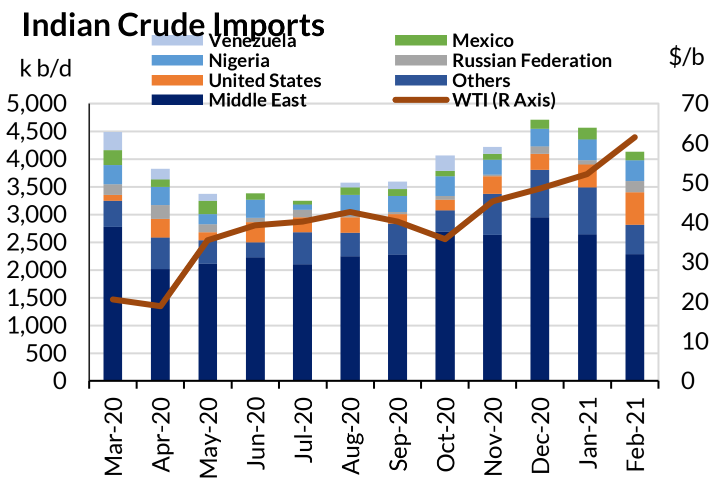
India Seeks Alternatives

Weekly Tanker Market Report

India is in a unique position. The country will witness the largest increase in energy demand in the world over the next 20 years, with the potential for oil consumption to rise from 4 million b/d currently to 8.7 million b/d by 2040 according to the IEA. However, the pathway to this increased crude demand may not be a smooth one. The push to increase fuel efficiency, alternative fuels and electrification could limit oil demand growth by around 1 million b/d through to 2040. However, either way, India will experience a significant increase in overall crude oil demand. As outlined in our Weekly Report back in October, India has a large refining sector which increasingly is integrating petrochemical facilities. To keep pace with rising local demand, refinery capacity will need to be expanded. Such a project can be seen in the Paradip refinery expansion, where capacity will be increased from 15 mtpa to 25 mtpa, with many more similar projects needed to keep up with demand.

To ensure that the country has sufficient crude supply, the Indian Strategic Petroleum Reserve Limited (ISPRL) has established a Strategic Petroleum Reserve (SPR). There are three reserves located at Vishakhapatnam, Mangaluru and Padur with a total capacity of 5.33 million tonnes (Mt), around 9.5 days of the country's crude requirement. In addition, the Oil Market Companies (OMCs) in the country have storage facilities for crude oil and petroleum products for 64.5 days. This means that the total national capacity for storage of crude oil and petroleum products is currently around 74 days.



Under a Phase II of the SPR programme, an investment of $1.6 billion will be required for additional storage capacity. Two sites have been earmarked, Chandikhol in Odisha (4.0 Mt) and Padur (2.5 Mt). The new capacity will add around 12 days of Indian crude oil requirements.

India benefited from the historically low crude oil prices that occurred during the first half of 2020 in which it was able to purchase cheap oil to store in the SPR and in commercial inventories. India imports around 84% of its overall crude demand, with around 60% of that coming from the Middle East. However, recently the government has asked refiners to diversify their procurement of oil with a reduced focus on Middle Eastern exporters. This comes at a time when oil prices have soared, in part as a result that OPEC+ has decided to extend most of the output curbs through to April. To act on the new government directive, the country's top refiner Indian Oil Corp (IOC) has renewed its oil import contract with Russia. The country also hopes to resume Iranian oil imports during 2021, and will potentially return to Venezuelan supplies if sanctions are lifted. Further ahead, imports from the new crude producer Guyana are expected. This may displace some volume of supplies from two of the country's largest current suppliers, Iraq and Saudi Arabia, which would ultimately support tonne mile demand.

The combination of rising demand and refining capacity indicate growing trade flows to the country both short, medium and long term, meanwhile a drive by the government to diversify imports will only further boost tonne miles. Where exactly from and in what volumes these incremental barrels are sourced remains to be seen, but undoubtedly this will be a closely watched development, from both oil producers and tanker owners.

Crude Oil

Middle East

It is difficult to see how VLCC Owners could have conceded more ground this week when bunker prices continued to strengthen. Some Owners are now taking the stance that current levels are just untradeable and will hold back their ships from the spot market. Last done for a voyage AGulf/South Korea is 270,000mt x ws 24 on a challenged but modern unit. Western voyages remain illiquid with estimated levels to the US Gulf at 280,000mt x ws 18 (via Cape). A slightly more active week for Suezmax tonnage, which has seen a large disparity in rates between modern and tonnage over 15 years old. Rates firmed in the early part of the week only to then soften again. Levels to the East are currently no higher than 130,000mt x ws 60 to Europe and next done to Europe will be 140,000mt below ws 20. Aframax rates are yet to settle in the AGulf following a period where we have seen rates act like a seesaw between the East and West markets. As we close the week, AGulf-East rates are hovering at around the 80,000mt x ws 90 level. Looking towards next week it is possible rates will come off a touch as there is a strong handful of ballasters from the East heading towards the AGulf.

West Africa

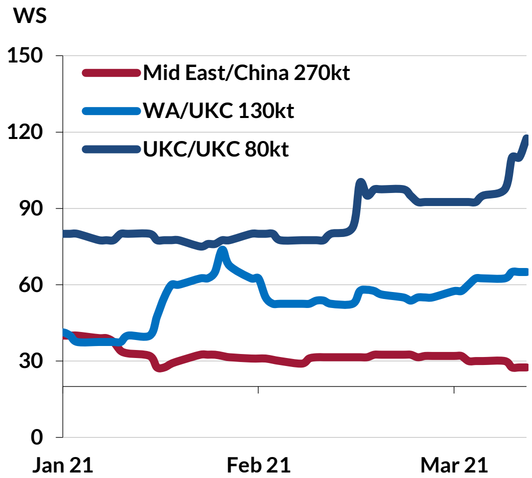
Any impact we see in the AGulf market is quickly reflected here too and unfortunately for VLCC Owners, that continues to be the case with Charterers remaining firmly in the driving seat. Last done for a voyage to the Far East is 260,000mt x ws 32. The early part of the week saw Suezmax Owners capitalising on tight availability of tonnage and pushing rates up to 130,000mt x ws 67.5 to Europe. This led to Charterers sitting back from showing additional enquiry until the tonnage list restocked. The week closes with rates taking a dent and 130,000mt x ws 61.25 has been paid for a Rotterdam discharge.

Mediterranean

In the Mediterranean, further fixing has given Aframax Owners optimism despite certain cargoes being preferably programmed on timecharter tonnage. But with the chance to push rates denied, so did arise other opportunities for rate resurgences on replacement cargoes and forward dates. In addition, the early April CPC programme seems healthy enough to allow Owners to be aggressive. Libya voyages have risen from 80,000mt x ws 92.5 to ws 115 and Black Sea cargos from 80,000mt x ws 105 levels also to ws 115. Owners are now offering ws 150+ for short voyages for those who wish to fix today. Well stocked availability of Suezmax tonnage has been hanging on to the coattails of the Aframax market. We have seen a few vessels fixed for Aframax part cargo stems this week and the likelihood is that more will be gatecrashing the Aframax market next week, putting a ceiling on Aframax earnings. Black Sea rates are currently 140,000mt x ws 75 for European Mediterranean discharge and 130,000mt x ws 70 for an Algeria/Continent voyage.

US Gulf/Latin America

Some volatility for Aframaxes here as a steady flow of enquiry has assisted Owners in securing some healthy premiums throughout the week. Combined with a few ships heading transatlantic this has balanced availability to an extent that these gains have been secured and in fact built on. Last done for a short-haul run was 70,000mt x ws 180, with levels around 70,000mt x ws 145 for transatlantic. VLCCs remain far less volatile with levels keeping rangebound in the low $4 million region to the Far East.



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

North Sea

A strong week for Northern Aframaxes as rates march up on the back of a busy market. Fuel has been a main driver this week but cross North Sea has been equally busy snapping up vessels from the list and helping to buoy Owner's sentiment. Cross North Sea is currently fixing around 80,000mt x ws 115 levels and Baltic/UKCont circa ws 112.5. We can expect further rate gains in the near term with a tighter list and heavy weather expected to bring some delays.

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Clean Products

East

The LR1 segment has had a fairly fruitful week, taking a good lead from the surging LR2 segment. As westbound freight moved up towards $1.8 million levels on the LR2s, the ceiling for the LR1s to move into has changed. $1.5 million is on subs ex Sikka and very few are even willing this direction and there was a particularly tight mid-month set of dates, which has really pressed Charterers for options. TC5 has shifted up to ws 107.5 with a couple of keener vessels doing ws 102.5 before waiting days kicked into voyage calcs and the higher levels were booked towards the end of the week. The interest in this size as we go into the new week, is whether more interest can be developed amongst a later window for Owners to head west - as this run can be a catalyst for firmer rates.

A busy week on the LR2 segment for distillate and gasoline movements which have encouraged some good increases in rates. The glut of gasoline in the region points strongly to WAF, an obvious home for these extra barrels. Singapore/WAF is on subs at $1.65 million and a Sikka loading cargo is on subs at $1.825 million. Distillate points West (or Sing) at $1.775 million levels to UKCont ex AGulf and, with big cubic tonnage tightening up, Scorpio will dictate the direction of rates going West. Naphtha has been less tested, 75 x ws 85 is on subs with the intention to push to ws 90. The important point to note on this segment, is that they have finally been given the opportunity to drag rates up in line with higher bunkers. In reality, earnings are still sub $10k on some routes, so Owners must get into the psyche of establishing these levels as a new base - otherwise it will be a painful year all round for earnings.

The MRs have had a solid week as we see a very thin front end whilst the natural window has been further encouraged by a complete lack of naphtha and jet suitable ships. Westbound stems have been focussed on Latin American deliveries, with $1.25 million on subs to Argentina ex AGulf, but Charterers really have to pick off IMO ships carefully here so as not to get their fingers burnt on upcoming enquiries. TC12 has been slightly confused. A ws 140 replacement last week ex Chennai was followed by a quite confusing 125 ex Mumbai (Asahi not doing their homework evidently). Ws 135 is on subs now with further intent to push as we go into the new week. Engen are in the market off 19-20 and seem very motivated to cover before the weekend, which could scupper any plans of Charterers to sit on cargoes and let sentiment settle. Owners are aiming for ws 200 bss South Africa (due to the prompt nature and jet requirement) and this could really pep enthusiasm amongst Owners as we head into the new week.

Mediterranean

A rather bleak week all in all with plenty of fixing window units to pick off at the front end which has allowed Charterers to achieve 30 x ws 120 for the majority of the week. A slight dip in rates on Thursday to the 30 x ws 115 mark was ignored by most Owners, with the bottom line for the majority at the 30 x ws 120 mark. Black Sea has also slipped 5 points this week, however, it has done well to hold at the 30 x ws 135 mark and some fresh cargoes on Friday from this region should keep rates trading at this mark. We expect Monday will likely start with Owners on the front foot with good enquiry levels seen before the weekend and an influx of end month cargoes likely around EMed/Black Sea. We could see north of last done on Monday.

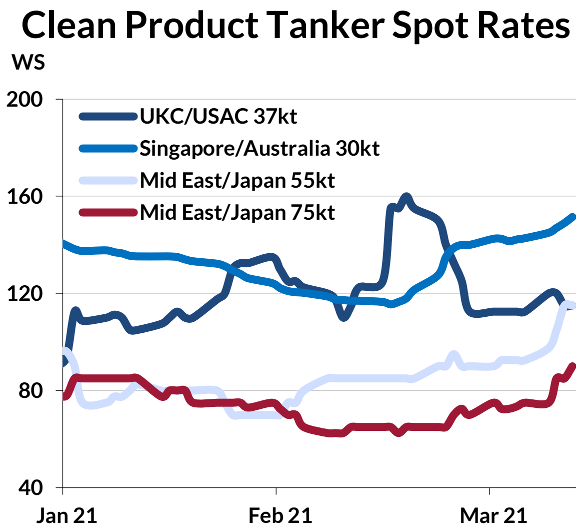
Week 10 in this Mediterranean MR market started poorly with a build-up of pressure causing rates to drop 5 points to the 37 x ws 115 mark transatlantic and WAF 10 points above at the 37 x ws 125 levels. After a lacklustre middle of the week, however, sentiment in the UKCont began to improve with the front end being cleared out, which today has resulted in a jump in rates ex UKCont & Mediterranean. At the time of writing, 37 x ws 140 is on subs transatlantic ex Mediterranean and, with cargoes still looking for cover before the weekend. The ball is now firmly in the Owners court.

UK Continent

Just when we thought this week was going to be one of treading water, a crescendo of activity hits our shores on Friday morning and we see rates bounce back with more to come. It seemed for most part of the week that both Charterers and Owners were content at the repeated 37 x ws 115 for transatlantic and ws 125 for WAF and if either party thought they had the upper hand, a day of activity or silence would follow. This positivity seen today started to grow shoots on Thursday as we saw a small handful of outstanding stems not able to be covered with the hint of a standoff being seen. Momentum fully swung back into Owners arms with the influx of additional stems on Friday and with that numbers began to pull as we see 37 x ws 137.5 for WAF now and even a ws 140 out of the Mediterranean for transatlantic. Owners will be looking to take advantage here and expect further gains to be seen by close of play and a hostile Monday morning ahead.

A mixed review for Handies up in the North this week as charterers for the most part have leaned on COA partners in order to get ships fixed under the radar ex Baltic which resulted in rates coming under pressure and slipping down to 30 x ws 137.5-140 around the mid-week point. A busier Thursday and resistance from the larger fleets to fix at last done forced rates to bounce back to 30 x ws 145 for TC9. The Continent has seen better demand too but with a few non ice units in the fixing window, 30 x ws 120 has been repeated numerous times for X-UKCont. Sideways for now with Owners hopeful that the positivity/momentum seen on the MRs may filter down to 30kt clips.

All in all, it's been a quiet week for the Flexis trading up in the UKCont, with slow enquiry and minimal fixing activity throughout. The glimmers of action that we have seen this week have been kept away from the market but rates continue to track in line with levels achieved in the UKCont Handy market. 22 x ws 160 is therefore the current benchmark for a X-UKCont run, which is where it has remained for the majority of week 10. Market Handy driven.



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Dirty Products

Handy

Activity this week on the Continent can only be described as "sluggish" where drip fed activity had a telling impact on the prevailing sentiment. Owners were made to compete and rate erosion was inevitable. That said, although units are building behind what's being shown, this decline has been captured at just 7.5 points from previous highs heading into week 11.

The Med, on the other hand has shown a greater degree of resilience. Although some days have seen the cargo base dry up, the tonnage lists have become patchy in terms of availability, allowing sentiment to firm. Rises from the Black Sea this week topped out at ws 230, bringing the Med along with it. Had it not been for a number of units failing subs, it was highly possible at the height of this week's trading that the bar could have been set higher still.

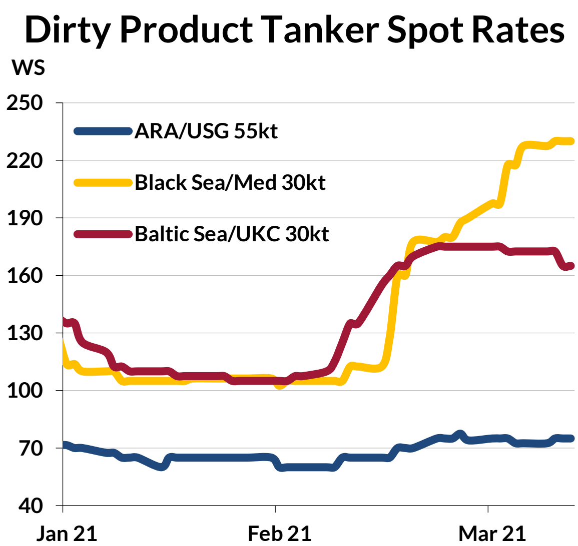
MR

On the face of it there has been very little enquiry most of this week. However, dig a little deeper and activity started to surface once the tumbleweed rolled by. With natural tonnage tight and the Handies taking a breather, one Owner fixed a full stem and committed to a ballast north from West Med and in doing so, pushed levels to ws 135. Fast forward to Friday and a mix of fixing and failing has seen ws 130 now on subs out of the Baltic. Tonnage replenishment come Monday will be key to where the market goes next.

In the Med, MRs continue to ride on the coat tails of the surrounding Handies, with levels there fluctuating between ws 210-220 for Med voyage depending on dates/load port. With poor weather impacting itineraries and a turnaround of tonnage in the Central and East Med, these part cargoes are proving a good gap filler until a full stem materialises off natural dates.

Panamax

The list has again thinned a little more this week and with it there is increased hope that soon levels this side of the Atlantic can be hauled up off the floor. That said, there remain ships outside of their fixing windows and of a vintage that isn't to everybody's liking. This is a significant factor for this market. US Panamax markets are going from strength to strength, meaning it will take a brave owner to miss the opportunity to finally get out to a market firing on cylinders.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 11th	Mar 4th	Last Month*	FFA Mar
TD3C	VLCC	AG-China	**-2**	28	30	32	33
TD20	Suezmax	WAF-UKC	**+6**	66	60	52	56
TD7	Aframax	N.Sea-UKC	**+20**	115	95	79	88

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

			wk on wk change	Mar 11th	Mar 4th	Last Month*	FFA Mar
TD3C	VLCC	AG-China	**-3,250**	-6,000	-2,750	-1,000	-1,500
TD20	Suezmax	WAF-UKC	**+1,750**	9,750	8,000	4,000	4,250
TD7	Aframax	N.Sea-UKC	**+12,250**	15,500	3,250	-7,250	-2,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 11th	Mar 4th	Last Month*	FFA Mar
TC1	LR2	AG-Japan	**+18**	92	74	65	
TC2	MR - west	UKC-USAC	**+2**	115	113	115	121
TC5	LR1	AG-Japan	**+17**	109	92	82	90
TC7	MR - east	Singapore-EC Aus	**+8**	150	142	117	133

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

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

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

ClearView Bunker Price (Rotterdam VLSFO)	**+29**	494	465	453
ClearView Bunker Price (Fujairah VLSFO)	**+24**	527	503	491
ClearView Bunker Price (Singapore VLSFO)	**+21**	523	502	496
ClearView Bunker Price (Rotterdam LSMGO)	**+25**	530	505	495

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