COP26 Key Takeaways

Weekly Tanker Market Report

As dust settles on COP26, it is time to reflect on what has actually been achieved. A number of agreements were reached, although not all are related to shipping. Perhaps the most important outcome is the pledge signed by 100+ countries to cut methane emissions by 30% by 2030. Reducing methane emissions is arguably the fastest opportunity today to slow the rate of global warming. Will this potentially improve the environmental credentials of LNG?

For the tanker industry another important, but not legally binding, agreement was to accelerate the uptake of net zero emission vehicles and work towards all sales of new cars and vans being net zero emissions globally by 2040 and by no later than 2035 in leading markets. There are some heavy weight signatories to this pledge, but a significant number of large economies, such as the US, Germany, China, South Korea and Japan had not yet signed up. Without them onboard, the targets set will be even more challenging to achieve. Also, for the first time ever, fossil fuels were referenced in a COP document. Nearly 200 countries pledged to "phase-down" unabated coal and "phase-out" inefficient fuel subsidies. There is no timeline mentioned though, while every government will have their own view on what is considered efficient or non-efficient.

There were also some significant financial announcements. Although the $100 billion per year climate finance goal by 2020 for developing countries has not been reached, developed countries pledged to deliver through to 2025 and to agree a more ambitious post-2025 finance goal. Furthermore, the Glasgow Financial Alliance for Net-Zero, consisting of 450 organizations across 45 countries committed $130 trillion towards the net zero transition. Yet, several observers note that these agreements are largely voluntary, whilst the announced amount is the asset base of participating institutions and not the funds that will flow towards climate targets. Separately, more than 30 countries and financial institutions, including the UK, US, Canada and Germany committed to halting all new direct public financing for fossil fuel development abroad by end-2022.

ICE Carbon Emissions (EUA) Allowances (Euro/tonne)

Some progress was made in terms of carbon itself, with an agreement reached to start setting up a global, UN-backed carbon credit that can be swapped and traded around the world. It is voluntary and far short of universal "carbon" tax, yet it is a step towards establishing a global system, eliminating double counting of carbon credits and establishing a strong accounting framework for voluntary carbon markets.

Also, a new transparency framework was established; where all countries will have to report on their emissions, progress on pledges and contributions to climate finance, at least every two years. It is hoped that greater accountability will facilitate the overall decarbonization efforts.

In shipping, 22 governments declared to seek to set up at least 6 green shipping corridors by 2025. This means net zero emissions routes, involving employment of net zero emission technologies and alternative fuels. At this stage further details are vague; whilst it also appears that non zero emission voyages will not be excluded from operating in green shipping corridors.

While progress clearly has been made, the COP26 summit also illustrated that the governments are finding it extremely challenging to plan a world beyond fossil fuels. Preparations for COP27 are already underway, while the "Glasgow Climate Pact" means that the countries are formally requested to increase their environmental ambition by the end of 2022. As always, there is plenty of uncertainly about the pledges made but undoubtedly decarbonisation efforts will only intensify going forward. COP26 may be over but the focus now shifts to MEPC77 and the IMO next steps.

Crude Oil

Middle East

It took a while for the VLCC market to kick start into gear this week, but once Charterers had sorted out their December programme, they quickly came to the market to take cover. Such enthusiasm has helped stop the gradual decline in rates and now Owners have an opportunity to recover some lost ground. Currently levels to the East remain at around 270,000mt x ws 43 for a modern approved unit and we estimate a voyage West to be 280,000mt x ws 21.5 to the US Gulf (via Cape). Suezmax rates have been on the slide all week due to a lack of enquiry and an oversupply of available tonnage. Charterers will continue to test Owners resolve and rates to Europe are heading towards 140,000mt x ws 30 and low ws 60's to the East. It has been a very quiet, disappointing week for Aframax Owners in the region. Vessels are building up and next week any enquiry will give last done rates a fresh test. We expect Aframax East rates to slip to not much more than three digits next week, if not below.

West Africa

Another week to forget for Suezmax Owners, enquiry remains light and in turn rates have further tumbled. Levels currently stand at 130,000mt x ws 62.5 to Europe and ws 72.5 East. Rates are yet to bottom out and there is potential for lower rates to be paid. VLCC levels have stagnated throughout the week with tepid interest. Other areas may well the pointers as to the next direction which looks as though it will at least provide some positive news for Owners as the AGulf and US Gulf markets spring into life. For now, rates hold at around 260,000mt x ws 44-45 for a voyage East.

Mediterranean

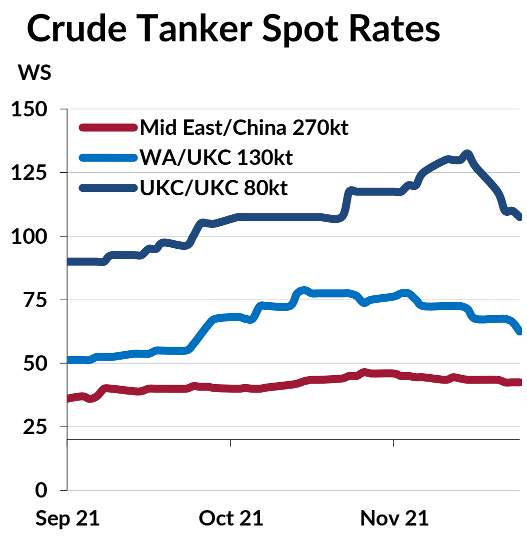
A week of broken promises for Aframax Owners. Turkish Straits delays remained firm, which had given Owners heart, however, the reality was that X-Med cargos were fixed far forward and no longer came to the table. This coupled with Charterers waiting a little for Black Sea programmes to become clear left a void of fixing and this eroded confidence in rates. By the close we have Owners willing 80,000mt x ws 115 for X-Mediterranean. Black Sea rates followed suit with 80,000mt x ws 125 for modern units likely to be a thing of the past. Expect to see ws 120 to be on the cards as we move into next week. Suezmax Owners will continue to scratch their heads. We currently have an oversupply of available tonnage with no strong Atlantic market to help absorb this tonnage. Cargoes continue to attract several offers which in turn only encourages Charterers to push for lower levels. As in other markets rates have not bottomed but currently stand at 140,000mt x ws 70 to Europe and $3 million to China.

US Gulf/Latin America

Aframax Charterers have managed the flow of enquiry well this week, even though there has been an increase in activity before the coming holiday and rates have only marginally moved. Admittedly there was an over-supply of available tonnage that needed to be dealt with, but overall Charterers will be the ones tucking into their Turkey's with the wider smile on the faces. Last done for short haul holds at around 70,000mt x ws 115-120. VLCC interest is starting to pick up and likewise rates have followed suit, although some inevitable fixing and failing will slightly dampen sentiment Owners have been able to shift levels to around US$5.4 million for a long haul run from US Gulf to South Korea.

North Sea

A pretty torrid week for Aframax Owners. X-North Sea rates have dropped down to 80,000mt x ws 107.5 and Baltic paying 100,000mt x ws 95. Owners sentiment is currently weak and until we see an influx of cargoes this will not change. A stalling market will prevail.



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

Clean Products

East

Another uninspiring week for the MRs as the headlines were stolen by LATAM tenders. Rates jumped another $100k to $1.45 million (done three times) and further enquiry is being made quietly off market. This has been driven by the dwindling supply of veg tonnage in the region and as such LC CPP tonnage has taken advantage. Sadly, though this hasn't helped the rest of the market as every other run has seen rates come off. The weakening East of Suez MR market (both AGulf and Far East) has left Owners starring down the barrel of $5-6k/day earnings. The firm and steady LR2 market has given owners optimism it may trickle down to the MRs, but on a $/mt basis the LR1s will get first look on both West and East cargoes.

LRs have had a calmer week generally, with LR1s trying to edge up but LR2s in a standoff with Owners too ambitious and Charterers feeling discounts are needed now. LR1s have seen a slightly busier westbound route leading to rates correcting back up but, with TC5 taking a hit mid-week Owners had to ease off their hopes. Still, there is value in the LR1 size compared to the LR2s and so increased volume is widely expected now. 60,000mt jet AGulf/UKCont is now flat at $1.75 million, although not that many Owners want west runs so it could see pressure again if we see an active start to next week. TC5 as mentioned took a hit but is likely to bounce back to where we started the week. We would expect 55,000mt naphtha AGulf/Japan is ws 115 for a fully suitable ship for the next run of cargoes.

LR2s were always going to see a drop-in activity, with how hard they had pushed and how many ships fixed. Owners still have high hopes that Charterers just aren't there to play. 90,000mt jet AGulf/UKCont is probably worth no more than $2.4 million but Owners are showing $200k higher. TC1 is now on subs 75,000mt naphtha AGulf/Japan at ws 110 for a slightly compromised ship, whilst the big Owners are showing ws 127.5 and withdrawing offers if they don't get close. With just a couple of stems in the market it seems inevitable a rebalance is needed.

Mediterranean

Overall, a disappointing week for the Handies down in the Mediterranean as rates took a dive. We began the week with positivity in the air on the back of 30 x ws 180 X-Med being achieved late on Friday but, with the fixing window extending and a replenished list after the weekend, rates soon began to slip. At the time of writing, 30 x ws 140 is on subs ex WMed, with EMed tracking slightly higher at the 30 x ws 145 mark. With very little currently outstanding as we approach the weekend expect there to be some more pressure here, but Owners will be clinging onto the positive DPP market for some hope of a bounce back in the near future.

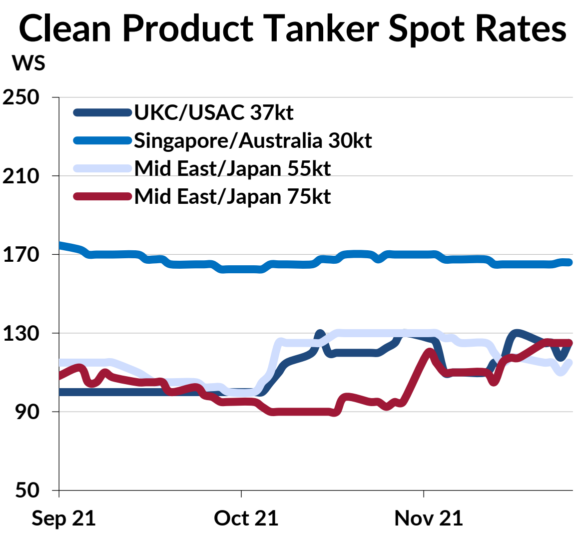
Despite there being little market enquiry on the MRs in the Med this week, rates have been able to firm up a touch. 37 x ws 127.5 has now been achieved for transatlantic, with WAF expected to land

10 points higher when next tested. This has been due to the list looking tight over the course of the week with MRs preferring short hauls and activity taking place under the radar. Heading into next week Owners should be fairly positive that they can push for more if we see an uptick in enquiry as we have done ex UKCont today.

UK Continent

Despite sentiment not always being positive this week on the MRs, rates have been affected very little, with 37 x ws 125 for transatlantic continuing to hold, as ample “behind closed doors” deals kept our tonnage list from spiralling out of control. Market quoted stems have only been the half of it this week and as Owners who held off fixing could well start to reap the benefits, as we see a blend of transatlantic, WAF and Argentina stems appearing on Friday morning. Expect a more bullish attitude to be shown today as we await to see what ground can be made by Owners before the weekend arrives.

It's been a positive week for Handies up in the North as good demand ex Baltic enabled Owners to push freight to 30 x ws 155 for TC9 and X-UKCont quickly followed to 30 x ws 150. The tonnage list has been tight on the front end throughout, resulting in some leaning on COA partners in order to cover their exposure under the radar and keeping a lid on rates. Handies finish steady, with the weekend break a chance to see the tonnage list replenished.



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Dirty Products

Handy

Only a handful of cargoes to be seen in the Continent this week but levels remain set at what has become a conference 230 benchmark, although Charterers have at least felt rather more comfortable about booking ships whose itineraries are reliable and have had more than one option when looking to cover. It could be argued that fundamentals have been slightly shakier but sentiment hasn't been affected come close of the week.

The Med Handy sector on the other hand is where all talk has been happening, date sensitivity in covering out November's programme combined with a lack of availability (even going into December dates) has seen the bar raised on multiple occasions through the week but the question is "how much longer does this run last". CPP ships switching into DPP will make an impact on the supply balance, as will weather delays subsiding. And whilst we all expect trend to be affected at some point, this won't help Charterers covering current fixing windows.

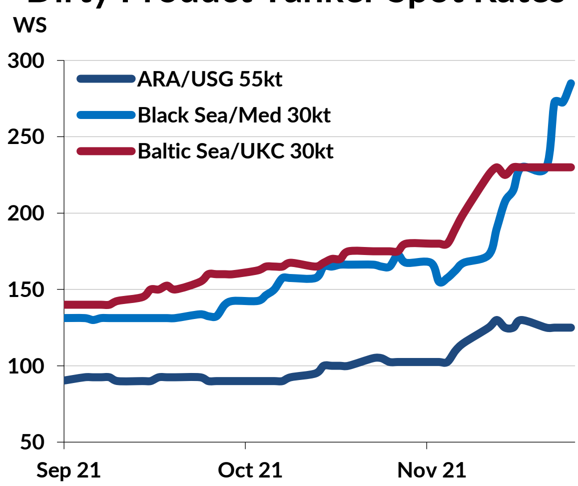
MR

A slower week of activity in the North but perhaps this was needed in order for fixing dates to catch up with itineraries, that said, a momentary reprieve from activity has done very little to soften sentiment. Last done levels remain completely valid from the testing that has been evident, and in the process keeping the list tight. Elsewhere, In the Med levels have been consistent throughout the week and, with a Handy sector becoming date sensitive thus giving the remaining MRs opportunity to move up a tad. That said, repetition will be needed to make any date sensitivity actually become the market.

Panamax

With rates holding firm at last done levels (125) the market this week was awaiting the results of further testing however this was not to be. Some local questions have helped keep sentiment firm but in essence we will be heading into next week in a similar fashion despite a week of inactivity. Natural tonnage remains thin on the ground, and the US markets having picked up again show too much of a gap in earnings to ballast units over here on speculation.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 18th	Nov 11th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+0**	43	43	43	44
TD20	Suezmax	WAF-UKC	**-7**	64	71	78	70
TD7	Aframax	N.Sea-UKC	**-20**	110	130	108	116

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

			wk on wk change	Nov 18th	Nov 11th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+500**	3,500	3,000	3,250	5,500
TD20	Suezmax	WAF-UKC	**-3000**	5,250	8,250	10,500	8,750
TD7	Aframax	N.Sea-UKC	**-12750**	5,750	18,500	2,000	10,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 18th	Nov 11th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+6**	121	115	92	
TC2	MR - west	UKC-USAC	**-1**	125	126	120	127
TC5	LR1	AG-Japan	**-8**	111	119	125	121
TC7	MR - east	Singapore-EC Aus	**+1**	165	164	168	173

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

			wk on wk change	Nov 18th	Nov 11th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+2500**	12,500	10,000	3,250	
TC2	MR - west	UKC-USAC	**+250**	2,250	2,000	0	2,500
TC5	LR1	AG-Japan	**-1000**	5,500	6,500	8,000	7,750
TC7	MR - east	Singapore-EC Aus	**+500**	6,750	6,250	7,000	8,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**-15**	560	575	605
ClearView Bunker Price (Fujairah VLSFO)	**-21**	613	634	631
ClearView Bunker Price (Singapore VLSFO)	**-18**	611	629	623
ClearView Bunker Price (Rotterdam LSMGO)	**-22**	656	678	696

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