WEBER WEEKLY TANKER REPORT

WEEK 18 – 6 MAY 2016 **ISSUE 18 – 2016**

Americas Largest Crude Importer faces Wildfire Disruption

By John Kulukundis

Wildfires have taken hold in the center of Canada's oil sands operations in Alberta – reportedly shutting in up to 1 million barrels a day of production. The fires, which started late Sunday, spread from a forested area southwest of Fort McMurray and crossed the Athabasca River bisecting the town Monday. They began to threaten residential neighborhoods by midday Tuesday, prompting evacuations. According to the Red Cross the evacuation is the largest in Alberta's history, forcing residents in more than 12 northern communities including Fort McMurray to leave their homes.

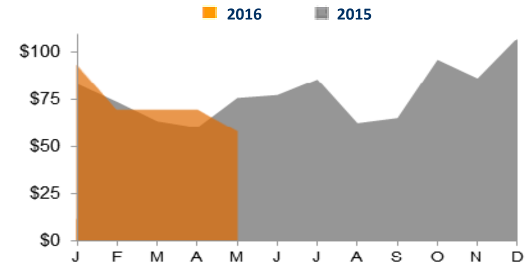
According to The Canadian Association of Petroleum Producers (CAPP) in 2015 58% of Canada's oil production came from oil sands. So based on EIA figures for 2016 YTD, which puts Canada as the US's largest crude importer averaging 3.5 m bbls a day – that would mean that oil sands crude could represent around 2 million barrels a day of Canadian crude imports to the US once blended with condensate to allow it to flow – arriving by pipeline and rail.

While Economists are trying to gauge the impact of the Fort McMurray wildfire and its disruption of oil sands production they are already cutting their outlooks for the Canadian economy. Estimates of shut in production vary considerably with Nomura Securities estimating 500,000 bbls a day while the latest from Canadian broadcaster CBC, estimates are that anywhere from 900,000 to one million barrels of oil sands production shut in and Reuters calculates it at "at least 640,000 barrels per day of capacity offline."

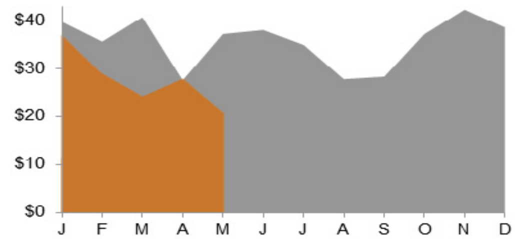
The town of Fort McMurray became the symbol of Canada's oil boom over the last decade, attracting some of the world's biggest energy producers amid a rush to build megaprojects to extract nearby oil sands. Thanks to the influx of investment from producers, thousands flocked to "Fort McMoney" as the city spent millions building heated bus shelters, schools, bridges and hockey arenas to accommodate its rapidly growing and affluent population.

While the oil sands plants themselves are not at risk at the moment, production has not just slowed down, but in some cases has stopped because the plants can't operate at full capacity without staff which in many cases have been evacuated.

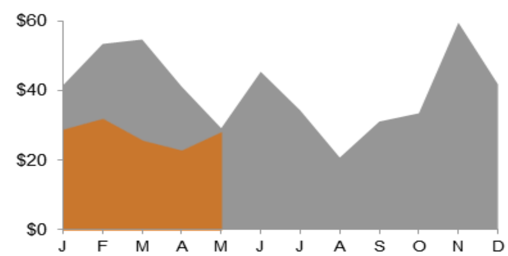
Production reports are changing hourly as the fire spreads. Suncor's base oil sands plant, located about 25 kilometers from the city, has removed all non-essential staff and reduced production. Shell operated Albian Sands facility almost 100 kilometers out of town, has been shut down as a precaution, knocking almost 250,000 barrels a day worth of production offline. Husky Energy, which operates the Sunrise oil sands facility about 60 kilometers North of the city, says their operations are presently unaffected, though they have evacuated non-essential personnel. Athabasca, operator of the Hangingstone facility approximately 15 kilometers south of the city said their facility is not under imminent threat. Canadian Natural Resources Ltd., operator of oil sands facilities even farther north, said it was working to ensure any affected workers and their families could use its camps. ConocoPhillips said its operations aren't affected. Syncrude has reduced operations to help support employees who have been forced to evacuate while CNOOC subsidiary Nexen Energy said its operations were unaffected. Reuters has indicated that the Alberta government has said that pipeline company Enbridge was starting shutdown procedures due to the fire.



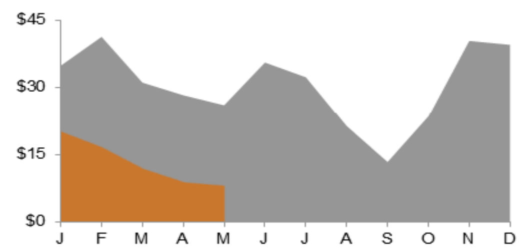
VLCC TCE AG-USG / CBS-SPORE/AG — **MTD Average ~$58,051/Day** — **Month y/y ▼ -23%**



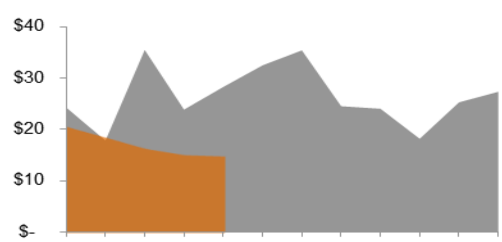
S'MAX TCE 130k WAF-UKC — **MTD Average ~$20,778/Day** — **Month y/y ▼ -44%**



A'MAX TCE 70k CBS-USG — **MTD Average ~$28,257/Day** — **Month y/y ▼ -3%**



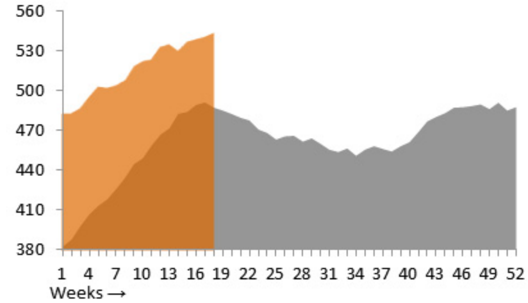
P'MAX TCE 50k CBS-USG — **MTD Average ~$8,148/Day** — **Month y/y ▼ -69%**



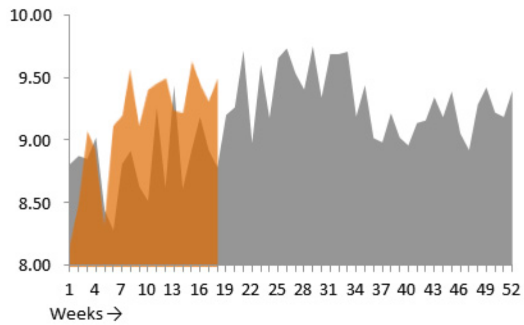
MR TCE USG-UKC/ UKC-USAC/USG — **MTD Average ~$14,757/Day** — **Month y/y ▼ -48%**

WEBER WEEKLY TANKER REPORT

The crimped production contributed to a jump in oil prices on Thursday to some of their highest levels of the year, though they have come off a little Friday. Nomura reported that Canada's oil-sands producers account for about 2.4% of Canada's economy, and the current stoppage in oil production reduces gross domestic product by about 0.12 percentage points for each week of reduced supply. Economists at Bank of Nova Scotia said the wildfires raise the risk of "very little," if any, GDP growth occurring in Canada this quarter.



US Crude Stocks (EIA)	Last Week	Week y/y
	543.4 MnBbls	▲ +11.6%



US Gasoline Demand (EIA)	Last week	Week y/y
	9.502 MnB/d	▲ +8.2%

2016 2015

Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	29-Apr		6-May	
AG>USG 280k (TD1)	33.5	$20,043	37.5	$24,430
AG>USG/CBS>SPORE/AG	--	$59,690	--	$58,391
AG>SPORE 270k (TD2)	50.0	$37,727	65.0	$55,168
AG>CHINA 265k (TD3C)	48.0	$30,134	65.0	$49,031
WAFR>USG 260k (TD4)	60.0	$47,890	67.5	$55,935
WAFR>CHINA 260k (TD15)	56.0	$40,813	62.5	$47,764
CBS>SPORE 270k	$5.25m	--	$4.70m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	80.0	$29,085	70.0	$24,087
WAFR>UKC 130k (TD20)	82.5	$26,468	72.5	$21,582
BSEA>MED 140k (TD6)	82.5	$34,908	77.5	$31,532
CBS>USG 150k	81.25	$35,675	75.0	$31,235
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	110.0	$35,940	97.5	$26,278
AG>SPORE 70k (TD8)	105.0	$25,002	95.0	$22,128
BALT>UKC 100k (TD17)	80.0	$31,573	67.5	$23,086
CBS>USG 70k (TD9)	142.5	$34,453	107.5	$21,585
MED>MED 80k (TD19)	85.0	$18,091	110.0	$29,930
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	120.0	$9,537	112.5	$7,929
CONT>USG 55k (TD12)	92.5	$11,028	92.5	$11,227
ECU>USWC 50k	152.5	$22,924	152.5	$23,209
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	117.5	$11,240	120.0	$11,913
USG>UKC 38k (TC14)	77.5	$5,000	95.0	$8,442
USG>UKC/UKC>USAC/USG	--	$12,850	--	$15,934
USG>POZOSCOLORADOS 38k	$375k	$10,987	$450k	$16,183
CBS>USAC 38k	112.5	$11,268	125.0	$13,816
AG>JPN 35k	112.0	$8,900	110.0	$8,927
AG>JPN 75k (TC1)	87.5	$16,968	80.0	$15,131
AG>JPN 55k (TC5)	100.0	$13,438	100.0	$13,831

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$40,000	$37,000
Suezmax	$29,000	$27,000
Aframax	$25,000	$22,500
Panamax	$20,500	$19,500
MR	$16,500	$16,000

SPOT MARKET SUMMARY

VLCC

Combined Middle East and West Africa VLCC chartering demand was at a five-week high on strong fixtures to China and elsewhere in Asia. A total of 37 fixtures materialized in the Middle East, representing a 37% w/w gain. The West Africa tally was off by two fixtures to five in a continuation of the regional VLCC demand lull of the past three months. Much of the Middle East demand was centered on the second-half of the week and followed a slow start due to the May day and early May bank holidays. In fact, 22 fixtures were reported in the Middle East on Wednesday alone, marking the busiest day for VLCCs this year. Moreover, charterers reached farther forward to secure suitable tonnage with the average number of forward days returning to normalized levels; over the past few weeks charterers have worked nearer dates for which availability levels were more certain. The result of working date ranges with slightly less certainty around positions (due to weather or operational delays) against a busy pace was a marked bolstering of sentiment in owners' favor. On this basis, rates on the AG-FEAST benchmark routes pared most of the previous two weeks' losses, adding 17 points to conclude at ws65.

The four-week moving average of VLCC fixtures for West Africa loading has remained firmly below seven since early February – during 2015 there were 19 occurrences of the weekly average matching or exceeding 7 fixtures. More recently, the trend has tied to field maintenance in the North Sea market, which expanded the premium of Brent-linked West African grades to the Dubai benchmark, keeping interest of VLCC-driving Asian purchases more concertedly in the Middle East. For now, the hectic pace of chartering in the Middle East has overcome the lower draws on availability which accompany lower West Africa demand. Structurally, participants will likely closely eye a possible return of regional demand on seasonal crude demand gains to support stronger rates during the remainder of Q2.

In the near-term, we expect that a markedly tighter prevailing supply/demand positioning of the Middle East market will continue to remain supportive of rates. We note that 95 fixtures for May loading have materialized thus far, leaving a further 30-35 likely remaining. Against this there are 43 units available, excluding an unknown quantity of hidden positions, from which West Africa demand is projected to draw 5 units, implying an end-May surplus of just three units. Though hidden positions could boost the surplus, the number will remain considerably below the 17 observed at the close of May's first decade.

Middle East

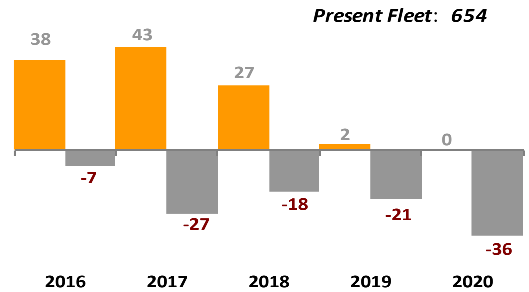
Rates to the Far East added 16.5 points to conclude at an assessed ws62.5. Corresponding TCEs rose by 54% to ~$49,734/day. Rates to the USG via the Cape added 5 points to conclude at ws37.5. Triangulated Westbound trade earnings dropped 2% on softer ex-CBS rates to ~$58,420/day.

Atlantic Basin

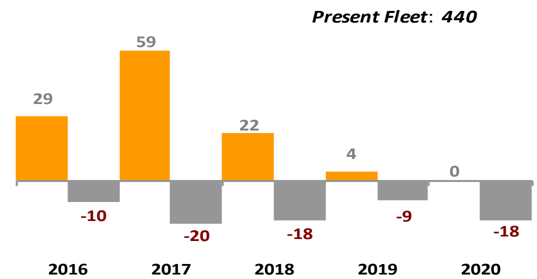
Rates in the West Africa market continued to follow the direction of those in the Middle East. The WAFR-FEAST route concluded the week at ws62.5, representing a weekly gain of 6.5 points. Corresponding TCEs observed a weekly gain of 15% to a closing assessment of ~$47,765/day.

Demand in the Caribbean market remained light. A Reuters report this week noted that equipment malfunctions at Venezuela's key Jose port have been occurring since March causing delays and a queue of vessels waiting to conduct loading and discharging operations. According to the report, PDVSA is installing new loading arms to improve operations at the port. The Caribbean market remained slow with the CBS-SPORE route losing $550k to a closing assessment of $4.7m.

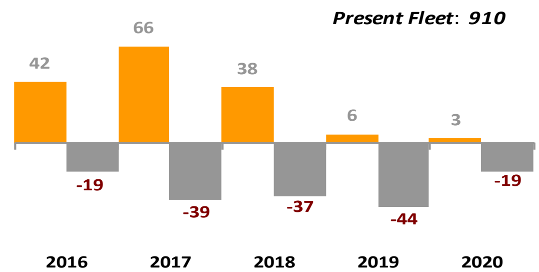
VLCC Projected Deliveries/Removals



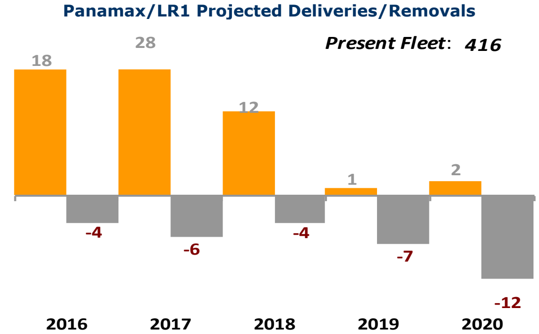
Suezmax Projected Deliveries/Removals



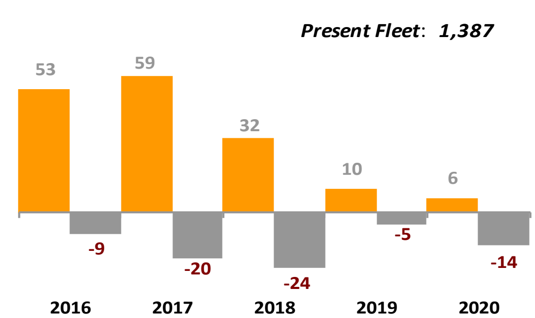
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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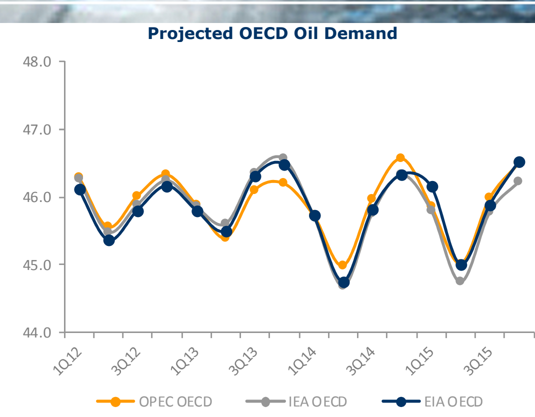
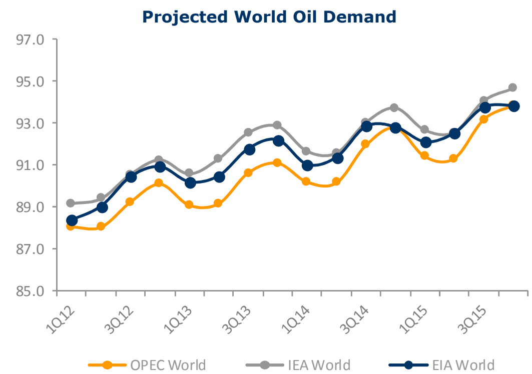
Suezmax

The West Africa Suezmax market was modestly busier this week with the fixture tally rising by two to fifteen. Rising availability however saw rates ease and the WAFR-UKC route shed 10 points to conclude at ws72.5. A modest rebound of regional VLCC coverage of the May program at the end of the month pushed down Suezmax demand and to-date Suezmaxes have seen their share decline by 11% m/m. Some end-May cargoes will materialize during the upcoming week and with the start of June cargoes thereafter likely to keep the market busy, rates could observe a measure of upside when the market moves concertedly into June dates. Thereafter, however, supply/demand looks likely to loosen which could cap gains and possibly allow for some easing.



Aframax

The Caribbean Aframax market was markedly softer with rates easing from last week's highs to reflect prevailing supply/demand fundamentals in the absence of the more hectic pace and uncertainty around replacement cargoes' impact on supply levels of the prior two weeks. Rates on the CBS-USG route lost 45 points to conclude at ws107.5. We note that the four-week moving average of fixtures now stands at 14 – a three week low. When this level was last observed, rates were in the low/mid ws100s and overall regional supply has changed little in the interim, implying that rates likely have further downside potential which could be observed early during the upcoming week failing any special circumstances or substantial change to the demand profile.

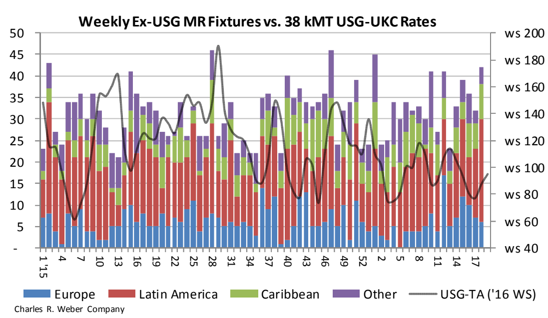


Panamax

The Caribbean Panamax market was relatively active this week but rates failed to recover from an early correction as ballasts from the US West Coast market augmented normal regional supply replenishment and kept a looser supply/demand positioning. The CBS-USG route shed 7.5 points to conclude at ws112.5. Limited change is expected during the upcoming week ahead of any seasonal factors which could help to support rates later during May.

MR

The USG MR market observed its busiest week since early January. Voyages to Latin America drove the demand gains with 32 such fixtures representing a 45% w/w gain and accounting for 76% of this week 42 total regional fixtures. Uncertain arbitrage economics kept Europe-bound fixtures limited with six such fixtures materializing (one fewer than last week). The demand surge came against declining supply levels and at the close of the week 28 units were showing availability over the next 14 days, which is 10% fewer than a week ago. On this basis, rates were markedly stronger; the USG-UKC route added 17.5 points to conclude at ws95 while the USG-POZOS route added $75k to conclude at $450k lump sum. Sentiment concludes the week strong and substantial further gains are likely to materialize early during the upcoming week. Owners were reportedly offering rates for USG-UKC voyages at levels between ws100 and ws115 and $525k for USG-POZOS voyages. Historical correlations show that rates lag substantial demand movements and as rates were directionally softer over the previous four weeks while demand was directionally stronger (the four-week moving average of fixtures is now at six-month high) rates were already poised to pare losses. Similarly, seasonality implies directionally stronger MR Atlantic basin earnings between April and July (i.e. between the passage of refinery turnarounds and the start of the summer driving season).



REPORTED TANKER SALES

"DS Chief" 311,224/99 – Hyundai Ulsan – DH
-Sold for $22.5m to Taiwanese buyers (Winson Shipping).

"DHT Target" 164,626/01 – Hyundai Ulsan – DH
-Sold for $25.0m to US buyers (Ridgebury Tankers) basis SS/DD freshly passed.

"Jade" 40,092/07 – SLS – DH – IMO III
-Sold for $21.5m to undisclosed Vietnamese buyers.

"Majestic" 150,284/00 – NKK Tsuneishi – DH
"Authentic" 150,249/04 – Universal Tsuneishi – DH
"Romantic" 150,247/04 – Universal Tsuneishi – DH
"Poetic" 150,103/03 – Universal Tsuneishi – DH
-Sold en bloc for $106.0m to Norwegian buyers (Nordic American Tankers).

REPORTED TANKER DEMOLITION SALES

Unknown

"Arabiya" 121,109/89 – 20,148 LDT – DH
-Sold on private terms.

China

"New Amity" 106,120/98 – 15,683 LDT – DH
-Sold on private terms.

Pakistan

"Faisal" 95,793/90 – 15,369 LDT – DH (Conv. 05/2004)
-Sold for $320/ldt.

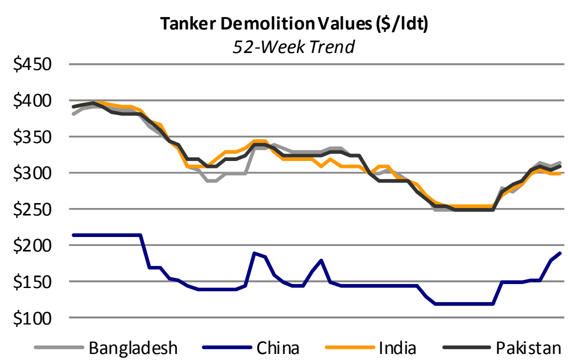
"Adventure" 41,035/90 – 7,391 LDT – DS
-Sold for $307/ldt.

"Luena" 40,041/90 – 9,397 LDT – DB
-Sold on private terms.

"Trident" 35,739/97 – 7,630 LDT – SH
-Sold on private terms.

India

"Adela" 20,791/82 – 5,056 LDT – DB
-Sold for $288/ldt.



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