Global Crisis

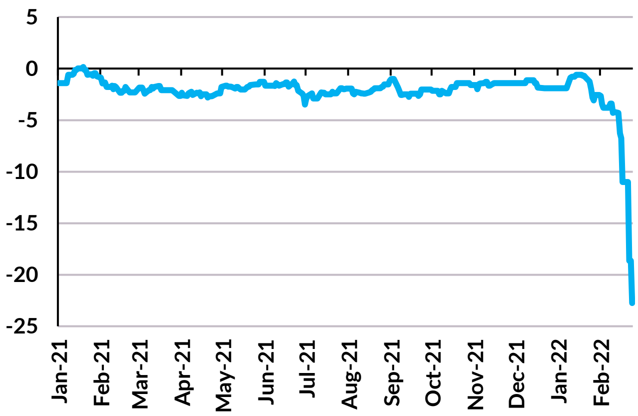
Weekly Tanker Market Report

As the crisis in Ukraine escalates, so does the global turmoil. More and more companies are exiting Russia and further international sanctions are being placed. We saw BP, Equinor, Shell and Exxon deciding to divest their interests in Russia, whilst the US and the EU banned several Russian banks from SWIFT. The UK passed a law banning all ships that have any connection to Russia from entering its ports. Meanwhile, OPEC+ decided to stick to its original output plan, arguing that the latest price rally is driven by geopolitics and not market fundamentals.

To calm oil markets, the IEA announced the release of 60 million bbls from its strategic reserves. Yet, prices continued to surge, with Brent briefly touching $117.8/bbl as disruptions to oil markets look increasingly inevitable, while stocks are low. Many international banks and refiners are increasingly hesitant to do business with Russia, concerned about legal and/or reputational risk. There is also the possibility of an eventual sanctioning of Russia's energy. Earlier this week, the US stated that it is open to imposing sanctions on Russia's energy sector, although weighing the possible impact on energy prices. Similarly, the EU is considering blocking access to all EU ports for ships whose last or next port of call is in the Russian Federation.

The physical oil market is already seeing disruptions. Reuters reports an increasing number of Urals tenders for March delivery failing to find a buyer, despite record discounts. CPC blend is starting to face a similar fate, due to concerns about its mixture with Russian grades and loading in a Russian port in conflict zone. East/West gasoil arb is hitting record highs, incentivising movements from East of Suez. Unconfirmed reports also suggest that at least a couple of Russian refineries are suspending operations amid logistical problems and falling demand.

Urals differential to dated Brent ($/bbl)



We also continue to face volatility in tanker market. Crude trades directly related to Russia and the conflict zone have skyrocketed, with the restricted pool of owners able to lift Russian cargoes demanding huge premiums. TD17 closed at WS507 and TD6 at WS288 on the Baltic Exchange today. Product tanker rates have also increased, but not so much in comparison. Rates elsewhere also firmed to a varying degree, largely being driven by the wider uncertainty and bullish owners' sentiment, but now most dirty tanker rates have started to decline.

It remains to be seen whether the current trend of shying away from Russian crude cargoes will be maintained in the longer run. In a rapidly evolving situation, any predictions could easily prove wrong. The stakes are high, however, with over 2.3 mbd of crude, 0.6 mbd of DPP and nearly 1 mbd of CPP heading seaborne to EU countries and the UK from Russian Baltic and the Black ports. In the extreme scenario of a total loss of Russian trade to the West, crude and product flows would be completely redefined.

The big question is, if Russian oil is effectively locked out of Europe, the US and OECD Asia economies, how much can other countries consume? China is likely to increase its intake, whilst India is also expected to consume additional volumes unless sanctions are enacted. Some Latin American companies could also draw in more cargoes, assuming sanctions do not prevent this. However, logistical challenges could be a threat in terms of finding sufficient ships for the trade. In any case, fundamental changes in global trade flows take time, whilst in the short term, there is a risk that the total volume of trade could decline.

Longer term, the negative impact on global economy is also likely to be substantial, following the exodus of many multinational companies from Russia, from leading car makers to major producers of consumer goods, while surging energy prices are also bound to moderate consumption levels. Prior to the invasion, global oil demand was widely expected to recover by 3.3 mbd in 2022 but how much of that growth will now be offset by the economic damage?

At this stage, it looks that we have more questions than answers. We ended last week's report, saying that uncertain times are ahead of us. A week on, we are none the wiser.

Crude Oil

Middle East

Throughout the week VLCC Charterers have handled the buoyant and turbulent situation well. With a gradual slowdown of enquiry to ensure levels never really shifted too dramatically by comparison to what we have seen on other sizes and areas. Rates currently stand at around 270,000mt x ws 57.5 to the Far East, with a voyage West estimated at around 280,000mt x ws 25 to the US Gulf. Suezmax rates here have pushed on, given the situation in Ukraine. AGulf/East has firmed up to 130,000mt x ws 95-100 and West cargoes have settled to around the mid ws 50's on 140,000mt. The week closes on a steadier footing and although other regions have come off, we expect this market to have more longevity. AGulf Aframaxes are playing catch up at the end of this week, with better rates paid and Owners pushing off the back of better West of Suez rates. AGulf/East is currently around 80,000mt x ws 160; but the list is tight, so a busy week next week could see Charterers scrambling for cover.

West Africa

The ripple effects of the Russian invasion in Ukraine naturally had worldwide ramifications and the knock-on effect of high numbers being paid for Baltic and Urals grades was felt as far away as West Africa. TD20 has been on a roller-coaster, with 130,000mt x ws 109 being paid despite many feeling it should not have gone this high as lists remained long and the fundamentals hadn't changed a great deal. The market has since re-adjusted down to 130,000mt x ws 87.5-90 level for TD20 as trends have settled down. The awful escalation of events in Europe has provided some Owners the opportunity to claim some very healthy premiums this week. This tumultuous time has enabled VLCC levels to shift up, although after a couple of vessels failing subjects this may put the brakes on sentiment a little. Last done was 260,000mt x ws 50 but, with bunker prices continuing to push up, this level we would expect to hold next week.

Mediterranean

Geopolitics continued to exert a huge influence on the state of the Mediterranean and Black Sea markets. Owners looked for huge premiums to load in areas which now command as much as 2pct additional war risk premiums. Consequently, other routes benefitted from the firm sentiment. Black Sea voyages were fixed at 80,000mt x ws 420 and ws 480 levels, then X-Med Libya stems at ws 270. Ceyhan followed at 80,000mt x ws 260. Not all cargoes were lifted but some did achieve subjects - though by the close there were some discounts seen with ws 247.5 from Ceyhan and Algeria. There will be some movement around these levels now, but Owners are not willing to throw in the towel just yet. The upward curve is rounding, obvious huge premiums for Black Sea cargoes are there, with the clear risks associated for Owners and Charterers. However, enquiry has tailed off to a mere drip feed and Owners are looking now to cash in with TD6 sitting at

135,000mt x ws 285-295 level. Voyages to the East are seeing much increased levels, but with Charterers working receiving up to 12 offers, rates are due for a downward correction.

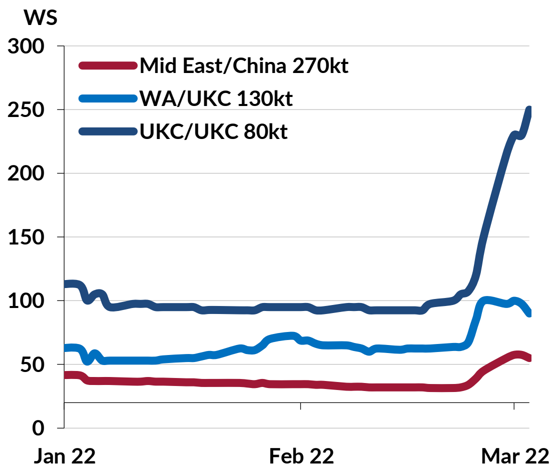
US Gulf/Latin America

Spiking Aframax levels in the North Sea and Med will no doubt limit any potential ballasters back to the region, which has seen levels shift up gradually to around 70,000mt x ws 185-190 for short haul and around 70,000mt x ws 165-170 for transatlantic. Levels are likely to strengthen further as availability continues to thin. Soaring bunker prices and a very active Western market in general has given VLCC Owners some very lofty ideas. Currently we are yet to see any Charterers succumb to the pressure and enquiry has for now wilted, but we would expect levels from the US Gulf to the Far East to be around $6 million.

North Sea

The strongest tanker market continues to reap premiums out of the Baltic. Owners are beginning to 'favour' certain accounts for security and reputation. Interestingly, ice in Ust-luga has started to dissipate, which could be a serious factor in this ever-changing market. If harbour masters rescind the need for ice class tonnage, we could see a large increase of available tonnage willing Russian Baltic and hence shifting the market. For now, Baltic/UKCont is trading at 100,000mt x ws 500-550levels and X-North Sea at 80,000mt x ws 220.

Crude Tanker Spot Rates



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

Clean Products

East

Another week dominated by the war in Ukraine and the ever busier Middle East market. As more and more products are supplied from the Middle East and the market is in backwardation, the rates have taken a serious rise, with $700k on 65,000mt jet AGulf/UKCont and LR2s have doubled in 10 days! Today is a bit calmer, with both sides consolidating their positions, but MRs are once again pushing so it seems unlikely the LRs will stop.

55,000mt naphtha AGulf/Japan is unproven today but must rate around ws 170, with 65,000mt jet AGulf/UKCont now resting at $2.60 million. The shorter runs are also stepping up quickly, with 60 Go AGulf/Pakistan up at $680k. LR2s have seen far more business this week and 90,000mt jet AGulf/UKCont is now $3.20 million but depending on dates could see higher. 75,000mt naphtha AGulf/Japan is fixed at ws 140 and is likely to see ws 150 next. Lists are getting shorter all the time but the length of this spike is now the question we all ask. If the Ukraine situation isn't resolved soon, the rates will stay high for longer than initially thought though.

An incredibly active week on the MR segment, which has been buoyed by surging LRs, inflating bunker prices and a widening distillate arb headed west. TC17 climbs from its undervalued floor at 35x ws 200 last week to 250 levels (asked, not paid, we will highlight). AG/UKCont is a key run, given the press seen in LR rates to $1.7m, but in need of a fresh test. TC12 rates 35 x ws 175 to finish the week and short haul should next trade at $350k levels, depending on dates and grade. With Owners being bid 950 for bunkers ex Fujairah, a factor which continually squeezes returns, we are likely to see further firming next week and Charterers will look further ahead to cover volume before any surge in MR market levels.

Mediterranean

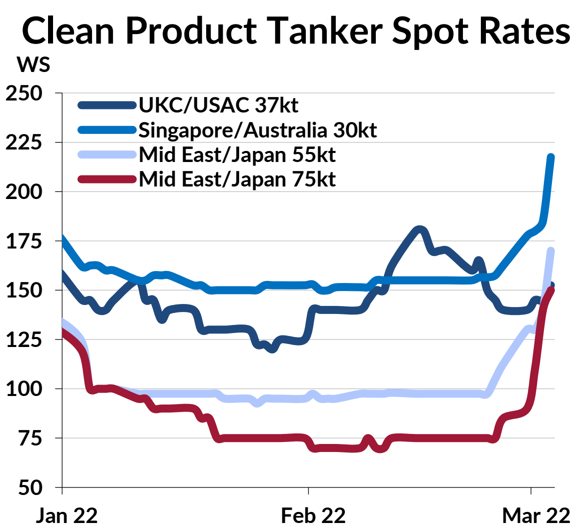
A week with rates firming across the board…Some Owners are still unwilling to call Russian Black Sea ports with uncertainty over sanctions, but those that are willing are charging huge premiums with last done levels now at the 30 x ws 475 mark (up 80 points from this time last week). It wouldn't be surprising to see further gains. The X-Med market has followed suit and, although not quite at the levels as ex Black Sea, a tightening list and cargoes continually emerging has led to 30 x ws 290 achieved a couple of times towards the back end of the week. With replacements still to cover and UKCont ballasters now looking to get in on the action, we could see this market continue to rise.

Positive week for the Med MR sector as the combination of good enquiry and a tightening tonnage list sees rates firm throughout. We began the week at the 37 x ws 157.5 mark for a Med/transatlantic run but since then levels have built up with each fixture to the point, where we now have 37 x ws 182.5 on subs Med/transatlantic. WAF has also followed suit, with last done currently at 37 x ws 175 but expected to improve when next tested. At the time of writing, we have seen a few more candidates come into play for Charterers, with some ballasting down from the weaker UKCont market. Yet, with a handful of cargoes still outstanding including a market quote, expect Owners to remain bullish with their ideas.

UK Continent

A positive week for the MRs in NWE, with the rates finally improving on Friday for TC2 to 37 x ws 175 level. There was a build up of MR tonnage at the front of the list and cargo wise was sluggish throughout. This prevented rates improving until the latter stages. With the majority of other markets all firming due to the current crisis in Ukraine, Owners drove sentiment as opposed to the market actually being busy. The Ice Russian loads require a huge premium due to the majority of Owners shying away because of potential sanctions. Outlook is firm heading into next week, with a lack of ballast tonnage. It's more of a finger in the air to see what happens next.

A two-tiered market has appeared this week for Handies plying their trade up in the North. Firstly, those who have been able to call Russian Baltic have been able to present bullish fixing ideas throughout as the need for willing Russian Ice class units saw 30 x ws 415 go on subs. As the week rolled on though, many of these higher numbers have now failed as larger units have been picked off, which now leaves TC9 in need of a fresh test. In contrast, those with non-class units or not being able to call Russia has seen freight stuck in the mud as X-UKCont has traded at a flat 30 x ws 170. Eyes remain firmly on the Ukrainian/Russian conflict and what potential further sanctions are implemented.



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Dirty Products

Handy

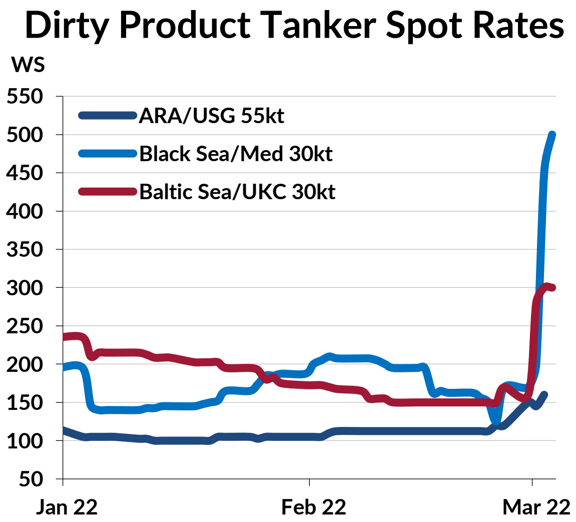
Taking stock of what is happening in freight markets in Europe right now is a constantly changing picture, not only from a political standpoint, but a subsequent regulatory recourse with Charterers, Owners, and Brokers alike sharing many common standpoints. The most significant is that this war needs to end and our thoughts are with the victims of all of this. Yet, in the background we ask how do we continue to ship energy and navigate our way through all of this? The answer isn't a straightforward one. However, one thing has become clear that anything involving Russia is having large premiums applied, with any uncertainty being priced in. This factor in turn is pulling up every other European trade route with it. With Black Sea paying a larger premium than the Baltic for obvious reasons, we do at least seem to have patterns establishing where the values align between deals. On the other hand, what is right today does not mean it's going to stay that way for long and in the coming days/weeks ahead we are likely to see many outlier type of deals on fixture reports. Not just for the Handies though, but perhaps pertinent to all sectors is the question: if you can't call Russia any more, what do you do with your ships and how much non-Russian business will be there in any one window? This is the next question Charterers will be seeking to find answers to, and it may well prove a factor in restoring a degree of normality to all of this.

MR

In much a similar trend to what is happening on the Handies, the MRs are in every way exposed to the same conditions and factors forming a volatile market place. However, there is less liquidity to really help establish reliable pricing points, we have to adopt a case by case freighting scenario. In essence, we almost appear to be in a situation like we were coming into this week on the Handies, with noticeable winners and losers between deals.

Panamax

Charterers are having to tread delicately in this sector, where the sentiment from surrounding markets has Owners waiting to price in the current climate here as well. On the odd occasion, where rates have been tested for short haul business, (where Charterers have been struck by pricing problems elsewhere), we have seen large swings of positive volatility. One Charterer had been looking to test levels for a conventional transatlantic, while the offers this stem attracted were not only limited off the dates but far too rich to make sense of it at the time. Expectation, however, does suggest at some point a deal will get done, supporting BITR assumed values, which if you compare levels from last fully fixed, then we seem to be expecting at least a 42 percent jump.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 3rd	Feb 24th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**+17**	56	39	34	40
TD20	Suezmax	WAF-UKC	**+19**	94	75	65	72
TD7	Aframax	N.Sea-UKC	**+102**	235	133	95	118

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

			wk on wk change	Mar 3rd	Feb 24th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**+10750**	4,250	-6,500	-8,000	-13,750
TD20	Suezmax	WAF-UKC	**+4250**	11,750	7,500	4,500	-500
TD7	Aframax	N.Sea-UKC	**+63250**	88,000	24,750	-2,500	2,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 3rd	Feb 24th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**+74**	150	76	73	
TC2	MR - west	UKC-USAC	**+5**	150	145	143	153
TC5	LR1	AG-Japan	**+76**	178	102	96	128
TC7	MR - east	Singapore-EC Aus	**+57**	216	159	152	161

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

			wk on wk change	Mar 3rd	Feb 24th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**+19000**	13,750	-5,250	-3,750	
TC2	MR - west	UKC-USAC	**-4000**	0	4,000	4,750	500
TC5	LR1	AG-Japan	**+14000**	14,000	0	750	2,000
TC7	MR - east	Singapore-EC Aus	**+5500**	9,750	4,250	4,750	500

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

ClearView Bunker Price (Rotterdam VLSFO)	**+103**	834	731	668
ClearView Bunker Price (Fujairah VLSFO)	**+139**	925	786	705
ClearView Bunker Price (Singapore VLSFO)	**+124**	904	780	715
ClearView Bunker Price (Rotterdam LSMGO)	**+216**	1096	880	795

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