

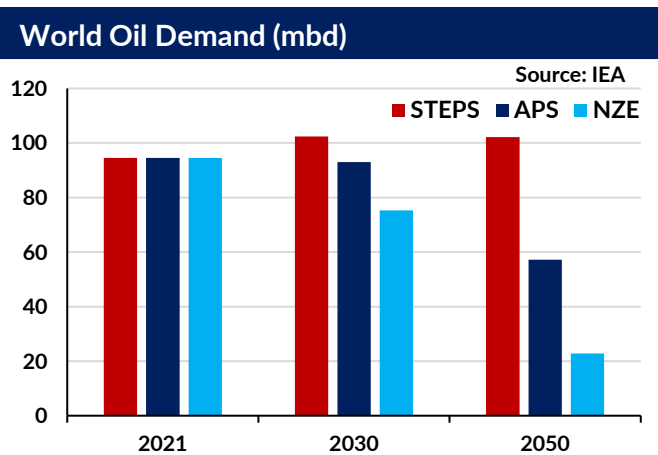
Over the Horizon

Weekly Tanker Market Report

As COP27 comes to a close, the opposing challenges from the urgent need to do more to reduce global emissions and the escalating cost of living, the energy crisis and political upheaval brought on by Russia's war in Ukraine remain. The turmoil in energy markets has clearly weakened environmental targets in the short term, with the US administration being forced to ask domestic crude producers to increase production and Europe being pressed to turn back to coal plants for electricity generation. However, the current crisis could potentially speed up the transition to greener fuels in the long term, not least due to rising global investment in renewable energy, the introduction of the US Inflation Reduction Act, increased ambitions of the EU's Fit for 55 policy and China's accelerating electrification of its car fleet.

Recently, the International Energy Agency (IEA) published its annual long term energy outlook, updating three main scenarios. The Stated Policies Scenario (STEPS) is based on the prevailing policy settings, in other words; measuring what governments have actually put in place. In STEPS, global oil demand climbs above 2019 level in 2023 and increases to 102.4 mbd by 2030. Demand in developing and emerging economies is dominated by rapid growth in China, India and South East Asia, increasing by 8 mbd due to growing car ownership and rising petrochemical demand. In contrast, oil consumption in advanced economies declines by 3 mbd over the period, primarily on the back of accelerating electrification of their car fleets. Globally, oil demand peaks around 2035 and then edges down marginally to 102.1 mbd by 2050 as falling demand in advanced economies is just enough to offset continued growth in developing countries.

In contrast to STEPS, the Announced Pledges Scenario (APS) takes into account all of the aspirational climate targets made by governments and assumes these pledges are met in full and on time. Here, global oil demand peaks at around 98 mbd around mid-2025 and then eases to around 93 mbd by 2030, with decline in oil demand accelerating in the following two decades, down to 56.7 mbd by 2050.



The key difference between STEPS and APS demand estimates through to 2030 is a different rate of electrification of the global car fleet. The agency assesses that there are 1.3 billion cars today, with EVs accounting for about 10% of the total. In STEPS, EVs' market share grows to 25% by 2030, whilst the APS assumes that every second car sold in the European Union, China and the United States is electric by 2030.

The final scenario, the Net Zero Emissions by 2050 (NZE) is detached from reality. It is designed to achieve a specific outcome and sets out an action plan of what needs to be

done. In this case, oil demand falls to 75.3 mbd by 2030 and shrinks to just 22.8 mbd by 2050 if the world successfully reaches net zero emissions by 2050.

The three scenarios outlined above should not be seen as projections of how world oil markets will evolve in the long term, but rather as a detailed analysis of what the future may look like if specific conditions and assumptions are met. With this in mind, the STEPS case is perhaps the most realistic. Although history often shows that it is easier to announce targets than to implement them, the IEA's modelling, in particular the relative difference between the STEPS and the APS highlights the sensitivity of oil demand to international climate pledges. Yet, it is apparent that colossal support for developing countries is needed to alter the current trajectory of global oil demand over the next three decades. Although finance took the center stage at COP27 and some significant deals have indeed been announced, it is unclear whether COP27 was successful in bringing global oil demand any closer to its eventual decline. After all, developing nations are still asking for \$100 billion per year in support and advanced economies are still failing to deliver.

Crude Oil

Middle East

The VLCC market remains firm in the Middle East this week, with rates soaring above what we saw last week. Lots of Owners seem to be sitting back for the moment, hoping that rates will push on further. Today Charterers should expect to pay 270,000mt x ws 127.5 to the East and rates stand at 280,000mt x ws 69 to the US Gulf. Rates in the AG have pushed up this week as a result of a firming West African market with ballasters from the East opting to search for the higher returns in the Atlantic. As a result, rates stand at approximately 130,000mt x ws 110 for Basrah/Med and 130,000mt x 210 ws for AG/East on natural dates.

West Africa

VLCC rates in West Africa have firmed rather drastically this week, with levels East pushing up. Charterers should expect to pay in the region of 260,000mt x ws 130. Rates remain firm, with the allure of huge rates paid in the USG to compete with, for those ships ballasting from the East. Suezmaxes have rallied this week and rates are pushing up towards levels of 130,000mt x ws 220 for WAF/UKCM on natural dates. We still aren't seeing many cargoes heading East but those Charterers, looking to fix the voyage, should expect to pay somewhere in the region of 130,000mt x ws 200.

Mediterranean

Another eventful week for Med and Black Sea Aframax. Tonnage lists worldwide are very thin and events over the pond have offered Owners in the Med higher ambitions. Yet, it was not just that. Cargos continue to flow in the Med (and from CPC) and, as Charterers try to cover forward, so do Owners ask for more. Weather disruptions in some ports and ullage delays only served to add fuel to the fire, in addition to new routes with longer tonne-miles. Cross Med runs

started the week at ws 270, then a Ceyhan achieved ws 285 and the touchpaper was lit when a very short premium voyage went at ws 370. CPC runs had been trading at about a 90 point premium during this period at ws 360 levels, but then the inevitable happened, with a tight early position achieving ws 475 into the Med. As we approach the close, there is another standoff before new highs are hit and we may have to wait till Monday for the next chapter in this story. The Med has continued to firm, with a flurry of cargoes hitting the market loading from CPC. Owners remain bullish and will be looking to fix somewhere in the region 135,000mt x ws 245 for CPC/UKCM. Owners are looking to keep their ships West, but the odd one or two, still willing to commit to the longer voyage from the Med into China, will be looking for \$7.5million.

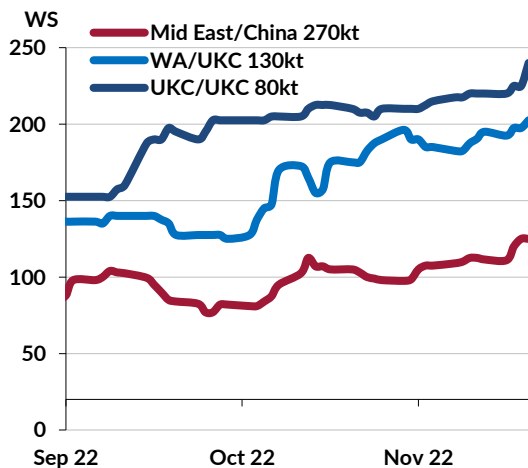
US Gulf/Latin America

In the Gulf bad weather and limited Aframax availability has seen record numbers achieved. Local runs were ws 400 then ws 500. A 5 day lightering operation achieved l/s 270k a day... and by the close ws 700 was reported for local run also. The sky seems the limit at the moment. Rates have pushed on in the USG with the headline being \$15million paid for an East option, optionality requires a premium and so for a straight run into the East levels are estimated to be around \$14.75 million.

North Sea

In the North Sea, there has been limited Aframax activity this week but Owners knew that there was a spike to come. Shuttle tankers have come to some Charterers' aid; yet, slowly over the week Cross North Sea runs grew from ws 220 to ws 235 and then by the close ws 250 was achieved. There are some outstanding cargos to cover into the weekend and the smart money is on further gains to come, considering the gap in rates compared to the Med. Baltic stems to the East continue to absorb Aframaxes of all descriptions and ships are out of the market for long periods.

Crude Tanker Spot Rates



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

Clean Products

East

We are writing this report as an extremely busy Bahri week draws to an end. The LR2 market has started to move, buoyed on by a firing Afra market. Headlined by news that 200k demurrage is on subs ex US Gulf amongst other lumpy numbers, the decision to consider dirtying tanks and swerving the clean market is not being taken lightly by Owners. We therefore have a narrowed pool, added to an increased cargo flow, which has seen TC1 increase to 75 x ws 192.5 to Japan (and still firming) and \$3.95million India/UKC last tested, which is looking incredibly cheap already. We expect fireworks in the new week.

The LR1 segment has been busy; yet, sideways movement, although perhaps a slight firming in pockets of activity. The 1st half November cargo count was heavy; therefore, we expected some slowdown, as the larger units have taken over. 55 x ws 215 is where we peg TC5 AG/Japan today and \$3.45million the last test to UKC ex India. This segment will wait to assess volume flow on Monday but will take some excitement from the LR2s for sure.

The MRs haven't reached the heady spike expected by many. The age-old worry of missing the window pre or during Bahri has led to some front-end softening and those Charterers, who have sat on their dates, have squeezed prompt positions down to some aggressive levels. The natural window will look quite tight on Monday. Owners will receive fresh tonnage lists and likely to realise there has been more off-market activity than they thought. TC17 trades at ws 350 levels but should push back up towards ws 375 fairly quickly. AG/UKC today trades at \$2.8-2.9million levels; but note it is a relatively untested route as traders prefer the bigger units at the moment. TC12 remains popular as Owners hedge their options, heading close to the North Asian market to end the year: ws 200 fixed on a

vessel needing East and the market is likely to recover to ws 225-235 levels early next week. Please note we are giving spreads on these rates, as those who wait to trade the next batch of dates could be shocked by a tight list and capitalise quickly.

Mediterranean

Week 46 started with a bang here in Handy market in the Med as we saw a few cargoes come back looking for replacements. As a result, this already firm market pushed up to the 30 x ws 370 levels X-Med. Since then, however, activity has begun to settle, with the fixing window extending and more tonnage coming into play for Charterers. At the time of writing, rates are fluctuating between the 30 x ws 350-360 levels, with freight very much date/cargo dependent. Black Sea action has been fairly quiet this week as rates remain load dependent, with Non-Russian trading in the low-mid 400's and Russian loads now trading in the mid-500's. Come Monday morning, it is likely Owners will remain positive with their ideas, with bad weather creeping into the Med and many returning from their travels.

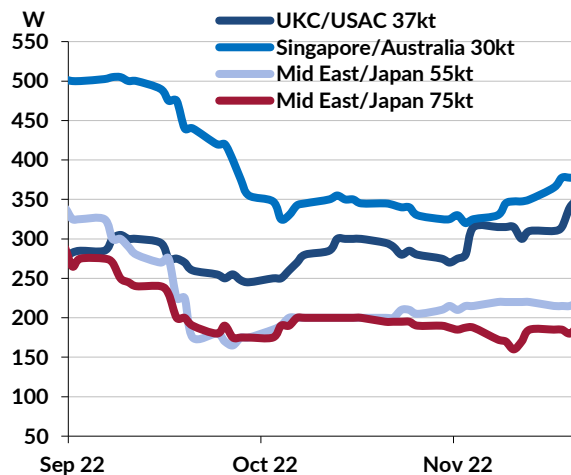
Finally, to the MRs here in the Mediterranean, which has seen rates firm off the back of a tightening list and an improving TC2 sector. We began the week with Med/TA trading around the 37 x ws 300 levels and WAF tracking at 10 points more. TC2, on the other hand, was trading around 20 points more, which saw many ballasters head North rather than towards Gib, causing our Med lists to tighten. Fast-forward to Friday and we see rates jump around 40 points, with 37 x ws 365 achieved on a replacement Med/TA cargo. At the time of writing, little remains outstanding; yet, with TC2 still looking strong, expect Med Owners also to remain bullish into the weekend.

UK Continent

A rather positive week passes for Owners in the Continent, with the real kickstarter on Monday being some Handy stems upsized partnered with some good WAF enquiry. A fresh test of this saw 37 x ws 325 being achieved, which in turn pulled TC2 up to ws 315 despite limited testing. Some careful “behind closed doors” deals have certainly been the escape for a few Charterers, but once we saw a wave of enquiry midweek, Owners really picked up their pace and we see rates move to around 37 x ws 330 being done for TA. Come Friday, we find ourselves in a bit of an untested situation, where no doubt a fresh vanilla TC2 would sit somewhere around the 37 x ws 350 mark; however, with all the optimism surrounding the market and reports of December paper trading up to ws 400 and LR2s looking at DPP, Owners will feel the sky is the limit here.

It's been another positive week for Handy Owners in the North as demand continues to heavily outweigh supply. The front end of the tonnage list has been tight throughout and XUKC at the time of writing trades at 30 x ws 350 and UKC/MED at 30 x ws 340 (when next tested). With limited Handies, some have looked towards the MR market in order to try and cover their exposure, with a few UKC/Med stems being quoted via 37kt. Potential for further gains next week here.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Going from strength to strength, Handies on the Continent became hot property, with an array of Charterers all looking to cover. A few stems on top of one another further added weight to Owners' cause in pressing for more as the week got going. Yet, Charterers have done well despite this week's activity to cool Owner aspiration and capture increment where they have. Looking ahead, tonnage remains tight leading into the end month, so we expect sentiment to roll forward, with anticipation WS 400 will be eclipsed.

In the Med, a similar story unfolds where Charterers are having to navigate some challenging times. Uncertain itineraries, different agendas from a split fleet affecting supply and generally a bit more going on, all this without a major impact from weather delays! Perhaps you can see why Owners are growing in confidence, especially when you hear what is happening in the surrounding markets.

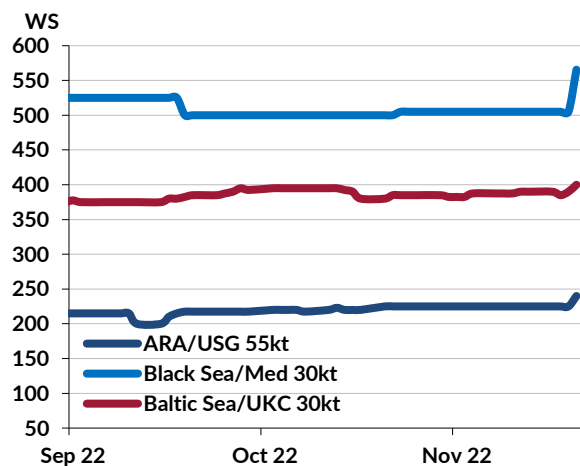
MR

A quieter week on the MRs in terms of market activity, but it is simply down to the lack of supply and waiting for units to show opening dates. Benchmark freight is now reflecting an anticipated jump rather than a fixture upon which to validate ideas, as with surrounding markets all firming, sentiment alone will be the determining factor when the MR market is tested again.

Panamax

A recurring theme in this sector, where the needs have changed. Case-by-case freighting scenarios are becoming apparent. When you need to find a ship, only then you'll learn what it is worth. Jumps between deals and the threat of the US taking ships away by ballasting back further illustrates the need to move quickly. However, a word of caution here! Charterers need to build stems around the ship, whilst also allowing time for slippage booking so far out.

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	Nov 17th	Nov 10th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	+15	128	113	107	115
TD20	Suezmax	WAF-UKC	+15	206	191	154	193
TD7	Aframax	N.Sea-UKC	+28	248	220	212	191

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

			wk on wk change	Nov 17th	Nov 10th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	+17750	100,250	82,500	73,750	85,500
TD20	Suezmax	WAF-UKC	+9250	84,750	75,500	53,500	77,750
TD7	Aframax	N.Sea-UKC	+19750	106,000	86,250	78,250	65,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 17th	Nov 10th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	+10	176	166	198	
TC2	MR - west	UKC-USAC	+37	343	306	302	332
TC5	LR1	AG-Japan	+0	212	212	199	238
TC7	MR - east	Singapore-EC Aus	+28	378	350	348	368

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

			wk on wk change	Nov 17th	Nov 10th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	+4000	31,750	27,750	37,250	
TC2	MR - west	UKC-USAC	+7250	40,750	33,500	31,750	39,250
TC5	LR1	AG-Japan	+500	30,000	29,500	25,250	36,250
TC7	MR - east	Singapore-EC Aus	+5250	43,500	38,250	37,250	42,000

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

ClearView Bunker Price (Rotterdam VLSFO)	-31	586	617	631
ClearView Bunker Price (Fujairah VLSFO)	-21	638	659	698
ClearView Bunker Price (Singapore VLSFO)	-17	668	685	720
ClearView Bunker Price (Rotterdam LSMGO)	-11	936	947	1055

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