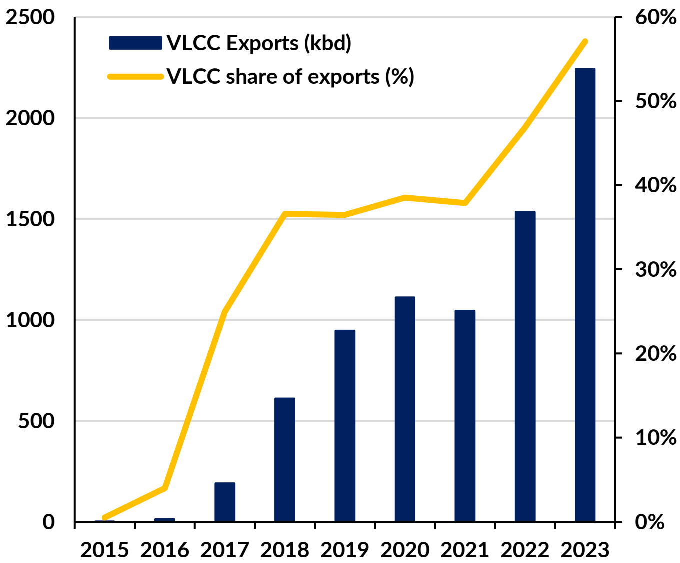
If You Build It, They Will Come

Weekly Tanker Market Report

In recent years we have seen a remarkable increase in VLCC flows out of the US Gulf (USG) as overall US crude production increased thanks to the shale revolution. Traditionally, most US crude cargoes are loaded on Aframax and Suezmax vessels but increasingly, these flows are being sized up onto larger VLCCs. However, an important issue with the USG VLCC market is the limited options to load a full cargo of 2 million barrels at terminal. This requires the use of lighterage operations, typically with multiple Aframaxes to bring the VLCC up to a full cargo quantity. As of writing, the only facility able to facilitate a full cargo is the Louisiana Offshore Oil Port (LOOP). Several new facilities have been proposed over recent years, although these have all faced various delays. If US VLCC loadings are to continue growing, it will be important to get these projects operational over the coming years. With that in mind, what is the current outlook for USG VLCC terminal projects?

USG VLCC Crude Exports (kbd)



In the very near term, The Corpus Christi Channel Improvement Project should be due for completion by Q4 2023 or Q1 2024. This aims to deepen and widen the channel at Ingleside to accommodate vessels with a larger laden draft which means an additional 15% more cargo can be loaded onto a VLCC upon completion. This means lighterage will still be required to bring the cargo to full size.

Meanwhile, the BlueWater Texas project is awaiting MARAD license approval to proceed. At present, it is unclear what the potential time frame for such approval is, but it is unlikely to occur in 2023.

Perhaps the project at the most advanced stage in the process is the Sea Port Oil Terminal (SPOT), 30 nautical miles off Freeport, Texas in relatively deep water, which is currently penciled in for a startup in 2026-2027. It has received a Record of Decision (ROD) from MARAD and outlines the final step before receiving a full license prior to construction. Terminal capacity is intended to be 85,000 barrels per hour which results in a full cargo in approximately 26 hours, but it may take a commissioning period to reach full operational capacity. Also offshore, the 1.1 mbd Texas Gulflink project could be operational from 2026 but is facing some local opposition. Finally, the 1.9 mbd Blue Marlin project is expected to receive regulatory approval in Q2 2024 to begin construction. All in all, considerable work is still required to bring these projects to reality.

So far this year, there has been a notable increase in VLCC volumes out of the USG. As of writing, a record 2.25 mbd has been shipped in 2023 versus 1.535 mbd in 2022. This comes as the IEA is forecasting rising Atlantic crude output, driven by growth in Americas production, in which the US is expected to add an additional 2.6 mbd of additional barrels by 2028. This is expected to contribute to a growing West to East trade over the medium term, where VLCCs will be the logical preference for many shippers in Asia. Meanwhile, in the shorter term we have seen a ramp up in VLCC crude shipments from the USG to Europe, with VLCCs already dominating for shipments into Netherlands and France.

For the US to increase its export potential further, these projects will need to come online and reach full operational capacity in this time frame. The current speed of these developments could start to raise some questions should sufficient progress not be made in the coming years.

Crude Oil

Middle East

It has been a challenging week for Owners, with what seems like a noticeable drop in cargo volumes from the previous month, which indicates the recent cutbacks are having a negative impact on freight rates. Owners had initially been optimistic in the beginning of the week, as typhoon delays were impacting the amount of available tonnage for last decade. Yet, a few market quotes exposed the true amount of ships, with a plethora of relets coming into the market. Today, we would expect 270 AG/China to fetch in the region of ws 47 and 280 AG/USG to go for at least ws 30 level.

In the AG, there is resistance from Suezmax Owners with Basrah suitable ships, though those Charterers who can live without 20T cranes have a great deal more options. Rates are firm and Owners will be looking in excess of 140,000mt x ws 67.5 for TD23. Markets to head East have slightly softer sentiment and for an East run rates are around 130,000mt x ws 112.5 today.

A tough week for Owners in the AG, where the tonnage list looks more reminiscent of a 'carpark'. This and limited inquiry on top of various other factors such as the weak Med, lower Russian volumes and the annual summer holiday season being in full swing paints a bleak picture. Sentiment is soft and last done will continue to be chipped away at. Having said that, some floors have been met where Owners are unwilling to further discount just to reposition West. AG-East closes the week at around the 80 x ws 140 mark.

West Africa

The WAF VLCC sector has had a quiet week, with Charterers drip feeding cargoes to the market and Owners resistance appears to be weakening, as we see an influx of East ballasters and relets enter the fray. Owners will be under further pressure, unless we see an upturn in the second decade enquiry, so today we are expecting a 260 WAF/China to go for ws 52 level.

West Africa has seen a slow pace of enquiry this week. Despite a feeling this market had seen the bottom, TD20 continues to trundle along at approximately 130,000mt x ws 67.5. Premiums to head East remain high around ws 10 points, with few Owners willing to head in that direction.

Mediterranean

Suezmax Charterers in the Med continue to get their way and have a healthy number of ships around. For TD6, Charterers will be looking to pay around 130,000mt x ws 72.5. The market for Libya/Ningbo has stayed around the same level and Charterers will be looking in the region of $3.75m.

It has been a topsy-turvy ride for Med Aframaxes this week! After briefly touching its bottom in the first half, the second half saw replacement business and a flurry of cargoes that allowed the Med to show promise once more. Ceyhan rates dipped to ws 85 levels, but by the close, those left to cover for other XMed voyages were forced to pay as high as ws 110 for a Libya to Greece voyage. CPC freights also dipped to ws 110 but are looking to reach over ws 130, with owners fearful of the security situation there. Sentiment and rates have warmed over the course of the week and as we look forward dark clouds continue to loom, as there are plenty of Suezmaxes lingering, waiting to spoil any considerable rate increase in the near term

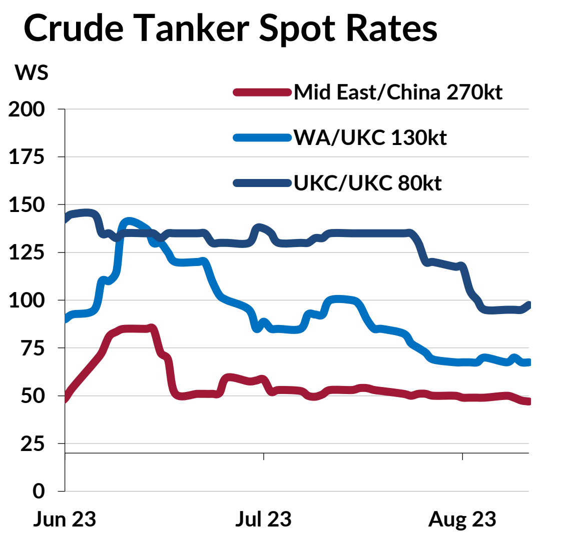
US Gulf/Latin America

This zone proved again to be a happy hunting ground for Owners as volumes remained high even if rates appear to have topped for now. It is noticeable how Owners already in the Atlantic are showing a preference to stay in this area and taking are more competitive for the shorter run than the long east cargoes so we expect a USG / China run will fix in the region of US$8.3m on today's market while a Brazil/China pays ws 52 .

Aframax Owners are having to settle for current low levels, as tonnage availability remains high after the recent lull. Yet, there is some optimism returning for the coming week as enquiry levels seem to be picking up.

North Sea

It has been a challenging week for the North Aframax market. Initially, some Owners were hesitant to commit their vessels. However, as the week progressed, many have reluctantly returned to the negotiating table. At its low point, the North reached ws 90 but has since climbed back up to finish the week at ws 100. Looking ahead, Russia has announced volume cuts, which may result in increased competition for ships among North's Owners in the upcoming weeks.



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

Clean Products

East

Not the best week for the LR2s. TC1 has been chopped down at the legs, seeing a big negative correction with 75x ws 120 on subs twice. At ws 120 a UKC stem would roughly equate to a US$3.3m; however, we are going to start see a disparity on different routes as Owners are just not willing to head West at these sort of levels. Jet West does need a fresh test but circa $3.5-3.55m levels is where it is heading. With the drop that we have seen this week, we must be close if not already at the bottom. Owners will be hoping to see a healthy number of stems early next week.

The LR1s have just ticked along in the background. From the outside it wouldn't appear too busy but there has been a relatively steady flow of cargoes coming and going. The list isn't overly supplied with ships, but there is also only a handful of stems as the weekend approaches. TC5 needs a fresh test but Owners feeling is that 55 x ws 150 is where it sits. UKC is also in need for a test on a young jet suitable ship but should be in the $3.0m levels. Similar to the LR2s, Owners are hoping for stems to enter thick and fast come Monday.

A relatively uninspiring summer week for the MRs, as a steady flow of off-market activity has kept the list from becoming too overcrowded. EAFR saw a deserved correction down to ws 220 on Tuesday, whilst AG/UKC revised lower to $1.975m. Despite the slight bearish hint to the week, Owners should be pleased with the prospect of earning $20-25k/day TCE during the usually slow summer months. TC12 has steadied at ws 150-155 levels as a busier Far East market will keep the East of Colombo positions from ballasting over this weekend. As a result, MRs look set to hold their ground and look to push higher next week if good activity returns.

Mediterranean

It was an active start to Week 32 in terms of fresh enquiry but with 14 prompt vessels on our list on Monday morning the writing was on the wall. XMED levels soon bottomed out to the 30,000mt x ws 137.5 levels which we saw repeated a handful of times with the Black Sea expected to negatively correct when next tested. However, the list has grown tighter as the week has progressed, especially ex WMED, and as a result we see 30,000mt x ws 142.5 on subs in that region. Rates are load dependent into the weekend.

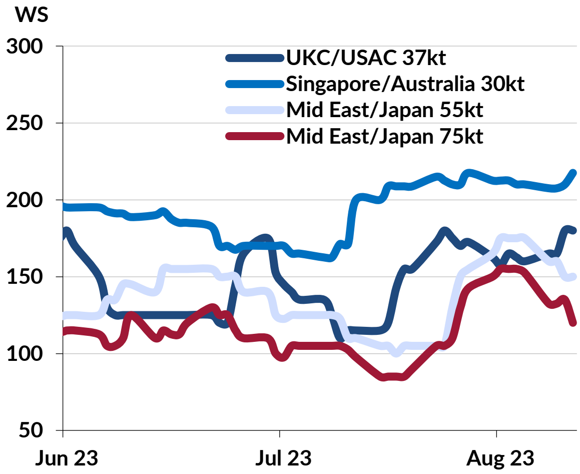
Finally, to the Med MR market where rates have been bouncing around 37,000mt x ws 160-165 levels for TA. Enquiry has been steady for most of the week but fast forward to Friday and we see a handful of cargoes left to cover. Some potential here into the weekend.

UK Continent

A bittersweet end to this week for Owners with some real belief that TC2 would surpass the ws 180 lvl, only for it to be completely subdued as we finish the week with 37,000mt x ws 170 on subs, so only up 5 ws points since Monday. A good influx of cargoes in the middle of the week, off mid-month dates received some difficulty in finding a suitable ship, with the list quite tight and the majority having Russian history in position. This allowed for small pushes on levels but ultimately now cargo dates have moved to the 20th August onwards and the list opens. Charterers with upcoming dates would likely see benefit in holding back.

There has been a good amount of fixing for Handies in the North this week with XUKC the busy route and the odd MED quoted also. 30,000mt x ws 187.5 was paid yesterday for a replacement cargo as the front end of the tonnage list remained tight. Charterers will be hopeful the weekend break enables a few more vessels itineraries to firm up heading into Monday. Poised.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

After an initial drop in levels, the market saw an injection in activity which allowed for a rebound to occur. Rates are now back up to ws 190 for now given the fixing date progression that is a natural occurrence. Levels are likely to remain around here for at least the next few deals, but perhaps the underlying message to take from this is that we have seen resilience from owners in what is now a summer market.

In the Med, levels have been rather steadier in their fixing patterns where once we settled back at ws 165, this has gone on to become a conference rate although where activity is slow to present the region remains in a precarious position heading into next week. Furthermore, depending on your vetting requirements specific to each deal, we do seem to have a list which requires some careful analysis when timing market entry.

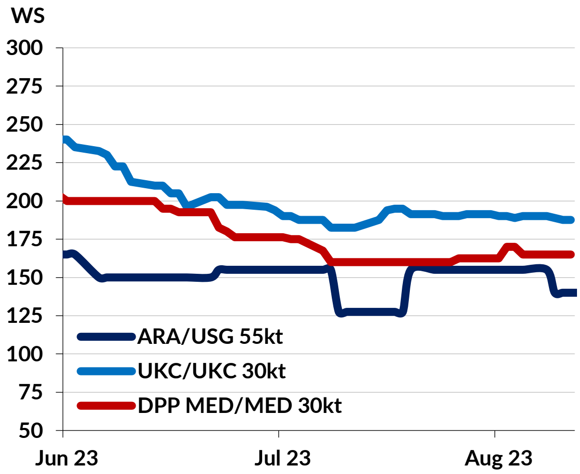
MR

There has been little change in activity for this sector as marketed tonnage availability looks patchy, which was especially true for the continent. Recent inactivity saw one Owner at the start of the week take coverage on a full MR stem which turned out to be a replacement, however, eyebrows were raised especially when the rate less than last done. Confidence therefore is taking the expectation of a summer market adding to the frustration of the Owners showing greater resolve in such conditions. This said, with part cargo handy activity also harder to come by right now missing your dates is not a scenario any owner wishes to face.

Panamax

With a few Owners having all looked to dry dock here in Europe during the summer months, the hope was always to secure a TA run after to relocate back to the US, but what you don't find is many owners hanging around once a ship has passed its open date. Indeed, that has been a trait seen again this week where limited enquiry came to light and owners have been faced with a decision. Forward availability now looks patchy again, levels are likely to stay flat on the next done as a result.

Dirty Product Tanker Spot Rats



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 10th	Aug 3rd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-2**	47	49	51	53
TD20	Suezmax	WAF-UKC	**-1**	65	66	93	78
TD7	Aframax	N.Sea-UKC	**-3**	97	100	133	119

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

			wk on wk change	Aug 10th	Aug 3rd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-3250**	20,500	23,750	30,750	28,250
TD20	Suezmax	WAF-UKC	**-1000**	13,000	14,000	36,000	22,250
TD7	Aframax	N.Sea-UKC	**-3000**	6,750	9,750	42,750	26,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 10th	Aug 3rd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-34**	122	156	101	
TC2	MR - west	UKC-USAC	**+16**	178	162	112	170
TC5	LR1	AG-Japan	**-32**	145	177	113	144
TC7	MR - east	Singapore-EC Aus	**+2**	213	211	200	202

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

			wk on wk change	Aug 10th	Aug 3rd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-15000**	23,000	38,000	17,500	
TC2	MR - west	UKC-USAC	**+3500**	18,750	15,250	6,250	16,750
TC5	LR1	AG-Japan	**-10250**	21,250	31,500	14,250	21,250
TC7	MR - east	Singapore-EC Aus	**-250**	23,250	23,500	22,500	21,000

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

	wk on wk change	Aug 10th	Aug 3rd	Last Month*	FFA Q3
Bunker Price - Rotterdam VLSFO	**+3**	615	612	543	
Bunker Price - Fujairah VLSFO	**+1**	631	630	559	
Bunker Price - Singapore VLSFO	**-2**	631	633	570	
Bunker Price - Rotterdam LSMGO	**+10**	901	891	750	

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