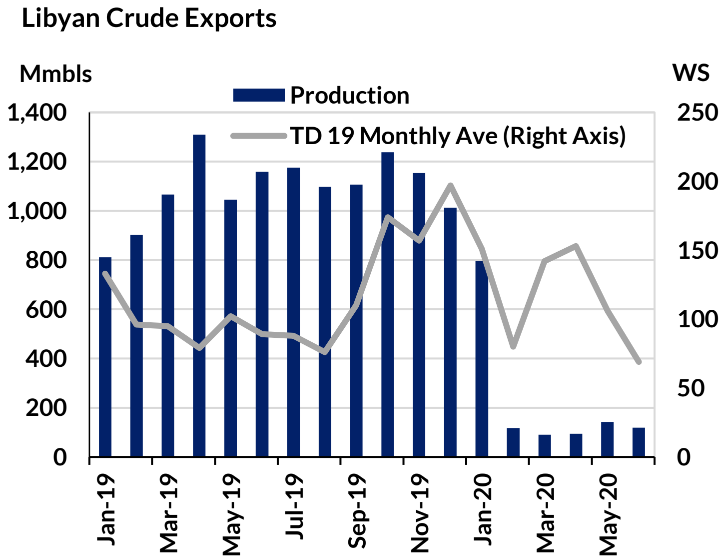
Libya – Crude Exports On Hold

Weekly Tanker Market Report

Libya's National Oil Corporation (NOC) announced earlier this week that production at the Al-Feel oilfield has restarted, with an initial output of 12k b/d, increasing to full capacity of 70k b/d within two weeks. This news came a few days after output from the country's largest oil field, Al-Sharara had recommenced. After long negotiations, the field is restarting production at around 30k b/d, ramping up to full capacity of 300k b/d within 90 days. The field has been closed since January as warring factions have fought within the country. NOC stated that with the resumption of production, they are lifting the force majeure over crude exports from the Al-Sharara and Al-Feel oilfields. Initially, crude will be delivered to the Zawiya refinery (45km west of Tripoli) to begin fuel production for the local market.

Libya has Africa's largest proven crude reserves and relies on oil exports for almost all of the state's revenues. The country's oil fields, pipelines and terminals have frequently been damaged during the fighting. Interruptions to oil exports have cost the Libyan treasury billions of dollars.

Crude exports from the country reached 36 mln bbls in October last year but plummeted to 1.8 mln bbls during March and April. Back in January, groups loyal to the General Khalifa Haftar, blocked virtually all oil production and exports from the country. As production stopped, the limited storage capacity at ports was quickly drawn down, resulting in a sudden drop in crude exports.



This follows several drops in exports in recent years, but none have been as severe and long-lasting as those seen during this year. The resumption of exports from Libya will provide additional volumes into the regional/global market at a time when demand is slowing returning.

However, adding 370k b/d of crude production will significantly benefit the Libyan economy, and if production can remain stable, it will provide increased tanker employment. Given that the Cross Mediterranean Aframax (TD19) route currently sits at its lowest levels since April 2018, any increase in Libyan export volumes will be welcome news.

However, will this be the case? Reports have emerged that an armed group stormed the Al-Sharara oil field and shut down oil production in the last few days which has resulted in the continuation of force majeure on oil exports for the time being. A speedy and safe resolution to this situation is hoped for all those involved. However, for tanker markets, this only shows that the return to stability within the region is still some way off.

Crude Oil

Middle East

Tight early positions initially proved more difficult for some VLCC Charterers and premiums upon those were quickly set upon by Owners on more forward dates to pull the rate average to the East towards ws 60, with runs to the West remaining in the low ws 30's. Supportive disport delays still prevail but more availability is starting to free up, and next week is likely to test Owners' stamina somewhat. Overweight Suezmaxes enjoyed quite heavy action into the midweek as Charterers moved to competitively split VLCC stems but even such attention failed to thin lists and rates plugged at down to ws 55 to the East and into the low mid ws 20's West. Ballasting away lends no attraction either, and next week is set to remain challenging to say the least. Aframaxes fell away as expected - over balanced tonnage chased rates down to 80,000mt by ws 75 to Singapore, and there's no sign of it getting better anytime soon.

West Africa

Suezmax Charterers patiently pecked away at fat availability to try and draw rates down to under ws 50 to Europe and to the low ws 50’s to the Far East - mission was accomplished and Owners are set for further pain over the coming period too. VLCCs maintained a steady front for most of the week but activity was light and, with the AGulf stalling, and ballasters beginning to commit themselves to the area, rates now look set to slip from their recent high ws 50 perch over the next fixing phase.

Mediterranean

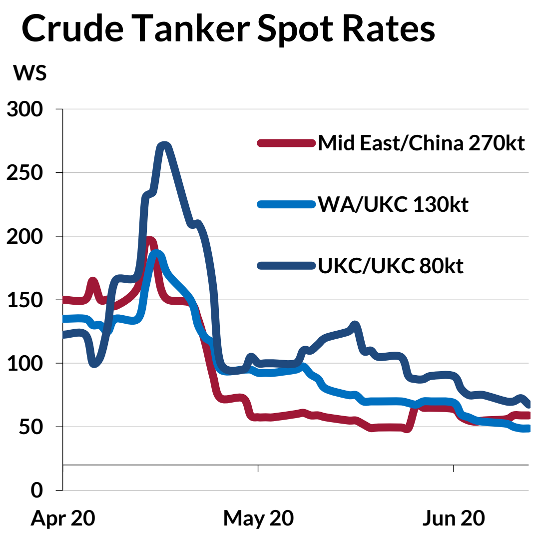
Unfortunately, no words of comfort for rock-bottom feeding Aframaxes this week...rates have crumpled to as low as 80,000mt by ws 55 X-Med and to ws 65 from the Black Sea - no realistic room to slip lower, but equally no good reason to call for any meaningful improvement either. Suezmaxes followed suit, with Aframaxes and other pressured load zones too. Plenty of tonnage, and not nearly enough cargoes, force rates to 140,000mt by ws 47.5 from the Black Sea to European destinations, and to around $2.5 million for runs to China. This could take a while to sort out.

US Gulf/Latin America

Bad weather disruption was the hope for Aframaxes to pull away from recently poor marks but although there was a brief flicker of rebound, things never really got going and the week ends at little better than 70,000mt by ws 70 upcoast and ws 60 transatlantic. Suezmaxes found a degree of relief as VLCC Charterers moved to stem split but that process will likely have only a short shelf life. VLCCs themselves kept rate ideas at up to $8 million to China but the smaller sizes then undercut, and a few extra refugees from the Far East lurk on forward dates too, so some pragmatism is likely to draw rates down during next week's campaign.

North Sea

As elsewhere, Aframaxes here found no relief from grinding 'poverty'. 80,000mt at down to ws 67.5 X-UKCont, and to 100,000mt by ws 40 from the Baltic may well prove low tide markers, but it will require serious levels of interest to meaningfully refloat. VLCC Owners were open to trade, but Charterers largely walked on by - rate demands stayed at up to $7 million for crude oil to South Korea/China and those numbers failed to attract. Owners will now be more open to 'sensible' proposals, however.



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

Clean Products

East

Frustrated yet optimistic would be a fair characterisation of Owners in the AGulf MR segment. On the one hand, we have seen a healthy amount of cargoes this week but, with shorthauls all too often being absorbed onto larger tonnage, this indirectly adds to the resistance when trying to gain back positive ground. What is now starting to become clear though, is that whilst there is not a shortage of tonnage, there is a reluctance amongst the field to remain this close to rock bottom. Slight signs of hope are starting to appear, with Shell paying ws 130 into EAF. However, we are still left with enough outstanding cargoes going into next week for Owners to take a bit more heart and to recognize that there certainly is upside on the cards depending on how they play it.

More action on the LR1s this week but we are still attending to the incredibly heavy tonnage list that a period bereft of cargoes has left us with. TC5 has dropped off to ws 67.5. Bigger pools would argue that sub ws 70 is too aggressive, but you still see a scattered collection of Owners competing for anything upcoming. However, we may see these Westbound cargoes pushed a little. The transatlantic diff has been re-established at $300k this week, and Owners will aim to recover a $1.25 million level ex AGulf on outstanding cargoes. Again, competition from the list will make this relatively difficult.

A slightly muted end to the week on the LR2s, with a number of stems being covered on Charterers own vessels. There are still 2 outstanding stems but already into July dates. 75,000mt naphtha AGulf/Japan is sitting at ws 80 and 90,000mt jet AGulf/UKCont is up to $2.35 million for now. With LR1s languishing at the bottom of the market, they are still taking the volume where they can, and Charterers are doing what they can to avoid the bigger movements. It will take while longer to see LR1s lead a recovery so LR2s are logically unlikely to see more rises. But LR2s are still limited by the range of Owners, and the number of ships does not always tell the whole story as seen this week.

Mediterranean

A week to forget for Handy Owners in the Mediterranean, with a combination of prompt fixing window tonnage and a lack of cargoes causing rates to soften throughout the week. At the time of writing, rates are nearing the two-figure mark, with most calling TC6 at 30 x ws 100-105. With the UKCont market on its knees also, it wouldn't be surprising to see under the ws 100 mark come Monday. Black Sea enquiry has been sluggish all week and rates have been driven by Mediterranean sentiment, with the ws +10 point rule of thumb seen. Expect these dismal times to continue for the foreseeable.

Finally, to the MRs here in the Mediterranean and a slightly more successful week is seen by the Owner community as rates have held a slight premium over the UKCont decline.

Demand for naphtha and jet clean tonnage has given Owners an opportunity to keep rates a little more palatable, with 37 x ws 112.5 seen a few times for transatlantic, but the eventual slip to ws 100 has arrived come Friday. Owners will be looking to keep this small premium heading into the new week but, with enquiry low, we expect to see Charterer's ambitions to keep both the UKCont and Mediterranean market on a level playing field.

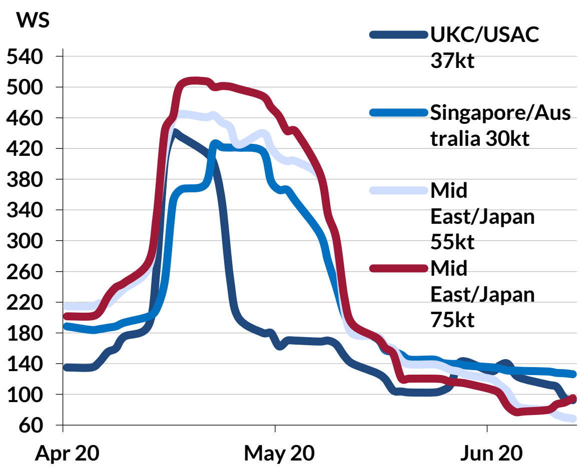
UK Continent

Charterers have held the upper hand throughout this dismal week on the MRs in the Continent and this can be seen by the ever-weakening fixing rates achieved. A classic combination of limited enquiry and a glut of tonnage gave Owners little opportunity to rebuke Charterers negative pressure and by the midpoint of the week, we had slipped to 37 x ws100 for TC2. Come Friday as we see 37 x ws 102.5 now on subs for a WAF discharge, a fresh test should show this transatlantic market heading towards the low ws 90s, possibly even into the ws 80s. There has been a number of deals done behind closed doors, with ships disappearing off the tonnage list, but unfortunately just not enough, and moving into week 25, Owners will be hoping to see an uptick in enquiry in all directions in the hope of a bounce back and not just sat here at these summer lows.

Once fresh tonnage lists were drawn up early Monday, it was very clear that this week was going to be an uphill struggle for the owning fraternity as it revealed 10+ prompt Handies scattered across the North. A few quiet days at the start of the week meant that rates softened to 30 x ws 95 for Baltic/UKCont, 30 x ws 85 for X-UKCont and 30 x ws 75 for UKCont/Mediterranean. Thankfully for Owners, a few more cargoes did creep out of the woodwork resulting in them being able to steady the ship at current levels. Looking ahead and, with the summer months now in full swing, it is hard to justify how rates can bounce back with Charterers seemingly in the driving seat for the short term.

It's been an all-round quiet week in the Flexi market, with very little to report in terms of fixing action and slow levels of cargo enquiry throughout. With tonnage struggling to find any employment opportunities, this market has been tracking that of the UKCont Handy market, which has seen rates soften over the course of the week. Flexi rates have consequently followed suit and are expected to land at the 22 x ws 110 mark for a X-UKCont run when next tested.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

This week has been somewhat of a turning point within the Handy sector as enquiry levels have been far more suppressed in both the North and Mediterranean than what we have witnessed in recent weeks. The NWE sector has really been dominated by only a 1-2 Charterers, with a handful of fresh stems for Owners to look at. With not much else on offer, fixing levels have taken a drop and now trading sub ws 130 level (some ws 15-20) point drop from last week. Looking ahead the expectation is that we will see little change in this soft trend with a combination of summer trading and a global slowdown.

The Mediterranean finished last week with a healthy amount of enquiry being concluded and this may have left some Owners with a false sense of security. Despite week 24 opening with enquiry and a slight hangover from Friday's trading, the tap was turned off promptly as come Tuesday activity levels were quickly put on hold. However, rates have not taken as much of a negative correction as we have seen in the North, with only some ws 5-10 points off from the previous week, but with some very quiet off market fixing we expect this has already been tested. Coming next week, we expect a prolonged gloomy outlook with spot tonnage being the main perpetrator for this trend.

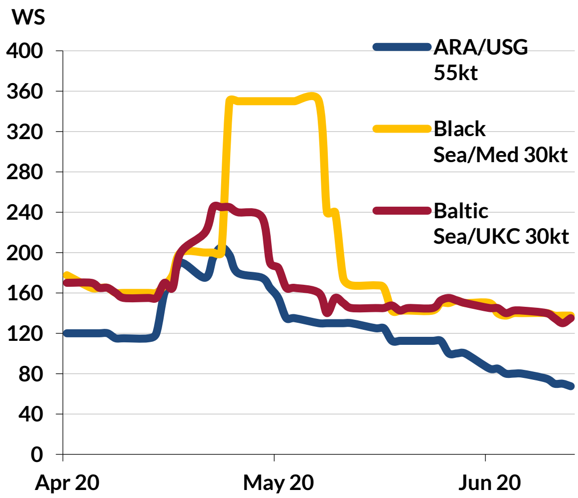
MR

The MR markets this week have suffered a similar fate to the surrounding Handy and Panamaxes, with enquiry seemingly taking an extended break. In the North, the smaller Handy sector has offered some reprieve to those in the North, however, enquiry has been very much dependent on approvals so not all MRs have had the same equations. In the Med, a similar story has played out although more full stems have been on offer and Charterers have seen some value in being able to barrel up and use the overage on offer. Going into next week, expect more of the same from both regions as levels are expected to be challenged and Owners look for whatever utilisation is on offer.

Panamax

There is no easy way of summarising what has been a truly uneventful week, with further misery placed upon the sector. Levels remain dictated by the surrounding Aframax markets and absent of a reliable benchmark, we again are left to second guess where next done should align. With no shortage of options for Charterers and a US market that remains in the doldrums, for now the Panamaxes will have to compete with what can be achieved on surrounding Aframax markets.

Dirty Product Tanker Spot Rates



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

GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 11th	June 4th	Last Month*	FFA Current Q
TD3C	VLCC	AG-China	**+4**	60	56	60	61
TD20	Suezmax	WAF-UKC	**-6**	49	55	87	57
TD7	Aframax	N.Sea-UKC	**-5**	71	77	115	88

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

			wk on wk change	June 11th	June 4th	Last Month*	FFA Current Q
TD3C	VLCC	AG-China	**+3,750**	52,750	49,000	57,500	54,000
TD20	Suezmax	WAF-UKC	**-3,500**	17,000	20,500	43,750	21,750
TD7	Aframax	N.Sea-UKC	**-4,250**	1,250	5,500	37,000	12,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 11th	June 4th	Last Month*	FFA Current Q
TC1	LR2	AG-Japan	**+18**	95	77	226	
TC2	MR - west	UKC-USAC	**-33**	93	126	150	95
TC5	LR1	AG-Japan	**-18**	69	86	211	78
TC7	MR - east	Singapore-EC Aus	**-5**	126	131	204	129

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

			wk on wk change	June 11th	June 4th	Last Month*	FFA Current Q
TC1	LR2	AG-Japan	**+5,750**	21,750	16,000	73,250	
TC2	MR - west	UKC-USAC	**-6,750**	9,250	16,000	22,750	9,500
TC5	LR1	AG-Japan	**-5,500**	7,750	13,250	48,500	10,250
TC7	MR - east	Singapore-EC Aus	**-1,500**	13,000	14,500	29,500	13,250

(a) based on round voyage economics at 'market' speed

ClearView Bunker Price (Rotterdam VLSFO)	**-4**	269	273	196	
ClearView Bunker Price (Fujairah VLSFO)	**+20**	304	284	221	
ClearView Bunker Price (Singapore VLSFO)	**+23**	313	290	235	
ClearView Bunker Price (Rotterdam LSMGO)	**+20**	319	299	225	

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

Hong Kong
Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States