

Revolution but no resolution

Weekly Tanker Market Report

It remains to be seen whether on-going negotiations taking place in Libya about reopening two of the country's largest oil export terminals will amount to anything other than a continued stalemate. Last month, Libya's UN backed Tripoli government was reported to have signed a deal with armed factions controlling the major Ras Lanuf and Es Sider oil ports in an attempt to end the export blockade which has been in place since December 2014. These two ports have a combined export capacity of around 600,000 b/d which could significantly elevate Libya's crude production from the mere 300,000 b/d in July. Two other major oil export terminals, Zawiya and Zuetina also remain closed. Five years ago, before the ousting of the Gaddafi regime, Libya was producing 1.6 million b/d, which provided steady support for the cross Mediterranean Aframax market.

The deal to reopen Ras Lanuf and Es Sider was reported to have been signed in early July between the National Oil Corporation (NOC) and the Petroleum Facilities Guard (PFG), set up by the rival Eastern Government. According to NOC, the plan is to quadruple (from what level?) the country's oil exports by the end of the year, although so far there has been no sign of any increased liftings at any of these ports. Details of the actual deal are very sketchy, but the UN backed Government of National Accord are reported to have said that the deal included an "unspecified amount for PFG salaries" and the NOC Chairman Mustafa Sanalla has complained about rewarding groups that have the ability to shut down these ports. According to Sanalla in a telephone interview with Reuters, the NOC must work within the framework of Libyan law, particularly when related to the payments. He was also reported to have complained that the NOC lacked funds for its own operating budget.

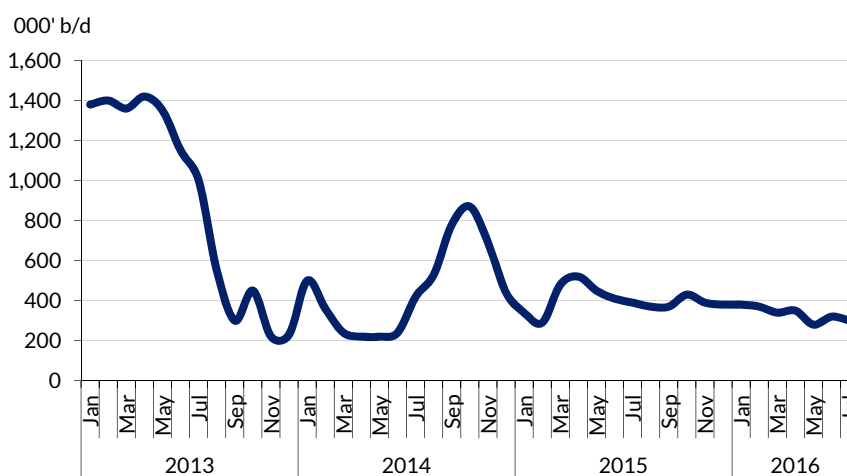
Clearly there remains a lack of trust of the PFG. Sanalla cited previous broken promises and facilitation payments which have failed to improve oil exports. The Eastern Government has been accused several times about selling oil outside of the official structure. In April a cargo of approx. 650,000 barrels of crude was loaded at the east Libyan port of Marsa el-Hariga but deemed illegal by NOC calling for international forces to seize the cargo. The tanker was subsequently forced to return to Zawiya to discharge its cargo. Sanalla is also reported to have said that Libya's crude oil production was now around 200,000 b/d (August) of which about half is sent to the local refineries. NOC was also said to be holding talks with local

groups and national oil companies to restart other closed oilfields, such as El Sharara and El Feel, which combined could add another 450,000 b/d.

In February the international community welcomed the creation of the Libyan National Accord Government which was expected to stabilise the country's security situation as well as rejuvenate the nation's ailing economy which is so reliant on oil revenues.

Libyan Crude Oil Production

Libyan crude exports remain problematic



The new government has still to receive a vote of confidence from all the Libyan factions, including the Eastern Government. So clearly, despite all the attempts to unify the different factions, the nation appears to be as divided as ever and we are unlikely see any substantial increase in crude exports anytime soon.

Crude Oil

Middle East

A measured start to the September programme for VLCCs which was just sufficient to allow the top end of the rate range to be slightly raised into the low ws 40's East, but majority fixing remained at an average ws 37.5 with little better than ws 25 payable to the West. With availability remaining easily adequate, Owners will be looking towards momentum to engineer any further gain, but Charterers will have to be harder persuaded to comply. Suezmaxes had better numbers in their sights due to a heavier Basrah schedule though overall failed to make any noticeable upward move but rates did gain a little to ws 47.5 to the East and into the low ws 30's West. Aframax only managed to hold at last week's lows of 80,000 by ws 75 to Singapore on only slim cargo opportunities, and easy tonnage lists and it's hard to see any fundamental change for next week.

West Africa

Still horrible - or worse than that - for Suezmaxes. Just too many mouths to feed, and only very modest enquiry through the week. Rates remain crumpled at down to ws 30 to the US Gulf, and barely ws 35 to Europe with no realistic hope of any early change. VLCCs found more to do as the week progressed but always handicapped by good local availability, and an uninspiring AGulf scene. Rates to the Far East operated a shade over ws 40 with \$2.6 million the last seen to East Coast India. More of the same for the short and medium term.

Mediterranean

Aframax Charterers drove the fat flock of tonnage to exhaustion, but eventually had taken enough to allow for some rebalancing at the very lows - ws 62.5 Cross Med of the market, and now Owners will believe that the only way is 'up' though ambition will be very light, and tentative. Suezmaxes failed to inspire again. September activity is more solidly underway, but there's a thick list to work through and rates stay put at 140,000 by ws 42.5/45 from the Black Sea to European destinations for the time being.

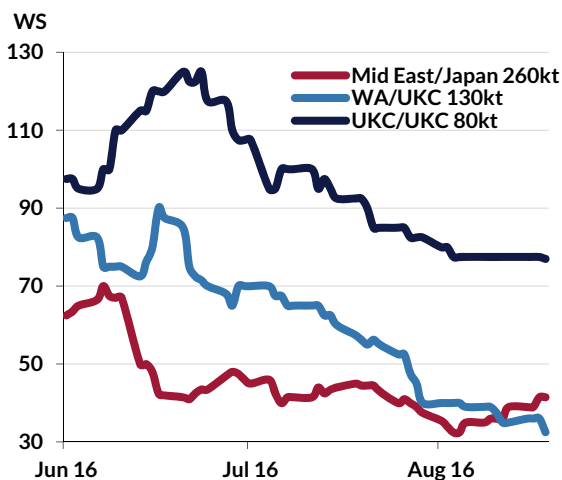
Caribbean

A mid - week flurry of Aframax activity raised hopes of rates breaking away from their recent 70,000 by ws 75 upcoast handcuffs, but the breeze passed, and by the week's end, rates had failed to make the move... perhaps next week... perhaps. VLCCs were steadily taken out, but there were no pinch-points to cause Charterers concern and rates to Singapore operated at down to \$2.6 million with no higher than \$2.25 million payable to West Coast India. No lower next week, but not necessarily higher either.

North Sea

Still tedious for Aframax watchers here. The previously uninspiring status quo was maintained through the week, and rates therefore failed to move above 80,000 by ws 80 cross UK Continent, and 100,000 by ws 47.5 from the Baltic. VLCC Charterers attempted to make something happen at testing fuel oil 'arb' economics and secured a handful of units at down to \$2.45 million from Rotterdam to Singapore, though final subjects upon those may still be in doubt.

Crude Tanker Spot Rates



Clean Products

East

The LR_s have really shown up the smaller sized vessel's this week, with particular flurries of action on the LR₁s. The emergence of numerous cargoes at the end of last week and beginning of this boded well for rates - the thin tonnage off early dates added to the positive sentiment, and Owners felt justified to demand higher rates. AG/UKC finishes the week at \$1.65 million, with Owners talking higher numbers in order to compensate for repositioning their ships into a quiet market. TC₅ has taken an increase to ws 115, and remains the preferred direction to take ships.

The LR₂s have seen an incredibly steady week, with rates stuck firm at last done levels. TC₁ has sat steady at ws 105, and West runs at \$2.15 million. The interesting point for the larger ships, going into new week, is that not many cargoes remain. Will this force the hand of the more twitchy Owners into going sub-market on freight. The beginning of next week will be the decider - the number of fresh cargoes will dictate how much pressure rates will be put under.

An incredibly disappointing week for the MR_s, which have seen an array of softening across all routes. The headline rate of the week must be the \$1.18 million on subs for AG/UKC, a further drop on the disappointing \$1.2 million seen last week. Runs into the Red Sea have also come off, with an AG/Gizan on subs at \$475k - Owners keen to explain that the Fujairah load was reason enough for the cheap number. General sentiment remains that more cargoes are needed to rejuvenate the market. With Aramco currently quiet on the smaller sizes, a reappearance from them at their usual level will give a hand to a struggling market. With the Middle Eastern holidays also upcoming in September, Owners will be hopeful that more product *must* be about to emerge, before much of the Middle Eastern personnel disappear for celebrations.

Mediterranean

The Med seems to have found a certain status quo as the enquiry has been maintained at a consistent level, although not at particularly high volumes. Charterers have plenty of options across the board meaning rates continue at 30 x ws 112.5 for cross MED and 30 x ws 120 if loading BSEA. There is little to report on the MR_s but cargoes loading MED for RSEA discharge are paying around \$600k. Ballasters ex West Africa and Brazil will most likely head past Gibraltar up to the Continent as it is currently slim pickings in the Mediterranean.

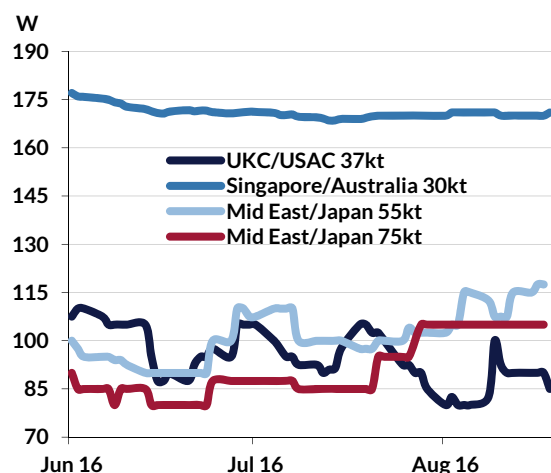
UK Continent

Early in the week the MR_s looked as though they could hold their ground as supply was just enough to keep recycling tonnage, however with the USG not offering any excitement the majority of ballasters have headed towards the Continent. This oversupply of tonnage and an apparent calming of an already quiet market means TC₂ rates came under pressure at the back end of the week now trading 37 x ws 85 and potential to soften more next week if the current situation persists. West Africa enquiry is lacklustre as is the Baltic and the flutter of Eastern bound reformate is not enough to stimulate the market.

In much the same way as the MR_s the NWE the Handy market took a tumble in the run up to the weekend as fresh activity tailed off and Charterers had their pick when it came to tonnage. Most recent rates seen are 30 x ws 107.5 and whilst this is holding for now there is the potential for this to soften further early next week, Owners will be keen to look to September in the hope for a change of fortune after the summer break.

This week offered very little in the way of spot activity, as a result the prompt tonnage that has accumulated in the last fortnight has been forced to drop rate ideas despite trying to hold out for higher. Owners are scratching their heads as to how much further this market can fall and with the equivalent of 22 x ws 131 on subs the market feels depressed. The inactivity on the Handies is only compiling the situation.

Clean Product Tanker Spot Rates



Dirty Products

Handy

The Continent this week traded with positive levels of enquiry and a vast change compared to what we have recently come accustomed to. Slowly clearing down the tonnage overhang the market seemed slowly reassured with Owner confidence slowly being rebuilt. Ships repositioning in quick succession does still have the ability to undo recent momentum, however with end/early stems on the horizon the worst of this market could be behind us.

Rates in the Mediterranean has been steadily on the climb throughout this week as Black Sea activity dominated the first half. With units disappearing Charterer's had to be conscious of the calendar and be cautious when entering to ensure not being caught out. A busy end of Friday will leave owners in a good place on the other side of the weekend, although as ever. Mondays tonnage lists will be crucial to owner aspiration.

MR

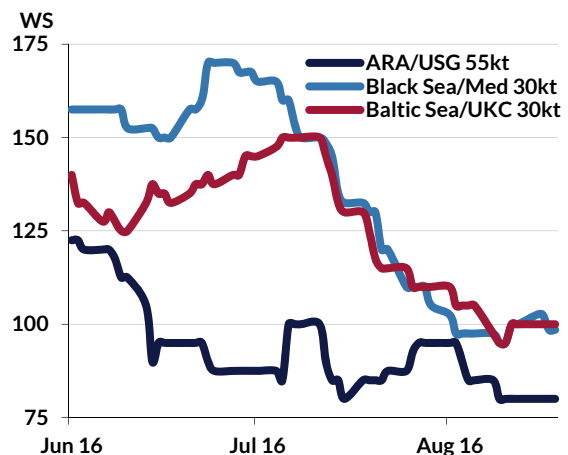
Despite alternate sized markets showing a turnaround in activity levels, on the surface it would appear that enquiry has been noticeably absent in this sector. Recovery therefore still a way off, generic benchmarking has become redundant in the North where Owners are being forced to do what's necessary / position depending.

In the Mediterranean at least, this week showed the volume of enquiry on the smaller stems improve and Handy Owners pushed levels slowly northwards. Owners getting in the mix for part cargo requirement would have helped alleviate some of the tonnage overhang, if not only to push ships into the next fixing window in the hope future moves make more financial sense.

Panamax

This week had a rather cat and mouse type feel to it where the States markets briefly firmed helping those natural units tighten their resolve in holding out for numbers more in line in the ws 80 region. Furthermore, with a few fixtures passing fixing windows progressed into September dates, bringing into the market a few other players. With this date shift however, and with the States markets failing to absorb enough excess availability, ballast tonnage negates any potential upside.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 18th	Aug 11th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	+5	41	37	44	41
TD20	Suezmax	WAF-UKC	-1	35	35	56	39
TD7	Aframax	N.Sea-UKC	+1	78	78	85	82

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

			wk on wk change	Aug 18th	Aug 11th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	+3,000	20,750	17,750	25,250	20,500
TD20	Suezmax	WAF-UKC	-1,500	4,500	6,000	15,500	6,500
TD7	Aframax	N.Sea-UKC	-1,000	3,500	4,500	10,000	6,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 18th	Aug 11th	Last 7th	FFA Q3
TC1	LR2	AG-Japan	+1	105	104	95	
TC2	MR - west	UKC-USAC	-6	87	93	103	89
TC5	LR1	AG-Japan	+9	117	108	98	109
TC7	MR - east	Singapore-EC Aus	+1	171	170	170	

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

			wk on wk change	Aug 18th	Aug 11th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-1,000	20,000	21,000	16,000	
TC2	MR - west	UKC-USAC	-2,000	6,000	8,000	9,250	6,250
TC5	LR1	AG-Japan	+1,000	16,000	15,000	12,250	14,250
TC7	MR - east	Singapore-EC Aus	-1,000	13,500	14,500	14,000	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+30	245	216	233
ClearView Bunker Price (Fujairah 380 HSFO)	+36	261	226	248
ClearView Bunker Price (Singapore 380 HSFO)	+38	258	221	242
ClearView Bunker Price (Rotterdam 0.1% LSFO)	+49	414	366	398

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