WEBER WEEKLY TANKER REPORT

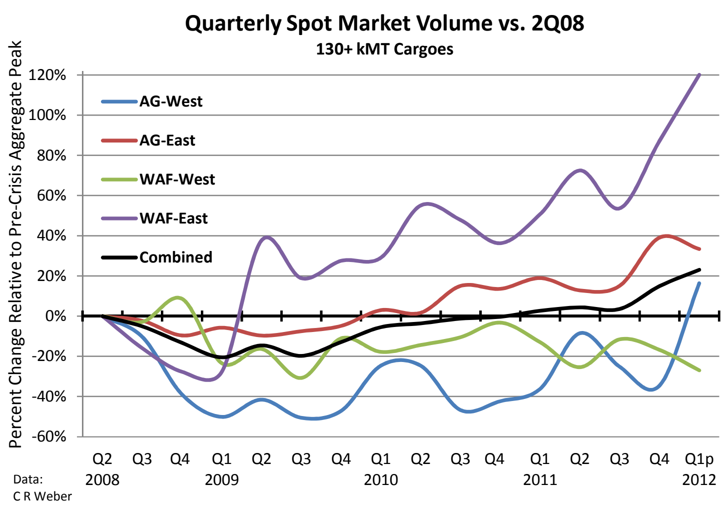
WEEK 07 – 17 FEBRUARY 2012 **ISSUE 07 – 2012**

First quarter VLCC rally, round two

The VLCC spot market commenced its second 2012 rally this week after an unexpectedly high number of February Middle East cargoes allowed overcapacity to contract. With fewer excess units resulting, owners were able to command rate gains and average spot market earnings now stand at $25,300/day – up from $19,500/day a week ago. During 2011, VLCC earnings averaged $17,600/day; YTD the average is $26,000/day thanks to the previous rally in January.

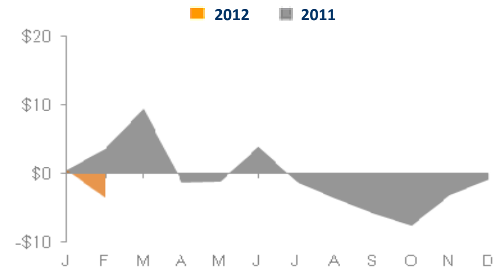
The improved earnings environment comes, surprisingly, as fleet growth in the class remains high, bunker prices have rapidly risen, flat oil demand levels in the West, a rise in US oil production and a modest shift in refining capacity from points in the West (excluding the US Gulf area) to the East.

Combined VLCC and Suezmax spot market activity on the Middle East—West routes have doubled on a YTD, year-on-year basis, and the West Africa—East routes have posted a 13.5% gain on the same basis. These figures represent important ton-mile drivers and have helped to absorb some of the excess capacity generated by a poor deliveries/removals ratio. The chart below illustrates the change in quarterly demand trends for VLCC and Suezmax cargoes emanating from the key Middle East and West Africa supply areas, relative to aggregate pre-crisis peak levels.



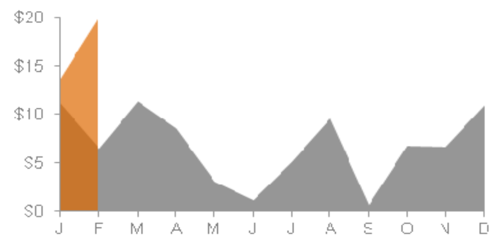
Rising Libyan oil production, reported by a government official to presently stand at 1.35 Mb/d, ~79% of pre-war levels, has boosted the number of cargoes heading to European refiners significantly in recent weeks and reduced the replacement volumes of light crude grades to Europe from West Africa. In turn, this development has prompted greater volumes of West African crude to head towards the far east, where buyers have decreased their purchases of Iranian crude.

These factors have contributed to observed rise in demand and helped boost earnings from lows seen during 2H11; however, it is too soon to believe that a fundamental shift has occurred and that rates will remain at present levels. Ultimately, demand growth will continue to lag behind supply growth and thus overall earnings gains during 2012 will be modest with average VLCC earnings projected to average $19,400/day.



VLCC TCE 280k AG-USG	**MTD Average $(3,250)/Day**	**Month y/y ▼ -190%**

S'MAX TCE 130k WAF-USAC	**MTD Average $18,500/Day**	**Month y/y ▲ +54%**



A'MAX TCE 70k CBS-USG	**MTD Average $20,000/Day**	**Month y/y ▲ +210%**

P'MAX TCE 50k CBS-USAC	**MTD Average $16,500/Day**	**Month y/y ▲ +219%**

MR TCE 38k CBS-USAC	**MTD Average $5,250/Day**	**Month y/y ▲ +8%**

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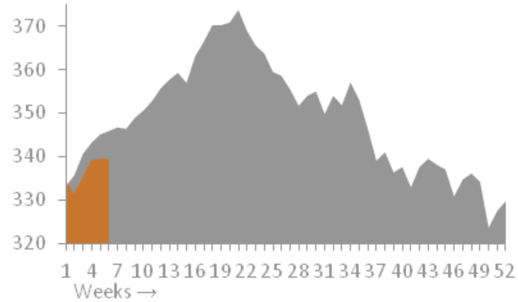
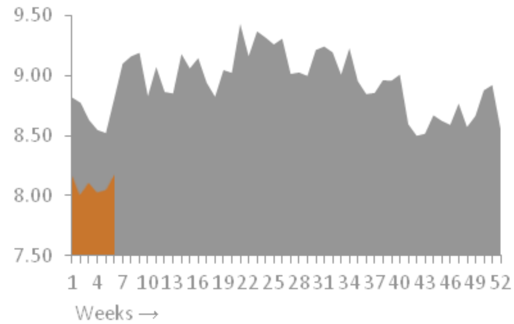
Spot Rates	WS	TCE	WS	TCE
VLCC	**WEEK 06**		**WEEK 07**	
AG>USG 280 kMT	33.0	$(3,700)	34.0	$(2,200)
AG>SPORE 260 kMT	49.0	$14,700	55.0	$24,300
AG>JPN 260 kMT	49.0	$15,900	55.0	$26,200
WAFR>USG 260 kMT	60.0	$30,000	57.5	$25,200
WAFR>CHINA 260 kMT	52.5	$19,300	57.5	$24,200
SUEZMAX				
WAFR>USAC 130 kMT	80.0	$20,300	80.0	$20,100
B.SEA>MED 135 kMT	77.5	$17,600	90.0	$29,400
AFRAMAX				
N.SEA>UKC 80 kMT	87.5	$11,200	87.5	$16,200
CBS>USG 70 kMT	130.0	$20,300	140.0	$24,900
TRK>MED 80 kMT	80.0	$4,500	85.0	$7,900
PANAMAX				
CBS>USAC 50 kMT	140.0	$16,400	140.0	$16,200
CONT>TA 55 kMT	125.0	$13,200	125.0	$13,800
CPP				
CONT>TA 37 kMT	150.0	$9,600	175.0	$15,600
CBS>USAC 38 kMT	115.0	$3,300	165.0	$14,600
USG>TA 38 kMT	80.0		110.0	
SPOR>JPN 30 kMT	120.0	$(500)	120.0	$(600)
AG>JPN 75 kMT	85.0	$7,300	85.0	$7,100
AG>JPN 55 kMT	100.0	$5,100	100.0	$4,900

Time Charter Rates *$/day (theoretical)*	**1 Year**	**3 Years**
VLCC	$20,000	$25,000
Suezmax	$16,500	$20,500
Aframax	$13,250	$16,500
Panamax	$13,500	$14,750
MR	$14,000	$14,750



US Crude Stocks (EIA) **339.1 Mbbls** **Week y/y ▼ -2.0%**



US Gasoline Demand (EIA) **8.167 Mb/d** **Week y/y ▼ -7.3%**

2012 **2011**

WEBER WEEKLY
TANKER REPORT
CHARLES R. WEBER COMPANY, INC.

THE TANKER MARKETS

VLCC

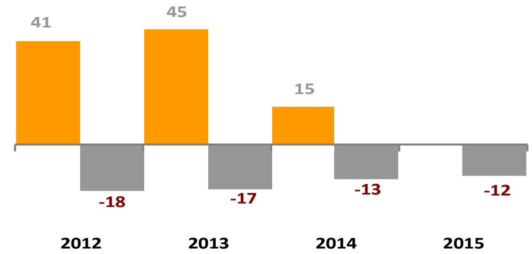
A surprise rise in February Middle East cargoes brought the month's tally to 139 – matching the record high set this past November. Historically a less active month on the back of both the fewer number of days coinciding with a seasonal demand lull for crude cargoes as refiners traditionally prepare for a reorientation of output towards spring/summer demand, the jump in cargoes was not widely expected. Accordingly, the level of projected spillover tonnage in the Middle East from February to March availability dates allowed owners to command rate gains this week – despite an overall lull in activity (fresh fixtures in the Middle East market this week were half the number recorded last week). In the Atlantic basin, attracting tonnage coming free in the east was a somewhat more challenging task for charterers given the longer ballast leg while the Middle East market was strengthening and ultimately led to modest gains in the West Africa market. Going forward, the upward pressure is expected to remain as charterers take to a more aggressive progression to March dates during the week ahead, with the resulting activity allowing pressure to remain; ultimately, the level of fresh activity will dictate the extent of those gains whilst, although now halved, the projected 10 spillover units will likely keep realized gains generally modest.

Some 16 fresh fixtures were reported this week in the Middle East market. Of these, 12 were bound for the east, one to South Africa, one to the Red Sea and two to the US Gulf. Rates to the East commenced the week at the ws49 level; however, as February cargoes continued owners' posted greater resistance prompting rates to gain to ws55 by the end of the week. Overall, rates to the far east averaged ws52, a 3.6 point w/w gain. TCEs to the far east gained $5,800/day, w/w, to an average of ~$21,200/day. Rates to the US Gulf commenced at ws32 before ultimately posting late gains to ws34, averaging ws33 on concluded fixtures this week. TCEs on the AG-USG benchmark route remained firmly in negative territory as Fujairah bunker prices remained strong, averaging ~$(3,900)/day. Triangulated Westbound trade earnings declined $2,200/day to an average of ~$27,500/day.

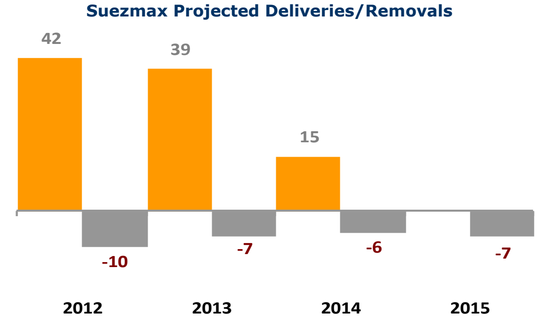
To-date, some 25 March Middle East cargoes have been covered, leaving a further 42 probable remaining cargoes through mid-month. Against this, 50 units are projected to be available over the same span of time (including about 10 spillover units from February), implying an excess of 8 units. On this basis, the pace of fresh inquiry will ultimately dictate the path of rate progression during the week ahead; a strong progression into the March program should apply sufficient impetus for owners to command further gains whilst a concerted measure of patience by charterers could weaken owners' positions sufficiently to retest rates close-to or below last done.

The Atlantic basin continued at an active pace with 8 fresh fixtures this week, including 3 more ballast units coming from the east for cargoes ex-West Africa. Against a limited list of "natural positions" and a firming Middle East market partially offsetting the incentive to ballast towards the Atlantic, rates were under positive pressure, particularly for earlier dates. On the West Africa-East route, a fixture was concluded early in the week at ws52.5 but by late in the week after retesting the rate had risen to ws57.5. The Caribbean market was more active this week, but given the attractiveness of the route to units coming free in the region, rates eased $100k to the $4.5m level. Little change is expected during the week ahead as the stronger Eastbound routes will limit ballast units.

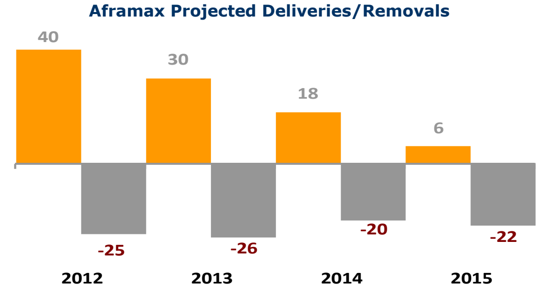
VLCC Projected Deliveries/Removals



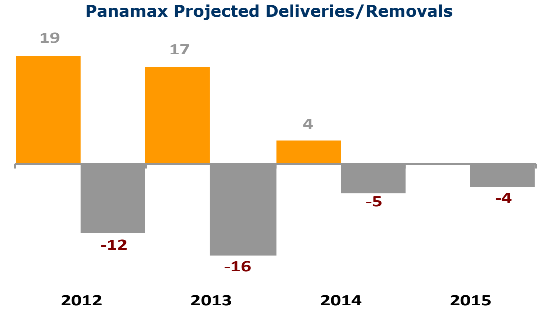
Suezmax Projected Deliveries/Removals



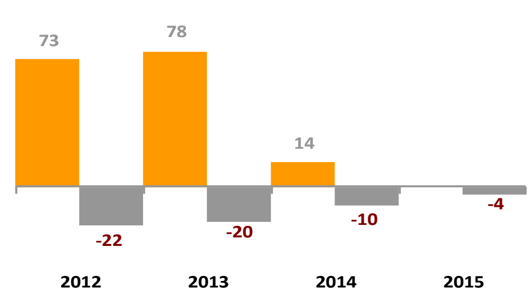
Aframax Projected Deliveries/Removals



Panamax Projected Deliveries/Removals



MR Projected Deliveries/Removals



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Suezmax

The Atlantic Suezmax market saw largely stagnant rates this week with the WAF-USAC route trading at ws77.5 through most of the week but concluded unchanged from a week earlier at the ws80 level. On sustained activity, a tighter Black Sea/Med market and with trans-Atlantic activity essentially limited to the Suezmax class, rates could post further gains during the week ahead.

In the BSEA-Med market, weather related delays saw a tightening of tonnage and prompted rates to gain 12.5 points to conclude at ws90. With sustained demand, the market remains firm and could post further gains during the week ahead.

Aframax

The Caribbean Aframax market saw an extension of last week's rate gains, climbing 10 points to ws145 on the benchmark CBS-USG route by midweek as activity remained relatively robust and fog delays off the US Gulf coast added further pressure to tonnage. During the final two days of trading, however, charterers had stepped back, eroding owners' resolve. Accordingly, rates slipped by the close of the week to ws140; as this level offers a substantial TCE of almost $25,000/day, continued patience by charterers should see more owners content to fix at slightly lower levels.

Panamax

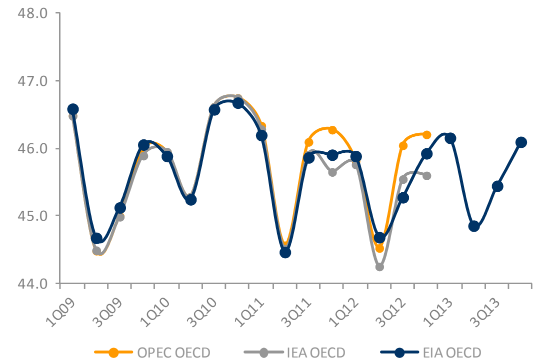
The Caribbean Panamax market was active this week, and although sentiment firm rates were generally unchanged at the ws140 level. With sustained activity, rates could see a slight gain during the week ahead.

CPP

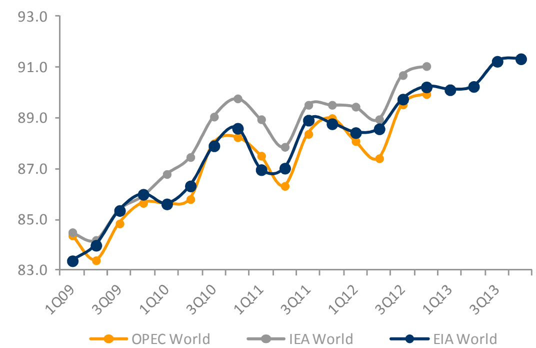
In the European MR market, a marked uptick in activity on the CONT-TA route combined with continued strength in bunker prices allowed owners to command strong gains. The route commenced at ws150 and gained 25 points by the close of the week. Sentiment remains firm and rates are expected to post further gains during the week ahead.

Ex-USG activity was very strong this week, prompting rates to gain 30 points to ws110 by the end of the week on the USG-TA route. The Caribbean market was much slower through much of the week with rates remaining mired at the ws115 level on the CBS-USAC benchmark route; however, given the level of demand for USG-TA cargoes, tonnage was more constrained at the end of the week and fresh inquiry was being met with offers in the ws165-170 range. As owners remain bullish, further gain – albeit more modest –could realized during the upcoming week.

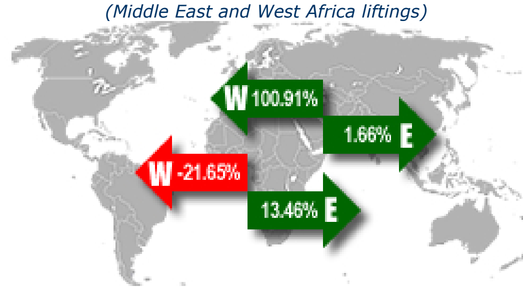
Projected OECD Oil Demand



Projected World Oil Demand



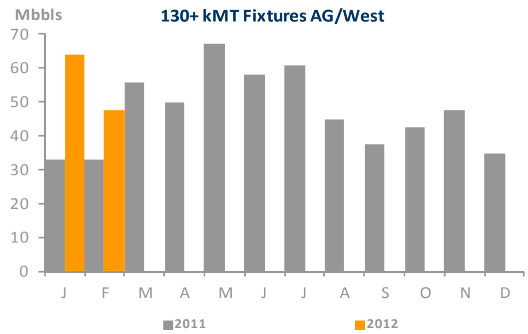
130+kMT fixtures, YTD y/y Percentage Change
(Middle East and West Africa liftings)

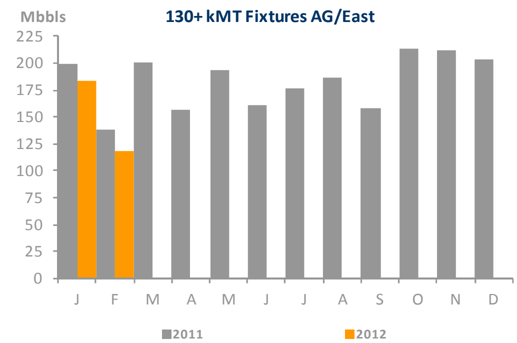


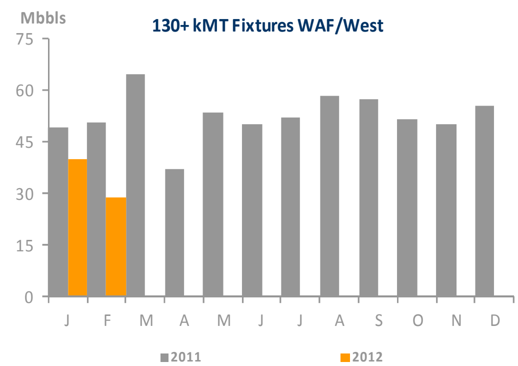
REPORTED TANKER SALES

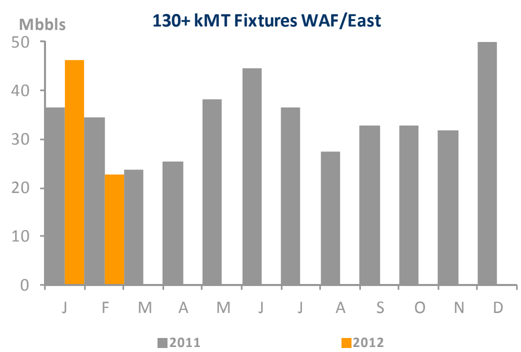
"Dalmacija" 96,168/96 – Samsung – DH
-Sold for $9.9m to unidentified Indonesian buyers.

"Selendang Permata" 45,174/97 – Dalian – DH
-Sold for $8.5m to unidentified Greek buyers.









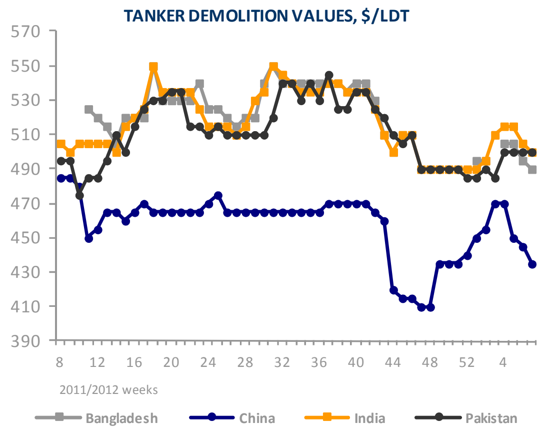
REPORTED TANKER DEMOLITION SALES

Bangladesh

FSO **"Brilliant Jewel"** 247,471/89 – 31,136 LDT – SH
-Sold for $505/ldt. Unit was converted to FSO 09/2009.

China

"S/R Long Beach" 214,471/87 – 41,591 LDT – SH
-Sold on private terms. Jones Act vessel.



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