk change	Oct 27th	Oct 20th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	-1750	35,500	37,250	37,250	
TC2	MR - west	UKC-USAC	-3500	28,250	31,750	26,500	33,000
TC5	LR1	AG-Japan	+2750	28,000	25,250	30,250	38,500
TC7	MR - east	Singapore-EC Aus	-1000	36,250	37,250	56,500	43,250

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

ClearView Bunker Price (Rotterdam VLSFO)	+3	634	631	611
ClearView Bunker Price (Fujairah VLSFO)	-9	689	698	677
ClearView Bunker Price (Singapore VLSFO)	-5	715	720	691
ClearView Bunker Price (Rotterdam LSMGO)	-14	1041	1055	964

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