WEEKLY TANKER REPORT

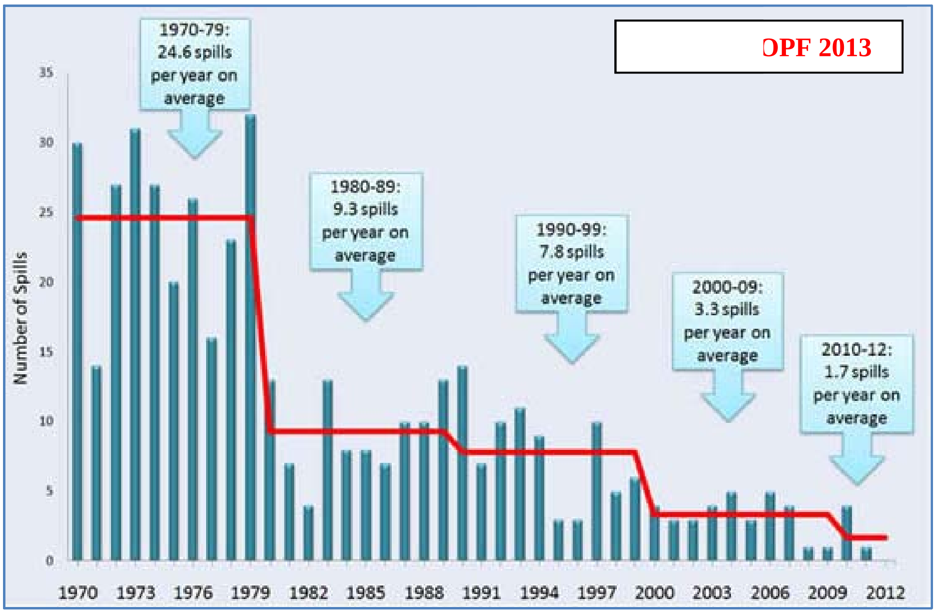
GIBSON
SHIPPING ENERGY

6th September 2013

SAFETY FIRST FOR TANKERS

Recently there has been a spate of serious casualty incidents involving bulk carriers and container ships for which early indications suggest severe hull failure. While any incident of this nature is regrettable, the shipping industries safety record has considerably improved not just because improvement in the age profile of the fleet, but also tighter regulatory measures adopted across the industry over the past quarter of a century as well as a major rethink in attitudes towards safety and the environment. Of course the focus of this report is on tankers and the latest statistics published by the International Tanker Owners Pollution Federation (ITOPF) makes the point that increased oil movements imply increased risk of spills. Over the last quarter of a century, seaborne crude and product trade has almost doubled, while at the same time tankers have also grown in size to cope with heavier demands. ITOPF's latest statistics show that no large spills were recorded for 2012 and they report that the total amount of oil lost to the environment is the lowest on record, with 7 medium spills which equates to an average of approx. 100 tons per incident.

ITOPF records can be questioned as there are almost certainly spillages in some of the remote areas where incidents go unreported. However, the ITOPF report clearly shows the general trend is downwards and the commitment by the tanker industry of not just maintaining these standards but improving them. Tankers are probably the heaviest regulated sector of the shipping industry. Many of today's standards have been developed as a result of past spill incidents, which has led to the modern double hull fleet apparent today. With the introduction of measures to reduce bunker consumption, such as slow steaming and the advent of de-rated engines, it is possible that we could be increasing the risk of a major tanker spill unless steps are taken to ensure that these necessary solutions are not abused. ITOPF's list of major oil spills include the BRAER, which spilt 85,000 tonnes of crude off the Shetland Islands 20 years ago following engine failure in heavy weather. So we still need to ensure that the new breed of tankers have sufficient power to deal with the worst conditions that nature can throw at them.



Certainly tankers will be spending more time at sea, even if it is just waiting for cargoes - there is no room for complacency. It may be too early to tell if the above measures will impact on safety aspects within the industry. One thing that we all agree on in the industry is to maintain and even improve the excellent safety record of tankers, despite the bad press the industry still seems to attract.

CRUDE

Middle East

A steady enough week for VLCCs in terms of volume, and there was some small compensation for higher bunker prices gained, but Owners still failed to find enough muscle to power the market into noticeably improved TCE territory. The September end-game is now well underway, and sentiment is certainly hardening, so any large scale pre-emptive strike by Charterers on the October programme could quickly convert into something more meaningful. Owners can only hope. Suezmaxes initially drifted a little lower, but activity then picked up somewhat, and rates ticked up again to 130,000 by ws 55+ to the East and close to ws 35 to the West, though nothing spectacular looks on the cards. Aframaxes struggled manfully, but in the end failed to hold the line. Rates dipped to 80,000 by ws 80 to Singapore, and look set to stay pegged for a while yet.

West Africa

Grim got grimmer for Suezmaxes here as Owners trod upon another rotten floorboard to send rates to just under ws 50 for both US Gulf and European options. This is now a more solid bottom, but there's no ladder in early sight for them to get out of the basement. VLCCs had a slow-ish week of it, and there were no surprises as a consequence. Rates to the East moved with a ws 34/36 rate bracket, and will stay there until the AGulf makes a move - if it does. Rates to India were largely theoretical, but remained at around US$ 2.6 million for West Coast India.

Mediterranean

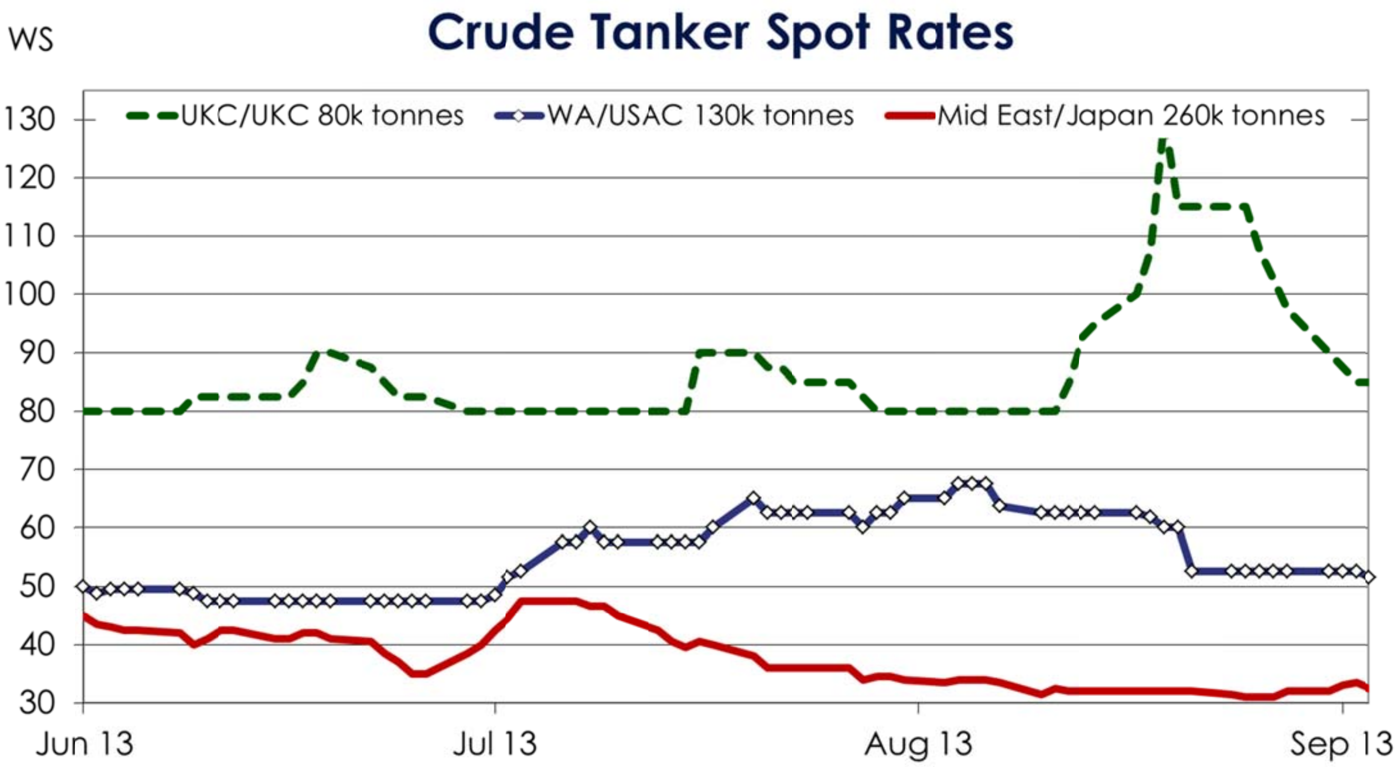
Aframaxes move through a nasty patch with the supply/demand balance very much tipped in Charterers favour. Rates slipped further to as low as 80,000 by ws 67.5 cross med and will stay stuck in the mud well into next week. Suezmaxes also floundered with little better than 140,000 by ws 50 available from the Black Sea to Europe and ws 47.5 seen for a run to the US Gulf. With all the disruption in the area, volumes across the board are expected to stay insufficient to promote an early turnaround.

Caribbean

The week kicked off with a holiday in the States so Aframaxes started necessarily quiet, but thereafter also failed to gain any traction. Rates eased to 70,000 by ws 107.5 upcoast, and will probably stay challenged over the near-term. VLCCs were cherry picked at an unchanged 'conference' US$3.4 million to Singapore and US$ 2.9 million to West Coast India and won't post any real change from that over the next period.

North Sea

Rate erosion continued steadily in the Aframax sector. Not as severely as last week, but it was still downwards, nonetheless. 80,000 Cross UKC now moves at ws 80 and 100,000 from the Baltic at down to ws 57.5 with further easing possible. Suezmaxes saw the usual sprinkling of interest with 135,000 by ws 47.5 typical for US Gulf discharge, whilst VLCCs found a few rare partners for Eastern runs where rates bobbed back to an average US$3.25 million for Fuel Oil to Singapore.



CLEAN PRODUCTS

The East running out of steam, while Western Markets remain bleak

East

With the MRs this week there is a feeling that the opportunity to ride off the back of the LRs might have passed by. Rates are starting to slip off in a couple of areas and with Appec gathering momentum we are expecting a quieter period ahead. AG-West Coast India/East Africa has seen a fluckey week, WS 157.5 was paid for a prompter lifting but WS 150 is on subs and charterers are looking to dip into the 140's moving forward. AG-WCI/Gizan has slipped a little too with USD 715,000 being the last done number, representing a loss of about 20k over this week. Naptha movements have been ticking over and freight is steady at the WS 120 level for 35kt for AG-WCI to the far East. AG/UKC Jet movements are being flirted with but not a lot has been fixed with LR2s taking the headlines here. Owners are calling this voyage US$ 1.6m in order to maintain a decent discount with the bigger ships. X AGs are looking a fraction more wobbly with an increase of ppt Fujairah ships this week. US$ 145k was paid for a very short run but Jubail/Jebel is looking to come off the US$ 220k lvls we have been seeing as Charterers are looking to squeeze down towards the 200k flat marker.

LRs have seen a slightly quieter week with rates falling off a little due to ballasters from the West as any lack of stems in the Middle East. 55,000 mt Naphtha Ag/Japan is off 5 points at w115, and 65,000 mt Jet AG/UKC is around US$2.20 million. Lr2s have also been busy especially in the Far East but still rates have eased off. 75,000 mt Nap AG/Japan is now at w100 and 90,000 mt Jet AP/UKC around US$2.80 million. West rates may hold better with weaker markets in that direction. Appec is now on in Singapore which may see a quiet start to next week.

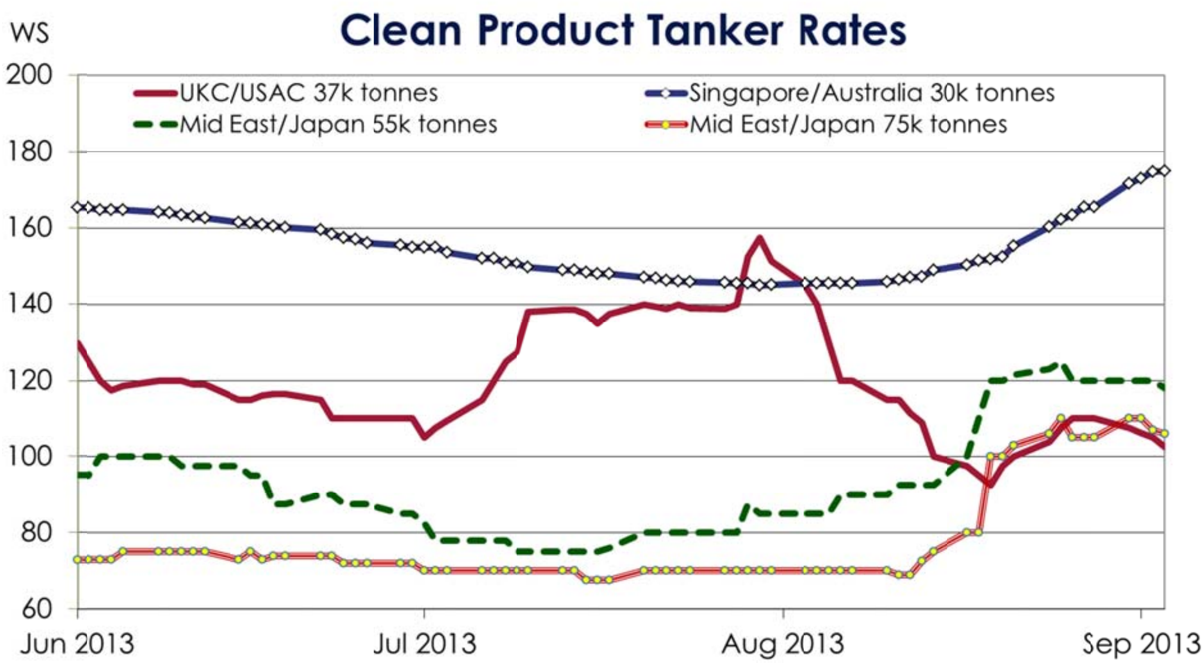
After the frenetic highs of the previous couple of weeks we have entered a cooling period in North Asia; this week has been punctuated by ships failing subjects and Owners reassessing market values for certain voyages. Going into the weekend tonnage in North Asia has started to accumulate for mid-month liftings and rates for back haul Korea/Singapore voyages has hit US$ 450k on an MR similar on an LR1. Theoretically LR2s should be in the US$ 650k region but numerous failings have left this market somewhat hazy. Cargoes into Australia haven't managed to escape the weaker sentiment and 30 x ws 170 is probably a generous estimate for this routing from Singapore and Korea. Although the Gasoil arbitrage remains open for LR2s moving West very few Charterers have been able to make this work on current freight levels, consequently despite the high headline freight levels very little business concluded. In all a softer week and with the APPEC week upon us this market direction will continue into next week.

Mediterranean

A miserable week in the Mediterranean. The handy market has been very quiet for new enquiry and although it has been fixing 30 x ws 127.5 levels for the most part, the tonnage list for week 37 is going to be long and rates highly likely to soften further. On the MR's we have had some enquiry, but a weakening TC2 market has dictated rates in the Mediterranean once again and market is considered 37 x ws 100-102.5 for transatlantic discharge plus an additional WS 10 for West Africa. Gasoline enquiry East to the Red Sea and AG has been seemingly non-existent, but Owners idea's arranged around US$ 850-900k levels for Red Sea plus US$ 100-150k for AG discharge.

UK Continent

The Continent market has been a little on the weaker side. Tc2 levels fell to WS 102.5 basis 37kt which is currently on subjects at time of writing. Liftings to West Africa were trading WS 112.5-115 basis 37kt. Handies Cross Continent were quiet, freight levels fell to WS 125 basis 30kt and flexis are WS 170 basis 22kt. Lr1's in general were also slow, although we witnessed a touch more enquiry towards the end of the week, keeping rates at WS 85-87.5 basis 60kt for TA and West Africa, and freight was arranged at US$ 2.1m for Japan. LR2's are 80x87.5 for TA/West Africa.



DIRTY PRODUCTS

Handy

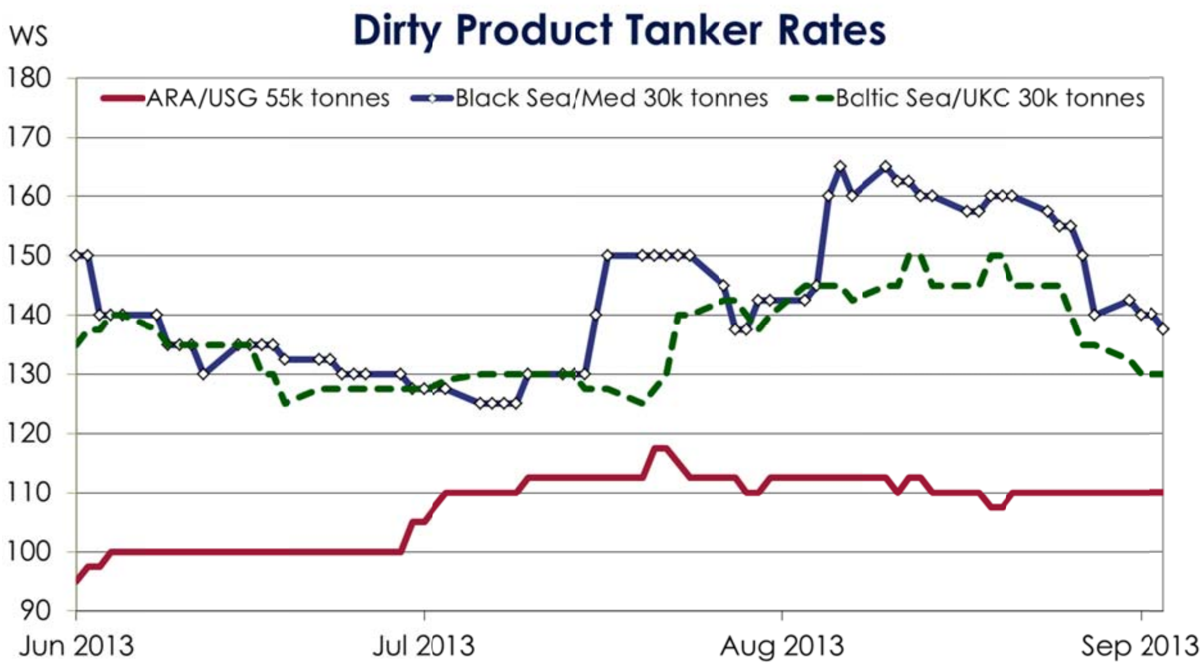
The sensible among the market would have taken this week as holiday as activity - particularly in the Mediterranean - can be described as poor at best. While the Continent bucked the now apparent weekly trend with early week activity, the volume of ppt tonnage ensured rates only went one direction and that was firmly south. Negative sentiment has been prevalent for the week's duration to the extent that there is reason to suggest sub 30 x ws 130 is achievable in the Cont. This belief can be readily applied to the Med market as at the time of writing competitive vessels have sat ppt for the week rather illustrating the dearth of cargos in the market. Blame is partitioned to the September Russian tax rise and August product clear out; in turn ensuring inventories are well stocked for this period of time. With little reported or on the books to be covered both regions need a semblance of concerted activity to breathe life back into rates.

MR

The appearance of illusive full 45kt stems in the Cont ensured the long term employment of one unit. Reports of a further Xcont stem are in the market but there has been precious little else to get the tongues wagging in the Cont. Panamax's have been strong and certainly covered the larger stems. The Med has witnessed greater employment of MR tonnage but not necessarily with the cargo size desired. Tonnage refuses to budge from the area with xregional voyages completed which will result in rates not moving far in the short term. Negative sentiment prevails.

Panamax

Rates this week show an array of indifferences when comparing the Med and UKC/Baltic, the Med suffering from ships ballasting back from the east / natural tonnage sitting spot and the threat of additional ballast units hitting the list has now had a negative differential placed upon it. With the continents rates bouncing between 110-112.5, Owners will feel somewhat pleased with activity levels although these will have to be sustained however if we are to overcome the effects of a soft Caribbean Sea market.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 5th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TD3	VLCC	AG-Japan	+2	33	31	34	35	39	37
TD5	Suezmax	WAF-USAC	-1	51	52	68	54	57	55
TD7	Aframax	N.Sea-UKC	-16	84	100	80	86	88	87
LQM Bunker Price (Fujairah 380 HSFO)			-6	614.5	620	602.5			

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

			wk on wk change	Sep 5th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TD3	VLCC	AG-Japan	+3,250	7,750	4,500	10,000	10,750	17,250	14,750
TD5	Suezmax	WAF-USAC	-1,250	9,000	10,250	22,750	11,250	13,750	10,250
TD7	Aframax	N.Sea-UKC	-11,250	7,500	18,750	5,250	7,500	9,000	7,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 5th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TC1	LR2	AG-Japan	+1	106	105	70			
TC2	MR - west	UKC-USAC	-7	103	110	121	108	129	119
TC5	LR1	AG-Japan	-3	118	121	88	112	110	117
TC7	MR - east	Singapore-EC Aus	+9	175	166	145			
LQM Bunker Price (Rotterdam HSFO 380)			-9	601.5	610.5	601.5			

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

			wk on wk change	Sep 5th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TC1	LR2	AG-Japan	+750	22,250	21,500	7,000			
TC2	MR - west	UKC-USAC	-1,250	5,250	6,500	9,250	6,250	11,000	8,750
TC5	LR1	AG-Japan	-1,000	17,500	18,500	8,250	15,750	15,250	15,750
TC7	MR - east	Singapore-EC Aus	+2,000	14,250	12,250	8,750			

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

PAT/JCH/TP/JT/slt

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