

WEEKLY TANKER REPORT

GIBSON

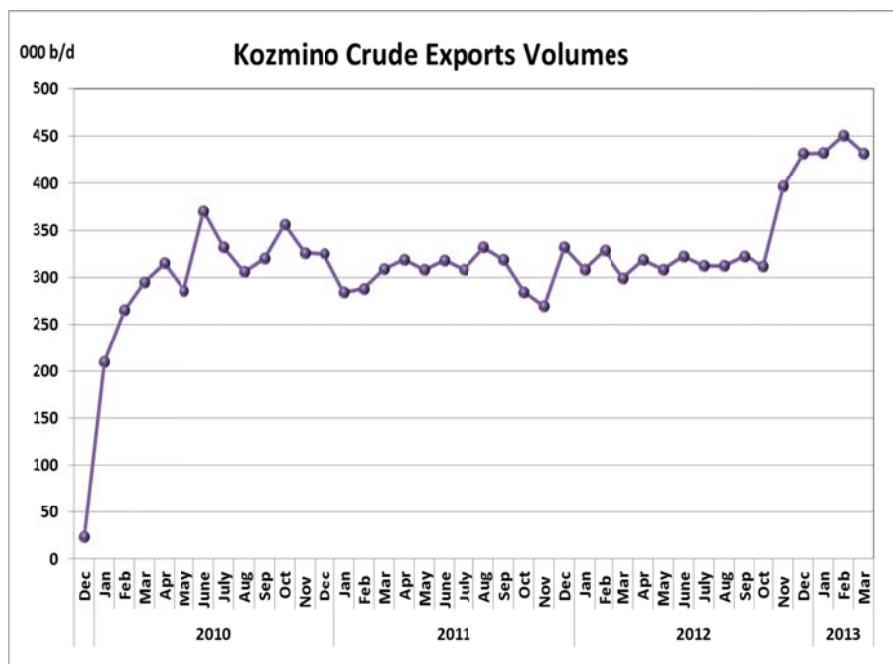
SHIPPING ENERGY

3rd May 2013

FROM RUSSIA WITH LOVE

Healthy Aframax income has been hard to come by in recent years. Even the once guaranteed income generators of the winter season – poor weather, ice class requirements and Turkish straits delays - have failed to support the beleaguered Aframax owners in the last couple of years. Whilst fleet supply has steadily grown (40% since the year 2000, 70% including LR2s) demand has not kept pace. For example, Australia's shrinking refinery industry, unable to compete with product imports from India and Singapore, is a further chink in the armour of what was once classed as a "main course" on the Aframax menu. North Sea oil production, also once the staple diet of the Western Aframax, has gradually declined. So it is to Russia that owners have looked for some nurturing comfort.

There is no doubt about it, without the healthy volume of exports from the FSU, the Aframax fraternity would have little nourishment. Total crude exports from FSU countries did fall marginally, by around 0.1 million b/d, to 6.5 million b/d in 2012. But this small decrease was attributable in the main to reduced volumes from Azerbaijan and Kazakhstan. However volumes exported from Russia via the Transneft pipeline system increased by a similar amount to 4.3 million b/d. The second stage of the Baltic Pipeline System (BPS-2) opened in 2012, allowing exports of Urals via Ust-Luga to rise, albeit by reducing export volumes from both Novorossiysk and Gdansk. Going forward the pipeline operator, Transneft, intend to maximise volumes from Ust-Luga at the expense of Primorsk. Combined Urals volumes from both Baltic ports in the second quarter of 2013 are scheduled to increase by 1.2 million mt or 100,000 b/d generating an extra 4 Aframax shipments a month.



However it is in the East where the flow of crude exports are changing rapidly. Russia is said to want to prioritise sales of Urals to the Far East now that the second leg of the ESPO (East Siberia-Pacific Ocean) pipeline has opened. The crude is exported from the port of Kozmino in Eastern Russia. The second leg of the project, which opened in December 2012, doubled the 4,700km pipeline capacity to 30 million tonnes per annum. Demand appetite for the crude is high in the Asian-Pacific countries which supports Transneft's prediction that they can increase the capacity to 80

million tonnes per annum in the future. However it is doubtful that Russian production will ever reach anywhere near such levels. Whilst there have been talks between Beijing and Moscow that suggest China wants to import all of the 30 million tonnes exported through ESPO, Japan remains the largest importer of the blend. The May Kozmino loading schedule for ESPO blend lists 19 Aframax (100,000mt) cargoes for export, the highest volume of shipments since exports of the grade began in 2009. If the Eastern Siberian oil fields can maintain or increase Urals production, export volumes could continue to be a rare source of demand growth for Aframax owners.

CRUDE

Middle East

VLCC Charterers stayed busy.. and just a little too busy for their own comfort. Owners started to make a push in response, and did manage to squeeze the market a few WS points higher, but ultimately failed to break out of the previous range with maximum rates of WS 35 East and WS 19 West being posted. With roughly a third of the May programme still unfixed, there remains a chance of further gain, but it will be hard fought for, and certainly not spectacular, if it happens at all. Suezmaxes had no such attention, and thin enquiry continued to be swamped by availability, leaving rates cemented rigidly at no higher than WS 30 West, and WS 55 to the East. Aframaxes grudgingly settled at their recently lower 80,000 by WS 75 level to Singapore on only spasmodic interest, and plentiful supply. It's hard to see any early turnaround either.

West Africa

A very active week for VLCCs, but much like the Arabian Gulf, the final results were rather disappointing. 260,000 to the East crept up from WS 34 to WS 36 and as low as US\$2.75 million still seen for West Coast India discharge. Fixing moves now into June, and unless the Middle East shows more dynamism, it'll be the same story again next week. Suezmaxes spluttered and mis-fired through the week and ended with virtually no outstanding cargoes, and enough availability to dump rates to 130,000 by WS 52.5 to the US Gulf and no higher than WS 57.5 to Europe, where Charterers should be able to keep it over the near term, at least.

Mediterranean

Having suffered a nasty downward correction last week, Aframax Owners tried hard to pull themselves off the bottom, but could never find enough leverage to raise rates higher than 80,000 by WS 75 cross med, and ended the week upon a very quiet note, partly due to Orthodox Easter holidays. Suezmaxes lost traction through the week, and also ended very quietly...140,000 by WS 62.5 remains just about intact for Black Sea to Europe movements and around US\$3.5 million to China, but there may be some slippage if activity doesn't pick up quickly.

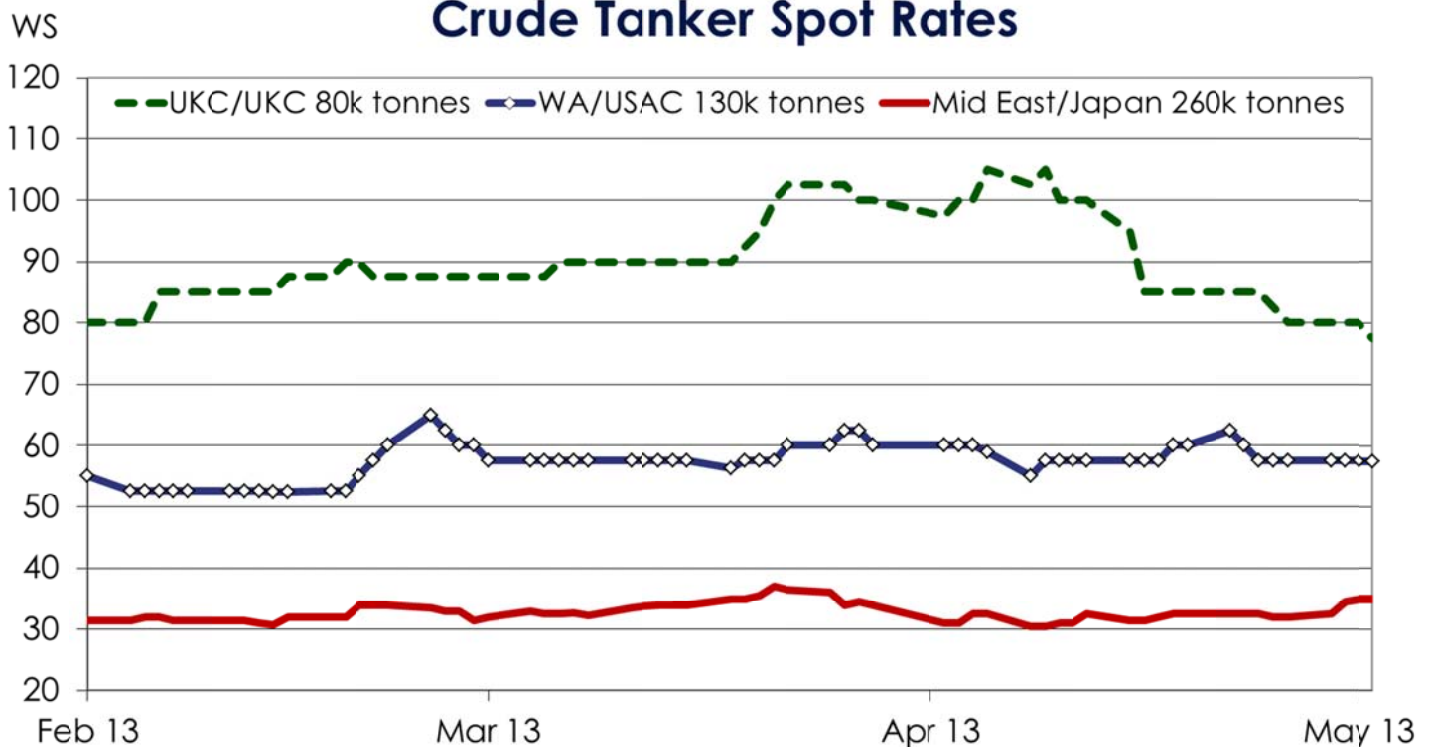
Caribbean

Bad weather saved the day for Aframax here. Lists tightened as a consequence, and rates climbed to 70,000 by WS 105 upcoast with perhaps a little more to come before the inevitable slide once conditions improve. VLCCs started strongly, and held ground as early positions dried up. Replacements managed up to US\$ 4million to Singapore, but US\$3.80 million was more the norm on forward dates, with US\$ 3.35 million 'last done' to West Coast India. Little early change forecast.

North Sea

The briefly rampant Afra ice-market is now a distant memory as Owners have to get used to what is likely to be a long and arduous summer campaign. 80,000 Cross UK Cont moves at WS 77.5/80 with 100,000 from the Baltic now down to as low as WS 55 for local runs, and WS 50 to the US Gulf. Suezmaxes failed to make any headway, and what little that was done showed no higher than 135,000 by WS 50 transatlantic. VLCC opportunities were few, and far between but US\$3.5 million was seen again for Fuel Oil from Rotterdam to Singapore.

Crude Tanker Spot Rates



CLEAN PRODUCTS

A slow week East & West

East

The MRs have been very quiet today, with rates rooted at rock bottom levels. TC12 remains at WS 112.5 for WCI/Jpn. East Africa has been untested this week, but is assessed at WS 175 basis 35kt and this is very close to the bottom. Jet fuel movements are not proving popular with Owners, as they do not want to reposition into the western markets, consequently they are asking for big numbers to fix west, as high as US\$ 1.675 Million, however these numbers are not viable, so charterers are rearranging, consequently a reasonable market assessment is around US\$ 1.5 Million. The Cross-AG market has been quiet, but with rates down to levels where ships are making very little and Owners are turning down cargoes, simply because current levels do not support undertaking the risk.

The LR2s have been reasonably active this week with decent fixing taking place on predominantly gasoil and jet movements AG or WCI/West. It is not enough too see a change on freight rates with last done at US\$ 2.2m from WCI and tonnage still in ready supply. 75kt x WS 90 for AG/East was the last done but towards the weeks end, Owners are feeling the squeeze and we might see levels slip to WS 85 and US\$ 2.25m for AG/UKC in the not too distant future.

The Lr1s had a quieter time of it with very little to report. Singaporean, Indian and Japanese holidays this week are only making things quieter and the future is bleak for these Owners. 55kt x WS 107.5 is now achievable for AG/Jpn and US\$ 1.85m would start to look relatively attractive now for 65kt AG/UKC. On the Shorter hauls, Owners are talking 60kt x WS 120 for AG-WCI/Eafr and there is also strong feeling that they would look towards the low US\$ 800,000's for Sikka/Jeddah; perhaps lower! Next week will see a quiet start with the Bank Holiday on Monday and outlook remains weak.

As expected with golden week, the Far East Market was inactive and consequently tonnage has accumulated pushing rates down. However, with the lack of activity the real down side is yet to be realised but theoretically MRs

for Korea/Singapore will be anywhere between 500-525k with LR1s fetching marginally more. LR2s have had more success this week with both Jet and Gasoil inquiries in the region keeping tonnage moving and rates stable. North Asia / Australia cargoes have been largely absent this week and freight levels are hovering at 30 x WS 185. The prognosis for next week is a possible dip in rates as tonnage clears out before some sort of stability can be maintained. Many Owners will be hoping that the North Asian Charterers start work with a bang on Monday morning.

Mediterranean

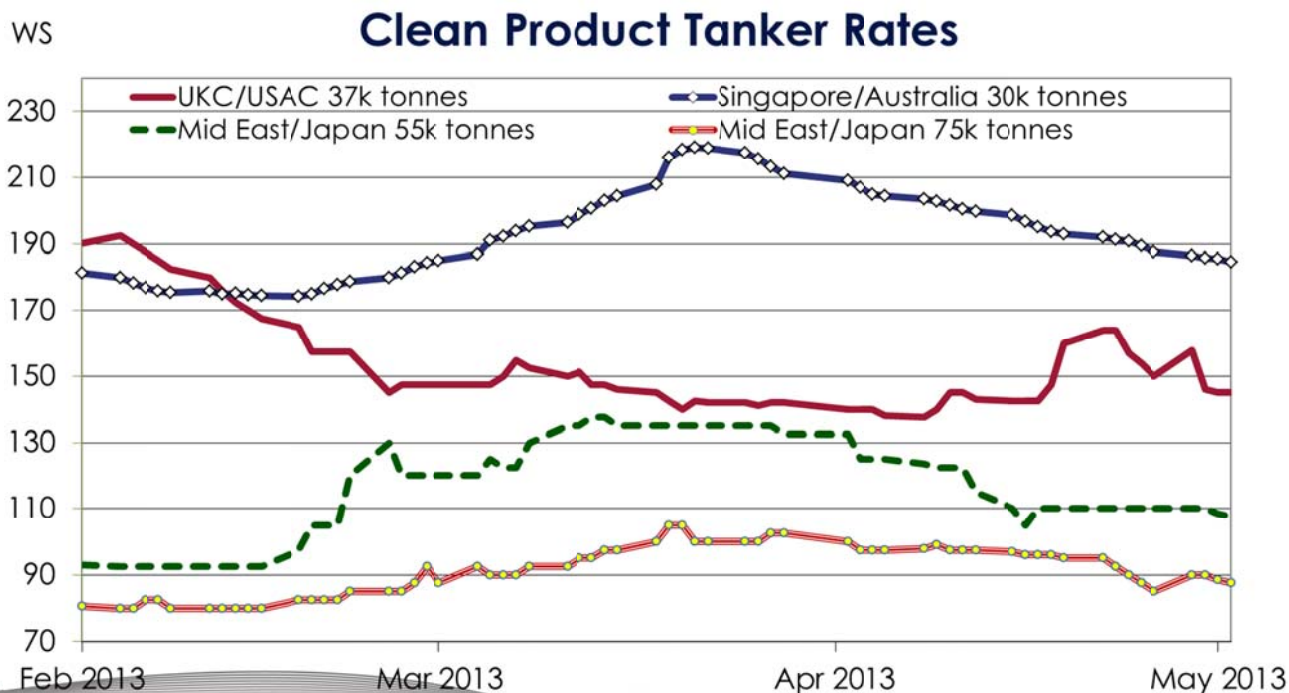
A woefully slow week for the 30kt stems cross-med & Black Sea-Med, but somehow rates have managed to hold steady at 30 x WS 142.5-145 on both routes for approved units. The MR's were more in demand and have been fixing 37 x WS 145-147.5 ta / 155-157.5 West Africa, but idea's heading East to the Red Sea were very Owner dependent, with some willing to discount heavily to fix in this direction only (US\$ 900k on subjects at time of writing), although as an option amongst many would consider it US\$ 950-975k levels + US\$ 100k for the AG.

UK Continent

Gasoil cargoes headed for Argentina were busy this week. The rush came mid-week with vessels willing Argentina quickly being fixed at US\$ 1.55m-1.625m ex ARA and US\$ 100-150k premium for loading Ventspils. Straight Cont / TA was quieter allowing rates to fall to WS 145 basis 37kt. The ice has now melted for Baltic loads removing any premiums, handies currently trading 30x125, and 22 x 170 for flexi's. LR's are flat, fixing WS 95 basis 60kt and US\$ 2,05m to Japan. LR2's talking US\$ 2.75m to Japan.

Caribbean

An active week in the USG and Caribbean with a demand for distillate cargoes for UKC-Med discharge fixing on the MRs 38 x WS80 whilst LR1s reportedly on subs around 60 x WS 70. Demand down to Argentina is also helping to reduce tonnage length however in general the market remains over supplied.



DIRTY PRODUCTS

Handy

UKC: As most of us were only too aware, the presence of Holiday disruption is often enough by its own standing to distort markets. Rates up in the North at the beginning of the traded in a general flat tone, now however as we approach the extended weekend, we find variance in rates (vessel depending). WS 155 is being reported as a cross UKC number, however it has taken a while for pressure to build owing mainly to last minute activity. Those that got their timing right from a charterers perspective, would have taken advantage knowing that it will take a brave owner to pass business facing a prospect of sitting spot over the weekend, and with Russia being off again next week the position list could well lengthen.

MED: Down in the Med rate erosion occurred this week as activity failed to provide any real catalysts for movement. As such, where the position list had been allowed to lengthen, 10 WS points had been wiped off the value off of most trade routes. This said, it's not all bad news, at time of writing uncovered stems still remain and conditions have stabilised, going forward, this markets ability to hang

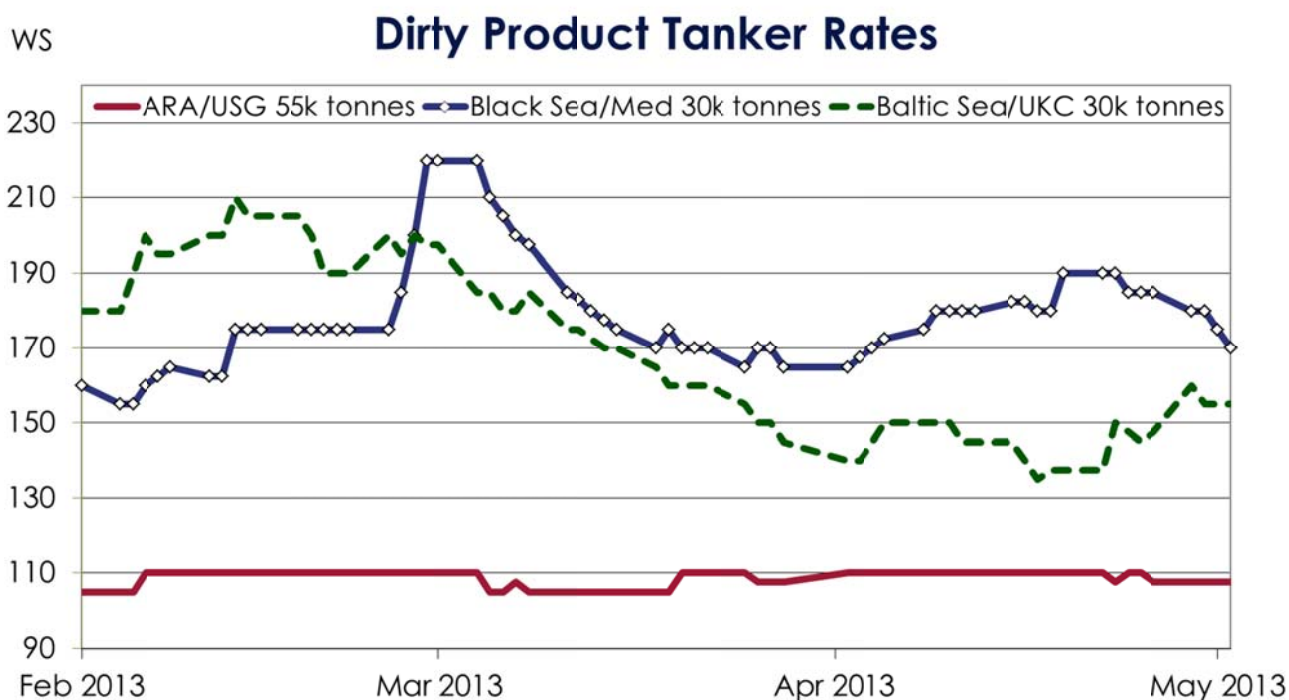
on to trading levels will boil down to the extent of inactivity that may follow.

MR

Down in the Med those Owners operating some of the larger units in the area have a little more room for manoeuvre with in negotiation as Charterers find themselves having to cover off of increasingly forward dates in order to maximise on cargo quantity lifted,. Although rates haven't seen drastic movement, fixing boundaries have shortened to that of around 5 points between fixtures. Conditions in the North however prove challenging if nothing else, owners are still having to look at part cargo employment to reposition units.

Panamax

As a wave of ballast unit's piles pressure on levels, owners should view this week as a success having in most scenarios only seen 2.5/5 WS point decline! Sometimes in any market conditions have to worsen before they pick up! Next week could prove one of those weeks although from an owing perspective, do you be the first one in, or the list thin a little in pursuit of potentially better earnings?



Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk | May 2nd | Last Week | Last Month | FFA Q2 13 | FFA Q3 13 | FFA Q4 13 |
|--------------------------------------|---------|-----------|----------|---------|-----------|------------|-----------|-----------|-----------|
| TD3 | VLCC | AG-Japan | +2 | 34 | 32 | 34 | 35 | 33 | 37 |
| TD5 | Suezmax | WAF-USAC | -6 | 56 | 62 | 62 | 53 | 51 | 54 |
| TD7 | Aframax | N.Sea-UKC | -6 | 79 | 85 | 99 | 78 | 79 | 87 |
| LQM Bunker Price (Fujairah 380 HSFO) | | | +4 | 616.5 | 613 | 613 | | | |

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

| | | | wk on wk | May 2nd | Last Week | Last Month | FFA Q2 13 | FFA Q3 13 | FFA Q4 13 |
|-----|---------|-----------|----------|---------|-----------|------------|-----------|-----------|-----------|
| TD3 | VLCC | AG-Japan | +2,750 | 9,000 | 6,250 | 7,500 | 10,500 | 8,000 | 14,000 |
| TD5 | Suezmax | WAF-USAC | -4,500 | 14,500 | 19,000 | 17,250 | 12,250 | 11,000 | 13,250 |
| TD7 | Aframax | N.Sea-UKC | -4,500 | 5,000 | 9,500 | 18,250 | 3,000 | 3,750 | 9,750 |

Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk | May 2nd | Last Week | Last Month | FFA Q2 13 | FFA Q3 13 | FFA Q4 13 |
|---------------------------------------|-----------|------------------|----------|---------|-----------|------------|-----------|-----------|-----------|
| TC1 | LR2 | AG-Japan | -9 | 87.5 | 96 | 103 | | | |
| TC2 | MR - west | UKC-USAC | -2 | 145 | 147 | 142 | 134 | 114 | 125 |
| TC5 | LR1 | AG-Japan | -6 | 109 | 115 | 133 | 108 | 109 | 109 |
| TC7 | MR - east | Singapore-EC Aus | -9 | 185 | 194 | 211 | | | |
| LQM Bunker Price (Rotterdam HSFO 380) | | | -1 | 577.5 | 578 | 643 | | | |

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

| | | | wk on wk | May 2nd | Last Week | Last Month | FFA Q2 13 | FFA Q3 13 | FFA Q4 13 |
|-----|-----------|------------------|----------|---------|-----------|------------|-----------|-----------|-----------|
| TC1 | LR2 | AG-Japan | -3,750 | 14,000 | 17,750 | 21,000 | | | |
| TC2 | MR - west | UKC-USAC | -500 | 15,000 | 15,500 | 13,500 | 12,500 | 8,250 | 10,750 |
| TC5 | LR1 | AG-Japan | -2,000 | 14,750 | 16,750 | 21,500 | 14,250 | 14,750 | 15,000 |
| TC7 | MR - east | Singapore-EC Aus | -1,750 | 15,750 | 17,500 | 19,750 | | | |

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

AV/JCH/TP/JT/slt

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