Ballast Water Deadline Extended

Weekly Tanker Market Report

The impact of the Ballast Water Management (BWM) Convention on future levels of demolition has been a hot topic for quite some time. The convention, ratified in September 2016, required all existing tonnage to install an approved BWT system at the 1st renewal of the International Oil Pollution Prevention (IOPP) certificate from 8.09.2017, which has traditionally been done alongside special survey every 5 years. As retrofitting a tanker with an approved system is expensive (around $2 mln for a VLCC), many analysts believed at the time that once in force the BWM requirement would accelerate demolition activity. However, in our view, the impact was always likely to be delayed, as some owners took advantage of a loophole to decouple the renewal of the IOPP certificate from the special survey; in other words, renewing the IOPP certificate prior to 8.09.2017 in order to trade up to 7.08.2022 without a BWM system.

However, following the pressure from shipowners, last week the Marine Environment Protection Committee (MEPC) made amendments to the BWM Convention, in general requiring existing tonnage (to which convention applies) to install an approved BWM system at the 1st renewal of the IOPP certificate following 8.09.2019, two years later than first intended. In greater detail, below is text of what the MEPC has agreed to:

- By the first renewal survey: this applies when that the first renewal survey of the ship takes place on or after 8 September 2019 or a renewal survey has been completed on or after 8 September 2014 but prior to 8 September 2017.
- By the second renewal survey: this applies if the first renewal survey after 8 September 2017 takes place before 8 September 2019. In this case, compliance must be by the second renewal survey (provided that the previous renewal survey has not been completed in the period between 8 September 2014 and 8 September 2017).

Undoubtedly, the above wording is complex and far from easy to digest, perhaps due to the intention of the MEPC to prevent further decoupling. In very simple terms (from the perspective of the global tanker fleet above 25,000 dwt), it means that only vessels that **have not** renewed their IOPP certificate between 8.09.2014 and 7.09.2017 (either alongside the special survey or separately by decoupling) will be allowed to renew the IOPP certificate between 8.09.2017 and 7.09.2019, without the need to install an approved BWM system. For these units, the BWM will have to be installed at the 2nd renewal of IOPP certificate, at latest up to 7.09.2024. In contrast, tankers that have renewed their IOPP certificate between 8.09.2014 and 7.09.2017 will be required to install an approved BWM system at their 1st renewal, at latest up to 7.09.22 (the original deadline).

Due to the above distinction, largely only tankers built between Sep 2002 to Sep 2004 (and where the IOPP certificate has not been renewed between 8.09.2014 and 7.09.2017) will be in position to buy extra time before heading for scrap. For tonnage built within three years up to Sep 2002 and within three years after Sep 2004, the deadline for the BWM installation remains unchanged, up to 7.09.2022. Also, tankers built in 2000 or earlier are likely to face demolition over the next five years anyway due to their age and bunker pressures. Finally, tankers built in 2007 and later are too young to be considered for demolition, be it 2022 or 2024. On this basis, the latest MEPC ruling does reduce the potential for tanker demolition; however, it appears that only a portion of the fleet will be in position to postpone the decision whether to scrap or not beyond Sep 2022.

Crude Oil

Middle East

A slow start for VLCCs and a dead-end finish to the week also. Rates merely froze at little better than ws 50 to the East and mid ws 20's to the West on what little was concluded. July is now virtually fixed out and full August programmes will be in hand from early next week. Owners will hope for resultant momentum, but Charterers will eye easy tonnage lists and will feel no particular need to open the door. Suezmaxes ticked over, but had to concede a little to the East at now down to ws 65 with low ws 20's still the mark West, though Kharg liftings continue to command noticeable premiums. Aframaxes found a degree of energy to at least stabilise the previous 80,000mt by ws 90 level to Singapore and may even improve a little next week, but refugees from the soggier Far East may serve to dampen any real enthusiasm.

West Africa

Suezmax Charterers kept a firm grip, pushing very modest volumes into a well-stocked marketplace and pegging rates to 130,000mt by ws 60/62.5 for all Atlantic destinations with down to ws 70 paid to the Far East. No near-term change in pace likely either. VLCCs took an unlikely step higher very late last week, but it all proved a bit of a flash in the pan and minimal further interest combined with a flat AGulf scene to force rates back once again to ws 55 to the Far East with no better than $2.6 million payable to West Coast India.

Mediterranean

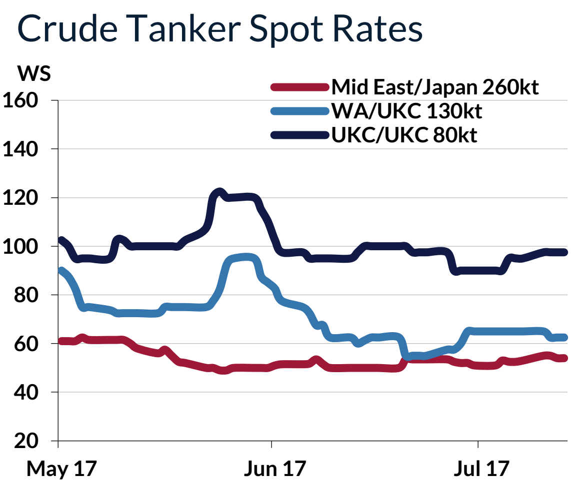
Aframaxes enjoyed an early benefit to last week's late heavy action and rebalancing, but thereafter volumes dwindled and rates retreated back towards 80,000mt by ws 80 X-Med and look set to remain downbeat for a while yet. Suezmaxes gently deflated through the week upon only very modest interest and a flattened West African market. 140,000mt by ws 70 now for Black Sea to European destinations with around $2.5 million payable for runs to China.

Caribbean

A week of grim bargain hunting for Aframax Owners to endure - 70,000mt by ws 80 upcoast proved the bottom mark, but no better than ws 82.5 was seen. Much of the fat has now been trimmed, but Owners need another busy period to force any sustainable gain next week. VLCCs searched largely in vain for employment - rates are on the slide and 'last done' $3.2 million to Singapore is likely to be discounted with $2.8 million indicated for West Coast India discharge.

North Sea

Aframax enquiry undulated through the week, but the end result being that rates remain 'as was' at 80,000mt by ws 90 X-UKCont and 100,000 by max ws 65 from the Baltic. Another similar phase anticipated for next week. VLCCs occasionally got picked off, but at softer numbers - down to $2.5 million seen for fuel oil to Singapore and $3.8 million for crude from Hound Point to South Korea and no u-turn likely in the easing trend.



Clean Products

East

MRs have been steady this week, resulting with a general sideways movement of rates. West runs have failed and been replaced at $940k, although not overly tested this week. Shorthauls have bounced between $150k - $180k - evidently Owners seem to disagree on how weak this shorthaul market is. A little fat has been cut out of the Red Sea runs, now at $425k. Owners are currently quite happy to take some tonnage into the Red Sea as it is looking quite thin off the natural window. TC12 is trading at ws 132.5, not much change from previous weeks. EAF as predicted has picked up in popularity, and has dropped down to ws 160, more cargoes inevitably emerged as the lower number was seen. The MRs have moved nowhere this week, but we have seen more action on the LRs, so we shouldn't see too much pressure put on the MRs next week, provided we see enough fresh enquiry.

The LRs have this week picked up in terms of the level of action. The LR1s have benefitted from a batch of new cargoes, but there was a pre-existing backlog of tonnage to take care of before the market could look any firmer. Ws 112.5 was the TC5 rate at the beginning of the week, but a lot of product enquiry into Singapore has meant that the Singapore/EAF rate has also been trading at ws 112.5, cheaper rates a necessity for UMS history ships to get moving. West runs have traded around the $1.125 million although a $1.135 million has been seen - perhaps a one-off. The LR2s have also seen a pick-up in enquiry, but rates again have remained steady. West runs still trade at $1.35 million, and 75 x ws 92.5 is where naphtha is trading at. Some Owners would argue that TC1 is on the move upwards, and indeed we have seen a ws 93.5, but this may be simple window dressing to seal a deal. We should start to see more end/early naphtha cargoes emerging next week, so this number may get a little more attention.

Mediterranean

As we saw a vast quantity of fixtures clatter into the beginning of week 28, this presented Owners with a chance to try and push on from last done levels towards the back end of the week. However, with volumes slowing and tonnage being quickly recycled back onto the tonnage list the market began to head south. It wasn't long till the flat 30 x ws 140 became ws 135 and then eventually hit ws 130 for X-Med runs. Black Sea also dipped and by close of business on Friday 30 x ws 140 seemed to be a fair reflection. It will be interesting to see if Owners are able to withstand this growing pressure next week and unless fresh cargoes are seen this decline could continue.

A quiet week for MRs in the Med and movements west have been limited. Levels were mirroring what the TC2 was paying until we got to Thursday when 37 x ws 115 was placed on subjects for Med/transatlantic. AG discharge levels have been maintained around last done rates, which is around the $900-935k mark.

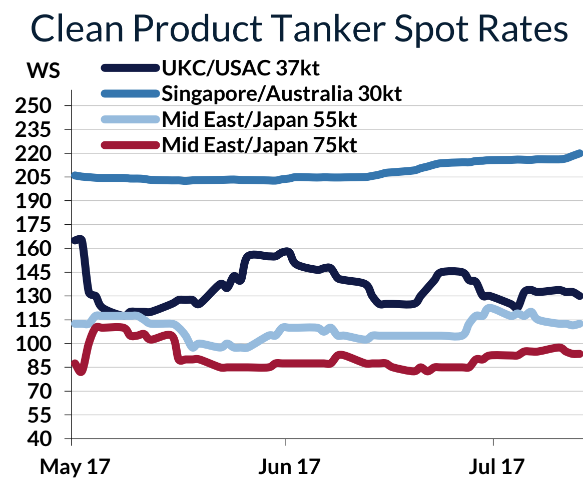
UK Continent

Week 28 has proven to be a rather unsettled for MRs plying their trade up in North West Europe. With good levels of enquiry seen at the start of the week for both long haul & short haul voyages, rates for TC2 stabilized around the 37 x ws 132.5 mark, 37 x ws 152.5 for West Africa discharge & 40 x ws 132.5 Baltic/UKCont movements. However, as we moved forward, Charterers were able to swing momentum back their way with a combination of hidden positions and fresh cargo enquiry drying up. 37 x ws 125 was placed on subs for a natural TC2 run and 37 x ws 127.5 for Baltic/transatlantic.

Sitting back and analysing a rather balanced tonnage list a big factor here will be if a numerous number of vessels get their subjects, for now the market remains in Charterers hands.

All in all Handy Owners won't be to disappointed with the amount of activity they have seen this week. Baltic cargoes have traded flat at 30 x ws 142.5-145 mark and X-UKCont voyages have stuck around the 30 x ws 135 mark. Although with the Primorsk programme now covered up till the 27th many will be asking the question how many more Baltic cargoes are we going to see with July dates. After a much quieter Friday as well, expect rates to be pressured heading into week 29.

Not much to report in the Flexi market as COAs and the odd spot cargo/market quote keeps tonnage ticking over. The marketplace has also seemed to have realigned with 22 x ws 182.5-185 the new benchmark for Baltic and X-UKCont trades.



Dirty Products

Handy

Handy stems in the North took a vacation this week as the close of business leaves most Monday's positions unchanged. In short, summers notorious lull has definitely cast its spell on Handy activity although hope is building that activity levels can now only improve.

Positions in the Mediterranean this week told very different stories. West of Malta was beefy with prompt tonnage and east of Malta was clipped of prompt units up to 23-24 window. The result of this was due to activity driven from Black Sea and the East Mediterranean and a large percentage of Owners fleet away from the region. The volume of this activity is unlikely to firm up rate aspiration just yet however, there was a shimmer of confidence from Owners by the end of the week.

MR

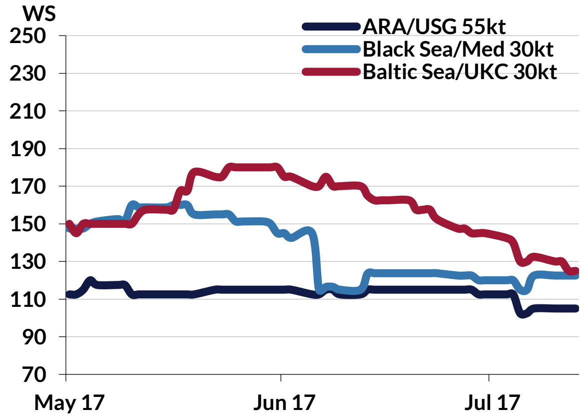
In the continent, this week struck a supply vs demand equilibrium where a trickle of full size opportunity entered the market for Owners to compete for. Naturally placed units have remained thin on the ground throughout, but with ballast ships arriving and hidden tonnage coming to light, Owners in play have not been able to take advantage as the search for some sort of momentum continues.

The Mediterranean this week continues its lull for Owners with rates continuing to stagger in the low ws 100 levels. 45kt stems lacking in frequency. One positive Owners will take out of this week, is an increase in handy stems toward the back end slightly tightening the position list particularly in the East Mediterranean which could signal some more part cargo opportunity for Owners in play.

Panamax

Trading this week has shown continual soft sentiment with the sector still feeling the effect from weak surrounding Aframax markets. Repetition at the ws 105 level however, does at least establish a conference rate for the market to use as a negotiation platform, and within mind, Owners should be sat somewhat more positive where the floor looks marginally better compared to the lows of ws 102.5 recently seen. Looking ahead, any green shoots of recovery remain reliant upon proceedings outside that of 55kt requirement, as not only does recovery depend on alternate sizes fairing healthier, but the Caribs market for now hinder progression where tonnage stocks are ample.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 13th	July 6th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**+2**	54	52	61	52
TD20	Suezmax	WAF-UKC	**-2**	62	64	76	68
TD7	Aframax	N.Sea-UKC	**-1**	96	97	96	104

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

			wk on wk change	July 13th	July 6th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**+1,750**	17,500	15,750	24,250	16,750
TD20	Suezmax	WAF-UKC	**-500**	9,500	10,000	14,750	11,750
TD7	Aframax	N.Sea-UKC	**+250**	6,500	6,250	7,000	12,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 13th	July 6th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-2**	94	95	110	
TC2	MR - west	UKC-USAC	**-1**	130	131	130	131
TC5	LR1	AG-Japan	**-7**	111	119	113	116
TC7	MR - east	Singapore-EC Aus	**+4**	220	216	205	

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

			wk on wk change	July 13th	July 6th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-500**	7,750	8,250	11,000	
TC2	MR - west	UKC-USAC	**+250**	7,750	7,500	7,750	8,000
TC5	LR1	AG-Japan	**-1,000**	7,500	8,500	8,000	8,500
TC7	MR - east	Singapore-EC Aus	**+500**	12,000	11,500	9,500	

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

	wk on wk change	July 13th	July 6th	Last Month
ClearView Bunker Price (Rotterdam HSFO 380)	**-6**	279	285	273
ClearView Bunker Price (Fujairah 380 HSFO)	**-7**	296	303	298
ClearView Bunker Price (Singapore 380 HSFO)	**-7**	296	303	302
ClearView Bunker Price (Rotterdam LSMGO)	**-21**	422	443	421

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