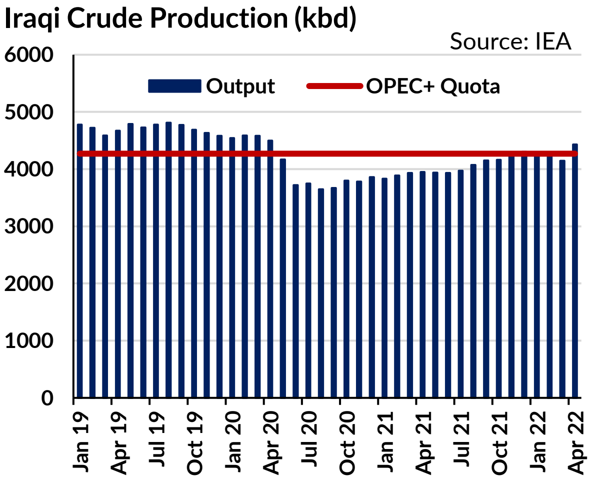
Every Barrel Is Needed

Weekly Tanker Market Report

Whilst many members of the OPEC+ group are struggling to achieve its allotted output quota, one country that has been able to is Iraq. In April, the country managed to achieve crude production of 4.43 million bpd, an additional 282 kbd from March, (+6.8% MoM). Whilst this was only 16 kbd over Iraq's quota, it points to continual output growth from OPEC's second largest producer. The country is allowed under the OPEC+ pact to raise output to 4.5 million bpd from June and has ambitions to significantly increase exports in the years ahead. Demand for Iraq's crude is also shifting, with European refiners increasingly eyeing Basrah Medium and Basrah Heavy as alternative feedstocks to Urals, whilst India (Iraq's largest customer) is transforming itself into one of the largest importers of Russian crude over the past 2.5 months. Iraqi exports could further shift if heavy grades from Iran and Venezuela are allowed to return to the markets this year.



IEA data shows Iraqi production has been steadily rising since July 2021, as OPEC+ agreed to unwind prior output cuts across the group. Total crude production is still 2% below January 2020 levels as Covid-19 restrictions reduced oil demand. This rising output may be a sign that Iraq's oil industry is well positioned to take advantage of the improved oil demand outlook. The Iraqi oil ministry has also announced it plans to raise total crude production to 6 million bpd by the end of 2027; this would require raising output by a further 1.57 million bpd from April 2022 levels. Given this deadline is approximately 6 years away, it would require adding an additional 314 kbd every year until 2027 which is the current output trajectory. Rising investment would not necessarily make this an unreasonable target but is still fairly optimistic given the struggles of some of its OPEC peers in terms of boosting production. The issue of some western companies leaving Iraq in the previous years due to concerns about the country's investment environment highlights some of the challenges in achieving higher upstream investment in Iraq's maturing oilfields.

Another important factor is Iraq's export infrastructure. The key Basrah Oil Terminal has been underdoing upgrades in its export capacity. The addition of an extra 250 kbd brings total operational capacity up to 3.5 million bpd. To facilitate any future increases in production and exports, it will be crucial to raise the export capacity of Southern Iraq's deep-water ports, which will require further investment. The other option is to boost capacity along the Northern Kirkuk-Ceyhan pipeline to channel crude into the Mediterranean. However, current political disputes with Iraqi Kurdistan make this unlikely. In the short term, Iraqi flows to China are likely to be pressured as Covid restrictions continue to impact Chinese crude demand, whilst displaced Urals becomes more attractive for Chinese refiners. Some of the additional crude may stay within Iraq as the new Karbala refinery comes online and gradually increases intake up to 140 kbd, to meet rising domestic products demand and power generation needs.

Another aspect to consider is whether the large purchases of Urals by Indian refiners will have a notable impact on their demand for Iraqi grades. Although this would leave more Iraqi barrels for those shunning Urals from their refining systems. Whilst this shows there are still uncertainties as to how much global oil flows will be reshaped after the invasion of Ukraine; it also shows how important finding alternative supply sources are for traditional Urals buyers. While the Iraqi data suggest a positive production outlook, it will still have to ensure the national stability required to make its plans a reality, one should also exercise caution moving forwards.

Crude Oil

Middle East

A busy week for VLCCs in the AGulf but rates remain pretty uninspiring. It seems the bottom was found and we have just started to hover above rock-bottom. Last done levels to the East are 270,000mt x ws 41.50 and we estimate levels West to remain flat around 280,000mt x ws 23 for the US Gulf. A busier spell in the AGulf for Suezmaxes has all but pruned a well-stocked front end of the list. Owners have struggled to make any material gains as we remain pretty much as we were, with TD23 currently trading at 140 x ws 45 level and MEG/East 130 x ws 85-90. Owners are well placed now to try make a push, with a healthier looking cargo slate. Off the back of last weeks' populated list and quieter period of activity, rates dropped down to 80 x ws 180 level on AGulf/East. However, an undercurrent of private business has cleared the front of the tonnage list, leaving it very tight up to end month.

West Africa

A few cargoes worked in this region this week and remain open, but rates remain under pressure as ample tonnage is still around and Charterers face little pressure to pay over and above last done. Last done in this region is 260,000mt x ws 43. Suezmax Owners will close the week a little more upbeat. Enquiry levels have been steady, but the main driver has been a very active period in the Americas. Owners have benefited from a real tightening in the list, which in turn has cemented WAF/UKCont-Med at ws 85-87.5 and WAF/East 97.5-100, with more likely to be paid when we see the next batch of cargoes worked.

Mediterranean

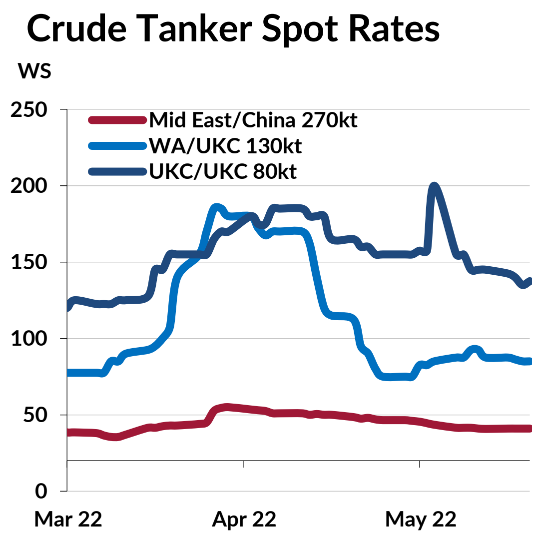
Much of the same for Aframaxes this week. Volumes have remained disappointing and as such rates have feathered down. Even CPC voyages have not been immune, with rates dropping from 200 levels to 170 for a ship with minimal ballast. In the Med, Ceyhan voyages have settled in the main at 130 but there is a thread of less to come. Libya remained Force Majeure and hope is thin on the ground. A rather slow and steady week in terms of cargo enquiry means TD6 closes the week on a softer footing at 135,000mt x ws 117.5-120, with the June programme much reduced. With the Americas tight and firming, we will see W-Med ships pulled across the Atlantic, which should stabilise the Med market. Med/East runs are still in demand, with Libya/Ningbo $3.4-3.5 million and CPC/South Korea $4.2-4.3 million level. We are expecting a quiet end to the week here.

US Gulf/Latin America

A tightening position list in the US has hiked rates up by 30 ws points in a day. The lack of availability is allowing Owners to challenge last done. The weekend has come at a good time for Charterers and the pressure could be eased up somewhat. We might see some European players commit to the ballast over the weekend. US Gulf/transatlantic has been done 70,000mt x ws 155 and ECM/US Gulf is on subs 70,000mt x ws 195, with more to come. VLCC remain flat for the time being, with little being worked on this size. Rates remain at $5,350,000 million for voyage load STS US Gulf to China.

North Sea

A week of correction for Northern Aframaxes as rates slid somewhat off the back of a muted Baltic market. A few X-North Sea cargoes came to the fold but the interest they were met with led to a rate slip. Levels seem unlikely to change for the near term, with Baltic/UKCont trading at ws 160 levels and X-North Sea at ws 137.5 levels.



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

Clean Products

East

A steady week for the MRs as rates have stabilized down to EAF at ws 385, whilst the damage was done on the short hauls (X-AGulf dropping to $595k fixed) and TC12 finally taking a correction to ws 325. This still earns $47k/day TCE, which exceeds both TC17 and Singapore earnings c. $15k/day. As such, a fresh early June TC12 should see further pressure towards w300 and beyond, if the Singapore market continues to crumble. Questions are beginning to come in for Latam deliveries going into the next window, which could spell some interesting injection of enquiry for next week.

A very busy week for the LR1s, with over 15 Westbound cargoes on subs. Rates recovered as Charterers got wind of the quantity of stems in play and started to forward fixing to pick off safe ships. $4.875 million currently on subs and Owners would like to see this further tested into next week; yet, with $5.0 million on subs on the LR2s, a ceiling is in place. Naphtha stems have corrected to 55 x ws 300; however, the market is missing stems, which should enter next week. Given the levels of activity and the number of ships on subs, expect to see this number bounce quickly.

A rather uninspiring week for the LR2s: volume is lacking and cargoes that did get covered were tested hard. $5.0 million on subs for a westbound puts the LR2s in pretty much parity with the LR1s. Expect to see greater enquiry into next week as Charterers look to utilize the best value. TC1 needs a test, as with the negative correction seen on West voyages, Charterers will expect to see TC1 correct accordingly. How far that correction is, we will have to wait and see, but 75 x ws 255 levels should be a fair gauge.

Mediterranean

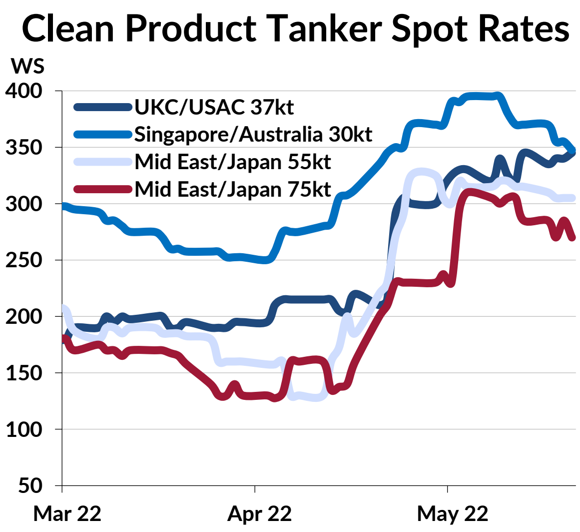
All the ingredients have been there this week for this market to move and that's exactly what's happened. With the MR market still firing ex Med/UKCont, Handies being taken out the market for longer haul options and good levels of enquiry (especially jet and naphtha stems) have seen rates firm 60 points between Monday and Friday. 30 x ws 357.5-365 levels is where most are pegging it, but with a few tricky cargoes still to cover, we could see further gains here. June paper now trades at 30 x ws 340 levels, which shows the positive sentiment over the next few weeks.

All in all, it's been a good week for the MRs here in the Mediterranean, with rates firming up in line with the busier TC2 market. We began the week with levels at the 37 x ws 340 mark Med/transatlantic. However, since then the list has tightened and rates are now at 37 x ws 345, with many Owners bullish with their ideas and confident they can push for more. WAF is in need of a fresh test, with a premium of +10 expected on transatlantic levels. Market is positive as we move into the weekend.

UK Continent

With much of Europe drinking away in Copenhagen this week, the MR information flow has certainly been stunted, as we look across the week's fixtures seeing only the tip of the iceberg. Rates have been able to stay relatively stable, with 37 x ws 345 still remaining the number for transatlantic and WAF continuing to hold its traditional 10 point premium. At the time of writing, we see very little outstanding stems so we can perhaps be led to believe most of the end month enquiry has now passed. It seems more likely all parties will be able to take a clearer picture of sentiment ahead come Monday morning. Take note that an elevated States market over the past couple of days may hinder additional ballasters coming our way, so Charterers will be wary of potential lack of tonnage on the horizon.

Little volatility for the Handies plying their trade in the Continent this week with X-UKCont runs bouncing plus or minus 5 points from the 30 x ws 300 mark throughout. Russian Baltic load still demands a hefty premium with around 30 x ws 425 the call for that. However, what is changing are the options being asked for by Charterers, with transatlantic becoming more of the norm now, while Baltic discharge ports are also needed. Time will tell if this affects resupply but for now this sector holds firm.



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Dirty Products

Handy

Whilst numbers remain firm in the Continent, there has been a change in the dynamics, which can affect sentiment. Both tonnage availability and cargo supply balance this week has changed. Although numbers haven't really seen much change week on week, Owners have been much more willing to accept last done, even where premium business is on offer.

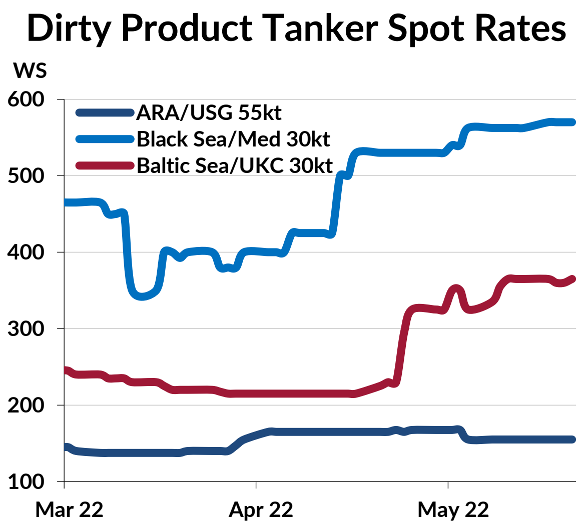
In the Med, a slow start to the week saw some of the momentum from previous weeks being lost. Yet, where the tonnage list was still struggling with replenishment, levels held. By mid-week pressure on those Owners with units to fix had seen slight negative correction to ws 310 and we close the week with prompt units being shown cargoes, despite some fixing failing across the region. One positive for Handy Owners this week has been the surge in enquiry and a clear down in tonnage on the MRs; if all get their subs, this will take those willing part cargoes out of the picture for now.

MR

Following the form in the surrounding Handy sectors, MRs have started to show a more plentiful availability, which has at least allowed for some revalidation of benchmarks in the Med. Much to Owners' frustration, however, levels have shown negative correction where competition for full size requirements has opened up. In the Continent, MR Owners will also have some decisions to make in the week ahead, with fixing dates moving ahead; those on the earlier side of the list may face booking idle time into next employment.

Panamax

We continue to face liquidity issues in this sector. owing to a lack of workable units open in Europe. With the US still offering TCEs in and around the $20k PD mark, ballasting to Europe is just simply isn't that attractive, especially where larger units undercut last done. On this note, it's not only the Aframaxes which are undercutting, but this week we have even seen Suezmaxes encroach on Panamax territory.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 19th	May 12th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+0**	41	41	49	45
TD20	Suezmax	WAF-UKC	**-5**	85	90	123	106
TD7	Aframax	N.Sea-UKC	**-5**	139	144	168	134

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

			wk on wk change	May 19th	May 12th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-4000**	-14,250	-10,250	-250	-8,500
TD20	Suezmax	WAF-UKC	**-4250**	8,750	13,000	25,000	20,750
TD7	Aframax	N.Sea-UKC	**-2750**	22,000	24,750	32,750	19,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 19th	May 12th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-28**	269	297	149	
TC2	MR - west	UKC-USAC	**+22**	343	321	205	285
TC5	LR1	AG-Japan	**-11**	303	314	194	246
TC7	MR - east	Singapore-EC Aus	**-22**	347	369	314	301

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

			wk on wk change	May 19th	May 12th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-12250**	53,500	65,750	15,750	
TC2	MR - west	UKC-USAC	**+3500**	36,250	32,750	7,750	26,250
TC5	LR1	AG-Japan	**-5000**	44,500	49,500	20,000	31,000
TC7	MR - east	Singapore-EC Aus	**-5750**	31,750	37,500	27,750	24,250

(a) based on round voyage economics at 'market' speed, non eco, non scrubber basis

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