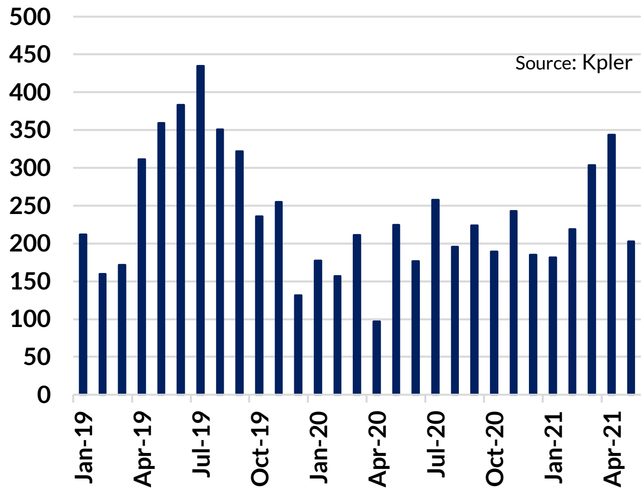
Cyber Threat

Weekly Tanker Market Report

Friday 7th saw the unexpected closure of the 8,851km Colonial Pipeline linking US Gulf Coast (USG) PADD3 refineries with PADD 1 facilities along the Atlantic coast following a cyber-attack. With an average capacity of 2.5mbpd it supplies 45% of US East Coast fuel demand but suffered a ransomware attack shutting down internal computer networks. According to Bloomberg, Colonial is believed to have paid a $5m ransom in cryptocurrency. As of Wednesday 13th, operations have restarted but a full return to normal could take a week or more. This has raised serious concerns about the state of cyber defences guarding aging US energy infrastructure as well as in other countries given the increasing nature of such attacks.

In response, several US government agencies including the FBI and Department of Energy (DoE) are investigating. Their findings will be of significant interest to infrastructure stakeholders and those who rely on their unimpeded operation. It is believed President Biden's proposed $4 trillion infrastructure package will now include specific provisions on cybersecurity for sensitive infrastructure such as pipelines and refineries, although this is possibly something for the longer term.

NWE-PADD 1 MR Gasoline Exports (kbd)



This week, Atlantic MR rates have been quite volatile, impacted by the pipeline developments. Monday saw Baltic assessments for TC2 and TC14 close at WS160 and WS140, a gain of 33 and 50 WS points respectively. Tuesday onwards saw an easing of rates, with less TC2 enquiry from charterers keen to keep rates grounded. Alternative tonnage such as LRs and Handies gained some interest off the back of rising MR rates by becoming relatively cheaper from a charterers perspective. News of the restart only led to rates falling further as the week went on with TC2 at WS135 and TC14 at WS110 by Friday signalling market confidence in the restart.

Gasoline prices also increased in the Eastern US, with some stations reporting shortages, prices reached $3/gallon on Wednesday due to panic buying and shortage. Airports are also reporting jet fuel shortages leading to flight rerouting. In addition, some States declared a state of emergency as to use their emergency powers to attempt to mitigate any severe shortages.

Despite the restart, fuel inventories will experience heavy drawdowns and above average imports are likely over the coming weeks. This is particularly pertinent given the strong recovery in US demand, and seasonal demand throughout the driving season. Products are likely to flow from Europe to the US Atlantic Coast (USAC) to meet any shortage should the trading economics support it. A resumption of service will pressure routes loading in the USG such as TC14 and TC18 as refiners will face less inventory pressure as the northern pipeline export route reopens.

This event has shown the vulnerability of energy assets to the growing threat of cyberattacks and the need to take the risk seriously. Whilst there have been no deaths, injuries, or environmental damage this time; the consequences of a cyberattack on an increasingly technologically reliant infrastructure is of concern. For the tanker sector, a cyberattack on a vessel carrying hazardous cargo could be far more serious should strong cyber defences and emergency procedures not be in place. Previously the industry had been mostly fearful of physical attacks, but action must now be taken to address the cyber risks faced.

Crude Oil

Middle East

Without wanting to sound repetitive, another week to forget for VLCC Owners. As the market crabwalks along the bottom, cargoes have been few and far apart. With June programmes being released over the weekend there will be hope that next week offers more. Last done levels have remained flat at 270,000mt x ws 32.5 for East and we estimate a level around 280,000mt x ws 19 to the US Gulf (via Cape). Suezmax AGulf/East cargoes have been attracting up to 16 offers this week and in turn rates remain very supressed. 130,000mt x ws 52.5 has been achieved to the East and rates to Europe remain at 140,000mt x ws 17. The prognosis is similar, rates will be repeatable next week. Aframax tonnage has fared better and, with an active market has come healthy gains for Owners. The list of available tonnage is now much tighter and gives the Owner's the confidence to try and push for higher rates next week or at worse maintain current levels of 80,000mt x ws 90 plus for Eastern discharge.

West Africa

VLCC rates have remained firmly at the bottom. The list of available tonnage remains plentiful but the struggle for Charterers this week has been finding the right Owner willing to commit to the longer voyage at last done levels. The apathy in the market continues. Last done to China is 260,000mt x ws 34.5 and seems TD15 has stabilised at ws 34-35 level, for now. Suezmax rates have defied logic this week. Whilst many Owners refuse to trade at the current poor returns, those that need to fix their tonnage are required to accept levels that we did not previously envisage. Charterers have achieved 130,000mt x ws 48.75 to Europe and levels the next fixtures concluded to the East are likely to be below ws 60.

Mediterranean

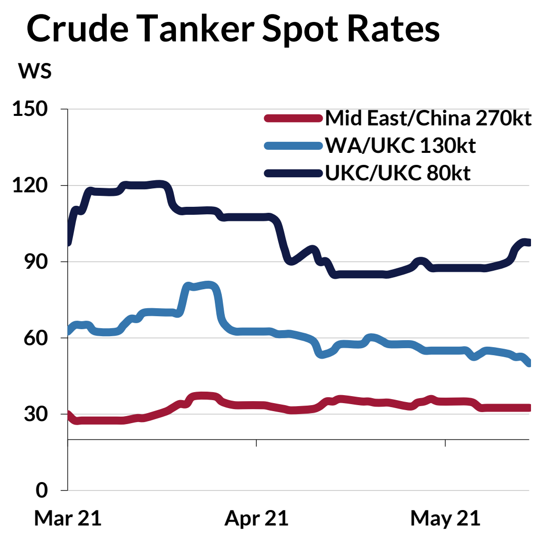
A week of promise and lost opportunities for Aframax Owners. A tight list for well approved tonnage did bode well for them but, with Turkish Strait delays dwindling and the threat of stems disappearing on relet tonnage, so did rates feather down. Ws 5 points was lost from CPC loading cargoes, settling at 80,000mt x ws 95 for Mediterranean discharge and Ceyhan cargoes slipped a couple of points to ws 87.5. Some Libya cargos were concluded in the mid ws 80s, which served to absorb some of the older tonnage and this is how the market finds itself today. Showing promise but unlikely to lead to anything now that the weekend is nigh. Another underwhelming week for Suezmax tonnage, which has seen rates further eroded. A Black Sea loading cargo achieved 135,000mt x ws 50 to the Continent and Libya loading cargo achieved $2.25 million to China. With all Atlantic Suezmax markets currently depressed, Owners will be facing another challenging week.

US Gulf/Latin America

As has been the case for much of this year, as soon as Aframax markets pick up the ceiling in rates is quickly reached by Suezmax tonnage competing vigorously on Aframax stems. The week commenced with Suezmax tonnage competing with Aframax tonnage for transatlantic cargoes and the highs of 70,000mt x ws 85 were soon eroded to ws 75. As the week progressed, the availability of Aframax tonnage increased and Owners have done well in stabilising rates for up-coast discharge at 70,000mt x ws 102.5 . Limited cargoes in the US Gulf continue for VLCC Owners leading to the last done levels of last week being chipped away with a number of vessels committed to ballast West. Last achieved for US Gulf to China was $4.2 million, however, this was on an ex scrubber fit vessel. We can expect next done to be slightly higher at around the $4.3million levels.

North Sea

A lively start gave this week a sense of buoyancy for Aframax tonnage in the North, although in reality this was a façade, Ascension Day pushed cargoes into the market earlier than normal helping to push the rates up. Yet, as expected activity tailed right off towards the end of the week leaving the market flat with Baltic/UKCont trading at 100,000mt x ws 75 and X/North Sea 80,000mt x ws 92.5. Going forwards into next week, we can't expect much to change at least until we see what the June Urals programme might hold in store.



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

Clean Products

East

Overall a quiet week on all sizes in the Middle East, unsurprising really given Eid, and a fragmented week for most of the market. The LR2 segment has seen a much-dampened volume of cargoes, when compared with what we saw last week. Westbound cargoes have been covered circa last done levels; $1.575-$1.625 million the range accepted by charterers, the latter denoted set suitability. At these earnings, transatlantic options become more difficult to swallow for Owners; a ballast back to Gibraltar really does sink earnings and locks them in for a substantial period, UKCont or Med discharge intention the preference amongst Owners. Naphtha has been very flat, smaller cubic tonnage with a want to stay East have taken 75 x ws 75 repeatedly, no movement. As we move into the new week, the view from our side is that we should see further volume of cargoes in this segment. A failure to push market levels means that value remains evident, so expect Charterers to capitalise.

The LR1 segment has astounded most over the past few weeks. Despite a dwindling volume of cargoes, Owners haven't softened their ideas too much for either East or West runs. $1.475 million is the last done going West; but given the small disparity between this segment and its bigger brother, traders are unlikely to use the LR1 segment unless really necessary. TC5 has bounced around ws 92.5 levels this week, with an Indonesia equivalent cargo dipping just below ws 90 but the argument here is that Owners can stay "short", ever the optimists for an upturn in earnings over the horizon.

The MRs have been quiet. Eastbound rates look poor and similarly to the LR1s, $600k seems unreflective of TC12 levels (assessed at 35 x ws 115-120 all week), the discount for older tonnage or those biding time until the market picks up. Westbound cargoes are headed to Latin America. $1.075 million is on subs but failed to Argentina, with veg history IMO vessels available to replace, most likely, at similar levels. EAF, as always, is the popular run. TC17 has traded at 170 over and over. 2.5 knocked off towards the end of the week seems fair, given the distinct lack in fresh enquiry.

As we head into a new week, Owners will be expecting a splurge of cargoes to hit the market to mop up a dead list. Likely the LR2s will be attacked first, traders are enjoying the value here for longhauls until LR2 Owners price themselves out of further enquiry and bring the smaller sizes into play.

Mediterranean

There was really only one way this market could have gone this week with rates on Monday bottomed out at the 30 x ws 120 and 30 x ws 130 mark for X-Med and Black Sea respectively. The paper market on Monday had some foresight into things to come on the physical side with TC6 Balmo spiking to 30 x ws 155 on Monday then settling towards the 30 x ws 140 mark. This spike isn't too far off where we are at time of writing, with 30 x ws 150 the going rate ex W-Med/C-Med on Friday, whilst ex Black Sea we remain around the 30 x ws 160 mark. Activity levels remain strong (especially around E-Med), which will keep ideas a touch higher from this region. Charterers have looked to hold back cargoes as much as possible on Friday in an attempt to take some steam out of this market. Potential next week with the end third decade Black Sea stems still to come.

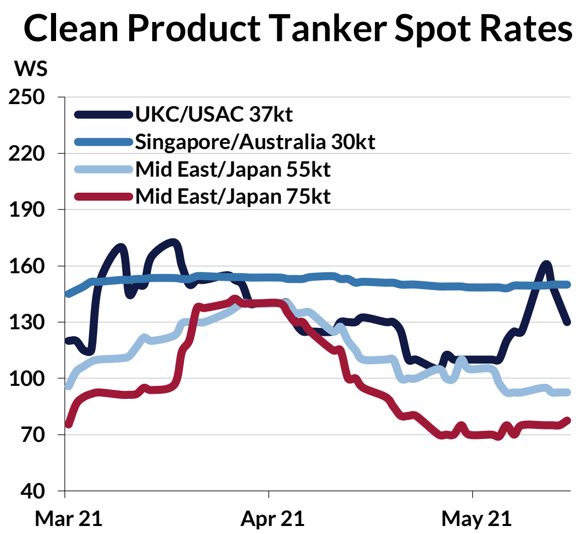
For the Med MRs, the Colonial Pipeline hype never really lived up to expectations and although we saw the equivalent of 37 x ws 160 on subs ex UKCont/Transatlantic on Monday, this has since failed with the peak of the transatlantic market at the 37 x ws 145 mark ex Med. A market quote on Friday has given a good indication of where we stand, with rates transatlantic north of those seen ex UKCont, with 37 x ws 145 being repeated. Expect WAF to hold now at the rule of thumb +10 point premium. Monday will bring a replenished list but expect Owners to still be on the front foot.

UK Continent

Where do you start with a market that promised so much at the beginning of the week, and delivered so little. As news appeared over the weekend of the Colonial Pipeline being down Owners walked in with a spring in their step and looked to press the advantage of the imminent flurry of activity we were all expecting. Unfortunately, the uncertainty of just how long the pipeline would be down meant disappointing levels of enquiry appeared and only a couple of system cargoes got caught out. As the week progressed and positive news filtered out of normality being seen later in the week for the pipeline, Charterers played the hard line to pull rates back down from the 37 x ws 160 seen a couple of times. We now see ourselves back to 37 x ws 135 for transatlantic (despite at 37 x ws 140 seen for prompt dates) and with little outstanding at the close of the week, expect Charterers to be looking for less as momentum drifts back in their favour.

Another lacklustre week has passed on by for Handies up in the North as once again supply continues to heavily outweigh demand. A good supply of ships have been available to charterers, combined with cargoes being either taken under the radar on COAs or drip-fed into the market ex Baltic resulting in levels trading flat at 30 x ws 120 throughout. There has been the odd cargo for X-UKCont, however, not enough to cater for the list which has forced Owners considering ballasting down to the Med as there is now a ws 35 point swing between X-UKCont & X-Med. The market is in need of improved cargo injection but it's difficult to see any upside in this sector with the current trend expected to stay for the short term.

Not a bad week in this UKCont Flexi market as we see a few more snippets of activity in comparison to week 18 albeit some being kept under the radar and others being COA business. Over the course of the week rates have tracked in line with the stagnant Handy market in the North as the call for a X-UKCont run finishes the week where it started at the 22 x ws 150 mark. Market is Handy driven as we approach the weekend.



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Dirty Products

Handy

With the Handy markets suffering of late with a lack of enquiry, Monday's list showed how tonnage had built with some 10 prompt ships both in the region and able to make the ballast to fit the natural window. This oversupply attracted cargoes early on, however, despite activity at the front end of the week showing promise for a swing in sentiment, the quieter days following took any pace out of the market and kept sentiment soft. Ws 140 remained the benchmark level for the majority of the week, however, less has now been repeated. Should enquiry not pick up in the short term, further rate erosion may be seen.

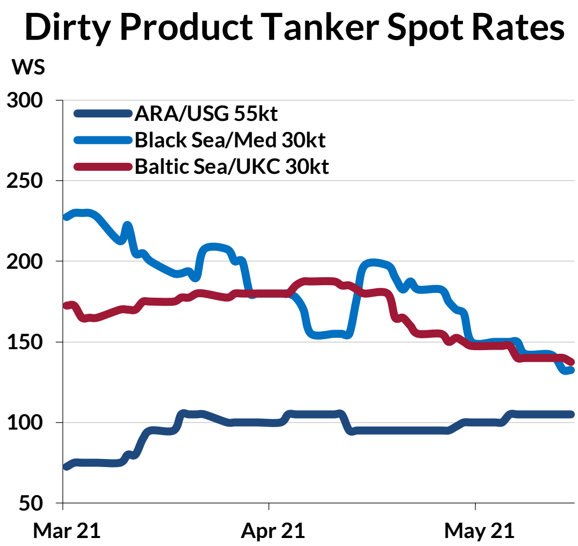
A similar story has played out in the Med, where prompt tonnage topped the list of marketed units on Monday and an injection of pace was seen. A mix of fixing and failing, however, created uncertainty as to where the market lies and a mixed bag of levels have been seen for both Black Sea and Med liftings as a result. We close the week with ws 132.5 from the Black Sea being tested and the expectation that enquiry levels will pick up as end month dates come in to play.

MR

As with surrounding markets, the MRs have been left wondering where the next question will come from, with part cargo opportunities in the North and Med struggling to keep natural units employed. On the face of it tonnage has been tight in the North for the last few weeks but a lack of liquidity has seen levels not only stagnate but in some instances drop in order to keep idle days down, with ws 105 reported mid-week. Availability in the Med has been well spread across the region, however, a struggling cargo base has seen little in terms of firm enquiry come to the surface with levels largely being maintained around ws 115. Going forward expect to see much of the same with no clear sign of an upturn on the horizon.

Panamax

This sector continues to suffer from little fresh enquiry this side of the Atlantic but what we have witnessed develop is a bit of a stalemate situation as the balance of limited tonnage has maintained fixing levels at the ws 105 mark. However, with only two units left over here the situation remains very much date dependent still. When we start to look as to where tonnage replenishment will come from, we need to take note of the US markets as here too the lack of fresh enquiry has had a negative impact on enquiry and rates. Despite the US still trading with better earnings than what can be achieved from our shores the gap is definitely closing; opportunity may present so watch this space.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 13th	May 6th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-1**	32	33	35	34
TD20	Suezmax	WAF-UKC	**-4**	51	55	56	55
TD7	Aframax	N.Sea-UKC	**+8**	96	88	86	91

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

			wk on wk change	May 13th	May 6th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-250**	-500	-250	2,000	1,000
TD20	Suezmax	WAF-UKC	**-2000**	2,250	4,250	5,250	4,000
TD7	Aframax	N.Sea-UKC	**+4500**	1,750	-2,750	-3,250	-1,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 13th	May 6th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+5**	76	71	99	
TC2	MR - west	UKC-USAC	**+5**	133	128	131	130
TC5	LR1	AG-Japan	**-2**	93	95	123	109
TC7	MR - east	Singapore-EC Aus	**+1**	150	149	152	151

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

			wk on wk change	May 13th	May 6th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+1500**	3,000	1,500	10,000	
TC2	MR - west	UKC-USAC	**+750**	6,000	5,250	6,000	5,500
TC5	LR1	AG-Japan	**-250**	4,750	5,000	11,500	8,250
TC7	MR - east	Singapore-EC Aus	**+250**	7,750	7,500	8,000	7,750

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

ClearView Bunker Price (Rotterdam VLSFO)	**+5**	485	480	481
ClearView Bunker Price (Fujairah VLSFO)	**-5**	496	501	499
ClearView Bunker Price (Singapore VLSFO)	**-4**	499	503	500
ClearView Bunker Price (Rotterdam LSMGO)	**+3**	541	538	516

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