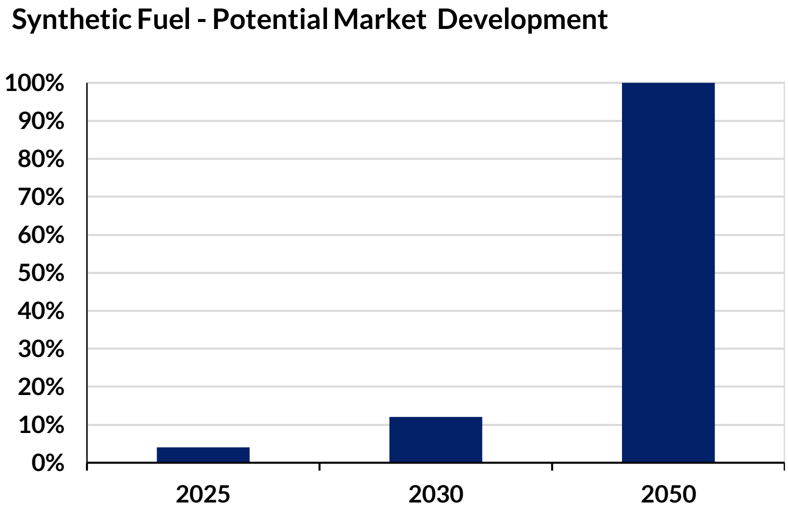
It's a syn (fuel)

Weekly Tanker Market Report

If you own a Porsche or you like Formula 1, then the developments within the synthetic fuels sector will be of interest to you. Tanker owners should also take note. Porsche director, Frank Walliser, has outlined that his company is working with Siemens on a new synfuel plant in Chile. Here synthetic fuels will be produced, where water is electrolysed with hydrogen atoms that have been split by the process of being blended with captured carbon dioxide to create a liquid fuel called e-methanol. This can be further refined turning it into e-gasoline, e-diesel or e-kerosene for aircraft.

These new synfuels act like conventional fuels and can provide a drop-in replacement for existing oil sourced fuels. Synthetic fuels have no impact on vehicle performance and in some cases can provide more power. These fuels have around eight to 10 components, compared to today's fuels which have between 30-40 components, meaning the manufacturing process is likely to be less complicated. Another benefit is that tests undertaken by Porsche expect a reduction of CO_2 of around 85%. However, the exact amount of reduction in CO_2 will depend on how the source power required to produce the fuel is generated, with the best option utilising renewable electricity.



The efuel Alliance sees a gradual increase in synthetic fuels as an admixture to conventional fuels, rather than an immediate swap. The blending of synfuels with regular fuels will also help cut CO_2 emissions. The blending of fuels will allow time for the new synthetic fuels to ramp-up production capacity and capability. In the longer term, synfuels are designed to replace regular fuels, as demand for carbon based fuels declines. However, this could take some time as the efuel Alliance forecasts just 4% of admixture by 2025, 12% by 2030 and 100% by 2050. This timeline is way outside the proposed CO_2 neutral limits of the current zeitgeist. Although, studies show that it takes around 20 years from the date of registration for 98% of cars to disappear off the road, meaning that cars with internal combustion engines (ICE) sold during 2029 will still around in the mid-2050s and will require some form of fuelling.

The reason for outlining synthetic fuels here is due to various governmental diktats on the banning of ICE that operate on gasoline or diesel in or around 2030. Should the production and consumption of synfuels become a major contributor to the transport and power generation sectors in the near-term, then by implication there will be the need to transport the fuels from production location, potentially in a part of the world where a surplus of sustainable energy is available, to final consuming markets. The tanker market could start to see an increase (albeit in small quantities initially) of synfuels being transported. It would seem there would be no need for different tanker designs to carry these new fuels, meaning current tankers could potentially drop in and out of their current trading patterns and operations and transport these new fuels as and when required, or even specialise in this new and potentially growing fuel sector.

These is still much of the unknown about the future of synfuels, such as production costs and locations of production facilities, but these fuels could add to the expanding focus on sustainable future fuels all to the benefit of both Porsche owners and the tanker market.

Crude Oil

Middle East

VLCC levels continue to be chipped away at by Charterers, even as we see more enquiry coming to the surface. The overabundance of tonnage that has been building meant that even with this burst of activity Owners have had to struggle to get into a position to fix, with last done levels to the East dropping to 270,000mt x ws 32.5. A voyage West remains illiquid but we estimate that the current level would be 280,000mt x ws 19 to the US Gulf (via Cape). Another slow week for Suezmax tonnage that has seen just sufficient enquiry to maintain the recent levels of 140,000mt x ws 24.5 to Europe and 130,000mt x ws 52.5 East. The Aframax market has continued to soften this week and Charterers have been able to engineer a further rate reduction, with rates to the Eat currently 80,000mt x ws 90.

West Africa

Minimal VLCC interest for the week and levels are likely to follow a similar downward path as witnessed in the AGulf. Although there will be fewer candidates willing to lock in at current levels for the longer duration. The tonnage that has already committed to ballasting West is more likely to head to the US Gulf in hope of higher earnings rather than try their luck here. Last done to the East is 260,000mt x ws 36.5 but no doubt lower will be achieved for the next fixture. Although on the surface the glut of available Suezmax tonnage had shrunk, activity has also remained very light. So, it comes as no surprise that Owners have been willing to discount levels further just to get fixed, with 130,000mt x ws 45 being paid for a cargo to Rotterdam. We still have Owners willing to fix in the low ws 50's for cargoes destined to the East.

Mediterranean

Aframaxes tonnage had their usual biweekly surge of activity but Charterers have played their hands carefully. They targeted ships quietly and contrary to what could have been expected rates have actually been eroded. The ws 5-point gain of the previous week is gone, with Black Sea rates settling once more at 80,000mt x ws90 and Ceyhan at ws 85. It should be noted that the position list is now stripped very bare for available tonnage and port delays/bad weather are causing some uncertainty; it will not take very much for gains to be made once more. However, as the weekend approaches Charterers have taken their foot off the gas and hope for a restocking of ships on Monday. An active week for Suezmax Charterers; however, we have seen further discounting by Owners for their preferred voyage. Rates have now bottomed with $2.135 million being paid for a Libya to Ningbo cargo and rates to Europe are still achievable at 130,000mt x ws 47.5.

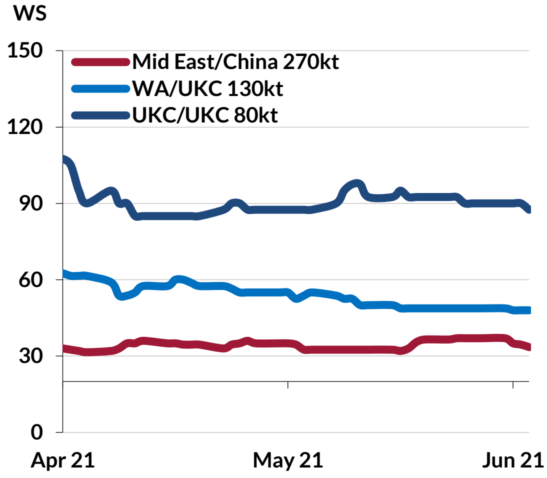
US Gulf/Latin America

Aframax Owners have remained on a more defensive footing all week as there has never been enough enquiry to turn the tables and formulate any thoughts of a recovery. Difficult to see any immediate change until the availability of tonnage has trimmed sufficiently. Last achieved for transatlantic 70,000mt x ws 75 and for a short haul run 70,000mt x ws 85. VLCC Owners had to concede a little more ground here as a softening sentiment in all regions left Owners feeling vulnerable and Charterers were able to secure a healthy discount, with last done to the Far East at $4.2 million from EC Mexico.

North Sea

Little to report as we wrap up another uninspiring week for Aframax tonnage. The national holiday did little to boost action in a shorter week and left the market in a similar place to where we started. In the near term with X-North Sea trading around 80,000mt x ws 87.5 level and Baltic 100,000mt x ws 65, there is some hope that third decade loading might have a chance at swinging sentiment with a busier programme expected. However, this could be slightly wishful thinking with the summer months looming.

Crude Tanker Spot Rates



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

Clean Products

East

A quiet week on the whole for the MRs but only minimal ground has been lost on rates. Worryingly for Owners is the increase in bunker prices, which paired with ws 162.5 pushes round trip EAF earnings below $4k/day. On the other hand, Thursday's activity has cleared up most of the prompt workable tonnage and, with a lack of Singapore ballasters the list is not overbearing for the next seven days.

LRs have had a disappointing week after there had been a fair amount of hope for improvements especially on LR2s. Last week ended with the early tonnage clearing fast and cargoes uncovered. Unfortunately, little new enquiry has quoted and mostly short haul. It has left 90,000mt jet AGulf/UKCont at $1.75 million but less is now likely next week. 75,000mt naphtha has remained static at ws 80 though.

LR1s also had optimism but by mid-week Owners had to be realistic. 65,000mt jet AGulf/UKCont fell back to $1.35 million and 55,000mt naphtha AGulf/Japan to ws 85. Rates are unlikely to see a further decline short term as returns are poor and bunkers have risen. But the overall activity levels are much lower than we hoped and June is looking about as promising as a Brit getting a summer holiday abroad!

Mediterranean

The shortened week was always going to cause problems, with a build-up of tonnage following the long weekend. This coupled with sluggish enquiry has led to a softening of rates throughout the week by 10-15 points or so and at the time of writing 30 x ws 150 has gone on subs ex Black Sea. X-Med is now in need of a fresh negative test and with TC6 Balmo on the paper continuing to trade sub 140 expect the pressure to continue here.

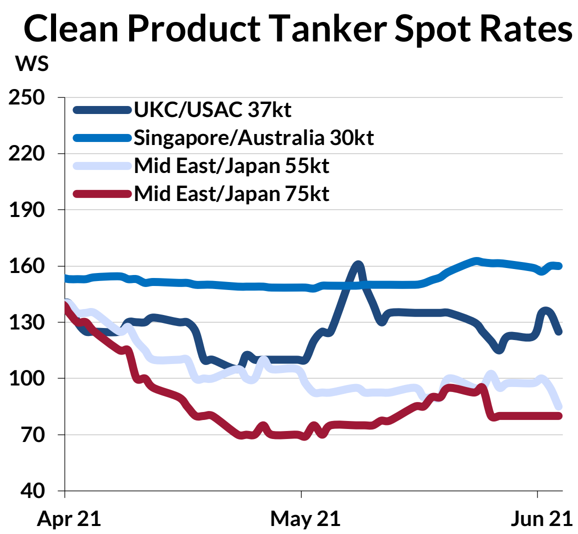
Med has traded a touch behind its Northern counterparts this week, with a cheaper discharge reload ex ARA allowing Charterers to swiftly achieve 37 x ws 125 and 37 x ws 135 for transatlantic & WAF respectively, 10 points under last done. Cargoes have been drip fed into the market. Given the list and the softening on the Handies, Owners haven't been able to justify anything above this number. Rates remain under pressure going into the weekend.

UK Continent

A hive of activity at the start of this truncated week is where most activity was seen this week, as cargoes needing covering still in the first decade were hit with limited options. Owners were able to ride this wave of optimism into Tuesday evening where 37 x ws 135 was the new transatlantic rate but that is where the water started to dry up and enquiry was slow for the remainder of the week. Charterers took OP and even Handies to avoid getting stung. As this week has progressed, the impending pressure on this market has started to be felt as a good number of ballasters are seen on the Atlantic horizon. Despite this we still see a prompt replacement achieving 37 x ws 135 but believe that will be the last time we see that number as 37 x ws 125 ex Baltic on a non-CPP ship is also seen. Charterers no doubt will be looking to press further into the ws 120s and a quiet start to next week will really knock any wind out of Owners sails.

Cargo volumes have improved this week but, with a good supply of ships still available for Charterers, rates once again have traded sideways throughout, with TC9 at 30 x ws 120 and 30 x ws 115 for X-UKCont. The front end of the tonnage list has tightened a touch as the majority of prompt units have been fixed away. Yet, with the weekend now on the horizon, any slight momentum Owners felt they might have had has been halted. More of the same expected here in the short term as we roll into the summer months.

Overall a very quiet week in this UKCont Flexi market, with enquiry on the slow side and the small amount of action we have seen being kept under wraps. Throughout the week rates have been guided by Handy levels with a slight discount, which has seen the call for a X-UKCont run remain at the 22 x ws 150 mark for the majority.



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

Dirty Products

Handy

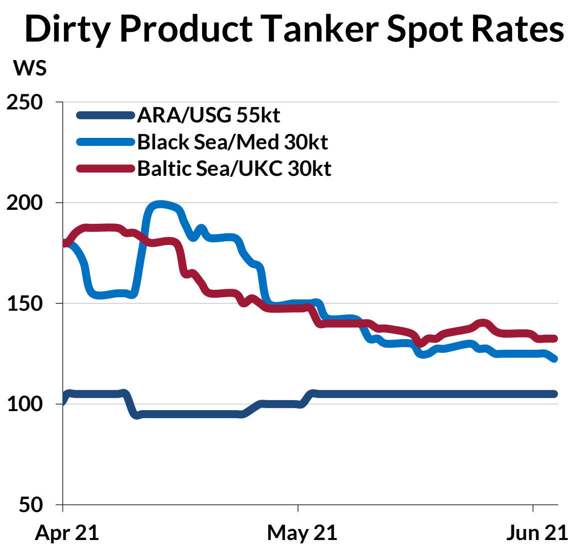
A rather lacklustre week grips the Handy sector in both the Continent and Med as inactivity sets in. As a result, tonnage stocks are being allowed to lengthen across the board, with rates tested negatively in direction on the Continent. The Med has been left alone more through Charterer empathy than validity, where we are reaching bottom rung returns. One suspects there may still be some upside to come before we begin bedding in for the summer; however, this week really has served as a reminder to the kind of conditions we are likely to face.

MR

Hidden units appear out of the shadows signalling a warning that trend is well and truly with Charterers right now. Perhaps more significantly we denote noble attempts from Owners to fix units under the radar but in the end having to market their availability in order not to be overlooked. From this week's trading some sharp numbers were seen; yet, this is put into context that in the continent we even saw units undercutting last done on the handy market; this goes a long way to explain just how slow conditions have been.

Panamax

Holding steady at ws 105, Owners for now remain quite resolute in their stance not to succumb to negative sentiment despite the surrounding Aframaxes undercutting on a prorated basis. Additionally, tonnage stocks in Europe are yet to become extensively populated in spite of units passing their opening dates and now racking up idle time. So often in the past and indeed in the present, we see conditions that in any other sector would have some kind of bearing on trend. However, if history repeats, then unless the US values plummet to sub ws 100, then a flat overall trend is likely to persist.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 3rd	May 27th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-2**	34	36	33	34
TD20	Suezmax	WAF-UKC	**-1**	48	49	55	53
TD7	Aframax	N.Sea-UKC	**-3**	90	93	88	91

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

			wk on wk change	June 3rd	May 27th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-4000**	250	4,250	-250	0
TD20	Suezmax	WAF-UKC	**-1250**	-500	750	4,250	2,250
TD7	Aframax	N.Sea-UKC	**-2500**	-3,250	-750	-2,750	-2,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 3rd	May 27th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-1**	80	81	71	
TC2	MR - west	UKC-USAC	**+20**	134	114	128	127
TC5	LR1	AG-Japan	**-8**	88	96	95	102
TC7	MR - east	Singapore-EC Aus	**-6**	153	159	149	153

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

			wk on wk change	June 3rd	May 27th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-1750**	3,250	5,000	1,500	
TC2	MR - west	UKC-USAC	**+2750**	5,750	3,000	5,250	4,250
TC5	LR1	AG-Japan	**-2750**	3,000	5,750	5,000	6,250
TC7	MR - east	Singapore-EC Aus	**-2000**	7,500	9,500	7,500	7,500

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

ClearView Bunker Price (Rotterdam VLSFO)	**+20**	505	485	480	
ClearView Bunker Price (Fujairah VLSFO)	**+31**	519	488	501	
ClearView Bunker Price (Singapore VLSFO)	**+33**	521	488	503	
ClearView Bunker Price (Rotterdam LSMGO)	**+18**	568	550	538	

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