WEBER WEEKLY TANKER REPORT

CHARLES R. WEBER COMPANY INC.

WEEK 01 – 6 JANUARY 2012

ISSUE 01 – 2012

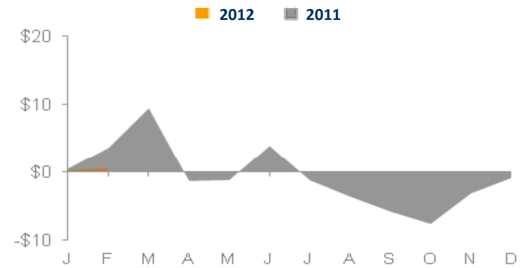
Implications of Iran on the tanker market

Tensions appear to be escalating between Iran and a growing contingent of the international community over the aims of its nuclear ambitions. Last week, the US implemented a fresh round of sanctions, which have reportedly grounded economic activity within Iran to a halt. This week, the EU agreed in principal to ban imports of Iranian crude, which will effectively halt a system whereby Iranian crude is imported in exchange for much-needed refined products. Additionally, China has observably reduced its purchases of Iranian crude by half this month.

Responding to these actions, Iran continues to point to their ability to close the Strait of Hormuz, through which some 17 mb/d of crude transited during 2011 according to data from the EIA. Although such an eventuality would undoubtedly be a negative for tanker shipping, a prolonged closure is highly unlikely. Instead, were tensions to escalate to the point where Iran attempts to close the straits, the economic implications would prompt a very strong retaliation highly likely to halt the ongoing ability of Iran to enforce a closure.

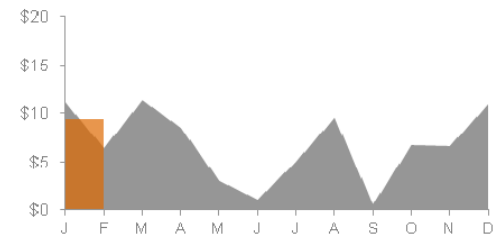
Instead, the more likely outcome of an attempted closure of the strait would be a positive one for tankers. Owners would be able to command a large risk premium to trade into the Middle East, boosting earnings, chiefly in the VLCC sector but with a likely spillover effect in the Suezmax sector. Moreover, the remaining buyers of Iranian crude will be forced to source their requirements from alternate production areas further afield, boosting overall ton-mile demand for VLCC and Suezmax tonnage.

We are already seeing these effects as several far east traders who have reduced their purchases of Iranian crude are buying from alternative locations in the Atlantic basin. This recent development comes amidst an already tight position list in the Atlantic basin with the net effect being a boost in VLCC earnings there to over $30,000/day.

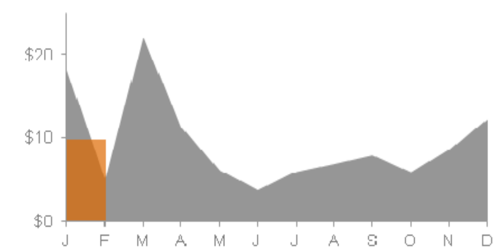


VLCC TD1 TCE 280k AG-USG	MTD Average $250/Day	January y/y ▼ -64%

S'MAX TD5 TCE 130k WAF-USAC	MTD Average $24,000/Day	January y/y y ▲ +181%



A'MAX TD9 TCE 70k CBS-USG	MTD Average $9,250/Day	January y/y ▼ -16%



P'MAX TD10 TCE 50k CBS-USAC	MTD Average $9,750/Day	January y/y ▼ -47%

MR TC3 TCE 38k CBS-USAC	MTD Average $20,250/Day	January y/y ▲ +132%

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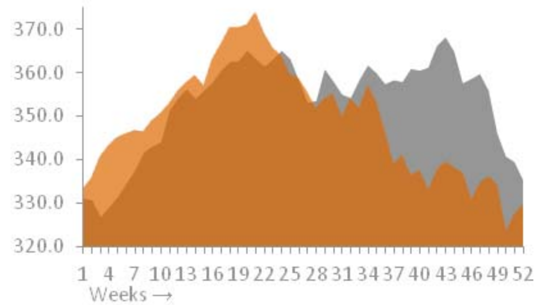
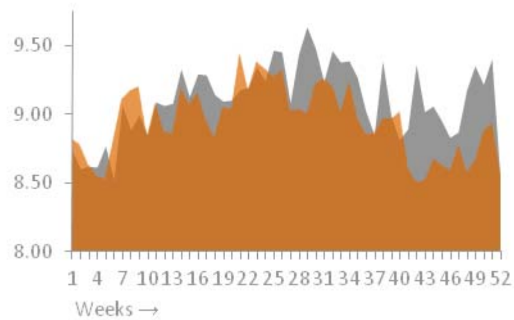


US Crude Stocks (EIA)	329.7 Mbbls	'10-'11 WoW ▼ -1.7%



US Gasoline Demand (EIA)	8.556 Mb/d	'10-'11 WoW ▲ +0.2%

2011 2010

Spot Rates	Trade	Cargo	WS	TCE
VLCC				*$/day*
TD1	AG>USG	280,000 MT	34.25	$900
TD2	AG>SPORE	260,000 MT	52.5	$23,200
TD3	AG>JPN	260,000 MT	52.5	$25,300
TD4	WAFR>USG	260,000 MT	63.0	$35,600
TD15	WAFR>CHINA	260,000 MT	58.5	$29,300
SUEZMAX				
TD5	WAFR>USAC	130,000 MT	82.5	$23,500
TD6	B.SEA>MED	135,000 MT	102.5	$45,100
AFRAMAX				
TD7	N.SEA>UKC	80,000 MT	107.5	$27,200
TD9	CBS>USG	70,000 MT	100.0	$8,800
TD19	TRK>MED	80,000 MT	110.0	$23,600
PANAMAX				
TD10	CBS>USAC	50,000 MT	115.0	$9,200
TD12	CONT>TA	55,000 MT	122.5	$13,400
CPP				
TC2	CONT>TA	37,000 MT	167.5	$14,400
TC3	CBS>USAC	38,000 MT	175.0	$17,700
TC4	SPOR>JPN	30,000 MT	125.0	$1,200
TC1 LR2	AG>JPN	75,000 MT	90.0	$10,700
TC5 LR1	AG>JPN	55,000 MT	100.0	$6,200

Time Charter Rates *$/day (theoretical)*	1 Year	3 Years	5 Years
VLCC	$16,250	$24,750	$30,000
Suezmax	$16,750	$20,750	$22,250
Aframax	$13,000	$17,000	$18,500
Panamax	$13,500	$14,750	$16,500
MR	$13,800	$14,750	$16,500

THE TANKER MARKETS

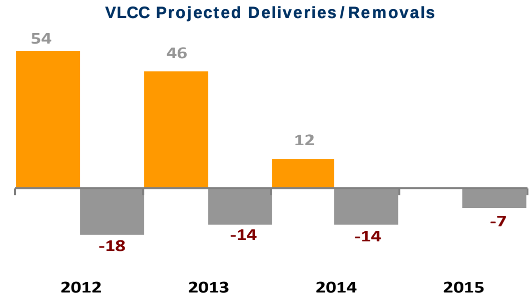
VLCC

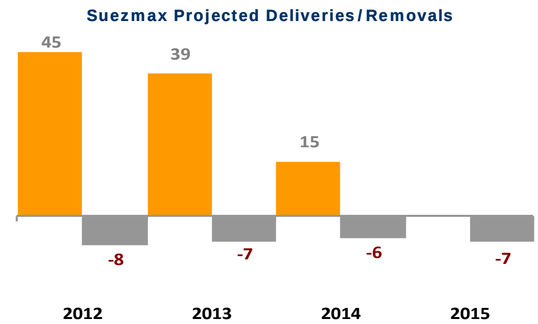
The conclusion of 2011 marks one of the worst years for the VLCC market in recent memory; average spot market earnings in the sector declined 48.2% from 2010 to just $17,610/day as the world fleet posted a net gain of 7.2%, raising the overall level of overcapacity. Interestingly, during 2011 the VLCC market saw fresh record highs in terms of the number of monthly Middle East cargoes, the last single hull spot market fixture likely occurred (just two units remain in the trading fleet) and owners commenced demolition sales of relatively modern double hull units. Though finding much optimism for 2012 is a daunting task, it is worth noting that as we commence the year the key Middle East market is presently much better balanced than it has been for some time with just 3 excess January units projected to spillover into the February program.

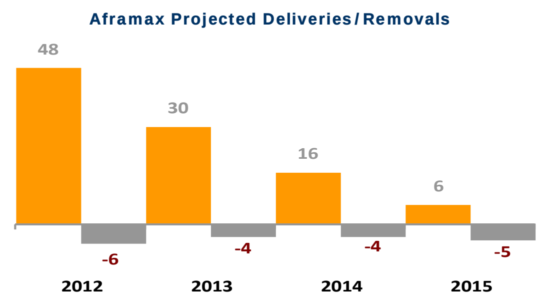
Rates to the Far East averaged ws51.15 (basis 2012 flat rates) – yielding an average TCE of ~$23,000/day. On the benchmark TD1 route, the average assessment was ws32.3 – at which level the average TCE is about -$2,100/day. Triangulated trade earnings averaged ~$30,200/day.

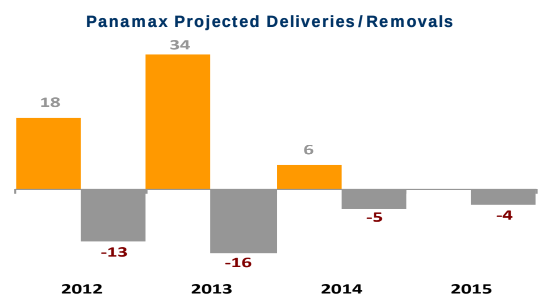
To-date, some 101 January Middle East fixtures have been covered, leaving a further 29 as likely remaining. Against this, some 32 units are projected to be available through the same space of time, implying 3 spillover units. Although some charterer relet units may appear, these will likely be offset by those units which ballast towards the Atlantic basin to capture the stronger earnings available there. Given the relatively balanced supply/demand ration, it is likely that the market will experience some gains during the coming week – particularly when charterers start to progress into the February program.

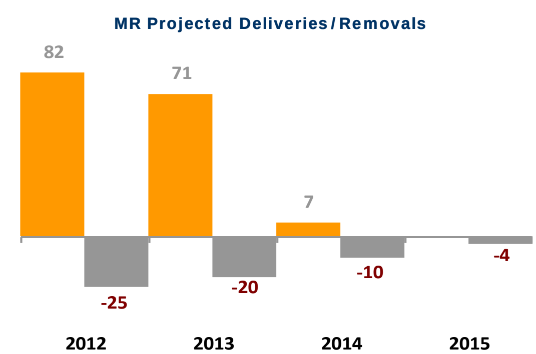
The Atlantic basin was increasingly active this week. The North Sea and Mediterranean markets posted a surprising level of activity as Eastern traders sought both Fuel Oil and Crude from atypical locations. The limited list of "normal" positions in the region saw Eastbound levels from the North Sea reach $6.9m for discharge in Japan (the highest rate on the route for over a year). Similar constraints are expected to appear in the coming days in the Caribbean area, from where the last done rate to Singapore was $4.3m whilst the next appears likely to be closer to $5.0m. Trans-Atlantic rates were firm in the high ws50s (basis 2012 flat rates), but as with the rest of the Atlantic basin, this route is likely to post further gains during the coming week.











Suezmax

Steady levels of activity throughout the Atlantic basin saw the Suezmax market remain firm in the low ws80s on the TD5 benchmark route. Earnings remain above $20,000/day—levels which have not been seen in the sector for several months. The limited positions for VLCCs in the region and corresponding rate hikes could provide impetus for further Suezmax gains in the coming week; however, with more ballast VLCC units likely to forgo the Middle East market to vie for Altantic basin cargoes, whatever gains are realized may ultimately be capped.

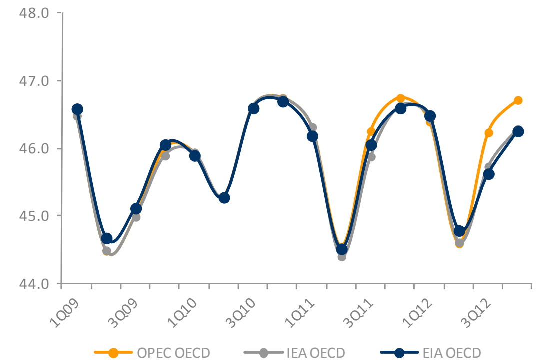
Aframax

The Caribbean Aframax market corrected this week from recent highs as overall demand eased. The TD9 benchmark route lost 15 points to conclude at ws100; though market fundamentals are weak, the rapidly rising cost of bunkers is seeing greater resistance by owners to lower rates, and accordingly the market may hold at present levels at the start of the upcoming week. Softer rates in the Mediterranean at the close of the week may soften rates throughout the European markets, which in time may cause further losses in the Caribbean.

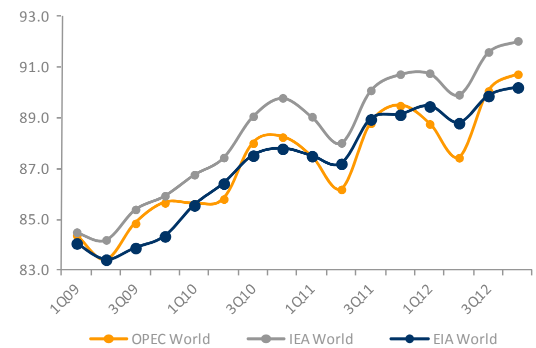
Panamax

The Caribbean Panamax market was largely untested this week, with rates concluding at an assumed level of ws115. The ongoing quiet in the market may see a downward adjustment of rates upon being retested. Although tonnage appears to be building, which implies a strong correction, several units are likely to ballast to the European market, which should help minimize any losses.

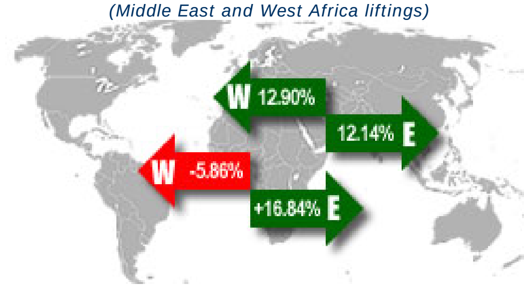
Projected OECD Oil Demand



Projected World Oil Demand



Percentage Change, 130+kMT fixtures, 2011, y/y
(Middle East and West Africa liftings)

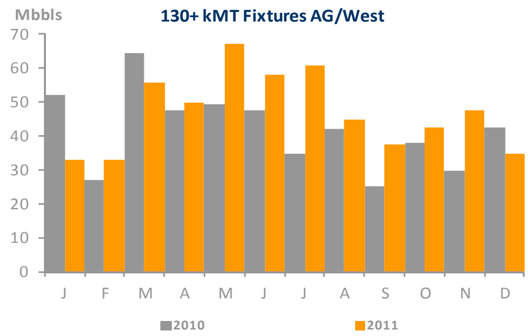


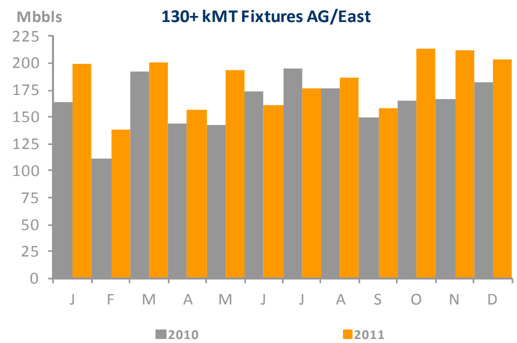
CPP

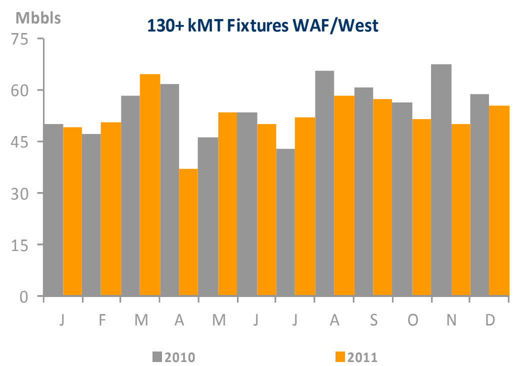
MR rates on both sides of the Atlantic corrected this week as a buildup of tonnage combined with a closure of several key arbitrage opportunities which saw a decline in demand.

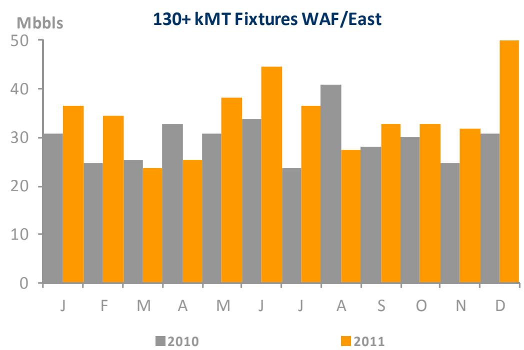
In the Caribbean, after a handful of fixtures failing on subjects, the TC3 benchmark route shed 10 points to conclude at ws175. The USG also eased, with the backhaul rate retested at ws125. A markedly high level of activity was observed on the USWC, where several USLD cargoes were fixed on voyages to Chile.

The European market was further hit, particularly following the idling a collective 337,300 b/d of Petroplus' refining capacity saw a pullback in export activity. The TC2 benchmark lost 25 points this week to conclude at ws167.5.









REPORTED TANKER SALES

"Navigator" 149,996/06 – Universal – DH
"Equator" 149,997/06 – Universal – DH
-Sold en bloc for $44.0m each to US buyers (Principal Maritime).

"Mare di Napoli" 51,400/07 – SLS – DH
-Sold for $27.3m to US buyers (Wayzata).

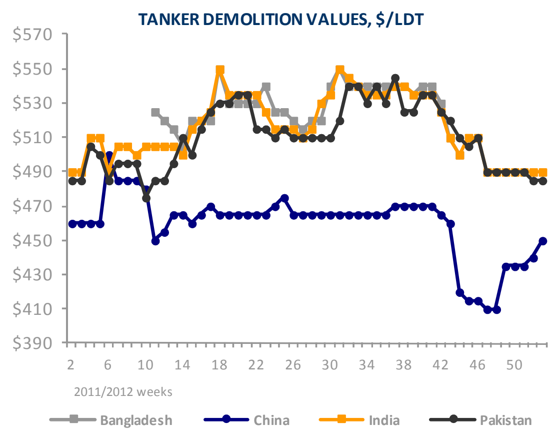
"Chem Orchid" 29,089/93 – Asakawa – DH – Chem/Prod
-Sold for $3.7m by creditors to unknown buyers. Unit converted to DH 01/2007.

"Sanko Noble" 19,991/11 – Fukuoka – DH – ST ST
"Sanko Nature" 19,999/11 – Fukuoka – DH – ST ST
-Sold en block for $27.0m each to UK buyers (Zodiac).

"Euro Mora" 3,746/98 – Nordsovaerftet – DH
-Sold on private terms.

REPORTED TANKER DEMOLITION SALES

There are no tanker demolition sales to report for week 1.



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