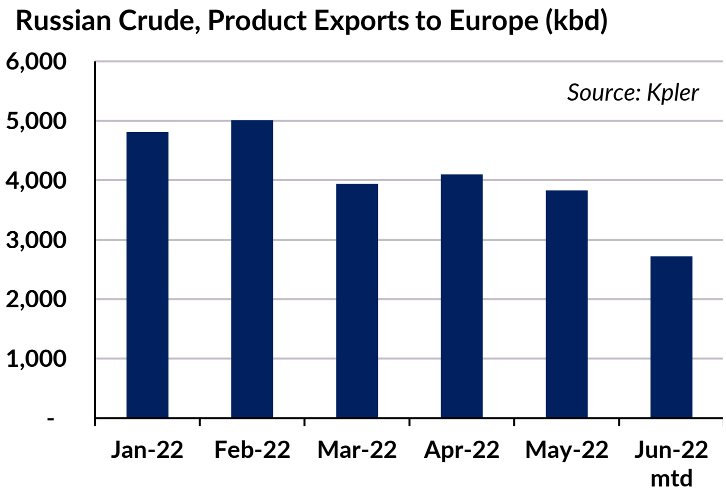
Oil Embargo

Weekly Tanker Market Report

The European Union's (EU) decision to prohibit Russian crude and refined products imports into the bloc came as little surprise to the market. Even though the ban will prevent seaborne oil flows to Europe from Russia, some Russian oil will continue flow via pipeline into several landlocked member states. Nevertheless, the impact on the tanker market will be extreme compared to the reallocation of trade seen to date which has been largely voluntary. Whilst only gradual change might be observed over the next few months, as the wind down period expires, the effect will be profound.

To recap, the EU's sixth sanction package states that seaborne crude oil imports must cease by 5th December with refined product imports being wound down 2 months later. Landlocked countries will be allowed to continue importing pipeline crude until a wholescale switch to non-Russian barrels is feasible. Tanker imports from Russia will only be allowed if disruption to pipeline supplies make it necessary. Coinciding with the sixth round of sanctions, the EU in collaboration with the UK, will ban the provision of insurance services to Russian for shipments to the Union and third countries. Whilst this insurance ban will not entirely prevent Russian exports, it will force shipowners and charterers to find new insurance channels and reduce the pool of tonnage willing to carry Russian oil, and likely impact Russian export volumes.

The result of these sanctions is that some 2.5 to 3mbd of crude oil and 1.5mbd of refined products will have to find a new home, or simply not be produced. The reality will be a combination of both. Production and refinery run rates are likely to fall, the extent of which will depend on export demand for Russian barrels. Undoubtedly some barrels will be diverted from Europe to India and China, as has been observed already, although it is unclear to what extent these countries might be willing to raise imports.



For Europe, the loss of Russian barrels creates a significant feedstock deficit which will need to be backfilled from elsewhere. European refiners will likely increase purchases from the Middle East, West Africa and United States, as well as local North Sea barrels, raising prices for these grades and further incentivising Eastern buyers to increase Russian intake. Similarly, the loss of Russian products, most notably diesel will create further inefficiencies in trade. At this stage it is unclear how much Russian diesel might be diverted to markets such as Latin America and Africa, however what is clear is that Europe will have a significant deficit, not all of which can be served by increases in regional refining activity, pointing to steep increases in imports.

Put simply, the net effects of the European oil embargo are longer voyages and increased trading inefficiencies. However, the elephant in the room is outright levels of demand. The economic damage of the invasion is becoming increasingly evident and is likely to deteriorate further before it improves, with the risk of recession ever present. Oil prices are likely to rise further unless oil supply from alternative sources increases significantly, further squeezing demand. However, global consumption is still projected to grow in 2022 and beyond despite economic risks, meaning that if growth can be sustained, longer voyages will give tonne mile demand an extra welcome boost.

Crude Oil

Middle East

Greek VLCC Owners may have had a little distraction over the last week or so, but the overall market conditions would have put a little dampener on festivities as bunker prices continue to eat deeply into Owners finances. Rates have firmed slightly but that is purely compensatory and as such no real gains have been achieved. Last done to the East is roughly 270,000mt x ws 43.5, with some slight premiums achievable for more expensive ports. Voyages West again remain light and a hypothetical level of around 280,000mt x ws 27 should be achievable for a run to the UKCont (via Suez). A yoyo week for TD23. The list made for good viewing from a Charterers perspective, but a dense end month position has meant rates have rebounded from early week lows of 140,000mt x ws 50 to ws 57.5 for Basrah/UKCont-Med. Charterers looking for both short and long haul East have not been short of willing candidates at near to last done levels, with 130,000mt x ws 95-97.5 being the conference rate. A steady week in the AGulf with a balanced Aframax list and equally balanced level of cargo enquiry. From an initial steady start, it is now looking as though it is slightly tilting more in Charterers favour. A voyage AGulf/East is currently 80,000mt x ws 185 but will be tested down.

West Africa

VLCC Owners have not had too much to work with this week hence the lack of any real potential movement either up or down but, with some slight optimism emanating from the East we may start to see Owners digging their heels in a little deeper to push for a slight premium over last done, which currently holds at around 260,000mt x ws 45 to the East. Many will be recovering after Posidonia and most will be buoyed as rates remain steadfast with more upside than downside on the cards. An early week replacement cargo was just what Suezmax Owners needed with many tipping a quieter week. A consistent undercurrent of activity, the Oil price rising and an ever-present Americas market this week has led to rates here pushing for WAF/UKCont-Med to 130,000mt x ws 92.5-95 and WAF/East ws 100-102.5. It will be interesting once everyone is back in their seats on Monday morning how we re-assess the lists but Owners and Charterers will both be in positive mood.

Mediterranean

The week began slowly in the Med, as many people were out of the office travelling and much of the business was being concluded quietly over the lunch table. As the week has progressed the list has tightened and Aframax rates have begun to pop. With Libya looking likely to come fully back online soon and reports of 80,000mt x ws 195 on subs for X-Med this market looks set to firm into next week. Suezmax enquiry levels have been disappointing as rates remain rangebound for the most part. TD6 currently sits where it has been trading of late at 135,000mt x ws 112.5. We may well see a slight bounce in rates due to increases in the bunker prices but there is sufficient tonnage at the moment to meet current demand. Long East runs we would expect to nudge upwards, with CPC/South Korea currently trading at $4.40-4.50 million, with Libya/Ningbo $3.75-3.90 million but in need of a test.

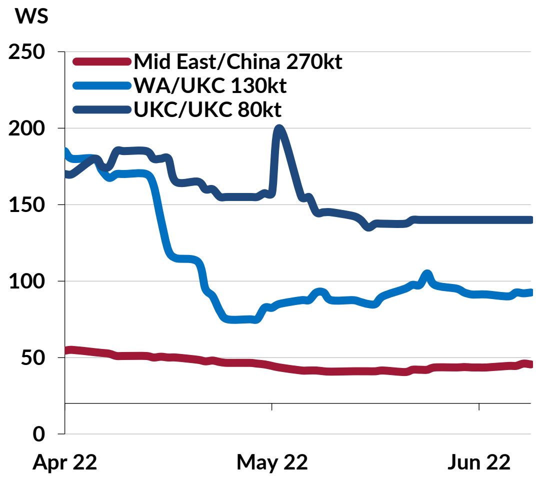
US Gulf/Latin America

Aframax Owners have had to readjust their sights a little as more ships came back into contention and, with only a steady supply of enquiry there was never any pinch points where Owners could capitalise. Last done transatlantic is around 70,000mt x ws 162.5 and for a short upcoast run 70,000mt x ws 180 should be achievable. VLCC interest again has remained on a slow burner and only higher bunker prices have stopped any real decline in levels as naturally placed Western positions should give Charterers the upper hand when they do come calling.

North Sea

The North is starting to find some level of stability. As this week has progressed so too has enquiry, which has given something of a sentiment boost to Aframax Owners. Earnings are still low but there is an undercurrent of optimism. X-North Sea is trading in the 80,000mt x mid ws 140's and Baltic/UKCont in the 100,000mt x mid ws 160s for now but the feeling is that there will be growth going forward.

Crude Tanker Spot Rates



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

Clean Products

East

An incredibly busy week for the MR with over 40 fixtures done. EAF has risen from ws 355 to ws 415. Most Owners as we finish the week are offering ws 450 to fix or in some cases ws 500. With the LRs beginning a resurgence, the ceiling on the MRs will continue to rise, so expect next rates to push further into next week.

LRs have seen a step change this week with rates seeing rapid rises across all areas. As was felt last week, Owners just needed a bit of resilience to get through the holidays and Posidonia as the fundamentals always looked sent for a rebound. LR2s have pushed rates for 90,000mt jet AGulf/UKCont to $4.5 million, up nearly $1 million on the lowest done and 75,000mt naphtha AGulf/Japan is now ws 215 up some ws 30 points in total. This is not expected to calm down the next week either.

LR1s have seen a similar profile although rates never really dipped in the same way as LR2s. 55,000mt naphtha AGulf/Japan is up ws 20 points at ws 260 and that's for over age tonnage. 60,000mt jet AGulf/UKCont is now $4.2 million and differentials to USA have also regrouped and are back to $800k/900k/1.0 million USAC/Caribs and US Gulf. Shorthauls are also on the rise with around $200k being added to X-AGulf rates now.

Mediterranean

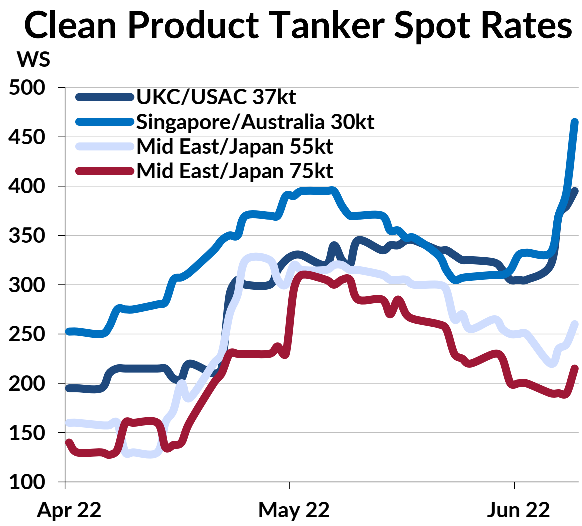
Owners have done well this week to dig their heels in and keep rates trading sideways at the 30 x ws 410 mark throughout. Enquiry has been slow but seems a few bits have been done behind the scenes and Charterers seem happy to pick off vessels with safe itineraries at this number. Russian Black Sea continues to see high premiums with non-Russian Black Sea ranging from ws 420-500 levels dependent on Charterer.

After what was a fairly quiet start to the week for the Med, MRs we have now seen this market begin to firm off the back of improved TC2 levels and better enquiry. 37 x ws 325 was the call for Med/transatlantic when we began the week and, with many in Posidonia this market was slow to get going but, with TC2 picking up midweek it wasn't long before Med levels followed suit with 37 x ws 390 transatlantic now on subs. WAF is in need of a fresh positive test in light of this transatlantic improvement with around +10 premium expected. A strong end to the week here with Owners bullish.

UK Continent

Who would've thought there would be a day where we actually called the TC2 market 37 x ws 400! Well that day appeared this week with a sudden opening of the arb midweek partnered with a limited tonnage list saw the majority of open vessels being clipped away and it soon became apparent that Owners held the upper hand. Partnering this momentum with some late runners, prompt ships were worth their weight in gold and by Thursday this sky high ws 400 was reached. The second half of the week we saw Charterers pull away as much as they could and this showed in market quoted enquiry, with only a dusting of additional stems appearing to keep Owners spirits high. The start of next week should show a flotilla of ballasters coming this way from the weaker US Gulf market but will only really help Charterers looking to fix off late teen/early 20 dates with negative correction expected, but for now Owners head off into the weekend pinching themselves in hope this all wasn't a dream.

Handy ships continue to be taken under the radar ex Baltic for Russian business mainly via COAs as rates have traded at 30 x ws 425-435 and are entity dependent. The Continent has seen better volumes too as X-UKCont improved to 30 x ws 320 and UKCont/Med in need of a fresh test but should land at 30 x ws 275. Steady ahead.



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

Dirty Products

Handy

Disruption from the long weekend in London followed by events in Posidonia created an interesting market, where both in the Med and Continent we have seen a change in psychology from Owners as confidence has definitely not been as high. Reductions in both zones have been seen, where units have been competing for business. However, the biggest signaller of trend reversal is perhaps the way the numbers are being kept buried. When the markets are falling, voices are yelling out what's been paid. That said, both the Continent and Med cycles still show many firm underlying factors and the word cycle is very apt right now. With everyone back at their desks next week, we will soon learn if we have seen the bottom.

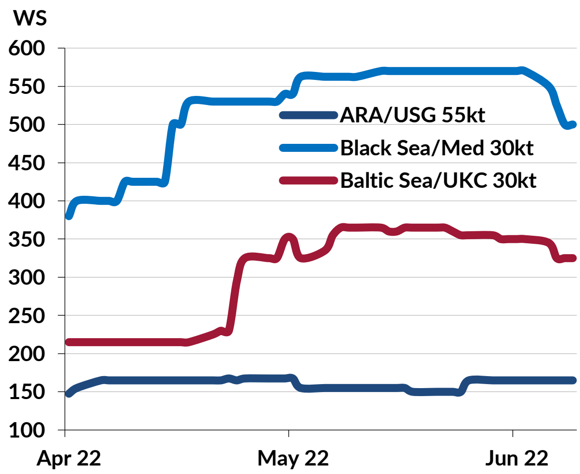
MR

Over the past two weeks conditions have been looking slightly more favourable for Charterers in the Med, where Handies have softened. Yet, taking into context where levels have been so firm, any small reductions appear a bit of a reprieve. That said, availability has remained patchy, which is underpinning the sector. In the North, a persistent lack of availability has kept levels completely flat and this trend is likely to continue despite a gap in fixing since levels were last tested.

Panamax

Again, we are faced with a persistent problem in this sector, where vessels willing transatlantic are scarce. This means that when Charterers have a requirement, their options are very limited. In turn, this is forcing Charterers to look at alternate sizes. Unless a few more backhaul stems from the US are booked or freight values balance out between the US and Europe allowing ballast voyages to look attractive once again, then it's hard to see any short term changes to conditions.

Dirty Product Tanker Spot Rates



*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	June 9th	June 1st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+1**	45	44	45	46
TD20	Suezmax	WAF-UKC	**+1**	93	92	79	108
TD7	Aframax	N.Sea-UKC	**+1**	141	140	155	144

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

			wk on wk change	June 9th	June 1st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+1250**	-22,500	-23,750	-8,000	-21,250
TD20	Suezmax	WAF-UKC	**-2000**	4,750	6,750	4,000	13,250
TD7	Aframax	N.Sea-UKC	**-500**	13,750	14,250	27,750	16,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 9th	June 1st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-2**	215	217	289	
TC2	MR - west	UKC-USAC	**+79**	395	316	327	305
TC5	LR1	AG-Japan	**+8**	259	251	307	256
TC7	MR - east	Singapore-EC Aus	**+144**	459	315	391	338

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

			wk on wk change	June 9th	June 1st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-500**	27,000	27,500	61,500	
TC2	MR - west	UKC-USAC	**+12750**	40,250	27,500	31,750	24,000
TC5	LR1	AG-Japan	**+1750**	26,750	25,000	46,750	26,250
TC7	MR - east	Singapore-EC Aus	**+24500**	44,750	20,250	40,250	24,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**+130**	969	839	801
ClearView Bunker Price (Fujairah VLSFO)	**+147**	1121	974	911
ClearView Bunker Price (Singapore VLSFO)	**+111**	1131	1020	873
ClearView Bunker Price (Rotterdam LSMGO)	**+155**	1316	1161	1229

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 1401, 14/F,
OfficePlus @Wan Chai,
303 Hennessy Road.
Wanchai. Hong Kong.

T (852) 2511 8919
F (852) 2511 8901

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

Mumbai
Office 128, Level 1, Block A,
Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai, Maharashtra, 400018,
India
T +9122-6110-0750