

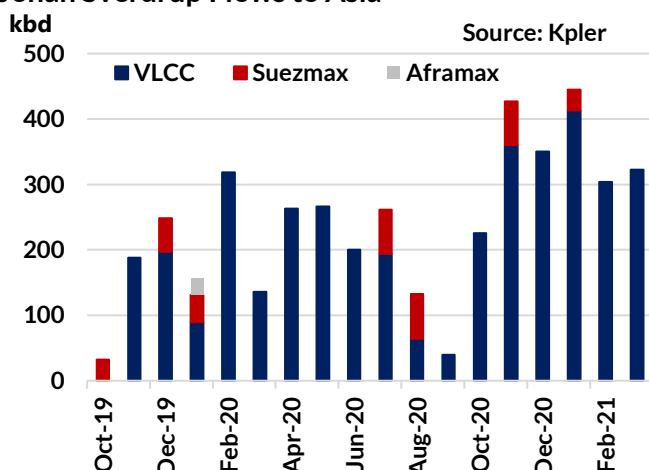
North Sea Future

Weekly Tanker Market Report

Concerns about North Sea crude production are nothing new although, changing production and export trends are reshaping the traditional structure of the North Sea oil sector. Dated Brent serves as a key benchmark for the global oil market, grades such as Brent, Forties, Oseberg, Ekofisk and Troll all contribute to its price discovery mechanism. However, as North Sea production continues to decline across these grades, there is alarm from traders that insufficient supply may occur which would reduce both market liquidity and the accuracy of contract pricing.

Production data from Argus highlights that since 2015 the combined production of these five grades has collapsed by 25% to 870,000 bpd during 2020. There is little sign of slowing declines in output in the near term due to insufficient investment, Covid-19, and persistent low oil prices relative to required breakeven levels. All of which adds to the concerns of traders over a future shortage of sweet grades to price dated Brent contracts. This leaves two solutions. The first is to include the ever-increasing volumes of sweet US crude such as WTI flowing into North West Europe (with Kpler data showing a YoY increase of 14% in this trade from 2019-2020). This would effectively create a light crude contract with delivery basis Rotterdam instead of a purely local North Sea crude contract. This was proposed by Platts but was quickly dropped after market criticism.

Johan Sverdrup Flows to Asia



The second option is to include Equinor's Johan Sverdrup (JS) crude, although this is potentially problematic given that JS is a medium sour grade. However, the increasing production of JS is likely to add greater momentum behind this option. Assuming production of other local grades does not increase, only JS can offset the falling British and Danish production of traditional North Sea grades to ensure sufficient liquidity in the physical aspect of dated Brent trading.

In fact, looking to the future one should consider the development of JS as a positive for the outlook of North Sea crude production. Output is expected to continue growing with production reaching a planned 500,000 bpd by mid-2021 and 720,000 bpd by Q4 2022 according to Equinor. Likewise, the field benefits from very low breakeven rates at \$20/bbl upon completion and an attractive environmental profile due to its connection with low carbon renewable shore-based hydroelectricity.

Flows data also suggests strong Asian demand for North Sea crude. Kpler data shows Q1 2021 saw a 76% gain in exports of JS to Asian buyers versus Q1 2020. This compares to a much smaller 29% increase in overall North Sea exports heading to Asia for the same period. The data also shows this trade is centred on VLCC tonnage, suggesting further increases in JS volumes will be beneficial for VLCC tonne miles. This is further supported as European refinery runs are unlikely to recover to pre-pandemic levels in turn boosting exports out of the region on larger crude carriers. All in all, it is clear the uncertainties surrounding dated Brent contracts are likely to remain, but with regional demand under pressure, long haul exports are likely to grow.

Crude Oil

Middle East

VLCC Owners needed to see an upturn in rates if they were to have any interest as Western markets continued to offer better returns. Charterers did eventually dig a little deeper into their pockets to take cover but, with this gentle rise in rates brought the older tonnage back into play, ensuring any rate increases were never going to be that dramatic. Last done for a modern VLCC is 270,000mt by ws 36 for a short Eastern run, with an options cargo providing us with a rate to the West at 280,000mt x ws 19 to the US Gulf (via Cape). For the most part of the week, Suezmax rates have continued sideways and Charterers have faced resistance from Owners for cargoes discharging in Europe. It seems that Charterers may need to concede a few points and rates are now a minimum of 140,000mt by ws 22.5 to Europe and ws 60 East. Alongside the Mediterranean, Aframax rates have softened in the East this week with Charterers successfully slicing chunks off last done levels. TD8 is sitting at 88, which looks arguably generous for AGulf-East. With the number of vessels around, paired with limited inquiry, it is possible we have not reached the bottom just yet.

West Africa

Some VLCC Owners had already made the decision to steer away from the AGulf and took the gamble that West Africa or the US Gulf scene would give them a better returns. So far, this looks to be a correct call as we continue to see activity with the South American and US Gulf

markets, which has provided Owners with slightly stronger returns. However, with limited West African enquiry to work with, rates are yet to really move from what was achieved at the start of the week with last done being 260,000mt x ws 32. Although we should expect to this this rate bettered for the next fixture. Suezmax rates have continued to be chipped away at in the first half of the week and bottomed at 130,000mt x ws 50 to US Gulf and ws 55 to Europe. Owners sentiment strengthened in the latter part of the week, coupled with a tighter tonnage list and levels to the Continent have firmed slightly to 130 by ws 57.5. There is potential for rates to slightly increase next week.

Mediterranean

A similar week for Aframax Owners over the last 5 days as meagre enquiry allows sentiment to wane further. Quoted cargoes have tested rates lower plus early replacement cargoes have proved very attractive for Owners looking to minimise wait and maximise TCE. Consequently, early CPC loading cargoes even managed to achieve ws 77.5. The bottom is near, however, as we approach low single digit returns for most Aframax tonnage. As in other Suezmax Atlantic markets rates have further eroded this week. Fixtures to the Continent have been concluded 130,000mt by ws 52.5 and \$1.975 million for Singapore discharge. We still have plenty of free of cargo tonnage to be absorbed before rates go up but hopefully Owners have now overcome the weakest levels they will experience this year.

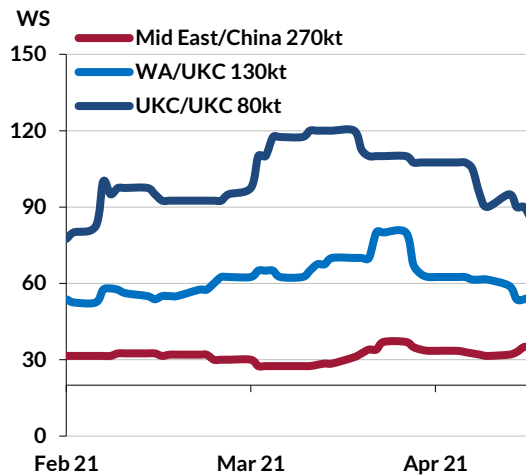
US Gulf/Latin America

A late run of Aframax enquiry has trimmed availability of tonnage, but levels continue to flounder with last done 70,000mt x ws 85 for a EC Mex/US Gulf voyage. Owners will be hoping that the weekend doesn't dampen Charterers appetite and that come Monday Owners can slowly recover some lost ground. An active week for VLCC Owners with a steady run of enquiry to work with, combined with some South American activity and it was inevitable that sentiment strengthened with last done from the US Gulf to the Far East at \$4.25 million and again we should expect to see Owners push for higher levels for the next fixing window.

North Sea

Back to the bottom for North Sea and Baltic Aframax rates this week. Owners resilience has well and truly been tested as earnings sink to their lowest for some time giving the market a summer feeling. X-North Sea is trading at around 80,000mt by ws 80 levels, with Baltic/UKCont at 100,000mt by ws 57.5. There is some light ahead as next month's Urals programme welcomes a sharp rise in Baltic cargoes with 9 scheduled for the first 5 days of May. This may give owners something to take their minds off the current lows.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have had a tough week, with rates down on most sizes and routes. LR1s have stayed surprisingly strong on West routes due to a reluctance to go that way, but otherwise rates have taken a hit. 55,000mt naphtha AGulf/Japan is down some 15 points to ws 120, with less expected. 60,000mt jet AGulf/UKCont has edged off to \$1.80 million, though only around \$50k off last week's rates. LR1 short haul activity is still bust but longer hauls are far more economical on MRs or LR2s so will be directed that way.

LR2s have seen sharp declines, with 75,000mt naphtha AGulf/Japan down some ws 35 points now in 2 weeks to ws 100. 90,000mt jet is hard to rate exactly but signs are it is no higher than \$1.80 million, which would again be some \$500k off in the last 2 weeks. Tonnage has built and with a very slow week just gone Owners are going to have to work very hard to not see rates slide back to the bottom. Improvements really are not expected for a few weeks as it stands.

Despite having a relatively good level of volume over the past week and a half, the MRs have failed to move in rates. EAF fixed and repeated over and over at ws 145, no movement here. West was reset at \$1.1 million basis Argie, which should push UKCont down to \$1.05 million, although LR2s take preference currently given their footing. TC12 also relatively untested but should sit at ws 120 levels, but again in need of a good test. We are missing further end month barrels but,

with the LR2s weak and the LR1s in need of adjustment, we see little upside for this segment in the new week.

Mediterranean

A bright start to week 15, which saw a couple of jet cargoes ex W-Med as the catalysts for a large jump in rates. 30 x ws 170 soon became the newfound X-Med number (a 25 point jump from last done levels), with heights of 30 x ws 200 seen ex Black Sea. It was a combination of a tight front end coupled with a few tricky cargoes, which caused this positivity on Monday and Tuesday, however, Charterers played a clever game from then onwards. By starving the market of cargoes, all positive sentiment was lost and slowly but surely losses were seen with 30 x ws 167.5 now on subs ex Black Sea, which would leave X-Med around the 30 x ws 155 number. A few fresh cargoes on Friday should give this market some stability going into the weekend.

Things have ticked over this week on the MRs, with little to write home about. Both parties found some common ground for much of the week with 37 x ws 130 and 37 x ws 140 the going rate for transatlantic & WAF respectively with cargoes and tonnage looking fairly balanced. Towards the back end of the week, however, Owners gained the upper hand and achieved a 5 point improvement going into the weekend. A healthy list of outstanding cargoes on Friday will certainly put a spring in Owners steps coming in on Monday with north of 37 x ws 135 likely to be aimed for Med/transatlantic.

UK Continent

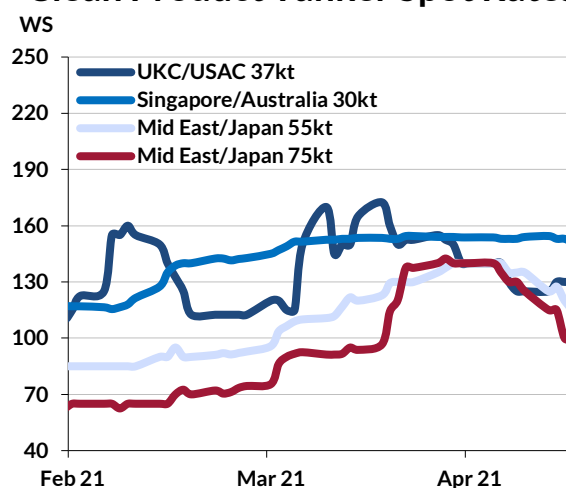
Market fundamentals were clearly against Owners at the start of week 15 with a healthy amount of prompt tonnage available. However, thankfully for Owners there was good UMS demand heading transatlantic (mainly for prompt dates) which started to clear tonnage lists. By Friday we have seen 37 x ws 135 go on subs for a prompt TC2 lifting but there does now appear to be a two tiered market opening up. Anything on the prompt side seems to be commanding a premium due to lack of supply but cargoes on or the past 22nd have more units available and 37 x ws 130 or even south of this number seems achievable. Ballasters from a weakening States market will continue to flood European shores stunting any potential rate growth in the near term.

A tough week for Handy Owners up in the North as cargo enquiry has been continually drip-fed into the marketplace and, with a healthy number of Baltic cargoes now getting fixed under the radar on COAs, TC9 quickly softened to 30 x ws 130. A UKCont/MED cargo quoted on Thursday received 6 offers in total resulting in a big negative correction with 30 x ws 90 going on subs. The question now is whether other markets (ie Baltic / UKCont & X-UKCont) will see something similar, which, is looking more likely if current inactivity continues.

All in all, it's been a very quiet week in this UKCont Flexi market with slow levels of cargo enquiry throughout and little to

report in the way of fresh fixing activity. Flexi rates have been tracking in line with the UKCont Handies all week with the call for a X-UKCont run currently around the 22 x ws 155 mark. Owners will be desperate for an influx of fresh cargoes next week to try and help prevent another lacklustre week.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The NWE sector has been plagued with limited fresh activity to report on this week. This has been somewhat out of character from what we have witnessed in the past few weeks. With that said, rates have managed to hold to a degree, but it could be argued this is only due to the market seeing little in terms of truly testing cargoes. Not wanting to sound like the voice of doom, but we have to be realistic that further negative correction will be seen when the next round of enquiry comes to market. Watch this space in early next week as tonnage is likely to be stacked towards the top of the list.

In sharp contrast to the North, the Mediterranean has seen from the off a steady flow of enquiry. As tonnage thinned, fixing levels started to firm but with a mix of additional enquiry and replacement business looking for coverage, rates started to push on towards ws 190 from the Black Sea. As we close the week out, tonnage remains tight in the region and heading into next week is unlikely to change, firm units come Monday will be hot property in early trading.

MR

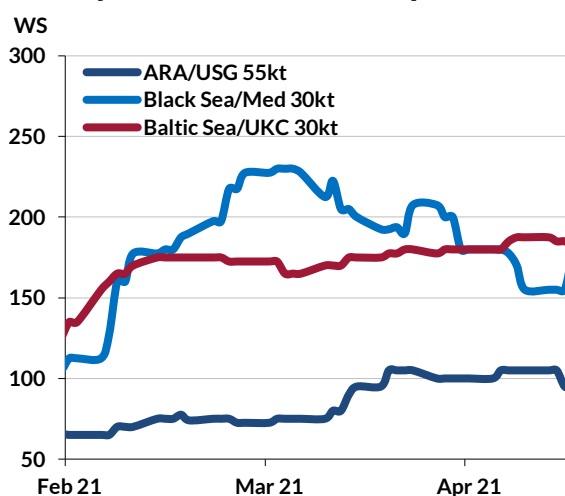
MRs in the North this week have once again mirrored the fortunes of the surrounding handy market. Subdued levels of activity on the Handies have also been seen here and Owner's hopes of holding on to last done have been eroded with each quiet day that passes. With inactivity has come tonnage replenishment and we now have a tonnage list where competition can only see levels go in one direction. As a result, going into next week expect the first MR cargo up to see a fresh test and Owners once again keeping a close eye on the Handies for possible back up coverage.

What a difference one week can make in the Med. This week left many surprised at just how much volatility we have seen, and with those who fixed their units early in the week later regretted their decision to move early. Truth be told, it was only by mid-week where fixing volumes really picked up and with a scramble for Handies being seen, MR owners were able to raise the bar without so much as an indication being given. This recent trend is expected to continue now into early May, but with so many stems being covered out ahead the market is likely to be quieter but tight whilst availability is given a chance to catch up with fixing windows.

Panamax

With the surrounding Aframax markets struggling for traction, Charterers have had their attention shifted towards what might be achievable in these surrounding sectors. Unfortunately, the result of market tests this week have not bode well for Panamax owners. On a prorated basis, Panamaxes are again being undercut, where despite Europe having a tightened supply of units, owners over here really aren't seeing any requirement.

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	Apr 15th	Apr 8th	Last Month*	FFA Q2
TD3C VLCC	AG-China	+3	35	32	29	37
TD20 Suezmax	WAF-UKC	-5	56	61	67	59
TD7 Aframax	N.Sea-UKC	-13	86	99	120	92

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

		wk on wk change	Apr 15th	Apr 8th	Last Month*	FFA Q2
TD3C VLCC	AG-China	+1,750	2,000	250	-4,750	4,000
TD20 Suezmax	WAF-UKC	-4,000	5,250	9,250	11,250	6,500
TD7 Aframax	N.Sea-UKC	-10,500	-3,250	7,250	19,250	1,000

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 15th	Apr 8th	Last Month*	FFA Q2
TC1 LR2	AG-Japan	-27	99	126	95	
TC2 MR - west	UKC-USAC	+5	131	126	150	139
TC5 LR1	AG-Japan	-10	123	133	122	118
TC7 MR - east	Singapore-EC Aus	-2	152	154	153	149

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

		wk on wk change	Apr 15th	Apr 8th	Last Month*	FFA Q2
TC1 LR2	AG-Japan	-9,250	10,000	19,250	8,500	
TC2 MR - west	UKC-USAC	+0	6,000	6,000	9,500	7,250
TC5 LR1	AG-Japan	-3,000	11,500	14,500	11,000	10,500
TC7 MR - east	Singapore-EC Aus	-1,000	8,000	9,000	8,000	7,500

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

ClearView Bunker Price (Rotterdam VLSFO)	+28	481	453	471
ClearView Bunker Price (Fujairah VLSFO)	+25	499	474	536
ClearView Bunker Price (Singapore VLSFO)	+22	500	478	510
ClearView Bunker Price (Rotterdam LSMGO)	+32	516	484	510

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