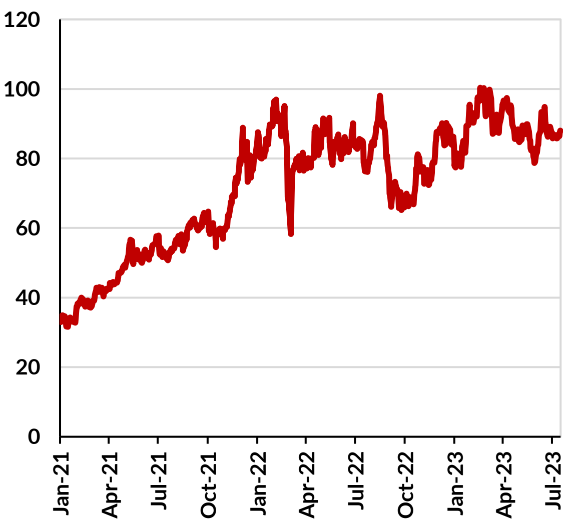
# Ambitious Targets

## Weekly Tanker Market Report

The Maritime Environmental Protection Committee (MEPC80) took place in London in early July. A variety of different subjects were discussed, and measures adopted, ranging from matters related to the EEDI/EEXI calculations to interim guidelines for the use of biofuels. Yet, the biggest outcome was agreeing upon more ambitious environmental targets. The initial GHG Strategy was adopted in 2018 and it envisaged a reduction in CO2 emissions of international shipping (per transport work, as an average across international shipping) of at least 40% by 2030, and pursuing efforts towards 70% by 2050, compared to 2008. The same strategy called for total annual GHG emissions to be reduced by at least 50% by 2050 compared to the 2008 baseline. In recent years, however, there has been growing pressure from various industry stakeholders to strengthen these environmental targets to align them more closely with the Paris agreement.

**European CO2 Price (EUR/tonne)**




Addressing these concerns, the IMO GHG Strategy 2023 set a new target, for GHG emissions from international shipping to reach net-zero GHG emissions by "close to" 2050, although some sceptical members called for a better assessment first of how feasible it is to reach these ambitions. Another new goal set by the IMO was for the uptake of zero or near zero GHG emission technologies, fuels and/or energy sources to form at least 5% (and aiming for 10%) of the energy used by international shipping by 2030.

Whilst the initial target to reduce CO2 emissions by 40% by 2030 was left unchanged, two new "indicative checkpoints" were introduced. First is to cut GHG emissions by at least 20% (and aiming for 30%) by 2030; and by at least 70% (whilst targeting for 80%) by 2040, compared to the 2008 baseline.

The IMO 2023 GHG strategy also addressed a basket of "potential" mid-term measures, including technical and economic measures. A technical element is a goal-based marine fuel standard regulating the phased reduction of the marine fuel's GHG intensity, which should consider the Well-to-Wake approach. An economic element focuses on a maritime GHG emissions pricing mechanism. Several different mechanisms, including a Cap-and-Trade system, a universal mandatory GHG levy and a sustainability and reward fund were proposed.

It is important to note that these proposed economic measures still need to be fully determined, assessed and evaluated. One measure attracted much of the political debate. Prior to MEPC 82 taking place, France rallied 22 allies to support an introduction of a shipping emissions levy. The Financial Times reports that shortly afterwards China distributed a "diplomatic note" to developing countries, urging them to oppose a levy on shipping emissions and stronger targets for decarbonation, arguing that these goals are "unrealistic" with "significant" financial costs. Brazil, Argentina and South Africa also opposed a levy on shipping emissions.

Such deep divisions in opinion between member states is perhaps the main reason behind the IMO decision for the impact assessment of these economic mechanisms to be finalised by 2024 at MEPC 82 before adoption in 2025. Any economic measure will help to accelerate industry's effort to reduce shipping's carbon footprint, yet some are arguably more effective but costlier than others. It remains to be seen what measure will win in the end, but what is clear is that it will be challenging to reach a consensus opinion.

# Crude Oil

## Middle East

We are seeing a softer end to the week on VLCC as Charterers continue to drip feed cargoes into the market for the first decade, which is putting downward pressure on Owners. Today we would expect 270 AG/China to fetch in the region of ws 52 and 280 AG/USG to go for at least ws 32.5 level. There is optimism in the AG for Suezmaxes, as we see the end of this week, with rates pushing towards 140,000mt x ws 60. The list has tightened, and we have seen a healthy level of enquiry (especially for short runs throughout the week). Enquiry for Long East has been mediocre, and rates are approximately 130,000mt x ws 115 today. This week Aframax Owners have enjoyed improved levels of activity in the AG/Red Sea region. In theory rates should have stabilized; yet Charterers successfully chipped away at rates with AG/East ending the week at 80 x ws 155. Owners have been willing to accept the summer lull is in full swing and as a result, have shown little resistance. However, this clear out leaves a much tighter looking list, lacking quality up to around the 3rd of next month, so one would expect Owners to try and hold onto rates in the early stages of next week. That said, caution by Charterers needs to be taken, as a flood of inquiry could even see some small rate gains in some areas.

## West Africa

It has been a busy week for VLCCs in this sector but as in AG rates appear to be slipping, Owners sentiment starts to soften. What has been noticeable is Owners' preference for shorter voyages in the Atlantic rather than long East destinations, which has hit rates especially into the UKC. Today we are expecting a 260 WAF/China to go for ws 53 level. Suezmaxes in West Africa have experienced a drought in terms of enquiry, especially in the latter half of this week. Rates remain soft, with prompt tonnage available. For a standard TD20, rates stand around 130,000mt x ws 85. Premiums to head East stand at approximately ws 10 points, though there aren't a huge number of Owners keen to head in that direction.

## Mediterranean

Suezmax markets in the Med have come under pressure, with plenty of competition. TD6 Charterers will be looking to push below 130,000mt x ws 95 for next done. The market for Libya/Ningbo will have Charterers looking to break $4m next week. With limited levels of enquiry, there is potential for this to occur. Some further days of disappointment for Aframax Owners, who were hoping for activity to push rates on. There always seem to be enough well placed Aframaxes to keep last done ticking over at best and occasionally discounts have been seen for the right ships.

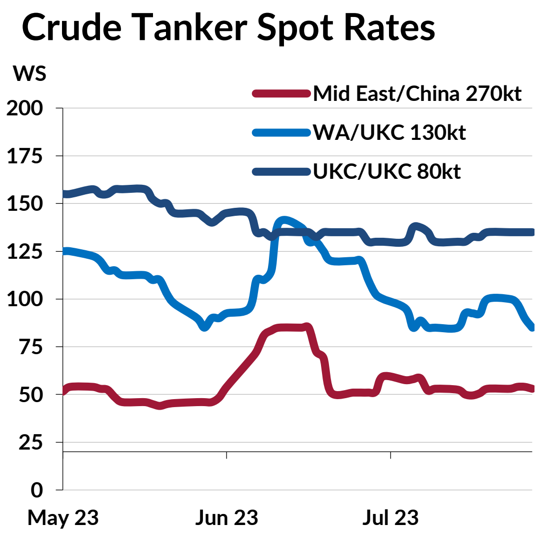
Ceyhan voyages have slipped from ws 122.5 to ws 120 and CPC runs from ws 160 to ws 150. The prospect of Russian and CPC cuts in August don't bode well for owners as we look to next week.

## US Gulf/Latin America

Similar to last week, where Brazil export was the more active part of this sector, which initially led to an uptick. Yet, VLCC rates appear to have steadied and tonnage availability remains positive for Charterers, especially with some vessels coming back into the market after failing subjects. Today a USG / China run will fix in the region of $7.8m, while a Brazil/China pays ws 52.5. The Aframax market has had a steady week, with good activity levels helping us to maintain the recent gains, although it might have topped as things have quieten down towards the weekend.

## North Sea

The excitement, which was purring from Owners at the start of this week, has been somewhat checked as action has delivered little more than moderate rate increases. Surrounding Afra markets haven't hugely performed, leaving many to either ballast or take what they can get. X-North Sea is now trading in the mid ws 130s, with a thought that a tad more could be there come next week, if Owners continue to show a level of resilience.




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

# Clean Products

## East

Hard week for the LR2s with rates hitting yearly lows: Naphtha at 75 x ws 80-85 and Jet West at $2.7m levels. As a result, we are seeing some Owners just sitting on tonnage and swallowing waiting days until we see improvements in earnings. No real bounce just yet, but feelings that we are close to the bottom of the slide here. A small glimmer of hope for owners is that behind the scenes it's been a relatively active week and there are small and limited pockets to push for Owners.

Another tough week for the LR1s, where volume is lacking for Owners to sink teeth into. Westbound Jet stems trading at the $2.5m levels and Naphtha flat at 55 x ws 100-105. Short haul cargoes have been the bulk of the limited activity (with MR stems going on LR1 as they offer better value), which has helped clear the list a little. However, these ships will be back on the list before the end of the month and as such doesn't overly help the sentiment for now. Cargoes are needed to get owners out of this rut.

Naphtha continues to trickle East on the MRs, thanks to the usual smattering of ships needing East for DD/redelivery; yet, again TC12 has fallen victim to a weak LR market taking barrels away where possible. Weakness in the LRs means we have also seen short hauls stemmed up all week, whilst westbound makes no sense on MRs compared to LRs, leaving the front of the MR position list littered with Ex Russia and/or Westbound wanting vessels. The week finishes with lots of hidden cargoes coming out of the woodwork, which combined with a position list very short of good itineraries (and genuine TC17 candidates) will see this market rally into August.

## Mediterranean

It was an active week for the Handies here in the Mediterranean and as a result we have seen rates begin to firm. We began the week with X-Med trading at the 30,000mt x ws 165 mark but with a large influx of cargoes the list soon tightened on the front end with 30,000mt x ws 170-175 levels being achieved depending on grade & dates. Fast-forward to Friday and we now see a further dump of cargoes into this market with 30,000mt x ws 200 now on subs for X-Italy. Heading into the weekend, there is a handful of tricky cargoes remaining so expect bullish ideas from Owners.

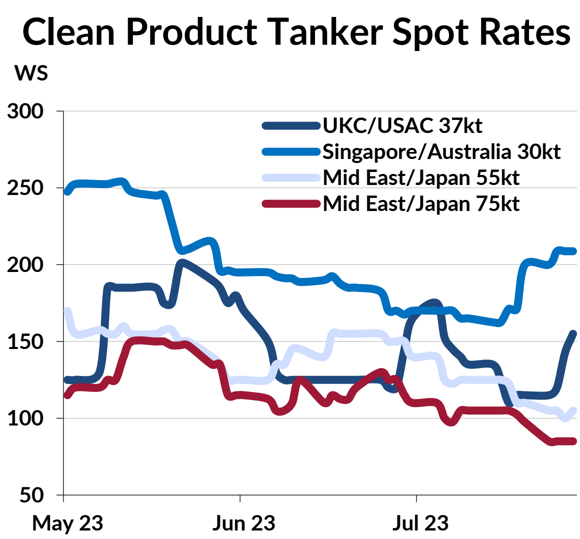
Finally, to the Med MR's where in comparison to TC2 it's been a quiet week activity wise. Med/TA closed last week around the 37,000mt x ws 135 mark but since then action has been minimal. However, with TC2 firming up towards the 37,000mt x ws 160 level and a few fresh cargoes out today it is expected we will see next done Med/TA land in line with TC2.

## UK Continent

A slow start to the week saw Charterers take advantage of the situation and cover a good number of stems at lows around the ws 110-115 mark. Once the realisation dawned though, Owners became rather bullish, rather rapidly and with that rates increased with each fixture to push us up towards the ws 155-160 mark for TA come Friday.

A surplus of end month WAF stems and the lack of ballasters due to a stronger States market has continued to clear out tonnage throughout the week leaving a healthy-looking tonnage list from Owner's perspective and Owners will be hoping to drag this momentum over the weekend. Whether this is possible or not will depend on if we see any additional enquiry still with a July laycan and whether a slightly corrected USG market may start to pose the question of which way to ballast for FOC tonnage in the NYC region.

All in all, it has been a positive week for Handy Owners in the North as the combination of good enquiry for ULSD and a lack of supply on the front end of the tonnage list has seen 30,000mt x ws 170 paid for X-UKC. Volumes have slowed by Friday and a few uncertain vessels have now firmed up on the list which could see momentum shift back into Charterers favour as freight is starting to feel toppy. All eyes will now be on the next done.



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

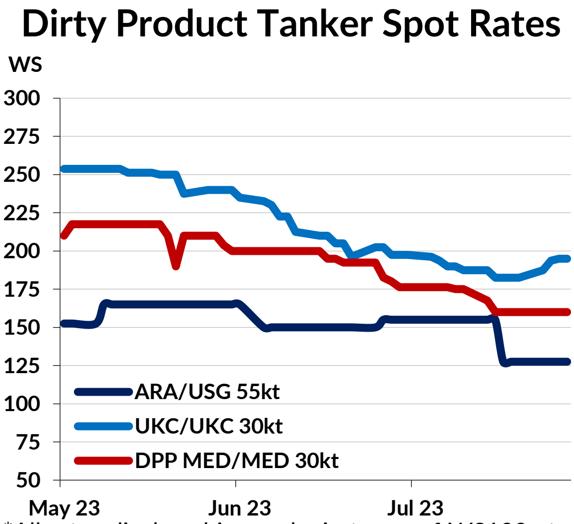
# Dirty Products

## Handy
Handies in the North have seen an inevitable resurgence this week where sustained activity in week 28 saw the list come Monday tighten and put Owners in the driving seat. Pushing on from ws 180 by some 10 points, the gradual incline has continued, and we close the week with a tight list and there is the expectation that ws 195 could be on the horizon should replenishment not surface come Monday.

In the Med, a stalemate has been met all week where repetition at ws 160 has seen the top of the list ticking over steadily with Owners willing to repeat to keep idle days to a minimum. Opportunities to push on from this level have not surfaced as replenishment has kept a lid on Owners ambitions. Going forward there is a hope that current enquiry levels will maintain as having one or two quieter days could see ws 160 tested.

## MR
The Northwest Europe MR market this week has followed the familiar trend where, devoid of tonnage, we have seen little in terms of a test with even the West Med balasters have not been tested. With the Handies in the North firming however expect to see levels on the MRs firm inline. In the Med, it was business as usual where full stems have been limited but a steady flow of handy cargoes has enabled Owners to keep idle days to a minimum taking part cargo. With the summer market in full swing, we can expect more of the same going forward.

## Panamax
With just a couple of firm units surfacing this side of the pond the Panamax market has needed a fresh test on the usual TA run for some time with the expectation Owners could be tested as the surrounding Afras fall. Despite this and a quiet start to the week the market has seen a fresh test with ws 155 on subs to go TA from North Spain. Firm units are now tight this side of the pond however with a sustained quieter period between enquiry we can expect Owner's rate expectations to hold at this level for now.



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

GIBSON SHIPBROKERS

## Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | July 20th | July 13th | Last Month* | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **+1** | 52 | 51 | 67 | 54 |
| **TD20** | Suezmax | WAF-UKC | **-8** | 85 | 93 | 123 | 90 |
| **TD7** | Aframax | N.Sea-UKC | **+2** | 135 | 133 | 135 | 127 |

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

| | | | wk on wk change | July 20th | July 13th | Last Month* | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **+2250** | 33,000 | 30,750 | 51,000 | 35,750 |
| **TD20** | Suezmax | WAF-UKC | **-5500** | 30,500 | 36,000 | 57,000 | 35,000 |
| **TD7** | Aframax | N.Sea-UKC | **+2500** | 45,250 | 42,750 | 47,500 | 38,000 |

## Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | July 20th | July 13th | Last Month* | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-12** | 89 | 101 | 112 | |
| **TC2** | MR - west | UKC-USAC | **+43** | 155 | 112 | 125 | 146 |
| **TC5** | LR1 | AG-Japan | **-12** | 101 | 113 | 154 | 128 |
| **TC7** | MR - east | Singapore-EC Aus | **+16** | 216 | 200 | 187 | 199 |

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

| | | | wk on wk change | July 20th | July 13th | Last Month* | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-4750** | 12,750 | 17,500 | 20,750 | |
| **TC2** | MR - west | UKC-USAC | **+9750** | 16,000 | 6,250 | 9,500 | 14,250 |
| **TC5** | LR1 | AG-Japan | **-3250** | 11,000 | 14,250 | 25,500 | 19,000 |
| **TC7** | MR - east | Singapore-EC Aus | **+3500** | 26,000 | 22,500 | 19,000 | 23,000 |

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

| | | | | |
|---|---|---|---|---|
| Bunker Price - Rotterdam VLSFO | **+4** | 547 | 543 | 549 |
| Bunker Price - Fujairah VLSFO | **+3** | 562 | 559 | 583 |
| Bunker Price - Singapore VLSFO | **+0** | 570 | 570 | 607 |
| Bunker Price - Rotterdam LSMGO | **+3** | 753 | 750 | 715 |

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