WEEKLY

TANKER REPORT

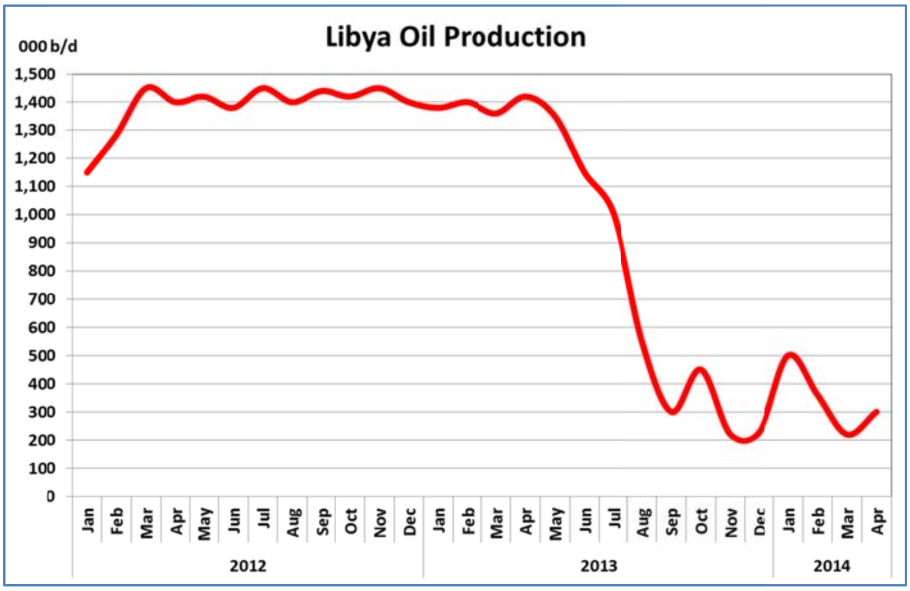
9th May 2014

LIBYA – OIL ON TROUBLED WATERS

It seems hard to believe that it was three years ago that Libya was embroiled in a civil war that would eventually lead to the overthrow of the Gaddafi regime (October 2011) and plunge the nation into a prolonged period of civil unrest. While Libya at the time was a relatively minor OPEC producer at 1.6 million b/d (2% of world production), the loss of these export crude barrels had a significant impact on the Mediterranean crude tanker market. Oil and gas exports make up around 70% of Libya's economy providing the means to fund essential food supplies as well as the vital equipment to keep production functioning. Following the civil war, crude production in Libya recovered fairly quickly once a new government was put in place and, for a while, it appeared that the desert dust had once again settled, and normal cargo lifting to Europe resumed.

However, during July and August 2013, protests at major oil loading ports in the central and eastern region of Libya forced the complete shut-in of oil fields and by September oil production had fallen to around 0.3 million b/d as armed groups, seeking self-rule, blocked pipelines and took over terminals and oil fields. Of course the loss of the Libyan light sweet crudes to the European market has benefited the Suezmaxes, with replacement barrels being sourced from further afield, in particular West Africa. By the end of March this year, demonstrations against the government forced more field closures cutting production (at one stage) to just 150,000b/d.

According to Libya's official news agency, the seizure of the country's ports, over the past eight months, has cost the nation around $14 billion in lost export revenue. The recent fiasco when a North Korean flagged MR tanker tried to break a government port blockade to load an illegal cargo of crude resulted in the sacking of the Libyan prime minister. However, towards the end of April an agreement was reached with the rebels to resume oil shipments from the east Libyan ports of Zueitina and Hariga, and a number of cargoes were lifted. The resumption of oil shipments may in part be responsible for the short lived hike in rates for X-Med Aframaxes, which broke through WS100 points for the first time since the end of January, reaching to around WS110. Further talks were planned to resume shipments from the ports of Es Sider and Ras Lanuf, but the election last weekend of a new interim prime minister has once again plunged the nation into confusion and uncertainty following disagreements over the legality of the poll. At the time of writing, tankers are loading in Libya and other vessels are scheduled to make port. However, a betting man wouldn't place a bet on this fragile situation holding for too long, but we can hope.



CRUDE

Middle East

Flatline for VLCCs ...though that's perhaps being generous as a number of deals have also been concluded below last week's lowest numbers too. Just too many ships, and given that, Charterers seem content to continue to slowly mop up the last quarter of the May programme and merely drip feed early June stems into the marketplace, though perhaps there could be a spree of bargain hunting on the near-term horizon. Rates, for now operate at down to ws 35 to the East, and ws 24 to the West, via Cape. Suezmaxes kept to a steady enough beat to keep rates rangebound at 135,000 in the low ws 30's West, and low ws 60's to the East, but availability was never pruned to a point that threatened a break-out, and that should stay the case for a while yet. Aframaxes started with some hope, but that fizzled late week, and rates continued at a flat 80,000 by ws 95 to Singapore with another nondescript week forecast.

West Africa

Suezmaxes here initially dipped a couple of Worldscale points before Charterers took pity and pushed out more meaningful enquiry that allowed the market to regain it's position at around 130,000 by ws 52.5 US Gulf and ws 55+ to Europe. That was the good news - the bad news is that there remain a swathe of ships to fix, and the foot is coming off the pedal once again to prevent any further rate-inflation. VLCCs kept steady at 260,000 by ws 40 to the East and just under US$ 3 million to East Coast India, but volumes were light, and the poor Arabian Gulf scene will keep the market under some pressure.

Mediterranean

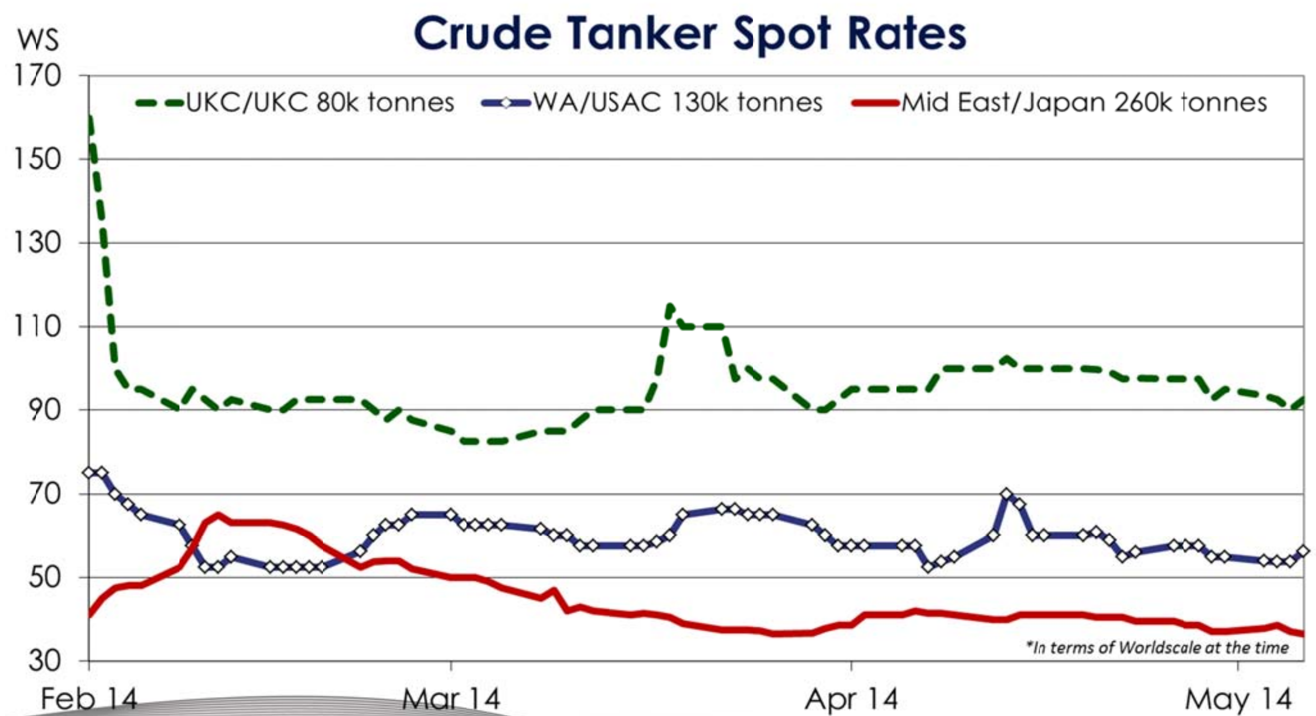
Suezmaxes also failed to properly spark here. Actually, they never received the interim attention either, and merely drifted at an average 140,000 by ws 55 from the Black Sea for European destinations. The early outlook remains very soggy too. Aframaxes huffed and puffed, but ultimately remained in an 80,000 by ws 75/80 range cross Med, and should stay there, or thereabouts, given the good ongoing availability.

Caribbean

A rare glimpse of sunshine for Aframaxes, sparked by a rash of early replacement needs, and consolidated by Charterers spinning onto forward dates in numbers. Rates were consequently forced up to 70,000 by ws 130 upcoast, and will stay there as long as the cargoes keep flowing, though the rate of flow is likely to quickly fall to a drip. A short lived affair. VLCCs didn't see a great deal, but Owners proved stubborn enough to risk waiting time and successfully defended a bottom line US$3.45 million to Singapore, and US$ 2.9 million to West Coast India, where they should hold over the coming period.

North Sea

A slow week for Aframaxes, but rates were already at bottom hugging levels so 80,000 by ws 90/92.5 cross Uk Cont remained the conference range with 100,000 by ws 65/67.5 the mark from the Baltic. Suezmaxes found a few friends, but rates didn't move much from 135,000 by low ws 50's to the States with US$3.2 million paid for a fuel oil run from the Baltic to Singapore including heating costs. VLCCs couldn't get in on any action, but theoretically would cover at US$3.5 million for the Rotterdam/Singapore run.



CLEAN PRODUCTS

West has been disappointing, East is firm.

East

Lrs have seen an interesting week with Lr2s in particular taking considerable moves upwards, while Lr1s have seen a shorter list and some routes, East Africa in particular, also firm quickly. 75,000 mt Naphtha AG/Japan is now w92.5 and 90,000 mt Jet AG/UKC is US$2.4m, but with more stems to cover rates are still firming. 55,000 mt Naphtha AG/Japan is w110 and 65,000 mt Jet AG/UKC is now US$1.90m but these rates also look likely to rise further considering rates to East Africa are up some 15 points this week.

Mrs have seen a seesaw week, looking like the deck of cards could come crashing down at some points, but finishing the week actually quite firm with a tightening list. TC12 seems to be immune to this talk of firming though as it remain resolutely at Ws 110 and not much sign of this changing. East Africa actually came down 5 points with Ws 165 being fixed, however next done I would expect to higher, likely to be 170-175. Ag to UKC has firmed, with US$ 1.425 Million on subs and with cargoes still to cover, this could firm further. The shorthaul market is tighter on ships, with Iraq deliveries rising to close to US$ 300,000 and shorter voyages are assessed at US$ 240-250,000. At this present time, Owners will be optimistic for what next week brings.

We have had a busy week in the Far East; leaving the North Asia position is tight until the end of May. There are still a number of outstanding stems with limited available vessels, so the week has ended with a stalemate situation between Owners and Charterer's and Owners will surely now look to beat last done. It is clear that the market is firm particularly on the Mrs and LR1s, but due to our `Mexican standoff situation, we are yet to see the main routes tested. The tightness from the smaller ships has not yet been up scaled to the LR2s which are comparatively quieter. Theoretically, for South Korea/Singapore, Mrs, LR1s and LR2s should fix at US$ 480K US$ 500K and US$ 525K respectively. Singapore has had a more interesting week, as we have seen an influx of Sing/Australia business from an Oil Major of which the going rate is around ws155 basis 35kt (0% overage). With a few uncertain positions and trader/oil major relet's scattered across the position list, the Singapore list has been left deceptively tight in some pockets. Going into next week, Charterer's should exercise caution, as the Singapore tonnage list could prove an uneven playing field for some unlucky customers.

Mediterranean

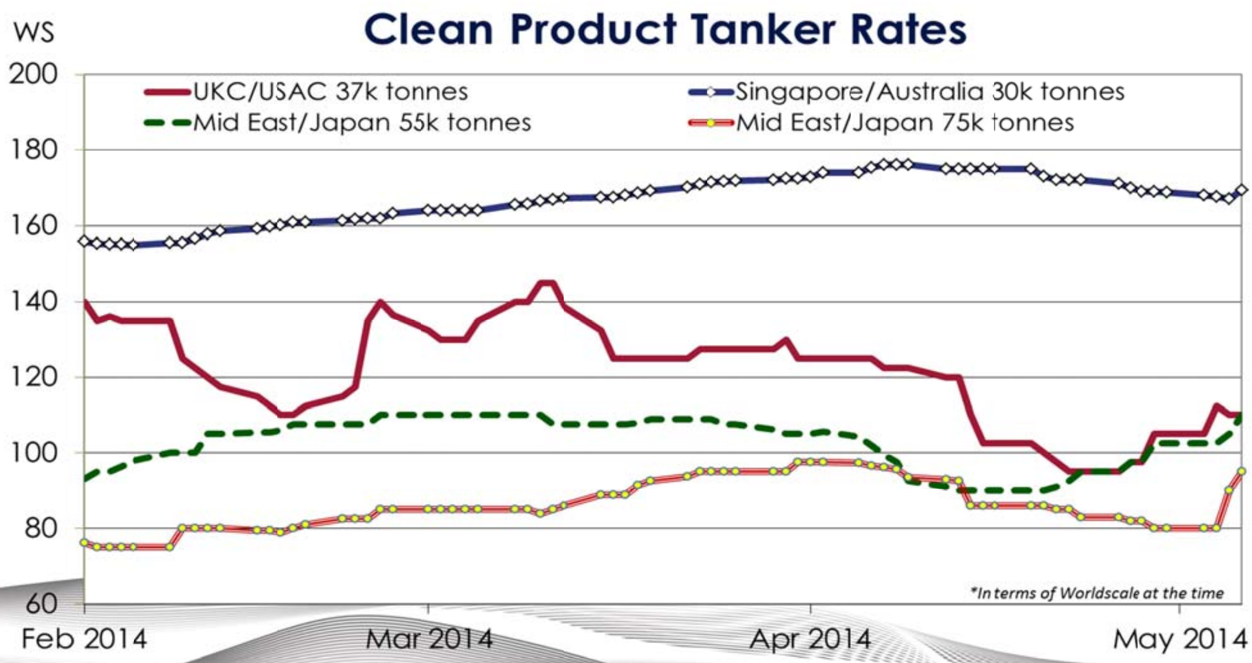
An active start to the week saw plenty of handy cargos in the market, but sadly there hasn't been enough to push rates anywhere but sideways. Cross med handys continue to fix 30 x ws 115 and it is the same story from the Black Sea. MR activity has been stable fixing inline with the UKC, 37 x ws 110 for states discharge. West Africa rates were untested but arranged ideas around 37 x ws 122.5-125 level. Heading East to the Red Sea basis a central Med load, would consider 775-800k on an MR.

UK Continent

A bright start to the week on the Cont saw the list tighten further and TC2 firm to peak at 37 x ws 112.5. However the spike was fairly short lived as fresh enquiry dried up, the list remained tight up until mid-month so owners managed to maintain fixing 37x110 through until weeks end, options to West Africa maintain a fifteen point premium upon this. Handies and flexis continued to suffer, minimal volume lead rates to slip further finishing at 30 x ws 122.5 and 22 x ws 165. LR1s had a stable week trading 60 x ws 97.5 for Cont/West Africa.

Caribbean

A slower week in the US Gulf this week as fresh enquiry was quieter on MR stems. However a well balanced tonnage list has kept rates steady and they traded sideways at 38 x WS 80 for TC14. Limited pressure on rates either is likely early next week as the list looks balanced up to the 15th. Caribbean Sea up to the USAC has been slow and falls to WS 95 while runs to Brazil fall to WS 115.



DIRTY PRODUCTS

Handy

Talking about the differences in how the Med and Continent sectors have performed this week, there is clearly one winner; Those trading in the continent!. Having been subjected to a couple of weeks of limited activity, the tonnage list hadn't seen repopulation accounting for vessels that had previously left the region. This week, where multiple requirements were seen over a narrowed time frame, rates adjusted quickly by edging closer to the WS 150 mark. Ship owners will now be looking to take advantage of a change in fortune, with a threat to the longevity of this spike now coming from the West Med / Gib area.

The Mediterranean this week ran its course without much of significance really passing us by. Rates showed the odd anomaly where specific requirements were sought, however repetition at WS 130 X med with up to an additional 10points being paid from the B.Sea . Guaging directional signs for next week, owners will face a task to keep trend favourable if numerous ships appear on Monday morning. The market will need to see additional requirement to mop up excess units.

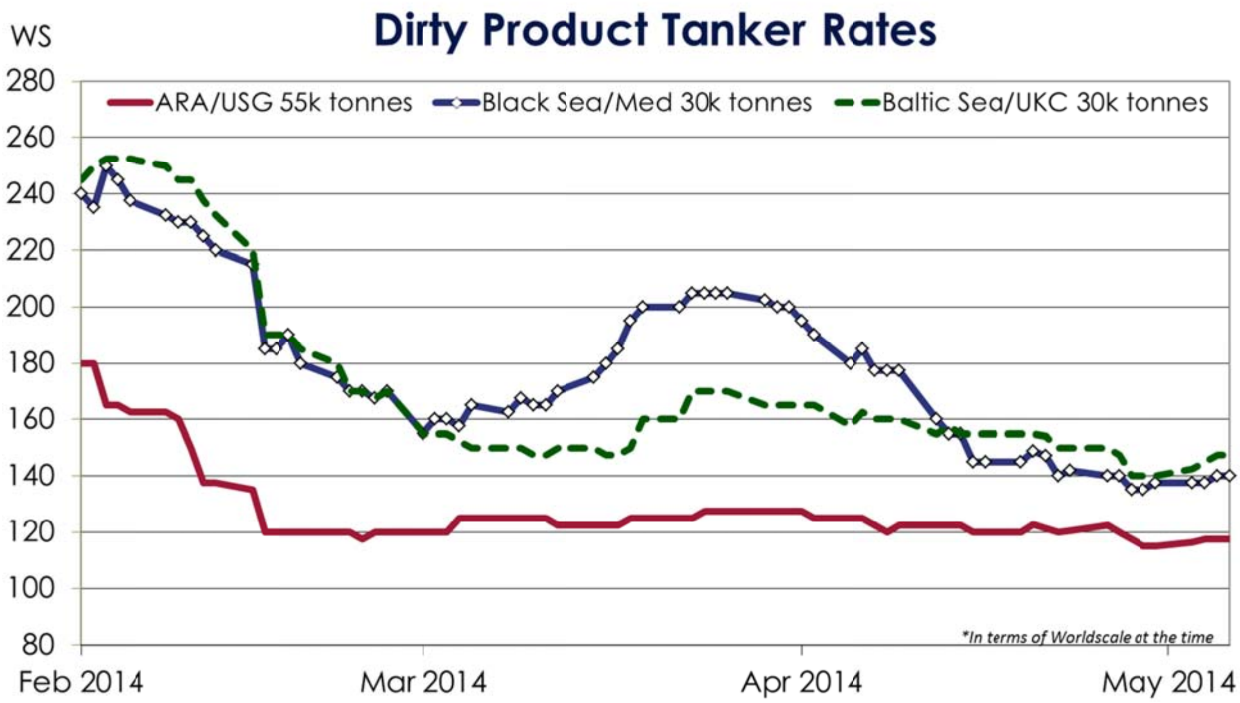
MR

In the continent this week, activity has been very sparse but with a tonnage list equally, this is not a surprise. Cargoes will have been covered on alternative sectors if a true 45kt stem appeared, and expect this mentality to continue. This said, with Panamax rates improving 25point this week in the Caribbean, ballasters will be hard to come by, and thus putting pressure on finding tonnage and therefore on the MR rates.

The Mediterranean has been more successful with a number of ships finding the golden ticket of a 45kt stem, and keeps the tonnage turnover. With handies still struggling to press on rates, and a healthy selection of MRs available, expect rates to remain flat until a sharp increase of cargoes occurs.

Panamax

There has been a shift in the market fundamentals this week; burgeoning Caribbean Sea rates ensured States tonnage is firmly staying put and with ws 135 reported there is little incentive for tonnage to make the trip across the pond into a softer market. There will be an inevitable effect for UKC / Med - TA runs in the next fixing window as Charterer's find a lack of committed ballast units and a firmer market is expected - clipping out the early units will be source of the best deal especially if there is a run on enquiry. In summary, expect rates to firm moving forward with the Cont looking most susceptible to a quick rise. We expect the Med will remain the softer of the 2 regions with Suez proving an alternative source of tonnage.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 8th	Last Week	Last Month	FFA Q2 14
TD3	VLCC	AG-Japan	**-1**	37	38	42	40
TD5	Suezmax	WAF-USAC	**+1**	55	54	54	59
TD7	Aframax	N.Sea-UKC	**-1**	92	93	98	95

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

			wk on wk change	May 8th	Last Week	Last Month	FFA Q2 14
TD3	VLCC	AG-Japan	**-2,000**	12,250	14,250	18,250	15,500
TD5	Suezmax	WAF-USAC	**-250**	10,750	11,000	9,500	13,250
TD7	Aframax	N.Sea-UKC	**-1,000**	9,250	10,250	13,250	11,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 8th	Last Week	Last Month	FFA Q2 14
TC1	LR2	AG-Japan	**+13**	95	82	96	
TC2	MR - west	UKC-USAC	**+7**	110	103	125	106
TC5	LR1	AG-Japan	**+6**	104	98	97	106
TC7	MR - east	Singapore-EC Aus	**+2**	171	169	176	

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

			wk on wk change	May 8th	Last Week	Last Month	FFA Q2 14
TC1	LR2	AG-Japan	**+5,000**	15,500	10,500	16,000	
TC2	MR - west	UKC-USAC	**+1,250**	6,250	5,000	9,000	5,500
TC5	LR1	AG-Japan	**+1,500**	12,000	10,500	9,750	12,500
TC7	MR - east	Singapore-EC Aus	**+250**	12,500	12,250	13,500	

(a) based on round voyage economics at 'market' speed (13 knots laden/12 knots ballast)

LQM Bunker Price (Rotterdam HSFO 380)	**+2**	574.5	572.5	582.5
LQM Bunker Price (Fujairah 380 HSFO)	**+10**	597.5	587.5	591.5
LQM Bunker Price (Singapore 380 HSFO)	**+1**	588	587	590.5

PAT/JCH/TP/JT/slk

Produced by Gibson Consultancy and Research
Visit Gibson's website at www.gibson.co.uk for latest market information

E.A. GIBSON SHIPBROKERS LTD., AUDREY HOUSE, 16-20 ELY PLACE, LONDON EC1P 1HP
Switchboard Telephone: (UK) 020 7667 1000 (International) +44 20 7667 1000
E-MAIL: tanker@eagibson.co.uk TELEX: 94012383 GTKR G FACSIMILE No: 020 7831 8762 BIMCOM E-MAIL: 19086135