

All Eyes on Glasgow

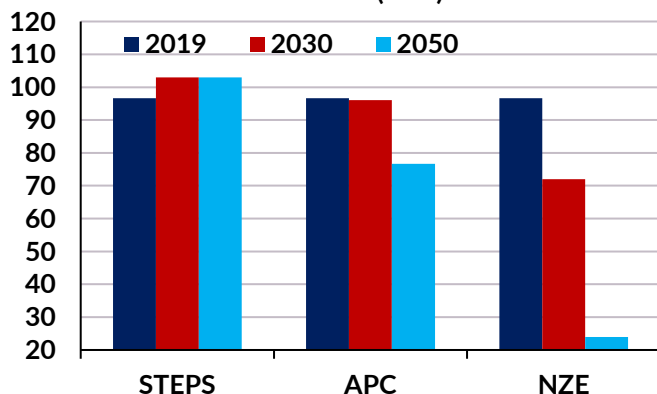
Weekly Tanker Market Report

The International Energy Agency (IEA) released last week its annual World Energy Outlook, ahead of the upcoming UN climate summit, COP26 in Glasgow. The agency notes that national level commitments to reduce global emissions are now at their highest level ever. By now, more than 50 countries, as well as the entire European Union, have pledged to net zero emissions. However, the IEA makes it clear that much more needs to be done beyond currently announced pledges to meet the targets set by the Paris Agreement. The agency calculates that overall clean energy investment would need to more than triple to keep the door open to a 1.5 °C stabilization.

The report introduces three key scenarios. The Announced Pledges Scenario (APS) takes into account all of the climate commitments made by national governments by mid-2021 and assumes these pledges are met in full and on time. In this case, world oil demand peaks soon after 2025 at 97 mbd amid rapid growth in electric vehicle sales and continued improvements in fuel efficiency. Oil use falls by around 4 mbd in countries with net zero pledges between 2020 and 2030, but that is offset by an 8 mbd increase in the rest of the world. By 2050, global demand falls to 77 mbd. However, the IEA stresses that a lot more needs to be done by governments to be able to fully deliver on their announced pledges. On the supply side, the APS assumes that producers with net zero pledges continue to pursue efforts to minimize emissions. This increases their production and financing costs; yet some remain competitive due to ability to export more when faced with the declining domestic demand. For example, the US exports 3.5 mbd of oil in the APS in 2030, that's compared to 2.5 mbd of oil in the more conservative STEPS scenario, detailed below.

The Stated Policies Scenario (STEPS) is based on prevailing policy settings, in other words measures that governments have actually put in place, as well as specific policy initiatives that are under development, including the "Fit for 55" initiative in the EU. In this case demand peaks in mid-2030 at around 104 mbd and then falls slightly by 2050. Here, US shale operators choose to prioritize

Global Oil Demand Scenarios (mbd) Source: IEA WEO2021



returns over production growth, and tight oil satisfies much less of the increase in global oil demand than in the past. OPEC production increases by around 6 mbd to 2030, and Russian production is maintained.

Finally, the Net Zero Emissions by 2050 (NZE) case is hypothetical. It is designed to achieve a specific outcome and shows a pathway to reach it. This case sets out an action plan for the next ten years in order to reach net zero CO2 emissions by 2050. In the NZE, oil demand falls to 72 mbd in 2030 and to 24 mbd by 2050. By 2030, 60% of all passenger cars sold globally are electric, and

no new-internal combustion engine cars are sold anywhere after 2035. Oil use as a petrochemical feedstock is the only area to see an increase in demand; in 2050, 55% of all oil consumed globally is for petrochemicals.

The IEA's latest energy outlook should not be viewed as a specific forecast but rather as a set of possible pathways of how the energy markets could evolve in decades to come. Of all the cases, the STEPS is the closest to current reality, but even this case does not fully overcome some challenges, for example the uptake of EVs in developing economies. The upcoming COP26 will provide insights in to how much political will is out there to act, particularly from non-OECD economies, which have been hit hard by the pandemic. With the conference commencing in less than ten days, all eyes on Glasgow!

Crude Oil

Middle East

A good amount of VLCC activity throughout the week has enabled Owners to push levels on, albeit gradually. The 1st decade November programme is nearing completion and availability is starting to balance out, with Owners also being drawn towards the West as those markets strengthen. Last done levels to China are at 270,000mt x ws 43.5 with the expectation that more is achievable. Rates West remain hypothetical where we estimate levels to have moved up to around 280,000mt x ws 22.5 to the US Gulf. Suezmax Owners continued to build up on last week's levels with many cargoes entering the market against tighter availability of tonnage. The week ends with rates standing at 140,000mt x ws 50 West and 130,000mt x mid ws 70's East. Don't rule out Owners making further gains next week. Another positive week for Aframax Owners in the AGulf. Rates have firmly broken through the three digit barrier for AG-East with levels now sitting at around the 80,000mt x ws 110 mark. Owners are bullish and will be pushing for further gains next week.

West Africa

Overall, a slow week for VLCC activity, but this hasn't deterred Owners from having the opportunity to push levels up a notch as a busy AGulf market combined with a healthy amount of interest in the US Gulf has ensured Owners have plenty of viable alternatives. Rates currently stand at 260,000mt x ws 47 to the Far

East with potential further increases achievable. As in other Suezmax load areas, rates have further pushed up to the point where Owners are now making a profit rather than fixing below Opex. Levels to Europe have reached 130,000mt x ws 80 and ws 85 East. Rates are likely to go sideways going into next week.

Mediterranean

The week has progressively improved in Owners' eyes from recent underserved lows. Weather is bad, delays have increased and well approved vessels are in thinner supply. Rates have gradually increased from 80,000mt x ws 100 levels for both Black Sea and Ceyhan voyages with a high of 107.5 ex Ceyhan by the close. CPC is yet to be tested in this firmer environment but Owners are pushing to achieve something in the teens now. With surrounding markets in the North and US Gulf looking promising and, with larger sizes also faring well, only the biggest of pessimists would deny that Owners have the upper hand leading into next week. As anticipated the Mediterranean/Black Sea area has been active for Suezmax tonnage. Replacement cargoes have given Owners the opportunity to further push rates with 135,000 x ws 90 being paid for a CPC cargo to Europe. With a stronger Atlantic market Owners have pushed for and achieved higher levels to the East and Libya/Ningbo rates are now no lower than \$3.2 million.

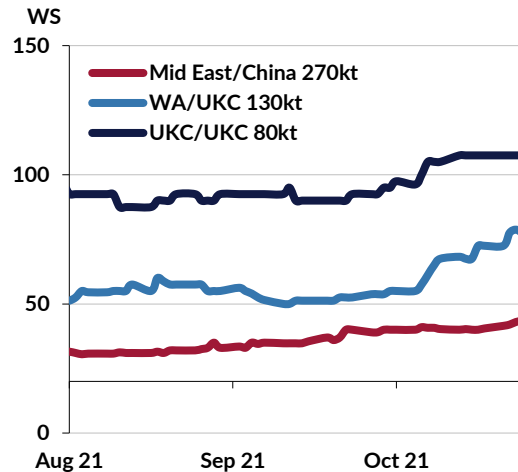
US Gulf/Latin America

The week started brightly for Aframax Owners as Charterers pressed on with their thirst for tonnage giving little chance for the position list to replenish. Continued interest has enabled Owners to secure rates reportedly up to 70,000mt x ws 165 from EC Mexico and 70,000mt x ws 130 for a transatlantic run. VLCC Charterers have been fairly active this week with plenty of questions being asked. The dependency of tonnage ballasting from the East and with bunker prices biting deeper into Owners pockets ensures Owners need more to compensate for these additional costs. As it currently stands last done from the US Gulf to the Far East is \$5.5 million.

North Sea

The Aframax North market continues to gain slow and steady traction. Expectation hangs over November despite an initial uninspiring loading programme for the Urals. Sentiment seems poised to push but it will require some movement at the start of next week. For now, current levels for cross North Sea hold at around 80,000mt x ws 110.

Crude Tanker Spot Rates



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

Clean Products

East

An interesting week for the MRs as on the surface things remain quiet but the bubbling off market activity keeps levels steady. Rates have not lost any ground (TC12 ws 130, TC17 ws 185-190) except for the short hauls where LR pressure and a small build-up of MR tonnage within the AWRP zone has prompted Charterers to take advantage. TCE earnings remain similar to that of Singapore cargoes (\$8-10k/day vsl dependent) so we will see limited ballasters this week (only those who wish to reposition fleets) and Owners will be hoping the 'Q4 revival' commences next week.

LR1s have seen the limelight this week with over 20 reported fixtures in the markets. Owners desire to head West is still very low and as such has seen a positive correction with \$1.765 million on subs but next done should be the other side of \$1.8 million given the current sentiment. Naphtha heading East hasn't seen as much activity (as expected as we are yet to see next month's stems make an appearance) but when tested expect at the 55 x ws 127.5 level. The sentiment on the LR1 is looking good, the list is very tight off the front end. Charterers enquiry is very much to the front end of the natural fixing window.

LR2s this week have ticked along in the background, as a result the list is slightly better placed heading into the weekend. However, TC1 on subs again at 75 x ws 90 and should be repeatable given the amount of offers Charterers saw on TC1

stems. UKCont on subs at \$2.05 million but similar to LR1s the enthusiasm for West runs is low currently. Given the activeness on the LR1s this week wouldn't be surprised if we see Charterers looking to stem up (if they can) and look at the larger sized ships next week.

Mediterranean

After the spike in rates we saw last Friday, Handy Owners in the Med entered week 42 with high hopes. However, to start the week we saw a bit of a standoff with Charterers holding back on their cargoes and allowing the tonnage list to refresh. Despite a couple of replacement cargoes off promptish dates achieving more, rates for a X-Med run off natural dates have come off around 10 points. We currently see a split market with WMed/CMed looking quieter than EMed. At the time of writing, 30 x ws 160 is the call for WMed loading cargo, with 30 x ws 170 ex EMed. Black Sea threatened to be the driver to keep rates moving up on the back of increased TS delays but for now rates remain at the 30 x ws 180 levels.

It's been a week of decline for the MRs plying their trade in the Mediterranean after we saw 37 x ws 145 transatlantic fail twice on Monday. Since then rates have come off to the 37 x ws 122.5 mark transatlantic due to TC2 slipping to 37 x ws 120 and US ballasters heading our way and increasing available fixing window tonnage. WAF is in need of a

fresh test, with rates expected to land in line with transatlantic next done. Pressure on here as we approach the weekend.

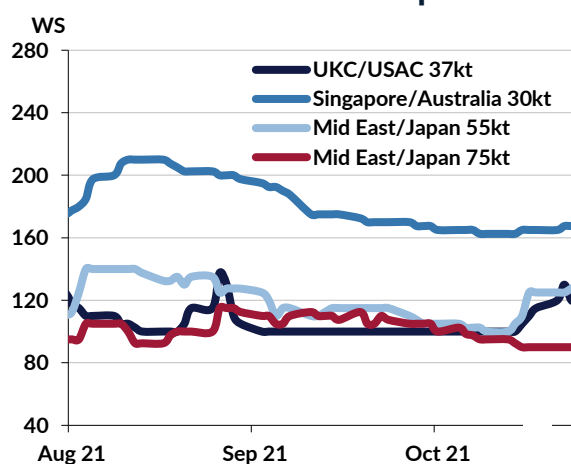
UK Continent

Finally, this week we saw the MR market improve from the dull 37 x ws 100 we have seen for nearly a month or so. Straight out the blocks on Monday we saw a busier cargo enquiry, and even though the front of the tonnage list had 7 prompt available ships, Owners saw the potential to finally push. A few combinations took place for the improvement in the North, Med firmed dramatically drawing some of ARA's usual ballasters leaving fewer ballast vessels prior to the 25th in ARA. Also 6 vessels were put on subs in the 20-25 window where we started to see the push as the equivalent of 37 x ws 115 was paid for a transatlantic run. By the time we hit midweek the market had improved to 37 x ws 135 for TC2 and Owners were optimistic, but it hasn't lasted long. As we close this week, we now sit at 37 x ws 120 for TC2 and that's mainly down to 15 free ballast vessels heading to NWE, and unfortunately the enquiry just is not enough to hold levels.

A good week for Handy Owners up in the North as freight ex Baltic has improved by 25 world scale points by Friday. Replacements combined with a relatively tight tonnage list were the catalyst behind these freight improvements as

TC9 now trades at 30 x ws 150 and X-UKCont at 30 x ws 145. However, the softening MR market remains a thorn in Handy Owners side as they have now capped the market from further improvements with MR Owners now looking to compete on shorter haul 30kt clips.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The NWE market has built from the gains made last week and starting this week with a steady position list. The region continued to trade around ws 170. Consistency in cargo flows from the Baltic and the UKCont have however been marginally slower but once again we have seen Charterers looking to book units coming from outside of the region. Despite fewer cargoes, with tonnage tight Owners had enough ammunition to maintain positive sentiment and come Monday we will see dates fall well into the early November window and tonnage replenishment expected to be limited all eyes will be on fresh lists.

The Med markets have fared slightly better in terms of the volume of cargoes driven mostly by enquiry from the Black Sea. A conference level seems to have been established where tonnage has met enquiry levels with ws 165 being repeated from the Black Sea with the usual 10 point diff for X-Med. Towards the end of the week the foot came off the pedal with a slowdown in activity and a limited amount of fresh enquiry which may, for now, cap Owners expectations of pushing for more. There is a caveat here however where bad weather being forecast in the region for the early part of next week may cause some delays and itineraries to go adrift.

MR

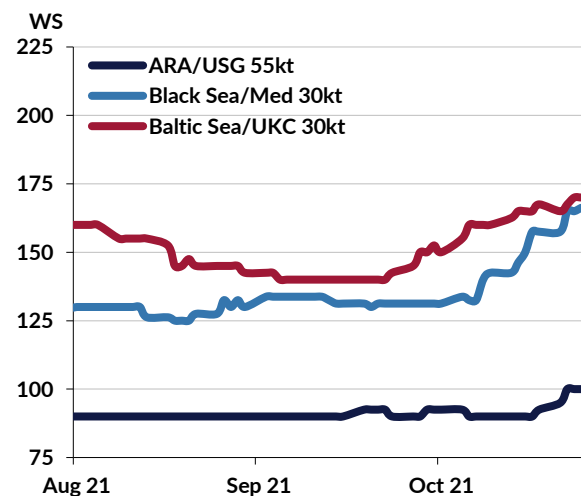
The story of this week has really been dominated by the roll over from last week's activity as the clear down in early tonnage was noticeable in both the UKCont and Mediterranean. This left limited workable units in both regions at the start of this week.

However, Owners confidence remains high due to enquiry levels seen from surrounding markets. This confidence is likely to flow into next week as replenishment is looking limited and the addition of weather delays from the Black Sea has the potential for dates to creep forward.

Panamax

The Panamax market this week has seen an injection of pace like we have not seen for some time. A mix of market quoted enquiry and off market firm questions has managed to do a very good job of thinning the natural tonnage list this side of the Atlantic. At the time of writing this some Charterers are still looking to secure units where larger sizes, especially in the Med have tightened. Looking ahead we are likely to see only a couple of units left in play in the natural window and looking further afield, tonnage options remain limited. The Caribs market continues to trade firm at much better daily earnings than from over here so expect little replenishment much later in next month.

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	Oct 21st	Oct 14th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	+3	43	40	39	50
TD20	Suezmax	WAF-UKC	+7	78	71	53	80
TD7	Aframax	N.Sea-UKC	-0	108	108	93	109

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

			wk on wk change	Oct 21st	Oct 14th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	3,000	3,250	250	2,750	10,500
TD20	Suezmax	WAF-UKC	3,000	10,500	7,500	500	11,750
TD7	Aframax	N.Sea-UKC	-250	2,000	2,250	-5,000	2,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 21st	Oct 14th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	+2	92	90	108	
TC2	MR - west	UKC-USAC	+10	120	109	100	129
TC5	LR1	AG-Japan	+1	125	124	112	120
TC7	MR - east	Singapore-EC Aus	+3	168	164	169	173

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

			wk on wk change	Oct 21st	Oct 14th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	500	3,250	2,750	10,500	
TC2	MR - west	UKC-USAC	1,250	0	-1,250	-1,250	1,750
TC5	LR1	AG-Japan	250	8,000	7,750	7,250	7,250
TC7	MR - east	Singapore-EC Aus	500	7,000	6,500	9,000	7,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+16	605	589	536
ClearView Bunker Price (Fujairah VLSFO)	+28	631	603	551
ClearView Bunker Price (Singapore VLSFO)	+2	623	621	560
ClearView Bunker Price (Rotterdam LSMGO)	+0	696	696	611

* WS spot rates converted into 2021 WS100

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