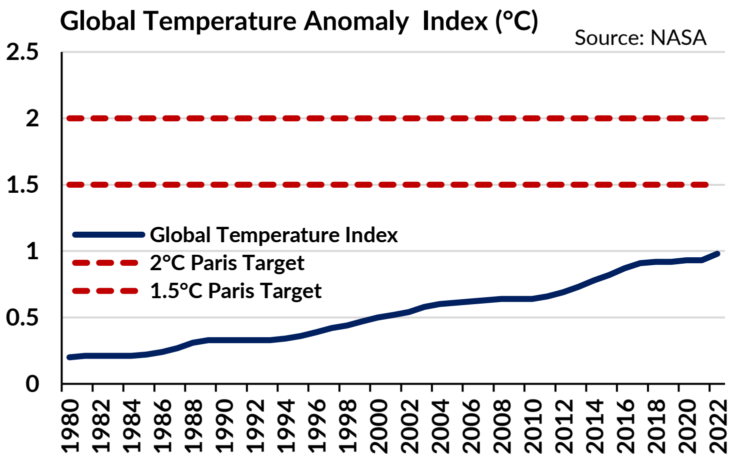
Mounting Pressure

Weekly Tanker Market Report

Last Friday saw the close of the much-anticipated Marine Environmental Protection Committee (MEPC 78) meeting at the IMO. The main focus was to progress IMO policy to build an effective greenhouse gas emissions (GHG) reduction strategy to be approved at MEPC 80 in 2023. Whilst the meeting was never intended to be a decision-making event, it did signal that sufficient momentum and support exists among most member states for the IMO to begin setting more ambitious targets and policy that will be centre stage at upcoming IMO meetings. However, environmental and industry groups have been critical of the MEPC for failing to achieve unanimous support amongst all members. They highlight the relative pace of decarbonisation proposed by the IMO and the ability of shipping to remain aligned to the 1.5C target agreed in the Paris Climate Agreement. This will only add to the pressure of subsequent IMO meetings to secure a plan for achieving adequate decarbonisation whilst ensuring an equitable transition process that can achieve broad member state support.



In terms of what was achieved, two points stand out. Firstly, there appears to be support for achieving zero carbon emissions by 2050 instead of just a 50% reduction in emissions. The technical guides for EEXI, CII and SEEMP regulations have been finalised and adopted for future implementation. This will be crucial for setting the trajectory of industry emissions out to 2050. Several environmental groups are advocating bringing forward the trajectory for achieving net zero emissions by 2040 and halving emissions by 2030; although this does not seem to be on the IMO's agenda at present given the challenges of achieving such reductions and the lack of support from some member states. Therefore, it appears these measures will be approved at MEPC 80 where lifecycle emissions guidelines are also likely to be agreed.

Secondly, the proposal to establish a Sulphur Emission Control Area (SECA) in the Mediterranean Sea was approved for adoption at MEPC 79 in December 2022. This would require the use of bunker fuel with a sulphur content no greater than 0.1% such as low sulphur MGO or a scrubber system for vessels trading in or passing through the Mediterranean. If there are no delays, the Mediterranean SECA could be implemented as early as 2025. It is also worth noting that the likely inclusion of shipping into the EU ETS from 2023 will add an extra layer of complexity and cost on top of already highly elevated bunker prices.

Another notable aspect of MEPC 78 was the rejection of a proposal by the International Chamber of Shipping (ICS) for a $5bn decarbonisation research and development fund that would have provided a market-based approach to reducing shipping's carbon emissions. The plan focused on a mandatory levy of $2/tonne on bunker fuel that would have financed zero emission technology and had the backing of most major shipping bodies. This would have helped facilitate the application of new technologies at scale, although its rejection signals a reluctance by the IMO to be responsible for managing and supervising such a scheme. Any future proposed market solutions will likely have to be operated at the industry level instead of seeking official approval and implementation at the IMO if such proposals are to have any role in decarbonising shipping.

As the market looks ahead to MEPC 79-80, many will now be finalising their plans to achieve compliance with the proposed IMO regulations, especially in terms of CII and EEXI. MEPC 78 gives owners an indication that the IMO is now more committed to reducing the industry carbon emissions to net zero by 2050 and are unlikely to be watered down by some member states, given the broad support that exists both inside and outside shipping for concrete action.

Crude Oil

Middle East

The spread between high and low sulphur fuel continues to increase, further widening the gap between the TCEs of scrubber vs non-scrubber vessels. Last done to the East is 270,000mt x ws 45. We have seen a little bit of activity heading West this week, 280,000mt x ws 27.5 levels should be achievable for a run to the UKCont (via Suez). A dense period in terms of cargo enquiry of end June/early July dates has spurred rates on. TD23 has jumped into the low-mid 60's, with AGulf/East teetering on breaking into three digits. Charterers will likely sit back with anything after the 5th and let some heat out of this market. Owners certainly hold the upper hand as we head into the weekend. AGulf Aframaxes remain steady. Higher bunkers are keeping rates between 80,000mt x ws 185-190 level for AGulf-East.

West Africa

Rates have nudged up in West Africa to around 260,000mt x ws 47. TCEs have improved marginally, but the number of cargoes trickling through is making it difficult for Owners to gain any significant ground. This market remains pretty much reserved for ECO and or scrubber vessels. A real win for Owners, with most back from Posidonia, the end month position had tightened up significantly. Fundamentals probably didn't correlate to such big gains for Owners. However, with one Charterer getting caught and a couple prompt replacement deals being done, meant people working off more natural dates felt heavy resistance from a buoyant owning community. WAF/UKCont-Med has pushed to 130,000mt x ws 115-117.5/East ws 107.5-110. We don't see it going much further from here, but any downside is limited moving into next week. With other regions making healthy gains, owners aren't short of options.

Mediterranean

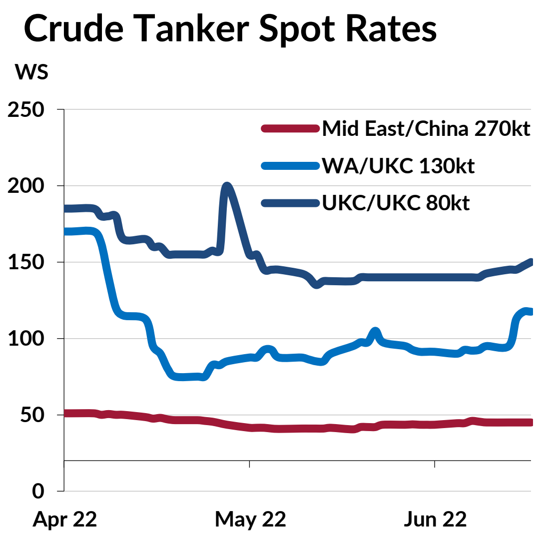
The Med Aframax market has gone from strength to strength this week, with port disruption in Trieste and fresh barrels from Libya piquing owners' interest. Coupled with replacement activity, Owners have not been shy in using these footholds to ask for more on normal dates. What started the week as ws 165 for Vanilla X-Med voyages soon gained in leaps and bounds, with ws 210 achieved by the close. Black Sea loaders have also firmed theoretically now, reaching ws 220-230 levels but suezmaxes will look on with interest now. Looking forward, as delays in Trieste ease, there will be some extra tonnage; however, in general the local trading fleet remains thinner than in recent months and the sentiment is warm. Suezmaxes in the Med /Black Sea have firmed on the back of Aframaxes. TD6 has made significant gains up to 135,000mt x ws 127.5-130. Owners have the bit between their teeth on the back of other areas firming, long east runs ticked up a touch, with CPC/South Korea currently trading $4.45-4.65 million and Libya/Ningbo $4-4.2 million level. We expect levels to hold into the early part of next week.

US Gulf/Latin America

An uninspiring week for Aframaxes in the States, with tonnage and cargo availability balancing itself out in the main. Rates upcoast have more or less remained flat at ws 177.5, with a similar story with cargos bound for Europe, having settled at ws 170 last week and remaining so for this week. For now, the outlook also remains unchanged. Owners are seeing more cargo in the US Gulf enabling them to improve rates this week. However, the list of ships with Western discharge ports remains very well-stocked and there are still ships free of cargo in the Atlantic for Charterers to turn to which will stop Owners from gaining too much upward momentum. Last done levels for USGulf/East are at $5.60 million levels.

North Sea

The North has had a revamp this week, with rates pushing back up. X-North Sea is now paying mid ws 160s and Baltic mid ws 170s. It looks like the show is only just began.



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

Clean Products

East

LRs saw big gains with rates moving up quickly. LR1s started the trend with 60,000mt jet AGulf/UKCont moving $800k within 48 hours to $4.95 million. 55,000mt naphtha AGulf/Japan rapidly went through ws 300 and now sits at ws 350. Owners want more from this and the list of approved LR1s is limited so there definitely could be more firming in the 1-10 July loading window.

LR2s on the back of the LR1s have had sentiment help move the market upwards. Of course, the lack of LR1s has led to upsizing and LR2s saw a real push of activity. 75,000mt naphtha AGulf/Japan also pushed quickly and is now ws 300, with Owners hoping for another ws 20-30 points into next week. 90,000mt jet AGulf/UKCont is up to $5.50 million but suitable tonnage is thinning and Owners feel $6.0 million should be there next week. Yanbu has had issues leading to a slowdown but if that comes back on stream, Red Sea activity will only heat the general feel up further.

MRs have been busy, despite the LR2s handling the majority of volume. An incredibly tight list out to July dates has pushed rates as far as $4.2 million UKCont, 35 x ws 565 EAF and 35 x ws 440 TC12 going East. Worth pointing out that Singapore trades at a premium (who wants to book short in a spike?) hence Singapore runs trading ws 550 - 60 points over traditional differentials. A fairy inexplicable 35 x ws 480 on subs just now ex Red Sea will mean we need to reset and retest most runs on Monday.

Mediterranean

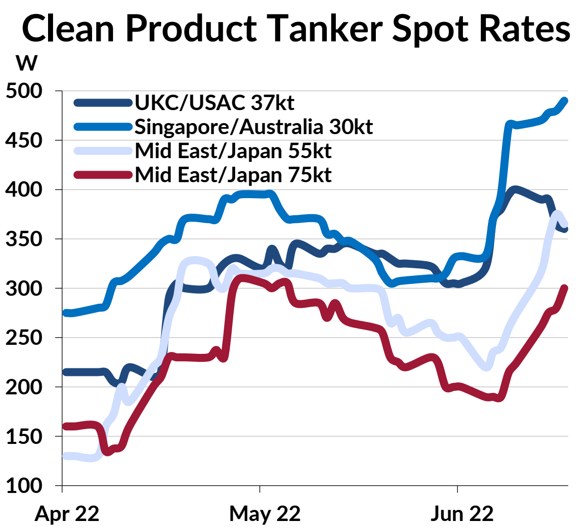
Owners have capitalised this week on a tightening list and consistent enquiry with rates firming throughout. A busier Black Sea market has meant that those willing to call non-Russian / Russian Black Sea have been unwilling to offer in for X-Med cargoes given the rates ex Black Sea, which has tightened up the list. 30 x ws 410 is where we started proceedings and rates have firmed over 100 points with ws 515 seen on Friday. Unprecedented heights of 30 x ws 850 have been seen ex Novo and we expect we'll see North of these levels with a handful of Russian Black Sea cargoes still to cover in the 25-29 window. The market is firm for now and, with end June laycans to be seen next week, we are lined up for a good summer.

Finally, to the MR's here in the Mediterranean where we began the week at the 37 x ws 400 mark for a Med/transatlantic run, with WAF tracking at +15. The front-end of the list was tight for the majority of the week but after a market quote extended the fixing window rates came under pressure with 37 x ws 385 now on subs transatlantic. This looked to be the start of further softening with the UKCont market falling to the 37 x ws 350 mark but today we have seen a handful of fresh cargoes come into play as well as 37 x ws 410 achieved on a Las Palmas/WAF run. This combined with the booming Handy market should see Med Owners remain positive with their ideas into the weekend.

UK Continent

It seemed this MR Continent sector only had one direction possible… and when we started the week at near 37 x ws 400, it was obvious which way this was heading. Partnered with lower enquiry levels and excess US ballast tonnage we saw Charterers chip away at Owners resilience throughout and come Friday we slip 50 points to 37 x ws 350. You would have perhaps expected this to worsen but these new lows seem to have woken up some traders and enquiry levels today have risen as well as the USGulf sector picking up too. Have we reached an equilibrium yet? We shall see, but expect now for it to level out sooner than previously thought.

It has been a positive week for Handies in the North as continued demand for TC9 and a large influx of X-UKCont cargoes has seen freight improve throughout. A catalyst for this has been a number of standard Russian Baltic players being tied up in X-UKCont business resulting in a short in the tonnage list for natural fixing window for TC9 Russian ships. TC9 Russian closes the week at 30 x ws 450-475 but is still very much entity dependent. X-UKCont currently trades at 30 x ws 335 but, with a healthy amount of cargoes uncovered there is potential for levels to increase next week.



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Dirty Products

Handy

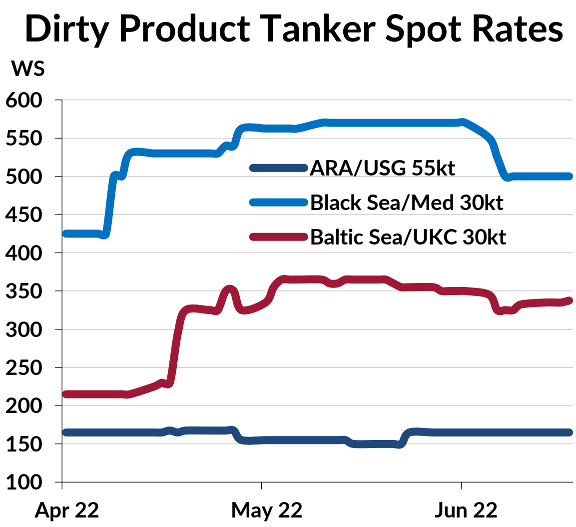
A bubbling sense of firmer sentiment has been felt in both the UKCont and Med markets this week, despite the fixture list not showing abundance of activity. What has taken place, has kept prompt units at a minimum and tonnage lists on the whole tight. This is particularly true in the North, where starting the week with very little in terms of replenishment, it was inevitable Owners would be bullish with the first few cargoes shown. As a result, sentiment pushed BITR beyond the ws 337.5 mark, but it remains to be seen just how many fixtures are concluded at this level with under the radar being the order of the day. The Med market remains steady and also has seen very little in terms of prompt tonnage, with some Owners pushing tonnage towards end month dates. With these itineraries as firm as they can be 10 days out from potentially opening, there is the potential for a flattening in levels as we approach end month dates, unless these units are clipped away in early trading next week.

MR

Market activity for MRs on the Cont this week has been non-existent, where the expectation of a fresh test for the limited number of available units did not surface. A change of orders for one MR Owner saw them heading back to the Med, leaving just one natural candidate on the Cont. With this Owner holding out for Baltic business, the market remains in wait of seeing just where the levels lie. Likewise, a similar story has played out in the Med, where firm tonnage has been slim. However, questions on full stems are yet to flow - Handies have offered up opportunities, where prompt enquiry can to be covered by a natural sized unit.

Panamax

Once again local business continues to be the only real driver for the movement of Panamaxes marketed this side of the pond. A tight list in terms of tonnage on the Cont and further south in the Med meant that expectations on next done would see a push in levels; however, enquiry simply hasn't surfaced. Going forward, much of the same is expected, with the US market still offering good returns and the Aframaxes this side of the pond soaking up the majority of longer haul opportunities.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 16th	June 9th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+0**	45	45	41	46
TD20	Suezmax	WAF-UKC	**+22**	115	93	85	112
TD7	Aframax	N.Sea-UKC	**+19**	160	141	139	147

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

			wk on wk change	June 16th	June 9th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+3250**	-19,250	-22,500	-14,250	-18,250
TD20	Suezmax	WAF-UKC	**+14250**	19,000	4,750	8,750	17,000
TD7	Aframax	N.Sea-UKC	**+13750**	27,500	13,750	22,000	18,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 16th	June 9th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+86**	301	215	269	
TC2	MR - west	UKC-USAC	**-30**	365	395	343	301
TC5	LR1	AG-Japan	**+119**	378	259	303	272
TC7	MR - east	Singapore-EC Aus	**+31**	490	459	347	354

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

			wk on wk change	June 16th	June 9th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+31250**	58,250	27,000	53,500	
TC2	MR - west	UKC-USAC	**-4500**	35,750	40,250	36,250	24,000
TC5	LR1	AG-Japan	**+31250**	58,000	26,750	44,500	32,000
TC7	MR - east	Singapore-EC Aus	**+7000**	51,750	44,750	31,750	29,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**-56**	913	969	799
ClearView Bunker Price (Fujairah VLSFO)	**-31**	1090	1121	911
ClearView Bunker Price (Singapore VLSFO)	**-65**	1066	1131	915
ClearView Bunker Price (Rotterdam LSMGO)	**+30**	1346	1316	1051

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