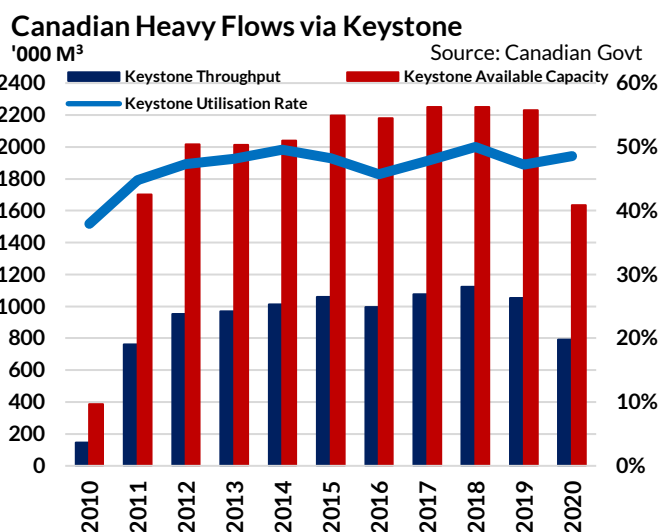


Oh Canada!

Weekly Tanker Market Report

Some major but unsurprising decisions shook the North American energy market last Wednesday. January 20th saw the US re-join the Paris Climate Agreement, ban the development of the controversial Keystone XL (KXL) project and temporary freeze drilling permits for federal land via executive orders signed by President Biden. For Canada, KXL would have increased pipeline volume by 830,000 bpd with a guaranteed extra 500,000 bpd for the next 20 years. This would have constituted an \$8 billion investment package of which at least \$5.8 billion has been financed by the Albertan Government and KXL owner TC Energy to increase the export potential of Canadian crude.



One advantage to the pipeline would have been a reliable supply of heavy Canadian crude to US Gulf Coast (USGC) refineries geared for heavy grades such as Venezuelan Orinoco, Mexican Maya, and Middle Eastern grades. With the supply of heavy grades globally pressured by production declines, OPEC+ cuts and sanctions, USGC refiners would have welcomed the extra Canadian supply, whilst any surplus could have been exported by tanker. For now, with sanctions remaining in place for Venezuela and Iran, and further hurdles falling in the way of Canadian exports, heavy crude supplies will remain constrained in the short term.

As USGC refiners increase run rates post pandemic, heavy crude supplies will have to be increasingly sought from longer haul destinations, primarily the Middle East, and some heavier North Sea and African grades. Assuming Venezuelan sanctions remain in place, and Canadian supplies remain constrained, increased US import demand would be supportive for tanker tonne miles. Yet, alternative pipelines could still increase Canadian volumes passing through to the USGC, such as Enbridge's 844,000 bpd Line 3 replacement in addition to the Capline reversal project, which is expected to add 300,000 bpd of light crude from mid-2021.

Of course, the latest decision on the KXL line is significant setback for Alberta who will lose a major export opportunity, in addition to lost investment. It also raises big questions over future pipeline projects within the United States, which are likely to face increased political scrutiny. The Canadian government's future commitment and support for provincial oil and gas projects is also in doubt. Ottawa is keen to develop an image of environmental support despite strong regional political pressures.

One potential alternative for Canada is to expand existing pipeline infrastructure to enable greater seaborne export of its crudes. The \$9.9 billion Trans Mountain Pipeline connects Alberta to terminals in British Columbia and is planned to add 890,000 bpd of capacity (a 14% increase in overall Canadian pipeline capacity) which would comfortably absorb lost volumes heading south to the USGC via KXL. However, it has faced long delays due to legal and environmental objections. Currently, the line has a scheduled completion date of December 2022 at the earliest if the project is sanctioned. Ironically, the Keystone XL setback is only adding extra support for the expansion of the Trans Mountain line.

Diverting pipeline volumes destined for USGC refiners to the Trans Mountain project would support Aframax demand in the Pacific, with much of the volume expected to head to Chinese refiners. Overall, this could lead to a net gain for the tanker market with Canadian crude increasingly opened to a wider market.

Crude Oil

Middle East

Only a slow steady flow of VLCC enquiry for Owners to work with, which has deprived them of the opportunity to recover some lost ground as other Western regions began to prosper pulling Eastern ballasters from the area. Last done for AGulf/East for a modern approved unit is 270,000mt x ws 32.5, with only limited movement either way. A voyage West is only likely to command a rate around 280,000mt x ws 18 to the US Gulf. AGulf Suezmax Owners have been the poor relation this week and have only slightly benefitted from rising rate levels. Unlike the Atlantic, the supply of tonnage has still favoured the Charterers and there are willing candidates at 140,000mt by ws 22.5 for European discharge and 130,000mt by ws 52.5 to the East. Aframaxes have enjoyed mixed fortunes this week in the East. Whilst rates in North Asia and the Indo region have come sliding back off, healthier rates have been achieved in the Red Sea region. As always it takes a combination of factors to drive freight rates. The recent improvement in the Med market, combined with a current tightness of natural openers and a 14 day quarantine restriction in Marsa Bashayer, has enabled Owners to push for higher rates, with as much as 80,000mt x ws 75 level reported for Red Sea/WCI. Although AGulf-East has remained stable at around 80,000mt x ws 60 level, sentiment is improving which might see Owners try to inch rates up in the AGulf early next week.

West Africa

The initial aid package from Suezmaxes and an overactive South American market provided VLCC Owners the opportunity to push for a mini recovery here, although rates have again started to dip as the lack of momentum takes hold with last done being 260,000mt x ws35 for a voyage East. Suezmax Owners quickly realised that they could push for higher levels. Owners have been buoyed by replacement cargoes and a very active mid-month program. It now appears that rates may have peaked at 130,000mt x ws70 for European discharge. Availability of tonnage is still tight and rates will hold going into the early part of next week.

Mediterranean

An interesting week for Aframax Owners. The tonnage list remains thin on the ground for firm itineraries and Charterers moved in earnest to fix Black Sea cargoes. A tight-dated cargo paid a high of ws 85 for CPC into the Med and Owners saw this as the next target for normal dates. However, a lack of X-Med activity for the last 5 days provided no firm footing for the ambition and Charterers managed to book cargoes in the 16-19 Black Sea window at conference 80,000mt x ws 82.5 levels. Ceyhan cargoes ostensibly are floating at 80,000mt x ws 77.5-80 levels, with illiquid flows to test and we wait for the coming week for the direction to be set. A busy CPC program gives Owners hope. The early part of the week saw Suezmax tonnage being in the driving seat to push rates up as Charterers

scrambled to take cover against a very tight tonnage list. Owners have achieved levels of \$2.9 million for Black Sea to South Korea and 130,000mt by ws 95 for a short X-Med voyage.

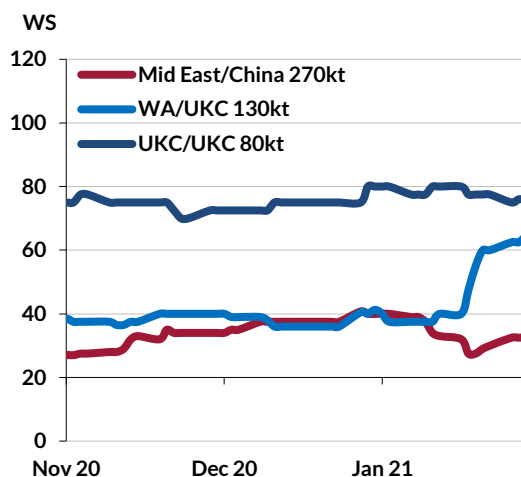
US Gulf/Latin America

Almost all ingredients for a sizeable recovery were in place for Aframaxes as weather delays placed a good number of ships as uncertain; however, one major ingredient that left it flat was the lack of enquiry. Now that the weather is clearing, the tonnage list is beginning to build, which puts Owners more on the defensive. Last done for a generic Caribs up run is 70,000mt x ws 90 but no doubt Charterers will be gunning for less. VLCC levels have remained pretty steady over the last week with last done for a US Gulf/China voyage at around LS\$4.3 million. A potential shift up is possible as availability is lighter than we have seen in previous weeks.

North Sea

Northern and Baltic Aframaxes decelerated through the week as enquiry dried up. The short-term outlook doesn't look particularly enticing due to a weak Urals programme and a continued oversupply of tonnage. X-North Sea cargoes were soaked up by own tonnage this week giving Owners little to be positive about. Rates seem set to travel sideways at 80,000mt x ws 77.5 for X-North Sea and 100,000mt x ws 57.5 for Baltic/UKCont.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have had another awful week. There has been a certain amount of LR2 activity under the covers; yet, even with this volume, the list continues to be well over tonnage and no turnaround is close in the short term. LR1s have also seen rates drop to historical lows and, with the tonnage availability, there is little short-term positives to look forward to.

55,000mt naphtha AGulf/Japan is now ws 75 but there could be a few more points to be taken off in the coming week. 65,000mt jet AGulf/UKCont is now \$1.1 million but, with certain vessels keen that way, less could be done on one-off fixtures. Most Owners though will try and stay short to survive this downturn.

LR2s on the face of it have had hardly any cargoes in the market. However, it has become clear that certain Charterers are just picking ships off the market as when needed. Rates have suffered as Owners have just been pleased to see the stems. 75,000mt naphtha AGulf/Japan is now ws 73 and 90,000mt jet AGulf/UKCont is down to \$1.55 million. Again, there will be little recovery until we see further clearing of the available tonnage.

An incredibly suppressed market here. We don't think even Charterers are happy to be trading at these woeful levels. Brokers have misreported cross Gulf at \$90k this morning. In reality, this is cross Saudi, and Owners are earning \$5k for a week (given that she is coming off the back of shorthaul cargoes), as opposed to \$3k for a month, the more shrewd trading decision is obvious. Having said this, low numbers encourage traders and Vitol will be shooting to beat ws 130 on their EAF ex India. Westbound will sit circa \$900k (why take an MR?) and the number of veg positions will suppress Latin America runs to similar levels. Disastrous stuff all round and not much to look forward to on the weekend...

Mediterranean

A very tight front end and end month stems still to cover allowed Owners to start the week on the front foot, with further gains seen. 30 x ws 162.5-165 was the peak of this market, with higher min flats also seen in exchange for safer itineraries. Black Sea also held at the 30 x ws 185 mark. With Owners comparing earnings to this market, this allowed them to squeeze Charterers some more on X-Med rates. However, once these end month stems had cleared out, activity was slow. With itineraries firming up in the Med, this has put a strain on the market with a swift drop in rates and 30 x ws 145 now being talked about X-Med. Poor Black Sea weather has meant programme cargoes have been suspended and, although dates have stretched to the 6th, this has allowed Owners to hold at 30 x ws 185. Expect an influx of cargoes in the next window with these postponed system barrels needing to be moved. In the meantime, however, with the gap now at 40 points, a negative correction is likely.

A tight list coupled with a positive UKCont sentiment has allowed Med MR Owners to sit in the driving seat this week. Rates have by and large traded around the 37 x ws 125 mark for transatlantic runs, a touch behind rates seen in the UKCont, which is a result of limited enquiry. We saw heights of \$1.1 million on subs for Med/AGulf, which swiftly failed. This is not surprising, given an LR2 heading that way can be secured at just under the \$1 million mark. Red Sea vessels have noticed the tight list and been attracted through the Suez for a slice of the action. Next week will bring a replenished list but expect Owners ideas to stay high for the foreseeable.

UK Continent

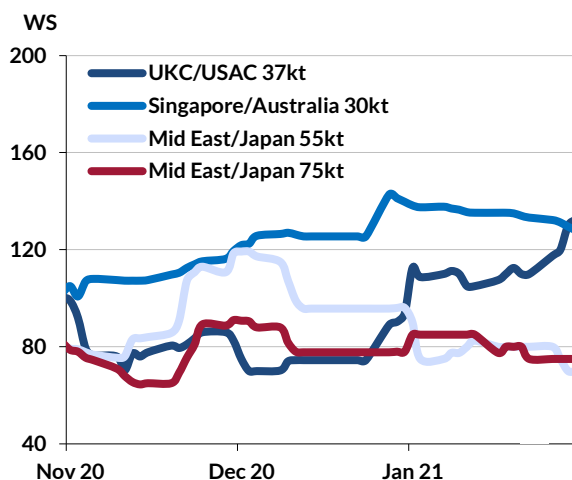
With a couple of busy weeks under their belts, Owners stepped into this week with positivity a plenty in their pockets. With a slender tonnage list to offer to Charterers, you can understand why. Another active start to the week saw the battle commence. With small increments Owners were able to pull TC2 up from 37 x ws 115 to now just above the ws 130 mark, with WAF likewise up to around 37 x ws 145 and a healthy 20-30 point premium seen for Ice requirements. As usual, we saw moments of standoff occur, but some less fortunate Charterers didn't have time on their side and a couple of tricky stems saw improvement on rates for then this to be repeated by the other cargoes in the shadows. As we come to the conclusion of week 4, a number of outstanding in a similar 06-08 Feb window remain. It may seem wise for Owner to make the most of this situation, as unsurprisingly this activity has caught the eye of many States vessels and a small armada making its way across the turbulent Atlantic could dampen Owners positivity. Expect those that can, to hold off fixing to try and let some steam off this market but for now the ball remains in the Owning fraternities court.

At the beginning of week 4 momentum was with Owners as they looked to push from a previous week, which was tight for ice class units for certain dates. Ultimately though Charterers did a good job, with some leaning on COAs partners and fixing ahead of the curve for their ice cargoes and others even covering on LRs resulting in 30kt clips being gobbled up on larger tonnage. Off the back of this, 30 x ws 160 has been repeated a few times on Thursday/Friday for ice, while non-ice Baltic ports trade around 30 x ws 140-150, with the market having a steady feel. In contrast, the Continent has been quiet with very little fixing opportunities on offer for

those with non-ice class units. When tested, 30 x ws 125 was paid for a vanilla X-UKCont. Two-tiered market here.

It's been a really quiet week in this UKCont Flexi market, with the little activity we have seen being kept away from the market surface. With cargo enquiry on the slow side, rates this week have been assessed using the Handies trading in the Continent, which have also been rather lacklustre this week. On that basis, the call for a X-UKCont run currently stands at the 22 x ws 165 mark; however, a fresh test is needed here to see where the market really lies as Charterers will feel they can push for less with plenty of options available to them in the next 5 days.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

It has been a bit of a scrappy week for Handy Owners, although one which hasn't been all disappointment. Reflecting on the Continent we have seen tonnage this week being picked off under the radar; although rates have shown slight deterioration, we head into week 6 with not quite so many spot units weighing heavily on sentiment. Elsewhere, in the Med, collective activity throughout the week would suggest that the tonnage list is ticking over but there hasn't quite been enough stimulus to allow Owners to hang onto last done from the Black Sea and so a slight negative correction. Weather delays and a backlog in Greece caused by the recent pilot strike has provided the region with a slight cause for optimism, however, the rest of the pieces of the jigsaw need to be put in place before any real recovery is seen.

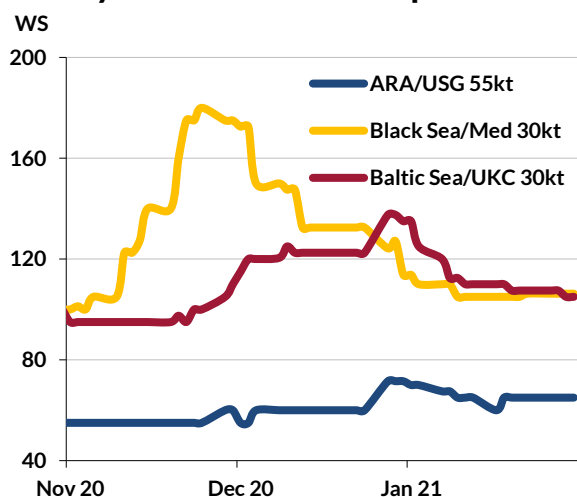
MR

Finishing what has been a tough week, for some a temporary relief has been found, while for others familiar problems endure. Like the surrounding Handies, the operating dictated the outcome of the week. As the Continent was tested, we saw value lost, which was probably 5 points more than what owners could afford to give away. In the Med, however, conditions have been steadier. Nonetheless, one common trait does affect the sector as whole. Competition for employment remains intense, with confidence lacking.

Panamax

With tonnage building on the lists here in Europe, relief for those units racking up idle days cannot come quick enough. At the end of the week we finally see a couple of stems providing owners with an opportunity to at least propose some ideas at which they are prepared to move oil at. With this in mind, make no mistake: earnings are so low right now that if Charterers ideas are pitched too much lower, then Owners will simply say no and just sit the ships where they are. This tells us all we need to know as far as levels are concerned. Yes, they are artificial in terms of standing, but having hit rock bottom and the market suffering from liquidity issues, there needs to be value in the market for anything to be given back when conditions deteriorate. We have passed that saturation point, especially where bunker prices come into play.

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	Jan 28th	Jan 21st	Last Month*	FFA Q1
TD3C VLCC	AG-China	+2	32	30	43	34
TD20 Suezmax	WAF-UKC	+11	69	58	42	51
TD7 Aframax	N.Sea-UKC	+0	78	78	82	93

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

		wk on wk change	Jan 28th	Jan 21st	Last Month*	FFA Q1
TD3C VLCC	AG-China	+2,000	2,000	0	15,500	4,750
TD20 Suezmax	WAF-UKC	+5,750	14,500	8,750	2,000	5,500
TD7 Aframax	N.Sea-UKC	+250	-6,250	-6,500	-2,750	3,750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Jan 28th	Jan 21st	Last Month*	FFA Q1
TC1 LR2	AG-Japan	-6	72	78	77	
TC2 MR - west	UKC-USAC	+20	130	110	89	123
TC5 LR1	AG-Japan	-2	74	75	100	85
TC7 MR - east	Singapore-EC Aus	-6	128	134	143	141

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

		wk on wk change	Jan 28th	Jan 21st	Last Month*	FFA Q1
TC1 LR2	AG-Japan	-1,750	3,500	5,250	6,500	
TC2 MR - west	UKC-USAC	+3,500	8,000	4,500	1,750	6,500
TC5 LR1	AG-Japan	-250	1,750	2,000	8,500	4,250
TC7 MR - east	Singapore-EC Aus	-1,000	5,500	6,500	8,750	7,500

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

ClearView Bunker Price (Rotterdam VLSFO)	+1	413	412	381
ClearView Bunker Price (Fujairah VLSFO)	-1	445	446	421
ClearView Bunker Price (Singapore VLSFO)	+0	451	451	419
ClearView Bunker Price (Rotterdam LSMGO)	+0	451	451	428

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