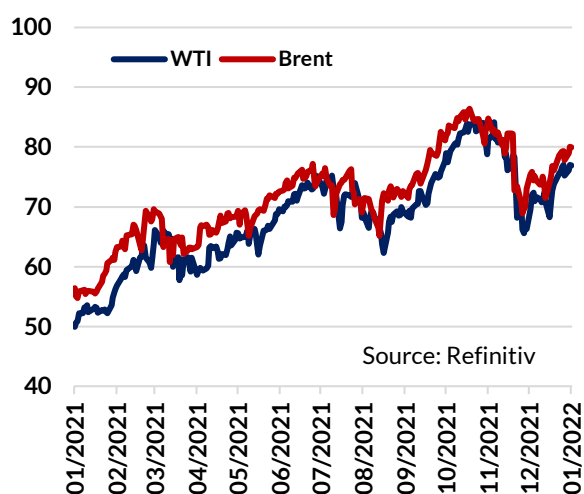


Sticking to the Plan

Weekly Tanker Market Report

The first key item on the agenda for oil markets was the January 4th OPEC+ meeting in which the alliance decided to maintain its planned production increase of 400,000 bpd of crude oil for February. This comes at an important junction with the simultaneous challenges of managing the energy transition and recovering oil demand in the wake of the Covid-19 pandemic. The Omicron variant put the latter in closer focus. Before the arrival of Omicron, there were signs that the market was in need for additional supply as the price of key oil benchmarks such as Brent and WTI rose of the back of growing demand and a perceived lack of supply by oil consuming nations that fed into the larger inflation story affecting global markets. In term of prices, Brent and WTI have increased approximately 42% and 54% respectively since the start of 2021.

Benchmark Oil Prices 2021 (\$/bbl)



Therefore, the January 4th production decision could be seen by some as a vote of confidence in the strength of underlying oil demand. The IEA in its December 2021 report estimates 2021 oil demand increasing by 5.4 mbd and by a further 3.3 mbd in 2022. This should bring about a demand recovery to pre-pandemic levels by Q2 or Q3 2022 at 99.5 mbd. At the same time, rising production should be absorbed by rising demand. Non-OPEC+ supply is expected to increase by 1.8 mbd in 2022, driven by producers such as the US, Canada, and Brazil. Should OPEC+ cuts be fully unwound, and non-OPEC producers increase supply as expected, this would add a significant 6.4mbd to total oil supply. However, with some OPEC+ producers unable to meet current quotas, such a large increase in output may be a challenge.

The IEA estimates suggest a full unwinding of production cuts could cause supply to overtake demand by mid to late 2022. Assuming demand remains steady, this could lead to a build up of stocks and put pressure on oil prices, in turn leading OPEC+ to potentially re-examine the pace of unwinding cuts to ensure balance in the oil markets. Furthermore, if non-OPEC+ production was to increase further than forecast and Iranian crude re-enters the market, this would yet add to oversupply concerns, increasing the need to manage production increases further to maintain favourable oil prices and thus revenue for OPEC+ producers. The next few weeks could be key, with heightened oil supply risk in Libya and Kazakhstan potentially changing Mediterranean oil supply dynamics and further tightening oil markets.

Aside from these short-term threats, overall rising output should support crude tankers as greater volumes enter the market to meet rising demand, primarily in Asia, although recent mobility restrictions in response to Omicron in the region may weigh on demand optimism. Likewise, China has announced an initial 11% reduction in crude oil import quotas for 2022 to support refining industry consolidation and to meet environmental targets in the coming years. Both may weigh on tanker demand; however, oil consumption is still on track to recover and remain substantial in Asia and other economies, whilst European demand is unlikely to recover to pre Covid-19 levels. This means increasing volumes of additional production will have to be shipped East of Suez, assuming pandemic management policies do not hamper the demand recovery in the region. Overall, 2022 is likely to be a more positive year for both oil and tanker markets than 2021 but some headwinds may still exist and cannot be ruled out as both the oil and tanker markets continue navigate a changing landscape.

Crude Oil

Middle East

VLCC levels have come under a little pressure this week even with Charterers finalising their 2nd decade programme and seamlessly moving onto the 3rd. Increased availability has been the main driver down in levels which currently stand at 270,000mt x ws 40.5 to the Far East. A voyage West was concluded to the UKCont at 280,000mt x ws 19 (Suez/Suez), which is again sub last done. Despite a decent amount of short and long-haul Suezmax enquiry this week, it hasn't been enough to stop the rot, with tonnage plentiful. AGulf to the Med has come off to around 140,000mt x ws 28-30 levels basis '21 flats) and a run East staying relatively steady at 130,000mt x ws 65-67.5. AGulf Aframax rates have potential to rise. With strong activity ex Red Sea and minimal ballasters from the Far East should ensure AGulf/East rates rise closer to 80,000mt x ws 110 levels.

West Africa

Tepid interest from VLCC Charterers has put a little more downward pressure on rates albeit minimal but, with increased bunker costs starting to bite deeper, it may well deter others from the longer haul runs. Last done is now at 260,000mt x ws 41 to the Far East. The Suezmax lists isn't painting a pretty picture for Owners this week and, with only a drip feed of cargoes to play with it has been tough going with rates firmly rooted to the floor. The only saving grace is that we have surely bottomed with earnings so low. Current rates stand at 130,000mt x ws 60 West and around ws 65-67.5 to the East.

Mediterranean

A flat and uninspiring week in the Med and Black Sea for Aframax Owners, the market remains soft, with a long and bloated tonnage list and this looks set to continue into next week, with levels for a generic X-Med now at around 80,000mt x ws 90. A week in which Suezmax Charterers have been in full control. The usual seasonal delays are playing little part in an otherwise overtonnaged region, which has meant easy pickings for Charterers this week for short and long-haul options, which currently stand at 135,000mt x ws 65-67.5 from the Black Sea to Med and around \$2.7-2.8 million to the Far East.

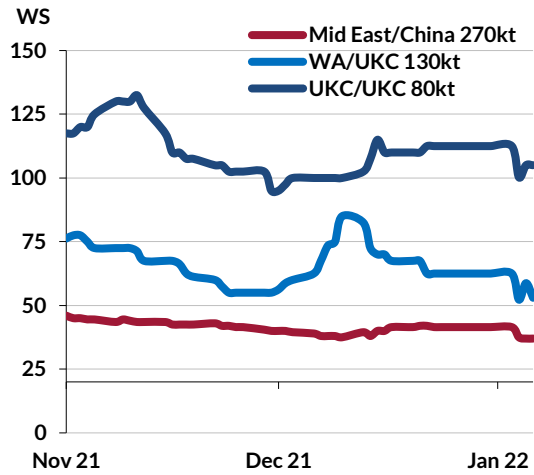
US Gulf/Latin America

A far more encouraging start to the year for Aframax Owners with Charterers looking for short and transatlantic options. Levels have edged up on the back of this with last done 70,000mt x ws 100 for transatlantic or for the short-haul run. VLCC interest has kept to a minimum as we wait for the February program to really get moving. Last done will be tested as we see a few Owners committed to the region and currently little to work with. Next done levels should be around \$4.8 million from the USGulf to South Korea or other Far Eastern destinations.

North Sea

All hopes for the North Sea and Baltic Aframax markets being the one European sector that might hold its strength this week were quickly squashed, as lack of enquiry and a build-up of 'holiday season' tonnage piled downward pressure ensuring X-UKCont rates currently stand at around 80,000mt x ws 110 and 100,000mt x ws 127.5 from the Baltic. Owners will write off the first week of January and focus on the much anticipated busy third decade Urals programme. Recovery around the corner perhaps...

Crude Tanker Spot Rates



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

Clean Products

East

After the New Year holiday markets have been slow to start up and volume has been low. LR2s have seen a drift off in rates before Christmas but East and West rates need a proper test. 75,000mt naphtha AGulf/Japan is hovering just below the last done of ws 110 (2021) and probably is around ws 105 today. 90,000mt Ulsd/jet AGulf/UKCont is also predicted to be lower, but until the only 2 Charterers (BP and Unipet) cover we won't see the real state of things. With TC1 at ws 110, UKCont should see around \$2.2 million on equivalent returns. But time will see.

LR1s have been busier under the radar with PNC deals fixing and Hafnia have done all they can to clear away tonnage. They have also taken XAGulf stems off the MRs. 55,000mt naphtha AGulf/Japan is now ws 100 (2022) - equivalent to ws 110 on 2021 rates. 60,000mt jet AGulf/UKCont is down to \$1.625 million but is likely to see a little more pain before any turnaround. But neither size is predicted a crash - just a gentle revalue. Next week is expected to start more actively though, as market properly wake again.

MRs have had a quiet week, with many still on holiday/yearly meetings going on. Long-haul stems have and will continue to go on LRs, economies of scale favouring the bigger sizes, whilst poor earnings on MRs mean Owners would rather do shorties/EAF than West/East (unless they need to reposition). West voyages at the

\$1.325 million levels and TC 12 at 35 x ws 125; however, both are more than likely to be negatively tested next week. With the lack of cargoes in the LRs market, MR Owners are now seeing MR short-haul cargoes poached/going on LRs. All in all, a quiet end to the week, where if anything is done, it will be a desperate Owner and below last done. Hopefully week 2 will see more activity.

Mediterranean

It was no surprise to see tonnage lists replenished following the long weekend following the New Year celebrations. Although an uptick in enquiry was seen ex E-Med on Tuesday, Owners weren't able to avoid a slip in rates. We've been bouncing between 2021 & 2022 flat rates but at the time of writing, 30 x ws 190 (21) is where rates sit, 40 points less than where we were at the end of last week. Entry of cargoes into the market continues to be slow; however, the saving grace for Owners could be the weather next week, coupled with the possibility of an increase in Black Sea enquiry. With Tuapse back online and Russia back from their holidays on Monday, it's likely we'll see improved enquiry, which should help stabilise rates.

Fixing activity in the Med MR market has been good over the course of the week but unfortunately for Owners the list has been well supplied for the current fixing window. We began the first week of 2022 with Med/transatlantic trading at the 37 x ws 160 (21) - mark (37 x ws 145 basis 2022); however, since then rates have

tumbled, with 37 x ws 135 (22) now the call for Med/transatlantic after 37 x ws 140 (22) was achieved twice ex Black Sea. WAF continues to trade at a 5 point premium on top of transatlantic levels. Pressure is expected to continue into next week as we see an armada of ballasters making their way towards Mediterranean shores.

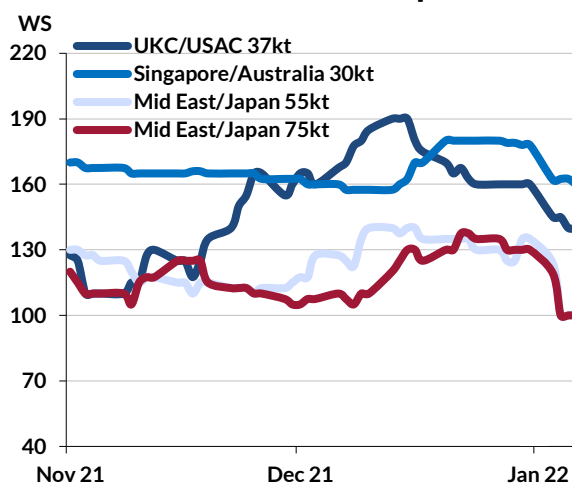
UK Continent

Stepping into this truncated first week of the year, the initial assessment of the market was that we could well be under some pressure, with a healthy number of ballasters on the horizon. With the mediocre levels of enquiry throughout most of the week, being boosted by a few quiet Ice voyages which kept tonnage ticking over, we found ourselves slipping by just 5 points to 37 x ws 140 transatlantic and ws 145 for WAF by midweek. If it were not for an active Friday seeing local, transatlantic and Argie options being asked for, then Monday morning would have been very different. Yet, now we can see this pressure gently being lifted off Owners shoulders. This enquiry has come just in time and pushing into Week 2 can expect a more level playing field to be taken by both parties.

It was a busier start to the shortened week for Handies up in the North as good ice demand was seen and rates were tested and settled at 30 x ws 237.5 (21). The 10-14 window was tight for ice class ships, which was the main reason why

Owners were able to repeat last done levels. Yet, as the week rolled and the fixing window pushed ahead, more units became available and on a quieter Friday morning we have seen levels soften on TC9, with 30 x ws 215 (21) ,[30 x ws 200 (22)] on subs off the 20th. After this, expect a negative correction to occur on both X-UKCont and UKCont/Med routes. Pressured ahead.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Not a bad first week for Owners especially when we take stock of Med proceedings kicking off 2022. Entering the week from seasonal disruption, the lists were heavy on front end where we knew the sector was about to be tested hard. That said, with an abundance of activity that then followed, we saw a quick transition on to the current years WS schedule and at time of writing the Black Sea now looks to have recuperated beyond the dip where its reported to be trading back up at ws 145. All said, considering not all players are fully back at their desks, stability in the Med has happened quicker than many would have anticipated.

Moving on to the Continent, it's a case of new year, same market. A lack of ice class units as many ships are yet to reposition to take advantage of the season, for those up here this creates a recurring mini cycle. From any quieter spell it only takes 3-4 cargoes and once again the region is tight. Levels therefore stay pretty balanced, although we currently find ourselves navigating the crossover for which WS schedule to use.

MR

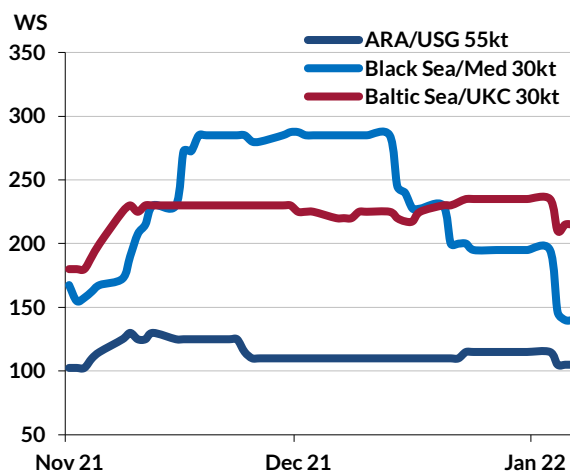
Following a similar vein of form as the surrounding Handies, this week denotes both regions having mirroring trends. A lack of stock in the Continent shows levels to be firm and consistent in the North, with the Med having to rely on part cargo opportunity to keep units moving. That said, the Med also find its self-shedding value where it has been tested down with perhaps the only positive to be taken is that we seem to have broken free

of the straight pro-rate of a 30kt move, which has had the MRs largely undervalued for some time (even at last year's peaks).

Panamax

We have an interesting period ahead of us in this sector, albeit not for the reasons any Owner would like to hear. Looking at the natural supply of tonnage, availability would tend to show trend siding with Owners, yet with larger sizes pro rating at less than 55 x ws 112.5 (2021 Schedule), and these larger sizes not just stopping at Aframax size, even Suezmaxes Europe/transatlantic currently encroach on Panamax levels. Owners in this sector for now are reliant on one defining factor! Their ability to reach restricted ports! In the days ahead we are likely to see barrels lost from this sector, with Owners constantly reminded there is a limit to what Charterers will pay for flexibility.

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 6th	Jan 4th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	-1	37	38	38	39
TD20	Suezmax	WAF-UKC	+0	55	55	76	54
TD7	Aframax	N.Sea-UKC	-7	104	111	101	101

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

			wk on wk change	Jan 6th	Jan 4th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	-500	0	500	-750	2,500
TD20	Suezmax	WAF-UKC	-1000	4,250	5,250	12,750	4,250
TD7	Aframax	N.Sea-UKC	-6250	6,500	12,750	2,250	3,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 6th	Jan 4th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-7	99	106	106	
TC2	MR - west	UKC-USAC	-5	140	145	182	132
TC5	LR1	AG-Japan	-15	99	114	130	99
TC7	MR - east	Singapore-EC Aus	-1	160	161	155	146

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

			wk on wk change	Jan 6th	Jan 4th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-2500	7,500	10,000	8,250	
TC2	MR - west	UKC-USAC	-1500	6,500	8,000	12,250	5,000
TC5	LR1	AG-Japan	-3750	3,500	7,250	10,000	4,000
TC7	MR - east	Singapore-EC Aus	-250	8,000	8,250	5,750	5,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+12	573	561	540
ClearView Bunker Price (Fujairah VLSFO)	+2	623	621	595
ClearView Bunker Price (Singapore VLSFO)	+3	634	631	600
ClearView Bunker Price (Rotterdam LSMGO)	+15	698	683	615

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Mumbai Office 128, Level 1, Block A, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai, Maharashtra, 400018, India T +9122-6110-0750			