GIBSON
TANKER REPORT

17th February 2012

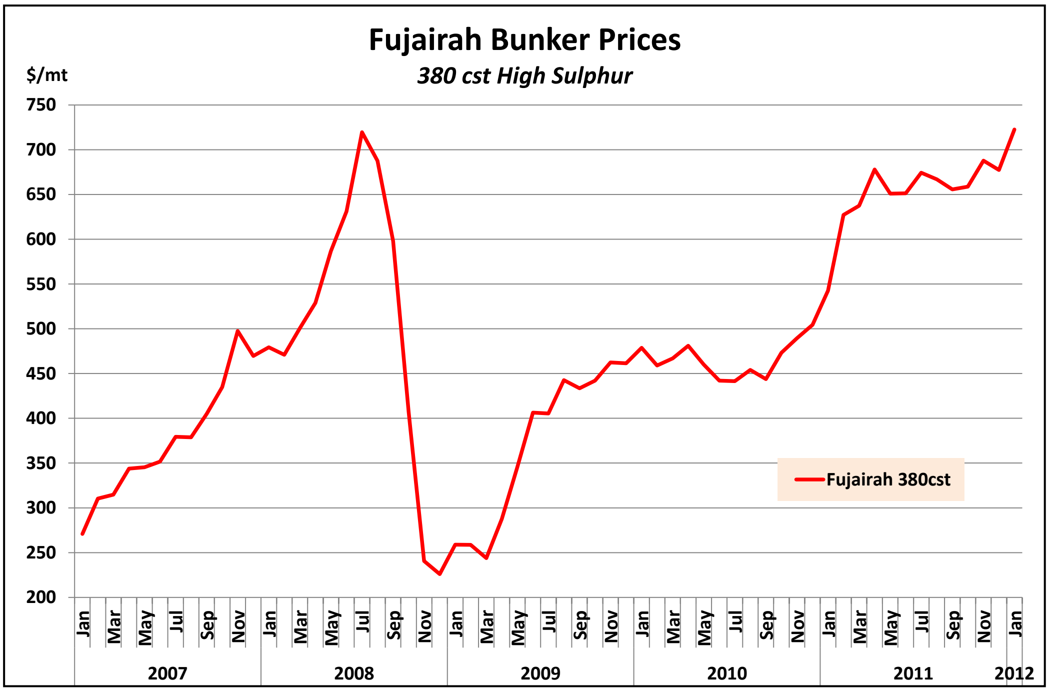
'ECO' WARRIORS

Today's weak tanker market means bunker prices play an even greater role, as the rising cost of bunker fuel undermines the shipowners ability to break-even, let alone cover actual costs.

Following escalating tensions between Iran and the West and concerns surrounding the supply of crude from the region, front month Brent futures prices rose to a 6 month high this week (above $120/bbl), whilst WTI moved above $100/bbl. The climb also meant bunker prices in main bunkering centres worldwide climbed to their highest level since 2008. Yesterday the price of Fujairah high sulphur fuel oil (HSFO) reached $741/tonne, more than $100/tonne higher than during the corresponding period last year. Soaring bunker prices have added further pressure on shipowners costs, highlighting the advantages of more fuel efficient ships.

This week, John Fredriksen outlined plans to invest hundreds of millions of dollars in new tankers for Frontline 2012, which could eventually include an order for fuel efficient VLCCs. Frontline suggests that at current bunker prices the savings could be as much as $10,000/day, following improvements in engine efficiency and the subsequent bunker consumption. This implies a 'saving' of some 15 tonnes/day. Although this statement may raise a few eyebrows, a more detailed analysis shows that savings could potentially be even higher. Recent media reports suggest that highly efficient VLCCs (due to be delivered soon) can super slow steam, with bunker consumption around 30 tonnes/day less than conventional modern tonnage. Based on the assumption of bunker prices remaining high ($700/tonne plus), this could translate to savings of some $20,000/day. At current levels this would make a significant difference on shipowners' profitability.

However, such promising sounding prospects are likely to be treated with a hint of caution as this is a relatively new area for shipowners. Many industry participants will be studying the performance of these eco ships over the coming months. However, eco ships come up at a higher start up price relative to conventional modern tankers. Nonetheless, if newbuilding prices continue to fall and fuel costs continue to rise, an increase in new efficient VLCC orders is likely to prevail, especially as the tanker industry increasingly comes under even more environmental pressure.



ISO 9001 REGISTERED
DNV
UKAS QUALITY MANAGEMENT
DNV Certification BV 013

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

CRUDE

A reasonably solid week for VLCCs in the Middle East Gulf. February spot volumes look set to nudge past the record December '11 figure, and that has meant that there is very little carryover of tonnage into the March campaign. Rates moved to above WS 55 to the East, but remained at WS 34 West. With bunkers riding even higher upon the spiking oil price, and the majority of the March programme to be in place for early next week, Charterers will have to play a very canny game to prevent a more general upswing over the coming period. Suezmaxes couldn't get any grip upon very light demand, and plentiful supply - especially for runs to the West. Rates settled down to 130,000 by WS 82.5 East and to WS 45 West as a result. Aframaxes took a big hit on a dearth of enquiry as rates tumbled to 80,000 by WS 95 for Singapore and will stay depressed over the short term, at least.

West African suezmaxes see-sawed around within a very tight range and only modest enquiry. Momentum was lost early in the week, and rates were chipped down to 130,000 by WS 72.5 for US Gulf, but rallied just a little to WS 75+ as early tonnage thinned. Another battle next week, but it will take a severe loss of discipline for Charterers to find themselves under any real pressure. VLCCs took a little heart from the slight gains in the Middle East and rates to the East moved up to 260,000 by WS 57 for round trips with rare transatlantic movements posted at WS 57.5, and West Coast India holding at around USD 4 m. Again, if any further improvement is seen in the East, then rates here will also move higher.

Aframaxes in the Mediterranean became quite busy, and that served to drag rates up a few extra worldscale points to 80,000 by WS 92.5 cross-Mediterranean, and should move higher unless the distractions of the upcoming IP week slow the pace down. Suezmaxes took a step upwards to 140,000 by WS 90 from the Black Sea for European options as early tonnage evaporated. Steady demand to the East was also seen with runs to South China commanding no less than USD 4 m from Mediterranean ports, and that should stay the case for a while yet.

The Caribbean aframax scene benefitted from fog disruption in the US Gulf, and rates rose to 70,000 by WS 145 upcoast for a while, before easing to WS 135 by the weeks' end. Owners will be keeping their fingers crossed for another fog bank next week. VLCCs were picked off, but in no great haste, and rates eased to the bottom end of their recent range with USD 4.5 m the last reported for Singapore discharge, and more of the same is expected for the next fixtures.

VLCC Charterers tried hard to make things work from the North Sea to the East, but there was a mis-match between Owners ideas of close to USD 5 m for fuel oil to Singapore, and what the 'arb' would stand - supposedly USD 4.25 m. Longer options to South Korea/China stood closer to USD 6 m, but confirmed fixing was light. Aframaxes couldn't find enough to start a rally, and rates flatlined into the weekend at 80,000 by WS 90 - ish cross U.K. Continent and 100,000 by WS 82.5 from the Baltic - even with ice class.

PRODUCTS

West is best.

Another slow and discouraging week in the Middle East for LR Owners which sees freight rates and sentiment unchanged and at rock bottom. LR1's are fixing 55 x WS 100 AG/Japan and jet movements to U.K Continent are down to USD 1.7 m loading from Southern AG. Tonnage did thin a little, but rates continue to grind downwards.

LR2's had a disastrous week. ERG received 9 offers for their AG/U.K. Continent cargo and put a ship on subject at USD 500,000 less than last done at USD 1.7 m. This left most Owners scratching their heads trying to figure out why an Owner would fix their ship at what can only be negative returns. Going East rates crystallised at 75 x WS 85 for AG/Japan, but already some of those Owners unfixed are willing WS 82.5. Returns at these levels are about USD1-2,000 round trip. At the moment there are no signs of any recovery on LR1's or the LR2's.

MR AG markets continue to face an uphill market in an exceptionally weak market. Rates have not changed, as they continue rooted to the bottom. Naptha movements to the Far East are fixing at WS 105 basis 35,000 MT and UMS deliveries into Singapore are at WS 140. East Africa has slipped 10 points to WS 160 for unapproved ships, but if an approved unit is required levels may be closer to WS 170. Jet movements westbound to the U.K. Continent remain strictly COA affairs, but are assessed at USD 1.2 m. With the level of prompt tonnage still very high, any change in rates during February is unlikely, but the hope remains that March will improve as Reliance comes back on stream.

Following the pattern of the last few weeks the Singapore MR market remains in a woeful state and a quiet AG-West Coast India market compounds the problem as no tonnage is ballasting in that direction. The Korea/Singapore backhaul market has been a little livelier but despite the slimmer position list there has not been enough cargo volume for Owners to push the rates up.

A bit more life in the Mediterranean market, but rates still stagnant in light of tonnage oversupply. Cross-Mediterranean voyages have been stuck fixing 30 x WS 140-142.5 levels, and despite some rough weather affecting itineraries, there doesn't look to be any immediate prospects for the market to improve. The Black Sea exports drought seems to have ended with gasoil and naptha being quoted, although rates have been depressed and trading in line with cross-Mediterranean 30 at WS 140-142.5 levels on account of surplus East Mediterranean tonnage. Mr's in the Mediterranean have looked tight all week, but long-haul trade ex-Mediterranean for West options have remained relatively quiet, and rates have therefore remained in line with TC2 37 x 160-165. There has been greater interest for moving UMS to the Red Sea and AG, with a spread of ideas arranged around USD 950-1.1 m for Red Sea and USD 1.05 m-1.2 m for AG discharge (Owner dependent).

We saw a mixed bag up on the Continent this week, steady activity for TC2 helped tighten the tonnage list by mid-week pushing fixing levels up some 15 worldscale points to finish with WS 165 on subjects basis 37kt. West Africa discharge has been slow but market deemed to be in line with transatlantic options. For handies we see WS 180-185 basis 33kt or 30x200. Disappointing week for the Baltics, a build of vessels pulled the market down to 30x200 by weeks end for an approved ice class unit. Non-ice voyages were secured with a ten point discount to these levels. Flexi's have been slow, as positions remain tight up until months end, Owners holding 22x265.

Finally the Caribbean/US Gulf market takes a turn this week. A visible arb for middle distillates ex US Gulf to U.K. Continent-Mediterranean opened and lots of cargoes flooded the market causes MR's to tighten up to end month (last done 95 with 100 basis 38kt rumoured on subs). Unfortunately rates for movements upcoast to US Atlantic Coast didn't really budge, as even though tonnage was thinner, the cargoes didn't really appear, although next done expected to be higher.

MH/JCH/DP/DH/MS/alk

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