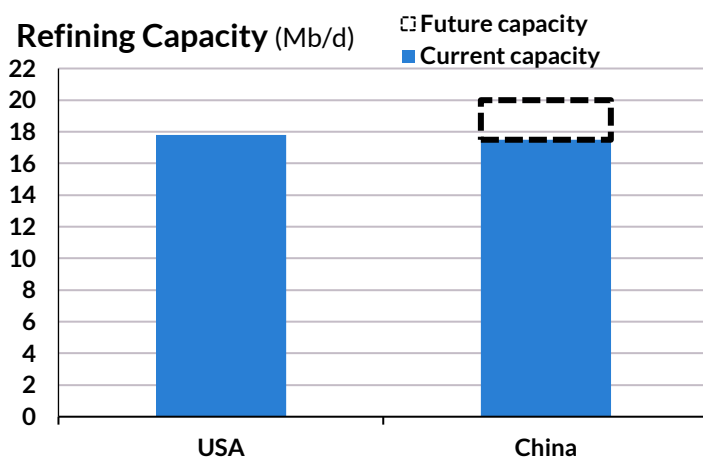


## Ox versus Eagle

### Weekly Tanker Market Report

The crude oil sector has experienced a devastating 12 months. The Covid-19 pandemic has decimated demand, and currently at least, there is no definitive end in sight. Circumstances have also impacted the refining sector, although it was already undergoing a geographic shift before the pandemic hit. The sector as a whole was facing overcapacity which has been exacerbated by the pandemic. Indeed, refiners across the globe have been forced to make difficult and long-lasting choices. The pandemic has served to highlight the shift in product demand to the East, with new, more sophisticated facilities stealing market share away from older plants in the developed nations. China in particular is leading the way in new capacity additions to serve both regional and domestic demand and will soon challenge for the United States crown as the world's largest refiner.

According to the IEA, US refining capacity is currently 18.4 million b/d. However, recent news that Shell was closing its Convent refinery in Louisiana and that various other refineries are or will be mothballed will mean that long-term refining capacity in the US will contract. This is in contrast to the refinery expansion currently being undertaken in China. Rongsheng Petrochemical's giant 400 k b/d Zhejiang complex in northern China is currently being commissioned. In addition, work has begun on the Yulong refinery and petrochemical complex in Shandong, which once complete in 2024 will be able to process 400 k b/d. Also, there are plans for additional plants that will add a further 400 k b/d. However, this new refining capacity will see some of the older, smaller and less economic teapot refineries close, meaning overall refinery throughput will remain below average US levels for a little while longer.



Despite Asia leading the demand recovery, it is not just the Western nations where refining capacity continues to contract. Australia is a case in point where 473 k b/d of capacity has confirmed its closure, most recently with ExxonMobil converting the Altona refinery in Australia to an import terminal. Elsewhere in Asia, Shell has already shuttered its Tabangao refinery in the Philippines and is set to reduce capacity at its Pulau Bukom refinery in Singapore by 2022, meaning the region will lose at least 700 k b/d of refining capacity. China's

geographic location and advanced new refinery capacity will place the country in pole position to fill the supply shortfalls left by shuttered refining capacity, which will become particularly prominent once demand fully recovers from the pandemic. This will provide a refocus of trading lanes for the product tankers, not just within Asia, but possibly further afield.

So, with increasing capacity in China, and the closure of refineries and declining utilisation rates in the US, China is expected to surpass the US as the world largest oil refiner. Its refining capacity has nearly tripled since the turn of the millennium as it tries to keep pace with rapid demand growth both within the country and export demands. The country's crude processing capacity is forecast to reach 20 million b/d by 2025, up from the current 17.5 million b/d according the China National Petroleum Corp.'s Economic & Technology Research Institute. The rise of Chinese refinery capacity will have a knock on effect on the global refining capacity. The IEA have already highlighted that they expect more refineries to be mothballed or permanently closed in the near future, on top of the 1.7 million b/d that closed during 2020. New Chinese capacity could be the cause of further refinery closures. Will the market be able to adjust to the new dominance of the Chinese refining complexes? Only time will tell.

## Crude Oil

### Middle East

A slow week for VLCC Owners here as holiday disruption in the East took its toll. Higher bunker prices took a bigger chunk into the returns, with only minimal gains achievable to cover. Last done for AGulf/East was 270,000mt x ws 32 with levels unchanged to the West at around 280,000mt x ws18 via Cape. Suezmax rates have been on the slide all week as tonnage eagerly competes to be fixed. 140,000mt by ws 17 has been paid for European discharge and down to 130,000mt by ws 45 to the East. Aframax AGulf-East rates slightly ticked up in the early part of the week, with various rates between 80,000mt x ws 62.5 and ws 67.50 achieved. Mainly due to increasing bunker prices and Charterers clearing away ahead of the Chinese New Year. The back end of the week has naturally been very quiet.

### West Africa

This region didn't really make up for the short-fall of VLCC enquiry in the AGulf and rates again here remain firmly on the bottom. Higher costs may well give Owners further reason to hold to their battle lines rather than concede further ground but again any small increases in rate are just compensatory against increased running costs with last done to the East at 260,000mt x ws 35. Suezmax Owners have stemmed the rot this week. Vessels continue to get picked off quietly and Charterers are likely to face some resistance from Owners next week. Rates end the week 130,000mt by low ws 50's to Europe and ws 57.5 to the East.

### Mediterranean

A strange week in the Mediterranean market with significant volumes yet weak rates. The reality was that a lot of these cargoes were able to take older or hamstrung tonnage and in those events, Aframax Owners were rightly more than happy to take current levels and move on rather than risk further waiting time. Libyan cargoes were the mainstay and some injection barrels were able to snuff out early ships and the lay of the land looks much kinder to Owners as we end the week. Libya/Med voyages are currently paying around 80,000mt x ws 75-77.5, with Black Sea/Med paying slightly better at around 80,000mt x ws 82.5-87.5 with the potential of further gains provided Charterers continue in the same vein. Suezmax Owners have seen more enquiry this week, partially due to strike ending in Marsa el-Hariga. Availability of tonnage has been tight and Owners have been able to achieve levels of 130,000mt by ws 82.5 for Libya to Europe and \$2.7 million for China.

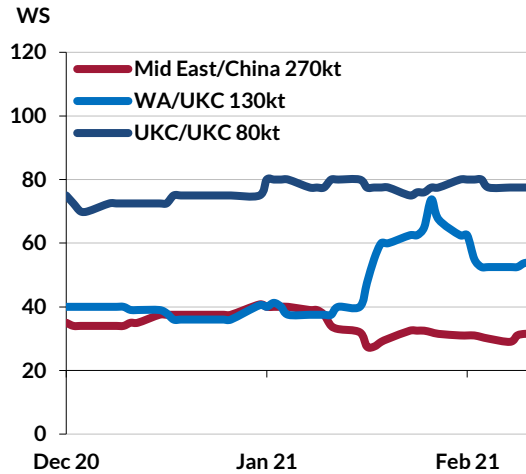
### US Gulf/Latin America

Even with a steady flow of transatlantic voyages for Aframax, there remains a good supply of Owners holding out for the short-haul run. This has led to a narrowing in the differential between the two with last done for a generic short-haul voyage at around 70,000mt x ws 80. VLCC activity has kept relatively on the quiet side this week with only a few Charterers taking cover, rates have remained steady throughout with last week's levels repeatable at around LS\$4.25 million for a run from the US Gulf to the Far East.

## North Sea

The week has had somewhat of a crescendo in the Baltic markets with Aframax rates ticking up to 80,000mt x ws 70. Charterers have been reaching ahead and it feels like those who don't need to cover will sit back today with the anticipation that this will be a short-term spike. X-North Sea is ticking along at the 80,000mt x ws 77.5-80 level and with the list still holding plenty in the tank, it's hard to see this lifting much.

## Crude Tanker Spot Rates



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

## Clean Products

### East

The LR1 segment has limped and dragged along, uninspiring stuff indeed. Theoretically, last done Westbound was the \$1.125 million, which BP paid ex AGulf for Hafnia's big cubed, shallow draft position. In reality, they were very much squeezed off this window, and general sentiment was that the next Westbound would correct the market downwards slightly. Surprising, therefore, to see Total only show their jet west to ST and Hafnia and repeat the very same numbers with ST, with 60 x ws 90 the Singapore number. The list shows plenty of ships which would snap up Westbound cargoes, with Torm the obvious (with both an 04 build, and a 2020 shallow draft 4 days later) and plenty of alternatives sat in Singapore waiting for a similar cargo.

With a fair bit of WAF enquiry hitting the market, we likely would have seen \$1million-\$1.05 million equivalent on subs ex AGulf, but this delivery didn't materialise in this segment. TC5 remains untested but we assess it as ws 82.5 but add a caveat that it needs a fresh test. Chinese New Year has, inevitably, killed all activity, so we wait for the new week to re-assess the list and the level of fresh enquiry to come.

A fairly terrible week on the LR2s, highlighted by one awful number on Reliance. In reality, the week started with a fair level of volume and Owners were wary that Scorpio set their flag in the sand, saying they wouldn't fix Westbound

sub \$1.4 million ex AGulf. With only a limited number of big cubers on the list, it should have been easy for the balance of big cubers to take their lead from these numbers. AMPTC seems to have read the memo, and took ATC on subs at \$1.35 million ex AGulf but then seemed to have got something drastically wrong when he took Reliance subs \$1.225 million ex Sikka, completely inexplicably. This crushed any warmer sentiment amongst Owners, and very little has been done since then. TC1 on subs 75 x ws 65 Shell/Scorpio is indeed more than the 63, which SKS did, but this ship has a sharper AWRP quote, so makes perfect sense. Chinese New Year will force a prolonged weekend break, but we think you will see Owners rather sit ships spot than take anything much lower on freight, especially with bunkers up to \$500 and likely to firm further.

The MRs have been fighting for a couple of weeks now to address a heavy front end, Veg history ships sit prompt off Muscat next to older tonnage and the odd pool position that has missed the fixing window. Any shorthaul enquiry that has hit the market has been snapped up at circa \$120k levels - just pick your favourite name, Vitol pressed down to \$90k for a Ruwais/Hamriya but it's all dreadful returns at these levels.

The slight saving grace is that the arb has started to crack open down to Latin America and we have seen options taken on distillate stems, \$875k the going rate, and even some straight Latin America deliveries. These will aid the list, as we see

Chems and Veg positions disappearing and a more even keel going into the new week.

EAF trades at ws 120 and TC12 at ws 85, the issue we see is that some Owners sat spot in Singapore will refuse to ballast to India to pick up naphtha business, especially with bunkers matching those in the Gulf. More enquiry is needed to sort the list - but some slight encouragement that the nefarious front end is being used.

## Mediterranean

A positive week for the Owning fraternity with momentum building throughout. Although the week kicked off proceedings with a rather inactive Monday, which saw rates trading around the 30 x ws 115-117.5 mark, the rest of the week saw consistent cargo flow and prompt tonnage was picked off very quickly, which left the front end of the list thin by midweek. Owners were able to justify a positive shift in rates because of this and 30 x ws 125 was seen numerous times followed by a 30 x ws 137.5 market quote on Thursday. A stand-off has been seen on Friday, with plenty of cargoes around but with a few ex Greece of similar dates (15-17 window), it seems Owners are waiting to see what rates are achieved here before pouncing on anything else. Monday will start with a few early third decade cargoes to work and expect Owners to kick things off on the front foot.

A week of two halves on the MR front, with negative UKCont sentiment

dragging rates down to lows of 37 x ws 115 at the start whilst a busier Thursday-Friday has seen the Med flourish with 37 x ws 122.5 the going rate. A fresh test is seen for an AGulf run on Friday with L/S \$1 million achievable and as many wait with bated breath to see which ships get their subs in order to clear out this list, Monday could start with Owners in the driver's seat.

## UK Continent

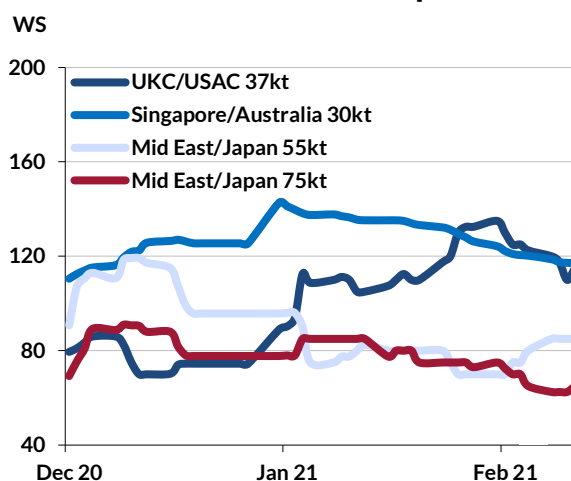
A late bloomer of a week has passed for the MRs plying their trade in the Continent as a rather damp start to the week has now shown some light. With a lack of enquiry and a healthy tonnage list full of "BLST" options it was no surprise what few cargoes we did see pressed on rates and cracks began to show. By the midpoint we had seen 37 x ws 115 done for transatlantic with some arguing next done should be 5 points less, with what limited WAF stems holding 10 points premium and the even less frequent Baltic cargoes holding a similar surcharge. The saving grace it seems has been diesel demand in the states and a glut of cargoes appeared on Thursday clearing a good chunk of available tonnage away. Come Friday we see the results of this as 37 x ws 117.5 is seen ex UKCont, with the Med able to pull a further 5 points higher as we wait to see how many subs get lifted at COB as to who starts next week with the upper hand.

With slim pickings on offer for Handy Owners in the North many will be happy to see the back of this inactive week.

Rates for TC9 started at around 30 x ws 145 but, with very little bubbling to the market surface and many deals getting fixed under the radar on COA levels, rates quickly softened to 30 x ws 137.5. The tonnage list for natural sized Handies remains balanced but the issue remains with hidden tonnage gobbling up private cargoes. The Continent has once again offered very little fixing opportunities and when we finally did get a fresh for test for X-UKCont 30 x ws 120 was achievable. There is also a healthy number of non-ice units that would like to get back down to the Med, which should mean 30 x ws 105 is repeatable.

Another week in the UKCont Flexi market comes to a close which, despite a handful of vessels on subs midweek, has been quiet for the majority. Slow cargo enquiry has continued throughout the week, which has meant rates have been calculated using UKCont Handy levels with a slight discount. This has left a X-UKCont voyage freighted around the 22 x ws 160 mark which is where it has traded for most of the week. Heading into week 7, an influx of fresh enquiry is needed to kick this market into life.

## Clean Product Tanker Spot Rates



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

## Dirty Products

### Handy

For the first time in recent memory the Continent can boast a solid week of trading with a burst of activity in the 15-20 window followed another busy period. What happened thereafter was a natural consequence of a supply/demand ratio swinging heavily in the Owners favour. A 20 point positive swing was where the week closed out at but the recent trend will continue for February.

In the Med, conditions also simmered positively where persistent activity has allowed Owners to raise the bar by 5 points week on week with 110 being seen numerous times from the Black Sea. Furthermore, a lack of approved West Med ships has helped Owners realise better returns for X-Med voyages, where this week it has been of own merit rather than the Black Sea pulling Med values up. Like in any firmer market, fixing dates have also stretched out, which is an indicator that this firmer patch will at least last for the short term.

### MR

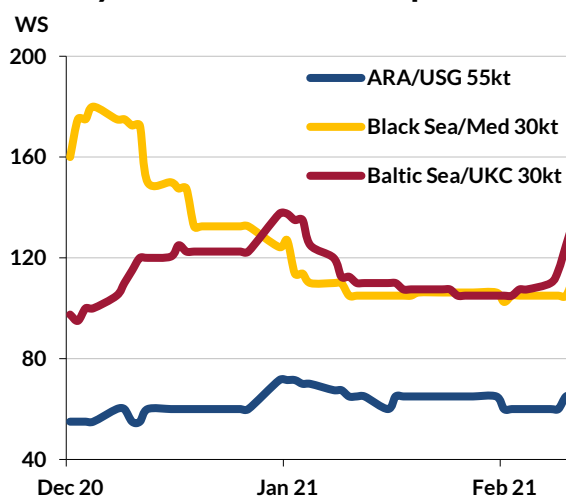
Coming into the week, MRs in the North looked like hot property right from the off. Owners made it clear that their ideas had moved on and, with the first test that came, those Owners who held back were seen to have made a profitable decision. Ws 95 then 107.5 provided evidence of the dramatic improvement from the low 80's being fixed only one week earlier, and looking ahead, with Charterers waiting in the background ready to clip away the next firm unit. This sector shows promise of a sustained healthier run.

In the Med, conditions have been rather more placid with both sides deeming repeats of last done a fair outcome, but in doing so the lists are being kept trimmed back. More noticeably, however, when taken into account the activity on the surrounding Handies and the MRs in the Continent, suggestions that this market is undervalued soon begin to echo louder.

### Panamax

A continued lack of transatlantic activity continues to blight this sector, however, at least local opportunity is being presented to Owners in the form of MR cargoes. However, these are less than ideal with many of them failing to offer returns in the black let alone covering Opex. That said, with more questions being asked it has at least allowed Owners, on the rare cases the market has been tested, to have been on a more solid platform where expected load differentials have been re-established.

### Dirty Product Tanker Spot Rates



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

## Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Feb 11th	Feb 4th	Last Month*	FFA Feb/Mar
TD3C VLCC	AG-China	+1	32	31	35	34
TD20 Suezmax	WAF-UKC	+0	52	52	38	52
TD7 Aframax	N.Sea-UKC	+1	79	78	80	88

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

		wk on wk change	Feb 11th	Feb 4th	Last Month*	FFA Feb/Mar
TD3C VLCC	AG-China	-250	-1,000	-750	5,000	2,000
TD20 Suezmax	WAF-UKC	-1,000	4,000	5,000	-1,250	4,000
TD7 Aframax	N.Sea-UKC	-750	-7,250	-6,500	-5,000	-1,000

## Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Feb 11th	Feb 4th	Last Month*	FFA Feb/Mar
TC1 LR2	AG-Japan	-3	65	68	85	
TC2 MR - west	UKC-USAC	-8	115	123	103	120
TC5 LR1	AG-Japan	+6	82	76	82	84
TC7 MR - east	Singapore-EC Aus	-4	117	121	135	133

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

		wk on wk change	Feb 11th	Feb 4th	Last Month*	FFA Feb/Mar
TC1 LR2	AG-Japan	-1,500	-250	1,250	7,500	
TC2 MR - west	UKC-USAC	-1,750	4,500	6,250	3,250	5,250
TC5 LR1	AG-Japan	+750	2,500	1,750	3,500	2,750
TC7 MR - east	Singapore-EC Aus	-1,000	2,750	3,750	6,750	5,250

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

ClearView Bunker Price (Rotterdam VLSFO)	+15	453	438	415
ClearView Bunker Price (Fujairah VLSFO)	+23	491	468	449
ClearView Bunker Price (Singapore VLSFO)	+20	496	476	449
ClearView Bunker Price (Rotterdam LSMGO)	+19	495	476	456



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