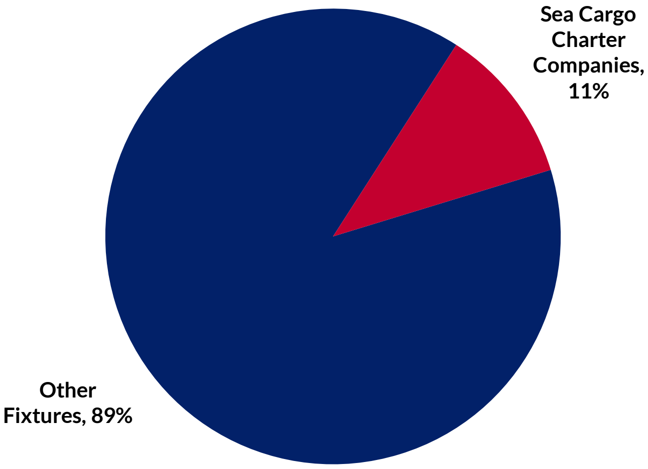
Is 17 a lucky number?

Weekly Tanker Market Report

Whilst we all know that one person can have a positive impact on any given situation, just think what impact 17 of the major oil companies, charterers, trading houses and miners could have on the environmental impact of ship emissions. As such, these companies have signed up to cut carbon emissions from all their shipping operations. Under the Sea Cargo Charter Association there will be a common approach to measuring the carbon emissions of each laden and ballast voyage, which when combined will provide an accurate figure of each signatory's total annual CO_2 emissions. These emissions will then be benchmarked against the IMO's target to halve carbon pollution from 2008 levels by 2050.

The impact of such a large group of companies coming together to address environmental concerns demonstrates a major swing in institutional thinking. The guidelines and the drive for accountability were drawn up under the Global Maritime Forum sustainable shipping initiative, which is also influenced under the Poseidon Principles, which provides a framework for financial institutions to measure the emissions of ships they finance and align them with the IMO reduction target.

Tanker Fixtures Jan-Oct 2020



It is hoped that with so many initial signatories, this will incentivise additional companies to invest in shipping decarbonisation. The Sea Cargo Charter is built around a contractual commitment agreed in a standard charterparty clause for the shipowner or operator to share with the charterer the tonnage carried, distance sailed and the fuel type and amount used for each voyage. Data for each voyage is collected and the carbon intensity calculated using the IMO's energy efficiency operating indicator to reflect real operating conditions.

The current market situation highlights that companies that have already signed up to the Sea Cargo Charter account for around 11% of all spot tanker fixtures so far this year. Evidently, the signatories are still in the process of implementing the clause into their chartering contracts, with some companies having already had a similar clause in place prior to the launching of the Association. Whether or not owners and operators will resist the clause being inserted remains to be seen, however the collective power of the group may make it inevitable regardless.

There are also a number of players that have already started to address the emission issues by chartering dual fuel vessels, which has a beneficial impact of reducing CO_2 emissions. In addition, there is increased interest from owners and charterers in exploring new technologies that can help reduce a vessels environmental impact through the use of wind and solar technologies, hull air lubrication and other emission reduction technology.

The end-game is for shipping to reduce overall emissions of greenhouse gases from each and every voyage. The tanker sector has already started down this road with several owners, charterers and traders already signed-up to the Sea Cargo Charter Association. It is anticipated that the influence of the original 17 signatories will provide an impetus for other companies to sign-up. This could be the start of real change with more companies seeking ways to improve their environmental footprint.

Crude Oil

Middle East

Whilst it would be wrong to term the VLCC scene here as having been dead, moderate daily volumes were the best case, and all the while availability continued to weigh. It is hard to see a positive balance returning anytime soon despite an increase in vessels committing themselves towards Atlantic alternatives. Rates crab walked at a 'conference' ws 26 to the Far East, with down to ws 15 still likely for any stray run to the West. Suezmax Charterers woke up and pushed much heavier interest into the marketplace to rescue Owners from the worst and restore just a glimmer of respectability. Rates crept up to 130,000mt by ws 45 to the East and to ws 25 to the West - still nasty, but maybe a little less so next week perhaps.

West Africa

Suezmax Owners at last found enough attention to cautiously climb the rate ladder but Charterers quickly responded by taking a more measured approach and rate gains were kept pegged to very modest levels. 130,000mt by ws 30 to the USGulf, and ws 35 to Europe now and some hope, at least, that another rung can be climbed next week. Very limited VLCC activity throughout, which means that next week should enjoy a busier phase as ballast date considerations force Charterers' hands once again. The results of that aren't likely to put much of a smile on Owners' faces, however, they may perhaps then squeeze a small advantage over recent sub ws 30 levels to the Far East.

Mediterranean

Aframaxes had dipped but Charterers quickly then pushed heavier enquiry and Owners then regained lost ground and now are at least thinking of pushing rates back above their recent 80,000mt by ws 65 ceiling X-Med and ws 67.5 from the Black Sea. Suezmaxes also turned the corner but very tentatively and rate demands remain at little better than a still very lowly 140,000mt by ws 45 from the Black Sea to European destinations and $2.4 million to China. Tonnage is eyeing slight improvements in the U.S. and any departures to there will help to further the cause here too.

US Gulf/Latin America

Aframaxes remained chained to rates in the '40's for 70,000mt both upcoast and transatlantic but volumes did improve and there is a nudge to the upside underway, albeit the weekend is likely to serve as a firebreak to anything serious developing. VLCCs flatlined through the week at unchanged rates at down to $3.55 million from the USGulf to Singapore upon limited fresh interest. Fixing dates are creeping towards 2021 and it seems unlikely that we will see much change for the balance of 2020 needs.

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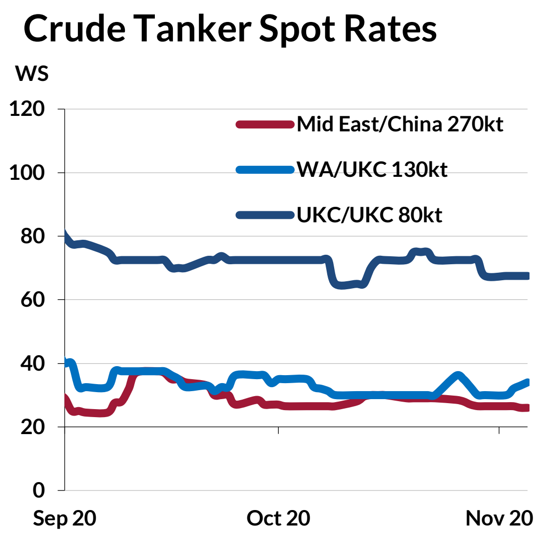
North Sea

Generally depressed for Aframaxes in all zones here. 80,000mt at down to ws 67.5 X-UKCont and to 100,000mt by ws 37.5 from the Baltic, with little/no improvement likely over the near term unless a degree of balance is restored due to flight from the area. VLCCs had a relatively busy week of it and in the main it was Owners ballasting from the Far East that took what was on offer and 'needed' around $4.4/4.5 million back to China-South Korea in order to make economic sense of the longer ballast and overall time commitment.



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

Clean Products

East

A better week for the LR1 Owners where a steady volume of cargo has helped to chip away at open tonnage and leaves the list looking tighter, with the front end finally less plagued with prompt ships. Charterers internal programming has also contributed heavily as a number of Shell and ST relets have been removed from the list. Although we are yet to see any sizable jump, Owners will be pleased to see that rates pushed slightly northwards, with TC5 on subs at 55 x ws 65 and UKCont on subs at $1.15 million ex WCI. A few open cargoes as we head into the weekend should allow for the momentum to continue into next week. Owners will be looking to the larger pools to try and push this sentiment further.

A very quiet week on the LR2s (until today) with very little activity in the West (Scorpio subs 90 x ws 40 UKCont/WAF) and previous storage deals coming to an end. In the East, it has been no surprise that Charterers are actively looking for both short TC and storage options - most coming in the East at the moment. West had softened slowly to $1.5 million levels ex AGulf. The Red Sea is an interesting one as earnings look awful with a ballast through the Canal. Those loading ex-Yasref will have to look at EAF ballasters or persuade one of the ships fishing off Sri Lanka to take a look. Naphtha has been retested on Shell's TC1. Formosa, a usual TC1 player and obvious choice for the cargo are now on subs at 77 x ws 55. We will see some further enquiry today and Monday, providing a good chance for Charterers to cover until end month whilst the market looks shaky. 90 x ws 45 is on subs this afternoon to Singapore on 3rd last DPP ship! The interest will be the volume of enquiry we get at these levels and how much of it is done before Owners realise that the list is thinning out...

What a wasted week for Owners to summarise! Numerous opportunities arose for Owners to really put their foot down, but they seemed completely incapable of doing so; and as such, the MR market has barely moved at all. The front of the list presented only aged or compromised tonnage, not ideal for jet requirements, or any loadport requiring younger tonnage. Furthermore, the desire amongst Owners to go to Latin America remains frail, therefore, BP getting $975k from UACC on their early Argentina delivery made no sense as UACC were the only offer. EAF has not moved from ws 102.5, in this case Owners are just getting bored of waiting for the market to move, and put simply, just giving up. Shorthaul remains popular, why wouldn't it, when longhaul earnings are so terrible? Low ws 100s is easily achievable. With LR2s on their knees, longhaul will be stemmed up in the new week, so no respite looks immediately likely.

Mediterranean

Rates have continuously traded at the bottom of the market this week, with Owners happy to fix at ws 75-80 levels as long as the TCE isn't negative. W-Med has been slightly firmer than the East this week, with 30 x ws 80 seen multiple times, however, on Friday we see rates at 30 x ws 75 across the board, with Owners happy to fix at this number in West if a higher MF is achieved. Black Sea has consistently traded at the 30 x ws 80 mark (for MF Agioi voyages), showing a lack of differential yet again, given the current state of play. Monday will bring further pressure with a replenished list and until we see an uptick in cargoes ex Black Sea (which was expected given the improved exports for November in Tuapse and Novo), then momentum is unlikely to occur.

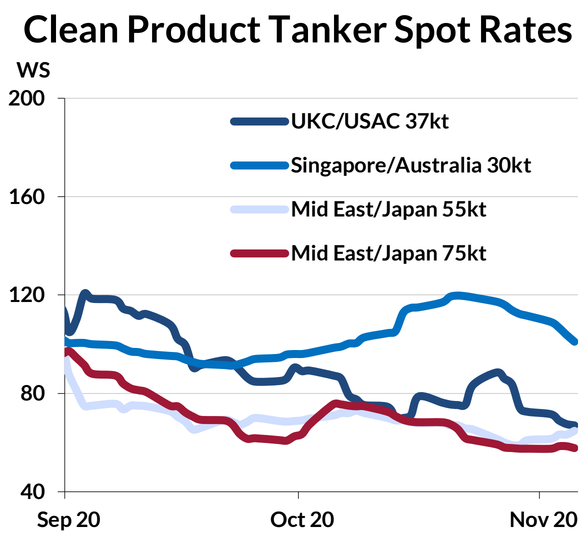
We end these joyous comments on the MRs here in the Mediterranean and to not buck the trend this market has also been fairly dreadful. With the lack of enquiry seen, rates have had to trade a touch under what is being achieved in the UKCont, which leaves us at 37 x ws 65 for transatlantic and only a little higher at ws 72.5 for WAF and expect these to continue to be under pressure from Charterers. With the LRs suffocating MR Owners ambitions across the board, expect little improvement on the horizon and on that note, have a good weekend.

UK Continent

It is very hard to put any kind of positive spin on the MR market currently. A thoroughly depressing week when you look at fixing numbers and volume of activity. TC2 hasn't been this low since October 2016. That is in fact the only positive note we can find today that we cannot see this market now going any lower. There are only a select group of Owners that will fix at today's levels and hopefully most of those have now cut and run. The vast majority are holding out for at least ws 5 points more than the floor so we really should see rates improve next week even if volume continues to struggle. Any real recovery still seems unrealistic at the moment though especially with Covid back with a vengeance across much of Europe and beyond. We end the week with TC2 hovering between 37 x ws 65-70 levels depending on which Owners are there and WAF equally volatile, with numbers anywhere from 37 x ws 65-75 again depending on who controls the ship.

A very lacklustre week has passed on by for Handies plying their trade up in the North. For the majority of the week both parties have been content to repeat last done levels but ultimately with the larger sizes under-performing, shorthaul 30kt clips became appealing in order to avoid locking in a long haul at the bottom of the market, which has put pressure on Handies. Freight by the close of the week did see a slight dip with 30 x ws 87.5 now the benchmark for Baltic/UKCont and 30 x ws 82 for X-UKCont. Weak for the foreseeable.

Yet another week of inactivity overshadows the Flexi market. Units are still readily available keeping Charterers firmly in the driving seat here. Rates continue to be benchmarked against discounted Handy rates with 22 x ws 107.5 seeming to be a fair reflection for X-UKCont when next tested.



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Dirty Products

Handy

The Continent this week will be defined as one where Owner confidence lacked any real conviction, proven in the act of discounting ws 2.5 points between deals. This combined with slower cargo volumes meant that Owners opted to discount by small margins between deals to ensure not missing the natural fixing window of any one ship. One other factor which also placed a negative bearing for the region, was the poor performance of the surrounding Med market, where the sheer weight of availability which saw West Med units ballast up to the Continent. It is no wonder then we finish the week lower than where it began, with X-Med dipping below ws 90.

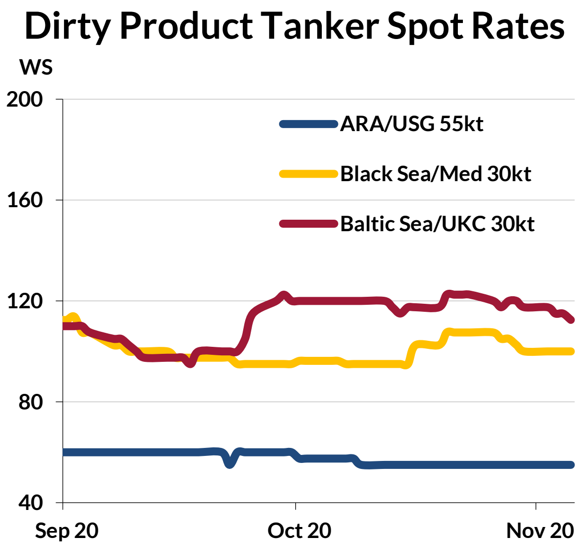
MR

On the Continent, Owners have succumbed to negative sentiment although in finishing the week only ws 2.5 points lower, it is fair to say this could have been a lot worse! Such is the infrequency of natural employment that sentiment was already fragile, which combined with units missing their fixing windows, now begs the question of whether this region will deteriorate further before any green shoots of recovery are seen.

In the Med, Owners are also feeling the impacts of inactivity where not even your go-to MR Charterers have been able to take full advantage of weakened conditions. With this in mind, tests are imminent and, with the surrounding Handies having lost value this week, it is very rare we see MRs prosper in such times.

Panamax

A rare test was seen this week, where as predicted, all Owners in position held the line at ws 55. All Owners opted to indicate at their fixing rate and by doing so, placed the obligation on the Charterer to pick a ship for reasons other than the rate. It is worth remembering that whilst such common unity among Owners is rare, in this scenario we seem to have reached a level where Owners exceed their risk/reward cut off, and in some cases, they lose less money by sitting spot, where attempts are made by Charterers to adjust standard issues such as port costs caps.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 5th	Oct 29th	Last Month*	FFA Nov/Dec
TD3C	VLCC	AG-China	**+0**	26	26	26	33
TD20	Suezmax	WAF-UKC	**+2**	34	32	33	43
TD7	Aframax	N.Sea-UKC	**-4**	69	73	72	93

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

			wk on wk change	Nov 5th	Oct 29th	Last Month*	FFA Nov/Dec
TD3C	VLCC	AG-China	**-1,250**	8,500	9,750	9,000	17,250
TD20	Suezmax	WAF-UKC	**-750**	4,750	5,500	5,000	10,500
TD7	Aframax	N.Sea-UKC	**-4,500**	-2,750	1,750	-250	14,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 5th	Oct 29th	Last Month*	FFA Nov/Dec
TC1	LR2	AG-Japan	**+1**	58	57	75	
TC2	MR - west	UKC-USAC	**-7**	67	74	78	81
TC5	LR1	AG-Japan	**+6**	65	59	73	79
TC7	MR - east	Singapore-EC Aus	**-12**	100	112	100	114

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

			wk on wk change	Nov 5th	Oct 29th	Last Month*	FFA Nov/Dec
TC1	LR2	AG-Japan	**-750**	7,250	8,000	13,500	
TC2	MR - west	UKC-USAC	**-2,250**	2,500	4,750	4,750	5,250
TC5	LR1	AG-Japan	**+750**	6,000	5,250	8,250	9,750
TC7	MR - east	Singapore-EC Aus	**-2,750**	7,250	10,000	7,250	10,000

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

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ClearView Bunker Price (Fujairah VLSFO)	**+15**	336	321	343	
ClearView Bunker Price (Singapore VLSFO)	**+24**	336	312	336	
ClearView Bunker Price (Rotterdam LSMGO)	**+30**	331	301	336	

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