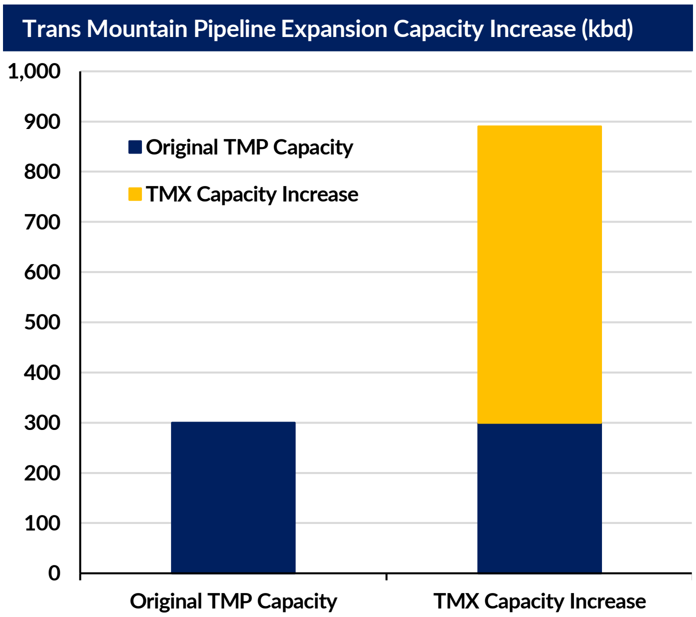
Rocky Road

Weekly Tanker Market Report

In a recent tanker market report, we highlighted some of the current issues surrounding transit crude and crude pipelines; on that note, attention once again has turned to Canada's Trans Mountain Extension project (TMX). Concerns have been raised that rising constructions costs and inflationary pressures related to labour shortages and material costs mean further investment in the region of C$9.1 billion is required this year to see the project come online in Q1 2024. This comes after a long running series of startup delays; as well as the Canadian federal government having to become financially involved and growing environmental concerns.



On a more positive note, the project is reported to be 80% complete as of writing and will extend the current pipeline capacity from 300 kbd to 890 kbd (a 590 kbd increase), reflecting an important development in Canada's petroleum industry by allowing landlocked Albertan grades to be shipped West via a proposed export terminal exclusive to Aframaxes on the West Coast of Canada. In effect, this will create an entirely new market route in the Pacific. Additionally, IEA data suggests Canadian crude production remains robust, despite the current wildfire related outages, with 2023 output levels forecast at 5.82 mbd, up from 5.76 mbd.

Most of this crude is expected to be shipped to either US West Coast Refiners or longer haul to Asian buyers looking for heavy sour grades in which West Canada Select (WCS), and Cold Lake might compete favourably with some heavy grades that are popular with Asian refiners. The advantage here is that this could allow greater crude procurement flexibility in both regions and Canadian crude has the benefit of not being subject to sanctions as some other heavy grades originating from Venezuela and Iran.

This is a positive development for the tanker market by increasing cargo availability and tonne miles at a time when fleet capacity is beginning to show signs of being squeezed and Aframax deliveries should remain limited. However, this latest costing issue shows more is still required to make this project a reality, but progress is being made and most signs point to the pipeline extension finally nearing an operational start up. However, after construction is complete, further delays may occur in the form of environmental challenges and legal cases, but this remains to be seen. There is also the risk of the project not reaching its full export potential or being curtailed if political support is lacking, but this seems unlikely given the large sunk capital costs involved in the expansion to date.

More broadly, unlike other pipeline systems currently facing disruption in other countries, Canada offers relative stability, and this should ensure a smooth operation into the future and steps can likely be taken to mitigate TMX's environmental impact. Likewise, it offers an alternative export route for Canadian crude besides the USG via alternative pipelines such as Keystone. In the meantime, Aframax owners should have something extra to look forward to into 2024-2025 if we finally see a startup.

GIBSON SHIPBROKERS

Crude Oil

Middle East

VLCC Charterers have seen little point rushing in to cover their 2nd decade enquiry as there appears enough availability to ensure they can hold back and add further pressure on Owners. This has had an effect, as we see last done to the Far East at ws 47 on 270,000mt. Voyages West remain extremely rare, but we estimate that levels should be just in the low ws 30's on 280,000mt.

Suezmax rates for AG/West have come under pressure throughout the week, with limited levels of enquiry and a healthy tonnage list. Today a standard TD23 run will pay around; 140,000mt x ws 67.5. Hesitancy to head East seems to have faded slightly. As such, voyages in that direction sit at approximately 130,000mt x ws 122.5.

It has been another healthy week for Aframax Owners in the AG. With Suezmaxes remaining steady and the Med Afra market continuing to be warm all week, Owners have managed to inch rates up in this region. So far, Charterers will be pleased to see rates are yet to take off; however, potential remains for Owners. Although the tonnage list is lengthy, it is littered with both Russian players and handicapped units. We finish the week with AG/East at ws 185 level.

West Africa

Difficult for VLCC Owners to have any real optimism here as no other markets around them are helping the cause. With this and their own market remaining quiet, levels have come off and we expect next done to be in line with the AG market, which is now sub ws 50 on 260,000mt.

The Suezmax market in West Africa has softened this week, and there are ships available to make prompt dates. Against limited enquiry sentiment remains soft, but there has been some resistance at the ws 115 level. We close out the week for TD20 at 130,000mt x ws 115 but there to be tested. Premiums to head East are at approximately ws 10 points.

Mediterranean

Trading in the Med region has been quiet in terms of Suezmax size stems, although Aframaxes have kept rates propped up as we see a natural cap put on their rates. TD6 stands around 130,000mt x ws 130 at the time of writing, with stems covered late this week facing some heavy resistance on the Aframax side and taking a Suezmax. There is a higher-than-average number of Owners looking for a run into the East. Rates today will be approximately $6.7m for a generic run.

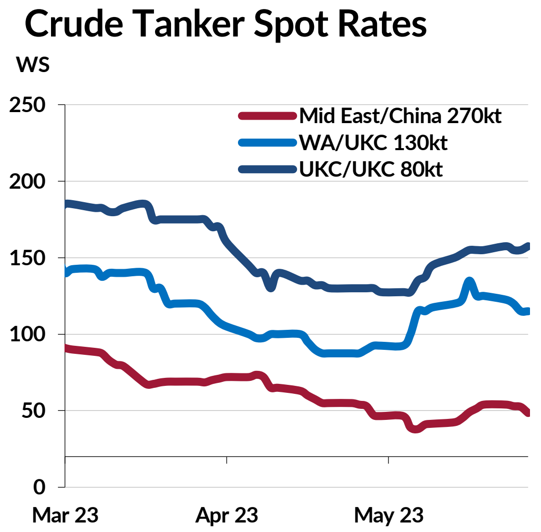
A steady week of growth for Aframax rates in the Mediterranean and Black Sea zones. The position list has remained tight on the back of recent ballasters to the States and steady activity, which led to moderate rate gains. Vanilla Cross Med runs began the week in the high ws 180's, with a high of ws 215 recorded for a replacement cargo needing a well approved ship. For normal fixing Owners had hoped to achieve around ws 205 levels; however, with a long weekend approaching, their ambition has stalled and any cargos loading in West Med will find the going easier as ships can be tempted down from the weaker North Sea market. As far as the Black Sea is concerned, similar traction has not been achieved, with the uneventful Suezmax market providing a cap to rates. True Aframax cargos achieved ws 222.5-225 levels, but Suezmaxes able to compete have been limiting rates to ws 220 and continue to be in play.

US Gulf/Latin America

Aframax Owners are trying to hold on to some respectable levels; yet, as we are seeing elsewhere, this quiet week is taking effect. Rates have come off to around 70,000mt x ws 270 for short but this needs to be tested. Voyages West are struggling to hold on to ws 200. VLCC rates have drifted South over the week as some fixing and failing has remained availability in favor of the Charterers. Last done levels are unlikely to be repeated as Charterers will expect greater discounts. Rates currently stand around US$8.15m to the Far East and $4.175m to the UK Cont.

North Sea

More of the same for Aframax Owners in the North Sea, as mediocre volumes prevail and a head of steam is hard to produce. On the face of it, the ingredients are there for some rate growth as a number of ballasters have either departed speculatively for the firm US market or have fixed firm cargos loading in the Western Mediterranean which can guarantee reasonable returns. These factors have indeed let to some modest improvements for Owners with ws 152.5 for Cross North Sea rising to ws 157.5, but this market is still lagging behind its neighbours for now. Baltic cargos are still being fixed for Far East destinations for those who are able and willing to do their homework and lift the barrels.



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

Clean Products

East

A flat week on the LR1s with rates seeing minimal movement. But with LR2s pushing on quickly it is expected that the LR1s will start to see more activity and firm quickly in the coming weeks. For now, A 55,000 mt Naphtha AG/Japan run is at the ws 160 level and a 60,000 mt Jet AG/UKC run is hovering around the $3.3 million mark.

LR2s on the other hand have had a good week with some $500k added to West rates and TC1 has rose some 35 ws points. The sentiment remains strong, and each cargo sees limited offers. A 75,000 mt Naphtha AG/Japan run is now likely priced at ws 150 and you won't see less than $4.1 million for AG/UKC. Rates should see further rises as lists are tight but needs to see the LR1s pick up the pace to really see substantial further movement.

Not an overly busy, but a bullish week (finally) for the MRs. EAFR is reportedly on subs at ws 295 which would take earnings to 35k/day (better than Singapore – but not enough to encourage waves of ballasters). A Westbound voyage has risen to $2.75 million, whilst TC12 has found a new footing at ws 200 (next done should exceed ws 215-220 if Owners run their calculations correctly).

Owners are currently wanting long-haul cargoes so they can lock in these good earnings. Some Owners now view a Mozambique cargo as the perfect run going into the Summer as three months on demurrage at 40k/day looks like a good hedge against the usual July/August market lull.

Mediterranean

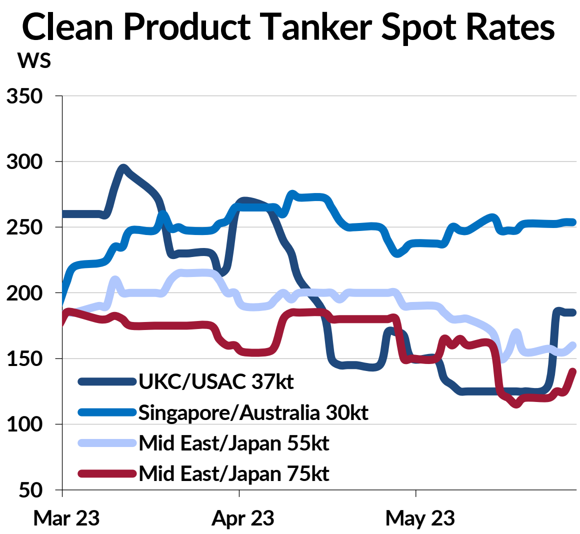
It's been a fairly active week for the Handies in the Mediterranean in terms of fresh enquiry but, with the list well supplied, rates have been unable to push on. 30 x ws 135 X-Med has been the call for the majority of this week, with only more being seen for replacement stems. Black Sea action on the other hand has been quiet, with rates expected to maintain a ws 50 point premium on X-Med when next tested. This improved activity has helped clear out some of the front-end but, with the long weekend approaching, expect much of the same come Tuesday.

Finally, to the MRs in the Mediterranean, where it has been a positive week for Owners. We began the week with rates trading at the 37 x ws 135 mark for Med/TA but after a ws 60 point jump on TC2 rates and some further enquiry into the Med, it wasn't long until rates here followed suit. We now see Med/TA up around the 37 x ws 175 mark, with higher also achieved for a promptish replacement stem. Heading into the weekend, there are a handful of stems still looking for cover, so expect Owners to remain positive.

UK Continent

A sharp increase in the MR sector early in the week has given Owners a bit more spring in their step once again, as the TA arb opened up, seeing a glut of enquiry off end month dates. With the East market also bare on tonnage, Owners took back momentum and on Tuesday we saw rates rise from 37 x ws 125 to ws 185 by the end of the day within a few fixtures. The market then found some stability and this level seems to have settled, with the States market also seeing good improvements. Despite a slightly slower end to the week, we anticipate limited ballast units over the weekend and thus keeping this market in a strong position for the Owning fraternity.

Not quite as dramatic an improvement seen on the Handies, but certainly we see Charterers looking to take advantage of this size rather than get caught out on the MRs. A few more WAF stems appear throughout the week and come Friday we see rates fairly stable around the 30 x ws 130 mark for X-UKC. Those Owners who have good intakes will certainly be able to play around with a number of options, but for now Charterers are able to keep a lid on rates.



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

Dirty Products

Handy

This week a more subdued feel has been evident in the North as cargo volume has been drip fed into the region allowing both natural and ballast tonnage to build in numbers. Despite starting the week with limited availability, a combination of relets populated the list and a subsequent lack of activity has seen sentiment swing in Charterers favour. We close the week with rumours of ws 250 fixed off market and with a long weekend here in the UK expect to see a similar trend as Week 22 begins as replenishment tops up both prompt and forward availability.

The Med for most of the week remained steady with enquiry levels doing just enough to keep Owner's aspirations within the ws 215-220 levels throughout. With just a handful of questions each day. However, Owners are having to wait until they get precariously close to the top of the list and being prompt before they're shown cargoes. Should the cargo flow slow therefore we can expect to see rates come under pressure.

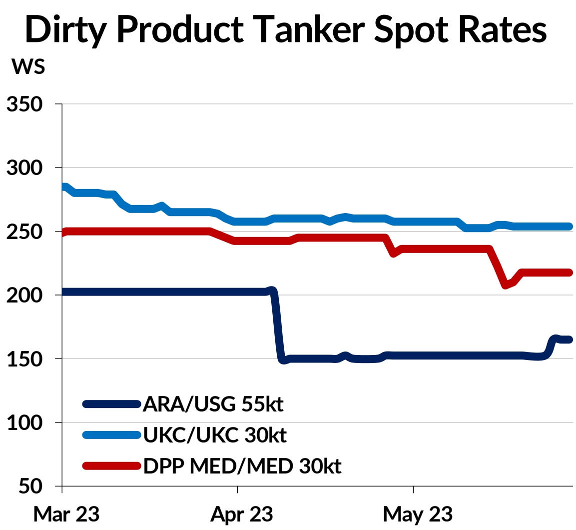
MR

This week's activity on the MRs in North saw a long-awaited injection of pace as both naturally placed units and West Med tonnage has been clipped away.

Despite needing a test for full stem enquiry, both Owners and Charterers agreed to settle at the ws 200 level which remained steady throughout the entire week. There was little to report in the Med as activity continued at a snail's pace creating a softer feeling across the region as prompt availability lengthened. The inevitable decline in rates saw one unit come under pressure by taking coverage at ws 185 level, and with sentiment still in Charterer's favour - expect no change next week.

Panamax

Very little to report this week on the Panamaxes from this side of the pond where a recent fresh test saw Owners manage to claw back just a few points lost. Since then, despite availability being forward on dates, one eye has been kept on the States market where a softening in rates continues but returns are still more attractive than being sat in Europe watching idle days stack up. That said, should a test surface next week then last done is likely to hold for now where competition between units builds in the natural window.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 25th	May 18th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+0**	50	50	57	53
TD20	Suezmax	WAF-UKC	**-15**	115	130	91	106
TD7	Aframax	N.Sea-UKC	**+2**	156	154	131	149

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

			wk on wk change	May 25th	May 18th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+1000**	29,250	28,250	38,000	33,750
TD20	Suezmax	WAF-UKC	**-10250**	52,500	62,750	35,000	46,750
TD7	Aframax	N.Sea-UKC	**+2000**	61,250	59,250	38,750	55,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 25th	May 18th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+21**	139	118	182	
TC2	MR - west	UKC-USAC	**+60**	186	126	143	183
TC5	LR1	AG-Japan	**-1**	160	161	200	178
TC7	MR - east	Singapore-EC Aus	**+6**	252	246	251	247

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

			wk on wk change	May 25th	May 18th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+8750**	32,500	23,750	49,750	
TC2	MR - west	UKC-USAC	**+14000**	24,250	10,250	13,750	23,500
TC5	LR1	AG-Japan	**+250**	28,250	28,000	39,750	33,750
TC7	MR - east	Singapore-EC Aus	**+1500**	33,000	31,500	32,750	32,000

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

Bunker Price - Rotterdam VLSFO	**+8**	534	526	545
Bunker Price - Fujairah VLSFO	**+14**	564	550	580
Bunker Price - Singapore VLSFO	**+16**	580	564	591
Bunker Price - Rotterdam LSMGO	**+12**	681	669	695

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