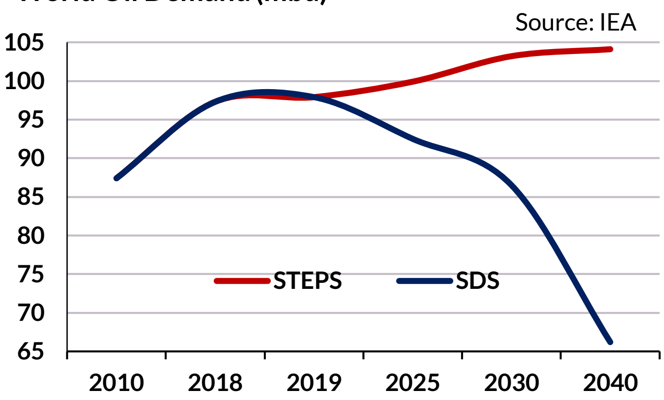
Uncertain Future

Weekly Tanker Market Report

Earlier this month the International Energy Agency (IEA) released its long-term energy outlook, demonstrating different paths for future energy market developments. Four scenarios were introduced. The Stated Policies Scenario (STEPS) is based on announced policies so far to date and assumes the pandemic is brought under control in 2021. The Delayed Recovery Scenario (DRS) is similar but assumes a prolonged pandemic. The Sustainable Development Scenario (SDS) acknowledges that today's plans and policies for the future are insufficient to reach sustainable climate goals. It essentially works backwards from these goals, examining what actions would be necessary to achieve sustainability. Finally, the Net Zero Emissions by 2050 (NZE2050) case sets out an action plan for the next ten years to reach net zero CO_2 emissions by 2050.

The analysis shows that in absence of large changes in current policies, it is still too early to expect a rapid decline in oil demand. In the STEPS, global oil demand grows by around 5 million b/d in 2021, reaching pre-pandemic levels by 2023. Thereafter, consumption increases by around 0.7 million b/d per annum through to 2030 and then slows dramatically to just 0.1 million b/d to 2040. In advanced economies, oil demand never recovers back to 2019 levels, most notably in the EU, where it declines from 10 to 5.6 million b/d between 2019 and 2040 due to ambitious environmental policies. However, this is more than offset by rising demand in developing countries and robust demand from the petrochemical sector. In the STEPS, the IEA also expects US tight oil to return to 2019 levels by 2022. Yet, the agency acknowledges that there is great uncertainty to this path, which depends on the ability of shale producers to secure the financing required for further growth. Total North American crude production increases by 4.2 million b/d by 2030, driven by US shale, and then eases back by 1.6 million b/d by 2040. Crude production in Central and South America sees robust gains over the outlook horizon, up by 3 million b/d between 2019 and 2040. In contrast, supply in Europe, Eurasia, Africa and Asia Pacific declines by 5.7 million b/d over the same period, suggesting that there could be a growing reliance on the Middle East crude in the long term.

World Oil Demand (mbd)



In the refining sector, more than 6 million b/d of new capacity is scheduled to come online between 2019 and 2025, while demand for oil products is projected to increase by just 2 million b/d in the STEPS and even lower in all other cases. This is expected to put huge pressure on older and less competitive refineries, with 14% of current capacity in the advanced economies being under threat. In contrast, refineries in Asia and the Middle East are likely to continue to expand and could become the largest global refining centres.

Despite slower growth in oil consumption, the STEPS scenario paints a positive picture for tanker demand over the next twenty years, with growing distances between key crude producers, refining hubs and countries of growing consumer demand. However, the IEA cautions that this is not a forecast, rather a possible pathway. The outlook for energy is very different in the SDS case. Here, oil demand falls by more than 11 million b/d between 2019 and 2030 and by another 19 million b/d by 2040, although the IEA admits that this is ambitious and based on assumption of an additional investment of $1 trillion a year between 2021 and 2023 directed towards achieving climate goals at a time when the world is recovering from the pandemic. Yet, there is a political will and environmental pressures will only intensify going forward. The stark differences between the two possible pathways clearly illustrate how uncertain the future is, not just for oil but for tankers as well.

Crude Oil

Middle East

A tedious week for VLCCs and volumes follow the same track as seen last month at the same stage. With production levels remaining curtailed, the rest of the month is unlikely to veer from the path either...and that means more of the same soggy rates for Owners to endure. No better than ws 30 to the Far East for now, with rates to the West tested to a very low ws 12 to the USGulf via Suez. Suezmaxes stumbled in the first half of the week but began to see a welcome increase in attention in the second half and rates crept off their recent bottom marks to end at around ws 35 to the East and to ws 16 to the West - still nasty, but every little helps. Aframaxes needed to see a pick up in the market pace in order to break back from 80,000mt by ws 55 to Singapore, but enquiry merely drip fed into the marketplace, and rates drifted sideways accordingly.

West Africa

Suezmax Owners restarted with some thoughts of resistance, but those quickly evaporated and it became a case of just fix whatever you can. Rates clung on to a maximum 130,000mt by ws 30 to Europe, and to ws 25 to the USGulf and it will be a fingernail grip for some time to come in all likelihood. VLCCs ticked over upon only modest volume and a flatline leading AGulf/East market....rates remained boxed into a very low ws 30's range to the Far East and will stay there even onto early December loadings.

Mediterranean

Again, squashed dreams of potential gain for Aframaxes as an indifferent back end to the week cemented rates to 80,000mt by ws 60 X-Med - max, with a little higher payable from the Black Sea, as lean and hungry Suezmaxes began to prowl for part cargoes as full stems continued to prove hard to come by. For the larger size rates remain at down to 140,000mt by ws 42.5 from the Black Sea to European destinations, and to $2.2 million for anything to China.

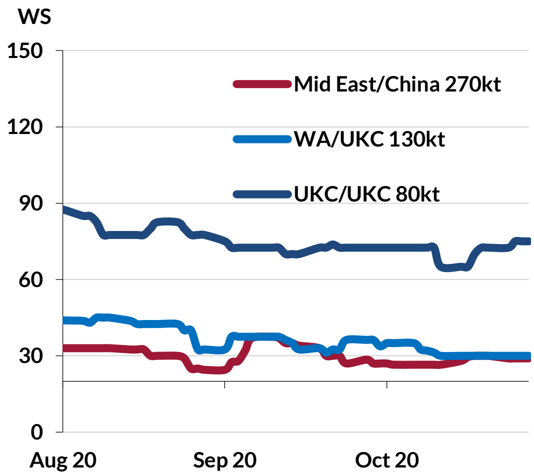
US Gulf/Latin America

There was an increase in Aframax demand transatlantic but availability remained heavy and upcoast action also remained largely absent. The upshot is that rates for both directions stay rangebound at 70,000mt by ws 42.5/47.5. VLCCs saw occasional fixing that threw up no rate surprises. Rates kept within a $4.6/4.8 million bracket from the USGulf to South Korea/China, and are likely to stay there over the near term, at least.

North Sea

As elsewhere, Aframaxes fell short of finding critical mass to sail away from what has been a very sticky rate range at 80,000mt by ws 70/75 X-UKCont and 100,000mt by ws 42.5/47.5 from the Baltic. A raft of incoming laden tonnage from the U.S., and a rather flat looking Urals programme to come, don't exactly enhance near term prospects either. VLCCs saw a smattering of deals but still within a $4.3/4.4 million range to South Korea/China, and that looks set to remain the rate range for the next needs too.

Crude Tanker Spot Rates



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

Clean Products

East

A tough week to swallow for the MRs, as rates have taken a substantial hit as the pre month-end list built to unmanageable levels by Wednesday. As such, a busy mid-week period, both publicly and off market saw some good tonnage removed, albeit for lower than last done levels and equivalent daily earnings bouncing around the $3k/day mark. Whilst enough was done to keep the market excited, the usual quiet Friday has sapped momentum and will see next Monday return to the usual ideas of Owners hoping last done is still achievable at best.

Not the most exciting week to be a LR1 Owner in the AGulf, cargoes have been slowly drip fed into the market and as such Owners have struggled to gain any sort of momentum. A slight glimmer of hope as a few ships have been cleared away, with off market or own program cargoes, but not enough to make a huge dent on the tonnage list. Vitol have remained with their TC5 cargo all week as Owners are resisting to come off to sharply from last done. A sign that we could be close to the bottom of this market, time will tell as pressure mounts on Owners, however, sub 55 x ws 70 should be achievable. West rates were tested and saw a $50k drop (albeit for a named West Med discharge) but this will undoubtably be the benchmark for Charterers going forward ($1.15 million bss UKCont). The arrival of early November stems means the hope of a round of end month stems is slowly fading for Owners. With the LR2s in a similar situation to the LR1s heading to next week, its set to be another week where Charterers remain in control.

Total's $1.525 million was a reset of the market for sure, with the caveat that this SKS ship was both ex dry dock and without a sire. The intrigue will be how Trafigura return serve. You might argue that ATC haven't shown their previous cargoes to the market, so owners like Maersk who haven't been lucky enough to see these cargoes will compete more aggressively for the EAF and other stems popping up. A soft market and more room to manoeuvre downwards as we move into the new week. I would suggest that the LR1s will get busier, followed by the LR2s.

Mediterranean

More of the same this week, with rates trading consistently at the floor of the market at 30 x ws 70 for X-Med. Activity has persisted but simply too many prompt units have left sentiment subdued. There is however, a growing number of Owners who are unwilling to move their ships at these levels. Black Sea rates this week haven't warranted a differential and have traded in line with X-Med at the ws 70 mark too. Expect Monday to bring a replenished list and stretched fixing window, which will likely dampen any hopes of momentum.

On the MRs in the Mediterranean, the lack of enquiry throughout the week has given Owners very little opportunity to shift this market anywhere despite us seeing a little more positivity in the UKCont as the week progressed. 37 x ws 70 for transatlantic was the call throughout for the few stems that needed coverage with the lack of East cargoes, partnered with a poor Handy market, leaving Owners with little options. A late in the day stem ex Huelva does see a jump to 37 x ws 80, which does enforce what we've seen brewing in the UKCont and no doubt next week Owners will where they can, be looking to repeat such success. Cargo flow is vital here if this market is to get back up off the floor.

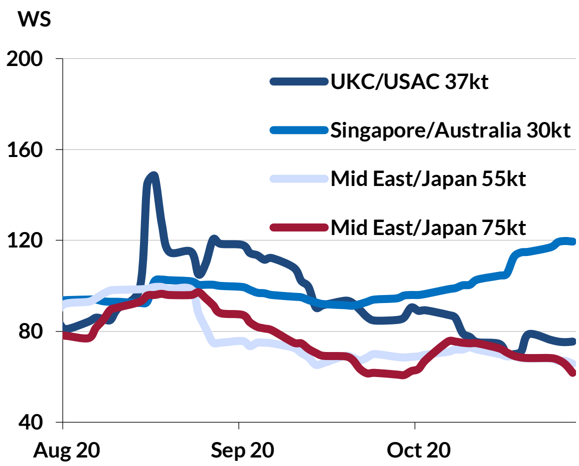
UK Continent

Not a great deal of change week on week in terms of numbers being paid. A steady week in terms of enquiry, which offered the odd opportunity here and there for Owners to bank a slight premium, whether down to dates or other restrictions. The front end of the list certainly continues to be more challenging for the Charterers right now, but overall they have been successful in restricting Owners ability to build any momentum, therefore keeping TC2 pegged at 37 x ws 75-80 levels throughout the week. WAF has been tracking these numbers to end the week at 37 x ws 85-90 level and like TC2 looks most likely to continue its sideways direction into next week.

For most of the week, the Handy market has been steady with enough enquiry being seen in order to keep the front end of the tonnage list turning. Much of the Baltic programme continues to be fixed behind the scenes (under COAs), resulting in certain bigger fleets not pushing a lot of tonnage, which is beneficial for the market when analysing tonnage lists. Freight ex Baltic closes the week at 30 x ws 90, X-UKCont at 30 x ws 85 and 30 x ws 75 for UKCont/MED, with more of the same expected for the short-term future.

After what was a fairly promising start to week 43 in the UKCont Flexi market, activity has now come to a standstill, with cargo enquiry once again on the slow side. With the small amount of activity we have seen being kept away from the markets surface, rates here have continued to track the handy market which after a steady week has seen rates hold for the majority. 22 x ws 110 is therefore the call for a X-UKCont run but a fresh test is needed here to see where rates really lie.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

A week of positivity for Owners on the Continent, where levels moved up hitting the ws 122.5 mark. It's fair to say that with steady activity leading up to this moment, a rise was coming and little justification was needed. As often seen though, missing your fixing dates is not worth the fight over ws 2.5 points so we have seen some fluctuation since the highs were set. Furthermore, like any market, just a few days along shifting into a different fixing window, conditions can seem altogether different. Early November coverage does see the list open up again to Charterers, where we are likely to see a similar pattern emerge as we have just come through.

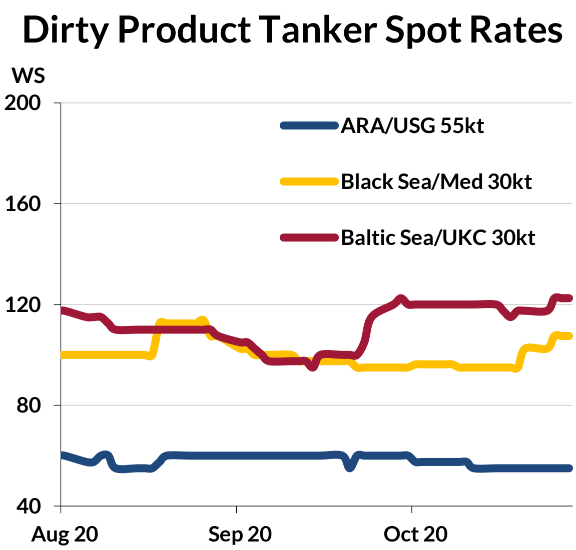
The Med this week can also boast a change in fortunes, with the brief establishment of triple digits littering reports for X-Med voyages. Like a magician reaching into his hat though, Owners kept pulling out more ships, which in turn showed us all a true reflection of just how long availability had become. Looking ahead, if Owners are to build any lasting confidence, spot tonnage needs to find employment, and until then, Charterers can keep a lid on further aspiration.

MR

On the Continent, it's perhaps just as well part cargo employment had become more lucrative, as appetite from anyone to perform a 45kt move was non apparent. That said, by moving on 30kt stems, Owners have prevented tonnage from building up, increasing the chances of value's holding when the next 45kt stem comes along. Elsewhere in the Med, a similar story unfolded, where Owners were facing the same decision. Down here though, there hasn't been enough to go around, with a number of ships facing the prospects of sitting prompt over the weekend.

Panamax

Both the number of deals concluded, and market tests have plateaued this week. On balance, the week's trading can be summarised as being slow, with little for Owners to look at. That said, in the Med, at least there was some optimism if only for a brief spell. It looked like the surrounding Aframaxes were fighting back with transatlantic values rising, however this revival was proven to be only slight, but it does place justification on current levels maintaining, absent of a natural test.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 22nd	Oct 15th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-1**	29	30	29	30
TD20	Suezmax	WAF-UKC	**-1**	30	31	33	40
TD7	Aframax	N.Sea-UKC	**+3**	74	71	73	92

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

			wk on wk change	Oct 22nd	Oct 15th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-500**	12,500	13,000	12,750	13,500
TD20	Suezmax	WAF-UKC	**-1,000**	3,000	4,000	5,750	9,750
TD7	Aframax	N.Sea-UKC	**+1,500**	1,000	-500	2,250	14,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 22nd	Oct 15th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**-7**	62	69	61	
TC2	MR - west	UKC-USAC	**+4**	76	71	86	85
TC5	LR1	AG-Japan	**-3**	66	68	68	73
TC7	MR - east	Singapore-EC Aus	**+5**	120	115	93	115

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

			wk on wk change	Oct 22nd	Oct 15th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**-2,000**	9,000	11,000	9,000	
TC2	MR - west	UKC-USAC	**+750**	4,500	3,750	7,250	6,500
TC5	LR1	AG-Japan	**-500**	6,250	6,750	7,250	8,250
TC7	MR - east	Singapore-EC Aus	**+1,250**	11,000	9,750	6,250	10,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**+1**	306	305	289
ClearView Bunker Price (Fujairah VLSFO)	**+3**	341	338	340
ClearView Bunker Price (Singapore VLSFO)	**-10**	331	341	326
ClearView Bunker Price (Rotterdam LSMGO)	**+1**	331	330	309

GIBSON SHIPBROKERS

www.gibsons.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States