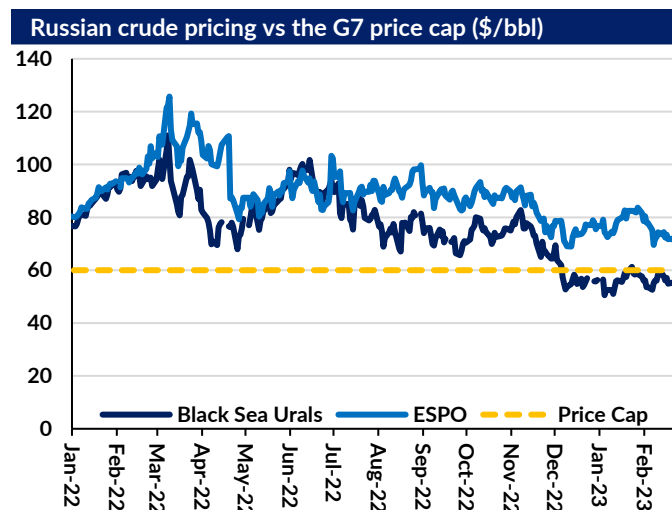


# The Fog of War

## Weekly Tanker Market Report

It now marks one year since the Russian invasion of Ukraine. Instead of being a short military operation, it has evolved into a protracted war with thousands dead and injured on both sides, severe devastation to Ukraine and no sign of de-escalation. For the tanker market, the last twelve months have seen a dramatic reorientation of long-established trade patterns and fuelled a strong rate environment. Therefore, on the one-year anniversary of the outbreak of the war what can we expect going forward?



In less than a year, Russia’s petroleum sector has gone from being a leading mainstream producer to operating under sanctions and price caps. Despite this, Russian seaborne crude exports have so far remained robust at 5.18 mbd in January versus 4.5 mbd in December when the crude price cap came into force and averaged of 4.6 mbd for the whole of 2022. Russia has successfully managed to increase heavily discounted crude sales to both Chinese and Indian buyers, the latter of whom went from importing hardly any Russian crude at the outbreak of the war to 1.58 mbd in January 2023, with further increases possible primarily to the benefit of the Aframax and Suezmax sectors.

However, Russia has announced a crude output cut of 500 kbd in March vs. January levels to support prices in the face of the price cap in addition to a 25% cut in March western port exports vs February levels but this could indicate Russia is expecting to struggle to find buyers beyond its current exports. Attention has turned to Russian refined product exports to see if a market can be established in Latin America, Africa, SE Asia and potentially the Middle East or if Russia will be forced to reduce refinery runs and thereby offer more crude to the market or make further production cuts.

Another notable theme has been the growth of the illicit fleet, with an ever increasing list of vessels arriving at Russian ports to load cargoes since the price caps came into effect. We expect further growth in the coming months as more tonnage gravitates into this trade, which will continue to reduce the size of the fleet available to mainstream market players and support tanker rates in non-Russian trade. Meanwhile, previous importers of Russian oil have diversified their oil supplies away from Russia. The Middle East, the US, Latin America, WAF and North Sea have all boosted their supply of crude to the EU-27 and UK. At the same time, European refining runs have increased but beyond Q1, refinery maintenance is likely to see these volumes begin to soften temporarily, whilst capacity constraints also put a ceiling on how much crude Europe can refine domestically.

The above trends have supported both the crude and product tanker sectors by increasing tonne mile demand, with year on year increases of 6.63% and 3.29% respectively and these should remain elevated for the foreseeable future given that a return to the pre-sanction trading environment is currently unlikely. Even if the war in Ukraine were to come to a sudden end some countries may be reluctant to ever rely on Russia for energy supplies to the previous extent.

Whilst it must not be forgotten the immeasurable toll the war has had on Ukraine and its people; it cannot be denied that for the tanker sector, the conflict has served as a catalyst which has helped to cement the post Covid-19 demand recovery for tanker shipping. It has highlighted the importance of the tanker industry in terms of both simultaneously supporting energy security for some, whilst facilitating the flow of sanctioned oil for others and the geopolitics surrounding the sector more broadly.

## Crude Oil

### Middle East

VLCC rates experienced a downturn which started mid-week as Owner's sentiment softened with a limited amount of first decade cargoes on offer. Charterers have been able to fix below last done levels but by weeks end, Owners were again showing resistance so the pace of softening has eased and today we would expect a 270 AG/China to go for ws65 and 280 AG/USG to fetch ws41.

The AG has been active this week in the Suezmax sector, there is still a supply of ships looking to use runs into the Med as a backhaul which has kept a lid on the market so far. Rates for AG/West are around 140,000mt x ws 62.5. A few ships are willing to head East at the moment so Charterers should expect to pay somewhere in the region of 130,000mt x ws140. Aframaxes finish the week in the AG balanced at 80 x ws190-200 for AG-East. Activity levels remain quiet, but warming in the Med could see sentiment inch rates up next week.

### West Africa

Activity this week on VLCCs was limited with most enquiry going West rather than East but the fall in AG rates had a negative impact here with rates softer slightly despite tonnage being tight for earlier dates. Today we are expecting 260 WAF/China to go in the region of ws66. Suezmax rates have continued to surge in West Africa with limited availability on the front end of the list, rates for UKCM runs stand at approximately 130,000mt x ws140.

The premium to head East has shrunk to

around 5 points now that market rates have pushed up.

### Mediterranean

After a spell of bad weather delaying loadings in the Black Sea, we have seen lower levels of enquiry. Bullish Owners seem to be propping up markets for TD6 though, and levels are around 130,000mt x ws170. Suezmax rates into the East stand at approximately \$6m today. A mixed bag for Aframaxes this week. On the face of it there has been a healthy amount of fixing, but a slow start drew the spirit from Owners and rates feathered downwards. Ceyhan rates dropped from ws175 to ws170 and Libya rates even dipped into the ws160s with a good flat rate. However, with some clandestine fixing absorbing the more amenable tonnage and with longer voyages wording to strip the list further we can expect the next days to provide a warmer feel.

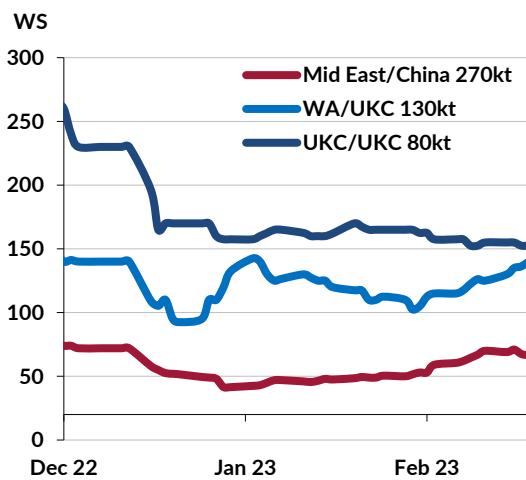
### US Gulf/Latin America

It has been a good week for VLCC Owners in this region as enquiry levels remained high and tonnage availability was very limited especially for March dates. We are now seeing the April cargoes appear so Owners should expect this firm market to continue for now. Today a USG to China run today would expect to fetch in the region of \$9.2m. The Aframax market here is going through a resurgence and rates and rocketed into the mid ws200's and would expect this to continue for now.

## North Sea

A week with a fair amount of under the radar activity keeping the market ticking along with a sense of an uptick going forward and positivity across the Afra board. X-North Sea trades at around ws155 levels for now.

## Crude Tanker Spot Rates



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

## Clean Products

### East

It was a slightly disappointing end to the week for the LR2s with a few ships being released yesterday and a softening of levels seen on a stem into EAFR. This was a slight dampener on the sentiment but in reality - it shouldn't affect the usual West players and their ideas on freight at circa \$4.7m levels, but it will likely draw curtains on the week in terms of freshly quoted and worked stems.

LR1s were quite a busy segment towards the end of the week with a number of ships going in for contract liftings which won't in reality change market assessments here. TC5 is at the ws 210-220 mark and a West run is at \$3.8-3.9m levels. With the underperforming MRs, the temptation here is to sit on one's hands and wait for the new week to trade.

One of the quietest weeks for a very long time in the AG as the MRs sink lower, but the real damage is yet to be done. Whilst the vessel count is only 4-5 ships higher than seven days ago (and the height of the recent market), the lack of outstanding cargoes combined with a very large list of ballasters with good itineraries has seen EAFR drop 70pts this week, and another 70pts is feasible next week too. Owners shouldn't be too disheartened given earnings are still in the 30s and whilst we look bearish to start March, it feels more like a dip than the beginning of a long bear run. Most Owners are favouring shorthaul where possible to kick the can down the road.

### Mediterranean

A disappointing week for the handies here in the Mediterranean as we see rates come off around 30 points for X-Med. We began the week with X-Med trading at the 30,000mt x ws 260 mark but even after a decent amount of fresh enquiry to start the week rates soon began to slip due to the replenished list. At the time of writing 30,000mt x ws 230 is on subs X-Med with Non-Russian Black Sea receiving a fresh test at the 30,000mt x ws 280 mark. As we approach the weekend there are a few cargoes left to cover so expect levels to hold for now.

Finally, to the Med MR market where it's been a quiet week in terms of fresh enquiry & activity. We closed Week 7 with Med/TA trading at the 37,000mt x ws 285 mark but with poor enquiry and TC2 under pressure rates soon tumbled with last done currently at the 37,000mt x ws 237.5. Since then, 37,000mt x ws 190 has gone on subs for TC2 so expect Med levels to follow suit when next tested with WAF to land at +10 on TA. Market quiet.

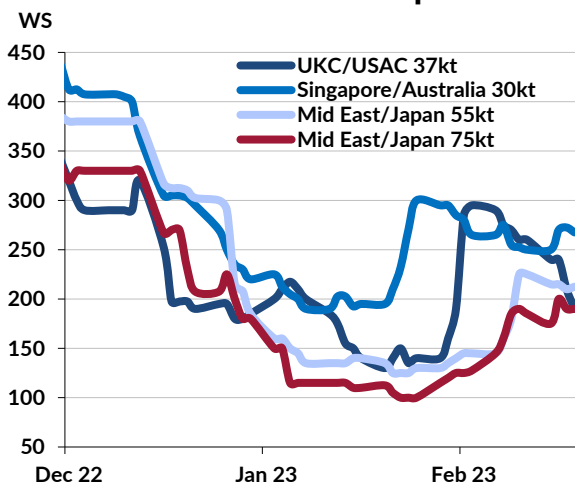
### UK Continent

Enquiry flow was always going to define this week and Owners were looking forward to an active start to get things going. This rapidly became clear it wasn't going to happen and from here we saw rates slide with almost every fixture as we started at 37,000mt x ws 240 and come Friday we see ourselves at 37,000mt x ws 185. With enquiry levels especially for WAF on the thin side, Owners have struggled to find employment and moving into next week, the question is where the floor is. A few

less ballasters heading this way will certainly help a touch, but initially we need to remove the excess prompt tonnage if we are to turn this momentum around.

It has been a lacklustre week for Handies in the North with cargo volumes being drip-fed into the marketplace. The softening MR sector has been the thorn in the Handies side as X-UKC freight rates have traded down to 30,000mt x ws 250 (at the time of writing). The weekend break will only enable more vessels' itineraries to firm up and therefore increase the supply of ships come Monday morning. It is a bumpy road ahead for owners here with an injection of stems required if they are to steady the ship.

## Clean Product Tanker Spot Rates



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

## Dirty Products

### Handy

Handies on the Cont have continued to gain ground this week albeit at a slower pace than expected given the absence of tonnage on Monday's list. Despite the list being tight, enquiry has been relatively slow to surface and as such rates in the last 5 days have only steadily climbed, with ws 277.5 the current conference level. With firm itineraries hard to find and dates moving on, expect to see more of the same going into week 9.

Likewise in the Med a similar story plays out, where early predictions of a push on rates off the back of a tight list have not come to fruition. Firm units have been sparse in the natural window; however, as we have seen further North, quieter days in terms of enquiry have dampened Owners' willingness to push on and take what is on offer at still reasonably good levels.

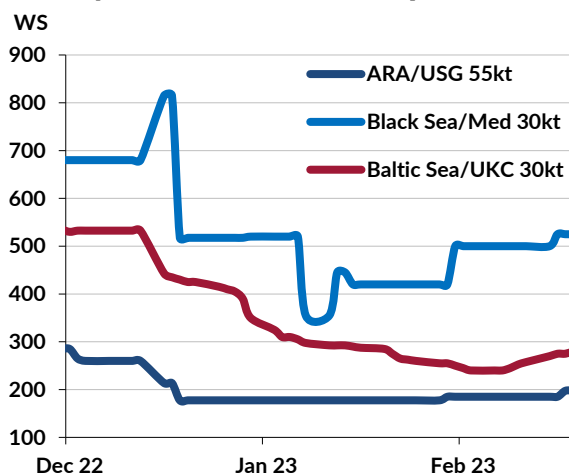
### MR

The story on the MRs this week has played out in a very similar way to previous weeks, where firming, tighter lists of units with uncertain itineraries have seen the MRs rise to the surface to take part cargoes at reasonable levels. For some time now Owners have been willing to fill gaps on part cargoes, which has served well, as gaps between questions on full stems have lengthened. Looking to next week in both markets, levels are firm with units tight, so expect to see a push should a full stem surface.

### Panamax

The European Panamax market continues to suffer from a combination of a lack of firm tonnage and a buoyant Caribs/States market. With activity over the pond continuing to offer local tonnage good returns and regular employment, enticing units away from the region has been somewhat of a non-starter for some time. As and when firm positions surface this side, Owners are continually forced to take local runs to fill a gap, leaving longhaul regularly in need of a fresh test.

### 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	Feb 23rd	Feb 16th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	-1	65	66	48	58
TD20	Suezmax	WAF-UKC	+11	136	125	124	122
TD7	Aframax	N.Sea-UKC	+0	153	153	161	160

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

			wk on wk change	Feb 23rd	Feb 16th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	+1250	49,500	48,250	19,250	40,750
TD20	Suezmax	WAF-UKC	+9500	66,000	56,500	54,250	56,500
TD7	Aframax	N.Sea-UKC	+750	56,750	56,000	61,750	63,250

## Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 23rd	Feb 16th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	+10	194	184	111	
TC2	MR - west	UKC-USAC	-71	193	264	151	199
TC5	LR1	AG-Japan	-6	209	215	131	189
TC7	MR - east	Singapore-EC Aus	+21	277	256	196	252

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

			wk on wk change	Feb 23rd	Feb 16th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	+6500	54,750	48,250	16,750	
TC2	MR - west	UKC-USAC	-15500	24,750	40,250	12,750	26,250
TC5	LR1	AG-Japan	+250	42,500	42,250	16,250	36,500
TC7	MR - east	Singapore-EC Aus	+6000	37,750	31,750	18,500	33,000

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

Bunker Price - Rotterdam VLSFO	-38	553	591	613
Bunker Price - Fujairah VLSFO	-38	596	634	689
Bunker Price - Singapore VLSFO	-58	587	645	691
Bunker Price - Rotterdam LSMGO	-35	760	795	920

[www.gibsons.co.uk](http://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](mailto: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, 10<sup>th</sup> Floor  
Kohinoor Square  
Plot No. 46, NC Kelkar Marg, OPP  
Shivsena Bhavan, Dadar (W)  
Mumbai - 400028  
Maharashtra, India  
T +9122-6110-0750

This report has been produced for general information and is not a replacement for specific advice. While the market information is believed to be reasonably accurate, it is by its nature subject to limited audits and validations. No responsibility can be accepted for any errors or any consequences arising therefrom. No part of the report may be reproduced or circulated without our prior written approval. © E.A. Gibson Shipbrokers Ltd 2023.