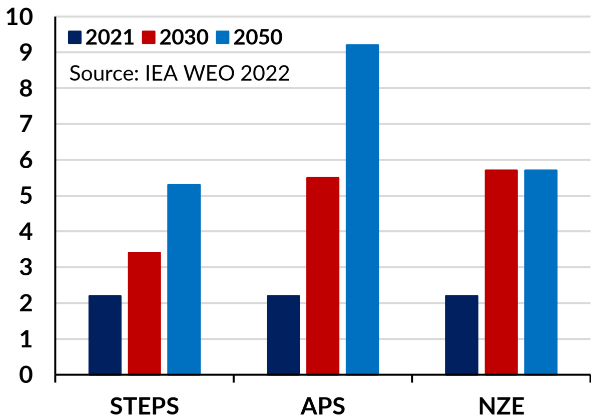
# Future Plans

## Weekly Tanker Market Report

Liquid biofuels are expected to have an important role to play in meeting future fuel requirements as the energy transition progresses and petroleum demand begins to come under pressure. Increasingly, these required biofuels will be from second and third generation biofuels based on non-food crops, non-arable land, and waste products, whilst fourth generation biofuels will expand the possibilities even further through production optimization improving yields, reducing production emissions and improved chemical performance through genetic engineering. The EU Fit for 55 package of policies makes it clear that future biofuel supply must be at least from second generation blends not competing with food supply.

In terms of potential growth areas, the most promising sectors in terms of demand are likely to be the shipping and aviation sectors, given the specific fuel requirements of those sectors with respect to logistics and practicality. In contrast, road fuel demand most likely will be supplanted by electric vehicles (EVs). In its World Energy Outlook (WEO), the IEA is forecasting liquid biofuel demand to grow from 2.2 million boepd in 2021 to 3.4 million boepd in 2030 and 5.3 million boepd by 2050 under the IEA Stated Policies Scenario (STEPS), which reflects current policy frameworks. However, forecasted demand increases under their Announced Pledges Scenario (APS) and Net Zero Emissions by 2050 Scenario (NZE), where the speed and progress of the energy transition is assumed to move at an accelerated pace versus the current trajectory.

IEA Biofuel Demand Scenario Forecasts




In all these cases, demand will be driven by the increased use of ethanol as a blending component in road fuel but growing EV uptake will reduce road vehicles share of total biofuel consumption from 50% in 2030 to 40% by 2050. Although, there are likely to be strong regional differences, with Europe and North America seeing declines at a much faster rate compared to developing regions such as Africa, Latin America, and Southeast Asia.

For the shipping and aviation sectors, biofuel demand growth is likely to be much stronger, as clear technical synergies exist for adding biofuel blends to traditional marine and aviation fuels to improve their environmental profiles without making substantial modifications to ship and aircraft engines or their fuel systems. Numerous trials have been taken place and are ongoing to find the optimal blend of biofuels with preliminary evidence indicating Co2 reductions in the region of 5-25% depending on blend. However, current high biofuel prices and limited supply could limit the extent of their uptake beyond larger players.

In terms of how much oil demand biofuels could displace, this is subject to multiple factors including regulations, pricing subsidies and feedstock production levels, given the challenges posed by climate change and elevated input costs such as chemicals and fertilizers. In comparison to the amount of oil demand displaced by electric vehicle growth, the demand destruction caused by biofuels is likely to be relatively minor. Realistically, the volume of biofuel that would be required to replace road fuels would be too large to meet, given current and expected production capacities especially for feedstocks.

The biggest beneficiary in the shipping sector could be the chemical and specialized tanker fleet as well as Handies and MRs who are already key shippers of liquid biofuel and feedstocks such as ethanol, HVO and FAME and as such as likely to see the amount of these and new generation biofuel cargoes increase as more refinery complexes convert to biofuel plants which in turn should positively impact smaller tanker demand and earnings. However, the extent of this will depend on the decarbonization trajectory with respect to overall oil demand and the speed of biofuel uptake.

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# Crude Oil

## Middle East

VLCC Owners have enjoyed an exciting week as the explosion of rates in the West have quickly changed sentiment here. Rates have shot up to last done being 270,000mt x ws 107.5 to the East, with potential further gains likely. A voyage West remains sparse but we would expect next done to be nearer to 280,000mt x ws 60 to the US Gulf. Natural tonnage in this region continues to be in consistent flow, as volume of short haul enquiry seen of late drip feed units back into this sector. In turn, this is taking its toll on sentiment in the region, as we witness Suezmax Charterers chipping away at last done levels. Now Basrah/West is trading around 140,000mt x ws 100. Looking ahead to next week, we expect more of the same in the way of volumes. It has been a relatively quiet week for Aframaxes in the East, with most activity taking place under the radar. AG/East started the week around 80,000mt x ws 230 and has continued to inch up with Owners' ideas now upwards of 80,000mt x ws 235. Although this needs to be tested, the firm sentiment in the West has led to numerous vessels leaving the region in ballast or targeting Westbound voyages, which has resulted in Owners taking a bullish approach, if they are to stay in the East.

## West Africa

Similar to what we are seeing in other regions, VLCC Owners have enjoyed a very productive week, as a good flow of enquiry has enabled levels to be bettered against every new fixture.

This burst of interest has been predominantly down to the US Gulf market pushing on, which has triggered some Charterers in to looking to fix now rather than risk paying substantially more later. Last done for a voyage East is around 260,000mt x ws 105, but we would expect to see more. This week the mix of a lack of fresh enquiry volumes and the position list starting to open up in availability levels has seen rates trim a little in WAF. As this week closes out, TD20 is now trading 5-10 points less than where we started the week. However, with this said, there is not a great deal of units on the water, which will not take a great deal of enquiry to tighten the region once again.

## Mediterranean

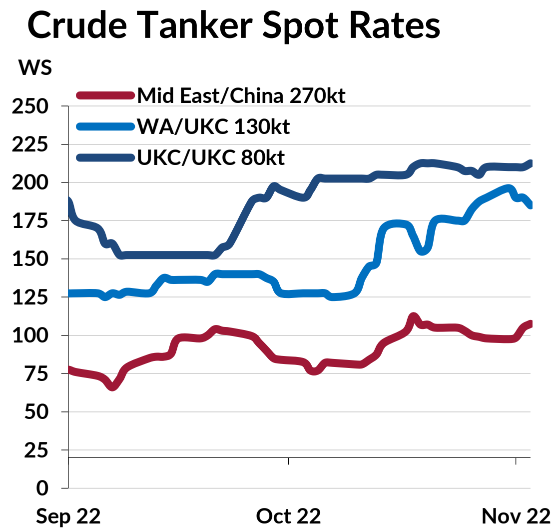
A very active week in the Med has led to an increasingly tight list up to mid-month dates. Cross Med has remained flat throughout the week at around 80,000mt x ws 235. Sentiment remains warm, however. It is only a matter of time until Owners become more bullish. Ships ballasting from the East have helped to keep rates from taking off. That being said, many of these ships are fixed ahead for voyages ex Russian Baltic. More activity has been seen out of CPC this week, with 80,000mt x ws 270 being achieved on more than one occasion. There are, however, reports that November program may be revised. With surrounding markets continuing to return healthy earnings, we can expect another strong week of activity next week. The Mediterranean in general has witnessed a lack of enquiry this week for Suezmax Owners to get their teeth stuck into, but this said there has been a number of long haul stems to provide just enough to keep interest in the region. Being mindful of the time of year, we are heading into the period where things start to stir up a little ie Weather delays. For now, there is enough natural tonnage to soak up enquiry; however, it would be wise to target carefully.

## US Gulf/Latin America

Aframax Owners were already enjoying the fruits of their market from the previous week and seeing Charterers continuing to press on this week has just cemented the strong levels already achieved. Short haul voyages remain at a healthy 70,000mt x ws 380, with Transatlantic voyages just in excess of 70,000mt x ws 300. VLCC interest continues to be the main spark that has ignited the whole VLCC sentiment here, as Charterers continue to ask questions into December. Uncertain Western positions ensure the lure of Eastern ballasters will keep levels on the up, with rates currently standing at around $13m for a voyage East.

## North Sea

The North made some steady progress, with rates climbing off the back of local and longer enquiry. A fair few States vessel's will add to the local list in the next couple of weeks. Having said this, we have now seen some light shed on the tradability of the Baltic November programme, giving Owners some confidence in the medium term. X NSea is trading at 80,000mt x ws 215 for now, we see the market warm.




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

# Clean Products

## East

A quieter week generally on the LR2s and Owners such as Navig8 who have been holding out on their prompt fleet for an upward move have lost out and had to comply with market forces. TC1 has been flat at ws 185 with little chance to see improvements and enquiry remains slow. A 90,000 mt Jet AG/UKC run started the week at $4.2 million but this was always under pressure as the tonnage built up and rates have drifted off from there. $3.975 million was the last done and is probably repeatable for now. This should be the bottom though now with LR1s pushing to get closer to these levels.

An active start to the week for the LR1s, however, this buzz slowly petered out and we close with a rather quiet and unexciting end. TC5 danced with the 55 x ws 215 level and holds for now, but as we head into next week and the natural fixing window for true TC5 candidates is thinning, and we could see a push on these levels as and when stems enter the market. West runs have fluctuated around the $3.5m mark, but the number of Owners that are keen for a West run is weaning and as such those that are willing are trying to push on last done levels. However, with a ceiling from the LR2s it could be small steps rather than giant leaps. Owners on the whole are happy to take a short haul stem and try to absorb some waiting time hoping to see rates firm later down the line.

A busy but on the whole disappointing week for the MRs. over 30 fixtures were done but with minimal progress made on rates. Charterers have cleverly gone privately to Owners to take out last done levels and keep sentiment stagnant. Owners have been all too happy to oblige, perhaps wanting to empty the books pre Bahri week and keep life easy. Shorthauls continue to be snapped up by LR1s and longhauls favour the bigger sizes based on economies of scale. As for next week, ws 400 should be the target for EAFR, ws 250 for TC12 and over $3m for West.

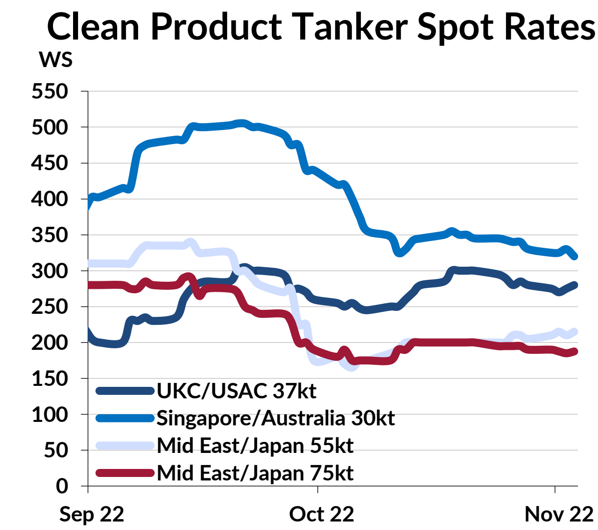
## Mediterranean

Unfortunately for Owners of Handies in the Mediterranean, a real lack of enquiry and 15+ prompt ships were littering our tonnage lists on Monday, there was only one real direction for rates throughout the week. A small bonus of a VLCC arriving laden with ULSD onboard offered the lucky few Owners some opportunity for employment but with each fixture came further decline and come Friday we see 30 x ws 240 the new call for the market. Even the Black Sea market saw limited enquiry with Russian load 100 points less at 30 x ws 400 and moving into next week expect more pressure ahead as Charterers start eyeing up the 200 mark.

Finally, to the MRs here in the Med which similarly to the Handies had little employment opportunities throughout. Surprisingly perhaps with such limited enquiry we saw little movement on rates compared to the Continent during the first half of the week and we see the number of 37 x ws 275 sticking for Trans-Atlantic. With the improved end of the week in the North you can expect with a fresh test Owners to attempt to repeat such successes with improvements on the horizon.

## UK Continent

MRs this week in the Continent didn't quite have the start they had expected, as despite some reasonable enquiry, some non-last CPP tonnage struggled for employment, and we saw 5-10 WS points knocked out of the market down to the 37 x ws 270 level. But once we started seeing these ships removed, some reasonable WAF enquiry and the addition of a reverse ULSD arb opening; the top of our lists thinned rather rapidly, and a couple of Charterers suddenly faced some positivity from Owners and pulled rates back to ws 290. A final push on Friday has now seen a 37 x ws 315 equivalent on subs and with a couple of outstanding stems still looking for some love, we can expect Owners' ideas to be wildly more positive once again. All eyes are now on what is next done for a vanilla TC2 run will be but certainly feel anything less that 37 x ws 310 would be a success for the Chartering fraternity.




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

# Dirty Products

## Handy

Starting the week, levels on the Handies were under pressure in the Continent, with tonnage looking well stocked and a cargo base having dropped off. This, however, all started to change by mid-week when a number of units were clipped away off the prompt side of list and under the radar activity further reduced selection. Once the market woke up to this, Owners grew in confidence, pushing for increments between deals where at time of writing the bar has been raised to ws 390.

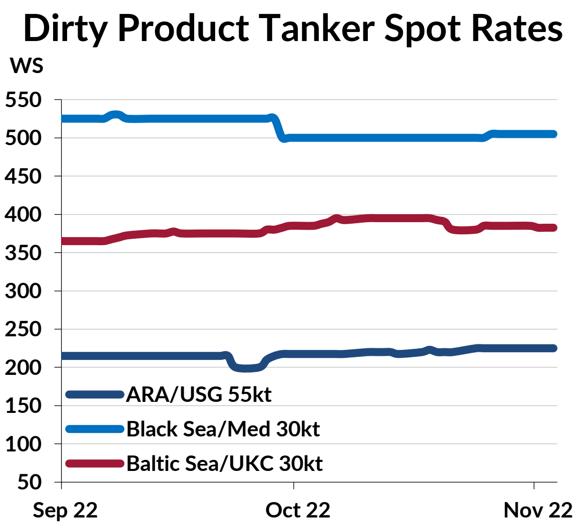
In the Med, however, we have started the week, with more to ascertain of where correct values should be placed. With outlier fixtures distorting the picture, subsequent fixtures were seen, with decremental gradient eventually setting at the ws 400 mark. Although Owners are now digging in at this level; however, finishing the week, there is a feeling that the region won't withstand so ruggedly any periods of inactivity in the next windows.

## MR

The persistent lack of availability continues to cause Charterers headaches in both the Med and Cont alike and with this comes a best fit type approach to covering on this size. Any Charterer, who has experienced this recently, will be nodding in agreement right now, whilst certainly appreciating this doesn't come without additional challenges. Furthermore, with units being booked out so far ahead, Owners are commanding increments between deals, with levels starting with a 3 in both regions (non-Russian).

## Panamax

With such thin availability over here in Europe, Charterers have to move quickly as soon as ship is showing; as if not, our US counterparts are looking at taking the ships back for business loading from the other side of the Atlantic! The consistent strength states side is leaving the European markets constantly in the shadow. On the rare occasion a Panamax is fixing this side, Owners are edging levels up from last done and between deals.

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## Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | *wk on wk* change | Nov 3rd | Oct 27th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **+8** | 107 | 99 | 81 | 105 |
| **TD20** | Suezmax | WAF-UKC | **+1** | 186 | 185 | 125 | 175 |
| **TD7** | Aframax | N.Sea-UKC | **+5** | 214 | 209 | 200 | 178 |

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

| | | | wk on wk change | Nov 3rd | Oct 27th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **+10750** | 75,000 | 64,250 | 41,500 | 73,500 |
| **TD20** | Suezmax | WAF-UKC | **+1750** | 72,500 | 70,750 | 36,750 | 66,750 |
| **TD7** | Aframax | N.Sea-UKC | **+6250** | 82,000 | 75,750 | 71,000 | 56,500 |

## Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | Nov 3rd | Oct 27th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-6** | 186 | 192 | 169 | |
| **TC2** | MR - west | UKC-USAC | **-8** | 275 | 283 | 250 | 307 |
| **TC5** | LR1 | AG-Japan | **+5** | 215 | 210 | 171 | 232 |
| **TC7** | MR - east | Singapore-EC Aus | **-19** | 322 | 341 | 373 | 368 |

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

| | | | wk on wk change | Nov 3rd | Oct 27th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-1000** | 34,500 | 35,500 | 26,250 | |
| **TC2** | MR - west | UKC-USAC | **-750** | 27,500 | 28,250 | 22,250 | 33,750 |
| **TC5** | LR1 | AG-Japan | **+2250** | 30,250 | 28,000 | 17,250 | 34,500 |
| **TC7** | MR - east | Singapore-EC Aus | **-2500** | 33,750 | 36,250 | 40,500 | 41,500 |

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

| | | | | |
|---|---|---|---|---|
| ClearView Bunker Price (Rotterdam VLSFO) | **-21** | 613 | 634 | 646 |
| ClearView Bunker Price (Fujairah VLSFO) | **-18** | 671 | 689 | 725 |
| ClearView Bunker Price (Singapore VLSFO) | **-31** | 684 | 715 | 754 |
| ClearView Bunker Price (Rotterdam LSMGO) | **-41** | 1000 | 1041 | 1034 |

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