A Need for Renewal

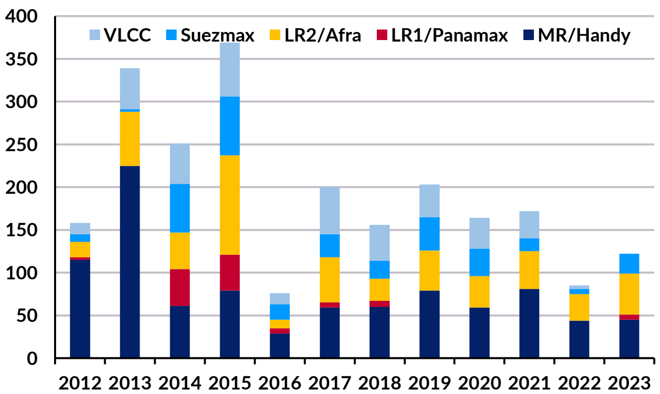
Weekly Tanker Market Report

Against the backdrop of escalating environmental pressure and a political focus on developing renewable energy in recent years, we also see increasing warnings from oil producers and industry veterans that significant new investment in global upstream oil and gas development is needed by 2030 to meet market needs and to prevent a supply shortfall, even if demand growth slows toward a plateau in the longer term. For those in the tanker market, a similar trend has been in the making.

The tanker fleet is ageing fast, ironically "helped" by virtually non-existing demolition over the past 12 months on the back of a dramatic improvement in tanker earnings and the gradual exit of predominantly ageing tankers into the dark fleet, destined to trade almost solely Russian barrels. Currently, 8% of the fleet over 25,000 dwt is over 20 years of age, with most of these units, particularly on larger sizes already operating outside conventional trades, including storage operations. Another 25% of the total fleet is in the 16-to-20-year bracket, with the proportion of Handy, Panamax and Aframax vessels in this age group being notably higher.

It is also a well-known fact that investment in new tonnage has declined notably in recent years, embattled by the pandemic-driven collapse in tanker demand, sizable increases in asset values and rapidly disappearing near term yard availability, concerns about long term oil demand and uncertainly about future vessels designs and fuels. As a result, at the start of this year, the tanker orderbook shrunk to its lowest level in at least two decades.

New Tanker Orders (no. of Vessels)



Yet, there has been an increase in newbuilding appetite across almost all size groups so far in 2023. With Aframaxes/LR2s being the best performing asset since the war in Ukraine broke out, it is not surprising that this size group is in the lead, with combined orders for the year to date already at their highest since 2017. Investment in new Suezmaxes is the highest since 2020, whist MR orders for the year to date are just marginally short of last year's total. We have also seen a few orders for Handy and LR1 tankers, following years of marginal, (if any) investment in these size groups. Most of the orders are for 2025 delivery, whilst there is a growing volume of tankers for delivery in 2026 or even later, as yard capacity sells out. Going forward, yard availability is highly likely to face further constraints amid booming LNG demand, whilst any fresh orders for large bulk carriers could also eat into tanker slots.

Although the recent pick up in orders is welcome, it still comes nowhere close to offsetting the number of vessels at or approaching their natural retirement age over the next four/five years. Demand for Russian trade is likely to remain strong, at least in the near term; yet, any new sanctions and/or international tonnage safety regulations (albeit unknown at this stage) may potentially make the age profile of vessels in Russian trade a bit younger. More importantly, Russian demand is finite and will reach saturation at some point, meaning that the focus will once again shift to demolition, regardless of whether vessels will be exiting Russian (or other sanctioned trades), or the mainstream market. Environmental and regulatory pressure will be pivotal here, whilst reputational risk of the major oil companies also has a role to play. When scrapping ultimately comes, the tanker industry may well find itself in a similar situation as the oil industry – with not enough tankers to meet existing demand.

Crude Oil

Middle East

It's been another busy week on the AG VLCC market as Charterers move to cover the outstanding June stems. Owners have been frustrated that the increased activity and thinning tonnage supply did not result in much of an upturn, but this was showing signs of changing by the end of the week as the East market is back to a ws50 plus. Today we would expect 270 AG/China to fetch in excess of ws 52.5 and 280 AG/USG to go for at least ws 34 level.

Enquiry continues to trickle through, and despite resistance from Owners rates have been pushed down to 140,000mt x ws 60. Enquiry to head East remains minimal, and with adequate available tonnage rates stand around 130,000mt x ws 115.

A subdued week in the East has left a healthy list of tonnage hunting for employment. Charterers will look to chop rates further next week and unless we see a flurry of fresh inquiry, Owner's resistance will surely be tested. The week ends with AG/East at 80,000mt x ws 172.5level.

West Africa

VLCC's have been active in WAF this week both in Eastern and Atlantic runs and tonnage has begun to tighten especially for early July as a large volume of ships are fixed in AG and USG/SAM areas. Today we are expecting a 260 WAF/China to go for ws 50 off the natural window.

Suezmax markets in West Africa are beginning to firm and with a busy USG market, Owners will be looking to break above 130,000mt x ws 90 for TD20.

Premiums to head East still stand at approximately 10 points.

Mediterranean

Suezmax size stems remain somewhat hard to come by, but a firmer Aframax market in the Med will have Owners asking over 130,000mt x ws 110 for TD6. We also see more resistance for the longer runs, with rates around $5m for Libya/Ningbo.

More of the same for Aframax Owners this week. The market reacted to limited cargo activity and a long early tonnage list. Rates slipped from ws 170 from Ceyhan down to levels mirrored in the North Sea (ws 145). Once that level was reached there was the inevitable shopping rush and Charterers filled their boots. CPC cargos corrected to ws 185 which is also what Suezmaxes will achieve and so a natural anchorage was found. As we approach the weekend, the list is much tighter, and rates rebounded a fraction towards ws 150 Cross Med but with cargos fixed forward the further upside is likely to be limited.

US Gulf/Latin America

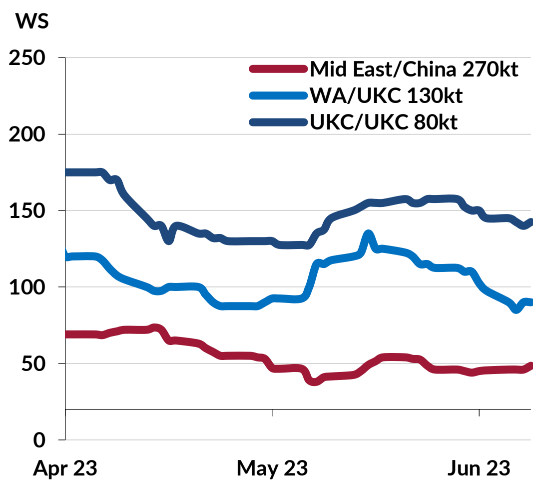
It's been a bumpy ride for VLCC Owners this week as rates softened during the first half of the week despite a good level of enquiry but the recovered as we witnessed a resurgent market in Brazil export crude. Charterers in the USG are now looking 2nd half July but are meeting resistance to last done levels as Owner's sentiment is stronger. Today a USG / China run will pay in region of $8m.

The Aframax market was in the doldrums at the beginning of the week as rates collapsed with the lack of enquiry, but we have seen recovery towards the end of the week and fundamentals look better going into next week.

North Sea

It has been interesting week for the North Afra market as rates reach a natural bottom. Throughout the week, a number of under the radar movements have caused rates to bottom at around the ws 140 level. As we look into next week, with a market that is in the balance, Owners will hope that rates push back upwards, as cargos working are receiving limited offers.

Crude Tanker Spot Rates



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

Clean Products

East

It was a pretty quiet first half of the week for the LR2s that saw an initial negative correction down to $3.2m for a West bound run. However, as the week progressed, the supply of stems has picked up and there is more going on both on and off the market. Rates having been tested and are holding flat for now with TC1 at 75,000mt x ws 115 levels and for the UKC at $3.2m. We assess that there will be more activity next week and Owners will be hoping to clear out the list and see rates pick up.

The LR1s overall have been very quiet for the majority of the week. However, there has been more enquiry today. A soft rate of $2.1m for UKC (last done Russian) saw a correction, but as we have seen in the past, Owners are reluctant to fall on their sword and drop rates, as such with $2.5m on sub ex WCI / UKC we can assess that a AG /UKC run sits in the $2.6m levels. TC5 needs to be tested but should be 55,000mt x ws 125. Expectations are that we are going to see more activity next week (given we have been short of stems for the last 3 weeks) the list will be able to clear out the front end and allow Owners the opportunity to push rates back up. Expect it will have to be small steps though.

A busy week for the MRs, but given the length of the list and the poor performing Singapore and LR market, rates have stayed along the bottom. Earnings sit between 25-29k/day depending on who you ask, but fundamentally the list has been chopped away at enough that with good volume next week we should see rates rally.

Mediterranean

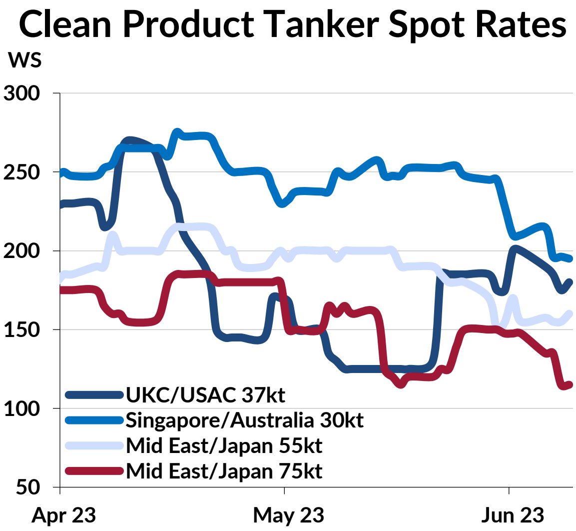
Similar week to the last for the Med Handy market, as we continue to see rates trading at the bottom. Despite some good enquiry levels seen midweek, X-Med rates continue to be repeated at the 30 x ws 135 mark due to an oversupply of tonnage for the current fixing window. Black Sea/Med also received a fresh test this week, as we see the premium decrease to ws 40 points on X-Med. Much of the same expected come Monday morning.

Finally, to the MRs in the Mediterranean, where it's been a steady week for the most part. We began the week with Med/TA trading at the 37 x ws 180 mark but, with TC2 softening over the back end of the week and increasing ballasters heading our way, we now see levels beginning to slip here. Last done Med/TA is now at the 37 x ws 175 mark, with WAF expected to be tested at a ws 10 premium. At the time of writing, little is left to cover, so expect some pressure into the weekend.

UK Continent

Although it's been a fairly active week in NWE on MRs, the rates have continued to slip. From the start of the week, a build-up of prompt Russian tonnage helped to create opportunities and wiggle room to those who can take their history. It helped provide enough room for Charterers to maintain their aggressive stance and as we finish the week, TC2 is under pressure at 37 x ws 170.

Not the most thrilling week for Handies plying their trade in the North, as X-UKC levels have traded around the 30 x ws 132.5-135 mark throughout. Cargoes have been drip-fed into the market and, with a healthy amount of units on the supply side, there currently is little upside for the short term. Sideways for now.



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

Dirty Products

Handy

Despite the region settling towards the end of last week, the market in the North in week 23 has seen Owners once again come under increasing pressure. A combination of factors including a sluggish pace of enquiry and subsequent stacking up of units has seen sentiment slide and rates fall with ws 235 established mid-week. Sentiment does seem to be siding with Charterers and you get the impression that perhaps there could be more value lost before we hit the bottom given how the Med has corrected down to the ws 200 levels this week.

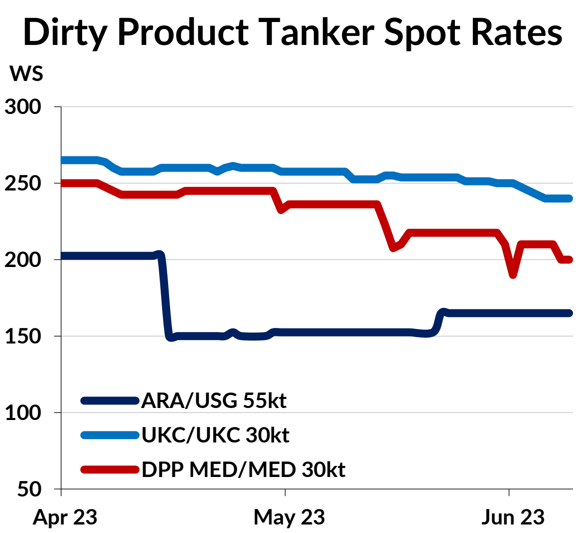
On this topic, the Med has succumbed to the pressure of inactivity combined with availability backing up, however once the region had seen a decline to ws 200, a repetition has been seen affording the region a bit more stability and given the rate of fixing seen this week Owners fears are eased somewhat with a bit of balance restored.

MR

On the MR's, Owners have had to look at the events which have unfolded around them and act accordingly, as at one point in the Med Charterers were being deterred from looking at an MR where it was offering very minimal cost savings on a $/MT. A correction was therefore due to happen, which subsequently came, however, this arrived too late for a few Owners who had to move on handy stems in order to avoid Idle time. It's worth noting however, that this sector is likely to be tested further come Monday morning with benchmarks in urgent need of a refresh.

Panamax

There was some loose questions this week under the surface with freight estimates being in line with where we'd expect levels to be. That said, absent any real fixtures to report, we continue to take our benchmarks from the room in which the surrounding Aframax's allow us to trade at.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 8th	June 1st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+3**	48	45	40	55
TD20	Suezmax	WAF-UKC	**-11**	91	102	117	104
TD7	Aframax	N.Sea-UKC	**-8**	141	149	136	147

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

			wk on wk change	June 8th	June 1st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+3000**	26,750	23,750	16,250	35,750
TD20	Suezmax	WAF-UKC	**-9000**	35,250	44,250	53,500	44,500
TD7	Aframax	N.Sea-UKC	**-8500**	53,750	62,250	43,750	59,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 8th	June 1st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-31**	114	145	155	
TC2	MR - west	UKC-USAC	**-20**	178	198	126	182
TC5	LR1	AG-Japan	**-18**	129	147	176	167
TC7	MR - east	Singapore-EC Aus	**-19**	200	219	251	241

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

			wk on wk change	June 8th	June 1st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-13500**	22,750	36,250	39,250	
TC2	MR - west	UKC-USAC	**-5250**	22,000	27,250	10,250	22,750
TC5	LR1	AG-Japan	**-6500**	18,750	25,250	33,250	30,250
TC7	MR - east	Singapore-EC Aus	**-4750**	22,250	27,000	33,000	30,750

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

Bunker Price - Rotterdam VLSFO	**+27**	547	520	528
Bunker Price - Fujairah VLSFO	**+23**	558	535	550
Bunker Price - Singapore VLSFO	**+29**	581	552	564
Bunker Price - Rotterdam LSMGO	**+39**	689	650	670

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