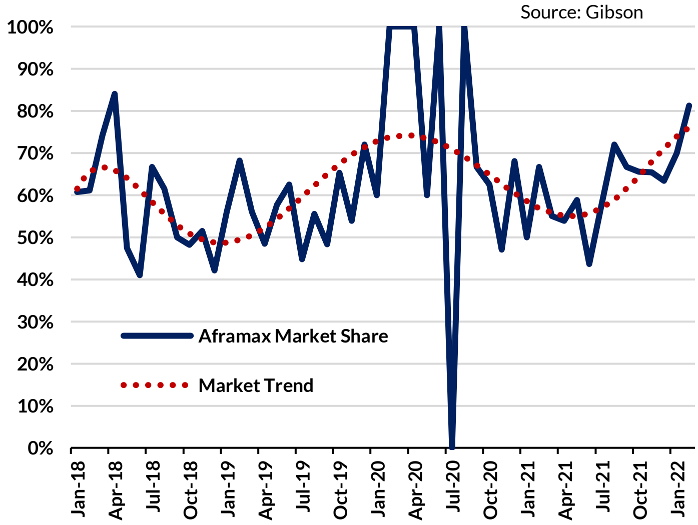
Libyan Limbo

Weekly Tanker Market Report

In recent years, despite holding the largest oil reserves in Africa and the 9th largest reserves in the world estimated at 48.40 billion barrels, Libya has gone from a top OPEC producer to struggling to maintain a consistent level of production and exports. Prior to the 2011 Libyan civil war, daily output was 1.6mbd; however, since then production has failed to return to this level, apart from a brief period reaching 1.55mbd just once in September 2012. This reflects the ongoing political instability in the country as competing factions fight for control of the country's valuable oil fields operated by NOC.

Libya's challenges come at a time when OPEC+ is struggling to boost production across the board and oil prices continue to rally. As much as additional Libyan barrels would be welcome in the tight oil market, so too would be the export revenue for the country itself. This makes finding a solution to Libya's oil woes more pressing and would be a shot in the arm for the Mediterranean Aframax market which has traditionally been an important facilitator of Libyan exports, although recent years have seen their share of exports go towards Eastern bound Suezmax tonnage. Since 2015, Aframax market share has averaged 68% versus 32% for Suezmaxes but fell to 62% from 2018 onwards as Suezmaxes became more popular. However, this year Aframax share has bounced back to 70% in January and 81% in February, indicating a growing appetite for Aframax tonnage for Libyan cargoes as increasing volumes are shipped across the Mediterranean to France, Spain, and Turkey. Regional players will hope this is the start of a longer-term trend and not due to short term factors such as refining maintenance/seasonal demand.

Aframax's Share of Libyan Exports is Recovering



In terms of oil production, the outlook too is becoming more positive. IEA data indicates 2021 output averaged 1.1mbd, with estimated levels for Q1 2022 maintained at 1.1mbd and then increasing by 100kbd in Q2 and remaining stable for the balance of 2022. In January, the El Sharara oil field was producing 290kbd, a utilisation rate of 97% and just 10kbd below its full capacity of 300kbd. This data shows production may be stabilising, which will allow a gradual increase in output levels to be achieved. However, the recently postponed election and appointment of a second Prime Minister in the eastern region casts uncertainty over the ability to maintain stability.

This was evident during December 2021 as NOC was forced to declare force majeure on crude exports from Zawia and Mellitah oil terminals in response to blockades by the armed Petroleum Facilities Guards (PFG), owing to commercial disputes at the El Sharara and Wafa oil fields. Further action by the PFG and militia groups cannot be ruled out. This lack of stability means the target of increasing capacity to 2.1mbd over the coming years will be difficult. Boosting production to the targeted 1.45mbd by the end of 2022 and 1.6mbd by 2023 too is uncertain, even as rising oil prices give a strong financial incentive. With the level of investment needed to be estimated above $20 billion, it is unlikely Libya could finance this domestically at present. Therefore, foreign investment partnerships would be required; however, failure to secure nationwide stability makes this job harder.

If Libya can successfully pull off planned production increases, then this will offer a major boost for Aframaxes in the region and in turn support routes such as the cross Mediterranean trade. However, Libya has a long way to go in regaining its position as a major crude exporter and will require reform and political stability for this to happen. Both of which require a long-term political solution.

Crude Oil

Middle East

Another depressing week for VLCC Owners as rising bunker prices failed to stop the gradual erosion of worldscale rates. Last done to the East was a poultry 270,000mt x ws 31.5 giving sub Opex returns. Rumours of a possible return of Iran coming back into the mix looks a little way off, but any injection of additional barrels would be welcomed by Owners. A steady week, with little to get excited about as momentum wanes into the weekend. A few AGulf/West Suezmax cargoes at the start of the week gave a glimmer of hope to the market but fixing levels stayed at close to last done and as momentum subsided the positive sentiment fizzled out. The focus is on next week. 140,000mt x ws 29.5 remains for AGulf/West and East around 130,000mt x ws 57.5-60 level. AGulf Aframaxes are on the whole quiet and over-tonnaged. Rates are sitting at around 80,000mt x ws 105-110 level, which is a touch up on the week before, but much of this is due to higher bunker prices.

West Africa

TD20 remains 130,000mt x ws 60-62.5 level. The tonnage list is long but fixing levels are holding, defying further erosion and 130,000mt x ws 60 is a real line in the sand that Suezmax Owners do not want to cross. VLCC Owners have had to feed on small scraps as muted interest throughout the week offered very little for Owners to work with. Rates currently run in tangent with developments in the AGulf with last done from here being 260,000mt x ws 32 to the Far East.

Mediterranean

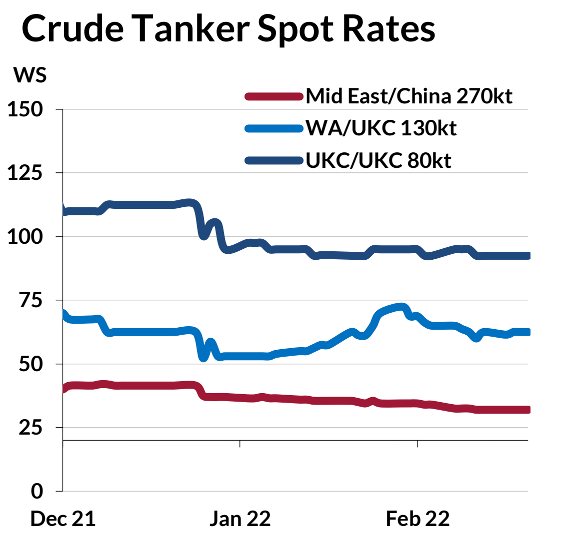
The week has ambled along with little of note and little to give Aframax Owners hope that this market will turn around for them. Bunker prices remain steep and this has prevented any rate erosion but for Ceyhan loaders. Rates have still been concluded around 80,000mt x ws 97.5 and CPC voyages even dipped to ws 100. There has been a small sign of life with a little higher concluded, but we are reaching for mid-March dates now and momentum will be arrested. TD6 is now 135,000mt x ws 67.5-70 levels. A lack of activity has stopped anything sparking into life and fixing levels have held circa ws 70. A healthy plump looking Suezmax list waits for us next week.

US Gulf/Latin America

A far better week for Afamax Owners as Charterers carried on their continued pursuit of tonnage. Rates have moved healthily upwards for short haul or transatlantic runs, which currently stand at 70,000mt x ws 140 for transatlantic and nearer to ws 160 for short. VLCC Owners at the start of the week had a good number of Charterers pushing for rates, which caused a small spike in levels, but unfortunately for Owners it never really gained any traction and rates have slightly dropped to around $4.4 million for a voyage from US Gulf to the Far East.

North Sea

A typically slow week for the North, yet, bad weather in the North Sea will lead to well received delays for Aframax Owners. Next week we should see a tighter list and some resistance from Owners. Bunker prices are now starting to sting and will have to have an affect on rates. Baltic/UKCont is trading at 100,000mt x ws 85 levels and X-North Sea 80,000mt x ws 95.



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

Clean Products

East

The LR segments remain incredibly stagnant, unable to claw themselves from the sticky bottom where they have traded for the past month. For many, these market levels don't cover costs and negative TCEs mean that LR2s would rather lay-up tonnage than even consider competing with newer, eco units, the only tonnage capable of making positive returns here.

The LR2s remain as per last week's analysis: $1.6 million AGulf/UKCont and 75 x ws 75 basis AGulf/Japan. Worth noting that a large proportion of volume which we would normally experience flowing through this segment, now points towards the MRs, so no help for a calamitously long tonnage list.

The LR1s are in a similar rut. $1.6 million AGulf/UKCont means they trade in parity to the LR2s, the only advantage which they can offer is cheaper transatlantic differentials, $300k instead of the $450k, which the larger segment demands (mainly because of hiking bunker prices). As the surge in US product imports continues, these transatlantic diffs will be all important and likely to keep the LR1 segment afloat where it is. TC5 trades 55 x ws 97.5 but flat as they come.

The MRs are the real stand out candidate in this region, and to some degree worldwide. This market is really subject to volatility; we have seen an incredibly active TC17 trade - 20 points put on this trade highlights how quickly the list has thinned (although we would note that Owner inefficiency has curtailed further development). 35 x ws 202.5 last done, but Owners will move this towards 210 quite quickly in the new week. Westbound trades at $1.35 million basis AGulf/UKCont, but its the Latin America imports which are more interesting, as so difficult to cover. Surging bunker prices kill appetite amongst most; and a lack of Argentina exports mean there is limited change of triangulating the voyage for Owners once they've completed at discharge. $1.49 million on subs this week but rumours of a replacement needed could carry a hefty price tag due to limited options. TC12 sits flat at ws 127.5 but Owners have missed the boat in terms of pushing sentiment further. Look out for another active week next week - 1-5 window is being looked at privately already, which hints of further action to come.

Mediterranean

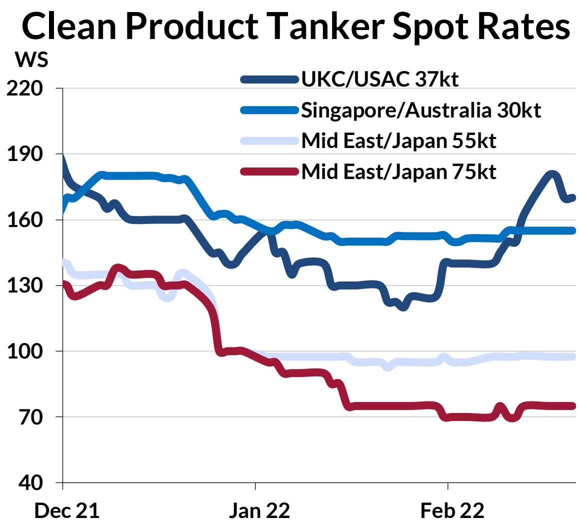
A positive week all in all, with rates improving throughout. Monday saw rates trading sideways at the 30 x ws 200 mark. With naphtha suitable tonnage on the tight side, a prompt naphtha replacement on Monday evening ignited the market and saw rates firm 30 points. Since then, consistent cargoes ex EMed/Black Sea have left a tightened list and we see Black Sea rates continue to firm, with 30 x ws 270 repeated numerous times from this region. A split market has formed, however, and further West expect 10 points less achievable in comparison to EMed, which is now trading at the 30 x ws 250-255 mark (less possible if jet/naphtha warranty not needed). With weather easing over the weekend, Monday is likely to see some pressure with replenished lists, but Owners will be looking to keep rates stable with end month laycans still to come.

After a busy start to week 7 for the MRs in the Mediterranean, enquiry has slowed over the back end of the week and as a result rates have slipped. A tight list combined with good enquiry saw rates firm to the 37 x ws 180 mark for Med/transatlantic on Tuesday, with higher also seen ex Sines on a replacement cargo. However, with enquiry now on the quiet side, rates have tumbled to the 37 x ws 165 mark, with WAF currently tracking at +10 points (37 x ws 175). Heading into next week expect some further pressure as the weekend is likely to bring a replenished list come Monday morning.

UK Continent

With such few stems being quoted this week, Owners can pat themselves on the back in keeping rates fairly stable throughout with little signs of wobble. We have seen a light dusting of stems throughout and, with that tonnage was able to start to rebuild, especially on the Ice front, which in turn has seen rates sit around 40 x ws 180 with some anticipation of negative correction soon. This similar negative thought has been expected by a few to show on the transatlantic and WAF runs. Yet, with a fresh test on Friday showing 37 x ws 170 for TC2, Charterers will have to wait a little longer before this belief can show force. A fresh look at the tonnage list on Monday should start to show some cracks in Owners' defence with enquiry levels as always being crucial after a lull of a week.

TC9 still sits at 30 x ws 210 and has been maintained pretty much through the whole week. Handy ice class ships have not been readily available and a couple late runners here and there, including an MR on subs with 30kt Primorsk stem have helped to stabilise the market here. We have lacked X-UKCont enquiry this week, so not much to shout about. However, we did see 30 x ws 175 discharge reload on subs for X-UKCont, so would expect Owners to ask for 30 x ws 180.



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

Dirty Products

Handy

Coming into the week off a more active spell, Owners were confident that they had seen the bottom and indeed that proved to be the case, however, there has at least been some follow up, with a number of units being tucked away throughout this week as well. At the time of writing, however, there remains insufficient impetus to allow for any turnaround in sentiment.

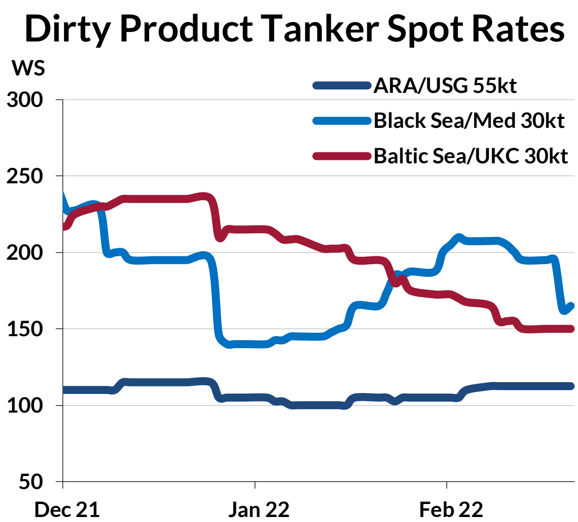
For a while now, the Med/Black Sea has been very slow with tonnage building up on the early side of the tonnage list, where eventually it was going to have an effect on prevailing conditions. To further put this into perspective, for normal fixing dates ex Black Sea come Monday, we saw 16 units most of which being prompt and able to make the dates. The correction which then followed was rather like ripping a plaster off. It hurt! A 30 point reduction in one go was tough to swallow, however, this made everyone among the owning fraternity sit up and take note, the deals which then followed found huge resistance with repetition being seen there after. That said, sentiment remains soft but, with the CPP market moving from strength to strength, ships are starting to switch trade, which could have an impact for us in DPP further down the line.

MR

Again, we report a second successive week where a slower pace of activity is felt up in the North and, with the Handies having been corrected down, there is perhaps some emphasis being placed on the need for a fresh test just to add some validity to benchmarks. What business is being concluded appears to be very much under the radar, which often signals that the numbers have been on the sharper end of the spectrum but, with natural enquiry being so limited, keeping the lists from building up for now seems to be the first step needed for any recovery to happen. In the Med, a similar tune is playing out where the Handies saw a steep correction down, MRs were instantly put in the spotlight. Here too we are in need of fresh validation but there are perhaps some positives to be taken as quite a few front end units have jumped on part cargoes. That said, the sector as a whole is offering very low returns right now, which considering the season we are currently in, would perhaps suggest that we are now seeing the lows of this cycle.

Panamax

In general rates have held firm at last done levels (ws112.5) however, with ships having fallen outside of their fixing windows, Charterers have sensed an opportunity to test those on the front end of the list. That said, with bunker prices where they are and a US market offering far better returns than what can be obtained here in Europe, it seems there is a degree of temporary pain an owner will suffer for the right cargo, but this does have its limit. To summarise then, whilst there might be a slight fluctuation from perceived benchmarks, wider factors do suggest that this really is the limit right now as to where values can be pushed.



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

GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 17th	Feb 10th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**-1**	32	33	35	34
TD20	Suezmax	WAF-UKC	**+0**	62	62	57	62
TD7	Aframax	N.Sea-UKC	**+1**	96	95	95	96

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

			wk on wk change	Feb 17th	Feb 10th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**-1250**	-12,500	-11,250	-5,500	-9,250
TD20	Suezmax	WAF-UKC	**-500**	1,500	2,000	2,500	2,000
TD7	Aframax	N.Sea-UKC	**+750**	-2,250	-3,000	-2,000	-2,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 17th	Feb 10th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**+1**	75	74	78	
TC2	MR - west	UKC-USAC	**+16**	167	151	130	147
TC5	LR1	AG-Japan	**-1**	96	97	98	101
TC7	MR - east	Singapore-EC Aus	**-1**	154	155	150	153

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

			wk on wk change	Feb 17th	Feb 10th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**+0**	-4,750	-4,750	-1,500	
TC2	MR - west	UKC-USAC	**+3000**	8,750	5,750	3,000	5,250
TC5	LR1	AG-Japan	**-250**	-500	-250	1,500	750
TC7	MR - east	Singapore-EC Aus	**-250**	4,000	4,250	4,750	4,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**+11**	680	669	646
ClearView Bunker Price (Fujairah VLSFO)	**+28**	756	728	688
ClearView Bunker Price (Singapore VLSFO)	**+4**	734	730	690
ClearView Bunker Price (Rotterdam LSMGO)	**+1**	810	809	763

GIBSON SHIPBROKERS Paratus

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

This report has been produced for general information and is not a replacement for specific advice. While the market information is believed to be reasonably accurate, it is by its nature subject to limited audits and validations. No responsibility can be accepted for any errors or any consequences arising therefrom. No part of the report may be reproduced or circulated without our prior written approval. © E.A. Gibson Shipbrokers Ltd 2022.