

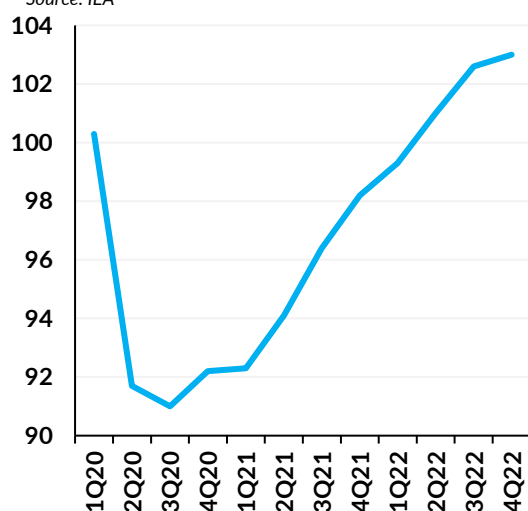
Supply Upside?

Weekly Tanker Market Report

The decision by OPEC+ to raise output by another 400kbd in March came as little surprise to the oil market, which had largely priced in further modest output increases from the group. It took ministers just 16 minutes to sign off on the 400kbd uplift, yet even with this, the fact remains that the wider OPEC+ group pumped 790kbd below target in December. Yet despite these shortcomings, the International Energy Agency (IEA) calculates that if OPEC+ maintains its current strategy through this year, then oil supply is primed for a 6.2mbd increase in 2022, which if delivered, would represent the largest ever annual increase in oil supply.

World Oil Supply (mbd)

Source: IEA



This year, OPEC+ members are projected to contribute 4.4mbd to global supplies, but this task is not without its challenges. In recent months, OPEC+ production has failed to achieve planned output with Nigeria and Angola collectively pumping 740kbd below their combined target in December, accounting for 94% of the group’s underperformance. Whilst these countries may be able to raise output marginally, they are unlikely to be a major contributor of OPEC+ production growth in the short term. Further, the current quota framework does not allow for underproduction in one country to be compensated by another member, which could prevent OPEC+ from hitting their collective output target. However, whilst production growth in West Africa might face some headwinds, in the Middle East, most major producers have ample spare capacity to raise output. Indeed, Saudi Arabia, Kuwait, the UAE and Iraq all have sustainable spare capacity, and will all receive a quota boost in May totalling 1.13mbd, giving the potential for a

significant increase in regional crude exports, should these producers choose to do so. Outside of the core OPEC group, Russia should attain pre pandemic output this year and also receives a quota boost of 500kbd in May, contributing another chunk to the oil supply picture later in 2022.

The next major source of supply growth comes from the United States, where production is forecast to grow by 1mbd. This is evidenced by the higher Capex budgets of Exxon and Chevron which have announced plans to raise Permian output by 25% and 10% respectively in 2022. Further south, Brazil will add 150kbd, whilst ExxonMobil could start production at Guyana’s FPSO Liza Unity this month. Liza Unity will gradually ramp up to its capacity of 220kbd and is twice the size of the existing FPSO Liza Destiny.

The IEA’s forecast does seem optimistic and has a number of key dependencies, but nevertheless paints a positive demand story for tankers. Given the increase of 6.2mbd sits above the IEA’s projection of a 3.2mbd demand increase, supply is once again expected to exceed demand later this year, suggesting countries will build stocks. However, the current structure in oil futures and high flat prices will deter stock building. Indeed, whilst the IEA see OPEC+ output growing by 4.4mbd, their 2022 ‘call on OPEC+ output’ sits just 1.8mbd higher than last year, suggesting actual demand for OPEC+ crude may be lower than the intended supply increases. However, none of these figures account for Iran which is perhaps the biggest sensitivity (aside from developments in Ukraine). A potential return of Iranian supply would provide upside to Middle East exports, whilst also likely to accelerate scrapping activity.

Overall, tankers can expect a healthy increase in oil supply during 2022, even if the latest forecasts prove to be too optimistic, whilst arguably, the geopolitical stage is the tensest in decades.

Crude Oil

Middle East

A very quiet week as Chinese New Year took a number of Charterers out of play for the week. Inevitably, the amount of fixing was dramatically reduced but that had little effect on rates, which continue to languish at the bottom. One compromised unit however, did agree to discount further against last done, but it remains doubtful that one fixture will pull others down with it. Last done to the East on a modern vessel remains 270,000mt x ws 35 and a voyage West we anticipate to fix at around 280,000mt x ws 17.5 to the US Gulf. A very uninspiring week for Suezmaxes, enquiry levels have been slow and a fair amount of AGulf/West activity was done under the radar with rates bottom feeding as the week closes and TD23 steady at 140,000mt x ws 29-31 with East 130,000mt x ws 60-62.5. Aframaxes remain steady in the AGulf, but a decent clear out in the latter stages of this week should help Owners lean on rates going into next week. AGulf-East sits at 80 x ws 105-107.5 levels.

West Africa

The only excitement for VLCC Owners here was the opportunity to rain on the Suezmaxes parade as the low VLCC rates became a little more attractive on a part cargo than what was potentially achievable on the Suezmaxes, with levels around 260,000mt x ws 35 achievable to the UKCont. Voyages East kept to a minimum this week, with last done being similarly 260,000mt x ws 35. Charterers have managed this week well, on the backdrop of a more balanced list in the 1MB sector. The looming prospect of

Charterers parcelling up and making use of a weak VLCC sector was always on the cards. This duly happened and Suezmax Charterers played a good hand by sitting back for long enough with one favourable voyage attracting a good number of offers and first counter being taken completely wiping out any momentum Owners had gained. Subsequently, Owners have been on the back foot, with Charterers covering with relative ease. Rates should hold into the weekend with TD20 sitting at 130,000mt x ws 65-67.5 and a voyage East 130,000mt x ws 65. Discounts for specific voyages are still there for Charterers.

Mediterranean

Groundhog week for Aframax Owners as activity in the Med and Black Sea was only in thick enough supply to balance against tonnage availability. Those paying close attention will have thought that there was enough action to create momentum; however, a combination of older vessels, relet tonnage and fear of dates moving away caused rates to remain rangebound. Ceyhan has been trading around the 80,000mt x ws 100 mark, CPC around the ws 105 mark and other Med voyages varying according to the specifics. Bad weather has been threatened and there could be scope for disruption but for the time being what we have is what we hold will be in the Owners' mind. Enquiry levels really have dried up for Suezmax Owners as we close the week on a steady/soft footing. Med/East rates have come off as Owners look to lock in long and TD6 has found a floor at 135,000mt x ws 72.5 but

Charterers will be encouraged heading into next week with much of the third decade now fixed ex Black Sea.

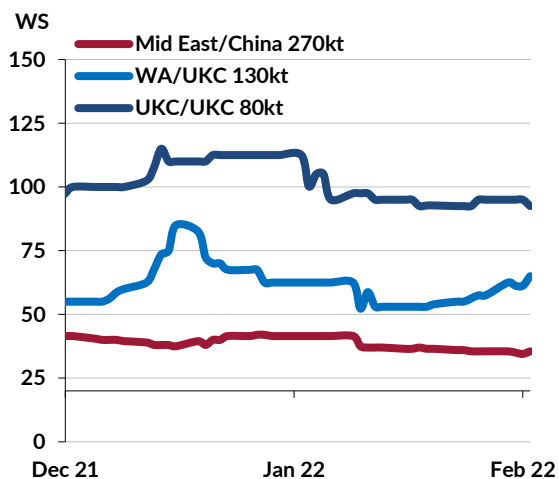
US Gulf/Latin America

Aframax Owners have seen a steady flow of enquiry throughout the week and rates have gently edged up. Last done is 70,000mt x ws 107.5 for transatlantic and around ws 105 for short haul. The weekend may replenish the list a little which could dampen Owners enthusiasm through next week. A busier week for VLCC Owners as we see a good number of Charterers asking questions although the number of committed ships heading West will ensure Owners remain entrenched at current levels, which stand at around \$4.4 million to the Far East.

North Sea

The trend has been consistently flat over the past few weeks, with little to buck the trend or suggest that the market is shifting. X-North Sea trades around 80,000mt x ws 92.5 levels and Baltic at 100,000mt x ws 80. The Urals programme gives little optimism for the rest of February and, with ice melting it looks unlikely that we are eyeing up a medium-term recovery any time soon.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have suffered a tough week of holidays, with Chinese New Year taking away any real activity. The LR1s have been buoyed slightly by the MRs being busier and so have fallen on short hauls to keep them busy. But, with LR2s seeing less volume due to both Newbuilds and some big suppliers filling VLCCs, rates have continued inexorably down to below breakeven in some cases. 90,000mt jet AGulf/UKCont lies at \$1.575 million but even less has been done all be it probably not repeatable. 75,000mt naphtha AGulf/Japan has settled around ws 70/75 level depending on restrictions. But East Africa runs have seen the biggest hit with 90 at ws 55 fixed a few times - this even for the latest Eco vessels is around break even.

LR1s have had a better time and the decline has been arrested for now. 55,000mt naphtha AGulf/Japan is now ws 95 while 60,000mt jet AGulf/UKCont is \$1.60 million. Both rates are steady but, with almost parity on the LR2s its harder to justify taking LR1s. LR1s have seen most activity on short hauls with an abundance of X-AGulf runs as they can be fixed at less than MRs are asking. It keeps tonnage moving but won't help the longer term outlook unless LR2s can create some separation soon.

An incredibly active week on the MRs. The list is really thin now until mid-month and a two day break in Singapore for Chinese New Year artificially quietened cargo flows somewhat. TC17 has pushed up to 35 x ws 195 although early dated replacements could have gone on subs at

ws 205+ but Owners let themselves down here. Westbound cargoes trade at \$1.25 million but present few advantages over the larger sizes, which still stand on shaky footing. TC12 trades at ws 130 levels but Singapore ballasters will keep a lid on any real progression on this route this week and going into next. Expect short haul cargoes to feed into the LR1s with focus on Owners now to push sentiment into the new week.

Mediterranean

It's been an up and down week for the Handies here in the Med, with rates beginning to slip as we've progressed towards the weekend. Week 5 saw rates begin around the 30 x ws 175-180 levels X-Med and, with weather across the Med poor Owners with firm itineraries had bullish ideas. TS delays were also at 5 days NB for the majority of the week, which saw the premium for Black Sea with 30 x ws 190-195 going on subs. Since then, weather has improved and delays have decreased and as a result, the list has lengthened with itineraries firming up. At the time of writing, 30 x ws 160 is on subs X-Med and Black Sea is expected to negatively correct with much of the same expected come Monday with a replenished list.

After a slow start to the week in the Med, MR market, activity has picked up especially off the back of improved TC2 levels. 37 x ws 125 Med/transatlantic was the call at the start of the week but since then rates have firmed around 20 points to the 37 x ws 145 mark. As we

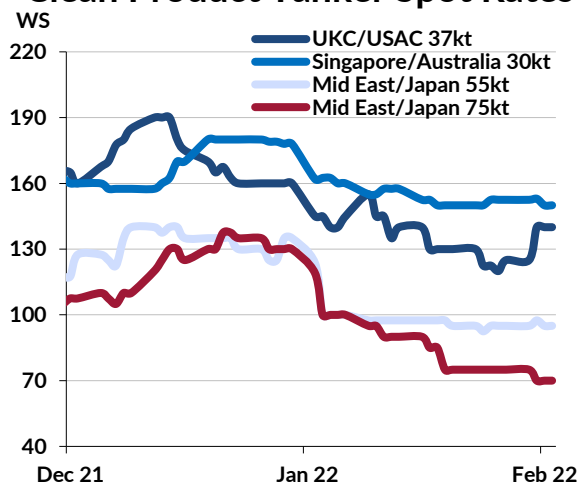
approach the weekend little remains outstanding with a few cargoes WDFW but with a market quote still looking for cover, expect Owners to at least hold for last done.

UK Continent

A perfect little storm brewed on the Continent for MR Owners this week, with the combination of Argie runs being quoted for a tender, a lack of Ice ships both Handy and MR causing increased demand, and a good level of both WAF and transatlantic runs, came together and gave Owners the upper hand throughout. With 10+ stems remaining uncovered for most of the week, Charterers ended up having to play by Owners rules and by the close of the week we sit around 37 x ws 140 and expect WAF to sit 5 points above this on the next fresh test. Most were waiting to see who won the Argie tenders that were up for grabs to be delivered pre end of April, which was hanging over this market for most of the week, with last done seen at \$1.135 million lc palm.

It has been a positive week for Handy Owners up in the North as continued demand ex Baltic for ice class liftings and a short supply of vessels has seen TC9 firm by 45 points as levels close at 30 x ws 207.5. Ice class is driving sentiment on the non-ice liftings and even though there has been few fixing opportunities from the Continent, expect rates to be positively corrected when next tested. Expect this bullish attitude to be maintained from owners as we roll into next week.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Another slow week for operators of tonnage in the Continent, although at least this week we saw a few units, that had started to incur idle time, finally moving. Facing conditions such as these, we were always going to see Charterers take the opportunity to test the market. However, even though further rate erosion has been evident, the silver lining for Owners is that this has been within physiological tolerance levels. More activity is needed in the North, but we approach next week perhaps a little more positive relative to recent weeks.

In the Med, Owners continue to enjoy a positive cycle through a combination of weather delays and reliable cargo base from the Black Sea, where at one point during the week reports circulated of the bar being set at ws 210. Since then though we must point out that Turkish Straits delays have come off and the cargo base for X-Med has proved only minimal pretty much through the rest the week. As such, support for the ws 210 level has been lacking and it will now take some further stimulus in order to allow Owners to push on again.

MR

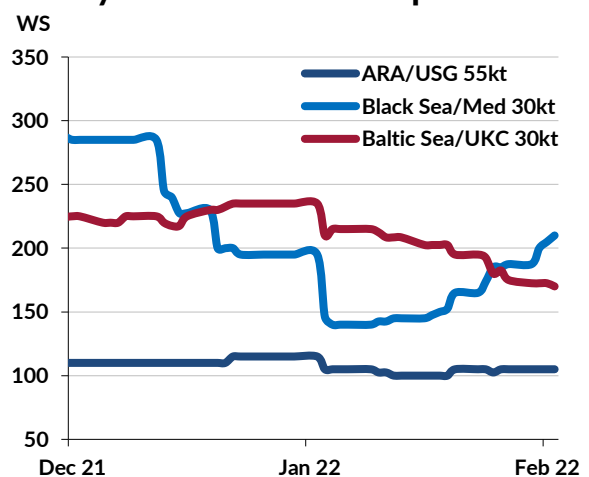
In the Continent, a lack of activity in the surrounding Handy sector has had owners looking over their shoulders at the negotiating table, realising that previous values being fixed will need correcting. Indeed, levels have dropped down to ws 145 X-UKCont, with a negative 5 point differential being applied for the longer voyage down to the Med. Looking ahead though, this does tighten up supply once

again, making the region much more resilient to immediate further erosion. Additionally, what hasn't helped Owners confidence is the fact that the Med has seen very few full size cargoes; yet, unlike the Continent, this region has at least had part cargo Black Sea activity to fall back on.

Panamax

After a recent clear-down in front end availability, Owners have been looking for opportunity to capture some upside but remained hindered by the caps placed from the surrounding Aframax markets. This week, however, Owners were able to prove the point that if you need the flexibility of a Panamax, then it has to be worth something. In the process, benchmarks were raised. It is also worth pointing out that with the bunker prices now where they are and Owners looking to cover this additional cost, this often translates into a united front among operators, thus leaving Charterers with less room to manoeuvre.

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	Feb 3rd	Jan 27th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	-2	34	36	37	35
TD20	Suezmax	WAF-UKC	+1	65	64	55	61
TD7	Aframax	N.Sea-UKC	-1	95	96	104	97

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

			wk on wk change	Feb 3rd	Jan 27th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	-3250	-8,000	-4,750	0	-6,000
TD20	Suezmax	WAF-UKC	-500	4,500	5,000	4,250	2,500
TD7	Aframax	N.Sea-UKC	-1000	-2,500	-1,500	6,500	-1,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 3rd	Jan 27th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-2	73	75	99	
TC2	MR - west	UKC-USAC	+23	143	120	140	142
TC5	LR1	AG-Japan	+0	96	96	99	103
TC7	MR - east	Singapore-EC Aus	-1	152	153	160	151

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

			wk on wk change	Feb 3rd	Jan 27th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-1500	-3,750	-2,250	7,500	
TC2	MR - west	UKC-USAC	+4000	4,750	750	6,500	4,750
TC5	LR1	AG-Japan	-750	750	1,500	3,500	2,750
TC7	MR - east	Singapore-EC Aus	-750	4,750	5,500	8,000	5,000

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

ClearView Bunker Price (Rotterdam VLSFO)	+19	668	649	573
ClearView Bunker Price (Fujairah VLSFO)	+26	705	679	623
ClearView Bunker Price (Singapore VLSFO)	+36	715	679	634
ClearView Bunker Price (Rotterdam LSMGO)	+12	795	783	698

GIBSON Paratus

SHIP BROKERS

OFFERING THE WORLD'S FIRST PARAMETRIC FUEL AND FREIGHT PRICE INSURANCE

Please contact enquiries@gibsonshipbrokers.co.uk to find out more on how the Paratus range of products could meet your risk management needs.

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 1401, 14/F,
OfficePlus @Wan Chai,
303 Hennessy Road,
Wanchai. Hong Kong.

T (852) 2511 8919
F (852) 2511 8901

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

Mumbai

Office 128, Level 1, Block A,
Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai, Maharashtra, 400018,
India

T +9122-6110-0750