

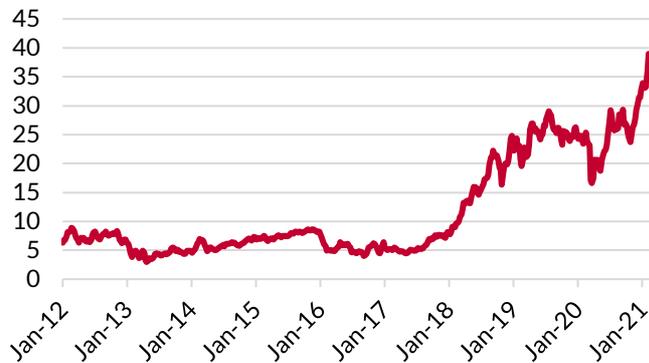
Capturing CO2

Weekly Tanker Market Report

In some ways, EU carbon prices could be viewed as a barometer of mounting environmental pressure not just within Europe but on a global scale. Recently, EU emissions trading scheme (ETS) credits have surged to record levels, trading above €42 this week, rising by more than tenfold from a typical €4 - €8 range seen between 2012 and 2018. As with many other sectors, the oil industry is under increasing scrutiny, with oil majors adapting their strategies to focus on reducing carbon intensity and pledging to become carbon neutral by 2050. Yet, the routes taken to achieve these goals vary. While many European companies are pivoting towards renewables, many US based companies are taking a somewhat different approach.

ExxonMobil is focusing more aggressively on carbon capture and storage. Through its new business, ExxonMobil Low Carbon Solutions, the company is advancing plans for more than 20 new carbon capture and storage (CCS) opportunities around the world. ExxonMobil argues that carbon capture with underground sequestration is a more cost-effective emissions reduction strategy than electric vehicles, carbon pricing and low-carbon fuel credits, based on the US' 45Q tax credit. ExxonMobil is not alone in its approach. Occidental Petroleum wants to make carbon capture a central part of its long-term emissions reduction strategy and plans to build the world's first largescale facility to capture carbon dioxide directly from the air and then pump it into the ground for storage or to enhance oil recovery. In late January, a subsidiary of Occidental Petroleum, Oxy Low Carbon Ventures, delivered two million barrels of "carbon-neutral oil" to Reliance Industries in India. Occidental said the volume of offsets applied against the cargo was sufficient to cover the expected GHG emissions from the entire crude lifecycle including oil extraction, transport, storage, shipping, refining and subsequent combustion. These offsets were sourced from a variety of projects verified under the Verra Verified Carbon Standard program. Carbon capture is also on the strategic agenda

EU ETS Carbon Market Price



for Chevron, with the company pledging to increase its low carbon spending to over \$3 billion by 2028, with over \$1 billion dedicated to investment in carbon capture and storage.

It is not only oil companies that are making inroads into this area. Mitsubishi Heavy Industries has rolled out plans for a CO2 carrier design. These carriers will support the potential market demand from CCS projects for CO2 transportation and storage. Stena Bulk has partnered with the Oil and Gas

Climate Initiative (OGCI) to examine the potential for carbon capture from ships at sea. Teco 2030 has unveiled a super-scrubber system; Future Funnel, which will allow ships to reduce SOx, NOx, black carbon and particulate matter emissions and will also have carbon capture and storage capabilities. Wartsila is also planning to trial carbon capture on vessels using scrubbers.

Scientists have long argued that carbon capture is essential in meeting carbon goals. According to the IEA, a sharp rise in the deployment of carbon capture, utilisation and storage technology is needed globally if countries are to meet net-zero emissions targets designed to slow climate change. For shipping, particularly for tanker shipping, carbon capture is an interesting idea. Not only will it help to achieve IMO2030 and 2050 targets, but also offers a concept of cleaner and potentially carbon neutral cargoes. At the moment carbon capture is an expensive process, but if production is scaled up, costs could come down substantially as in the case with solar panels and wind turbines. Undoubtedly, the technology has a potential of becoming revolutionary, not just for oil companies but for shipping as well.

Crude Oil

Middle East

Another slow week for VLCC Owners but there will be a touch more optimism in the camp with Western enquiry increasing providing Owners that are willing to ballast better returns. This is starting to have an impact on sentiment, and it is looking increasingly likely that a few points gained could be achievable. Last done to China holds at 270,000mt x ws 28.5 with fewer candidates willing to repeat last done. Western voyages remain illiquid with estimated levels holding around 280,000mt x ws 18 (via Cape). Another uneventful week for Suezmax tonnage and levels remain at 140,000mt x ws 20 to Europe and around ws 60 to the East. With modern tonnage deciding to ballast to the West, where earnings are higher, we may see those Charterers requiring modern tonnage having to pay higher levels next week to entice Owners to stay in the area. Aframax rates in the AGulf have jumped to 80,000mt x ws 92.5 for AGulf-East this week and with firming sentiment in both the West and Indo-Feast regions, Owners ideas are now spicing up. Owners are showing 80,000mt x ws 140 levels for end month AGulf/Colombo runs. Expect AGulf-East to push into 3 digits imminently.

West Africa

The start of the week looked like it was going to be similar to all the other previous weeks this year with VLCC Charterers holding all the trump cards, but as the week progressed with increased activity in South America and

the US Gulf region Owners have started to become less compliant to repeat last. Last done for a voyage East is 260,000mt x ws 33 with higher levels expected next time around. Suezmax Owners mounted another successful challenge to reverse their plight and push rates back up. The initial success had been achieved for cargoes loading in March that required discharge options as the week progressed this optimism has now also transcended to cargoes loading first decade April. The week closes with levels standing at 130,000mt x ws 70 to Europe and ws 75 to the East.

Mediterranean

A strong week for Mediterranean Aframax as a super tight position list resulted in further gains in rates. X-Med rates in the ws 120's soon became ws 140 and CPC cargos achieved ws 142.5 but there is more to the story; Charterers could easily have faced rates closer to 80,000mt x ws 200 were it not for Suezmaxes. The million barrel market remains depressed and those who could exploit part-cargo opportunities, did. CPC and X-Med cargoes were concluded at equivalent ws 130 levels on this size and the steam has well and truly dissipated for now. Only early Cargoes are liable to face much stiffer numbers early next week. Suezmax Owners have again benefited from the opportunity to fix many Aframax stems and only during the later part of the week have they seen an uptick in natural size stems being worked. Suezmax Owners now have a firmer footing with next Black Sea likely to pay 135,000mt x ws 80 to Europe and

for cargo, Owners will be looking to build on last done rates of \$2.7 million for Libya/China.

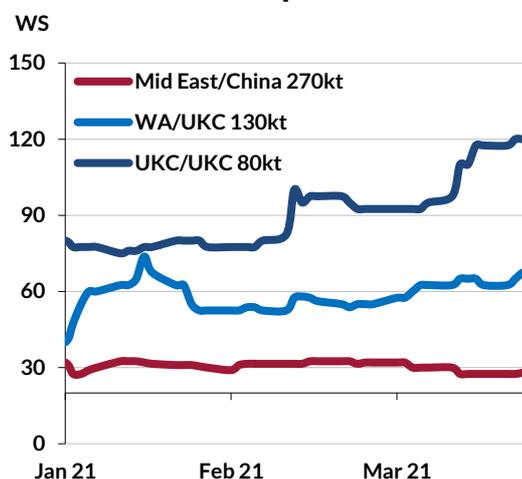
US Gulf/Latin America

It was a tad inevitable that Aframax levels were going to come off as more tonnage came back into play, but the decline in rates only applied to cargoes heading transatlantic due to the lure of stronger European markets. Last done transatlantic is 70,000mt x ws 110, with short haul rates holding at a respectable 70,000mt x ws160. VLCC levels are again showing signs of strengthening due to increased demand and Charterers requiring additional discharge options which generally commands a premium, levels ranging from anything from LS\$4.2million up to LS\$4.5 million have been achieved.

North Sea

The Northern Aframax market has continued to improve over the past week with rates finally making healthy returns. Baltic to the Continent is now fixing at 100,000mt x ws 125 level with X-North Sea at 80,000mt x ws 120. The shorter list of available ice units has certainly helped buoy Baltic rates and, with the April Urals programme arriving imminently there is a feeling that these more appealing rates might be around for more than a mere spike.

Crude Tanker Spot Rates



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

Clean Products

East

The LR1s have been relatively busy with a fair bit covered through the Aramco contract. Bunker prices continue to fuel bullish aspirations amongst Owners, and a universal lack of buckling has meant a slow increase in market levels. Alkylate is on subs ex AGulf to USAC at \$1.975 million, with a UKCont trip priced at \$1.575 million, and some feel money was left on the table here. Either way, it is a guaranteed longhaul, so you might expect a slight discount to the market here. TC5 continues to firm driving higher TC1 aspirations. Ws 115 has pushed to ws 120 (for older tonnage) and outstanding cargoes are getting offers at ws 132.5 with Owners aiming for ws 125-130. The risk for Charterers is whether or not to roll. Further enquiry on Monday will spell further bullishness amongst Owners. We will undoubtedly see some paper positions taken to hedge against further movement in the new week.

Quite a busy week on the LR2 segment, the interest here is to see how Charterers have leveraged available uncoated tanks to swerve the ideas of big cubers for westbound voyages. A standard LR2 and preference for larger cubes will set you back \$1.95 million today with Owners pushing for \$2 million which has yet to be paid. However, a couple of Suezmaxes have been picked off for distillate going westbound at a similar ballpark to the coated equivalents, but obviously offering far superior \$/ton comparatively.

Naphtha has shifted up also, with 75 x ws 90 the number early in the week, but you would say it was short sighted of these Owners not to wait for the inevitable deluge of further enquiry to follow. Owners' ideas are ws 100 now but perhaps we see a ws 97.5 on subs before we break the century; positive sentiment as we move into a new week.

The MRs have had a busy week, but Owners have en mass been frustrated with the collective inability to push rates further. EAF should in theory have been a real catalyst for improvement. The ws 185 levels done last Friday could easily have pushed past ws 200, with replacements and jet inclusions being an obvious indicator for Owners to push, which they have seemingly missed. Westbound has not been tested to the Med/Cont region, whilst distillate flows to Latin America are on subs at \$1.275 million but the age-old point of scale economies runs true to this segment, with the LR2s not reaching any ceiling yet. TC12 again has disappointed those with bullish aspirations. Ws 135 was repeated by East "keen" Owners clearly not informed that there is obvious scope for improvement. As the week comes to a lack-luster close, sentiment has dipped; Charterers will furthermore hold back on fresh enquiries to cement this flatness. We are indeed missing end/early enquiry - but will sentiment survive the break?

Mediterranean

Throughout week 11, rates have traded consistently at the bottom of the market at the 30 x ws 120 mark for X-Med with Charterers happy to pick off units at the front end and Owners reluctantly accepting that there was little to justify north of this number. Ex Black Sea, a +15 point premium was seen on X-Med for the first few days but with the fixing window extending throughout the week and opening up more options, at the time of writing 30 x ws 132.5 is achievable ex Black Sea (with some still holding at 2.5 points higher). The lists on Friday look far better than Monday and put Owners in better stead for possible momentum next week. This coupled with the possibility of poor weather could see Owners make gains during week 12.

Onto the MRs where we've experienced a turbulent week of highs and lows (and now highs again!). Momentum from last week translated into Monday morning and we saw heights of 37 x ws 182.5 seen to WAF, which with the arb open and UMS stocks in the US low, meant Owners were hoping further gains could be seen. This sadly wasn't the case with a couple of fixtures seen late in the day on Monday ex UKCont taking the steam out of the market, which allowed Charterers to avoid any progression with transatlantic rates for much of the week around the 37 x ws 145-150 mark. At the time of writing, however, the list in the Med is extremely tight (and has been for most of the week in comparison to the UKCont) and an influx of cargoes has allowed Owners to capitalize, with 37 x ws 165 on subs transatlantic. Further gains are likely in this region so expect the possibility of a split market.

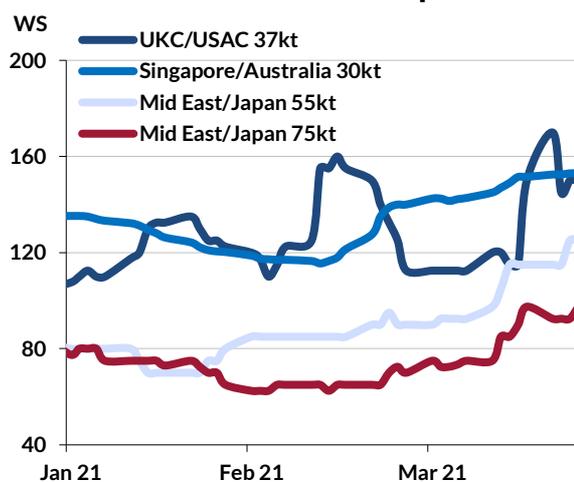
UK Continent

A week which started off with so much promise for MRs up in the North as a good overspill of cargoes from Friday saw rates for TC2 firm up to 37 x ws 165-170 and 37 x ws 182.5 for WAF. The TC2 arb has been open for some time now but, with many not being able to attain bids States side it resulted in a few failures occurring. This partnered with a few weaker candidates' on the tonnage list meant Charterers were able to quickly get transatlantic trading back to 37 x ws 150. However, as we got to the later stage of the week, Med enquiry has picked up forcing pressure on an already tight list and at the time of writing, 37 x ws 165 is now on subs for Algeciras/transatlantic. With a healthy amount of Med MR cargoes remaining, it could prove to be the catalyst for the Continent to firm too. Owners are bullish heading into the weekend.

It's been a fairly steady week for Handies plying their trade up in the Continent as TC9 has traded around the 30 x ws 147.5-150 mark as the majority of this business continues to get covered under the radar on COAs. The Continent has finally offered some more fixing opportunities for non-ice units with a few vessels getting fixed for X-UKCont (30 x ws 130-135 date dependent) and some even down to the Med (30 x ws 115). This market is expected to trade sideways for the short term.

Overall, it's been another lacklustre week in the UKCont Flexi market with slow levels of enquiry and subdued fixing action throughout. The lack of activity on the 22kt clips has meant this market has looked to its 30kt counterparts for rate guidance with 22 x ws 175-180 the current call for a X-UKC run, which is where it has sat for the best part of the week. However, a fresh test is needed in this market to see where levels really lie, and Owners will be hoping they can achieve that on Monday if we see a fresh influx of cargoes. The market remains Handy driven for now.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

This week the North started by gaining a small amount of traction in Owner's favour. On Monday we were presented with a tighter tonnage list than we have seen for a few weeks. With this in mind, the cargo tap was opened ever so slightly as some charterers looked to take coverage early on, but the gentle trickle continued throughout the week. By the close of the week, Owners have managed to gain only a couple of ws points with the region now trading at the 30 x ws 172.5 level. Looking ahead into next week, tonnage replenishment is likely to be limited.

Further south, the Mediterranean on the other hand has seen a slight turnaround in terms of activity levels. Tonnage has been able to steadily build in the region and come Monday, we saw a number of prompt units being marketed including a variety of ex dry dock candidates close to the Black Sea. Despite these units not being to all vetting departments' liking, the levels achieved have had a negative effect on fixing levels in the region with Black Sea now trading 30 points from where the week started. Unless we see an upturn in enquiry, this soft sentiment will continue to chip away at levels - watch this space as come Monday we should see further end month stems start to be traded.

MR

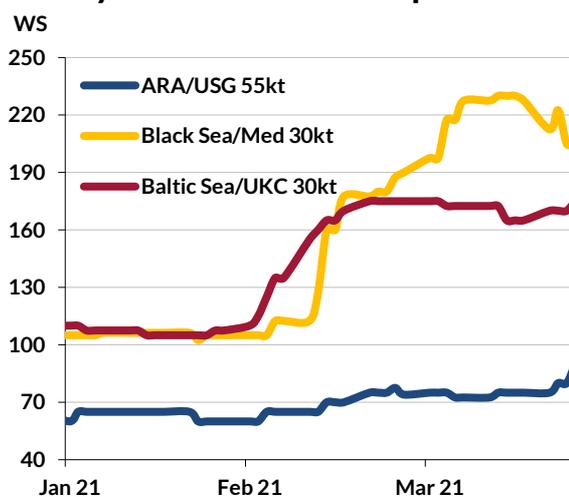
MRs in Europe are yet to see any real resurgence in terms of activity levels despite the fortunes of the surrounding markets ebbing and flowing. Riding the coat tails of the Handies has been just about all MRs can do as full stems once again this week have been thin on the ground both in the Med and further North. Availability on the MRs has shown

opportunities are there for charterers to take and with handy levels still fairly strong, for now taking part cargo to keep idle days down isn't a bad option.

Panamax

Owners this week will be buoyed by the fact that finally the cargo taps have been opened and enquiry has not just been limited to 1 or 2 localised voyages. With VGO supplies from Europe needed to fill a void in availability in the US Gulf, one unit going on subs early in the week, others were suddenly alerted to the lack of natural tonnage availability. With limited units open to load early in April, Owners have taken the opportunity to push and we finish the week with ws 95 on subjects basis US Gulf. Going forward the expectation is these levels will hold for now and should enquiry continue, natural tonnage this side of the pond is looking very thin on the ground. Bear in mind that with the US markets rallying far past the earnings of the European markets, ballasters are going to be hard to attract this way.

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	Mar 18th	Mar 11th	Last Month*	FFA Mar
TD3C VLCC	AG-China	+1	29	28	33	32
TD20 Suezmax	WAF-UKC	+1	67	66	57	56
TD7 Aframax	N.Sea-UKC	+5	120	115	97	90

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

		wk on wk change	Mar 18th	Mar 11th	Last Month*	FFA Mar
TD3C VLCC	AG-China	+1,250	-4,750	-6,000	-750	-1,250
TD20 Suezmax	WAF-UKC	+1,500	11,250	9,750	5,250	5,500
TD7 Aframax	N.Sea-UKC	+3,750	19,250	15,500	3,500	-500

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Mar 18th	Mar 11th	Last Month*	FFA Mar
TC1 LR2	AG-Japan	+3	95	92	65	
TC2 MR - west	UKC-USAC	+35	150	115	159	126
TC5 LR1	AG-Japan	+13	122	109	82	92
TC7 MR - east	Singapore-EC Aus	+3	153	150	118	135

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

		wk on wk change	Mar 18th	Mar 11th	Last Month*	FFA Mar
TC1 LR2	AG-Japan	+1,500	8,500	7,000	-750	
TC2 MR - west	UKC-USAC	+6,250	9,500	3,250	11,000	5,500
TC5 LR1	AG-Japan	+3,250	11,000	7,750	2,000	4,250
TC7 MR - east	Singapore-EC Aus	+750	8,000	7,250	2,500	5,000

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

ClearView Bunker Price (Rotterdam VLSFO)	-23	471	494	481
ClearView Bunker Price (Fujairah VLSFO)	+9	536	527	505
ClearView Bunker Price (Singapore VLSFO)	-13	510	523	510
ClearView Bunker Price (Rotterdam LSMGO)	-20	510	530	521

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