

Prospects for the Clean Product Market

IMSF 2015

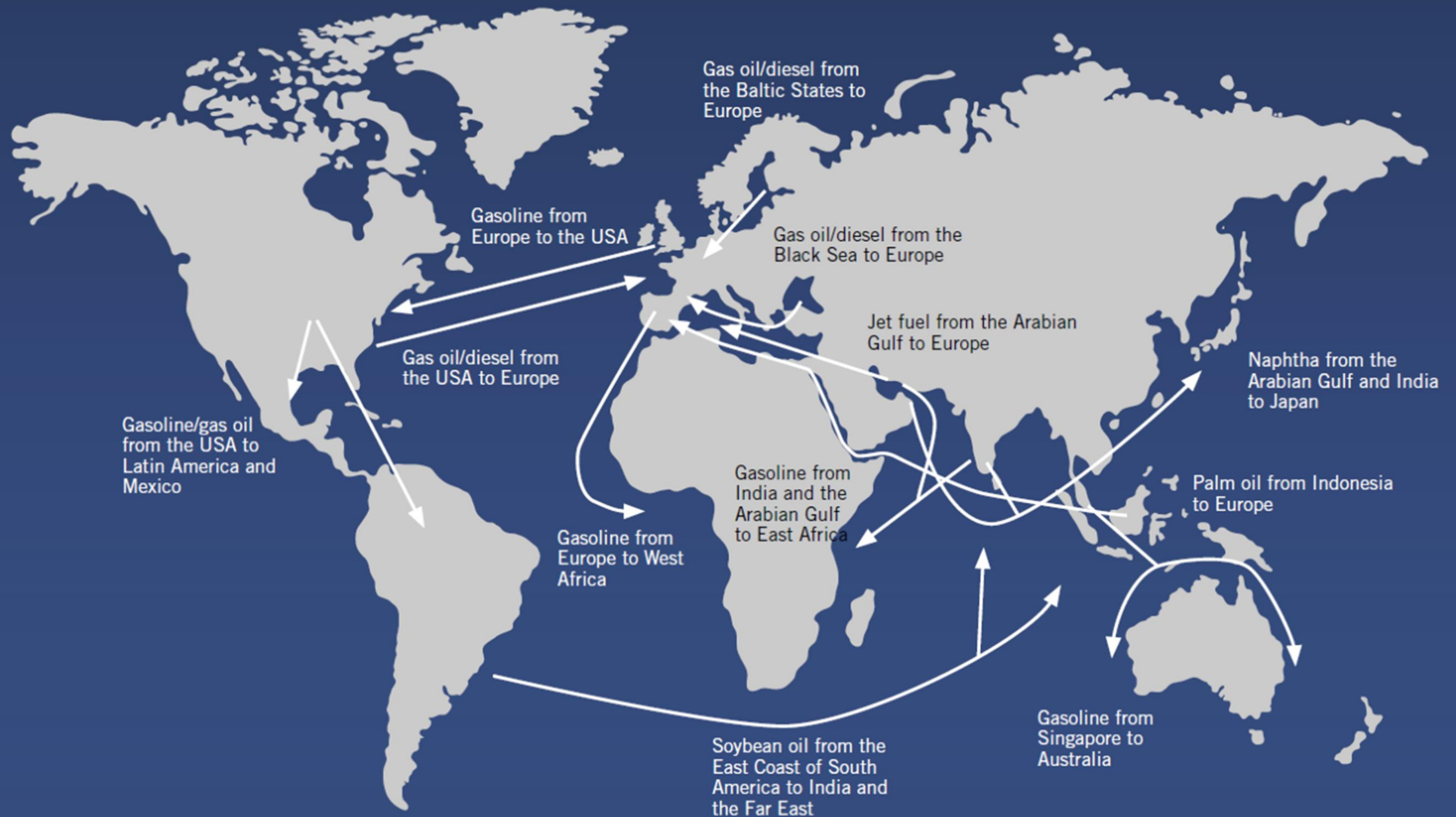
May 2015

Gibson Consultancy & Research

Typical Product Market Trades

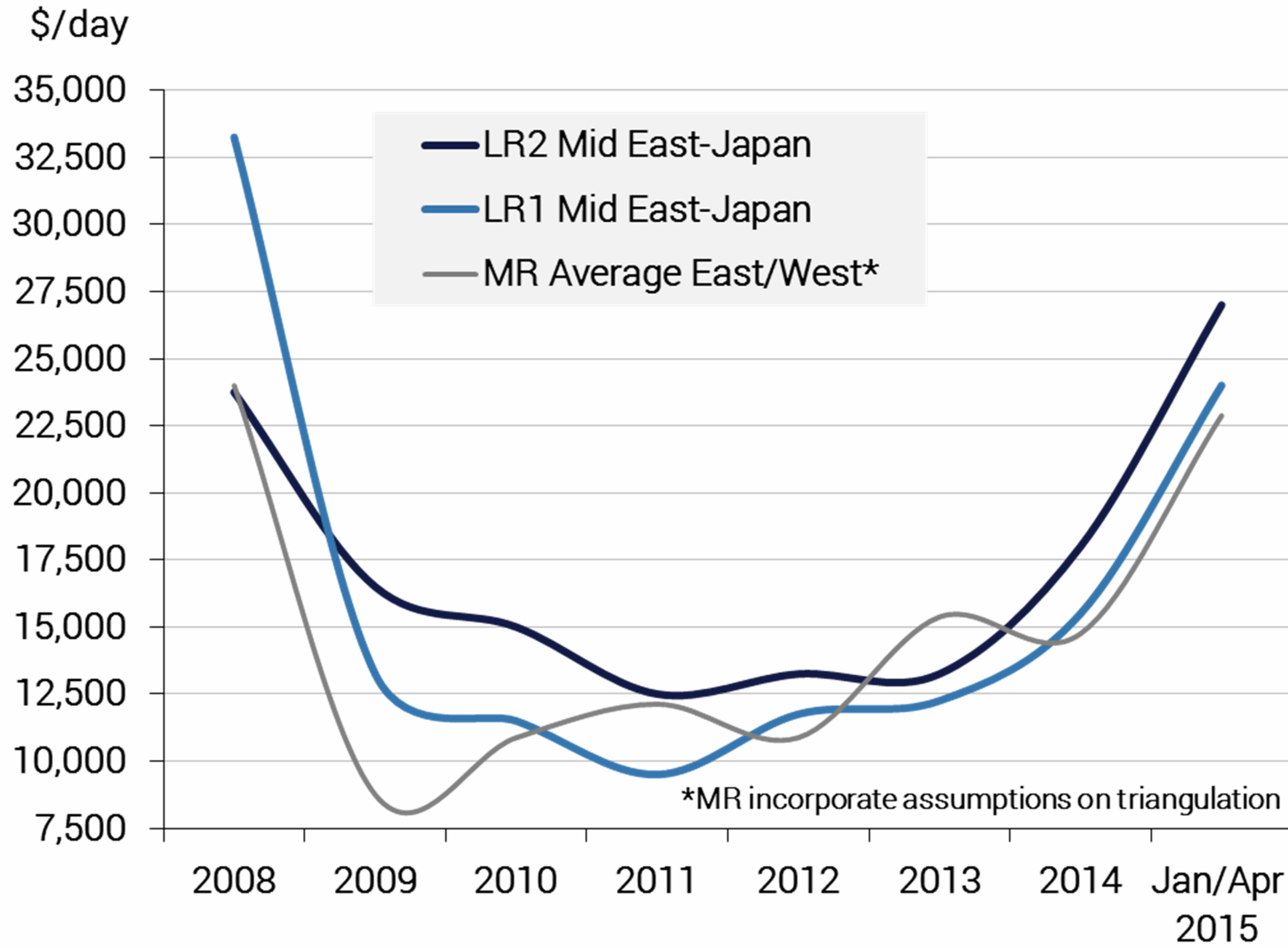
Tankers – Transport patterns

Source: Norden A/S



Annual Average Spot Product Tanker Earnings

Earnings on Round Voyage Basis at Market Speed

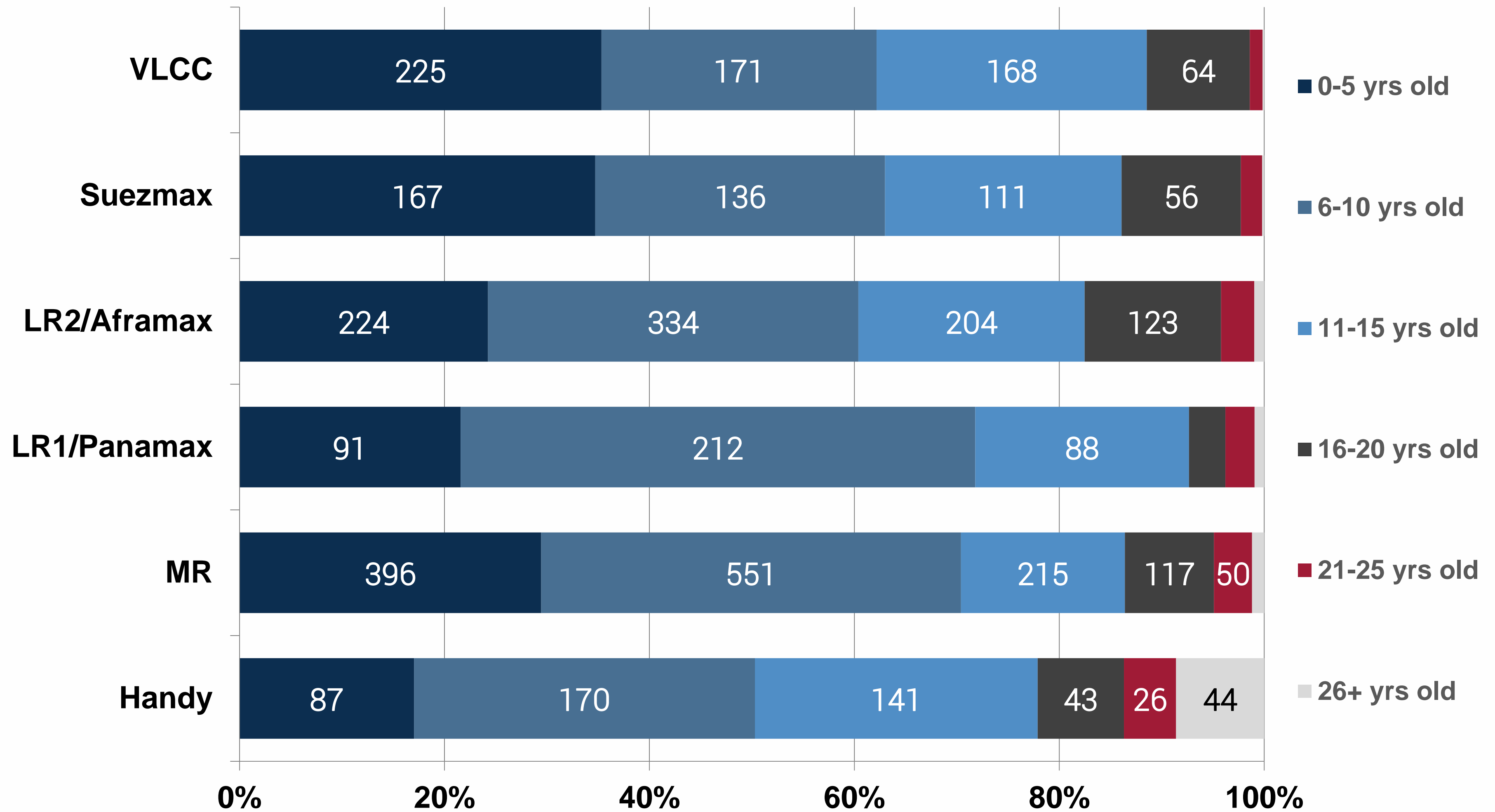


- Marginal changes in LR1/LR2 supply BUT rapidly growing Handy/MR fleet
- Major increases in trading demand in the East on the back of expanding export-orientated refining capacity in the region
- Rising long haul trade, most notably East to West
- Growing employment of larger product carriers in the West
- Strong refinery margins
- Typical winter weather related delays/disruptions
- Rising FSU product exports

Crude & Product Tanker Supply

Fleet Age Profile

The fleet is young with most sectors seeing >80% of vessels under 15 years old.

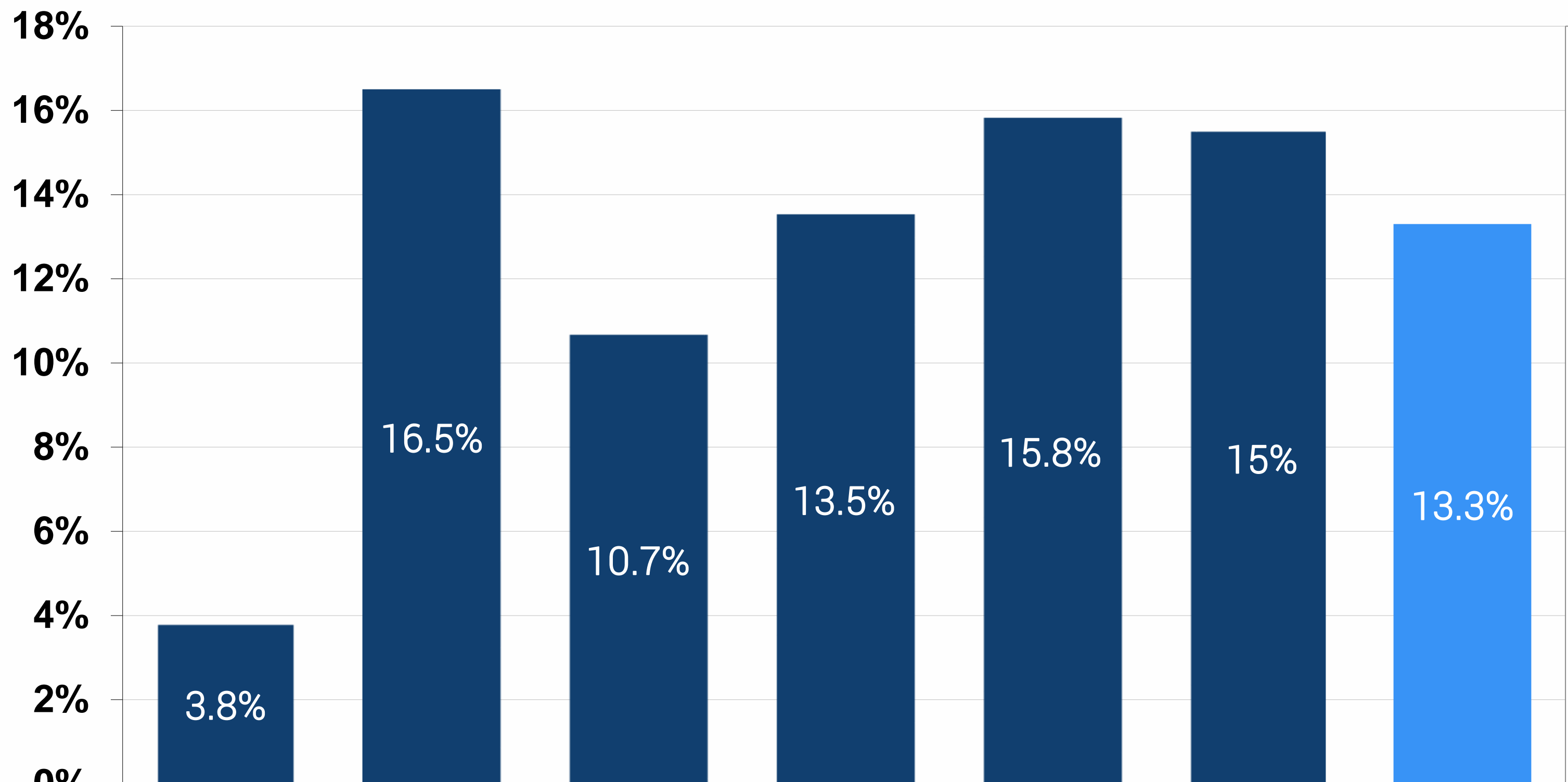


New Tanker Orders by Year

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 YTD
VLCC	37	90	37	98	26	55	13	13	48	38	13
Suezmax	9	81	46	51	27	74	21	9	3	48	20
LR2	15	68	58	24	0	11	1	2	54	11	17
Aframax	31	85	48	31	7	25	13	16	9	10	19
LR1	17	59	54	22	30	18	5	3	0	28	12
Panamax	5	3	1	6	0	0	2	0	0	5	0
MR	131	237	187	68	31	28	42	111	191	35	2
Handy	32	58	59	41	17	8	8	4	34	3	1
Total	277	681	490	341	138	219	105	158	339	169	84

- Orders in Q1 2015 already represents 50% of the total placed in 2014.
- Interest in MR/Handysize remains limited.

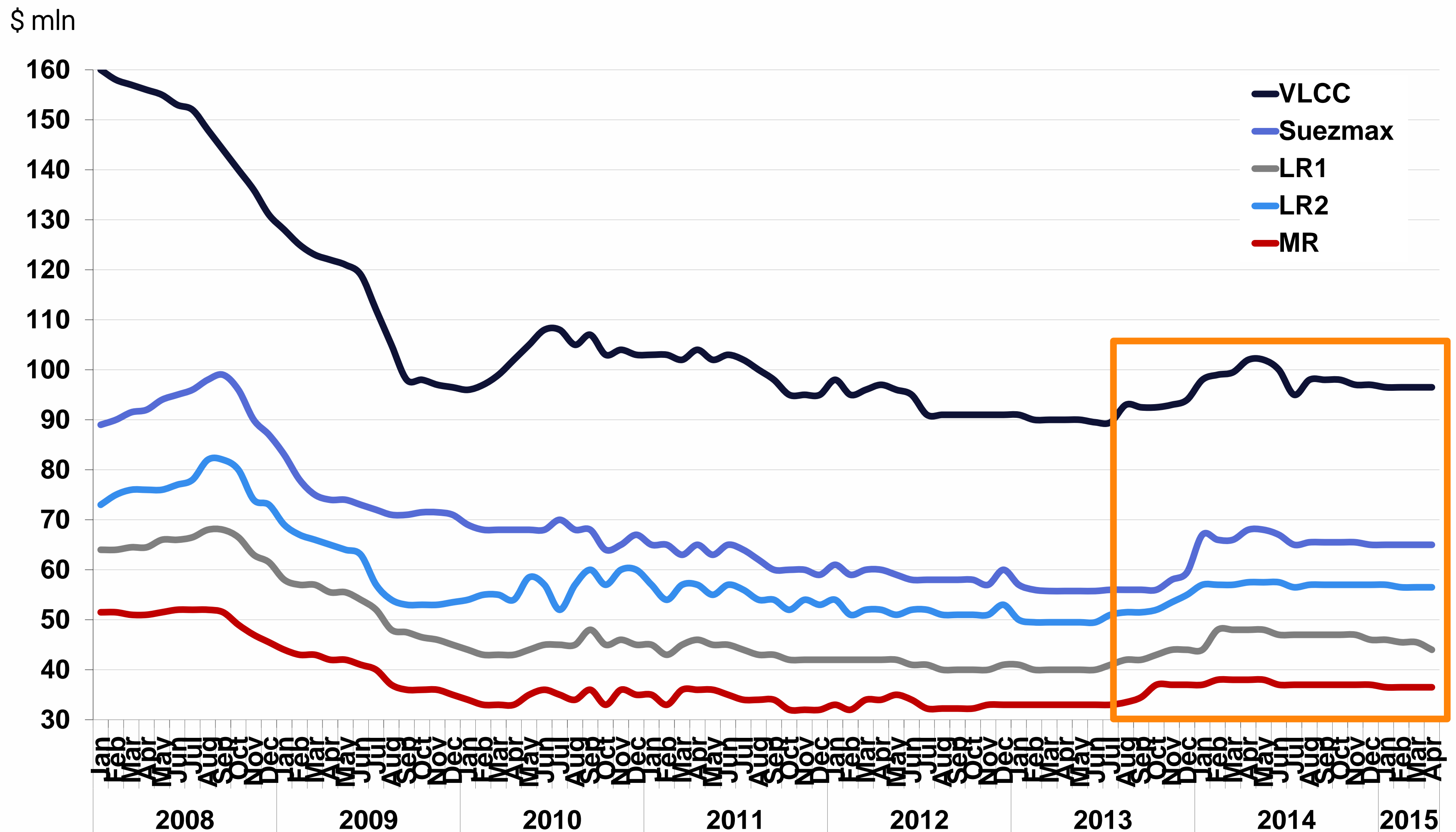
Tanker Orderbook as a % of the Existing Fleet



	Handy (25-40 000 dwt)	MR (40-55 000 dwt)	LR1/ PANAMAX	LR2/ AFRAMAX	SUEZMAX	VLCC	Total Tankers
■ orders as % of fleet	3.8%	16.5%	10.7%	13.5%	15.8%	15.5%	13.3%
On Order	23	210	46	123	75	97	574
Existing Fleet	606	1,273	431	909	474	626	4,319

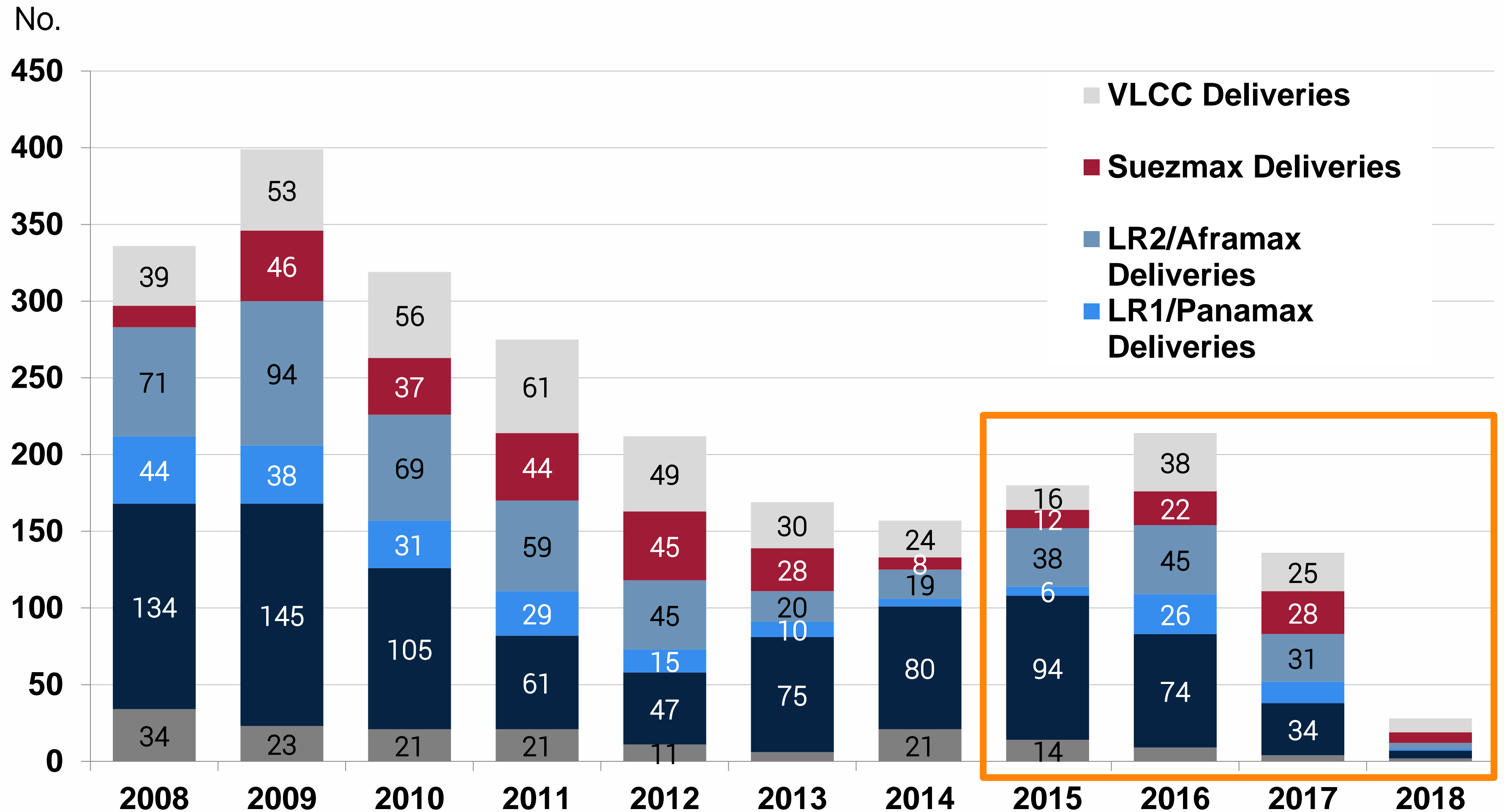
Tanker Newbuilding Prices

Newbuilding prices have remained relatively stable despite firm freight markets



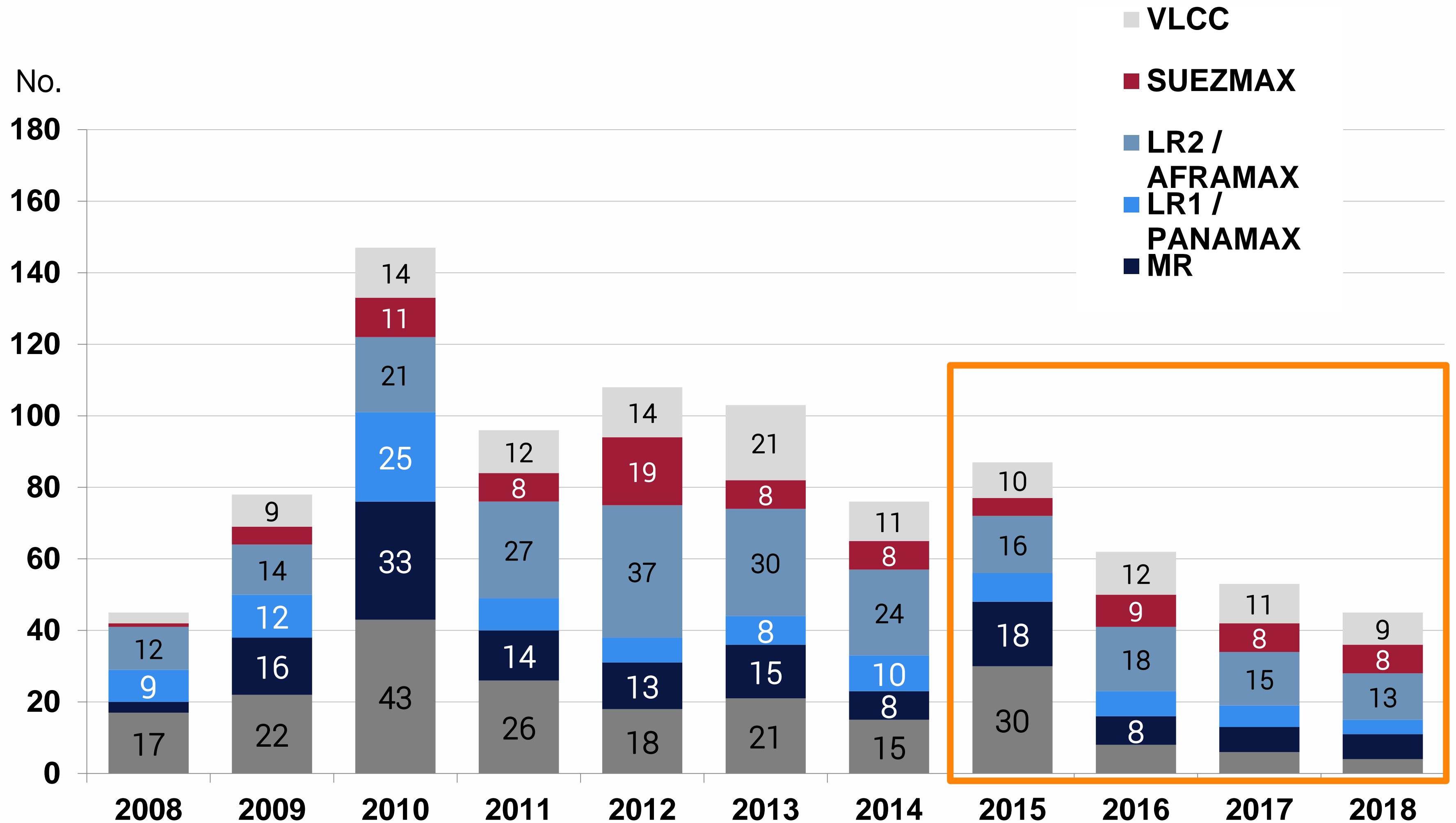
Tanker Orderbook Delivery Profile

Based on actual orders placed to date



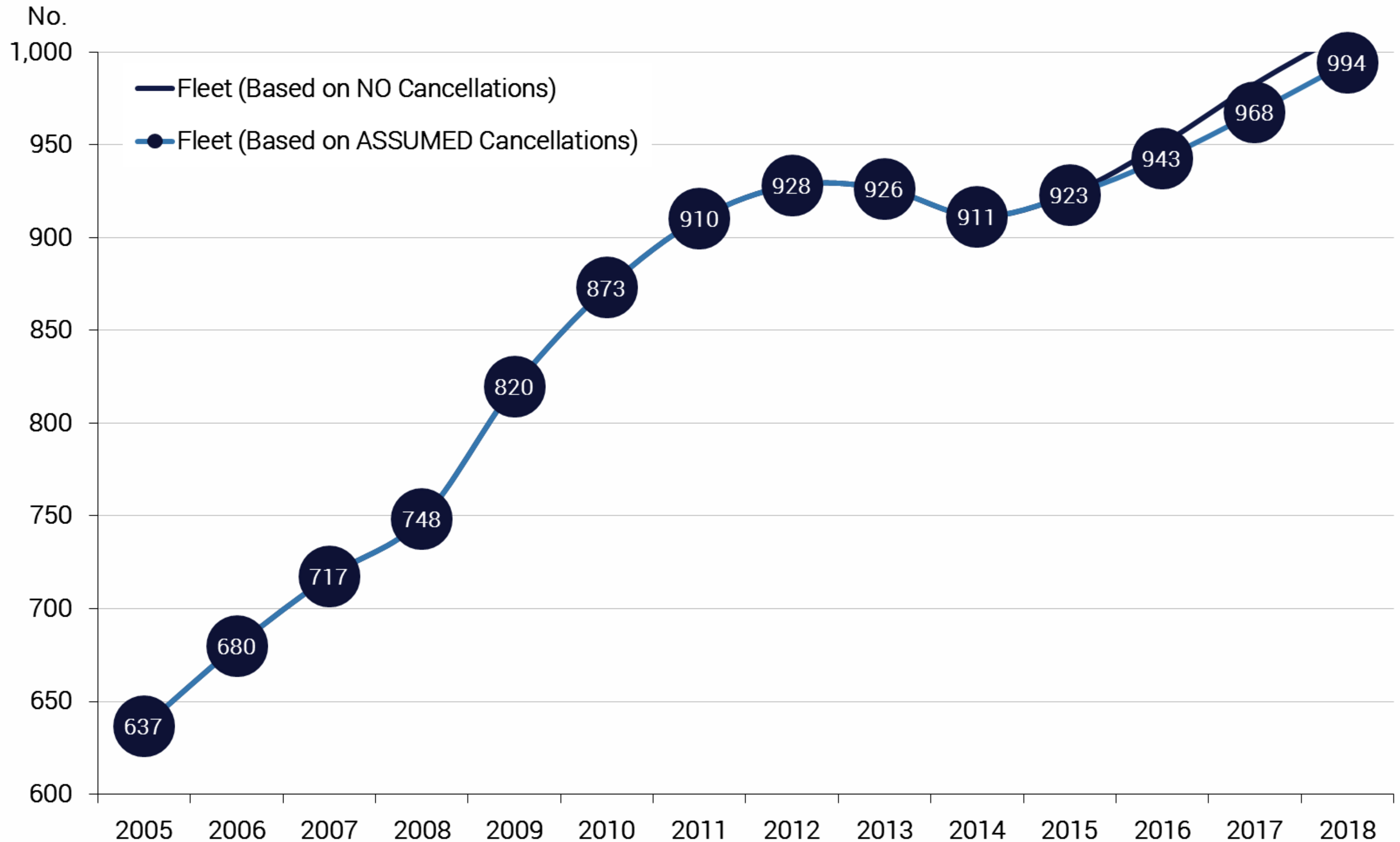
Tanker Scrapping Forecast

Inc. single hulls



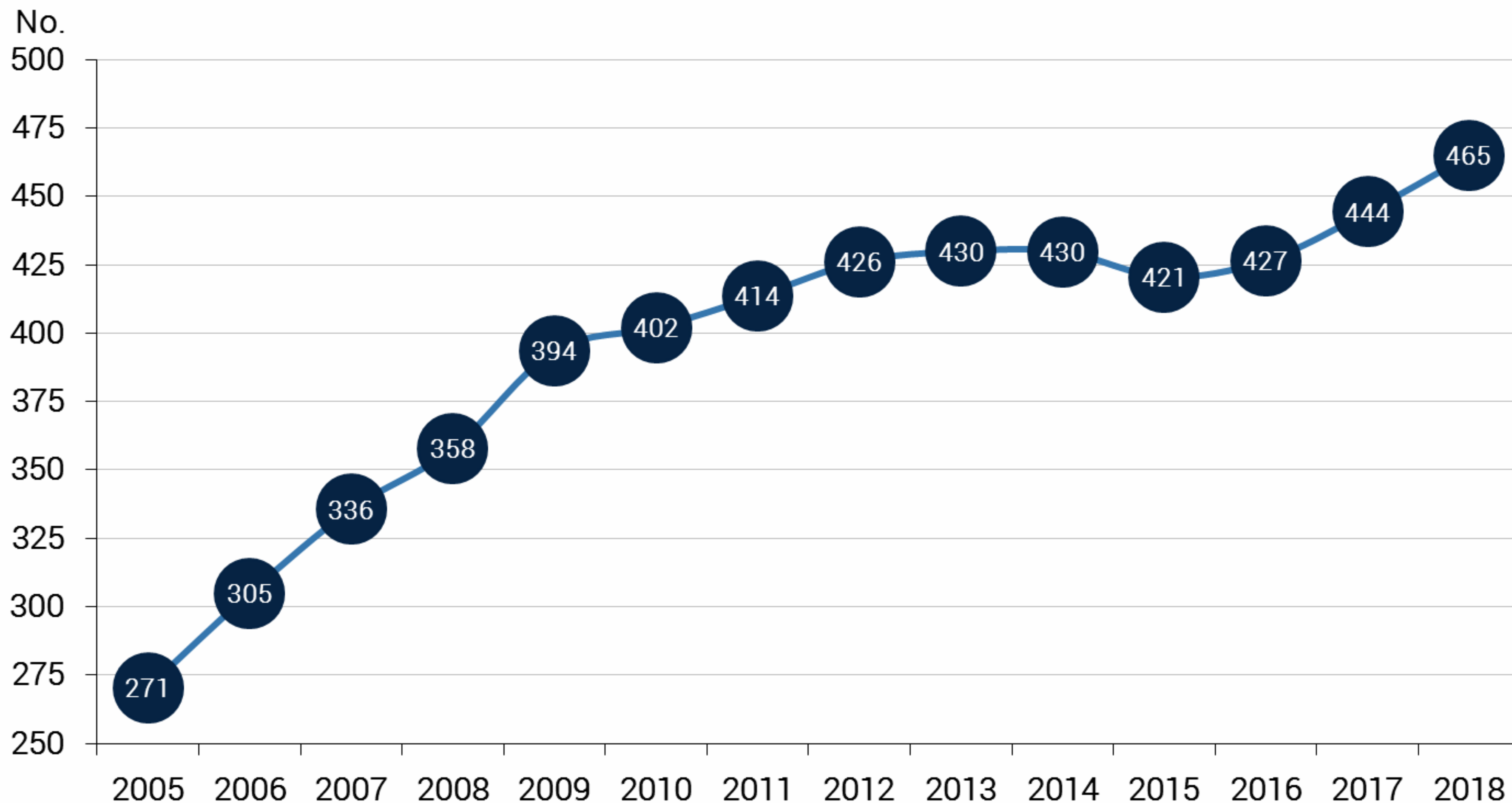
Crude Aframax/LR2 Fleet Prospects

Average Number of Vessels 80,000 - 125,000 dwt (2005-2018)



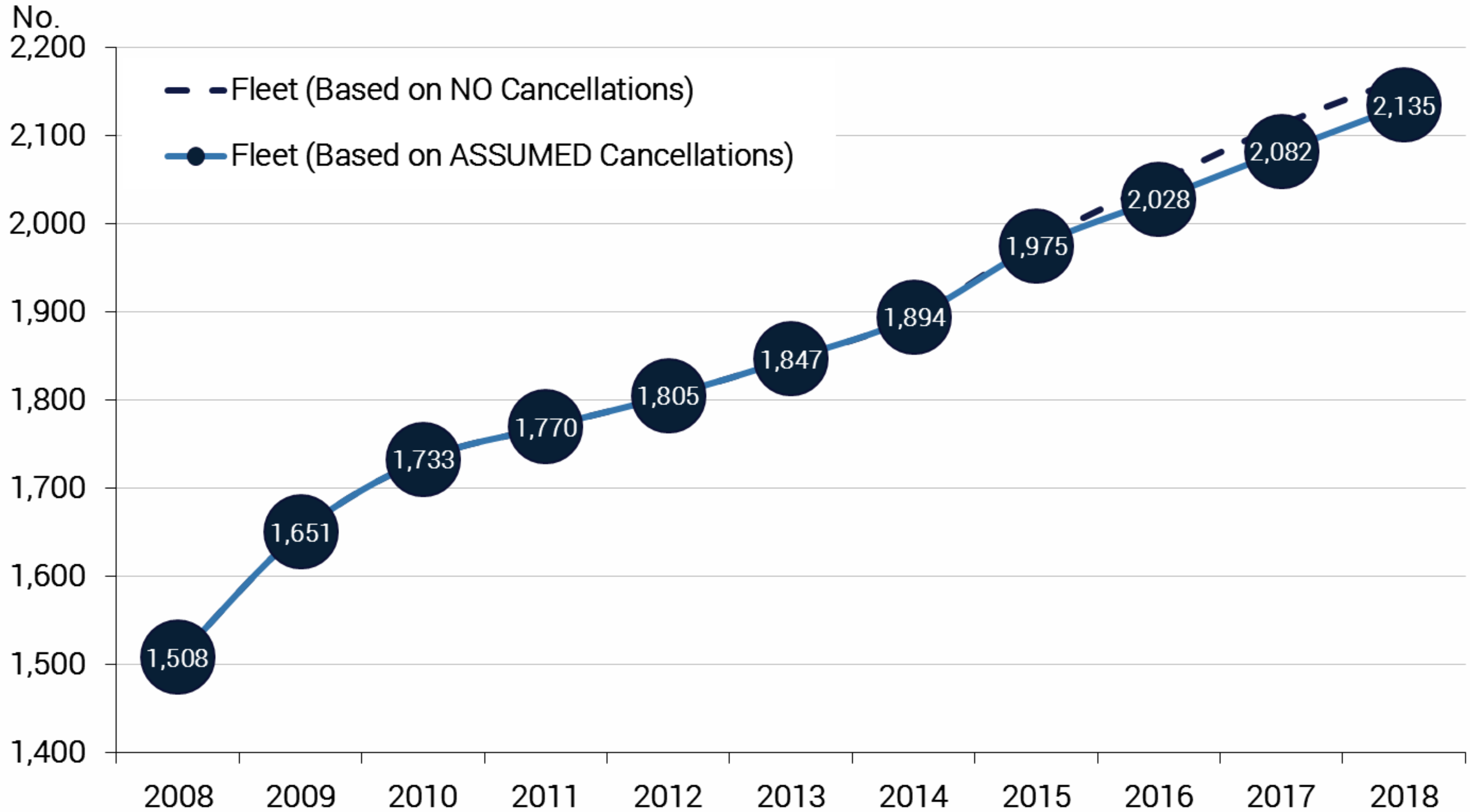
LR1/Panamax Fleet Prospects

Average Number of Vessels 50,000 - 80,000 dwt (2005-2017)



MR + Handy Fleet Prospects

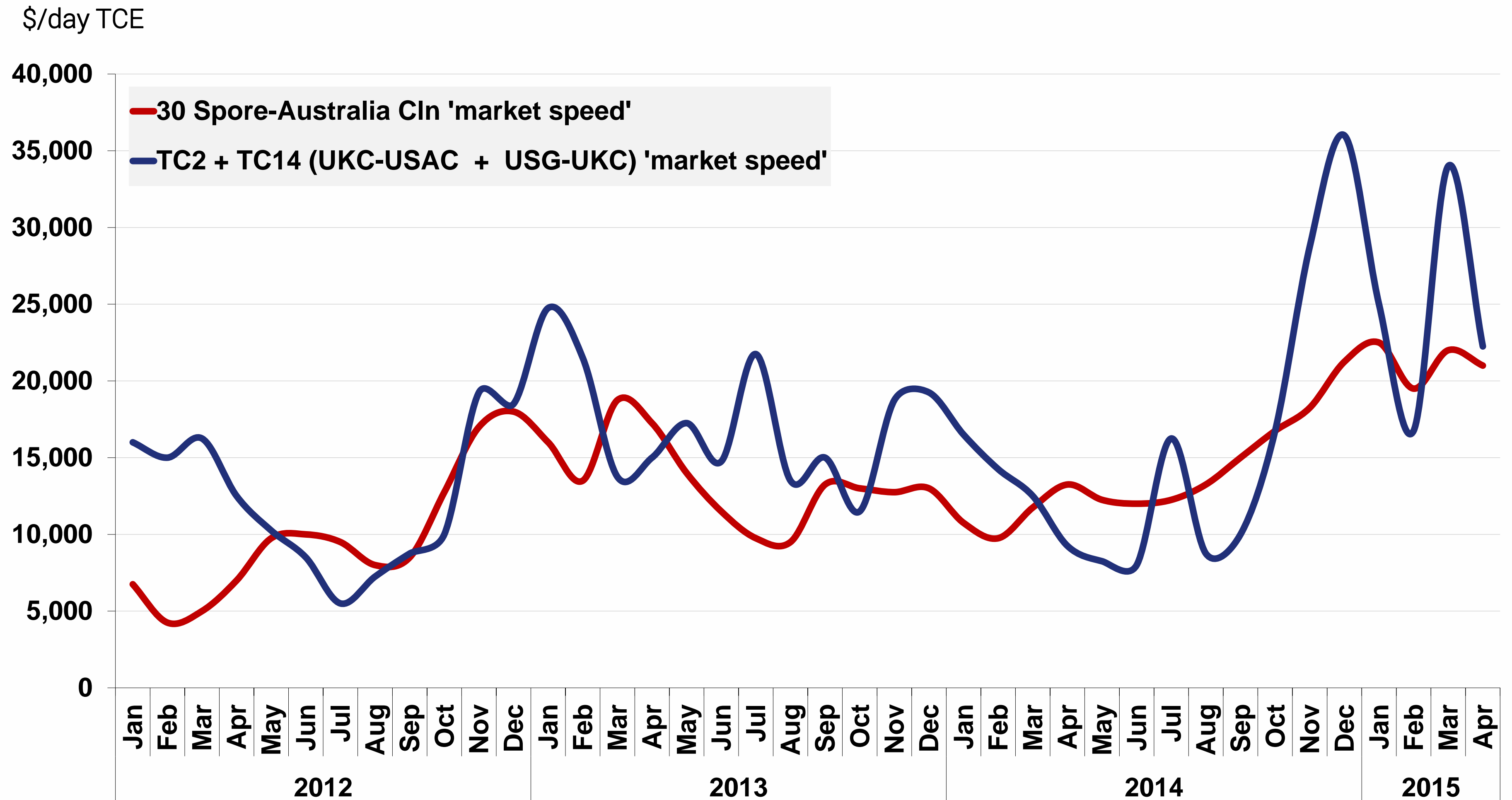
Average Number of Vessels of 25,000-55,000 dwt in years 2008-2018



Demand

MR Clean Product Tanker Earnings - East vs West

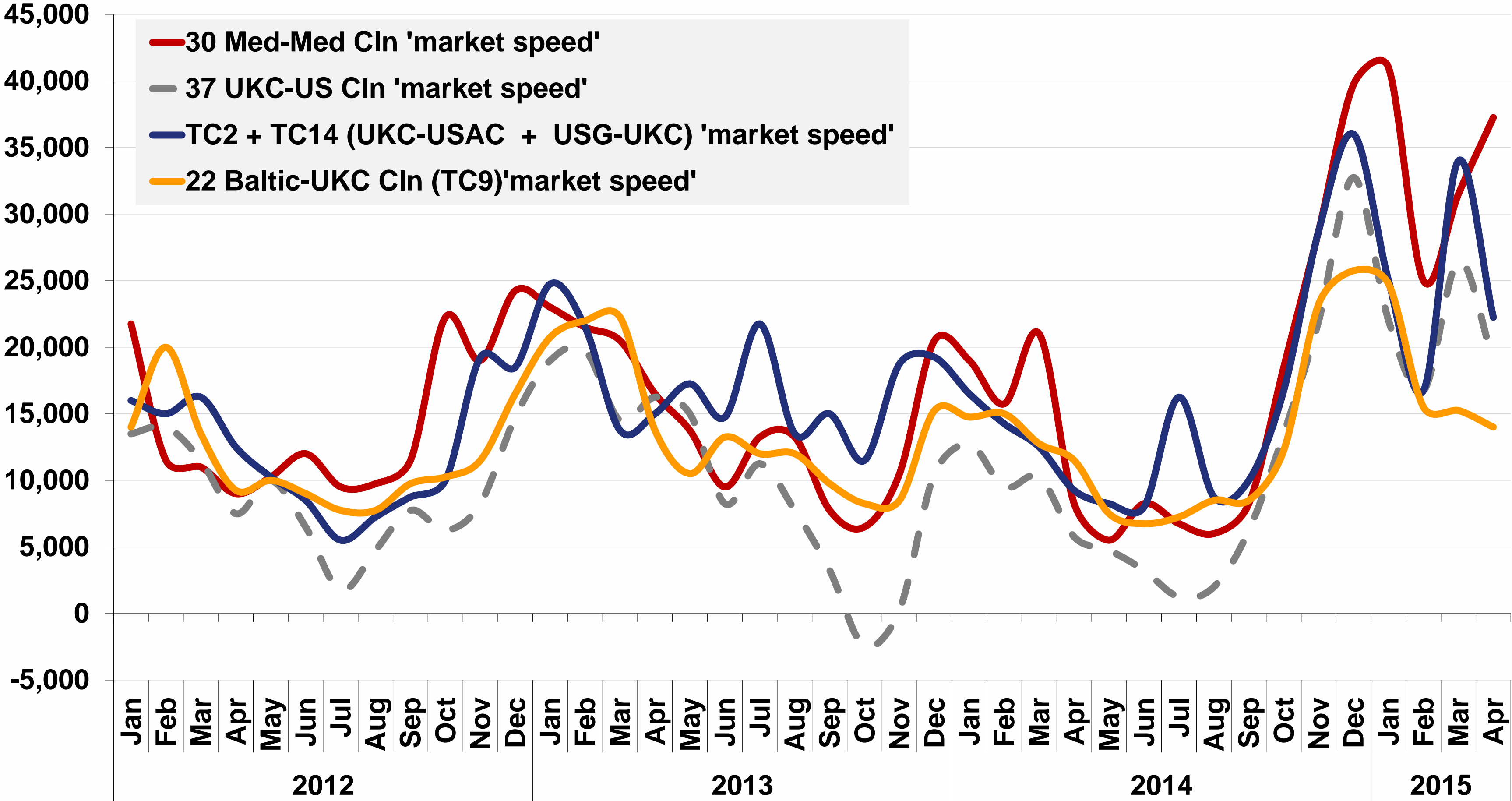
Round Voyage at Market Speed



MR Clean Product Tanker Earnings: Western Markets

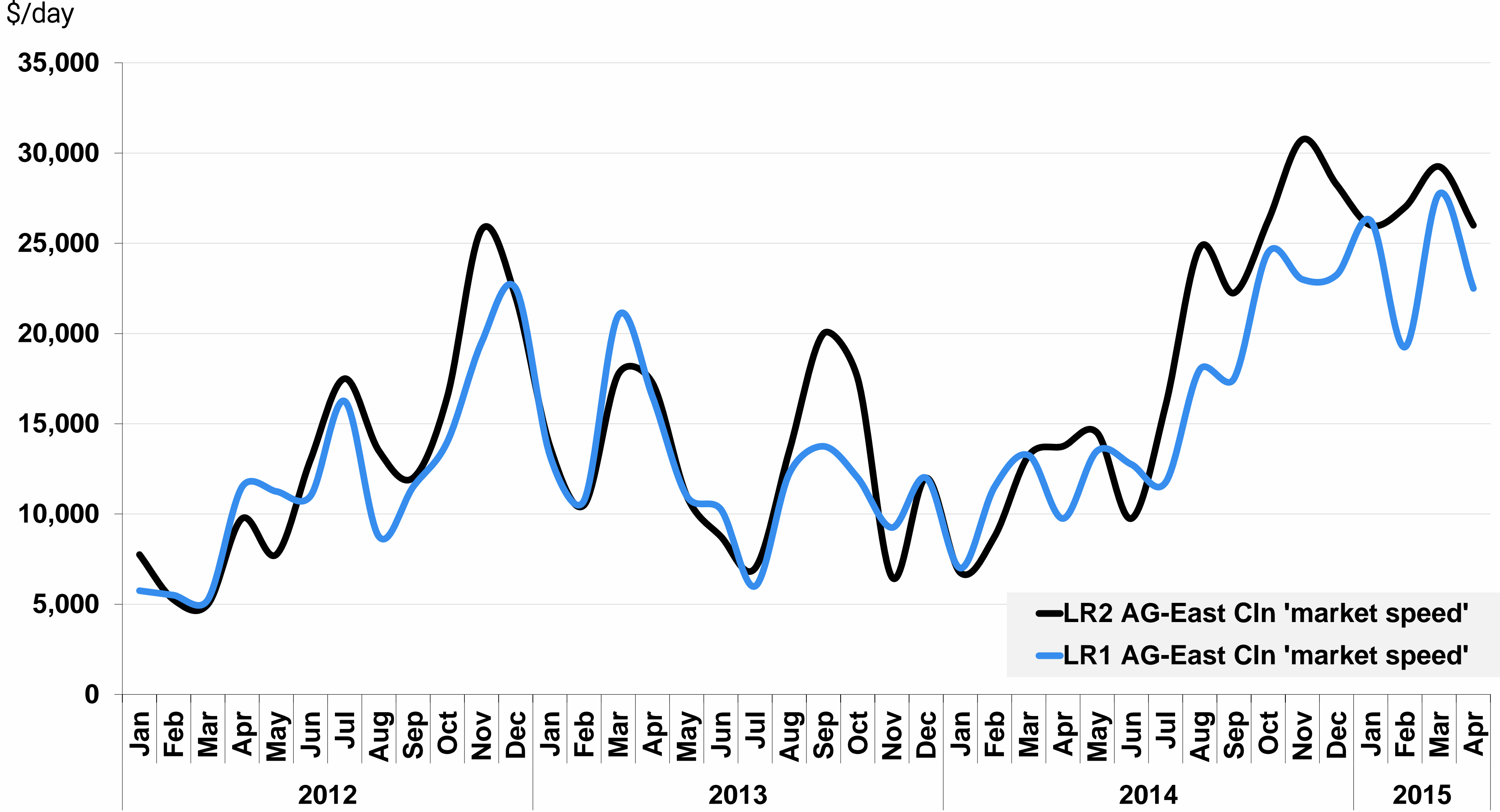
Round Voyage at Market Speed

\$/day TCE

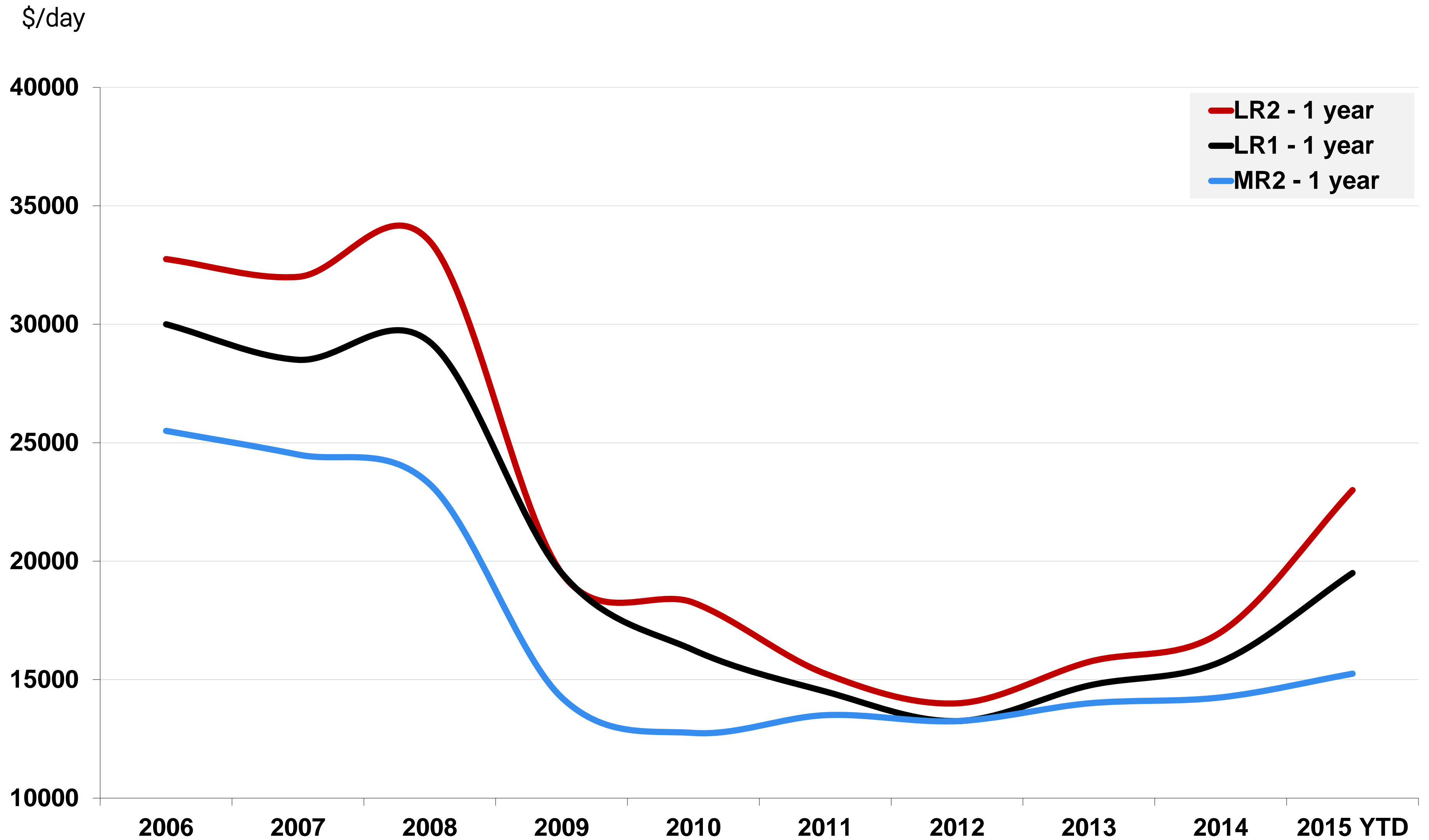


LR2 & LR1 Product Tanker TCE Earnings

Round Voyage at Market Speed

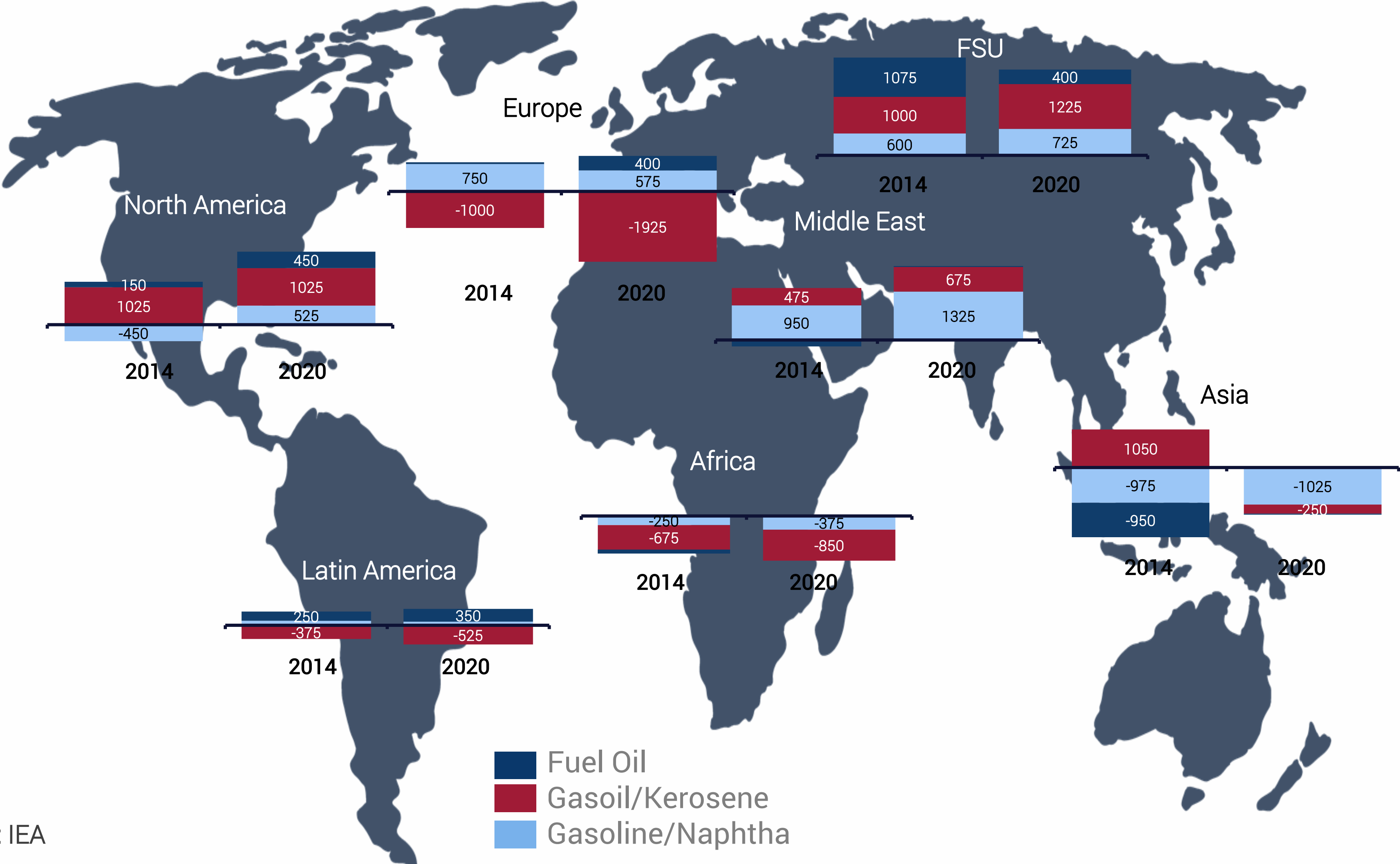


1 Year Product Time Charter Rates



Global Product Supply Imbalances

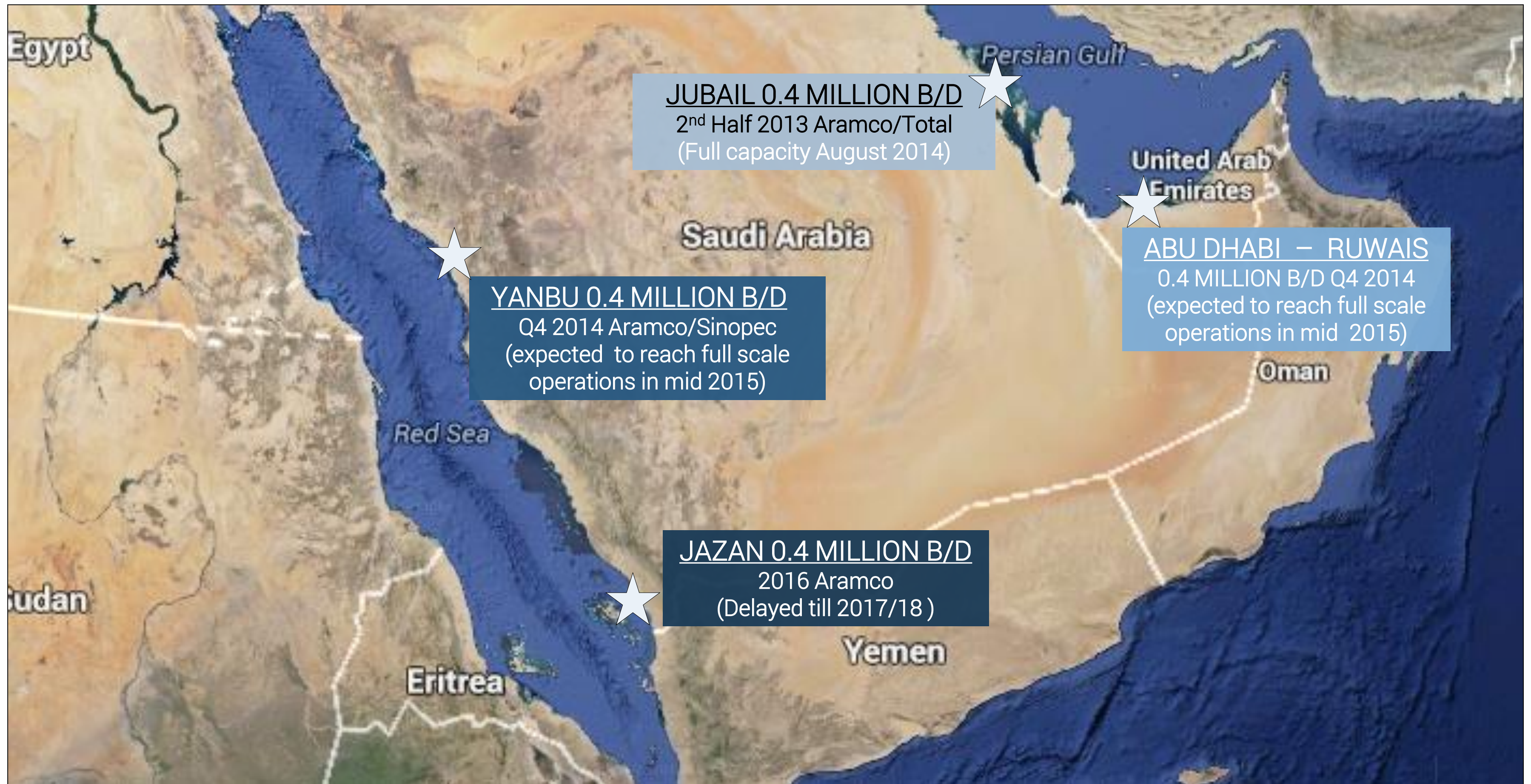
Product Surplus and Deficits 2014 vs. 2020 (000' b/d)



Source: IEA

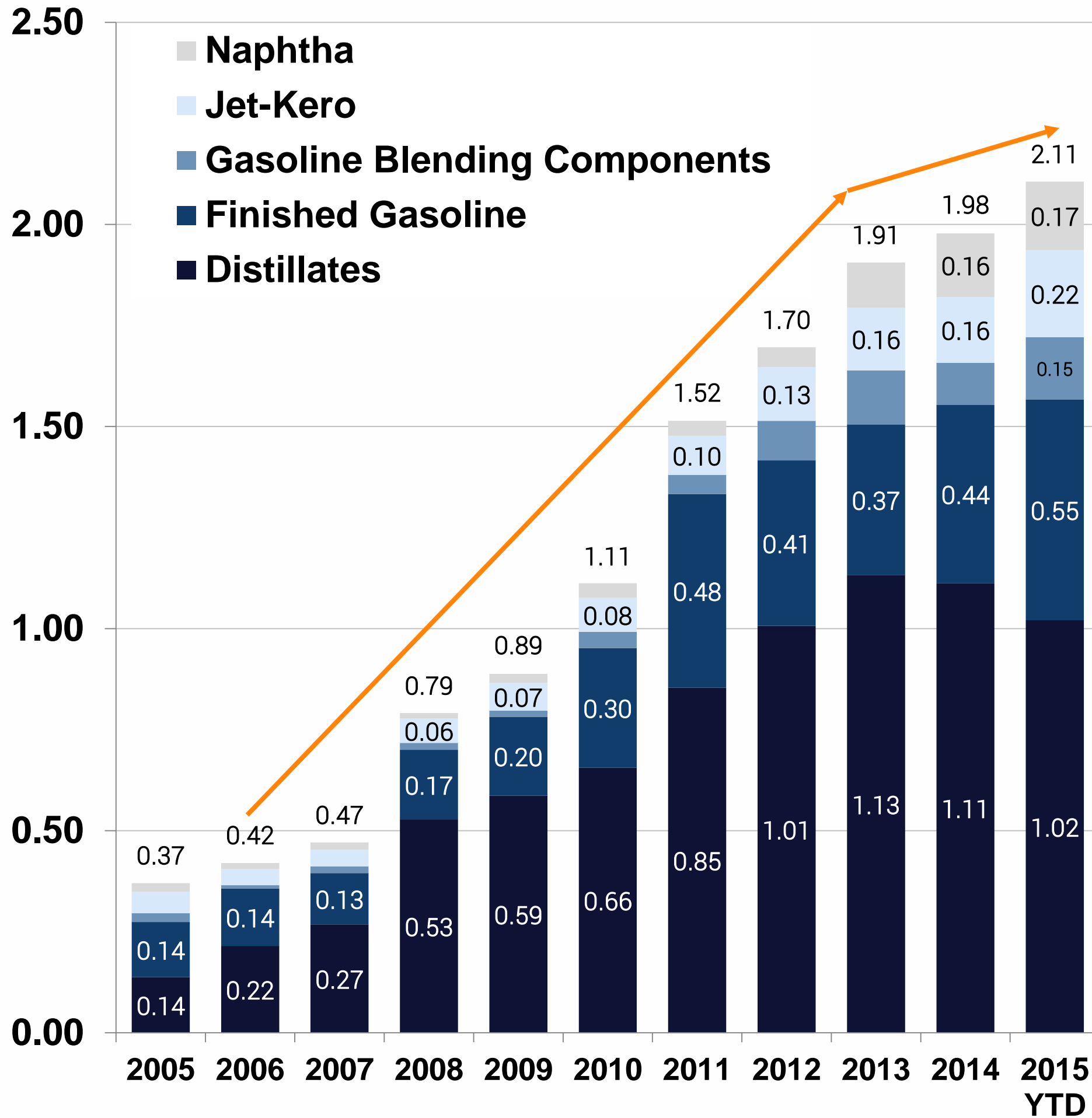
Middle East Refinery Developments

Additional Middle East crude distillation capacity will see more crude go into domestic refining benefitting LR1s & LR2s.



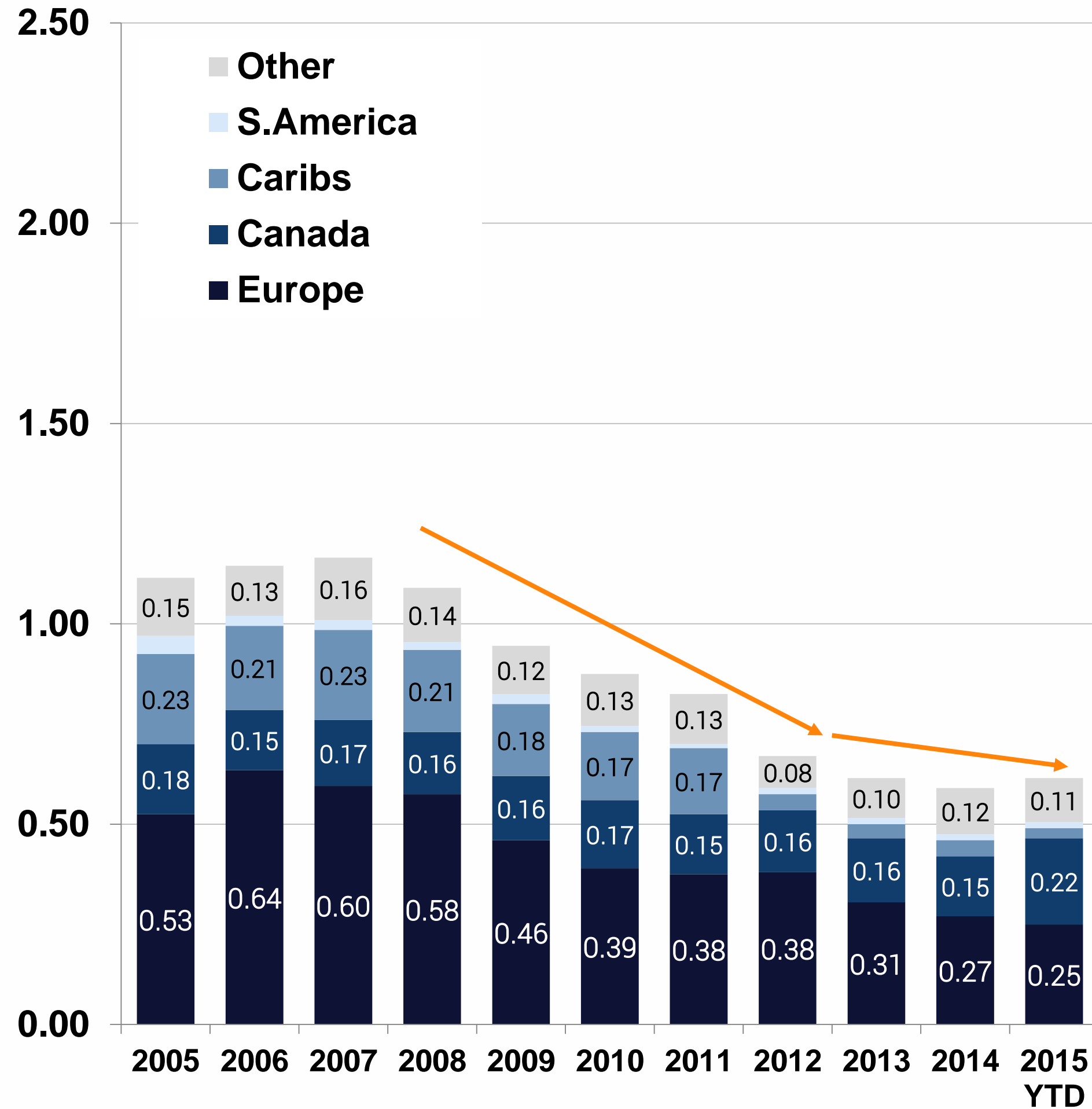
US Clean Product Exports

Mln b/d



US Gasoline Imports

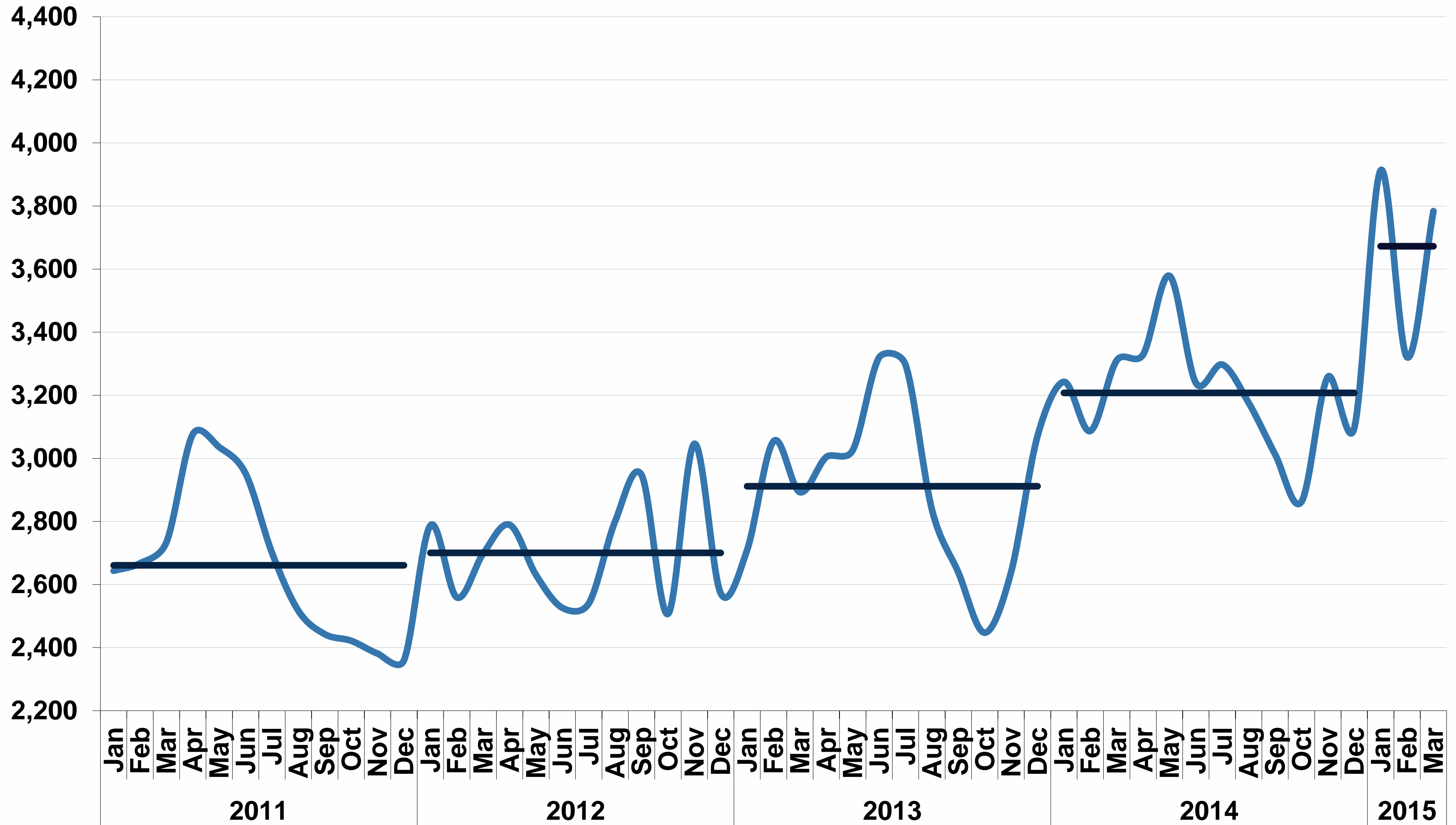
Mln b/d



FSU Clean & Dirty Product Exports

Increases in 2015 driven by Gasoil, Naphtha & Gasoline

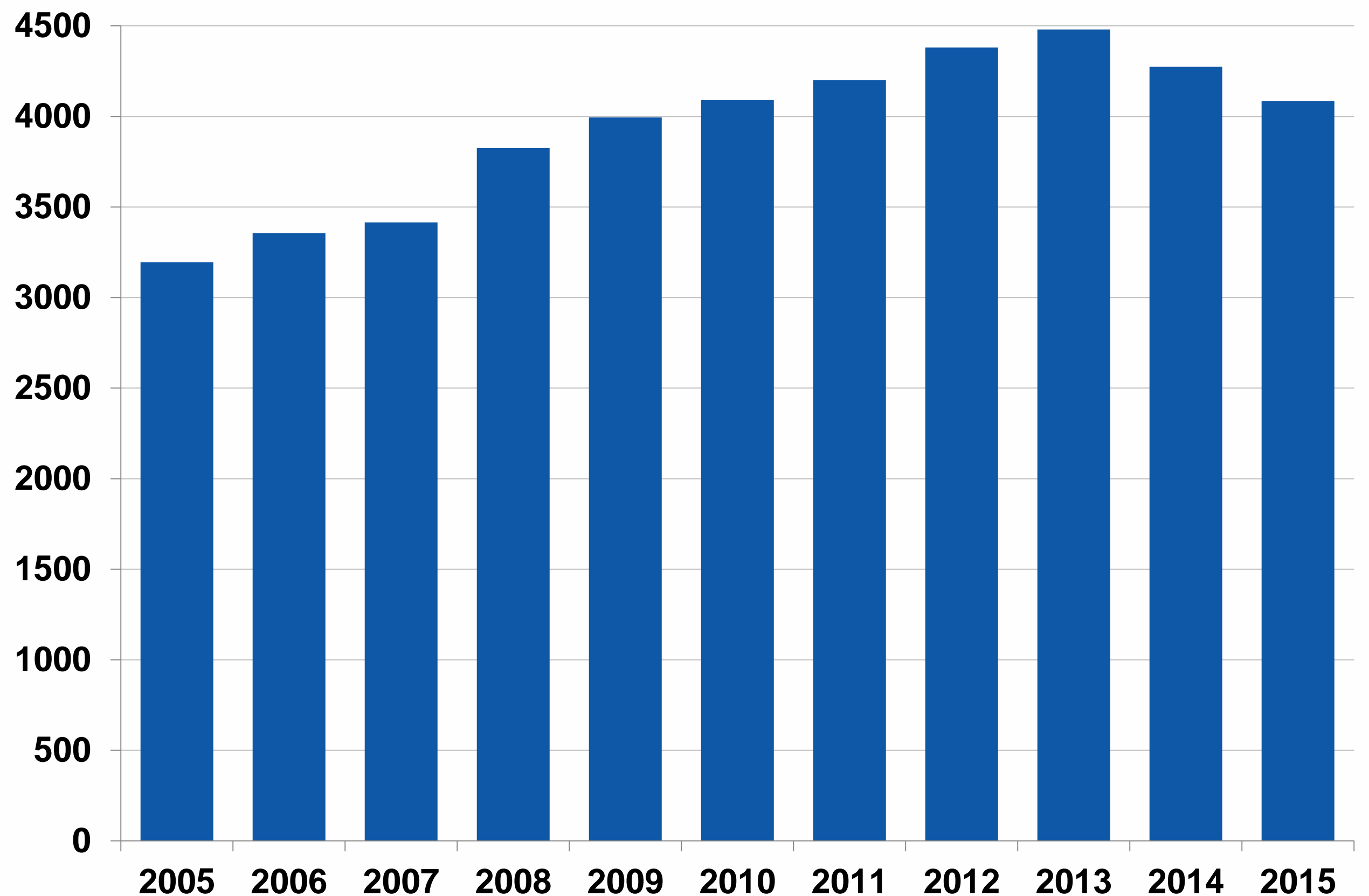
000 b/d



Product Import/Exports: Korea, China, Japan, Australia*

Less trade in 2014 due to lower Japanese imports & lower China import/exports.

000' b/d



- Declining Japanese fuel oil imports and reduced Chinese import/exports has tempered trade in 2014.
- Consumption in APAC is growing, which remains positive for product tankers.
- Australian refinery closures will lead to increasing product imports.
- Regional product imbalances could create arbitrage opportunities.

(a) there is no double counting of import and export volumes between any of these countries (e.g. exports from Korea being imported by China are only counted once)

(Jan-Feb)

Product Tanker Fixtures

Average per Month

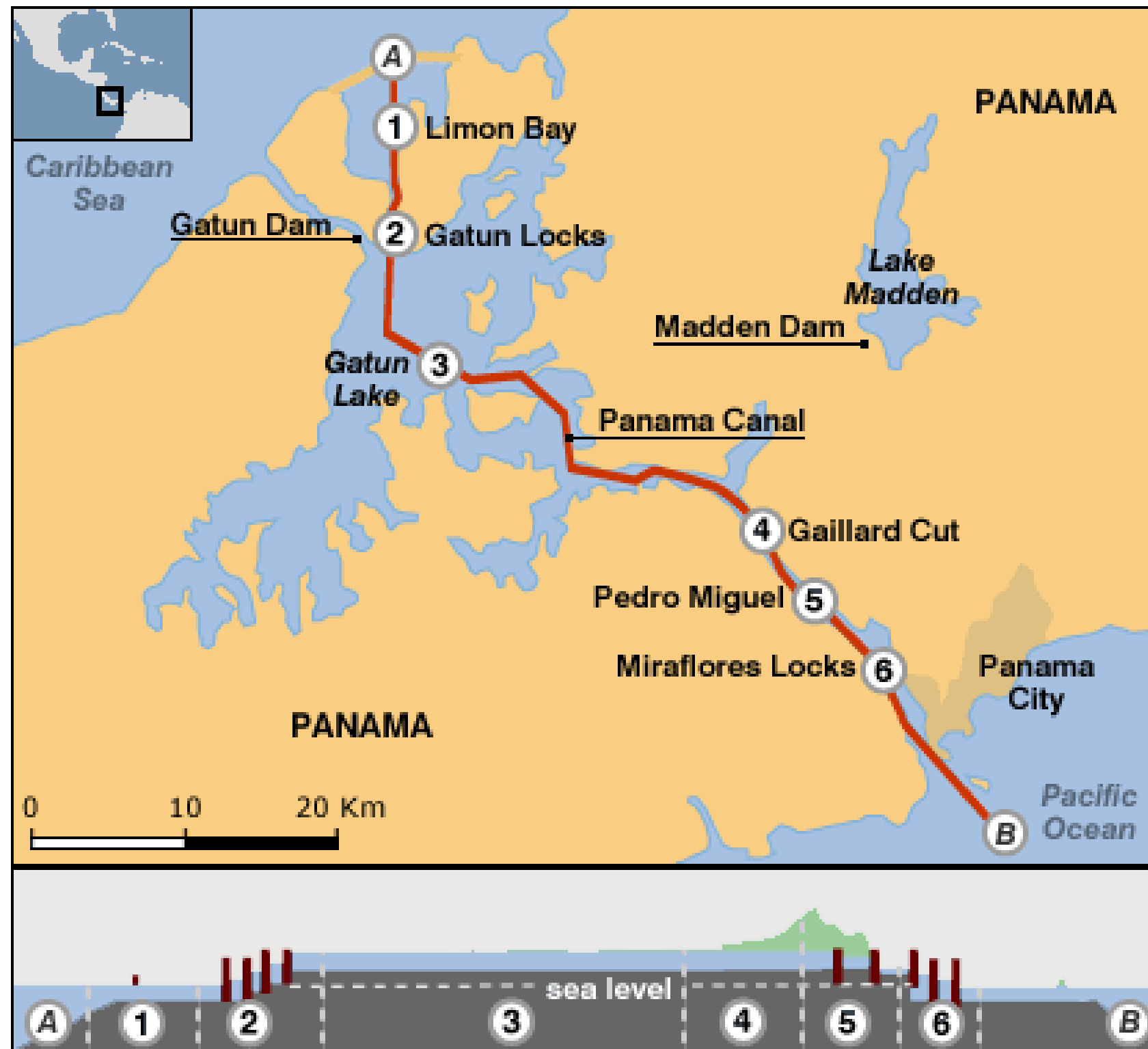
Number of Spot Fixtures - Loading East of Suez

	LR1s	LR2s
2011	51	35
2012	51	41
2013	56	53
2014	80	68
2015 YTD	84	74

Number of Spot Fixtures - Loading West of Suez

	LR1s	LR2s
2011	20	6
2012	22	9
2013	23	10
2014	32	12
2015 YTD	42	14

Post Panamax 2016 “Wide Beam” Deliveries



Owner	No.
Navig8 Product Tankers	12
Concordia Maritime	10
Sovcomflot	8
Livanos Group	7
BW Group	6
Petrobras	4
Sinokor Merchant Marine	4
Nisshin Shipping	3
D'Amico Tankers	2
Eletson	2
Nakata Gumi	2
Pleiades Shipping Agency	2

Upside

- Modest LR1/LR2 growth in the short term.
- A reduction in European Refining capacity increases import reliance - boosting tonne mile demand.
- New Middle East refineries increase product exports to Europe, Asia and Latin America.
- Brazilian refinery delays supports demand for product imports in the short term.
- Indian refiners seek new markets, sending product further afield including Latin America, however Indian refiners will face competition from the US, Russia and the Middle East.
- Continued Australian refinery closures lead to increased reliance on imports.
- Russian export tariffs incentives CPP exports.

Downside

- Oversupply, particularly in the MR sector. Will higher earnings in the LR1/LR2 sector encourage overinvestment?
- Weak scrap prices and firmer markets lead to lower scrapping in the short term.
- Refiners scaling back throughputs in the face of weaker margins and higher product stocks.
- Delays to major export refinery projects, i.e. Jizan.
- Slowing demand following weaker economic growth.
- Slower growth in US product exports compared to previous years.

Gibson Consultancy & Research

research@eagibson.co.uk
+44 20 7667 1230

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Outlook for Spot Product Tanker Earnings*

Round voyage basis at market speed

