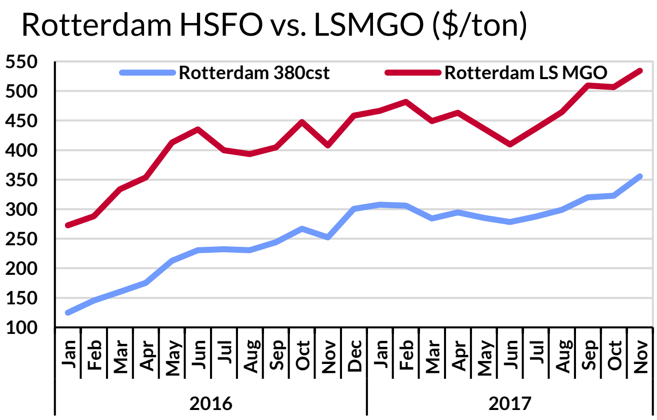
"The Big Green Tsunami"

Weekly Tanker Market Report

Perhaps we are all getting a little tired of reading about various warnings about the implementation of the new global sulphur emissions legislation effective from the 1st January 2020. However, the issues associated with that date are not going to disappear anytime soon. Last month, an ExxonMobil survey highlighted an ongoing sense of confusion and a lack of preparedness, with 70% of respondents saying that they do not believe that the industry is ready for the deadline. As brokers, we are frequently asked for information on this topic; is there a future for fuel oil; what is going to be the financial cost of ….. etc. Will implementation be delayed? Will there be sufficient compliant fuel? The questions are endless, finding answers is a lot trickier. Up until recently, the general stance adopted by most owners has be to wait and see what others are doing. But implementation is fast approaching, and time is rapidly running out to ensure that your ship is ready for 2020.



Speaking in Athens last week, Dr Edmond Hughes, IMO's head of air pollution and energy efficiency (MEPC) stated that the global sulphur limits would enter into force "with no delay". This is the stance that the IMO have adopted for some time now after some softening of recent legislation on some issues following external pressure. Dr Hughes went on to say that any breach of the legislation could result in the detention of a vessel and that a non-compliant ship could be considered "unseaworthy", which could affect their charter party and also indemnity in the event of an insurance claim. Compliance, enforcement and monitoring will be the responsibility of both the flag and port states.

Another conference, coincidentally also held in Athens around the same time and attended by a large continency of Greek owners also focused on the emission regulations. The Greener Shipping Summit 2017 again raised concerns about the availability of compliant fuels, although refiners attending the conference appeared to be confident that they will be able to meet demand for compliant fuel. However, this industry change will result in a vast volume of HSFO being replaced by 0.5% sulphur fuel and cannot happen overnight. Jesper Arvidsson of MAN Diesel & Turbo talking about scrubbers stated that no engine modifications are usually needed, and if they are, they are minor. He went on to say the biggest problem for engines was the variation in fuel quality. Arvidsson also stated that scrubbers were a big investment and the uptake has been slow, although more financing solutions are being offered by the makers and fuel suppliers. Oil majors are also looking to timecharter tankers with scrubbers and are driving the move towards regulation compliance. A fact that was reinforced by a statement from BP earlier this week.

The conclusion has to be that most vessels will have to switch to a fuel of maximum 0.5% sulphur content. The worry for the industry is what the premium will be over the fuel oil price in 2020. Anyone considering the scrubber option should be taking steps now to plan as competition for yard space could become critical the nearer we get to the deadline (effectively 24 months away). Mass adoption of LNG conversion as an alternative fuel is off the menu for several reasons. However, the only area that there is unanimous agreement is that the changeover is going to be costly for all interested parties.

Crude Oil

Middle East

Cracks, that started to show last week, widened in VLCC Owners' defences as Charterers maintained an easy approach to a market awash with availability. Rates sunk into the low ws 60's East with mid ws 20's still the zone for Western runs. There will probably need to be further discounting before any serious fixing momentum ensues to give the market the opportunity of a turnaround. Suezmaxes became less active as the week wore on and rates to the West slipped to ws 37.5 with levels to the East clinging on to their previous ws 87.5 marks. Owners need more attention to cement their bottom lines. Aframaxes faced insipid enquiry through the week and rates crumbled to 80,000mt by ws 110 to Singapore with further downside on the near-term cards.

West Africa

Suezmax Owners made life as difficult as they could for Charterers in the lead up to Thanksgiving, but never managed to break into clear blue water. Rates stalled at 130,000mt by ws 80 Europe, and ws 75/77.5 to the USGulf, but perhaps will add a little extra if next week restarts in busy fashion. VLCCs remained handcuffed to AGulf flagging fortunes and tracked down to ws 65 to the Far East with sub $3 million available for runs to West Coast India. There may still be a lag factor to whatever happens in the Middle East, but the handcuffs will remain tightly fixed, nonetheless.

Mediterranean

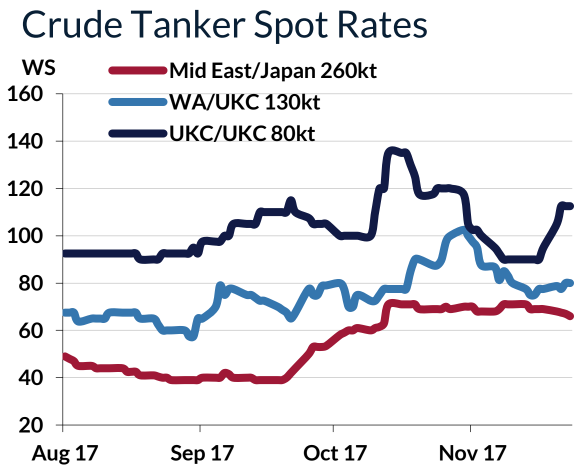
A slow puncture for less busy Aframaxes...rates flopped off to 80,000mt by ws 90 X-Med and the slump looks set to remain a feature for a little while yet. Suezmax availability built to counter any upward threat that may have been lurking and by the week's end it was becoming harder for Owners to hold their line at 140,000mt by ws 82.5 from the Black Sea to European destinations though a bright start to West Africa next week would harden resolve.

Caribbean

Aframaxes enjoyed a pre-holiday mini spike to pop rates to 70,000mt by ws 145 upcoast, but the long weekend will make it challenging for Owners to pick off where they left off and some degree of settling looks now likely. VLCCs had things to do, but it was a little low key and Charterers found Owners more compliant than of late. $4.2 million Caribs to Singapore, and to around $3.9 million to West Coast India now with a flatline/steady feel for the next fixing phase.

North Sea

Aframaxes initially improved to 80,000mt by ws 110+ X-UKCont and to 100,000mt by ws 95 from the Baltic, but the market became sluggish thereafter and there's a more uncertain air circulating. Little VLCC interest, but $3.6 million was seen for fuel oil Rotterdam to Singapore with $4.9 million paid for crude oil from Hound Point to South Korea and similar values are anticipated for the next deals too - perhaps a little lower.



Clean Products

East

It has been a very quiet week on the LR2s, but a fairly busy one on LR1s. LR1s saw a fair number of cargoes and rates edged up accordingly with 55,000mt naphtha AGulf/Japan up some 5 points to ws 130. West rates are steady though and back to where they started the week with 65,000mt jet AGulf/UKCont at $1.325 million. LR2s have struggled with very little business quoting. 75,000mt naphtha is down 10 points at ws 112.5, after one cargo finally quoted yesterday. 90,000mt jet AGulf/UKCont is also down with $50,000k taken off the rates down to $1.775 million. We expect to see more of this rate going into next week.

An incredibly slow week on the MRs, which have seen very little movement at all. Silver lining as far as Owners are concerned, is the fact that we have seen a fair amount of longhaul fully fixed back end of last week and beginning of this. The list has therefore been able to withstand a reduction in the supply of cargoes and therefore cling on tightly to last done levels. Westbound cargoes have been very much untested this week, unsurprising given the considerable softening seen on the larger tonnage; it makes far greater economic sense to stem up any cargoes where possible and focus on the weak LR2 market. These finish the week at $1.2 million, but should be negatively tested on the next done.

Eastbound again have been treading water at the 35 x ws 180 levels, put on subs and failed towards the back end of the week, but same argument applicable here in terms of Charterers pinpointing larger tonnage. EAF now sits at ws 212.5 - a tried and tested favourite amongst Owners at the moment which Charterers seem happy to clean away at last done levels. Shorthaul sits at the $210k levels, although a healthy supply of prompt tonnage means that prompter dates will be covered sub $200k. Runs into the Red Sea have not moved off the cheap $500k levels seen last week. Although there is little being loaded in the Red Sea, much of the tonnage there is sitting off on Financial Hold so workable tonnage remains thin. With LR2s due an active week next week, we are likely to see another lack-lustre start. Action could pick up in the latter stages of the week.

Mediterranean

Fresh enquiry has persisted throughout week 47 which has allowed Owners to clawback some Worldscale points with near enough every fixture. A main catalyst for this was the strong demand seen from the East Med, area which has now pushed rates up to 30 x ws 170 for X-Med. With the tonnage list now tight especially in Central and East Med this could see rates continue to rise and also may put some strain on Black Sea stems, but for now that route trades at 30 x ws 175.

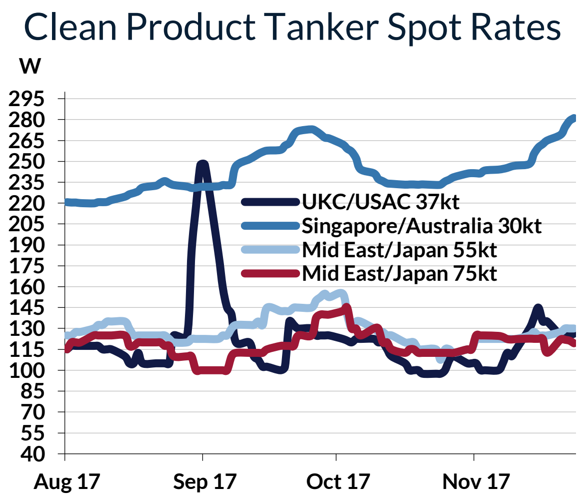
The opposite was seen on the MRs this week with enquiry seen at a sluggish rate throughout meaning Owner's weren't able to capitalise on tight tonnage to drive rates up. Rates going East traded around the $825k mark for Med-AGulf runs however, if enquiry picks up at the beginning of next week, Owner's may be able to achieve more than last done levels.

UK Continent

With the shortened working week in the US many were expecting to hit the ground running with a flourish of MR cargoes however, for the NW Europe market this failed to materialise. TC2 volumes have remained subdued, rates have traded flat at 37 x ws 125 and WAF corrected to 37 x ws 145. That being said, the front end of the tonnage list has been cleared which has resulted in the list now looking balanced and heading into the December fixing window, the market should start to pick up.

All in all, Handy Owners will be satisfied with this week's fixings as levels for both Baltic and X-UKCont liftings have held the line and remained steady at 30 x ws 150 and 30 x ws 145 respectively. Primorsk has now been covered up until the 5th and many will have a firm eye on how many Handy stems we will see next week, or if bigger sized ships will be preferred as seen in previous programmes. Looking ahead the Baltic fixing window will be around 5th–7th window and for those dates more alternatives will be available for Charterers which could see the sideways pattern continue.

After the firming which we had seen in the Handy market last week, it was expected that Flexi rates would receive a correction, which they did. 22 x ws 192.5 is now the market however, fresh cargo enquiry remains rather subdued as COAs keeps tonnage slowly employed. That being said, expect this market to react on how the Handies perform next week.



Dirty Products

Handy

The continent in general suffered from a distinct lack of opportunity where a combination of prolonged inactivity and tonnage stocks building made for a tricky week from an Owner's perspective. To add further misery, rate degradation has been seen to such extent stretching by almost ws 20 points week on week. This said, expectation grows that this recent lull should soon end, with December programmes on the horizon.

In the Med current trend moves at opposite poles from that of the continent, where volatility signals that our Owners are holding all the bargaining chips. Adding to this, the region has been suffering from numerous weather delays with units delaying all around the Central / East Med regions. Creating the perfect storm, requirement from the Black Sea also picked up helping Owners to move the barrier up to ws 215 from the Black Sea as a peak for the week.

MR

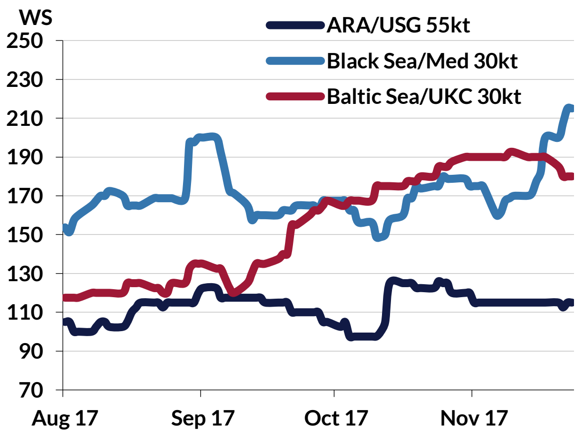
A very static week in the continent, hardly surprising, considering the lack of naturally placed tonnage throughout. With the positions list only showing two potential candidates for Charterers to choose from we had to wait until midweek for levels to be tested.

Elsewhere trend in the Med suffered a similar fate to the surrounding Handies with gains being seen week on week. That said, it would appear that once peaks were set we are now enduring a brief quieter spell where the market is being given the chance to reconcile recent events. Looking ahead, this sector is expected to be somewhat resilient to severe negativity where forward supply looks balanced.

Panamax

As expected this week, Thanksgiving in the US has given us a pre-holiday rush in the US where levels reacted steadily to the increased demand. Here in Europe where vessels for the short term at least ballast units do not wish to head, we have had to draw upon natural tonnage to recover the steady requirement seen Monday through Friday. In turn, this creates a sector poised for movement come Monday, but in which direction is yet to be decided as strength totally depends on what demand we see States side when markets reopen.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 23rd	Nov 16th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**+0**	64	64	65	69
TD20	Suezmax	WAF-UKC	**+0**	80	80	77	87
TD7	Aframax	N.Sea-UKC	**+0**	110	110	125	104

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

			wk on wk change	Nov 23rd	Nov 16th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**+0**	20,250	20,250	23,000	24,000
TD20	Suezmax	WAF-UKC	**+0**	12,750	12,750	13,000	15,500
TD7	Aframax	N.Sea-UKC	**+0**	12,000	12,000	24,250	7,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 23rd	Nov 16th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-3**	119	123	115	
TC2	MR - west	UKC-USAC	**+0**	126	126	119	143
TC5	LR1	AG-Japan	**+0**	130	130	126	128
TC7	MR - east	Singapore-EC Aus	**+19**	281	262	234	

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

			wk on wk change	Nov 23rd	Nov 16th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-500**	10,250	10,750	11,500	
TC2	MR - west	UKC-USAC	**+0**	4,750	4,750	4,750	7,250
TC5	LR1	AG-Japan	**+0**	8,250	8,250	8,750	8,000
TC7	MR - east	Singapore-EC Aus	**+2,250**	15,750	13,500	12,000	

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

ClearView Bunker Price (Rotterdam HSFO 380	**+2**	353	351	321	
ClearView Bunker Price (Fujairah 380 HSFO)	**+5**	373	368	334	
ClearView Bunker Price (Singapore 380 HSFO)	**+6**	381	375	340	
ClearView Bunker Price (Rotterdam LSMGO)	**+12**	546	534	498	

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