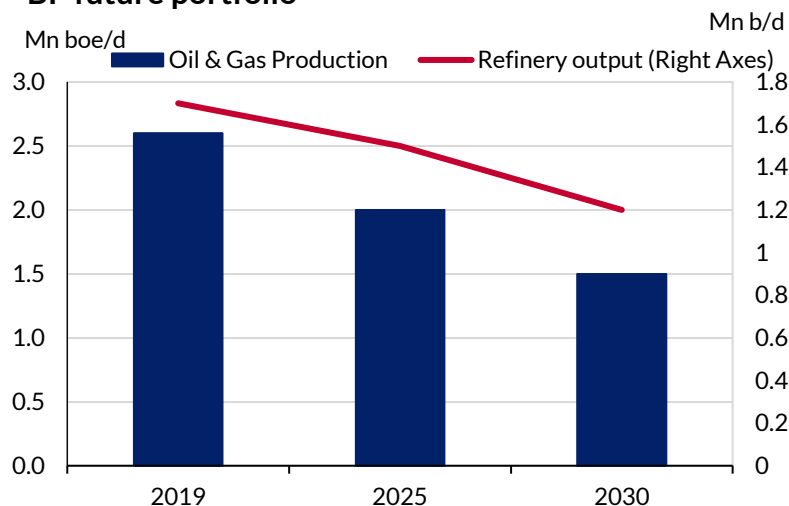


Major Change

Weekly Tanker Market Report

BP has recently announced its plan to be a net-zero company by 2050. BP wants to cut overall emissions by 30-35% by 2030 from 2019 levels. It expects emissions that are associated with carbon in upstream oil and gas production to be 35-40% lower, and for the carbon intensity of production it sells to customers to fall by more than 15%. This will see the company transition from being an energy producer to delivering energy solutions for customers. These solutions will include increased investment in LNG and increasing investment in both blue hydrogen (fuel produced from natural gas in combination with carbon capture and storage) and green hydrogen (from renewable energy using electrolysis). This will ultimately mean that the company will reduce its focus on exploration and production of both oil and gas. It highlighted that it will reduce its production output from 2.6 mn b/d of oil equivalent (boe/d) in 2019 to 2.0 mn boe/d in 2025 and 1.5 mn boe/d in 2030. It also expects refinery runs to decline from 1.7 m b/d last year, to around 1.5 m b/d in 2025 and 1.2 m b/d in 2030. This will be achieved via active portfolio management and no exploration in new countries. BP plans to increase its low carbon investment from around \$500 million currently to \$3-4 billion/yr by 2025 and around \$5 billion/yr by 2030. This will mean BP will be spending around 40-50% of its total spend in non-oil and gas. Its hydrocarbon spend will decrease from \$13 billion in 2019 to \$9 billion/year by 2025.

BP future portfolio



As part of this investment for the future, BP is preparing to divest a large portion of its oil and gas assets, even if crude prices bounce back from the Covid-19 crash. Chief executive Bernard Looney suggested that the outlook for BP over the next few years will be one of production decline, by around 40%, meaning that the company no longer needs exploration to fund new growth. The divestment of assets will raise \$25 billion for the company. Looney said that the company will continue to explore for oil near its existing production infrastructure as those barrels would be low cost and help boost

BP's cash flow to fund its transition to cleaner energy. There is speculation of which assets will be sold by the company, but it is too early within the plan to know which will be sold.

BP is just one of the major oil companies to sign-up to the net-zero campaign. Repsol and Eni, have outlined their position to reduce emissions by 2050, while Shell, Total and Equinor, all highlighted that they will significantly cut emissions in the near-future. Chevron, Conoco Philips and ExxonMobil have announced interim reductions, although there are no major details. The move by BP to announce its transition away from a major oil and gas producer may well provide impetus for other majors to follow suit.

The divestment of assets from the oil majors will mean that these companies could have less demand for tankers in the future. This comes at a time when there has been a concerted effort by many oil majors to reduce their exposure to tanker ownership. This does beg the question of who will acquire the major's assets? Will it be the traders who are building their presence in the market or will it be new entrants to the sector? In terms of the tanker market, will this make the trading environment more diverse with new entrants in the sector, or will total shipping demand be impacted? The net-zero plans of the majors will require a systematic change in their business models, how this will influence the future tanker markets will be something we will have to keep an eye on as their plans develop.

Crude Oil

Middle East

Testing for VLCC Owners, and testing for anyone attempting to weave a narrative out of a market situation that has remained pressured by only modest demand, and continued easy supply. August is now all but wrapped up and September programmes will be in hand from early next week. Unfortunately, there is no expectation of a major production hike to raise volumes, and competition is likely to remain strong. On-spec ballasting to the West will be the escape route for many. Rates operated at down to ws 27 for 'challenged' units to the East, with little better than ws 33 seen for modern vessels, and runs to the West theoretically remain at, or even under, ws 20 via Cape. Suezmaxes floundered similarly as availability saturated demand and rates chipped lower to 130,000mt by ws 45 to the East and into the very low ws 20's West. Again, little chance of a quick turnaround. Aframaxes completed the soggy regional picture, running on fumes, and rates move to 80,000mt by ws 62.5 to Singapore, which could well be a mere waypoint on the journey to lower numbers.

West Africa

A sideways and defensive week for underfed Suezmaxes. Charterers did steadily pick off the low hanging fruit but never with enough energy to lend Owners any leverage and rates settled to 130,000mt by ws 40 to the USGulf, and to max ws 45 to Europe, accordingly. another repeat week threatens. VLCCs

held on to their modest premiums over prevailing AGulf/East numbers but activity became very light and some degree of fractional discounting may be the next move.

Mediterranean

Aframax Owners found a flicker of hope with dreams of something even better to come late-week. but those dreams didn't come true and a faltering end to the week took most of the shine off to end at down to 80,000mt by ws 57.5 X-Med, and to ws 65 from the Black Sea. A busy re-start could rekindle those hopes, however. Suezmaxes eye a pretty flatline upcoming CPC programme and will be bracing themselves for further defensive duties. It's a grey rate-scape at 140,000mt by ws 52.5 from the Black Sea to European destinations, and an unchanged \$2.7 million level for runs to China.

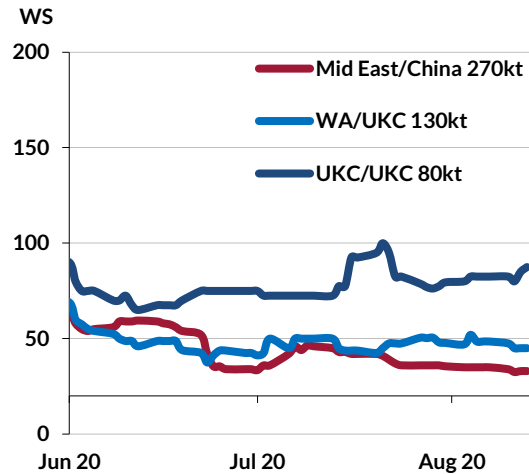
US Gulf/Latin America

Another frustrating week for Aframax and the previous small bubble of expectation was more definitively popped. Rates eased to 70,000mt by ws 70 both upcoast and transatlantic and tonnage will rebuild further into next week. Bad weather disruption is sorely needed to counter. VLCCs kept to a steady beat as the need for ballasters from the East was maintained and the maths remained the same in order to compensate. Rates from the USGulf to South Korea-China kept in a \$5.3/5.5 million range, and will not veer far from that over the near term, at least.

North Sea

As in the Med, there was some early anticipation that the Aframax market here could kick on, but an underwhelming second half of the week put paid to that and rates are starting to ease back. 80,000mt at down to ws 85 X-UKCont, and to 100,000mt by ws 60 from the Baltic, for now, and Owners will have to dig in from Monday to ensure that they keep to those marks. VLCCs had questions, but little solid to work with. Rate demands operate at just over \$5 million to South Korea/China, but Charterers' interest seems a little half-hearted at that level.

Crude Tanker Spot Rates



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

Clean Products

East

A busy week on the LR2s, which took their lead from the LR1s to improve upon some fairly shocking numbers done last week. TC5 shifted north aggressively in the early part of the week, so inevitably charterers looked to utilise the LR2 list where possible; finding extra barrels before the list thinned. \$1.7 million is theoretically the last done going West but there is huge potential to shift further. KPC saw \$1.875 million offered on theirs and are yet to cover. Nap has moved to 75 x ws 75 but again sentiment is good going into the new week. Charterers will be sitting on early September stems until Monday or Tuesday, but you would sense that we are still missing some ATC enquiry off August dates, even those few Owners being dropped are looking at a stronger market for their next cargo.

The LR1s took the charge with TC5 gaining ws 20 point in one day at the beginning of the week. This positivity set the tone for the rest of the week. Charterers soon realised that available, safe and workable tonnage was rapidly running out and this saw rates climb as Owners were desperate to get out of the disastrous hole they have been in for some weeks now. UKCont is on subs at \$1.45 million, however, with the tonnage incredibly tight to the end of the month, next done levels will surely be higher. Similar to the LR2s, we are yet to see any early September enquiry, which would indicate that Charterers are trying stem this head of steam heading into the weekend. But this could be hard to control given the lack of tonnage.

Another 'active' week in the MRs but, with further ground lost on rates; which is unsurprising given the sheer volume of vessels with good itineraries available to Charterers (18 ships currently prompt/ballasting to the AGulf, which can make loading prior in the next seven days). Enthusiasm for Owners, however, can be taken from the progressive nature of the LR1s and LR2s this week, with rates in the bigger sizes now pushing towards levels where on a \$/t basis an MR makes more sense. With an LR2 costing \$1.7 million (minimum) West and an MR \$800-850k – the breaking up on larger cargoes could be the saving grace of the MRs next week.

Mediterranean

With 30 x ws 80 being the going rate for X-Med the last month or so, it was refreshing to see some life in the market on Tuesday, with ws 82.5 and 85 achieved. A more balanced list and influx of cargoes allowed Owners to push rates very slightly North of ws 80 and enjoy somewhat 'momentum' for the day. That being said, a quiet rest of the week has seen a replenished tonnage list and 30 x ws 80 is now the norm again, with ws +10 achievable ex Black Sea. Monday will likely trade sideways and unless we see a large influx of cargo that will clip off prompt units at the front end, we can expect this subdued market to continue.

For MRs in the Mediterranean, despite an improved level of WAF stems passing, Owners have unfortunately been led by the UKCont for rates and suffered a

similar sentiment. The slightly lighter tonnage list has given a few Owners opportunities to hold onto an additional ws 5 points, as we see 37 x ws 85 on subs transatlantic today and that should be able to shield rates from the Charterers onslaught a little, but as always, enquiry needs to continue and the early part of next week will be pivotal on whether this can continue.

UK Continent

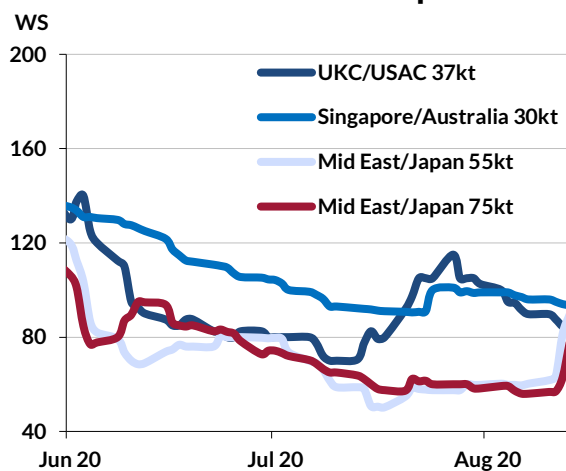
Another fairly uneventful week passes for the MR Owners in the UKCont, as enquiry levels have remained consistently slow giving Charterers the continued upper hand. With that, it was no surprise as come Friday we see a ws 10 point drop, down to 37 x ws 80 for TC2 and WAF expected to fall below the ws 100 mark. Owners have had little excuse to prevent this slide, with a number of undesirable last cargoes aiding in this negative momentum. An improved LR market may give some hope as interest this way has improved, and pushing into next week, Owners will be hoping this trend continues.

Handy Owners were bullish as we entered week 33 after the firming seen last Friday and, with a tonnage list lacking prompt candidates there could have been a real chance to push if enquiry persisted. Unfortunately, for the owning fraternity this never materialised as Charterers played the game very well by fixing ahead, resulting in ample candidates available for cargoes. Rates therefore softened on Tuesday and have since then traded flat at 30 x ws 90 for Baltic, 30 x ws 85

X-UKCont and 30 X ws 75 for UKCont/MED. More of the same expected here as we move through August.

It's been another miserable week in the UKCont Flexi market, with any glimmers of action being kept below the market surface. As was the same last week, fixing ideas in this market continue to be guided by pro-rated Handy levels, with 22 x ws 110 now the going rate for a X-UKCont run when next tested. Owners will be hoping that week 34 will be the week in which we see an influx of fresh enquiry and some fixing action, however, much of the same is expected for the foreseeable.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Despite one of the hottest weeks witnessed this year in the UK, the same cannot be said about the Handy market. The NWE market kicked off with limited well approved tonnage open naturally in the region. However, there still was enough tonnage to satisfy the enquiry that was marketed. This in turn made it very hard for Owners to hang onto last done rates. We close this week out some ws 5 points off from where it started, with the market establishing at sub ws 120 at time of writing. Looking towards next week, prompt tonnage is likely to roll into Monday where Charterers could again have the opportunity to attempt further negative correction.

The Mediterranean on the other hand took a little while to get going this week, with a very quiet first couple of days trading, but activity did eventually come by on a very quiet basis. This was the theme for the rest of the week, with ships quietly getting clipped away. Overall, the market has maintained levels since its correction, and generally the conference rate was set at ws 90 X-Med and ws 100 from the Black Sea. However, as far as sentiment is concerned, Owners have not felt able to push as finding employment and getting early units moving has been the priority. Looking ahead, the outlook for next week is not much better as tonnage continues to outweigh demand and come Monday, prompt tonnage will remain in play.

MR

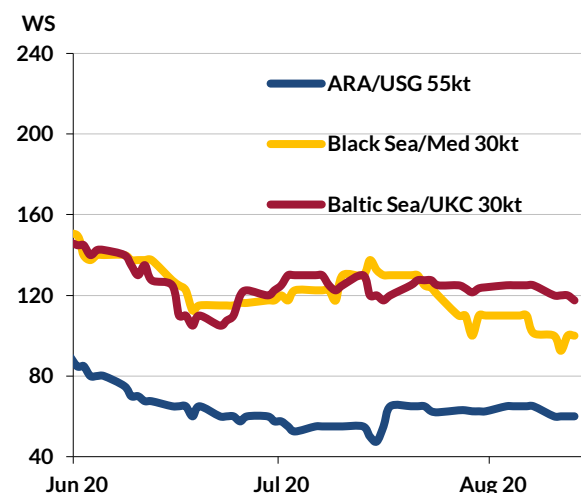
Facing the facts, week 33 for most meant that it was time to move on part cargoes in order to avoid idle days, with the majority of deals concluded this week being of a 30kt nature. Let's be clear though, not one Owner we have spoken to proclaims this to be a decision they have made lightly. In every scenario these

deals are way below Opex where for some they barely make a profit. However, if recovery is to be seen then ships have to be fixed on, but unfortunately this may require fixing in such conditions a few more times yet. For the lucky few though, MR stems did present with Charterers enjoying the levels on offer.

Panamax

Inactivity this week raises the question as to whether rates have taken a setback, where analysing the reasons for this assumption it does not seem to be an irrational call. What units remain naturally over here seem to be of a post 15-year vintage, or have come out of dry dock, meaning they will not be suited to every oil company's vetting requirements. This coupled with a surrounding Aframax market littered with units itching for a transatlantic run, means that Panamax Owners will have their work cut out when the market is next visited.

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Aug 13th	Aug 6th	Last Month*	FFA Q3
TD3C VLCC	AG-China	-1	33	34	42	38
TD20 Suezmax	WAF-UKC	-4	45	49	45	50
TD7 Aframax	N.Sea-UKC	+3	86	83	93	76

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

		wk on wk change	Aug 13th	Aug 6th	Last Month*	FFA Q3
TD3C VLCC	AG-China	-1,000	17,000	18,000	29,500	23,000
TD20 Suezmax	WAF-UKC	-2,500	12,250	14,750	13,000	15,000
TD7 Aframax	N.Sea-UKC	+2,250	8,750	6,500	16,000	1,750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Aug 13th	Aug 6th	Last Month*	FFA Q3
TC1 LR2	AG-Japan	+22	78	56	58	
TC2 MR - west	UKC-USAC	-8	83	91	79	102
TC5 LR1	AG-Japan	+30	89	59	51	92
TC7 MR - east	Singapore-EC Aus	-3	94	97	91	108

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

		wk on wk change	Aug 13th	Aug 6th	Last Month*	FFA Q3
TC1 LR2	AG-Japan	+7,750	14,000	6,250	7,500	
TC2 MR - west	UKC-USAC	-1,500	6,250	7,750	5,500	9,750
TC5 LR1	AG-Japan	+8,250	12,500	4,250	2,250	13,000
TC7 MR - east	Singapore-EC Aus	-750	6,000	6,750	6,000	8,500

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

ClearView Bunker Price (Rotterdam VLSFO)	-2	308	310	299
ClearView Bunker Price (Fujairah VLSFO)	+8	341	333	323
ClearView Bunker Price (Singapore VLSFO)	+2	345	343	331
ClearView Bunker Price (Rotterdam LSMGO)	+0	363	363	354

www.gibsons.co.uk

London

Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong

Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore

8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston

770 South Post Oak Lane
Suite 610, Houston
TX77056 United States