

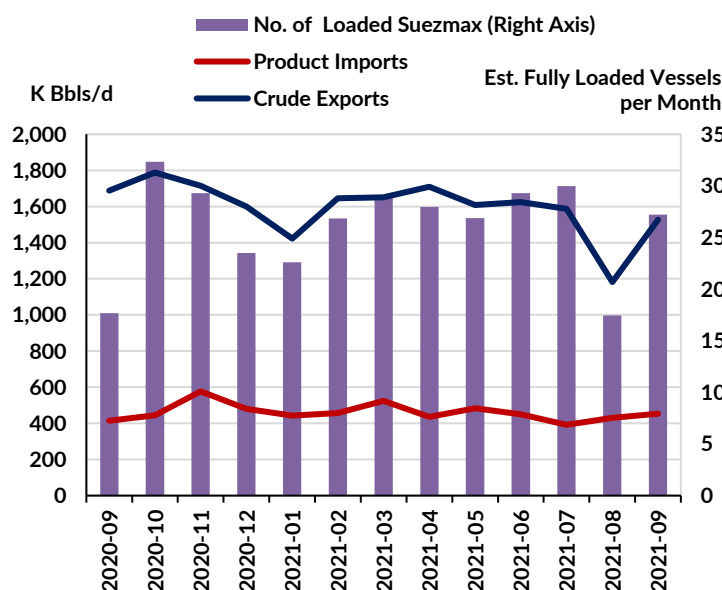
Dangote ready to go?

Weekly Tanker Market Report

The news that the Nigerian National Petroleum Company (NNPC) intends to take a 20% stake in the \$18 billion under-construction Dangote Refinery caused us to stop and consider what the impact of this would be. Then a couple of weeks later it was announced that NNPC will supply at least 300k b/d of crude to the 650 k b/d refinery. This is a bold move as it will bolster domestic supply security to the new refinery and guarantee an outlet for the country's crude. This comes at a time when there has been a general lack in up-stream investment in oil production facilities within the country, as well as the impact of recent OPEC+ cuts which have contributed to a steady fall in overall oil production in Nigeria in recent years. The country has the capacity to pump between 2.2-2.3 million b/d of crude and condensate, but output has averaged around 1.59 million b/d over the past 12 months.

The start-up of the Dangote Refinery is scheduled for early-2022. However, due to various setbacks and the extended downtime due to Covid-19, it is anticipated that the start-up could be pushed back to 2023. The refinery has been designed to process 12 crudes with a focus on three Nigerian grades – Escravos, Bonny Light and Forcados. With NNPC supplying at least half the crude throughput, the question remains where will the other 50% be sourced from? Apart from neighbouring West African producers, the US would be an obvious source, as well as various North Sea grades. This will potentially put Nigeria in a position of importing crude. While there is some uncertainty as to where the additional crude will come from, what is certain is that there will be a drop in the volume of exported volumes, which will have a knock-on effect on the tanker market. Around 70% of Nigerian

Nigerian Crude and Product Exports



crude exports are loaded on Suezmaxes. An average of around 35-40 Suezmax cargoes are loaded each month. Assuming that NNPC do supply at least their agreed volumes, this could reduce the number of Suezmaxes loading in the country by around 9-10 vessels per month. In addition, Nigeria exports significant volumes of crude to India, Spain, South Africa and Northern Europe. If domestic crude is diverted for the new refinery, then these countries will have to substitute the lost volumes from alternative sources, which may well come from further afield.

The new refinery will be the largest in Africa and the world's largest single-train facility when completed. The plant will produce 327 k b/d of gasoline, 244 k b/d of gasoil/diesel

and 56 k b/d of jet fuel/kerosene. Once fully operational it is expected to be able to fulfil the products demand of Nigeria. This will transform the country from a net importer of products to potentially enabling it to become an exporter. This will mean that there will have to be an adjustment within the product tanker sector as well. Significant volumes of gasoline and other products are sourced from Northern European and Indian refineries. These trades are likely to come under major downward pressure once the new refinery ramps up operations.

Whilst there are still uncertainties regarding the timescale of the start-up of the refinery, there are also many unknowns regarding the future tanker sector demand that will go alongside the start-up of this new facility. One thing is for sure, the Dangote refinery will have a dramatic impact within the domestic Nigerian market as well as the wider tanker sector.

Crude Oil

Middle East

VLCC Charterers have been quite busy this week as they have looked to conclude their September programme in addition to taking care of their early October positions. This has certainly shortened availability and Owners are starting to benefit from this, with last done being reported at 270,000mt x ws 37 to China and we estimate a voyage West holding at around 280,000mt x ws19 (via Cape). This week has witnessed a very active Suezmax market but due to an oversupply of tonnage rates have further softened. The lowest achieved being 140,000mt x ws 21.5 to Europe, although this level is unlikely to be repeated and rates to the East remain in low ws 50's. A war of attrition for Aframax tonnage: steady activity outweighed by volume of available tonnage. Rates dropped to sub 80,000mt x ws 90 for East. Outlook is neutral, with only glimmer of hope being a patchy modern tonnage available for prompt loading.

West Africa

The uptick of VLCC interest both in the AGulf and in the US Gulf regions has at least provided Owners with enough viable alternatives that they need not fall on their sword here. Levels have edged up to around 260,000mt x ws 36 to the East. Provided we see a similar trend next week, we could easily see higher numbers posted. A relatively quiet week for Suezmax tonnage in the early part of the week. Charterers tested Owners

resolve in the later part and levels remain at 130,000mt x ws 52.5 for European destinations. Levels to the East need to be tested but in theory remain around ws 55.

Mediterranean

Suezmax tonnage remains in good supply this week and levels are unchanged at 130,000mt x ws 60 for Libya/ Mediterranean voyages. Rates to the East also remain flat with an STS Gibraltar/Singapore cargo paying \$1.9 million. The Aframax wheel keeps turning and activity continues. However, the simple fact remains that in order to make any meaningful time charter earnings, there are only ever three or so cargoes available at any time. Consequently, the urge to push is discounted, even if the opportunity is sometimes there. So we end the week with Ceyhan and CPC loading paying 80,000mt x ws 87.5. A thicker CPC programme is in the pipeline for second half October, but for now the going is flat.

US Gulf/Latin America

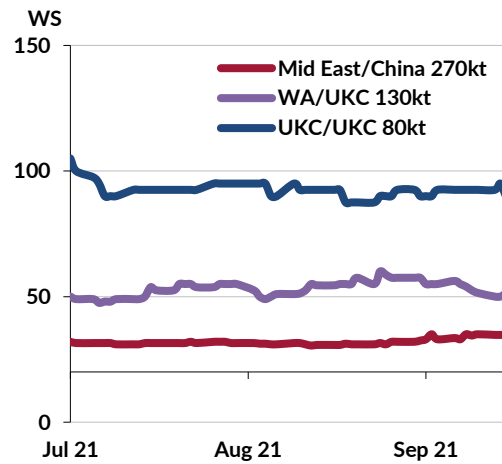
Some Aframax positions are starting to replenish giving Charterers greater optionality. This, combined with tonnage ballasting back into the region from the Continent, has dampened sentiment. Rates have softened on the back of this, with last done for a short haul run back down to around 70,000mt x ws 105. VLCC levels gently edge up against a steady-slow flow of interest, although natural positions remain thin for next month already, so the dependency on

Eastern ballasters could see a potential inflation in rates. As of today, last done holds at \$4.2 million from the US Gulf to South Korea.

North Sea

A strange week for the Northern Aframax market. It is rare to not see a market firm, when you have 10 vessels exiting a region, followed by around 30 units employed in the same week. The merry go round of recycled tonnage continues to pin rates to the ground at 100,000mt x ws 60 from the Baltic and 80,000mt x ws 60 for X-UKCont.

Crude Tanker Spot Rates



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

Clean Products

East

A slightly flat week in the LR2 segment. Rates have fluttered but market levels remain pretty much steady. Westbound was done at \$2.225 million on a big cubic ballaster, but with other Westbound stems covered with OP tonnage, a fresh test next will be key. Naphtha has remained in the ws 107.5-110 bracket, ws 105 achieved once but soon rectified by Owners. Bigger Owing shops will push for ws 115 and \$2.3- \$2.4 million, but the fundamentals of the list don't support such numbers quite yet.

The LR1 segment has ticked along. It was obvious that rates would take a slight knocking, given the length of the list on Monday. As soon as TC5 market levels were reset at ws 110, every Charterer rushed to repeat, not all managed to do so with 'suitable' tonnage. Therefore, replacements have come at the cost of 5 extra points and this is where TC5 now sits. Westbound softened to \$1.6 million ex Kuwait - CSSA able to utilise older tonnage ex Kuwait to reset the market. We would expect today to be quiet; Charterers will take stock and reassess their plays for the new week.

Having seen MR Owners butcher their own market last week, wiping ws 45 off points from TC17 and dealing with the consequences on other routes, this week has had a much more stable feel. 35 x ws 180-185 EAF has been a much tighter range to operate in for this week.

TC12 has been untested but sits at ws 140 in our opinion, westbound sits at \$1.225-\$1.25 million levels basis UKCont. Interesting to see an opening west-headed arb, driving good volumes of questions for end/early enquiry. Look out for a flurry of long hauls early next week, which could help drive some recovery in these market levels.

Mediterranean

Overall, it's been a busy week in this Mediterranean Handy market, which has seen a good level of enquiry throughout. This has helped to clear the plethora of prompt tonnage we saw on our lists last week, which in effect has seen rates begin to improve slightly. 30 x ws 110 and 30 x ws 115 have both been done for X-Med over the course of the week, with the final rates very much dependent on voyage variables and vessel age. Black Sea activity on the other hand has been a bit quieter, with last done still at the 30 x ws 115 mark but expect Owners to push for 30 x ws 120, if enquiry in this sector picks up. Despite the improvement here, returns for Owners in this market are still very poor, so they will be hoping this inquiry level can continue in the coming weeks.

In terms of enquiry, it's not been a bad week for the MRs plying their trade in the Med. Yet, with ample tonnage around, rates have remained at the bottom. 37 x ws 100 transatlantic is the floor in this market, which has gone on subs throughout the week. WAF activity has also started to improve, but rates for

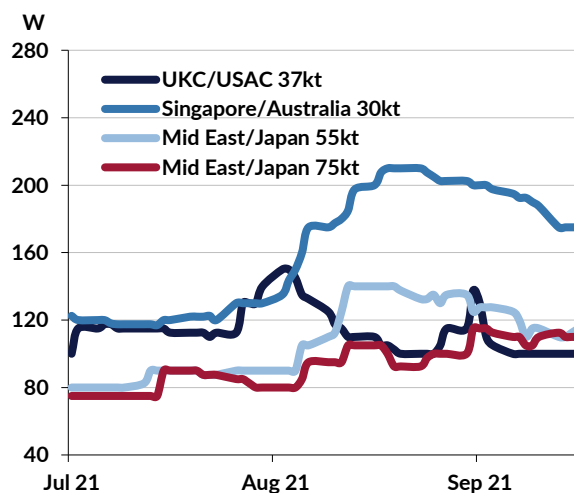
now track in line with transatlantic at around the 37 x ws 100-105 levels. Market sideways.

UK Continent

Any hopes of improvement this week were once again dashed by the sheer weight of excess tonnage. Despite Owners seeing a few more stems in the 2nd half of the week, coupled with some 30kt X-UKCont stems also being taken, every morning we are faced with 20+ available ships in the next 5 days. With this in mind, it is not a surprise that TC2 has been sitting at rock bottom 37 x ws 100 all week, with the WAF market (preferable to many) losing its premium and also down to ws 100. Continued trading at this pace will certainly help clear some weight away, but for now this sector remains in the doldrums and should stay for the foreseeable.

It has been a fairly positive week for Handies up in NEW, as steady demand ex Baltic cleared out a handful ships from our tonnage lists, meaning any prompt cargoes proved fairly difficult to cover via Handysize. Nonetheless, with that being said, Charterers have been able to lean on MRs to cover 30kt clips, which ultimately capped Handy freight. TC9 closes at ws 30x120-125 and X-UKCont around the 30 x ws 115-120 mark.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Another sluggish week for Continent trading volumes; however, rates do not necessarily reflect just how slow the market has been. Under the radar, questions no doubt have been asked of some Owners who are there to tuck a unit away off market. Nonetheless, the reality remains that the North needs an injection of pace to halt a successful attempt to erode further current levels. Sentiment has seen BTR drop below ws 140 and, with the lists come Monday expected to be well stocked, we could see a fresh test.

In the Med the Handy sector is faring slightly better in terms of turnover of tonnage; however, supply continues to outstrip enquiry, keeping Owners' expectations subdued and rates flat. This week we have seen replacement business (which usually commands a premium of the prompt window) traded at last done levels as competition between units at the top of the list has kept a lid on an opportunity to push. Going forward, we expect to see similar levels and pace of trading next week, with some potential for end month flurry of cargoes.

MR

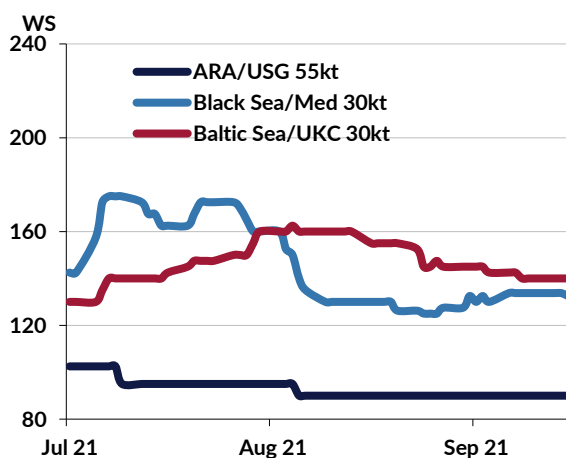
Broadly speaking about the MR sector, Owners are starting to find their voices and slowly pushing back against recent lows. We have found this week that, when being presented with a full 45kt, triple digits are a minimum request; unless presented with a handy stem off

dates, in which case a different rationale features in the equation, where owners look to avoid facing idle days. Furthermore, such resistance is being seen both in the Med and Continent; up here in the North Charterers are having to tread increasingly careful, where vetting criteria further places a burden on actual availability.

Panamax

The difficulties faced in the Panamax market have continued for yet another week, with oversupply of tonnage and poor rates in the surrounding Aframax market making a Panamax short haul or long haul unviable. We spoke last week about the potential for the firming US market to have some impact this side of the pond; however, this glimmer of light has not yet materialised. We do, however, close this week with the US market tight, so there is once again potential for tonnage to ballast State side if dates and sentiment allow.

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscales

			wk on wk change	Sept 16th	Sep 9th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+0	35	34	31	33
TD20	Suezmax	WAF-UKC	-1	52	52	55	53
TD7	Aframax	N.Sea-UKC	+1	92	92	89	94

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

			wk on wk change	Sept 16th	Sep 9th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	-750	-1,750	-1,000	-1,250	-4,000
TD20	Suezmax	WAF-UKC	-1,000	500	1,500	5,000	1,500
TD7	Aframax	N.Sea-UKC	0	-5,000	-5,000	-4,500	-3,500

Clean Tanker Spot Market Developments - Spot Worldscales

			wk on wk change	Sept 16th	Sep 9th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	+2	108	106	93	
TC2	MR - west	UKC-USAC	+2	100	98	103	113
TC5	LR1	AG-Japan	-2	112	114	138	108
TC7	MR - east	Singapore-EC Aus	-13	172	186	210	160

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

			wk on wk change	Sept 16th	Sep 9th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-250	10,500	10,750	8,250	
TC2	MR - west	UKC-USAC	-250	-1,000	-750	1,000	1,000
TC5	LR1	AG-Japan	-1,000	7,000	8,000	15,000	6,250
TC7	MR - east	Singapore-EC Aus	-2,750	9,250	12,000	17,000	7,500

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

ClearView Bunker Price (Rotterdam VLSFO)	+17	526	509	471
ClearView Bunker Price (Fujairah VLSFO)	+10	545	535	496
ClearView Bunker Price (Singapore VLSFO)	+20	560	540	493
ClearView Bunker Price (Rotterdam LSMGO)	+18	594	576	531

* WS spot rates converted into 2021 WS 100

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