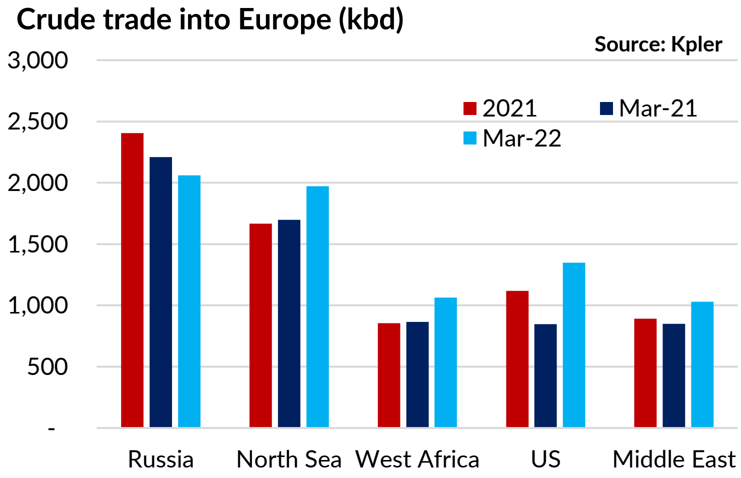
Where Barrels Go

Weekly Tanker Market Report

It has been almost two months since Russia invaded Ukraine. Over this period, we have seen several rounds of sanctions being placed by Western governments. Most notably for our sector, Russian crude/oil products trade into the US has been banned, the UK has pledged to eliminate Russian crude/oil product imports by the end of 2022 and the EU focused on cutting dramatically over time its reliance on Russian crude and products. Sanctions have also been placed on the Russian tanker fleet, whilst there has been notable self-sanctioning by many oil companies with refining assets in Europe.

Yet, weekly AIS trade data from Kpler does not show any meaningful decline in Russian trade out of the Baltic and Murmansk. The picture is different for the Black Sea, where some trade has been affected by close proximity to military activities and storm damage to CPC loading facilities. Latest Gibson's spot fixture data shows the same trend, suggesting that the situation in terms of actual export volumes will remain unchanged for another week or two at least, due to time lag between the date of the reported fixture and actual loading. However, although no major decline in export volumes has been seen, at least in Northern ports, the colossal political and public pressure in the West means that at least some Russian crude is forced to find an alternative home, with a notable increase in Aframax and Suezmax spot fixtures for delivery East of Suez. The same is also reflected in oil-on-water data compiled by Kpler, which shows that the volume of Urals currently held on tankers is its highest level since records began in 2016.



So, with Russian crude gradually shifting elsewhere, is Europe also seeking alternative supplies and where from? Trade data into North West Europe for March 2022 shows notable increases in volumes shipped from the US, West Africa and the Middle East relative to the 2021 average and March 2021, whilst considerably more North Sea crude is also retained within the local market. For European countries based in the Mediterranean the trend is broadly similar, although there are a few minor differences.

The changes in trade flows observed so far are clearly supportive to tanker demand in terms of tonne miles and for now these are almost entirely focused on Aframax and Suezmax tonnage. As severe restrictions have also been placed on Russian tanker tonnage, which accounts for 2% of the global Suezmax and 7% of the global Aframax fleet, it is perhaps not too surprising that significant spikes in Suezmax and Aframax rates in the West have been witnessed recently.

As the year progresses, newbuilding deliveries will ease the impact of restrictions faced by Russian tankers, with 44 Suezmaxes and 57 Aframaxes/LR2s scheduled for delivery over the course of 2022. It also seems almost inevitable that we will see further sanctions being placed on Russia. The EU has already publicly stated that it is working on possibility of introducing additional sanctions on Russian oil, while the unclear and imprecise wording of the existing EU sanctions on Russia will see a further decline in Russian trade, to Europe at least, after 15 May. As such, crude tanker tonne mile demand into Europe in order to replace Russian barrels is set to continue to grow. However, only time will tell the overall impact on demand, as the ability of Russia to find an alternative market for all of its trade with Europe is questionable, whilst the economic consequences of the current crisis will only become visible in a few months' time at the earliest.

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Crude Oil

Middle East

On the surface you could say that the VLCC market has kept to a relatively slow tempo throughout the shortened week. Yet, beneath the surface there has been a strong undercurrent of activity, which has taken a good number of ships off the market and has at least given Owners that remain some optimism that more can be achieved. Last done stands at 270,000mt x ws 50 for Far East options and low ws 30's for Western destinations. A softer picture across the wider Suezmax market has seen rates coming off in large chunks and rates in the AGulf were always going to struggle to hold. The 1-10 May position was well populated with Basrah suitable ships and we've seen last done consistently chipped away at with every cargo worked. TD23 currently trading around 140,000mt x ws 52.5-55 and AGulf/East dipping to 130,000mt x ws 100-105 range. Aframaxes in the AGulf remain very tight. There are minimal ballasters on the horizon from Singapore and a number of Owners eyes remain locked on better paying WAF loads or remain intent on ballasting into the Med. Quality options are limited and with this Owners should be trying to push for more. However, with cracks appearing in the Med and a Greek Easter weekend, a slightly cooler feel has crept into towards the back end of the week. Rating AGulf/East at 80,000mt x ws 185-200 level.

West Africa

VLCC rates have softened as the week progressed as only a drip feed of enquiry hasn't really given Owners anything to really work with. Combined with a faltering Suezmax scene, short haul runs are currently now not viable. We expect the next level to the Far East to be around 260,000mt x ws 55-56 level. Back to earth with a bump for Suezmax Owners this week. Very little cargo enquiry and little support from the Americas, which has underpinned the Suezmax surge in the past 3 weeks. With one favourable cargo in WAF receiving up to 11 offers, rates were always due a negative retest. TD20 hasn’t really been tested this week but should currently pay 130,000mt x ws 115-120 level, with voyages East around 130,000mt x ws 100-115. With limited positive signs and a quiet end to the week, expected rates will be under pressure to hold when we see the next batch of cargoes worked.

Mediterranean

A brutal week for the Mediterranean Aframax market, which was mainly due to Force Majeure in most of the Libyan ports. Should the vessels waiting to load in Libya get cancelled, the additional prompt units that are likely to come free could be devastating for market sentiment. The limited number of cargoes in the market combined with April CPC programme mainly going Suezmax leaves the short term outcome bleak, with X-Med currently around

80,000mt x ws 160 levels, down a mere ws 80 points this time last week. Force Majeure in some Libyan ports has only added to Suezmax Owners' woes, with very little demand seen all week here. As expected, TD6 corrected downwards but still paying well at 135,000mt x ws 250 level. Long haul East runs have been few and far between and rates untested for much of the week, with Libya/Ningbo around $3.75-4 million and CPC/South Korea $6-6.25 million. Lists remain well stocked and we expect a slow run moving into next week.

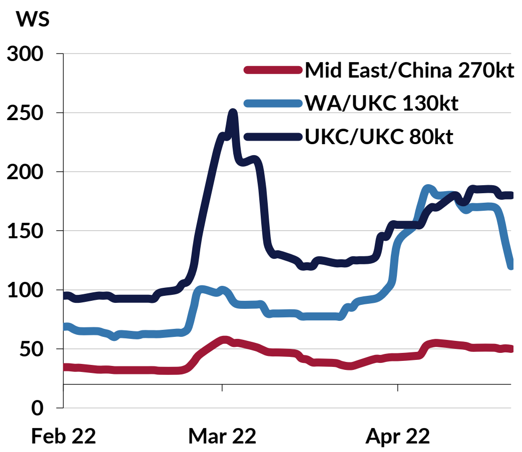
US Gulf/Latin America

With news that the contracts have now been awarded to 12 Oil Companies for the release of 30 million barrels from the SPR through May and June should see greater activity in the region for both long and short haul enquiry. Aframax Owners have arrested the gradual decline in levels as a more balanced feel to availability helped Owners start a mini recovery. Last done for short run is around 70,000mt x ws 240, with transatlantic runs holding at around 70,000mt x ws 205. VLCC levels have dipped as a number of ships fixing and failing continue to disrupt momentum combined with lower levels posted in WAF. However, Owners will be hoping to see these additional barrels released sooner rather than later to quickly turn things around.

North Sea

The ice seems to be getting a little thinner for Northern Aframaxes after a slow week. Rates have consequently come off, with X-North Sea trading around 80,000mt x mid ws 160s and Baltic/UKCont now subs at 100,000mt x ws 500. The arrival of more tonnage from the US side will only exacerbate the situation further, pressuring the local market. The hype appears to be running out somewhat...

Crude Tanker Spot Rates



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

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Clean Products

East

LRs have seen a resurgent week after MRs led the way until now. LR1s have pushed hard and another $350k has been added to West rates and some 25 ws points on TC5. 55,000mt naphtha AGulf/Japan now lies at ws 185 with potential to push on. 60,000mt jet AGulf/UKCont is now $3.20 million and again Owners will soon look to force a little more on it. Tonnage lists are short and activity is both coming on natural sized stems but also the short hauls from MRs keeping LR1s in demand.

LR2s have started the catch process with TC1 repeated mid-week at ws 137.5 for 75,000mt AGulf/Japan, but Owners are now rating it well above this and some asking as much at ws 175. 90,000mt jet AGulf/UKCont is now last done at $3.2 million but, with the LR1s in mind, you won't find a vessel below $3.6 million. As per the MRs, next week could see all sizes push on as we will see very limited ballasters from the Far East with rates so firm there.

The MRs can see virtually nothing left in position almost until the 5th now, which has allowed Owners to dictate rates pretty much how they wish. We finish the week reporting last done levels but please note these could press aggressively, if further enquiry comes out in this earlier window. EAF 35,000mt x ws 330 last done and we rate TC12 at 35,000 x ws 240 this late in the week. West rates $2.5 million and Argie $2.7 million, if you can find a unit to do it. Firm sentiment pushes into the larger sizes as we move into the new week.

Mediterranean

The long Easter weekend inevitably brought us a replenished list once into work on Tuesday and with that the pressure mounted on X-Med rates. The heights of 30 x ws 450 soon turned to 30 x ws 390 on Tuesday afternoon and at close of play we continue to see rates slip, with the going rate now 100 points less than last week. The sluggish rate of enquiry this week has not helped Owners' cause and on Monday we'll likely see further losses. Non-Russian Black Sea is in need of a negative test off the back of this softening. Although Russian Black Sea has traded at heights of 30 x ws 530 this week, this could slip too off the back of Med sentiment.

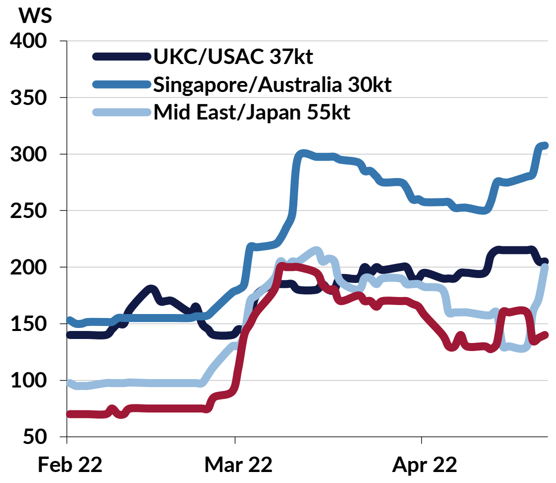
It's been a week of two halves for the MRs here in the Mediterranean, which after a positive start with good enquiry has seen rates start to come under pressure. We began the week with 37 x ws 260 being the going rate for a Med/transatlantic run, which was around 50 points higher than TC2 levels. As a result, we have seen a handful of Owners ballast down to the Med to take advantage of these higher rates and as a result levels have started to come off. At the time of writing, 37 x ws 250 is last done Med/transatlantic (touch more achievable for nap suitability), with the WAF premium now down to +15 points. Little is now outstanding as we approach the weekend, so expect pressure to continue.

UK Continent

We have seen a gentle build-up of cargoes throughout week 16, with Charterers during the 1st half being able to keep a lid on rates, with 37 x ws 205 the call for TC2. This rate is yet to be increased at the time of writing, but with 8+ outstanding cargoes on Friday morning and limited available tonnage, it seems likely next done will improve. With interest popping up for both WAF and South America, Owners have had a variety of routes available to them. With the Mediterranean market also improved, with a 40 odd point premium seen, Charterers have faced some fierce rebuke to repeating last done. Most of the outstanding enquiry falls at the end month window and Charterers will have a chance to fix next week; however, they will certainly feel more comfortable taking something this side of the weekend, which should see a premium paid for the luxury.

It has been a fairly active week for Handies plying their trade up in NWE. COAs have kept Baltic business fixing under the radar, resulting in ships getting clipped away quietly as Russian ice business closes at 30 x ws 315-320 levels. The Continent has seen an improvement in volumes as X-UKCont has traded at 30 x ws 207.5 throughout. UKCont/Med (30 x ws 185) has been subdued, which has seen some units ballast down to West Med in order to try and collapse on the higher returns. Steady ahead.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

Starting with the Med this week, we have seen another period of activity which has reaffirmed confidence for Owners to go on again and push for increments. Yet perhaps what will be more pleasing from an Owners perspective is that with these additional gains, fundamentals are very favourable right now, which is likely to assist with the longevity of this market. Weather delays, a tight tonnage list and a continually active cargo base are all there right now to support this.

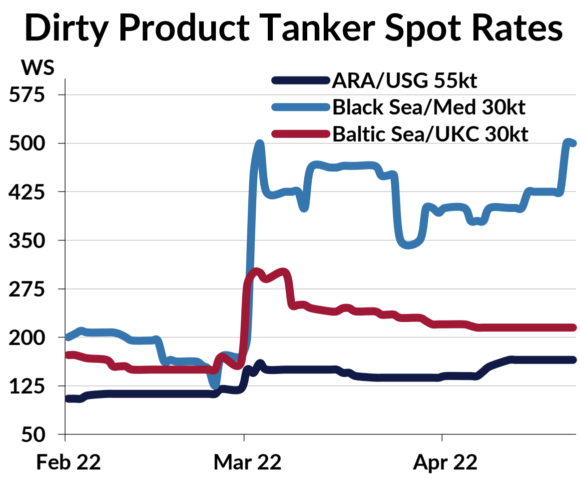
In the Continent, however, conditions aren't quite so robust. Although drip fed activity does enough to keep last done validated, zero volatility is seen. Still, with the lists being kept turning over, owners shouldn't be too concerned as uptick would very quickly swing the pendulum in their favour.

MR

MRs in general are reaping the rewards of what is happening in the surrounding Handy sector. In the Med, in particular, we have seen MRs able to inflict full lift quantity pricing on 30kt stems. Conditions like this only really occur when the market is tight, so naturally any inflated rates being seen in the market then become a target for the next owner to go and achieve. Because of this, we can report noticeable gains in the Med this week, although up in the Continent following from last week's clear down, we failed to see further testing which has temporality cooled the region.

Panamax

Not often you can read this in a shipping report, but for the Panamax market here in Europe Charterers need more ships! With the US remaining firm, removing cost effectiveness of bringing a Panamax over in ballast, Charterers have no option other than to sit and wait for itineraries of the units opening over here to firm. The problem, however, is that this hasn't worked out well for two Charterers with April dates, who could have moved on a Panamax, forcing them to make alternative plans. Rates will remain firm as a result, although as surrounding Aframaxes are losing value, there will be a concern for caps on what Owners can command.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 21st	Apr 14th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-3**	49	52	36	50
TD20	Suezmax	WAF-UKC	**-48**	123	171	86	111
TD7	Aframax	N.Sea-UKC	**-12**	168	180	127	123

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

			wk on wk change	Apr 21st	Apr 14th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-3750**	-250	3,500	-19,500	2,250
TD20	Suezmax	WAF-UKC	**-39750**	25,000	64,750	3,000	20,000
TD7	Aframax	N.Sea-UKC	**-10000**	32,750	42,750	3,750	2,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 21st	Apr 14th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+18**	149	130	168	
TC2	MR - west	UKC-USAC	**-9**	205	214	199	194
TC5	LR1	AG-Japan	**+33**	194	161	186	188
TC7	MR - east	Singapore-EC Aus	**+38**	314	276	277	233

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

			wk on wk change	Apr 21st	Apr 14th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+6250**	15,750	9,500	19,250	
TC2	MR - west	UKC-USAC	**-3500**	7,750	11,250	6,250	6,750
TC5	LR1	AG-Japan	**+8000**	20,000	12,000	15,500	19,500
TC7	MR - east	Singapore-EC Aus	**+6250**	27,750	21,500	19,750	15,000

(a) based on round voyage economics at 'market' speed, non eco, non scrubber basis

ClearView Bunker Price (Rotterdam VLSFO)	**+39**	869	830	913
ClearView Bunker Price (Fujairah VLSFO)	**-7**	861	868	940
ClearView Bunker Price (Singapore VLSFO)	**+1**	851	850	915
ClearView Bunker Price (Rotterdam LSMGO)	**+134**	1315	1181	1265

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