WEBER WEEKLY
TANKER REPORT

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India Ramps Up Its Refineries

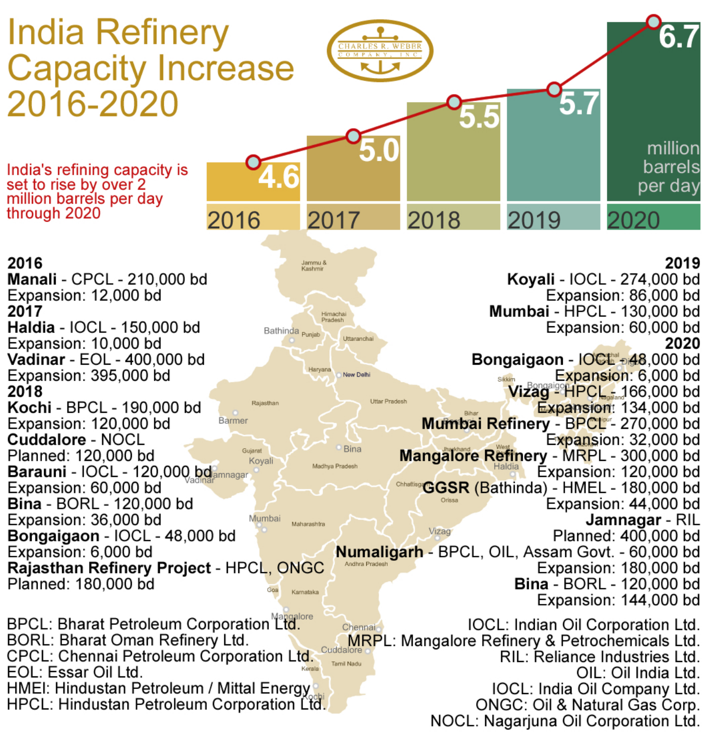
Excerpt from our upcoming country analysis on India
By John Kulukundis

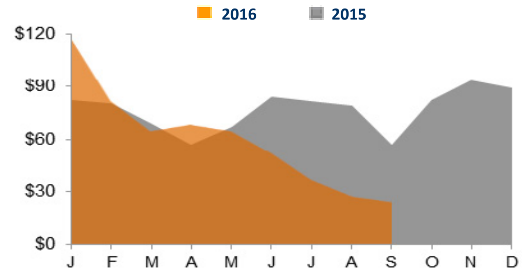
In 2015, India's GDP growth (7.6%) outperformed that of China (6.9%) for the first time this century. According to the IMF, India is forecast to repeat this in both 2016 and 2017. As its economy enters a potentially sustained growth phase, India is looking to become the fastest expanding destination for crude oil on the back of a massive increase in domestic refining capacity. In 2007 India imported 109 million tonnes of crude oil, this year they are estimated to import over 212 million tonnes. In 2015 India's product exports were well off their 2014 high of 73 million tonnes, which reflects rising domestic demand, which is now making an ever-greater call on India's refinery production capacity.

Saudi Arabia (Q1 2016: 10.7 Mntonnes) is the largest exporter of crude oil to India, but Iraq (Q1 2016: 10.1 Mntonnes) is close behind with its exports to India up 50% year on year. Now returned to the international community, Iran's (Q1 2016: 4 Mntonnes) exports to India are also being fast tracked.

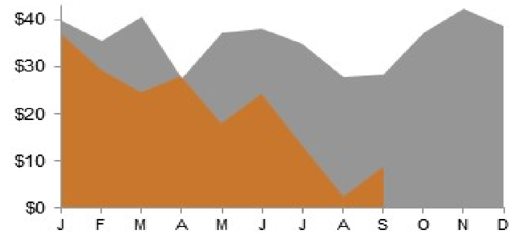
While these Middle Eastern exports to India are medium haul trades, longer haul exports from Venezuela (Q1 2016: 6.5 Mntonnes) and Nigeria (Q1 2016: 5.8 Mntonnes) also feature in the top five crude exporters to India.

Crude oil is a very good barometer of India's growth juggernaut, as well as needing it to feed their manufacturing growth, it is essential for consumer growth too. According to SIAM (the Society of Indian Automobile Manufacturers) car sales in India are up 11% in a few years and motorbike and scooter sales are up by over 40%. Nobody, manufacturers and consumers included, has benefitted from lower oil prices in the last 18 months more than India…A country with limited domestic crude supplies; and if all their refinery projects are built, refinery capacity of around nine million barrels a day by 2026.

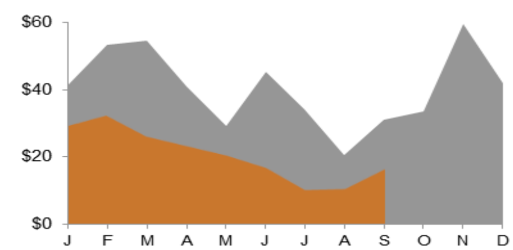




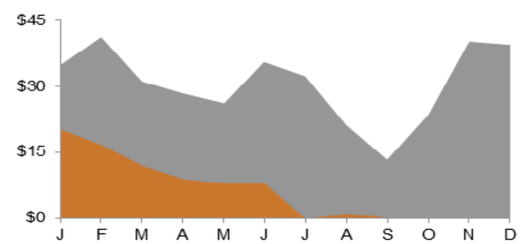
VLCC TCE AG-USG / CBS-SPORE/AG[1] — MTD Average ~$24,447/Day — Month y/y ▼ -57%



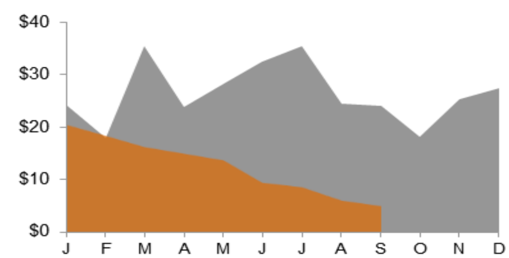
S'MAX TCE 130k WAF-UKC — MTD Average ~$8,835/Day — Month y/y ▼ -69%



A'MAX TCE 70k CBS-USG — MTD Average ~$16,363/Day — Month y/y ▼ -47%



P'MAX TCE 50k CBS-USG — MTD Average ~$340 /Day — Month y/y ▼ -97%



MR TCE USG-UKC/ UKC-USAC/USG — MTD Average ~$5,133/Day — Month y/y ▼ -79%

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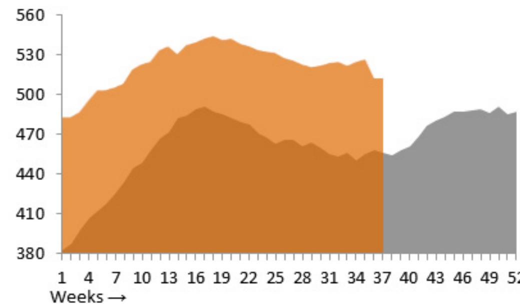
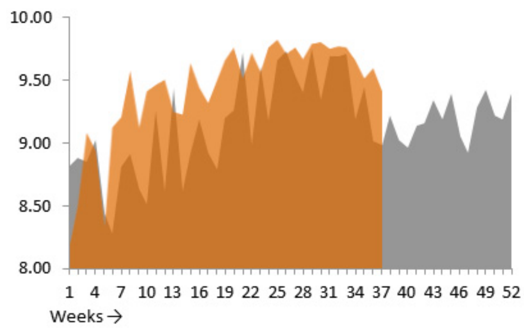
Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	9-Sep		16-Sep	
AG>USG 280k (TD1)	23.0	$6,199	22.5	$6,396
AG>USG/CBS>SPORE/AG	--	$22,470	--	$25,107
AG>SPORE 270k (TD2)	33.0	$15,990	34.0	$17,814
AG>CHINA 265k (TD3C)	33.0	$11,461	34.0	$13,251
WAFR>USG 260k (TD4)	37.5	$21,791	42.5	$27,669
WAFR>CHINA 260k (TD15)	37.5	$18,766	42.5	$24,590
CBS>SPORE 270k	$2.60m	--	$2.85m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	45.0	$8,831	62.5	$18,509
WAFR>UKC 130k (TD20)	47.5	$6,617	65.0	$16,124
BSEA>MED 140k (TD6)	52.5	$10,004	65.0	$14,761
CBS>USG 150k	49.0	$9,656	55.0	$14,761
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	90.0	$19,026	92.5	$22,164
AG>SPORE 70k (TD8)	62.5	$7,628	60.0	$7,284
BALT>UKC 100k (TD17)	70.0	$21,170	65.0	$18,527
CBS>USG 70k (TD9)	100.0	$16,949	87.5	$12,703
MED>MED 80k (TD19)	72.5	$7,044	92.5	$15,664
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	85.0	$49	85.0	$442
CONT>USG 55k (TD12)	82.5	$7,017	85.0	$8,134
ECU>USWC 50k	125.0	$14,618	127.5	$15,566
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	75.0	$2,135	70.0	$1,559
USG>UKC 38k (TC14)	50.0	$(1,201)	80.0	$4,781
USG>UKC/UKC>USAC/USG	--	$3,240	--	$7,674
USG>CBS (Pozos) 38k	$250k	$1,597	$500k	$18,782
USG>CHILE (Coronel) 38k	$900k	$9,158	$1.08m	$14,530
CBS>USAC 38k	87.5	$5,468	100.0	$8,193
AG>JPN 35k	92.5	$4,840	92.5	$5,149
AG>JPN 75k (TC1)	92.0	$16,474	75.0	$11,799
AG>JPN 55k (TC5)	96.0	$10,988	85.0	$8,964

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$29,000	$27,000
Suezmax	$19,000	$19,000
Aframax	$17,000	$17,000
Panamax	$14,000	$16,000
MR	$13,000	$14,000



US Crude Stocks (EIA) | **Last Week** 510.8 MnBbls | **Week y/y** ▲ +12.0%



US Gasoline Demand (EIA) | **Last week** 9.406 MnB/d | **Week y/y** ▲ +4.7%

2016 2015

WEBER WEEKLY TANKER REPORT

SPOT MARKET SUMMARY

VLCC

Though the Middle East VLCC market was quiet this week on a pause between the September and October cargo programs, demand in alternative markets as at its loftiest levels in months. The West Africa market observed eleven provisional fixtures, representing a nearly three-fold w/w gain and the highest tally since January. We note, though, that some of these are questionable as multiple units appear to be on subjects in for the same cargo. Even taking this into account, the region would remain at its busiest for the quarter to-date. The surge in demand in West Africa accompanies the resumption of Bonny Light exports and an anticipated resumption of two additional grades. Repairs on the pipeline facilitating Qua Iboe exports have reportedly been carried out and a lifting of force majeure is anticipated as its operator has reportedly already offered an October cargo (the first from the terminal since July) while Forcados exports are anticipated imminently. The rapid succession of positive news for the three grades raise prospects for additional resumptions and appear to validate reports that unrest in the oil-producing Niger Delta region has deescalated, lending supportive pricing for West African crude for Asian buyers – particularly against Saudi's OSP hike for October Asian buyers. Elsewhere, the Caribbean market was active this week with five fixtures reported and the North Sea market observed three fixtures.

The corresponding ton-mile gains and geographical rebalancing of tonnage to this week's non-Middle East activity represent highly positive steps towards an improved rate environment during Q4. As we have frequently noted during Q3, seasonal downside had been exacerbated by limited VLCC demand in the West Africa market amid extreme volumes of crude under force majeure and a wide imbalance between USG arrivals and Caribbean cargoes which resulted in ballasts from the USG to the West Africa market severely curtailing that market's draw on Middle East positions.

Rate gains in the Middle East market were not supported by this week's Atlantic basin activity, largely due to the lull between September and October cargoes. Just 18 fixtures were reported for Middle East loading – the fewest in two months and a 31% w/w decline. However, the West Africa market observed one of the first instances of leading rate gains since earlier in the year, as opposed to the more regular lagging correlation to rate changes in the Middle East. This suggests that the tighter Atlantic basin will start drawing tonnage from the Middle East more aggressively. As it stands, the September Middle East program has concluded with 17 surplus units – a three-month low but still high. Looking forward to October, the position narrows during the first decade; we note that there are 47 units available for an expected 33 cargoes (above the seven covered thus far) and an estimated 10 West Africa draws, leaving a reduced implied surplus of just four units (though we note that this number could rise on reappearing "hidden" units from large commercial managers). If realized, the surplus at October 10th would be the lowest since March, when average earnings were nearly $63,000/day. Earnings presently stand at ~$19,133/day. The timing of rate gains is uncertain and driven heavily by psychological factors; participants may note the narrowing supply/demand position, allowing owners to command stronger rates amid the active start in earnest of October cargoes next week, or the recent pessimism could continue weigh on rates until closer to the end of the October's fist decade, after any tightening materializes.

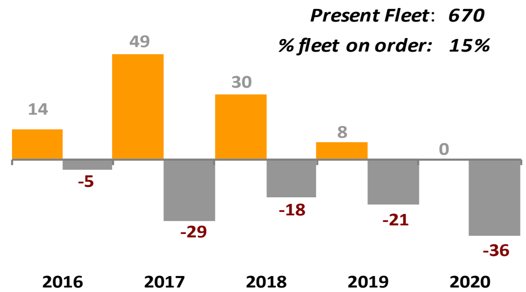
Middle East

Rates to the Far East were up nominally, adding one point to conclude at ws34. TCEs on the AG-CHINA route rose 15% to conclude at ~$13,251/day. Rates to the USG via the Cape eased 0.5 point to ws22.5. Triangulated Westbound trade earnings rose by 11% to conclude at ~$25,107/day.

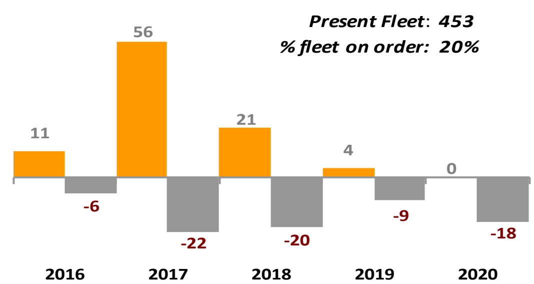
Atlantic Basin

Rates in the West Africa market bucked their usual lagging correlation with the Middle East market to observe fresh gains with the WAFR-FEAST route jumping 5 points to ws42.5. TCEs on the route jumped 31% to ~$24,590/day. The CBS-SPORE route rose on stronger demand, adding $250k to conclude at $2.85m lump sum.

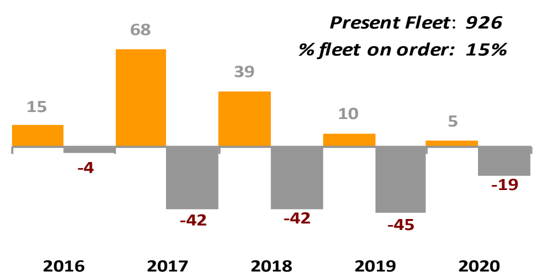
VLCC Projected Deliveries/Removals



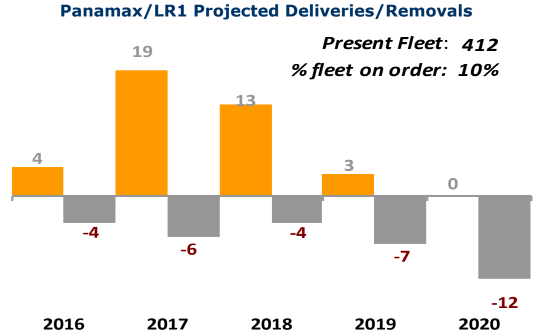
Suezmax Projected Deliveries/Removals



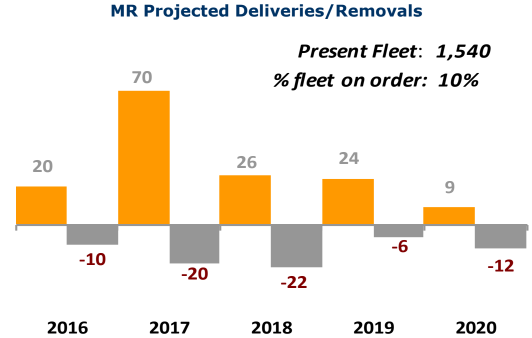
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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Suezmax

Suezmax rates recorded strong gains in a number of key markets this week on tightening availability levels. In the West Africa market, the return of Qua Iboe, Bonny Light and Forcados grades (collectively representing around 85% of export volume recently under forces majeure) increased September cargo availability and disproportionately benefitted regional Suezmaxes as the fresh September cargoes came after VLCC charterers had moved into October dates. As a result, the tally of September Suezmax spot cargoes now shows the highest monthly tally since March. With charterers correspondingly active securing tonnage for late September cargoes, availability levels tightened markedly and rates surged. The WAFR-UKC route observed a 17.5-point gain to a closing assessment of ws65 while TCEs on the route surged nearly 150% to ~$16,124/day. As charterers progress more concertedly into October dates during the upcoming week, the low number of carryover units from September dates should see owners continue to succeed in command rate gains. The extent of these gains, however, could be capped by strong demand being observed by VLCCs for October loadings aided by a Saudi OSP hike for Asian buyers and normalizing differentials between West African crude grades and Brent. Coverage levels to date suggest VLCC demand in the region during October could double from September levels.

Aframax

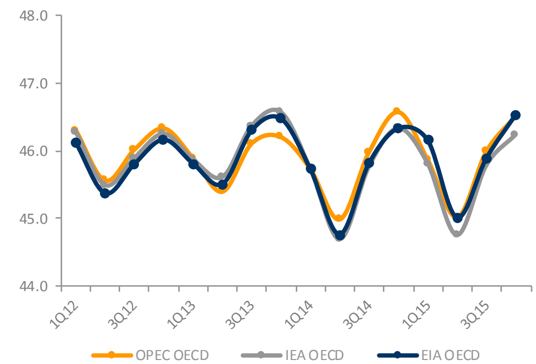
The Caribbean Aframax market observed strong demand this week following last week's lull. A total of 19 fixtures were reported, representing a 171% w/w gain. Despite the stronger demand, the four-week moving average of fixtures held at 15 and with more units freeing the region, charterers succeeded in obtaining lower rates. The CBS-USG route shed 12.5 points to conclude at ws87.5. At the close of the week, apparent under-the-radar activity was offsetting modest further availability builds making the forward direction uncertain.

MR

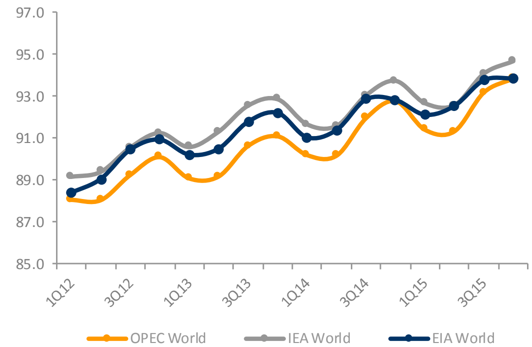
Rates in the USG MR market observed their strongest weekly gains this year. A total of 46 fixtures were reported this week, representing a doubling of last week's tally and the loftiest weekly tally in ten months. The surge accompanied both a progression into the fall market which is expected to see total offline refining capacity well exceed normal levels in a response to a global product inventory glut and the negative impact this has had on refining margins – as well as following a closure of the gasoline line of the Colonial Pipeline system. Whilst normally presenting a negative impact on product tanker rates, above-average refinery maintenance appears to be aiding MRs in the Atlantic basin by reducing gasoline exports from Europe to the US and supporting exports from the USG market, where PADD 3 distillate inventories are sufficiently well-built to avoid a reduction of regional exports. As we previously noted, this was expected to improve trade dynamics in the Atlantic basin by creating arbitrage opportunities and diversifying trade routes to the benefit of ton-miles and rates. Aiding the progression thereof, the shuttering of the Colonial Pipeline's key gasoline line saw the middle distillates line sharing both diesel and gasoline cargoes and thus depressing USG prices for both diesel and gasoline and thus supporting greater exports.

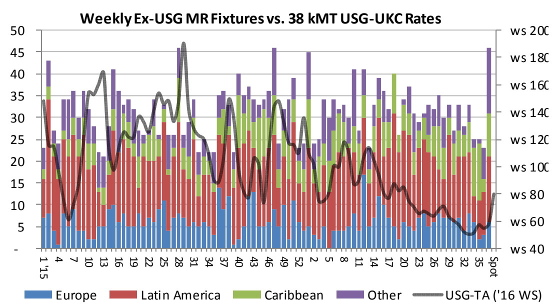
Rates on the USG-UKC route jumped 30 points to conclude at a three-month high of ws80 while the USG-POZOS route doubled to conclude at $500k lump sum. Triangulated Westbound trade earnings jumped 137% w/w to ~$7,674/day while TCEs on the Pozos route, a benchmark of intraregional short-haul trades from the USG, jumped to ~$18,782/day from just ~$1,597/day a week ago. With ex-USG rates and TCEs now firmly exceeding those from the UKC market, units arriving on the USAC are likely to ballast into the USG market more decidedly. The impact of inward ballasts to the USG, however, has likely already been priced into rates. Our 14-day forward tally of USG availability, including all units freeing on the USAC, shows a 32% reduction from last week's tally which excluded most USAC units. On this basis, and with Colonial Pipeline issues ongoing and the fall paradigm shift behind it, we expect that USG MR rates will continue to observe upside during the upcoming week with directional strength likely through the remainder of the year.

Projected OECD Oil Demand



Projected World Oil Demand





REPORTED TANKER SALES

"Isis" 116,093/07 – Universal Tsuneishi – DH
-Sold for $24.0m to undisclosed Greek buyers.

"Ardmore Centurion" 29,006/05 – STX Jinhae – DH – IMO II/III
-Sold for $15.7m to undisclosed Indian buyers.

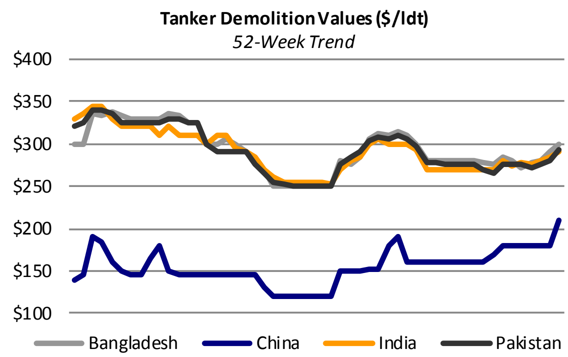
"Mid Fortune" 19,945/09 – Fukuoka Nagasaki – DH – IMO II/III
-Sold for $23.5m to Danish buyers (Celsius Shipping).

REPORTED TANKER DEMOLITION SALES

India

Shuttle **"Tove Knutsen"** 105,295/89 – 21,314 LTD – DH
-Sold on private terms. Unite converted from crude tanker 08/1992 and to DH 04/2004.

"Rakan 1" 2,999/75 – 1,172 LTD – SH – Ice 1C
-Sold on private terms.



[1]Monthly triangulated VLCC AG-USG/CBS-SPORE/AG TCE averages based on aveage CBS-SPORE assessments and prior-month AG-USG assessments to reflect earnings reality for units engaged in this trade.

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