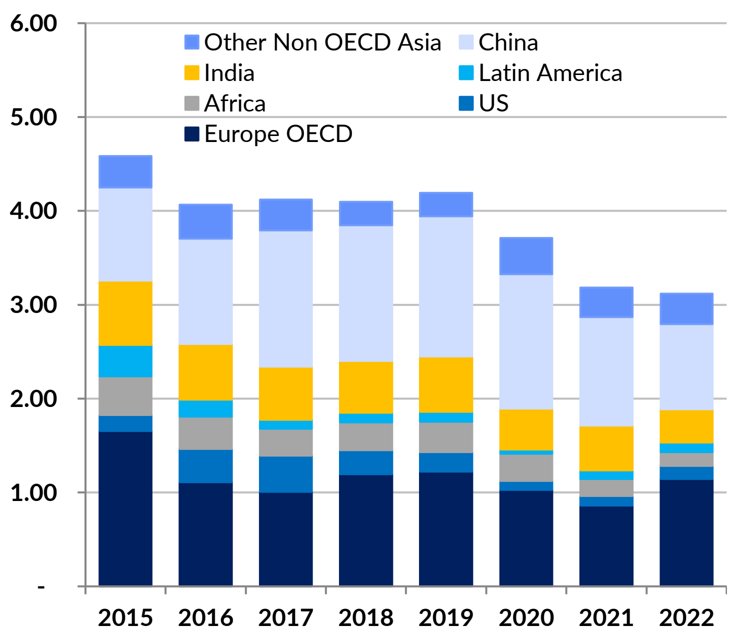
The Wind of Change

Weekly Tanker Market Report

In recent years we have paid close attention to the new 650kbd Dangote refinery currently under construction. The project was initiated nearly a decade ago and was originally scheduled to come online in 2019. However, as is the case with most grassroots refineries, the scale of the project coupled with typical logistical delays; which were further amplified by disruptions caused by the pandemic meant that the start-up has been pushed back. In late 2022, the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) reported that the refinery is nearing completion, being 97% commissioned, whilst many media outlets suggested that the scheduled start-up date is in Q1 2023. In contrast, the IEA currently expects the refinery to fire up around mid-2023, but the agency also acknowledges that further delays cannot be ruled out due to the sheer size and complexity of the single train refinery. An increase in crude imports into Lekki will signal that the start date is approaching fast; however, so far this has not been witnessed despite the speculation.

West Africa crude exports by key destinations (mbd)



With the Nigerian National Petroleum Corporation (NNPC) acquiring a minority equity stake at the refinery and agreeing to supply 300kbd into the plant, the start up will lead to a further decline in West African crude exports. According to Kpler, regional exports averaged 3.4mbd last year, easing by 150kbd year-on-year but down massively by 1.4mbd from peak levels in 2015. The refinery's impact will also be felt beyond the regional market. West Africa helped to offset the halt in Russian crude flows into Europe, with shipments to European destinations increasing by nearly 200kbd in 2022. However, when Dangote is up and running, these flows will come under renewed pressure, with Europe needing to source even more barrels from the Middle East, US Gulf and Latin America.

Product tanker flows are also bound to transform, and these changes could begin even prior to the Dangote start-up. West Africa imported circa 0.94mbd of clean products last year, with 60% of all products coming from Europe. These flows are likely to decline, now that EU ban on Russian products is in place. Direct flows from Russian ports could increase, although it is still too early to know for sure. In the long run, when Dangote is operational, it is widely believed that regional product imports will decline notably, with the plant reported to yield circa 325kbd of gasoline, 245kbd of gasoil/diesel and 55kbd of jet fuel when fully operational.

Ironically, however, it could make more economic sense for West African countries to buy discounted Russian products and resell domestic volumes at market values. The same could also be applied to crude. Yet, a lot here depends on the freight element, whilst significant involvement of international financial institutions in many wide-ranging projects in Africa also have the potential to block this lucrative trade. Only time will tell what actually happens, but one thing is certain – Dangote will bring a transformational shift in both crude and product tanker flows to West Africa.

Crude Oil

Middle East

VLCC rates continue to firm, and we are seeing a busy end to the week as Charterers move to cover their outstanding February stems. The momentum is with the owners as the active Atlantic market has helped to reduce the tonnage list and the fundamentals look good for the short term. For today's market we are calling a 270,000mt AG/China run at ws 56 and a 280,000mt AG/USG trip at ws 37.

There are still ships keen on heading West despite tonnage beginning to build in the MED. So pressure remains on rates from the AG and a standard TD6 run is hovering around 140,000mt x ws 52.5. The list still doesn't contain many units willing to give long East options, so Owners will be looking to push rates up above 130,000mt x ws 125.

Aframaxes have endured another difficult week in the East. Long lists and a sustained period of inactivity caused sentiment to slide, and Charterers have been able to take chunks off rates. AG/East closes the week at 80,000mt x ws 185 level.

West Africa

We have seen a marked improvement in the VLCC sector in WAF as a healthy level of enquiry combined with a busy USG - Brazil sector saw freight levels rise ws 10 points w-o-w. Today we are expecting a 260,000mt WAF to China run to fetch in the region of ws 59.

West Africa has been one of the more entertaining markets to track this week, with rates pushing up and 130,000mt x ws 116 done for a WAF/Sines run this morning. Not many on the list will want to give East options now that the Atlantic is showing signs of strength. As such, the premium to head East is around ws 10 points.

Mediterranean

The Aframax market was poised this week with chances to push on the back of a firming Suezmax sector in West Africa. However, the earthquake in Turkey and subsequent disruption in Botas put paid to this ambition. Ceyhan cargos dried up and thus the usual drivers of X-Med did not materialize. Rates feathered down from ws 200 levels X-Med to about ws 185 by the close. CPC loaders fared a little better, only hampered by Suezmaxes willing to take part in the competition. Rates for these runs to the Med settled at around ws 285 for Med ballasters and ws 300 for ships opening in the Black Sea. More of the same is expected next week.

Force Majuere being declared after the Earthquakes in Turkey could leave us with a lot more spot ships in the Med putting pressure on rates. Charterers looking to fix today will be looking to fix 130,000mt x ws 160 for a TD6 run. Despite the standard aversion to heading East, rates are softer. Charterers will be looking to break $5.3 million for a run into the East.

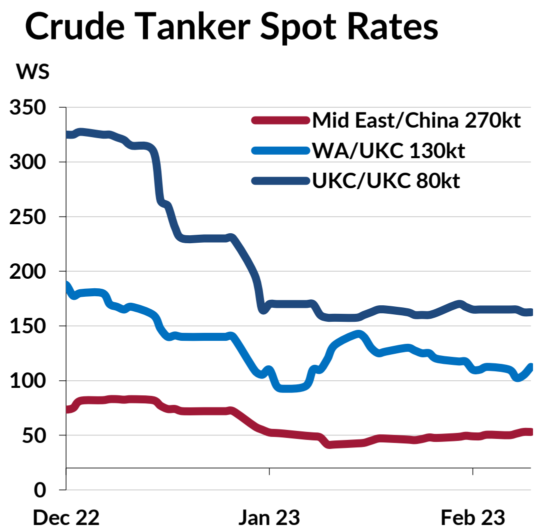
US Gulf/Latin America

This area has led the recovery in the VLCC rates worldwide as a high volume of cargo enquiry put pressure on markets elsewhere and Owners were able to take advantage of the dwindling tonnage supply. A USG to China cargo today would fetch in the region of $8.4 million.

A mediocre week for Aframax Owners here as some early week gains were halted by weeks end and we expect more of the same next week.

North Sea

The market has crab walked its way through the week with action keeping levels uninspiring. X-North Sea is trading at ws 160 levels and with the surrounding market under pressure we could see this come off further next week. The list is balanced but the further forward we go there is ample tonnage, the market is likely to soften going forward.



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

Clean Products

East

The LR2s are the largest segment waiting for the LR1s to really shift here but are now starting to follow suit at the end of the week. The North Asian market is on subs at $3.975 million for a Korea/UKC run which will give an obvious target for those trading in the Middle East. $3.5 million was last done on a AG/UKC voyage and CSSA is currently looking to repeat this, but Owners are holding off here and further westbound runs are emerging to compete for their attention. A $3.7 million level likely the next done level. In terms of Naphtha, it has been a good run on the LR2s in terms of a dollar/ton basis with 75,000mt x ws 117.5 last done but this will move further upwards. ws 125-130 should be next done as we move into the new week.

The LR1s have been a very firm segment as we end the week - continually driven by Indian export volumes which traders are struggling massively to scale up. Owners are very unwilling to take tonnage West, an easy choice when compared to Naphtha with a backhaul to allow money-making triangulation; and yet we have seen plenty more on this exact route. $3.2million was last done ex India (with the usual 100k premium for AG loading) basis UKC - but we will likely see further firming with this extra demand in the market. TC5 will start to chase the punchier numbers seen on paper -the Balmo contract is trading at ws 170 – ws 180 and TC5 will start to follow suit - although at a slower rate than distillate, given the more popular route.

Mediterranean

It's been a good week for the Handies here in the Mediterranean which has seen rates firm up off the back of decent enquiry and bad weather causing uncertainty on itineraries. 30,000mt x ws 195 was the call for a X-Med run on Monday morning but with replacements needed and a couple of tricky cargoes coming into play we now see 30,000mt x ws 245 on subs for an ex DD vessel. Non-Russian levels are in need of a fresh test off the back of this with +50 ws points on X-Med expected. Owners are bullish going into the weekend here.

Finally, to the Med MR market where it has been an extremely positive week for Owners with rates jumping around ws 125 points from Monday. We began the week with Med/TA rates at the 37,000mt x ws 160 mark but by midweek we saw a large influx of cargoes into the market including a handful of Naphtha stems. This saw rates push up to the ws 190 levels. TC2 then began to jump on the bandwagon with Owners managing to achieve 37,000mt x ws 285 on a TA run which we now see repeated X-Med. A handful of cargoes still remain so expect much of the same come Monday.

UK Continent

We finally see this MR sector kick off with rates rapidly rising in the second half of the week as there were limited options available for Charterers. We started fairly slowly with rates around 37,000mt x ws 135 for TA, but with the pull of a better Med market, many of the ballasters heading this way set sail South and headed for Gibraltar.

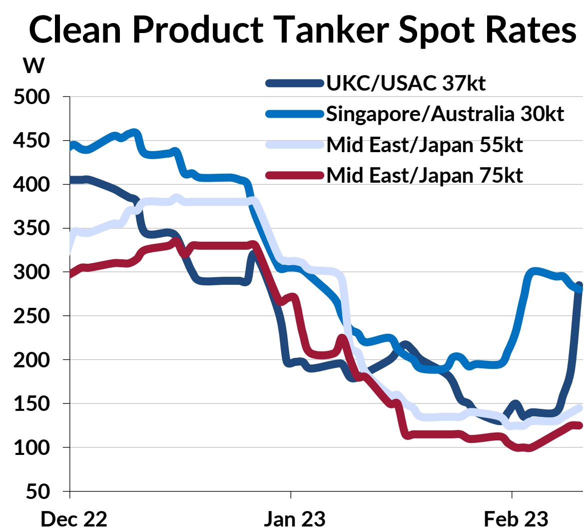
This left our tonnage list thinner than usual and once clarity on Russian Baltic loads appeared, we saw even fewer options for Charterers available. Come midweek we saw a good number of Naphtha stems X-Med continue to push rates up and once we saw 37,000mt x ws 190 done for a replacement Brazil run, Owners saw the potential. 37,000mt x ws 245 was quickly beaten by 37,000mt x ws 290 for TA on Thursday and with a couple of tricky stems still out there, we wouldn't be surprised to see rates in the ws 300s soon. With the States market also finding its feet again as well as a strong East sector we find ourselves again optimistic that Owners will start testing to push rates on.

Things started fairly flat for the Handy sector trading in the Continent with 30,000mt x ws 135 setting the tone for X-UKC. A better Med market kept some tonnage eyeing up the ballast South and by midweek we found ourselves with a thinning list. As the MR sector also increased a few stems have appeared broken down from the larger size and it didn't take long to see 30,000mt x ws 150 to be beaten by ws 160. Partnering this sentiment with a couple of Russian Baltic stems appearing, we saw many outstanding cargoes on Friday lacking tonnage and expect to see further gains shortly.

MRs

The week is finishing incredibly busy once again whilst those repeating ws 320 for EAFR yesterday will be kicking themselves. TCE earnings are now in the high 30ks - low 40ks per day across the board but will push into the mid to high 40ks very quickly given the sheer volume of outstanding cargoes and very tight position list.

We will see Med ballasters this weekend, and very likely a share of Chittagong/ Oz/ Singapore positions as the AG becomes the busiest and highest earning market. This should help reduce the tightness in the market (especially in the Red Sea) - but realistically any fresh ballasters from East/West won't be here for 10-14 days - so the MRs will remain very strong for this 17-22 Feb fixing window. The next done EAFR rate should now be over ws 350, TC12 ws 260- ws 275, and Westbound towards if not over $3 million. The LR1s are not quite having the big push we expected, so expect the shorthauls to continue attracting their attention and charterers stemming up where possible.



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

Dirty Products

Handy

The North market this week has taken an inevitable tumble off the back of prompt units building the position lists, this combined with inactivity has seen rates fall from ws 262.5 to ws 240 and with one unit that has been prompt for a week managing to find coverage at this level, we go into the weekend with Ownersconfidence dampened. Despite some of the usual Russian players holding back this week, one Owner has ballasted two C.Med positions to the Baltic to cover cargoes back to the Med at ws 500-530 further adding to the oversupply of units in the region. The outlook for Owners in the North is soft in the short term however there remains the potential for an injection of pace once again tightening the list and pushing numbers.

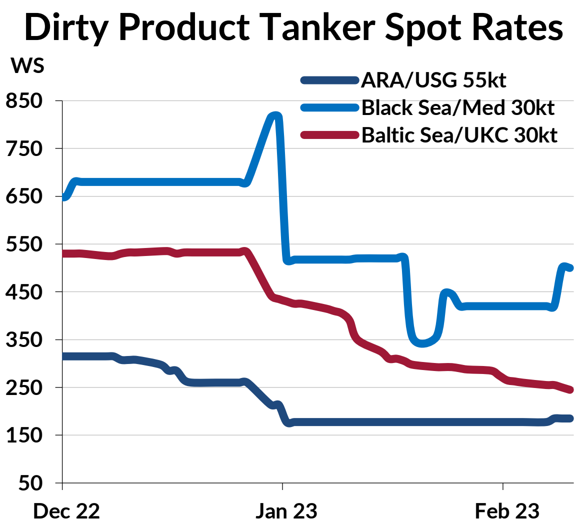
A familiar trend repeated in the Med this week where, after an active first few days, activity slowed towards the end of week. The slow down hasn't dampened sentiment however as the mid-week clear down of prompt units has set the tone that we have found the bottom. With ws 235 being achieved, ws 240+ is now being pushed for and with uncertain itineraries and weather also being a factor, the expectation is that rates will steadily climb from here. One caveat however is the disparity in supply between EMed and WMed where one marketed cargo saw only one offer for an EMed load. With availability tight going into the weekend Owners will be hoping the pace of cargo flow is maintained in order to keep pushing.

MR

This week's mixed fortunes have plagued the one natural MR on the Continent where failing subs meant closing the week closer to its opening dates and ppt on Monday. Ballast tonnage from the Med has also been available in the natural window but with very little cargo on offer these units have found more localised business to jump on. As a result, levels are holding fairly steady in both regions with MRs in the Med looking tighter with potential for rates to bounce in line with improvements on the Handies on opening next week.

Panamax

Activity continues this week as a one Owner this side of the pond manages to find a UKC/Argentina run which saw levels break the ws 200 benchmark. Supply however is limited going forward and without a good supply of tonnage showing before end month, expect questions to surface at a slower rate and with the Caribs market stabilising and earnings still at reasonable levels, attracting ballasters is not yet a viable option.



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

GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 9th	Feb 2nd	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**+4**	53	49	45	55
TD20	Suezmax	WAF-UKC	**-1**	111	112	117	113
TD7	Aframax	N.Sea-UKC	**-3**	163	166	160	161

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

			wk on wk change	Feb 9th	Feb 2nd	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**+6250**	28,750	22,500	18,750	31,750
TD20	Suezmax	WAF-UKC	**-250**	46,500	46,750	51,250	48,250
TD7	Aframax	N.Sea-UKC	**-1000**	64,000	65,000	63,250	62,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 9th	Feb 2nd	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**+28**	124	96	178	
TC2	MR - west	UKC-USAC	**+149**	289	140	179	221
TC5	LR1	AG-Japan	**+17**	143	126	218	193
TC7	MR - east	Singapore-EC Aus	**+6**	282	276	245	246

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

			wk on wk change	Feb 9th	Feb 2nd	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**+12000**	23,250	11,250	47,000	
TC2	MR - west	UKC-USAC	**+34750**	46,000	11,250	20,500	30,250
TC5	LR1	AG-Japan	**+5250**	20,250	15,000	44,000	35,500
TC7	MR - east	Singapore-EC Aus	**+1750**	36,750	35,000	30,500	29,500

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

Bunker Price - Rotterdam VLSFO	**+3**	594	591	559
Bunker Price - Fujairah VLSFO	**-4**	645	649	596
Bunker Price - Singapore VLSFO	**-15**	661	676	616
Bunker Price - Rotterdam LSMGO	**-32**	789	821	869

www.gibsons.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1401, 14/F,
OfficePlus @Wan Chai,
303 Hennessy Road.
Wanchai. Hong Kong.

T (852) 2511 8919
F (852) 2511 8901

Singapore
2 Battery Road
09-01, Maybank Tower
Singapore 049907

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States

Mumbai
B 1006, 10th Floor
Kohinoor Square
Plot No. 46, NC Kelkar Marg, OPP
Shivsena Bhavan, Dadar (W)
Mumbai - 400028
Maharahstra, India
T +9122-6110-0750