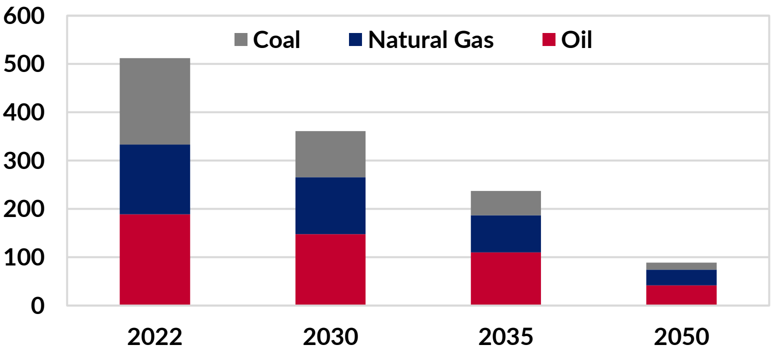
Dream or Reality?

Weekly Tanker Market Report

Last week the IEA published its Net Zero 2050 report, which lays out the steps the world needs to take in order to reach net zero emissions (NZE) by 2050. It is important to stress that the report details a 'scenario' and is not a forecast. However, the analysis should not be ignored. Global powers and industry leaders may fail to deliver on the steps required in time, but the trajectory, even if only partially met, will have profound implications for all forms of shipping, whilst creating opportunities for those vessel sectors focused on greener sources of energy.

For the world to achieve NZE by 2050, oil, gas and coal demand must peak this decade. In fact, the report suggests even more drastic action is needed, with oil demand needing to fall from 97mbd in 2022 to 77mbd in 2030, and to 24mbd by 2050. Yet, the near term outlook is that oil demand will continue to grow for at least the next 5 years, reaching around 105.7mbd by 2028 – clearly highlights the disparity between requirement and reality. Indeed, upstream oil and gas investment is still substantial, with new offshore investments in the UK announced this week, whilst alternative energy sources like offshore wind have faced 'headwinds'. Other milestones must be achieved, with EV car sales needing to reach 65% of new car sales by 2030, up from around 14% last year.

Fossil Fuel Supply (EJ) *Source: IEA*



A rapid fall in oil prices, from $98/bbl in 2022 to $42/bbl in 2030 and finally $25/bbl in 2050 suggests that many long term upstream projects may cease production before the end of their target life. Cheap oil, however, would be met by ever increasing carbon taxes, which rise to $250/tonne of CO2 by 2050 under the scenario.

Carbon capture, utilisation and storage (CCUS) also forms part of the roadmap, with the technology contributing an 8% reduction in emissions. But for the 2030 target to be reached, all of the announced CCUS projects must be realised on time. But the scale of the challenge and opportunity for shipping is substantial. In 2022, 45mt of CO2 was captured, however this number must rise to over 1 billion tonnes by 2030, and 6 billion by 2050 to deliver its contribution for NZE. Yet, from a shipping perspective, limited yards can build these vessels, whilst uncertainty over design, demand and charter contracts means it will be unlikely that sufficient shipping capacity can support the NZE CCUS requirement.

The report also details shipping's contribution to NZE, with the scenario assuming ammonia emerges as the dominant fuel in shipping, accounting for 6% of energy consumption in 2030 and rising to 44% by 2050. By contrast, the IEA's scenario only sees methanol accounting for 1% of the energy used by shipping in 2030, and rising to just 30% by 2050, despite the fact that methanol fuelled vessels are already in operation and have a far larger orderbook than that of ammonia fuelled designs. It is assumed that around 15% of shipping energy will still come from fossil sources by 2050 under the outlook.

Clearly, action by governments and industry are not yet aligned to the NZE 2050 roadmap and appear unlikely to do so in the near term. Sensitivities in the timing and uptake of alternative fuels, energy sources and abatement technologies will be key. Volatility in commodity supply, demand and prices may also increase, as investment moves away from traditional energy sources, perhaps at times out of sync with demand. More policy is needed both at the government and NGO level, however, investment in shipping, both for new forms of energy, existing non energy cargoes and carbon will be a critical success factor behind the energy transition.

Crude Oil

Middle East

Rates in the AG have started to soften slightly as market activity was limited and Charterers took advantage of weaker Owner sentiment. It is now likely that we could see a further softening next week as we enter Golden week in China which will put further pressure on freight levels and on today's market today, we would expect a 270,000mt AG/China run to fetch in the region of ws 50 and 280,000mt AG/USG run to go for at least ws 27 level.

The market for cargoes heading Basrah/ West today is approximately 140,000mt x ws 55, with a tighter list than we saw this time last week, we will likely see some more resistance at some point next week. For cargoes heading East depending on the ilk of ship required there are units to test below 130,000mt x ws 100.

On the Afras, the flurry of activity at the end of last week left the list in the AG tight, and options limited for cargoes up to the second decade. As a result of the forward fixing, limited cargo enquiry was seen this week which allowed rates to steady. Sentiment however remains firm and last done levels will not be too tough of a task for Owners into next week. For now, AG/East sits at 80,000mt x ws 137.5 with a further uptick in rates expected.

West Africa

We have had a very quiet week in WAF VLCC sector which has seen rates drop as Owners struggle to find employment in the region and tonnage availability is starting to give Charterers the impetus they need to challenge last done levels and it's hard to see that this will change next week. In today's market we are expecting a WAF/China run to fix at the ws 52 level.

West Africa remains steady for Suezmaxes, the rather lackluster levels of enquiry seen this week have made it difficult for Owners to gain any traction. Rates for TD20 today are around 130,000mt x ws 67.5, premiums to go East are approximately 10 points.

Mediterranean

Suezmax cargoes in the Med are still few and far between, with some opting to take Aframax part-cargoes. This is keeping the list under control but we will need to see greater levels of activity before we see any real movement. Rates to head East, are around the $3.5m mark for Libya/Ningbo today.

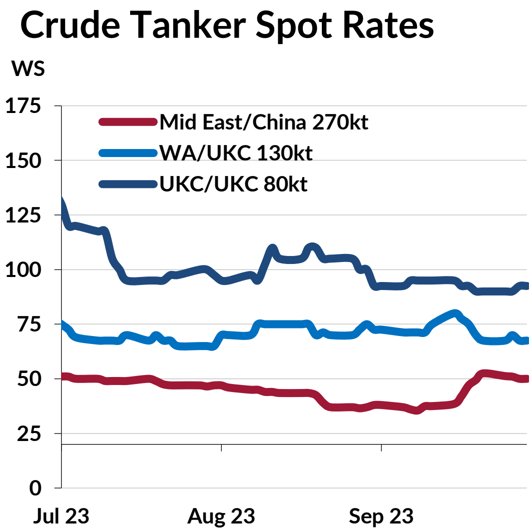
After an initial flurry of activity at the beginning of the week, rates started to soften as the week progressed. A decrease in port delays and a reduction in activity across the region has caused rates not to continue their upward trajectory. We close the week with X-Med trading around ws 105 levels and as we look to next week the market hangs in the balance as Owners look to cover for short haul and Charterers aim to lock in these lower rates.

US Gulf/Latin America

VLCC Owners will be glad to see the end of this week as rates have fallen daily against a plethora of ships failing in the Atlantic basin and with the current WTI levels killing the Arb it is hard to see things improving at the start of next week. This rather gloomy short-term outlook means that we expect a USG / China run will fix in the region of just below $8m on today's market while a Brazil/China run is paying just above ws 50. The slump in Aframax rates continued this week and the only good news was that rates seem to have found the bottom of the current cycle with Owners hopeful that they can start to recover next week.

North Sea

The North market has been rather subdued compared to surrounding markets, with activity being hard to come by. Despite this Market cargoes received very few offers as many local Owners are careful to commit themselves at current market levels. We close the week at ws 97.5 with many holding the belief that this could come under further pressure as we look to next week.



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

Clean Products

East

Considering the refinery turnarounds that we are seeing, the LR2s have held on rather well this week. West for a Jet suitable ship is circa $3.8m levels, however, if Charterers can narrow down ranges and look at some of the more compromised tonnage then less is available. TC1 sits at 75 x ws 135 for now, however, this could see a rise should the stems appear early next week. The LR1s have been busy this week and the list is very tight. For true Nap or Jet ships options are limited and as such charterer will pay up as Owners are aware of their position. TC5 for now sits at 55 x ws 157.5 and Jet West at $3.45m. Although only one open stem is in the market and public holidays persist, Owners remain enthusiastic as they wait eagerly for next week's round of cargoes.

A familiar theme has played out once again this week on the MRs where a continued lack of activity East of Suez saw last done levels come under pressure. The initial correction didn't prove to be the stimulus the region needed until a second drop to ws 210 on TC17 and $1.8m for UKC from the Red Sea saw cargoes surface, albeit largely off market. The week closes with the list looking slightly more optimistic for Owners and the potential for rates to steady, however the current pace of enquiry needs to be maintained if we are to see rates bounce back.

Mediterranean

It's been a disappointing week for handy Owners plying their trade in the Mediterranean with X-Med rates dropping 100 points since this time last week. 30,000mt x ws 300 was last done on an X-Med run when we sat down at our desks on Monday morning but with a few slow days allowing the list to lengthen, rates soon started to tumble. 30,000mt x ws 225 was achieved by Wednesday which saw a few more cargoes come out of the woodwork looking to take advantage of the softening and at the time of writing we see 30,000mt x ws 200 on subs. As we approach the weekend only one cargo remains outstanding so expect much of the same come Monday morning.

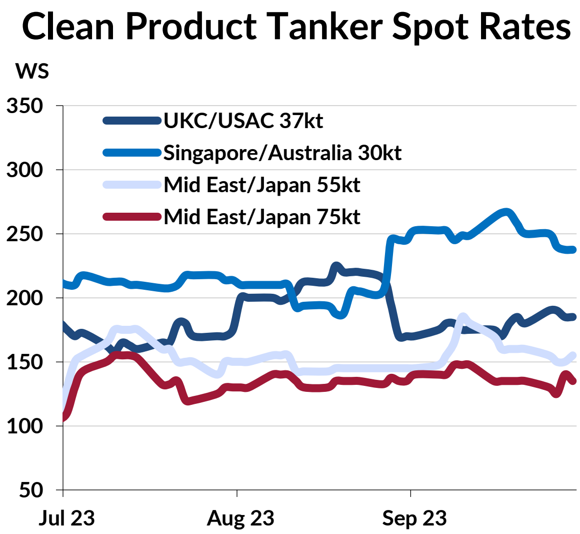
Finally, to the Med MR's where it's been a steady week with rates trading sideways throughout. Good levels of enquiry throughout the week has seen Med/TA remain at the 37,000mt x ws 185 mark with WAF tracking at its standard +10 premium. Fast-forward to Friday and we see a couple of fresh stems out including a potential replacement which will leave Owners feeling positive into the weekend.

UK Continent

It has been a real positive week for handy Owners in the North as we see the X-UKC sector jump by 50 ws points. There was a batch of enquiry in the 1-4 window which added further pressure on an already tight tonnage list as X-UKC closes the week at 30,000mt x ws 240. The X-Med market has dropped like a stone this week (down 100 ws points) which will now see ballasters and maybe even West Med positions head towards the North for some fixing.

It was a bit of a topsy-turvy week for the MRs in the Continent as despite a small dip in rates at the midpoint, we find ourselves sitting back at the 37,000mt x ws 190 mark for a vanilla TC2 run on a non-Russian historied vessel. This has been where certain Charterers have been able to find cheaper units due to the lack of Russian exports we see, these vessels are now in search of employment and offering reasonable discounts.

A good flurry of enquiry came by the weeks end with a tonnage list painted in red (on subs) and has given Owners a little pump of enthusiasm and come Monday we will see how both parties navigate their way around the market in order not to get caught out.



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

GIBSON SHIPBROKERS

Dirty Products

Handy

Owners in the North will be heading into the weekend somewhat smug after a successful week of trading. With enquiry picking up the pace, coupled with a lack of fresh tonnage on the list come Monday, Owners remained firmly in the driving seat and saw ws 200 repeated twice from the outset of the week. As steady enquiry persisted as the week progressed, tonnage options soon became very limited and allowed owners to continue pushing the market up, where ws 230 (done on Thursday) is now the level Charterers should at least be expecting to pay for vessels in this region. Looking ahead, expect rates to continue to push on, if this rate of enquiry continues, whilst post weekend replenishment remains insufficient.

Meanwhile in the Med, a replenishment of tonnage was observed on Monday and presented what looked like more options for Charterers to get their teeth stuck into. However, upon further inspection of the list, it was noted that tonnage possessing firm itineraries was lacking, which in turn kept Owners' confidence high and led to ws 260 being done three times on Monday. This figure became the conference level for the week as 30kt enquiry trickled into the region. As the week now draws to a close, Owners remain in a favorable situation to take no less than last done (ws 260 on Thursday), if enquiry continues to flow next week.

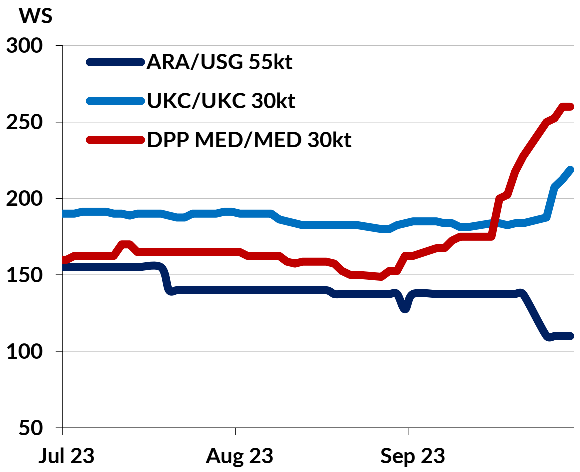
MR

This week, Owners in the North have mainly benefitted from an uptick of activity on the Handies, which enabled Owners to keep availability tight in the region. One Owner, in the latter half of the week managed to fix an off-market 45kt UKC/Med run, but with a lack of firm tonnage both natural and ballast, Owners will be looking to push on in the North, should full stem enquiry continue to flow. Expect Owners to want no less than ws 195 going forward. At the start of the week, activity in the Med mirrored the North, with MR units steadily finding employment basis 30kt, keeping sentiment firm. After patiently waiting for full stem enquiry to surface, one unit found a 45kt stem midweek, fixing at a reported ws 200 for Cross-Med voyage. As we close the week out, MR tonnage remains tight in the region and will likely be unchanged heading into next week. Firm units come Monday will be hot property in early trading.

Panamax

It's been a lackluster week for Panamaxes this side of the pond. After last week's test, no doubt Owners would have had a sense of optimism heading into this week, but unfortunately, inactivity throughout the week has left Owners feeling somewhat deflated. This sector is now in need of a fresh test, which could potentially see last done (ws 110) come under pressure, if this lethargic spell continues. Owners with units opening in Europe will be keeping a close eye on the States market, which has seen a rise in levels over the course of the week. If this sector continues to firm, don't be surprised if Owners take on the ballast in a plea to find employment.

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	Sept 28th	Sept 21st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+1**	51	50	36	47
TD20	Suezmax	WAF-UKC	**+1**	68	67	73	75
TD7	Aframax	N.Sea-UKC	**+0**	91	91	94	109

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

			wk on wk change	Sept 28th	Sept 21st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+250**	23,500	23,250	5,250	18,500
TD20	Suezmax	WAF-UKC	**+250**	14,250	14,000	19,000	19,750
TD7	Aframax	N.Sea-UKC	**+1000**	2,000	1,000	4,500	17,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 28th	Sept 21st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-2**	133	135	135	
TC2	MR - west	UKC-USAC	**+9**	184	192	171	173
TC5	LR1	AG-Japan	**-6**	156	162	145	144
TC7	MR - east	Singapore-EC Aus	**-19**	244	263	254	218

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

			wk on wk change	Sept 28th	Sept 21st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-1750**	26,250	28,000	28,250	
TC2	MR - west	UKC-USAC	**-2000**	19,750	21,750	17,000	17,000
TC5	LR1	AG-Japan	**-2500**	23,500	26,000	21,250	20,000
TC7	MR - east	Singapore-EC Aus	**-4250**	28,750	33,000	31,500	23,500

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

Bunker Price - Rotterdam VLSFO	**+5**	626	621	600
Bunker Price - Fujairah VLSFO	**+12**	653	641	630
Bunker Price - Singapore VLSFO	**+17**	678	661	642
Bunker Price - Rotterdam LSMGO	**-15**	940	955	922

www.gibsons.co.uk

London
12th Floor
6 New Street Square
London
EC4A 3BF

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