The Final Countdown

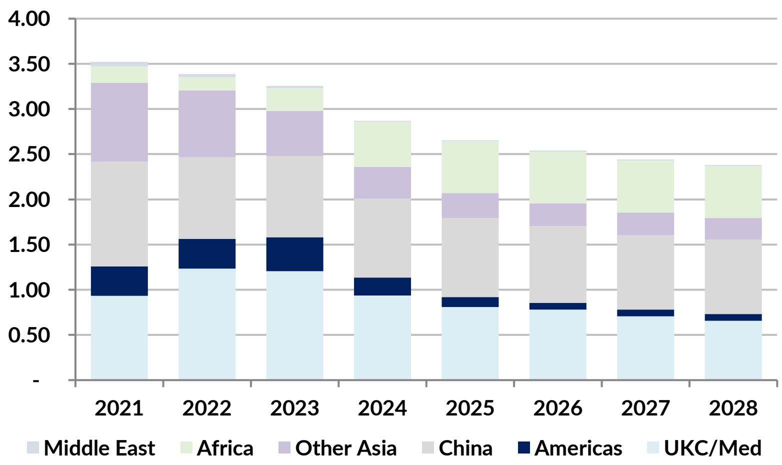
Weekly Tanker Market Report

The long-awaited massive 650kbd Dangote refinery in Nigeria was inagurated in late May, following years of delays caused by logistical problems and pandemic related disruptions. The refinery is expected to begin operations this summer, although industry experts warn that commisioning is a very complicated process, not least due to the sheer size of the refinery and so is likely to take additional time. Energy Aspects believes there is a good chance that Dangote will reach 50-70% of operational runs in 2024, whilst the IEA assumes the refinery to be fully operational by mid-2024. An increase in crude deliveries into Lekki will signal the start of operations; however, so far this has not been witnessed. Similarly, we are yet to see any major decline in Nigerian seaborne crude exports.

Nonetheless, it was also recently reported that the Nigerian National Petroleum Corporation (NNPC), which acquired a minority equity stake at the plant and agreed to supply 300 kbd into the facility, has started to wind down crude swap contracts with traders and will pay cash for gasoline imports. These crude oil swaps, known as Direct Sale Direct Purchases (DSDP) have been in place since 2016, allowing NNPC to import gasoline from international and local trading companies and to repay them with crude. The company's CEO also said that NNPC's monopoly in gasoline supplies was ending and that private companies could start importing soon. The winding down of crude swaps contracts could be a sign that changes are approaching fast. The recent removal of fuel subsidies is another indication, as with subsidies in place, Dangote will not be able to complete in the domestic market.

Full scale operations at the plant are bound to lead to a further decline in West African crude exports. According to Kpler, regional shipments averaged 3.4mbd so far this year, down from a peak of 4.8mbd in 2015. Nearly 35% of regional barrels have been destined for the UK Continent/Mediteranean, 44% have been shipped East of Suez, whilst 12% have been exported across the Atlantic, mainly to the US and Canada. Crude exports are also vulnerable to anticipated further decline in West African crude production, with the latest IEA medium term report suggesting that supply could fall by 500 kbd between 2022 and 2028. The combination of declining crude output and full runs at Dangote mean that West African crude exports could potentially fall by over 1 mbd over the next five years, negatively impacting VLCC and Suezmax demand both into Europe and into developing Asia. Yet, providing that European crude intake does not fall off a cliff over the next five years, Europe will have to replace West African barrels with longer haul shipments from the US Gulf, Middle East and Latin America.

Outlook for West Africa crude exports (mbd)



Product tanker flows are also bound to transform. So far in 2023 West Africa imported circa 1mbd of clean products and these flows will also decline. However, with the EU ban on Russian products now in place, more and more Russian CPP is heading to West Africa. Direct Russian CPP shipments have accounted for 16% of total imports since March, up from just 4% on average last year.

Ironically, it could make more economic sense for West African countries to buy discounted Russian products for the domestic market and re-sell Dangote output internationally at market values. The same could also be applied to crude. Yet, a lot here depends on the freight element and ability of international financers to intefere with trading decisions. 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

What started off as a depressed VLCC market on Monday with EID holidays and limited enquiry has begun to turn full circle by week's end, with upturn in enquiry and a stronger sentiment prevailing in the Atlantic. The end result is that rates have started to recover, especially on Eastern runs and Charterers facing heavy resistance. Today we would expect 270 AG/China to fetch in the region of ws 59.5 and 280 AG/USG to go for at least ws 38 level.

Rates for a standard TD23 run are approximately 140,000mt x ws 60, but with a few keen players still free to work, Charterers will be looking to chip away at this rate. Markets to head East look slightly firmer, off the back of a stronger VLCC market, and a vanilla run into the East is approximately 130,000mt x ws 122.5 today.

The market felt the impact of Eid celebrations this week, with an overwhelming silence and lack of activity seen throughout the East. Rates have slowly inched down and, with the summer feeling upon us, Charterers will be confident of beating last done levels. In view of sentiment softening, we finish the week with AG/East at 80,000mt x ws 185 level.

West Africa

VLCC rates have started to recover as Owners took full advantage of a dynamic USG market. With Charterers struggling to cover end July stems, the mood has turned to a more optimistic outlook, with the hope of further gains next week. Today we are expecting a 260 WAF/China to go for ws 58.5 off natural window.

Suezmax markets in West Africa continue to struggle with a well-stocked tonnage list. For Nigeria load and no clauses rates are approximately 130,000mt x ws 100 for TD20. Premiums to head East stand at approximately ws 10 points.

Mediterranean

Suezmax markets in the Med have remained quiet throughout the week, and there is downward pressure on rates for the moment. There are keen players around for a TD6 run (even on rather prompt dates) and we estimate next done will be around 130,000mt x ws 112.5 for TD6. Rates to head East from the Med are also struggling and are approximately $4.6m for Libya/Ningbo.

Groundhog week for Med Aframaxes. Rates remain rangebound, with vanilla Cross Med voyages achieving ws 140 and certain short voyages seeing premiums of ws 5 to ws 10 points in the main. A discount was seen for a voyage needing few approvals but in the main Charterers were able to fill their boots in this range.

CPC enquiry was thin, with rates slipping to ws 177.5 then to ws 175. At the close there was another correction, with many offers forcing a market cargo to achieve ws 170. Into next week Owners will hope that both these regions find firmer ground to settle on.

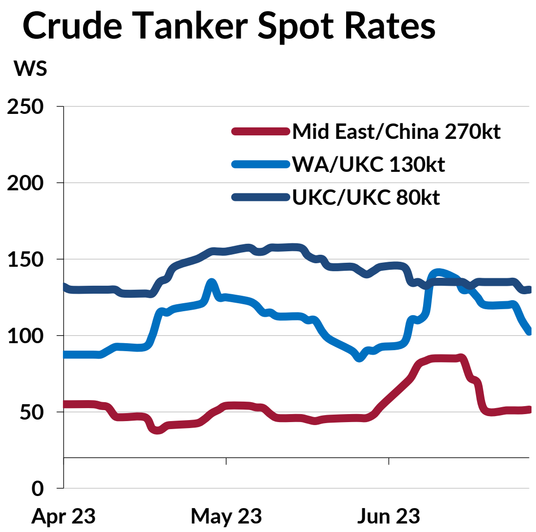
US Gulf/Latin America

The VLCC market has enjoyed a bumper week here, as Charterers moved to cover early August against a diminishing position list, which resulted in an uptick in freight levels. Today a USG / China run will fix in the region of $8.3m

Aframax market was quiet this week, with limited activity and rates have started to drop off again as tonnage starts to build up.

North Sea

The week rounds off with some market activity to keep Owners in the North entertained. Despite this late flutter, rates have inched downward throughout the week and as we end X-North Sea is trading at the ws 127.5 levels. With little looking likely to rock the boat in the near term, rates could come under continued scrutiny next week.



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

Clean Products

East

As expected, it's been a very quiet, slow week with multiple holidays and shipping events going on. An unsurprising softening has been seen across all sectors as there was a lack of stems and the tonnage list grew. LRs heading West on subs at $3.0m means that we should see the East runs correct accordingly as Charterers pushes for similar earnings – although it is yet to be tested, a 75,000mt naphtha run should be in the ws 100-105 levels.

It's the same story on the LR1s, where it was very slow and with one public stem open heading into the weekend looking like it could be a tough start to July. We expect the next West run will sit at the $2.6m mark and TC5 needs a fresh test but circa 55,000mt x ws 135-140 should be achievable for Charterers. Owners will be hoping that with normal business returning next week stems will make a plentiful appearance. But expect that there is more to come off before the bounce back can happen.

The bleeding continues. A very quiet with the holidays this week – expect it to pick up considerably in terms of activity next week – but rates should slide a little further looking at the length of the list. However, we shouldn't see them cascading hugely below ws 160-170 levels (famous last words) given where earnings are sliding too and the previous dips we have seen this year.

Mediterranean

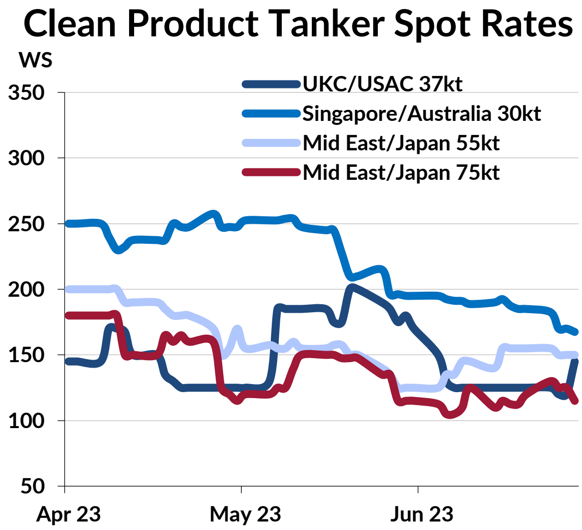
A mixed bag of success for the Owners this week plying their trade in the Mediterranean as despite some higher rates being seen, the vast majority of fixtures still sit around the 30,000mt x ws 145 mark. Some prompt liftings saw the sharp edge of Owners optimism with ws 160 being seen, but for now anyway we expect this market to tread water closer to the ws 145 level.

Finally, we arrive at the MRs here in the Med and expect rates to really pick up once tested. Owners will no doubt be ready to ride on the UKC coattails and a fresh test will show some hostility towards last done rates. Fresh positive test ahead.

UK Continent

A real smorgasbord of activity this week sees rates finally push up and Owners begin to gain confidence. A dull start to the week saw rates slide down to 37,000mt x ws 115-120 levels, but with that drop a good number of fresh stems appeared. Partnering that with a States market that also found some momentum we saw Charterers stutter and rates pull up towards the 37,000mt x ws 160+ mark for now. A long weekend for the States with Independence day on Tuesday as well as few sore heads from Copenhagen activities, will leave this market a little up in the air until mid-next week, but expect rates to be pushed further by Owners with a good level of outstanding before the 10th.

Unfortunately, for the moment anyway, the Handies have seen very little love in comparison to the MRs, with rates continuing to trade flat around the 30,000mt x ws 120 mark. The only potential we can see though is like previous occasions when the MRs spike, cargoes can be broken down to the 30kt sector and so don't be surprised to see a little more enquiry on the horizon.



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Dirty Products

Handy

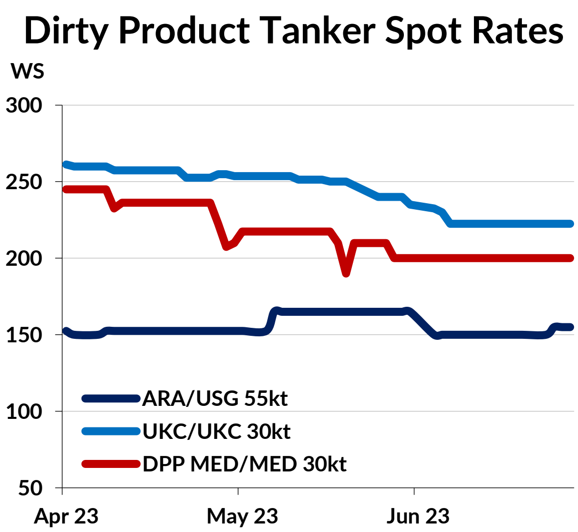
This week was quiet for the Handies in both the Continent and Med, offering little opportunity for Owners to get their teeth into. The North started by showing more promise, as under the radar activity last week cleared the top of the list; yet, despite Owners' best endeavors to hold on to last done levels, a build-up of idle days and lengthened tonnage lists added to the negative pressure. In the Med, we started by seeing Owners succumb to negative sentiment and inescapable correction, which saw rates drop to ws 180. Despite a drop in levels and availability across the region, rates held throughout the week, as under the radar fixing was the theme to control the flow before a further drop in levels. Unless there is an injection of pace early next week, units at the top of the list could have their resolve tested once again.

MR

With challenging conditions continuing across all markets, a familiar narrative has played out on MRs once again this week, where full stems have been few and far between. Owners have been forced to ride the coattails of the Handies, where very few MR stems have emerged. This week, marketed tonnage in the Med has seen enquiry drip fed, with just limited firm 45kt stems covered, albeit long haul voyage, leaving questions where X-Med levels should genuinely lie. Whilst enquiry has been flat for MRs, the decrease in Handies and the correction seen this week will factor in the next done levels. In the North, West Med units were the only viable option due to lack of firm itineraries and one Owner holding out for Baltic business. Unfortunately for this sector, activity continued to move at a snail's pace throughout the week. For the next units up in the North, be they ballast units or those being pushed on forward dates, expect to see a fresh test next week.

Panamax

Recent tests show the Panamax markets ability to outperform expectation when facing pressure from the surrounding Aframaxes, as a lack of availability this side allowed Owners to extrapolate value if Charterers seek the flexibility a Panamax offers. Ws 155 is the going rate for a TA move and with a noticeable gap in availability for July, this sector is likely to remain firm and resilient to negative pressure, despite having foreseeable liquidity issues.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 29th	June 22nd	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-15**	52	67	45	58
TD20	Suezmax	WAF-UKC	**-20**	103	123	102	110
TD7	Aframax	N.Sea-UKC	**-5**	130	135	149	145

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

			wk on wk change	June 29th	June 22nd	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-19750**	31,250	51,000	23,750	40,750
TD20	Suezmax	WAF-UKC	**-13250**	43,750	57,000	44,250	48,750
TD7	Aframax	N.Sea-UKC	**-3500**	44,000	47,500	62,250	57,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 29th	June 22nd	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+6**	118	112	145	
TC2	MR - west	UKC-USAC	**+15**	140	125	198	172
TC5	LR1	AG-Japan	**-5**	149	154	147	171
TC7	MR - east	Singapore-EC Aus	**-14**	173	187	219	233

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

			wk on wk change	June 29th	June 22nd	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+3000**	23,750	20,750	36,250	
TC2	MR - west	UKC-USAC	**+4000**	13,500	9,500	27,250	20,750
TC5	LR1	AG-Japan	**-750**	24,750	25,500	25,250	31,500
TC7	MR - east	Singapore-EC Aus	**-2000**	17,000	19,000	27,000	29,000

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

Bunker Price - Rotterdam VLSFO	**-25**	524	549	520
Bunker Price - Fujairah VLSFO	**-17**	566	583	535
Bunker Price - Singapore VLSFO	**-32**	575	607	552
Bunker Price - Rotterdam LSMGO	**-24**	691	715	650

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