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

WEEK 25 – 21 JUNE 2013 **ISSUE 25 – 2013**

Eastern Siberia to double pipeline supplies to China

It was announced this week that Russia's state-controlled oil company Rosneft had entered into a $270 billion contract to supply China with crude from Eastern Siberia. Commencing from late in the 2010s, the contract is expected to double crude volumes presently supplied to China from Eastern Siberia via the ESPO pipeline (and southbound inland spur into Northern China) to 600,000 b/d.

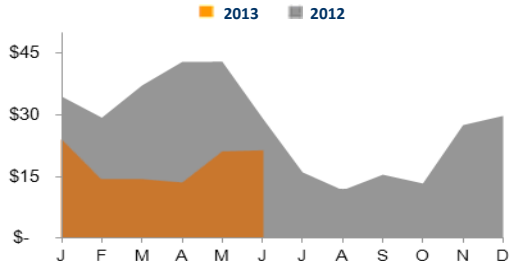
As we noted in the Weber Weekly VLCC Report on Thursday, commencing delivery of an additional 300,000 b/d would require the development of new Eastern Siberian oil fields and an expansion of the ESPO pipeline and its inland spur to northern China—which could take up to seven years. Comments on Friday by Russian President Vladamir Putin indicated a start time sometime in the second half of this decade.

A 300,000 b/d increase of pipeline volumes to northern China would trim ton-mile demand growth potential emanating from China's rising oil demand by eating into the additional cargoes China would otherwise have likely sourced from points in the Middle East and Atlantic basin – to the tune of around 4-5 VLCC cargoes per month.

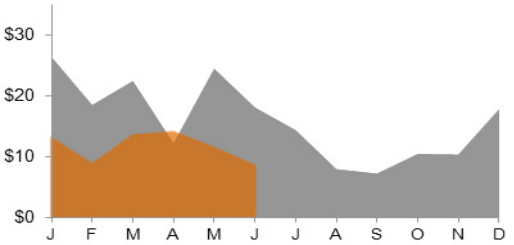
Though hardly counting as a positive development for VLCC owners, the implications of this development on longer-term VLCC demand isn't entirely negative. In the IEA's May Oil Market Report, China's oil demand was projected to grow by 400,000 b/d to 10.0 Mb/d during 2013. By 2020, China's oil demand is estimated to grow to around 12.0 Mb/d, implying that just 15% of China's oil demand growth through the end of the decade will be supplied by pipeline from Eastern Siberia.

More imminently, however, the Burma-China pipeline is slated to come on stream in September (though early 2014 may be a more realistic estimated start date). Carrying 420,000 b/d of crude, the pipeline trims 1,907 miles, or 37%, off voyages from the Middle East to Southern China. This implies fewer ton-miles and a quicker reappearance of units servicing the Middle East-Myanmar route in the key Middle East VLCC market. It also threatens to limit the extent of ton-mile demand gains that could result from an expected acceleration of China's oil demand from H2 2013.

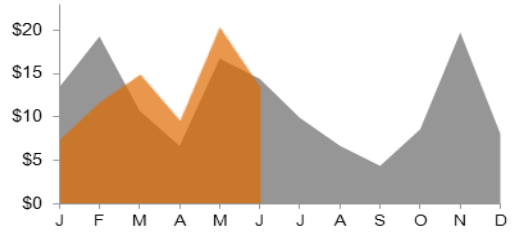
For owners of smaller crude tankers, the Burma-China pipeline and eventual materializing of fresh volumes through the ESPO pipeline could well count as positive developments. In the case of the former, input volumes could well stoke some additional shorter-haul demand for Far East Aframaxes, improving regional triangulated trading while the latter could push additional volumes from the ESPO's Kozmino terminus on the Pacific Ocean onto Aframaxes for distribution to more southern points in China.



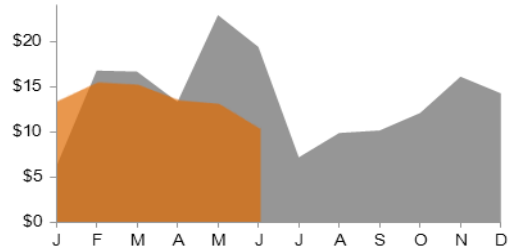
VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $21,500/Day	Month y/y ▼ -26%



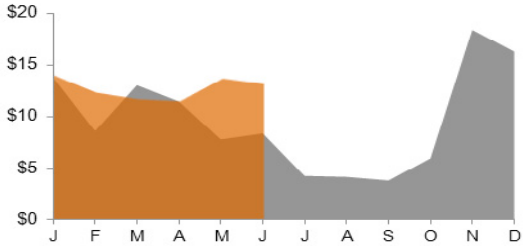
S'MAX TCE 130k WAF-USAC	MTD Average $8,700/Day	Month y/y ▼ -51%



A'MAX TCE 70k CBS-USG	MTD Average $13,400/Day	Month y/y ▲ +18%



P'MAX TCE 50k CBS-USAC	MTD Average $10,400/Day	Month y/y ▼ -46%



MR TCE 38k CBS-USAC	MTD Average $13,200/Day	Month y/y ▲ +52%

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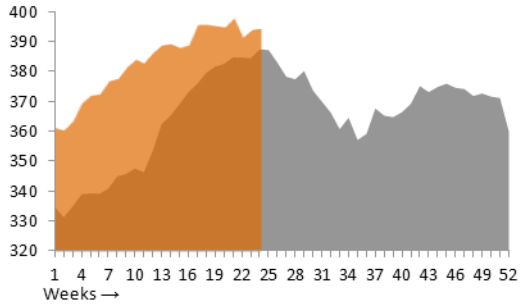
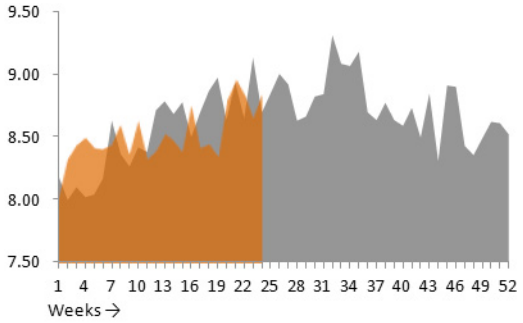
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC	**14-June**		**21-June**	
AG>USG 280k (TD1)	25.0	$(200)	23.0	$(3,800)
AG>USG/CBS>SPORE/AG	--	$23,500	--	$21,500
AG>SPORE 270k (TD2)	42.5	$23,500	41.0	$21,200
AG>JPN 265k (TD3)	42.5	$23,400	41.0	$21,000
WAFR>USG 260k (TD4)	40.0	$19,200	40.0	$19,000
WAFR>CHINA 260k (TD15)	40.0	$19,400	40.0	$19,200
SUEZMAX				
WAFR>USAC 130k (TD5)	51.25	$9,300	50.0	$8,200
BSEA>MED 135k (TD6)	52.5	$1,400	52.0	$800
CBS>USG 130k	55.0	$8,500	50.0	$4,400
AFRAMAX				
N.SEA>UKC 80k (TD7)	85.0	$11,100	87.5	$13,000
AG>SPORE 70k (TD8)	77.5	$11,200	75.0	$10,000
BALT>UKC 100k (TD17)	62.5	$11,700	62.5	$11,500
CBS>USG 70k (TD9)	85.0	$8,600	82.5	$7,300
MED>MED 80k (TD19)	77.5	$10,600	77.5	$10,500
PANAMAX				
CBS>USG 50k	110.0	$8,000	97.5	$4,000
CONT>USG 55k (TD12)	100.0	$9,500	100.0	$9,400
ECU>USWC 50k	162.5	$26,400	162.5	$26,200
CPP				
CONT>USAC 37k (TC2)	115.0	$8,500	117.5	$9,000
USG>CONT 38k (TC14)	90.0	$4,900	100.0	$7,400
CONT>USAC/USG>CONT	--	$15,400	--	$17,700
CBS>USAC 38k (TC3)	127.5	$13,200	135.0	$15,000
AG>JPN 35k	105.0	$5,900	100.0	$4,800
SPORE>JPN 30k (TC4)	121.0	$6,800	120.0	$6,600
AG>JPN 75k (TC1)	73.5	$9,500	74.75	$10,100
AG>JPN 55k (TC5)	97.75	$9,200	92.5	$7,400

Time Charter Market *$/day (theoretical)*	**1 Year**	**3 Years**
VLCC	$18,250	$22,000
Suezmax	$15,750	$18,250
Aframax	$13,500	$15,250
Panamax	$14,500	$15,500
MR	$14,000	$15,000



US Crude Stocks (EIA) | **Last Week 394.1 Mbbls** | **Week y/y ▲ +1.8%**



US Gasoline Demand (EIA) | **Last week 8.840 Mb/d** | **Week y/y ▲ +1.7%**

2013 **2012**

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WEBER WEEKLY TANKER REPORT

THE TANKER MARKETS

VLCC

Despite an improvement of overall activity within the VLCC market, rates remained on a slightly negative trend as available tonnage continued to outweigh demand sufficiently to keep the balance of power in charterers favor. The only bright spot this week was the Caribbean market, were a small rise in fresh inquiry absorbed sufficient tonnage to allow owners to command small rate gains.

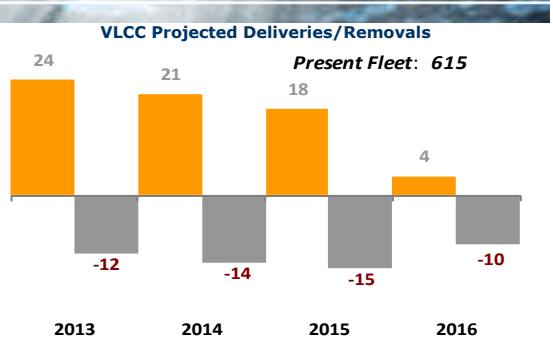
Middle East

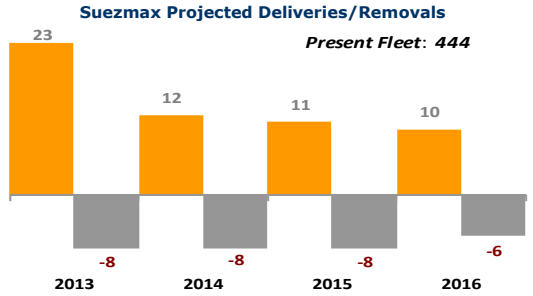
Fresh activity in the Middle East market rose to 25 fixtures, the highest level since the final week of May and slightly above the YTD average weekly count of 23 fixtures. While China continues to dominate the discharge profile, we note that some 7 fixtures materialized for discharge in points in the West. While more than half of these were concluded basis laden transiting via the Suez canal, we view this is a positive development as even those fixtures to the USG via Suez generally remain off Middle East position lists for around 116 days and those to the UKC via the Suez for around 89 days. Rates to the Far East averaged ws41.4, representing a decline of 1.1 points, w/w. Corresponding TCE returns averaged ~$21,637/day, off ~$2,125/day from last week's average. Observed rates to the USG via the Cape averaged ws22.0 – a loss of 0.5 point from last week's assessed average. Triangulated Westbound trade earnings averaged ~$20,275/day – a loss of ~$944/day, w/w.

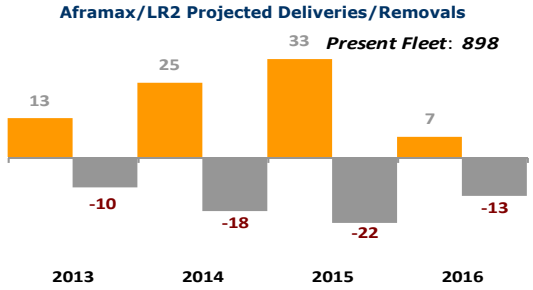
This week's fixtures brought the June program to a tally of 124 fixtures while the July program has yielded 28 cargoes to date. This leaves a further 12 cargoes likely remaining through the first decade of the month. Against this, some 26 units are presently showing as available over the same dates. The resultant 14 excess units compares with 13 projected a week ago representing a relatively unchanged supply/demand position. Assuming that fresh inquiry remains level through the upcoming week, rates should stagnate around present levels whilst a pause by charterers between the first and second decade of the July program could see owners become more competitive to fix (especially ahead of the traditionally more sluggish market during Q3) and thus see rates post further modest erosion.

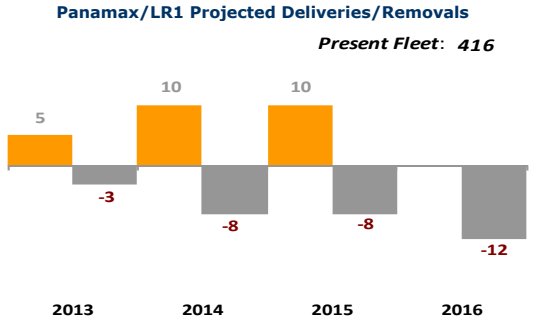
Atlantic Basin

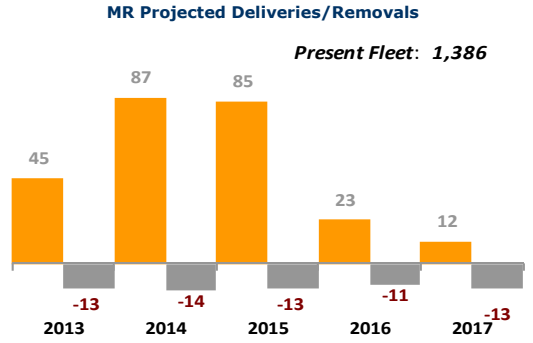
While the Atlantic basin remained active this week, activity shifted strong ex-West Africa demand seen over the past two weeks to points elsewhere in the Atlantic basin this week (just one ex-West Africa fixture materialized). Rates on the WAFR-FEAST route averaged ws39.5 this week, representing a loss of 1.8 points, w/w. Corresponding TCEs averaged ~$18,299/day, off ~$3,366/day, w/w. The route is presently assessed ws40 yielding a TCE of ~$19,156/day. Rates here are largely expected to continue to move in correlation to the Middle East market. The Caribbean market was more active following last week's lull, with four fixtures materializing. Rates on the CBS-SPORE route rebounded from last week's losses, gaining $120k to an average of $3.77m as fresh activity absorbed available positions. With the market now more balanced, rates should hold around the present assessment of $3.75.











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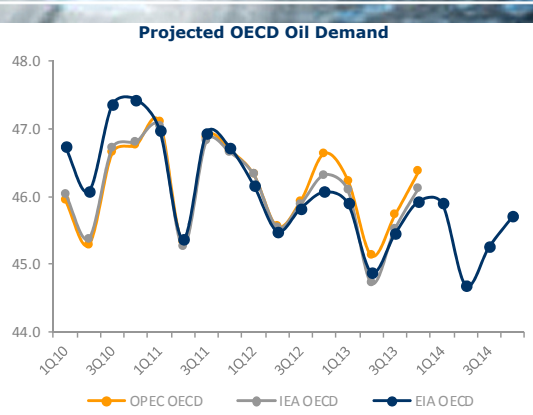
Suezmax

The West Africa Suezmax market remained on a modest negative trend this week as fresh fixtures declined 36% from last week and available tonnage remained ample. Rates on the WAFR-USAC route eased 1.25 points to conclude at ws50 and are likely to trade unchanged around present levels through the upcoming week.

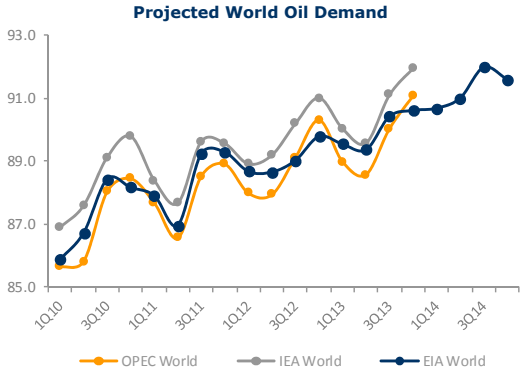
The Caribbean Suezmax market shed further ground this week with the CBS-USG route erasing 5 points to conclude at ws50; owners' resistance to the lower rate was offset by further rate losses for regional Aframaxes and limited upside potential in the West Africa market.



Aframax

The Caribbean Aframax market remained soft this week though with a number of fixtures likely concluded privately, the extent of rate erosion moderated. The CBS-USG shed 2.5 points to conclude at ws82.5. At present levels, rates are low enough that charterers are likely to be less aggressive in pushing rates lower while the abundance of available units gives owners little recourse to command stronger rates.

European markets were more active this week and further gains were recorded on the NSEA-UKC route, which gained 2.5 points to conclude at ws87.5. A rise in fresh activity in the Mediterranean on the back of a greater number of cargoes emanating from Ceyhan tightened end-month positions though the MED-MED route ultimately traded unchanged at the ws77.5 level. Further activity there during the week ahead should see owners command rate gains, particularly for prompter cargoes.



Panamax

The Caribbean Panamax market was volatile this week but ultimately posted strong losses as positions off normal dates expanded. The CBS-USG route shed 12.5 points to conclude at ws97.5 – a YTD low. With TCE earnings now ~$4,000/day (less than half those in European markets), owners are likely to show greater resistance to further erosion and rates should stabilize during the week ahead.

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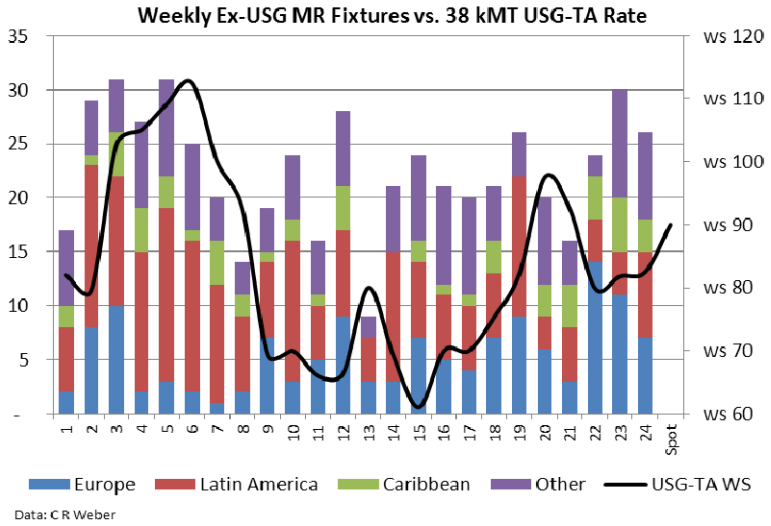
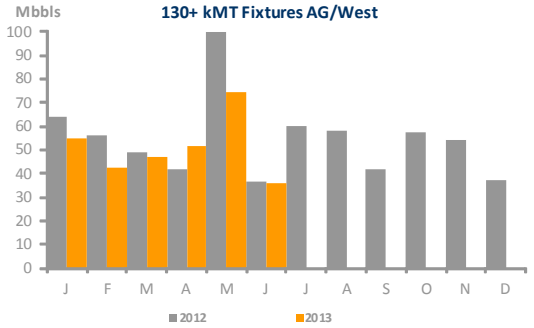
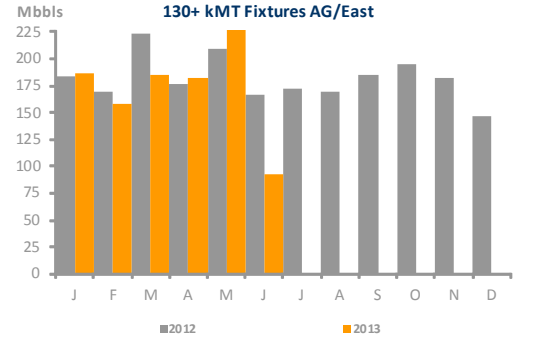
CPP

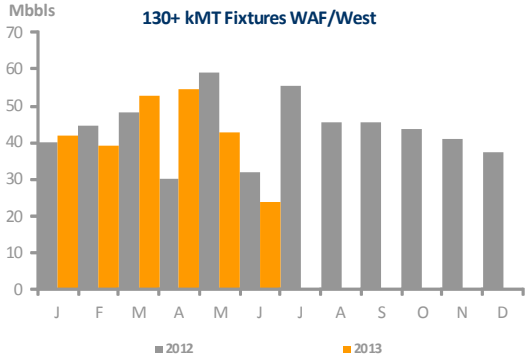
Rates in the USG MR market remained firm this week even as fresh fixture activity eased 20% from last week's levels. Overall availability remains tight with recent week's activity exceeding the YTD weekly average – particularly as a greater number of longer-haul voyages have materialized over the past month. Rates on the USG-CONT route gained 10 points to conclude at ws100 and the potential remains for further gains during the upcoming week.

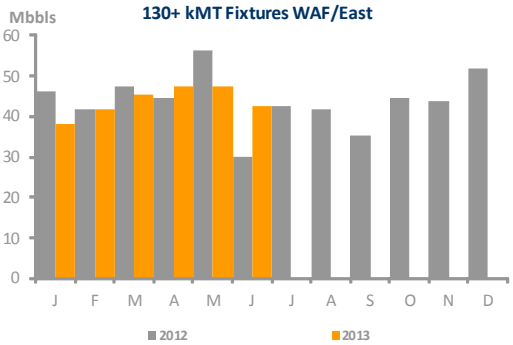


The European market was more active this week, allowing rates on the CONT-USAC route to gain 2.5 points. With the US firmly in the summer driving season and gasoline demand figures for last week showing a y/y gain, volumes on the route could remain elevated. Offsetting the potential for stronger rate gains is the fact that more units have been fixed on USG-CONT voyages over the past month and are now weighing on regional position lists accordingly.









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REPORTED TANKER SALES

"Eagle Phoenix" 106,127/98 – Namura – DH
-Sold for $9.5m to undisclosed Chinese buyers.

SPP Sacheon S5120 51,000/14 – SPP – DH
SPP Sacheon S5121 51,000/14 – SPP – DH
-Sold en bloc for $33.5m each to US buyers (York Capital).

"Overseas Maremar" 47,236/98 – Onomichi – DH
-Sold for $9.3m to undisclosed buyers.

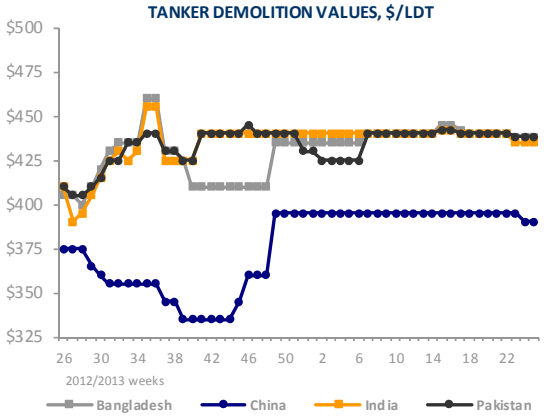
Hyundai Mipo 2341 37,538/13 – Hyundai Mipo – DH
-Sold for $30.5m to Norwegian buyers (Frontline) basis prompt delivery from yard.

"Sichem Contester" 19,822/07 – Fukuoka – DH
-Sold for $21.0m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

Pakistan

"Venetia" 149,997/95 – 22,344 LDT – DH
-Sold for $438/ldt basis as is, Singapore, including 250 MT bunkers ROB.



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