WEEKLY TANKER REPORT

GIBSON SHIPPING ENERGY

26th April 2013

OPEC – A CONFLICT OF INTERESTS

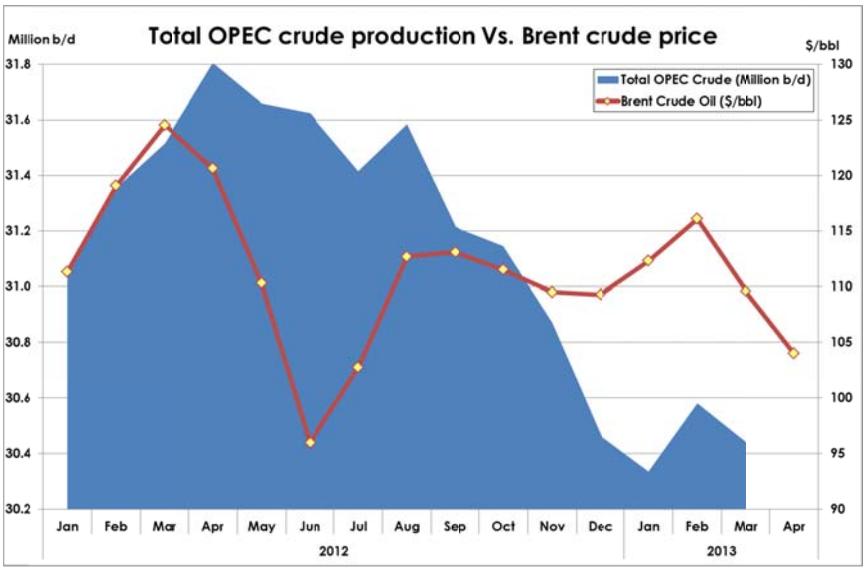
Last week's headlines about diminishing safe havens and doomed economies are still ringing in our ears, serving now as another reminder that current crude tanker market conditions in which we operate are dire.

Price volatility in Brent crude brought levels below $100/bbl this week, sparking concerns amongst some members of OPEC that current production levels are too high, and that output needs to be cut in order to maintain 'acceptable' price levels. Despite the recent move back above $100/bbl, concerns are often raised from the so-called 'hawk members', who rely heavily on price strength to sustain oil revenues. However, Saudi Arabia's Oil Minister Ali Al-Naimi views current prices as "reasonable" (balancing concerns about global economic growth with national oil revenues).

Should oil prices fall further, Saudi Arabia holds a significant leverage of supply to reduce crude availabilities, and drive a price rally as we have seen during the first few months of this year. However, OPEC may have to address the problem of rising Iraqi production when there could be no demand growth to see out the extra barrels. The IEA estimates Iraqi crude production was around 2.96 million b/d in March, with the expectation that this will rise to between 3.3-3.5 million b/d this year. The fast-growing oil exporter is undercutting Saudi Arabia by selling its crude cheaper to grab a bigger slice of the Asian market, but the sharp price cuts from both parties suggests the market share is going to remain competitive.

The positive swing of falling oil prices for the tanker industry is reduced bunker costs. Bunker prices have been falling steadily since the start of April; Rotterdam 3.5% sulphur bunker prices have fallen $29/tonne over the period, to average $575/tonne this week. However, if prices fall too far there is always a double-edge sword scenario when OPEC cuts production, thereby reducing crude tanker demand and raising bunker prices.

VLCCs shipping crude out of the AG to Asia (TD3) are being fixed at a rate of around WS30, having remained at similar stagnant figures throughout April. Our estimates for equivalent earnings are around $6,000/day, not even enough to cover fixed operational costs of around $10,750/day. There is no wonder why whispers of lay-up are growing louder.



For now, it can be assumed that subdued Asian demand for crude is temporary, and heavy refinery maintenance in the East which is expected to be restarted in May/June should bring owners out of the dark; but it is still OPEC (including Iraq) and its responses to prevailing oil prices that will have a major impact on the crude tanker market.

CRUDE

Middle East

Initially, a rather stuttering week of VLCC enquiry that kept the market bolted firmly in the very low WS 30's East and no better than WS 18 to the West. Later, activity did pick up, but supply continued to prove more than sufficient, and rates failed to respond. Unless Charterers totally lose their heads, it will be a repeat scenario over the coming week. Suezmaxes became tight on early dates, but few cargoes materialised, and on only slightly later positions, availability started to stack up alarmingly, leaving the market at a very soggy 130,000 by WS 55 East and around WS 30 West - again. Afamaxes moved down another gear to 80,000 by WS 75 to Singapore, despite moderate interest - just too many ships, once again.

West Africa

'Heads and tails' - it was heads last week - and it's tails this week for Suezmax Owners. Charterers retained enough discipline to keep fresh enquiry upon a drip-feed which eventually dragged rates down to a conference 130,000 by WS 55 to US Gulf and no better than WS 60 to Europe and no early turnaround is anticipated. VLCCs also had to sound the retreat as the Arabian Gulf malaise drove more ballasters to the area, so that down to 260,000 by WS 33.5 was seen to the East, and US$2.975 million the last paid to West Coast India.

Mediterranean

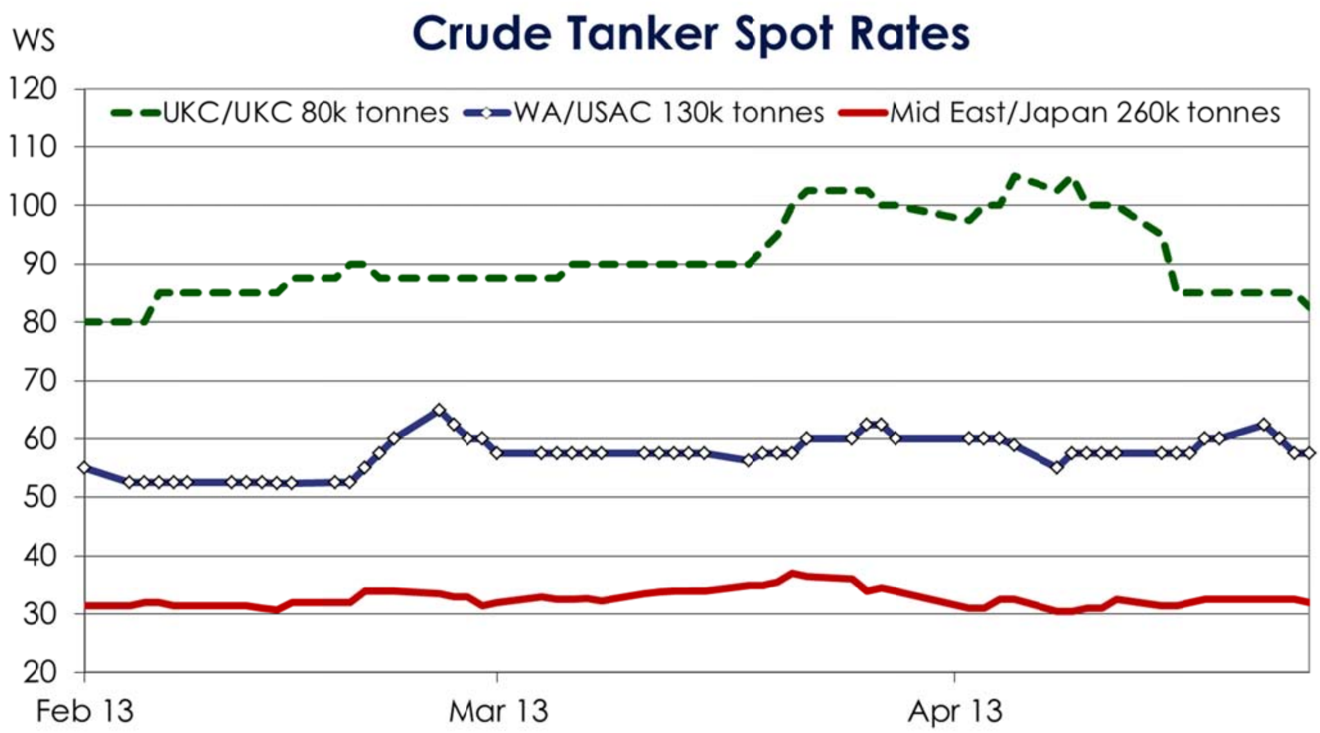
Aframaxes took a nasty tack to the South - in fact to the lowest levels of the year so far, at down to 80,000 by WS 70 Cross Med. Some bargain hunting then ensued to at least stall the fall, but so far there's no upward correction underway, and any rebound that does develop is unlikely to be significant. Suezmaxes edged off a touch as demand thinned, and availability didn't..rates end the week at 140,000 by WS 62.5 to Europe, and look set to stay there, or thereabouts, for the next period.

Caribbean

Some degree of balance eventually returned to the Aframax sector here, so that 70,000 by WS 85 upcoast became WS 97.5... WS100 perhaps, even. Things will spin for a bit longer, but the zone is notorious for its lack of stamina. VLCCs stayed fairly steady as early dates remained tight. Above US$ 3.5 million was seen to West Coast India, and up to US$ 4 million for Singapore, though Owners may find it difficult to get repeat numbers on more populous forward windows.

North Sea

More melting of ice - and the Aframax market - here and it looks suspiciously as if rates are now settling into their summer clothes which will once again be rather threadbare.80,000 by WS 82.5 Cross UKC, and 100,000 by WS 62.5 from the Baltic, is the present order of the day, with little change expected over for the foreseeable. Suezmaxes managed the odd token deal from the Baltic at little better than 135,000 by WS 50 to the states, and VLCCs also recorded very little, though US$3.5 million was reported on one deal from Rotterdam to Singapore.



CLEAN PRODUCTS

The East slides into abyss, whilst the West is stable

East

The LR2s took a midweek hit and we are seeing rates crumble. At the time of writing 75kt Nap x WS 90 is on subs for AG/Japan and, after a quiet spell, 80kt CPP AG/UKC has seen a handful of cargoes this week and a lot of willing Owners has pushed rates down to US$ 2.3m. Tonnage is extensive and enquiry is low.

LR1s are worse off with chunks being taken off freight left-right-and-centre. We have seen US$ 1.85m being fully fxd for AG/UKC which represents a drop in the region of 300k+; a massive drop! 55kt AG/Japan has also suffered with WS 110 on subs at the time of writing. The shorter hauls have come off with US$ 840,000 fxd for Sikka/Jeddah and 60kt x WS 125 is now available for AG/East Africa. At the weeks close there is very low levels of activity and, with a decent amount of tonnage on the horizon, things look ominous for Owners going into next week.

Mrs have fallen off the precipice this week, as rates have tumbled and earnings slip. TC12 plummeted to WS 112.5, which is a fall of 10 points over the week, East Africa is on subs at the equivalent of 35 x 177.5 and this is expected to soften down to WS 170 levels in the coming weeks. AG to the UK continent is untested, but assessed around the US$ 1.5 Mill levels. Rates for Cross-AG's have have bottomed at with Jub/Jeb being fixed at US$ 165,000. The tonnage for early May is very long and this is expected to keep rates suppressed at present levels.

Against the back drop of sabre rattling in North Korea and squabbling over the Senkaku/Diaoyu Islands the freight markets have paled into insignificance this week. The lack of activity has adversely affected freight rates, despite the tight position list South Korea/Singapore backhauls have dropped to US$ 520k for an MR and 600k for an LR1. The saving grace for this market is the fact that the Jet/Go arbitrage seems to be open for cargoes moving west, typically on LR2 vessels where freight levels are US$ 2.45 for a Korea/UK continent run. Cargo movements ex Singapore have been quiet this week and Singapore / Australia voyages have slumped to 30kt x WS 180-185 levels, these cargoes are the lesser of two evils when one considers that TC 12 is hovering at an uninspiring 35 x WS 112.5. In short; a disappointing week for Owners and with freight rates sliding many will be hoping for more inquiry next week.

Mediterranean

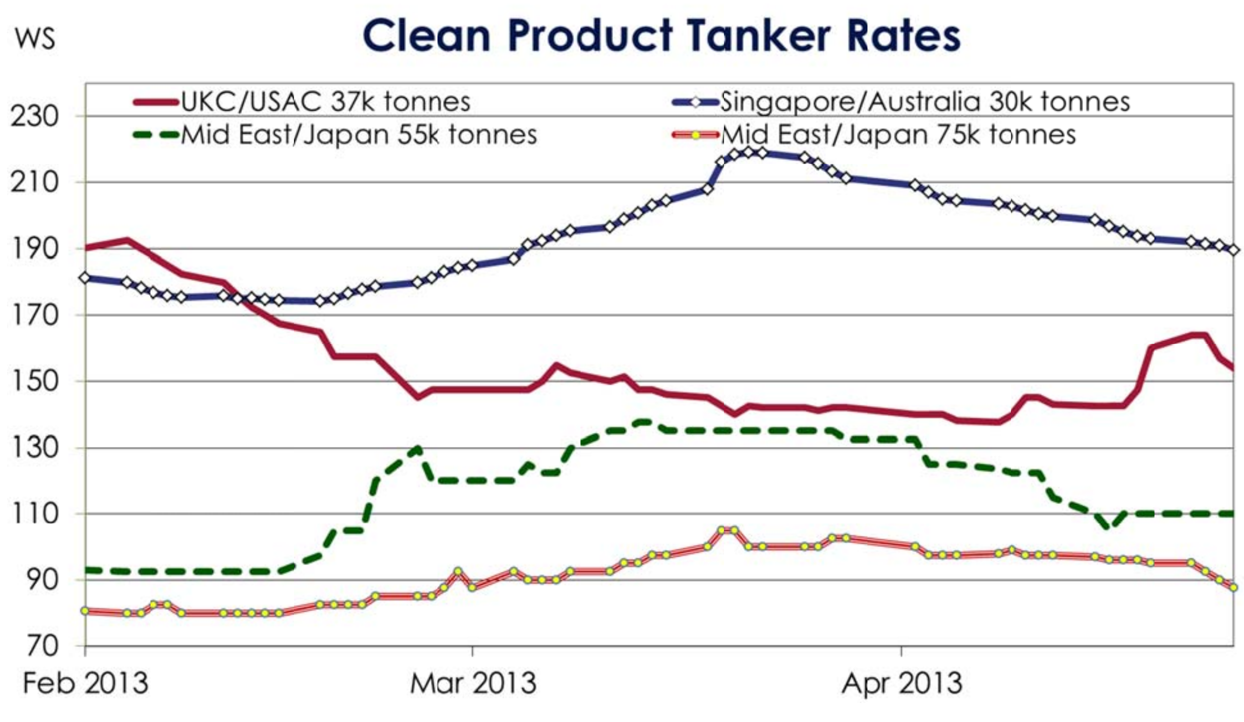
A busy amount of enquiry at the start of the week in the Mediterranean managed to absorb a fair chunk of the prompt tonnage and put the brakes on sliding rates with Cross Med and Black Sea Med a flat 30 x WS 145. End of April stems are now all but covered and one or two early May cargoes are being quoted around, however it will be difficult to get a feel on the tonnage/cargo balance until May programmes hit the market next week and the initial feeling is tonnage is still on the long side for the natural window. It has been a meagre week for the MRs with very few cargoes in the market and trading in line with TC2, 37 x WS152.5 - 155 for TA + WS10 for West Africa and around 950k Red Sea discharge + 50-100k into the AG.

UK Continent

A sluggish start to the week for tc2 resulted in fixing levels relax to 37x157.5 for USAC discharge but a surge of Argentina business mid-week stabilized this, with most Argentina cargoes having subjects lifted we are finishing the week with a much tighter tonnage list. Liftings to West Africa were trading some 10 WS points over tc2. But, a bit of a contrast when considering the handies, inter-continent voyages securing 30x125 / 22x170, with the ice melting fast there is little up side for them to find. West Africa runs sees 33x150 on subjects at time of writing beating US$ per tonne compared with the MR's. LR1's have been trading 60x95 levels and US$ 2.1m to Japan.

Caribbean

The USG/Caribbean Sea backhaul market is trading 38 x WS72.5 this week with a decent amount of enquiry for distillate stems and a firming of the Cont market attracting owners to ballast back. Cross trades are fixing around 525k in Pozos Colorados, US$ 1.425M into Chile and around US$ 340K for USG-ECMEX



DIRTY PRODUCTS

Handy

UKC: A measurement of success up in the North this week as Handy levels rise up into the WS 145-150 bracket, and yet this is seen despite the growing redundancy of a Baltic Ice class market. Trend going into next week is likely to remain stable where health tonnage availability now only shows from early May dates.

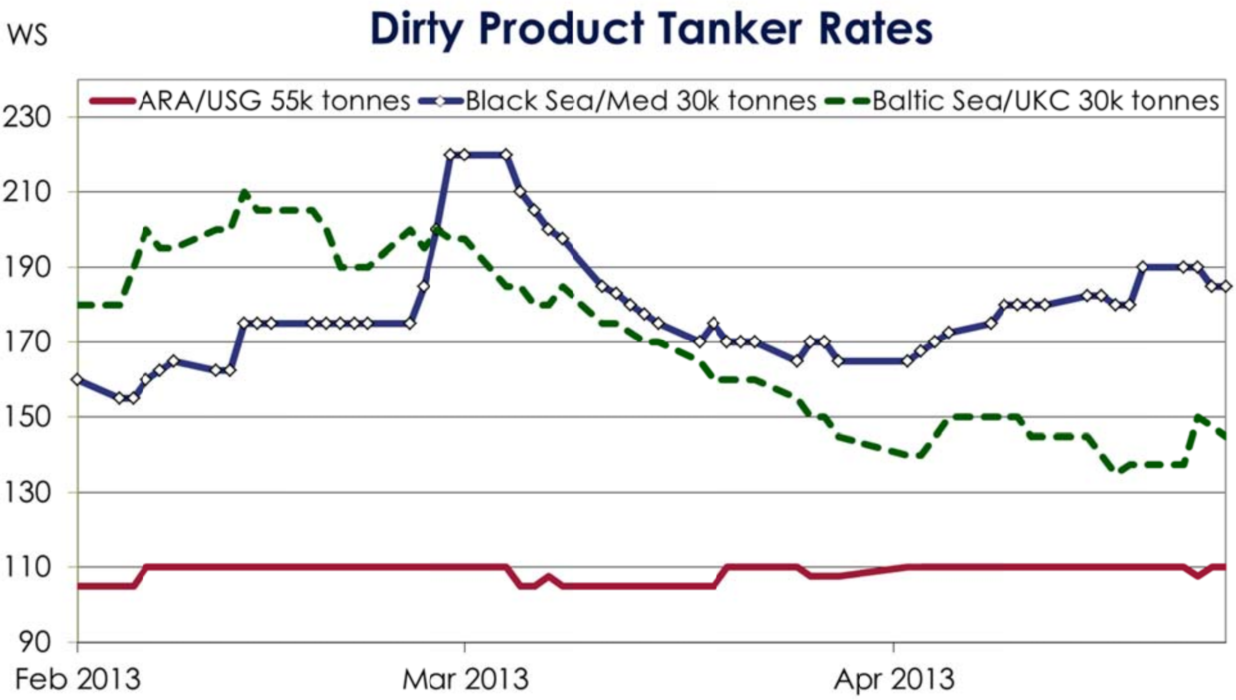
MED: Steady activity in the Med this week helped keep daily earnings stable as in most cases depending on the load area, the cost of a cross Med voyage stretched across a variance of up to 10 WS points WS 170-180 marks being the goal posts. This said, activity was strong enough to enable Owners in some cases, (owing to restrictions) to press for further premium. Owners will be mindful now that a bit of forward fixing had occurred; and those recently employed will soon be showing new positions. It's likely therefor that Monday won't be showing huge volatility.

MR

Due to such infrequency of natural enquiry, no sooner Owners find themselves in a position to press for better earnings, ability is denied. Up in the North Aframaxs again virtually cripple Owners aspirations in achieving levels as seen a few weeks back in the WS 150's, this aside activity levels and tonnage availability do little to help address balance of trend. Down in the Med part cargo employment in some cases has offered relief, with the market being tested on a natural size to settle at 45/140 level X Med.

Panamax

The market having reaffirmed in the WS 110 - 115 regions from the fixing the week previous, this week notes a few ships that hadn't managed to take advantage previous opportunity. This combined with Relet availability painted an unfair representation of available tonnage, lengthening availability unfairly. WS 105 has been done ex UKC owing to this (among other reasons) now placing huge strain on Owners resolve going forward.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk	Apr 25th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TD3	VLCC	AG-Japan	**+0**	32	32	34	33	33	37
TD5	Suezmax	WAF-USAC	**-4**	58	62	62	55	51	54
TD7	Aframax	N.Sea-UKC	**-3**	82	85	99	85	80	87
LQM Bunker Price (Fujairah 380 HSFO)			**+10**	623	613	613			

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

			wk on wk	Apr 25th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TD3	VLCC	AG-Japan	**-500**	5,750	6,250	7,500	7,250	7,500	13,500
TD5	Suezmax	WAF-USAC	**-3,000**	16,000	19,000	17,250	14,000	11,250	13,500
TD7	Aframax	N.Sea-UKC	**-2,250**	7,250	9,500	18,250	7,750	4,500	9,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk	Apr 25th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TC1	LR2	AG-Japan	**-8**	88	96	103			
TC2	MR - west	UKC-USAC	**+7**	154	147	142	138	114	125
TC5	LR1	AG-Japan	**-4**	111	115	133	112	108	109
TC7	MR - east	Singapore-EC Aus	**-4**	190	194	211			
LQM Bunker Price (Rotterdam HSFO 380)			**+3**	581	578	643			

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

			wk on wk	Apr 25th	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	**+1,500**	17,000	15,500	13,500	13,250	8,250	10,750
TC5	LR1	AG-Japan	**-1,750**	15,000	16,750	21,500	15,500	14,250	14,750
TC7	MR - east	Singapore-EC Aus	**-750**	16,750	17,500	19,750			

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

MJC/JCH/TP/JT/slt

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