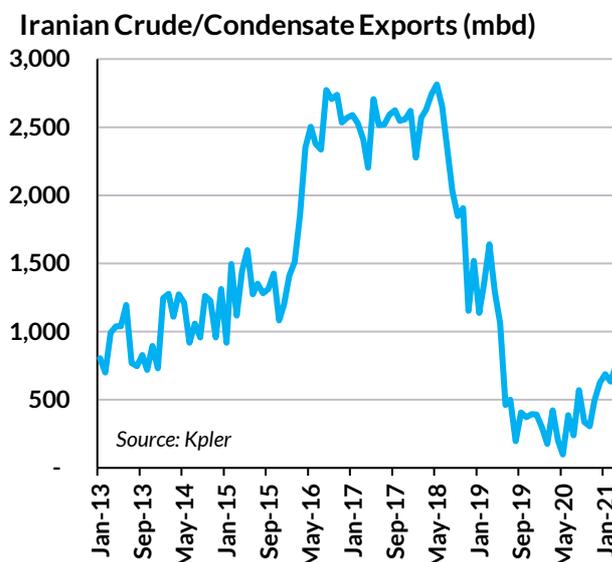


Sanctions end in sight?

Weekly Tanker Market Report

President Biden made it clear throughout his election campaign that he planned to re-engage with Iran, aiming to bring the USA back into the Joint Comprehensive Plan of Action (JCPOA). This week Iran and the US took the first public steps to re-engage with each other. A direct meeting it was not, with the remaining JCPOA signatories acting as intermediaries. Nevertheless, the “talks” were said to be constructive with further “discussions” scheduled to take place on the 9th of April (today).

Neither side has said they expect a quick resolution, and it could take months for a deal to be reached, if at all. Iran wants the US to lift all sanctions before taking steps to comply with JCPOA. The US will inevitably want Iran to take steps to scale back its nuclear programme before, or in tandem with sanctions relief. Complicating matters further is the Iranian presidential election taking place in June, which will see a new and possibly more hard-line leader elected.



Whilst it looks as if the path to sanctions relief might be arduous, both parties seem to want a deal. So, what would a deal mean for tankers? On the face of it, more oil means more cargoes, but Iran has a large fleet, so with more oil, comes more ships. There is also the question of vessels which whilst not owned directly by Iran, are engaged in Iranian trade. Gibson’s counts 8% of the VLCC fleet and 5% of the Suezmax fleet as involved in illicit trade (including vessels owned by NITC). However, with sanctions lifted, these vessels would no longer be able to command premium rates, and given their age profiles, might be forced to scrap to the benefit of the wider tanker fleet.

Gibson estimates that Iran would require approximately 25 VLCCs and 20 Suezmaxes to service exports of 2 million b/d assuming similar trading patterns to 2018. Whilst NITC would theoretically have ample VLCCs to service the trade, practical reasons would mean that the NITC fleet alone would be insufficient to transport Iran’s exports in a post sanctions world. During the last round of sanctions relief, it took time for Iranian floating storage (notably condensate) to ease, keeping a portion of the NITC fleet employed, whilst many cargoes were often sold FOB, rather than delivered on Iranian tonnage. One also must consider that with an average age of 15 years, much of the NITC fleet would fail to meet some receivers’ age restrictions. Therefore, in a practical sense, the wider tanker fleet would see increased employment opportunities from Iran’s return, whilst the older ‘illicit fleet’ would see diminished employment opportunities and increased scrapping pressure.

However, any increase in Iranian crude exports would limit the ability of the wider OPEC+ group to expand crude output. Whilst Iran’s potential return is unlikely to influence OPEC+’s strategy for May to July, the group will need to be mindful of the potential need to accommodate Iran in the second half of 2021, if sanctions relief is offered. Iran is thought to have the capability to increase exports to around 2 million b/d which would effectively eat into OPEC+ volumes. In short, having Iranian oil back in the market is marginally positive for crude tankers, but the market would be better off if those extra barrels came from elsewhere in the world.

Crude Oil

Middle East

A greater number of private VLCC deals concluded over the shortened week would normally be an indicator that the market was precariously balanced but unfortunately for Owners that couldn't be further from the truth. The reality is that there are just too many ships; whether a Charterer requires modern or a compromised unit will do, he or she can take their pick. Rates have reflected this with last done to China being 270,000mt x ws 31. Voyages West remain nothing but a distant dream, with expected levels to be around 280,000mt x ws 19 (via Cape). A mixed week for Suezmax tonnage, which has witnessed lower rates than last week being paid to the East 130,000mt sub ws 60. However, Charterers have not had it all their own way for Basrah loading cargoes. A concentration of Basrah/West cargoes, coupled with tight availability of tonnage for early second decade loading, gave Owners the opportunity to reverse their fortunes with 140,000mt by ws 22.5 being paid for European discharge. Unfortunately for Owners rates are likely to come under further attack next week.

Following the Suez Canal issues being resolved and some worldwide holidays providing further respite, sentiment has dissipated and with it Aframax rates in the East have come under pressure. Rates for AGulf-East runs have slipped below the 80,000mt x ws 100+ mark and finish the week in the 'nervous nineties'.

West Africa

A depressing week for Suezmax Owners that has seen rates being chipped away at throughout the week and each new low fixture has been concluded by relet tonnage. Rates to the East have been concluded at 130,000mt by ws 65 and the levels to Europe are now close to ws 60. Difficult for VLCC Owners to put the brakes on to this constant decline in rates when it seems someone has taken the pedal. Nonetheless, we are coming to a point where any further chipping away from Charterers should be in far smaller chunks to what we have witnessed this week, with last done to the Far East being 260,000mt x ws 32.

Mediterranean

Aframax Owners were hopeful for a busy week after the long holiday weekend for many but this reality did not come to pass. And it was a shock. The towel was thrown in by midweek when the stems were not materialising; rates dived from 80,000mt x ws 120 for Black Sea and Ceyhan stems reaching a nadir of ws 92.5 for CPC loaders and ws 90 for an Algeria cargo by the close. Fundamentals don't seem to support a rebound, with good weather and a thin Black Sea program upcoming. The Easter break created a build-up of available Suezmax tonnage and as in other load areas Charterers have been able to chip away at rates throughout the week. Black Sea loading cargoes have seen rates eroded to 135,000mt by ws 67.5 to Europe and Ceyhan to Thailand at \$2.2 million.

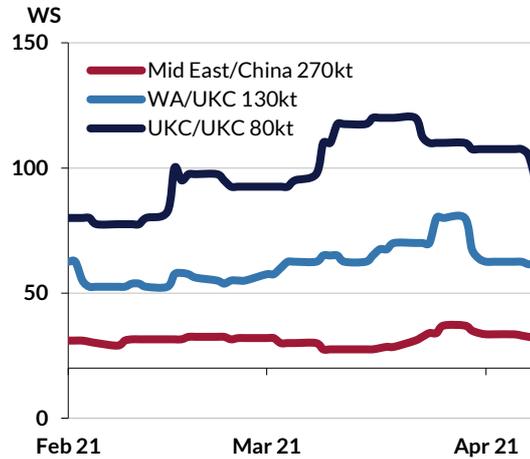
US Gulf/Latin America

Owners went into the Easter weekend on a more defensive footing as the dearth of enquiry ensured there was a steady build-up of available tonnage. The few days off gave Owners a chance to re-evaluate and re-draw their battle lines and hope that a steadier flow of enquiry this week would at least give them some chance to turn the tables. Charterers obliged and rates have slowly shifted up, albeit with a minimal increment, with last done being 70,000mt x ws 77.5 for a generic short haul run. VLCC Owners have not been so lucky, rates on every deal seem to be sub last done as Owners look for some viable escape route out of the overall mundane scene that they are faced with on a daily basis. Last done reported from the US Gulf to the Far East is \$4.1 million.

North Sea

The long weekend did no favours for the Aframax rates in the North Sea and Baltic markets. Muted activity led to a longer tonnage list being tested and found wanting. Ice season has come to an end with impeccable timing, leading to a perfect storm of pressure for Owners. X-North Sea is now trading in the high ws 90s on 80,000mt. Whilst Baltic is down to ws 80 level, it looks likely that these might not be the lowest levels before COB today.

Crude Tanker Spot Rates



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

Clean Products

East

LRs in general have had a muted and slightly disappointing week. LR2s started the week with big ambitions after a busy previous period. But with a bank holiday to start it off the week, they struggled to get going. Although a few stems remain in the market, Owners ideas are just being dismissed by Charterers and we are at a stalemate for the moment.

75,000mt naphtha AGulf/Japan is now ws 130 and 90,000t jet AGulf/UKCont is hovering around \$2.25 million. However, Owners would argue there are no Owners actually willing at these numbers and more is needed; until we see it tested, it won't become clear. The tonnage list looks fairly balanced and so it seems unlikely there is more in it for now for the Owner.

LR1s have been busy but nothing more than usual and rates have dipped slightly. Early dates are not overrun with tonnage though and so we could see rates edge a touch back up. Today 55,000mt naphtha AGulf/Japan is ws 135 and 65,000mt jet AGulf/UKCont rests at \$1.90 million. These rates should be fairly easy to replicate.

A negative week for rates but Owners should be pleased at the amount of tonnage now on subs and hopefully soon to be removed from the list (31 fixtures this week, only 2 fld – compared to last week – 29 fixtures, 7 fld). Within these fixtures also lies plenty of old/compromised tonnage, which has left the list a lot thinner than post Easter Tuesday gave us. As such, whilst we have

limited cargoes to end the week, the off market chatter continues to bubble over. TC12 is due a test, but given the ballasters coming in, ws 125-127.5 should be the target. West is still undervalued when you compare to the LR1s, but with a few Owners (EPS and Maersk) indicating they are keen to head UKCont/Argie – rates should sit at the \$1.15 million/\$1.175 million levels.

Mediterranean

The long weekend was always going to be tough for Owners from the off on Tuesday, with a replenished list providing plentiful prompt units for Charterers to choose from. Tuesday and Wednesday saw losses with less than last easily achievable, with 30 x ws 135 and 30 x ws 145 the lowest we saw midweek. Thursday and Friday, however, has provided some much needed activity and prompt units were cleared from the front end, with a sea of red on tonnage lists. Owners clawed back 5 points, with rates holding at the 30 x ws 140 and 30 x ws 150 mark on Thursday. However, Friday has seen further gains, with 30 x ws 145 on subs X-Med. With a healthy cargo list still to cover, poor weather likely over the weekend and a tightening list, this is recipe for Owners to enter Monday with a spring in their steps.

Similarly on the MRs, the long weekend gave Charterers ammunition to fix at less than last (even though we saw good activity levels ex UKC on Tuesday) and by Wednesday morning rates had slipped 10 points, with 37 x ws 130 and 37 x ws 140 the going rate for transatlantic and WAF voyages ex Med. Activity has ticked over

the last few days, enough to keep rates holding at last done levels for the remainder of the week. Monday will bring a replenished list and whether ships have ballasted from USAC to our shores or the USGulf will be fundamental in where this market next turns.

UK Continent

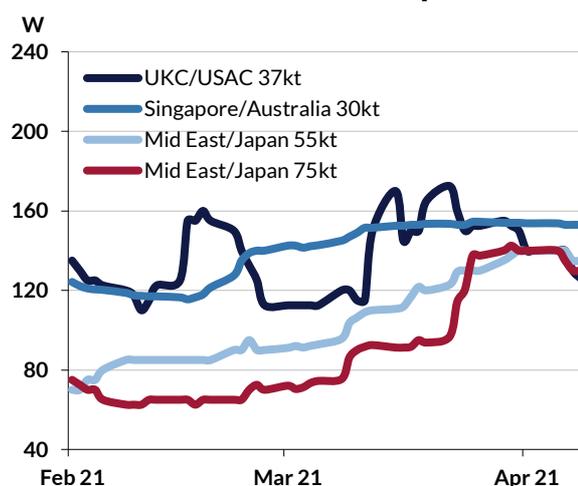
After a quiet pre-Easter week passed, Charterers stepped up full of chocolate and ready to negatively correct this market, and Tuesday saw a good level of enquiry appear. By Wednesday, Owners were unable to hold out anymore and the new market lows were achieved of 37 x ws 140 for WAF and subsequently ws 130 for transatlantic. With the level of fixtures seen, we could have expected this to hold. A small blip of ws 125 transatlantic was seen but Owners managed to keep it just that, and as the close of the week arrives, we see ourselves back at ws 130 and even a couple more points also seen. Charterers have no doubt enjoyed these new levels of fixtures, with a number of “under the radar” deals being done also. Heading into next week expectations are for rates to hold firm, whilst we can reassess the tonnage levels on Monday morning to see if there are any angles to push from either party.

It has been a disappointing week for Handies plying their trade in the North as the combination of an oversupply of ships for the natural fixing and drip-fed enquiry has meant charterers have had ample units to pick and choose from. Owners were under pressure from the start with rates quickly softening to 30 x ws 140 for

TC9 , X-UKCont to 30 x ws 130 and UKCont/MED to 30 x ws 110-115. However, they have managed to steady ship for the remainder of the week, with last done being repeated. The weekend break will mean only more units recycled onto our tonnage list come Monday which could see a wobble on freight unless volumes begin to improve. Charterers in control here.

All in all, a quiet week for the Flexis trading up in the North, with cargo enquiry on the slow side and little to report in the way of fixing activity. Over the course of this shortened week rates have been guided by the Handies in the UKCont, which have also been quiet with the call for a X-UKCont voyage slipping 5 points from where we started the week to the 22 x ws 175 mark. Heading into next week much of the same can be expected unless we see a pick up in fresh enquiry.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The Cont this week has gone from strength to strength following the pre-Easter fixing that took place. With a mix of well approved units and weaker candidates, some fixing and failing has been seen; however, enquiry has been enough to keep sentiment firmly in Owners' court. Starting the week with a short list meant the first cargoes up were facing a 5 point push from those with firm units and very quickly ws 185 was established. With this level having been repeated and cargo still flowing, an extra 2.5 points has been gained by the close of the week. Going forward expect to see more of the same as natural tonnage replenishment is slow to surface.

In contrast, the Med, has seen conditions soften once again where tonnage outweighed supply going into the long weekend and the expected flow of cargo come Tuesday did not materialise. Two inactive days where tonnage is already at a surplus only had one outcome - an inevitable negative correction was soon to take place. Whether or not a drop of 20 points was a fair reflection of just how far sentiment had slid, repetition of this level cemented the rate and attracted others that had been holding back to test the water. Ws 155 for a Black Sea run is holding for now, however, as the market steadies and takes stock of what is left to cover, Owners will be hoping to see a more active start to week 15.

MR

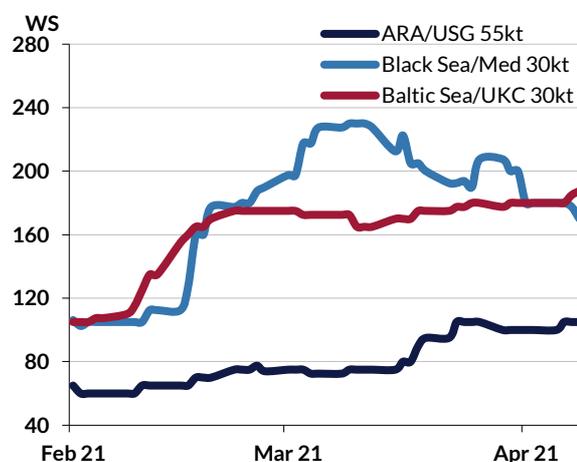
With a shortened week in store, the initial pace of activity immediately after the break was a strong sign for Owners with tonnage in the Continent, which combined with an already trimmed position list, created positive rate adjustment. Finishing the week in the mid 150's, Charterers have had to look to alternative regions in order to find cover and bring ships into position, which further illustrates what sort of sentiment we can expect moving forward.

Elsewhere, however, the Med hasn't been quite so liquid with its cargo base. Decline being stemmed at ws 130 level ex Black Sea would suggest that Owners knew they had their work cut out, however, with the surrounding Handies now receiving a bit more stimulus, the idea that the floor may have been found may actually be valid.

Panamax

After the long Easter weekend this sector had a positive start with some early questions. However, this excitement soon subsided as charterers looked to alternative size units to find coverage where possible. Despite fewer questions in the days to follow, Owners have been tempted to throw their hats into the ring for short-haul part cargoes, as Handy and MR tonnage on the Cont has tightened. Opportunities here, however, could well be short lived depending on tonnage replenishment in those sectors come next week. Looking at the more conventional transatlantic run, there has been limited interest this week, as the larger Aframax continue to offer an overall better deal keeping a cap on Panamax Owners' aspirations for now.

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	Apr 8th	Apr 1st	Last Month*	FFA Q2
TD3C VLCC	AG-China	-2	32	33	30	35
TD20 Suezmax	WAF-UKC	-2	61	63	60	60
TD7 Aframax	N.Sea-UKC	-9	99	108	95	93

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

		wk on wk change	Apr 8th	Apr 1st	Last Month*	FFA Q2
TD3C VLCC	AG-China	-1,500	250	1,750	-2,750	3,750
TD20 Suezmax	WAF-UKC	-500	9,250	9,750	8,000	8,500
TD7 Aframax	N.Sea-UKC	-5,500	7,250	12,750	3,250	3,000

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 8th	Apr 1st	Last Month*	FFA Q2
TC1 LR2	AG-Japan	-8	126	134	74	
TC2 MR - west	UKC-USAC	-17	126	143	113	138
TC5 LR1	AG-Japan	-5	133	138	92	119
TC7 MR - east	Singapore-EC Aus	+1	154	153	142	145

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

		wk on wk change	Apr 8th	Apr 1st	Last Month*	FFA Q2
TC1 LR2	AG-Japan	-2,250	19,250	21,500	2,250	
TC2 MR - west	UKC-USAC	-2,750	6,000	8,750	3,500	8,000
TC5 LR1	AG-Japan	-1,000	14,500	15,500	4,500	11,250
TC7 MR - east	Singapore-EC Aus	+250	9,000	8,750	6,500	7,750

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

ClearView Bunker Price (Rotterdam VLSFO)	-7	453	460	465	
ClearView Bunker Price (Fujairah VLSFO)	-7	474	481	503	
ClearView Bunker Price (Singapore VLSFO)	-5	478	483	502	
ClearView Bunker Price (Rotterdam LSMGO)	-10	484	494	505	

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