WEBER WEEKLY
TANKER REPORT

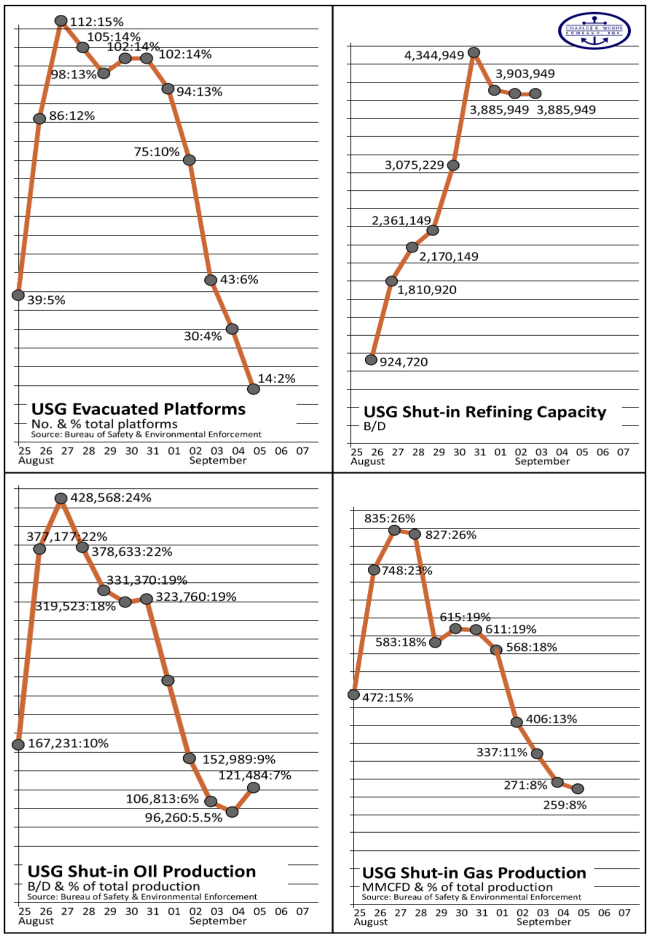
CHARLES R. WEBER COMPANY, INC.

WEEK 35 – 4 SEPTEMBER 2017 ISSUE 35 – 2017

After Harvey

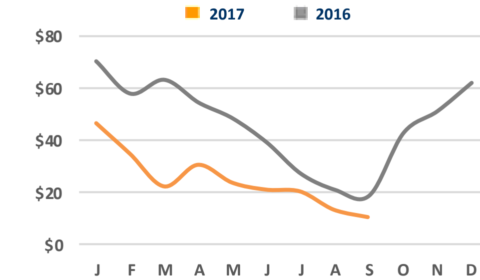
By John M. Kulukundis

According to estimates from the US Bureau of Safety & Environmental Enforcement, US Gulf evacuated drilling platforms have fallen from a high of 112 or 15% of all manned platforms in the USG on August 27th, to an opening number on September 5th of just 14. Shut-in natural gas in the Gulf has been falling precipitously since a high if 835 million cubic feet day on August 27th to 271 MMCFD today, representing a drop of 18% of total production. BSEE estimates have noted a rise in shut-in oil production this morning, this may be due to continued damage surveying and adjustments to production accordingly. That said, from the hurricane high (8/27)of 428,568 Bbls/day, shut-in production has fallen by just over 307,000 Bbls/day to 121,484, or 7% of total USG production today.

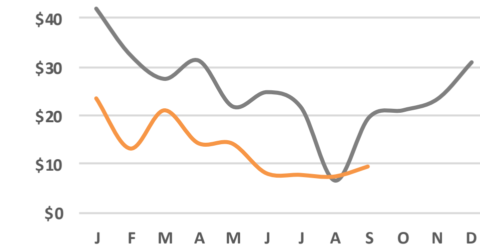


The US Department of Energy has been following refinery outages and restarts, a somewhat inexact science as refineries push to get back online or reduce rates due to weather or crude supply. The latest DOE assessment of US Gulf refining capacity looked like this:

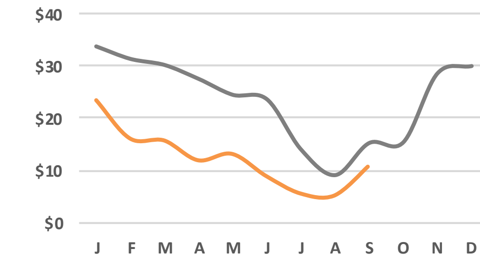
"As of 02:30 PM EDT, September 3, nine refineries in the Gulf Coast region were shut down, according to public reports. These refineries have a combined refining capacity of 2,357,229 b/d. Seven refineries had begun the process of restarting after being shut down. This process may take several days or weeks to start producing product, depending whether any damage is found during restart. At least four refineries in the Gulf Coast region were operating at reduced rates, according to public reports."



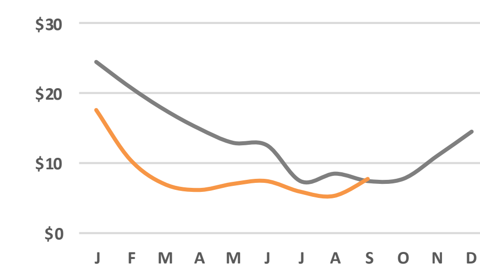
VLCC Average Earnings	MTD Average ~$10,617/Day	Month y/y ▼ -44%



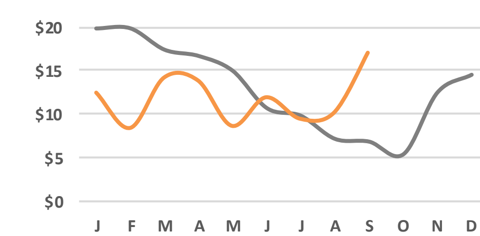
Suezmax Average Earnings	MTD Average ~$9,396/Day	Month y/y ▼ -52%



Aframax Average Earnings	MTD Average ~$10,698/Day	Month y/y ▼ -29%



Panamax Average Earnings	MTD Average ~$7,597/Day	Month y/y ▲ +2%



MR Average Earnings	MTD Average ~$17,109/Day	Month y/y ▲ +151%

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As of Sunday night The U.S. Coast Guard has advised that eleven USG ports are closed or open with restrictions. Crude imports at these ports averaged 2,077,000 b/d from January through May 2017.

Corpus Christi: Open with restrictions. Allowing vessels up to 43' draft to transit during daytime hours only. Larger vessels allowed one-way transits during daylight hours only. Ship channel also open with restrictions. Working to reopen completely 09/04.

Galveston: Open with restrictions. Ship channel also open with restrictions. Limited to daylight hours for vessels with < 33' draft. Galveston Bay Entrance Channel, Outer Bar Channel, Bolivar Roads Anchorages, Bolivar Roads Channel, and Galveston Harbor open.

Houston: Open with restrictions. Houston Ship Channel above LB18 to Mitchell's Point open.

Texas City: Open with restrictions. Texas City Channel, Texas City Turning Basin, and Industrial Canal open.

Beaumont: 30' draft restriction for all waters of the Sabine-Neches Waterway.

Lake Charles: 37' draft restrictions of the Calcasieu Ship Channel.

Nederland: 30' draft restriction for all waters of the Sabine-Neches Waterway.

Orange: 30' draft restriction for all waters of the Sabine-Neches Waterway.

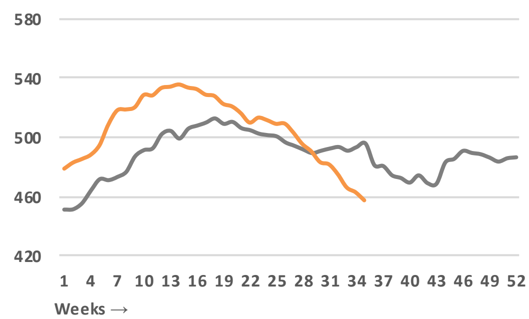
Port Arthur: 30' draft restriction for all waters of the Sabine-Neches Waterway.

Port Neches: 30' draft restriction for all waters of the Sabine-Neches Waterway.

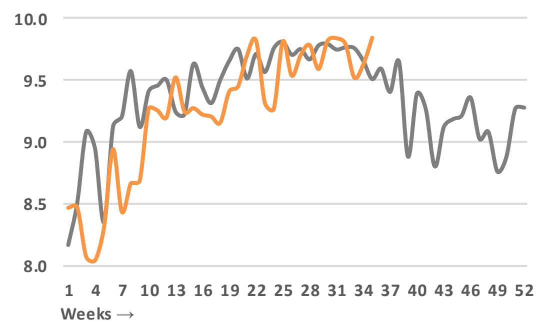
Sabine Pass: 30' draft restriction for all waters of the Sabine-Neches Waterway.

Disruption and closing of some of the major crude import ports, representing an average crude import capacity of over 2 million Bbls/day prior to Harvey, has led some refiners to take advantage of the US Secretary of Energy's offer to execute an emergency exchange of SPR crude up to 5.3 million bbls. The DOE has reported those companies to be:

Requesting Refinery	SPR Draw-Down Site	Amount Authorized (up to)
Phillips 66 Lake Charles Refinery (First Request)	West Hackberry	200,000 bbls sweet; 300,000 bbls sour
Phillips 66 Lake Charles Refinery (Second Request)	West Hackberry	200,000 bbls sweet; 300,000 bbls sour
Marathon Petroleum Company	Bayou Choctaw	3,000,000 bbls sweet
Valero Marketing and Supply Company (First Request)	Bayou Choctaw	500,000 bbls sweet
Valero Marketing and Supply Company (Second Request)	Bayou Choctaw	500,000 bbls sweet



US Crude Stocks (EIA)	Last Week	Week y/y
	457.8 MnBbls	▼ -7.8%



US Gasoline Demand (EIA)	Last Week	Week y/y
	9.846 MnB/d	▲ +3.5%

■ 2017 ■ 2016

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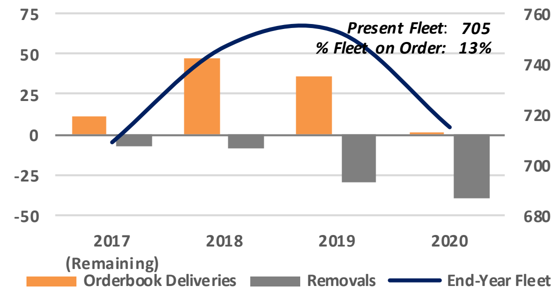
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	25-Aug		1-Sep	
AG>USG 280k	22.0	$(3,086)	21.5	$(3,704)
AG>USG/CBS>SPORE/AG	--	$23,174	--	$20,264
AG>SPORE 270k	42.5	$10,672	38.0	$7,416
AG>JPN 265k	39.0	$9,983	37.0	$8,640
AG>CHINA 270k	41.0	$8,747	39.0	$7,407
WAFR>CHINA 260k	49.0	$17,045	45.5	$14,069
CBS>SPORE 270k	$3.60m	--	$3.35m	--
VLCC Average Earnings		*$12,764*		*$10,617*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	55.0	$6,455	65.0	$10,356
WAFR>UKC 130k	60.0	$3,845	70.0	$7,521
BSEA>MED 140k	75.0	$5,479	75.0	$5,319
CBS>USG 150k	55.0	$5,308	70.0	$14,228
Suezmax Average Earnings		*$5,668*		*$9,396*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	85.0	$(1,564)	85.0	$(2,128)
AG>SPORE 70k	92.5	$7,186	92.5	$7,372
BALT>UKC 100k	60.0	$2,174	60.0	$1,580
CBS>USG 70k	150.0	$20,920	155.0	$22,222
USG>UKC 70k	115.0	--	115.0	--
CBS>USG/USG>UKC/NSEA	--	$29,505	--	$29,976
MED>MED 80k	70.0	$(839)	77.5	$1,632
Aframax Average Earnings		*$10,158*		*$10,698*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	105.0	$(938)	125.0	$2,755
CONT>USG 55k	115.0	$7,564	122.5	$8,895
ECU>USWC 50k	140.0	$9,862	140.0	$9,409
Panamax Average Earnings		*$5,534*		*$7,597*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	114.0	$12,787	100.0	$9,768
AG>UKC 80k	$1.73m	$12,517	$1.65m	$10,875
MED>JPN 80k	$1.50m	$6,294	$1.59m	$7,561
AG>UKC/MED>JPN/AG	--	$14,896	--	$14,921
LR2 Average Earnings		*$13,489*		*$11,484*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	122.0	$8,818	121.5	$8,900
AG>UKC 65k	$1.37m	$8,707	$1.37m	$8,558
UKC>WAFR 60k	90.5	$(238)	147.5	$8,682
AG>UKC/UKC>WAFR/AG	--	$10,582	--	$15,878
LR1 Average Earnings		*$9,700*		*$12,389*
MR (13.0 Kts L/B)				
UKC>USAC 37k	120.0	$4,442	250.0	$23,771
USG>UKC 38k	135.0	$7,655	115.0	$4,526
USG>UKC/UKC>USAC/USG	--	$12,196	--	$20,435
USG>CBS (Pozos Colorados) 38k	$525k	$18,918	$450k	$13,699
USG>CHILE (Coronel) 38k	$1.25m	$18,111	$1.20m	$16,535
CBS>USAC 38k	165.0	$13,685	135.0	$8,725
MR Average Earnings		*$12,023*		*$17,109*
Handy (13.0 Kts L/B)				
MED>EMED 30k	116.5	$4,296	135.5	$8,638
SPORE>JPN 30K	162.5	$7,662	160.0	$7,508
Handy Average Earnings		*$6,450*		*$7,915*

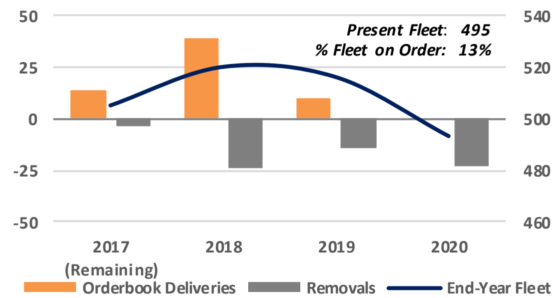
Average Earnings weighted proportionally to regional activity share of each size class' worldwide market (including routes not necessarily shown above).

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$24,500	$28,000
Suezmax	$17,000	$18,500
Aframax	$14,500	$17,000
Panamax	$12,000	$13,500
MR	$12,750	$14,500
Handy	$12,000	$13,000

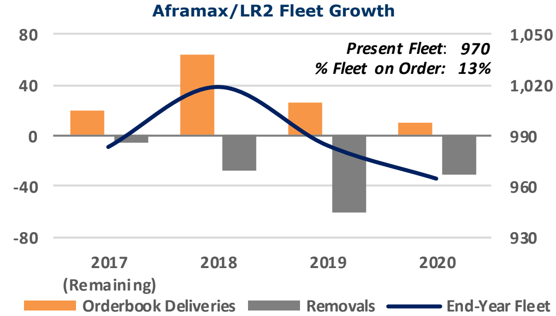
VLCC Fleet Growth



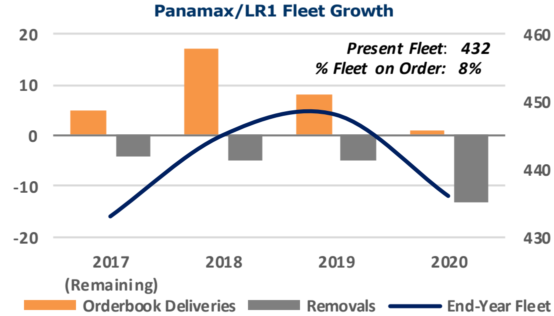
Suezmax Fleet Growth



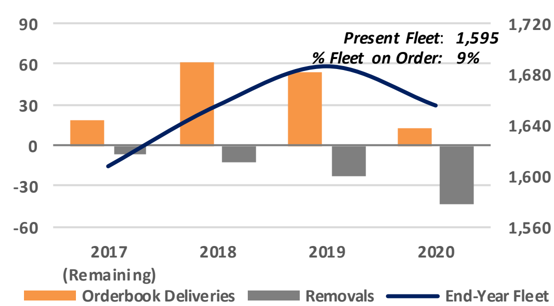
Aframax/LR2 Fleet Growth



Panamax/LR1 Fleet Growth



MR Fleet Growth



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SPOT MARKET SUMMARY

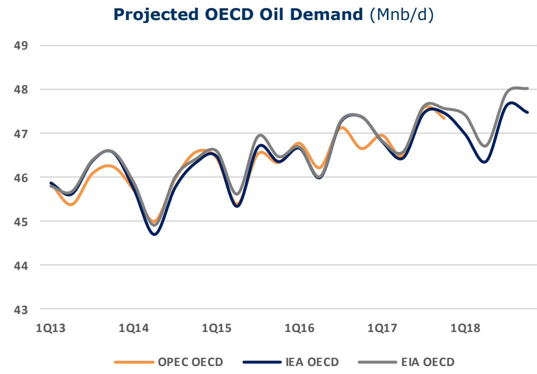
VLCC

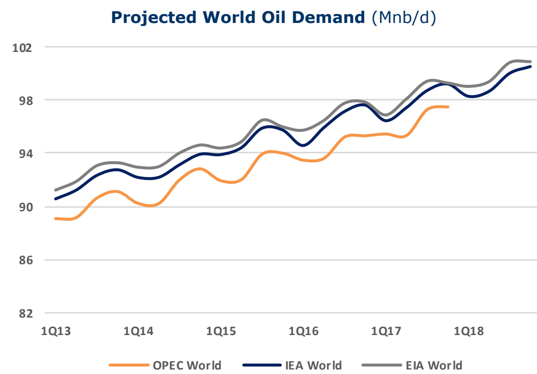
Rates in the VLCC market remained on a negative trend this week as an ongoing overcapacity situation was compounded by a fragmented workweek with holidays in the UK and Middle East and office closures in Houston amid Hurricane Harvey's devastation. In the Middle East market, the fixture tally rose by one fixture to 23 – though each fresh cargo was met with a long list of offers. Meanwhile, the West Africa market was busier, with the tally there up by two to six. Draws to the Atlantic basin continue as demand for voyages from the Caribbean basin remained in excess of natural regional positions. Last week, this situation drew units ballasting from Asia which would have otherwise been Middle East positions and this week it went further, drawing units already positioned off of Fujairah. This has helped to keep the Middle East tonnage surplus from swelling as a number of fresh units appeared on position lists, but has done little to change sentiment as the headline impact of the number of units available to service Middle East was what participants were looking at. During the upcoming week, rates could stabilize as draws to the Atlantic basin become obvious, however. We note that through the end of the Middle East September program's second decade, there are 67 units available to cover 35 remaining cargoes and 8 draws to the Atlantic basin (including the Caribbean and West Africa areas), implying a surplus of 24 units. While marginally higher than the surplus of 22 units observed at the conclusion of the month's second decade, the number remains on par with the surplus observed at the conclusion of the August program, when TCEs were considerably higher on percentage terms. AG-FEAST earnings instead are now at three-year lows—and at ~$8,112/day, they cover just ~76% of average daily OPEX.

Middle East
Rates to the Far East shed two points to conclude at ws37 with corresponding TCEs off by 13% to ~$8,640/day. Rates to the USG via the Cape were off by 0.5 point to ws21.5. Triangulated Westbound trade earnings fell 13% to ~$20,264/day.

Atlantic Basin
Rates in the West Africa continued to lag those in the Middle East with the WAFR-FEAST route losing 3.5 points to ws45.5 on the basis of last week's Middle East losses. TCEs on the route were off 17% to ~$14,069/day.

Rates in the Caribbean market pared last week's gains as the impact of ballast units – from both Asia and, more recently, Fujairah – was felt. The CBS-SPORE route shed $250k to conclude at $3.35m lump sum.





Suezmax

Rates in the West Africa Suezmax market were stronger this week on rising sentiment stemming from a surge in Aframax rates in the Caribbean market, which threatened to trim ballasters. This offset any negative pressure that might have resulted from a w/w decline in regional cargo inquiry; just five fixtures were reported, off 69%. Rates on the WAFR-UKC route added 10 points to conclude at a two-month high of ws70. The corresponding TCE stands at ~$7,521/day, or about half that which is attainable on CBS-USG runs. On this basis, rates are unlikely to correct until TCEs are at closer parity.

In the Caribbean market, Suezmax demand was active, with the fixture tally matching that of the traditionally more active West Africa market as charterers rushed to secure units for a range of activities ranging from traditional up-coast voyages to extra-regional long-haul voyages and short-term storage. The CBS-USG route added 15 points to conclude at 50 x ws70. As Suezmaxes are offering better $/mt freights than their Aframax counterparts, rates for the class could remain elevated in the near-term.

Aframax

The Caribbean market commenced the week with an extending of high rates observed last week ahead of Hurricane Harvey's US landfall. Early-week fixing saw rates as high as ws165 concluded for CBS-USG voyages, though as demand was ultimately muted and Suezmaxes came into play with more attractive freights, rates started to ease by mid-week. The CBS-USG route ultimately concluded at ws155, representing a gain of five points from last week's closing assessment.

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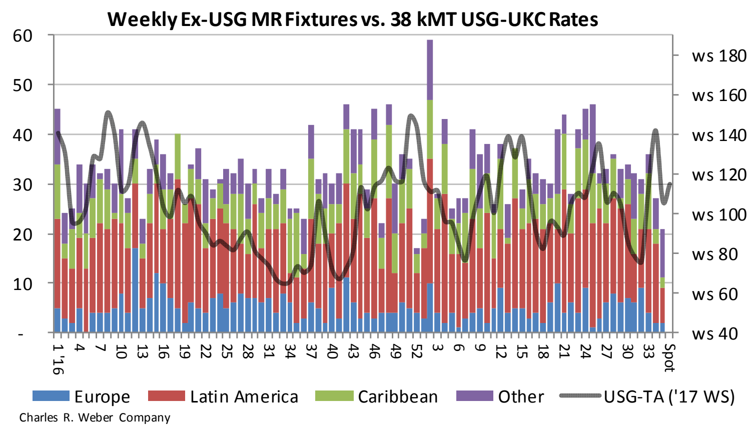
MR

The USG MR market commenced the week with strong rate losses as a number of fixtures failed and demand was light as US CPP prices posted strong gains amid Hurricane Harvey's devastation. Soaring rates in the UKC market added to negative pressures on trans-Atlantic rates, which guided all regional rates lower. As the week progressed, however, and demand slowly returned to the market amid a wave of ballasts from the region which trimmed availability, rates posted a late rebound. Ultimately, the market observed 21 fresh fixtures, off 22% w/w. The two-week forward view of tonnage – which a week ago reached a five-month high, scaled by 25% to 43 units, in-line with the YTD average. Rates on the USG-UKC route dropped to as low as ws92.5 before rebounding at the close of the week to conclude at ws115, off 20 points from a week ago. Further rate gains are expected to materialize in the near-term as USG cargoes vie for tonnage with the UKC market. Further forward, as Atlantic basin trades start to slowly normalize, a large wave of units bound for the USAC to cover shortfalls in PADD3-PADD1 movements will likely weigh heavily on ex-USG rates.



REPORTED TANKER SALES

"Nichinori" – 298,414/02 – Universal Ariake – DH
-Sold for $21.0m to South Korean buyers (Sinokor). Unit due to SS 12/2017.

"Gener8 Pericles" – 105,674/03 – Sumitomo – DH
-Sold for $11.0m to undisclosed Greek buyers.

"King Dorian" – 73,611/07 – New Times – DH – IMO III
-Sold for $14.5m to US buyers (Norstar Tankers LLC).

"Overseas Petromar" – 35,768/01 – Daedong – DH – IMO III
-Sold on private terms to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

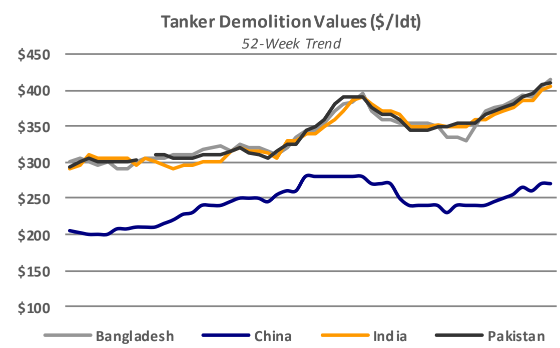
Bangladesh

"Maran Centaurus" – 300,294/95 – 48,703 LDT – DH
-Sold for $403/ldt basis as is, Singapore, gas-free and including 300 MT bunkers.

"Q. T. One" – 38,864/87 – 9,474 LDT – DH
-Sold for on private terms. Unit converted to DH 11/2007.

Turkey

"Kapitan Pershin" – 5,557/82 – 3,556 LDT – SH – Ice 1B
-Sold on private terms.



George P. Los
Senior Market Analyst
Charles R. Weber Research
research@crweber.com

Charles R. Weber Company, Inc.
Greenwich Office Park Three,
Greenwich, CT 06831
Tel: +1 203 629-2300
www.crweber.com

1001 McKinney Street,
Suite 475
Houston, TX 77002
Tel: +1 713 568-7233