

Product Tanker Market Outlook
IMSF Geneva - May 2017

Global Presence

160 staff in strategic locations



Where are we now?

Clean Tanker Earnings

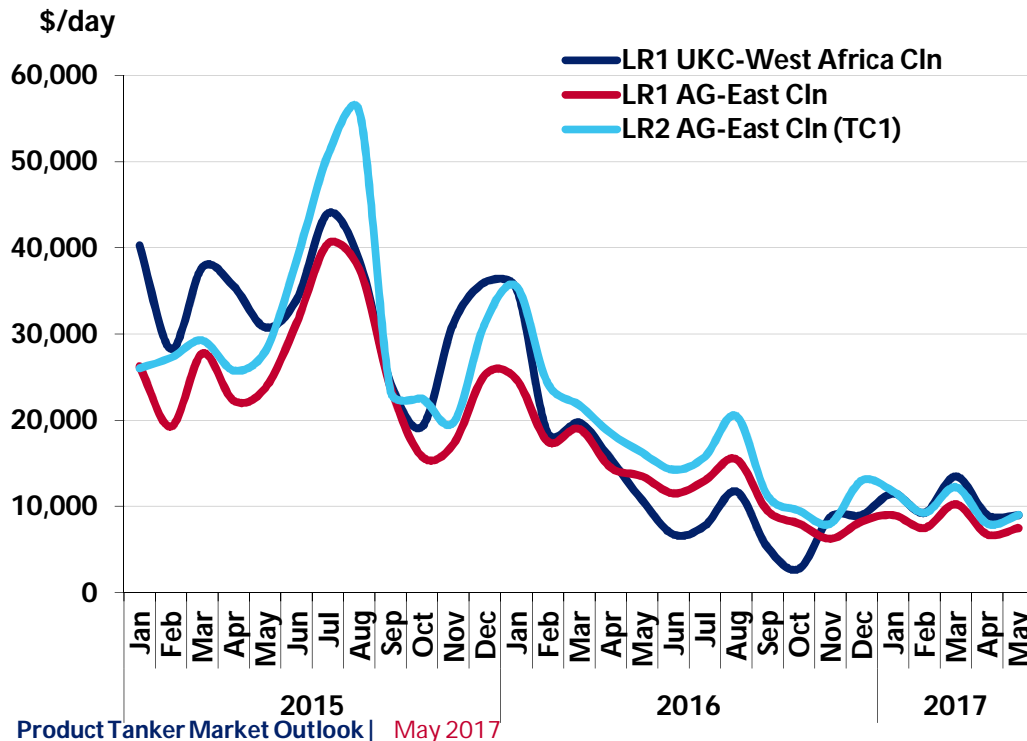
Clean earnings pressured (until recently) by:

- Rising tanker supply/newbuild crude tankers carrying CPP
- High product stocks limiting arbitrage and trading
- Slow down in Middle East refinery expansions
- Higher interregional Asian trade competing with deep sea imports
- Heavy refinery maintenance
- Currency issues in Nigeria

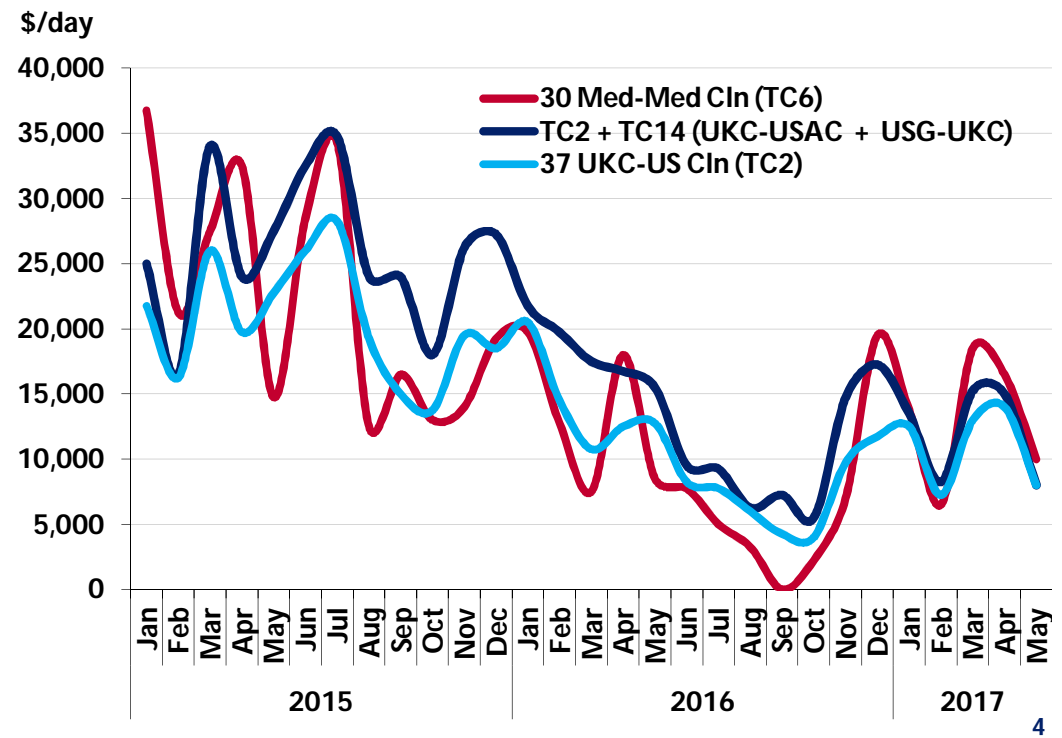
Recent strength in the MR market caused by:

- West African demand (improved \$ access)
- Refinery outages and disruptions in Latin America
- US refinery maintenance
- Higher demand for summer grade gasoline in the US, and a gradual drawdown in stocks.
- Delays in the Mediterranean and Bosphorus
- Slowing MR supply growth

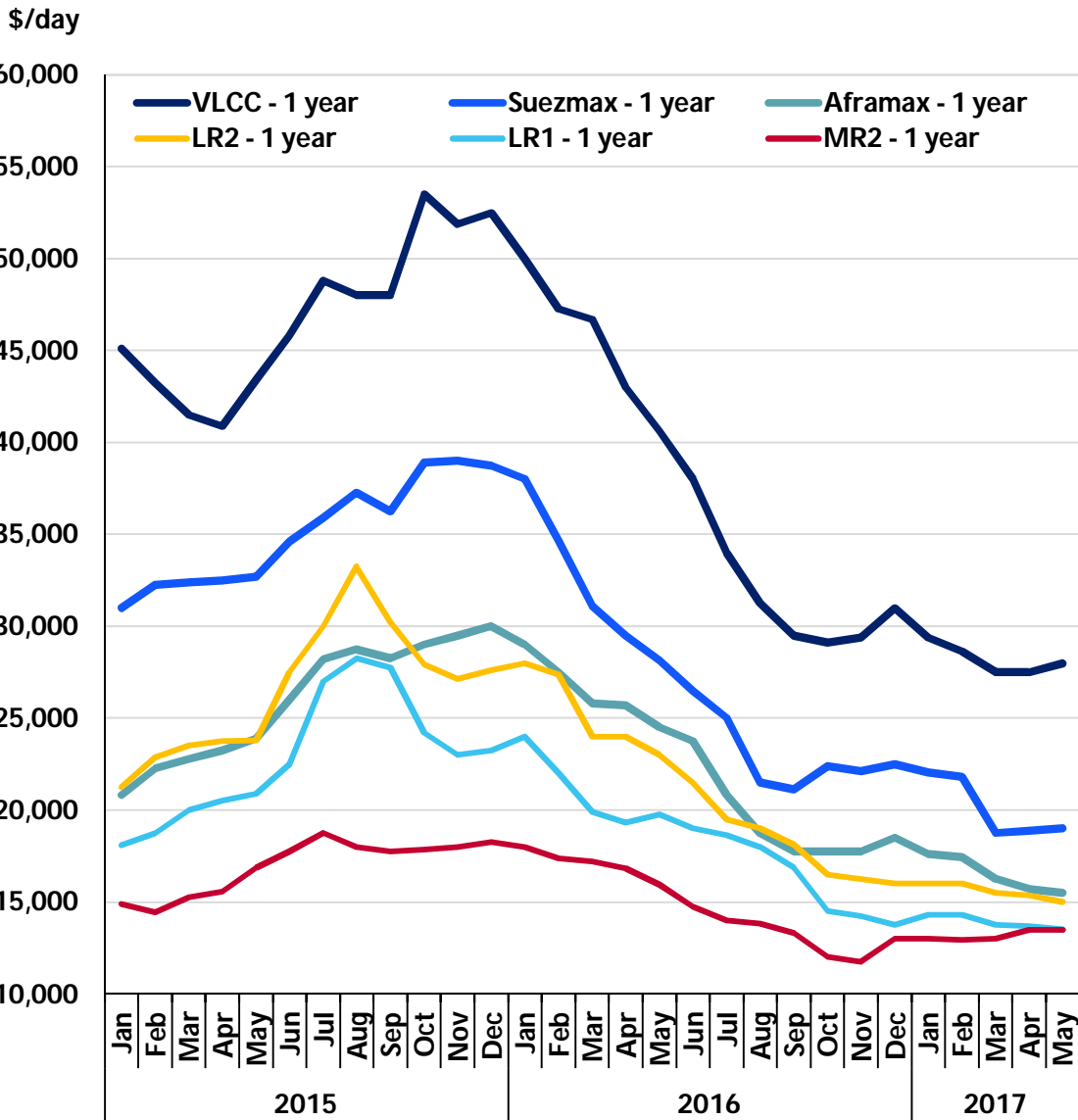
LR Earnings



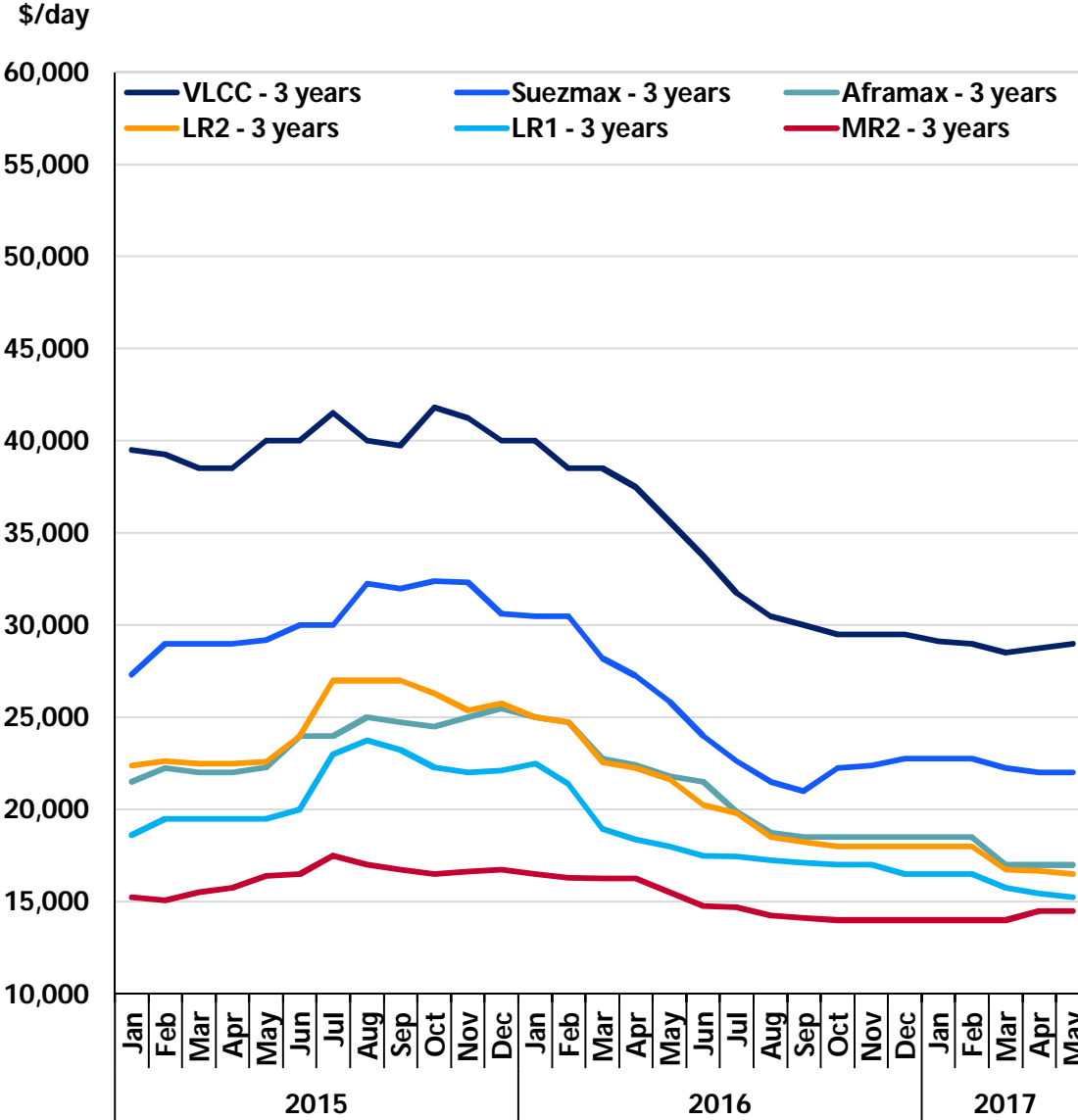
MR Earnings



1 Year TC Rates

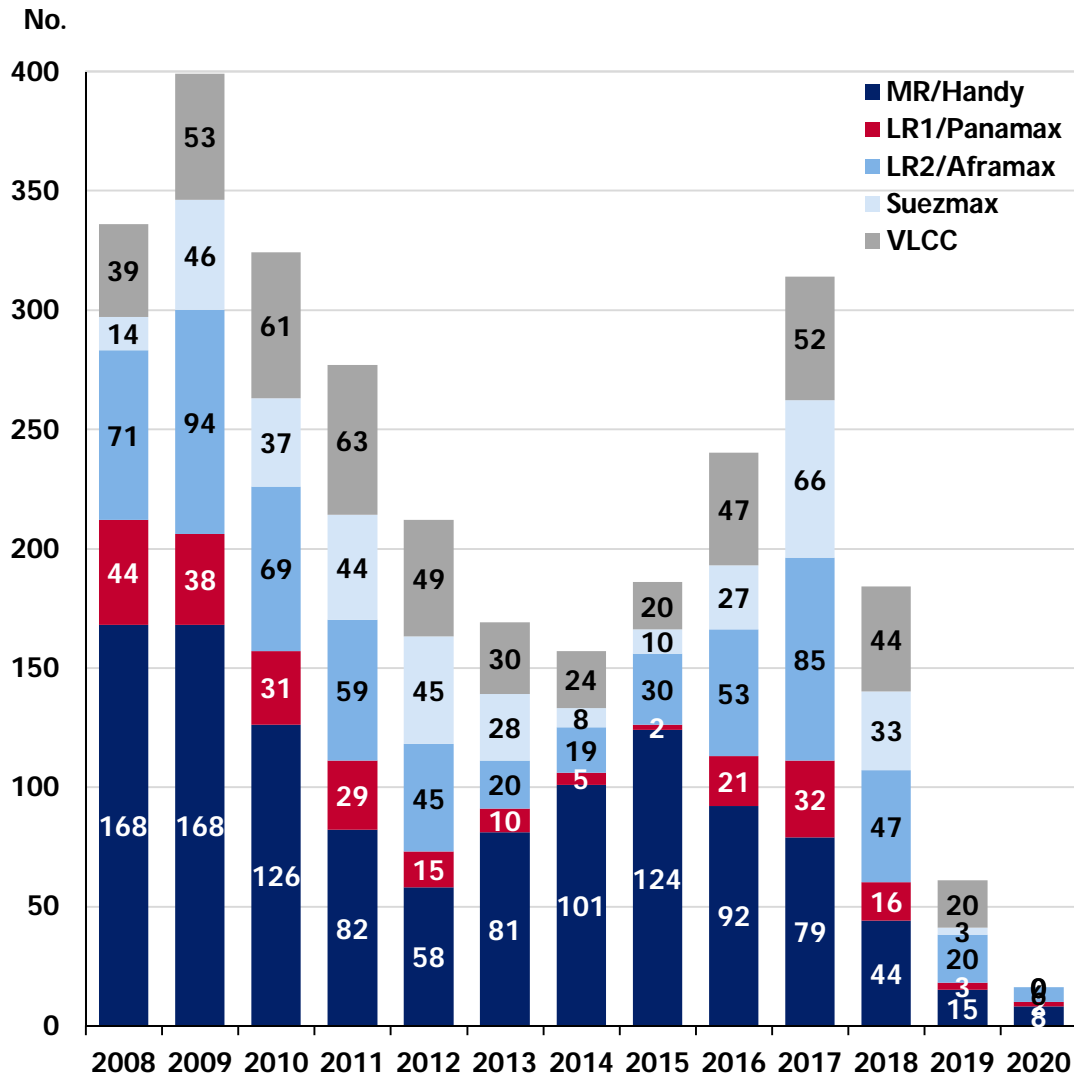


3 Year TC Rates

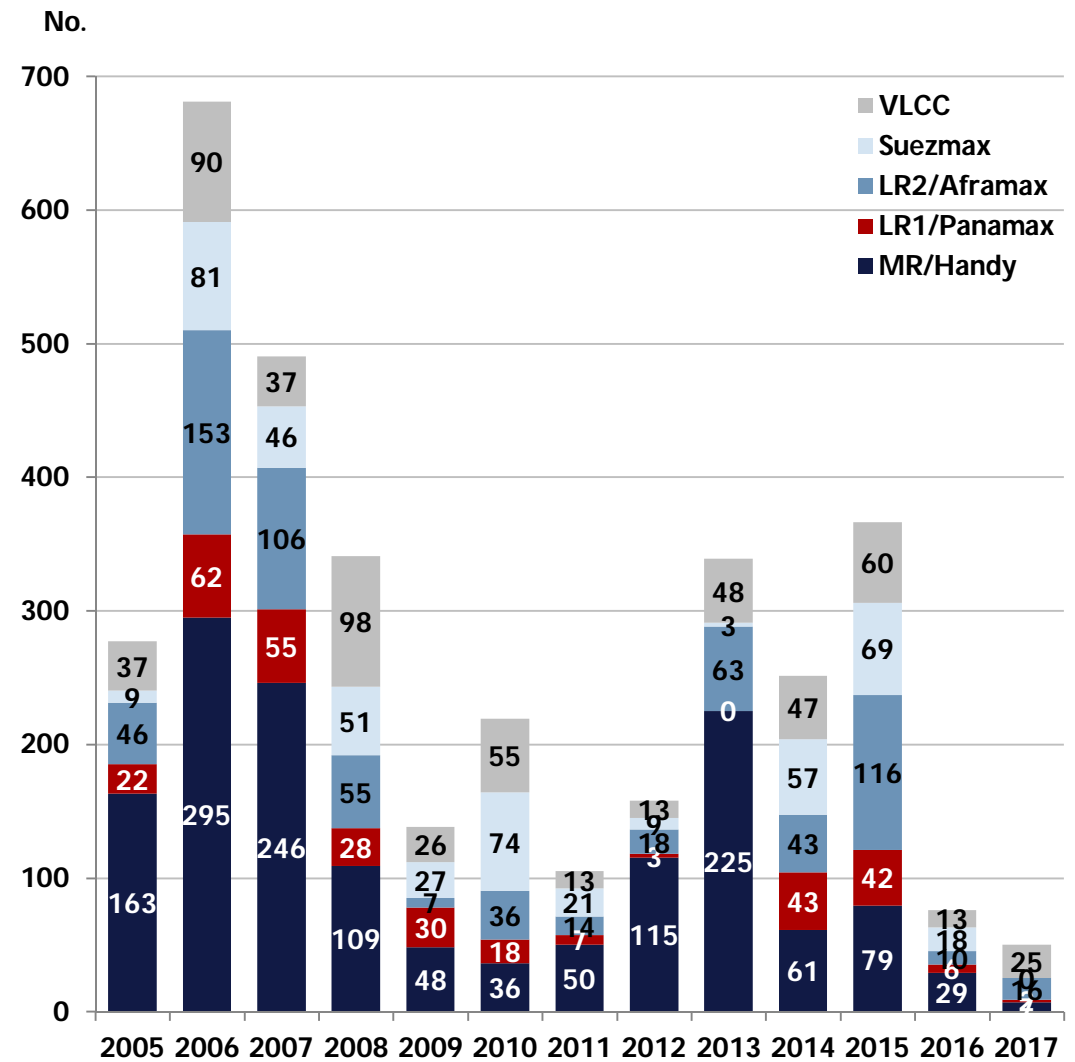


Key Themes in Supply

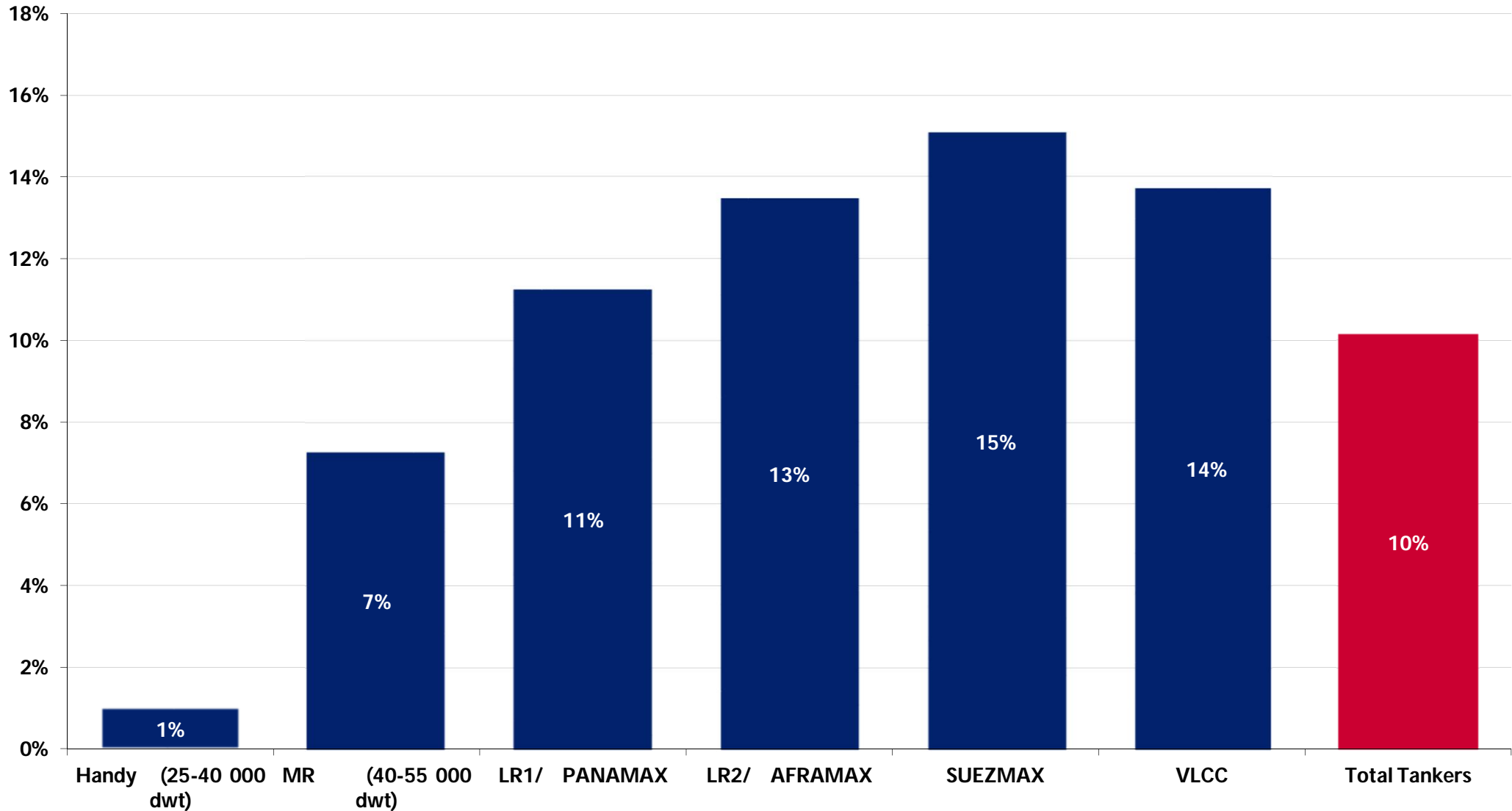
Scheduled Tanker Deliveries



New Tanker Orders

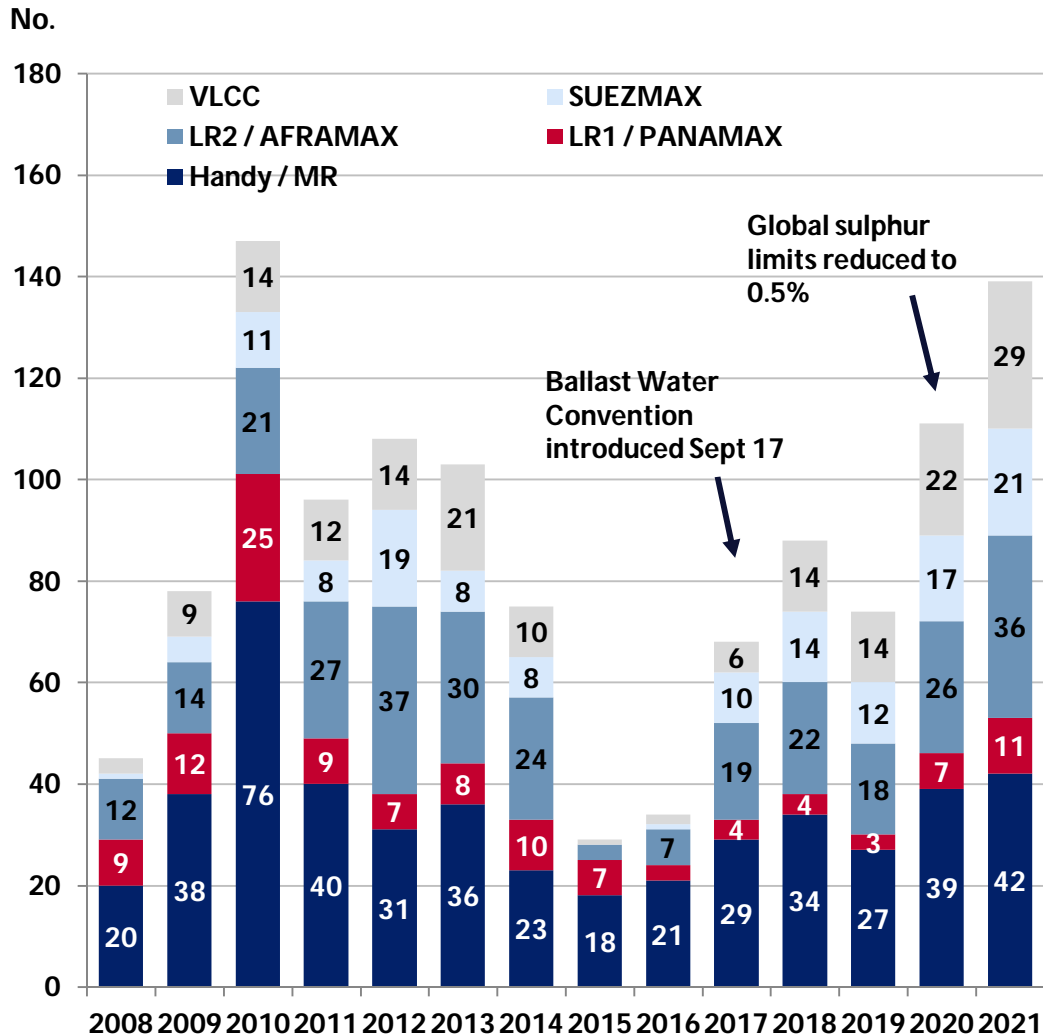


Orderbook as a % of Existing Fleet



Scrapping set to increase from 2017

Tanker Scrapping Forecast



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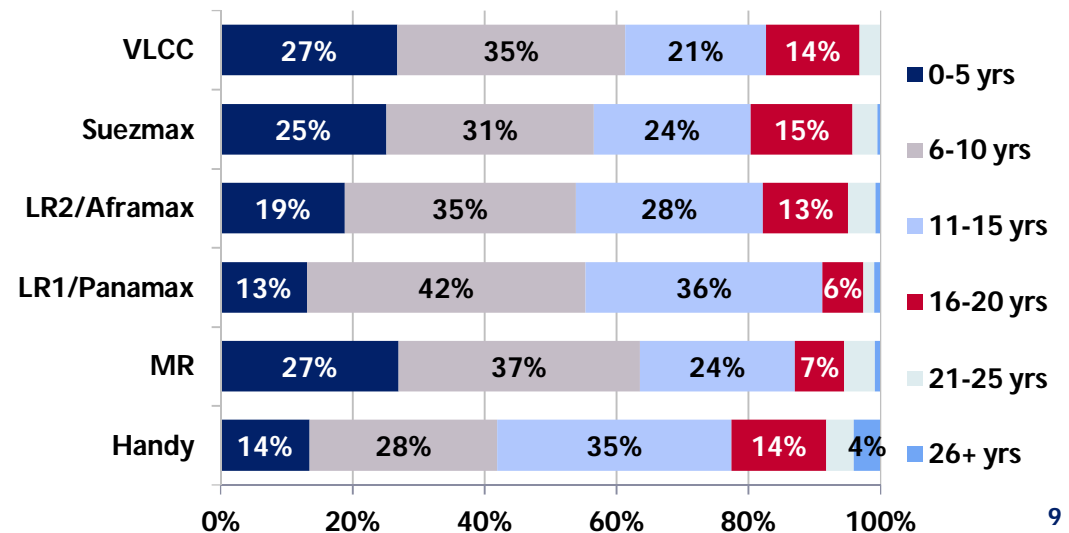
Very low scrapping in 2015/16 due to a strong market. However scrapping is expected to return towards normal levels in 2017.

Scrapping activity could increase from 2017 owing to the BWMC; however, the change in sulphur limits in 2020 is likely to be more impactful.

Scrapping activity will also be influenced by earnings, scrap prices, bunker prices and of course the fleet age profile.

For product tankers, the age of the fleet may be more relevant, i.e. vessels over 15 years of age switching to DPP.

Tanker Fleet Age Profile

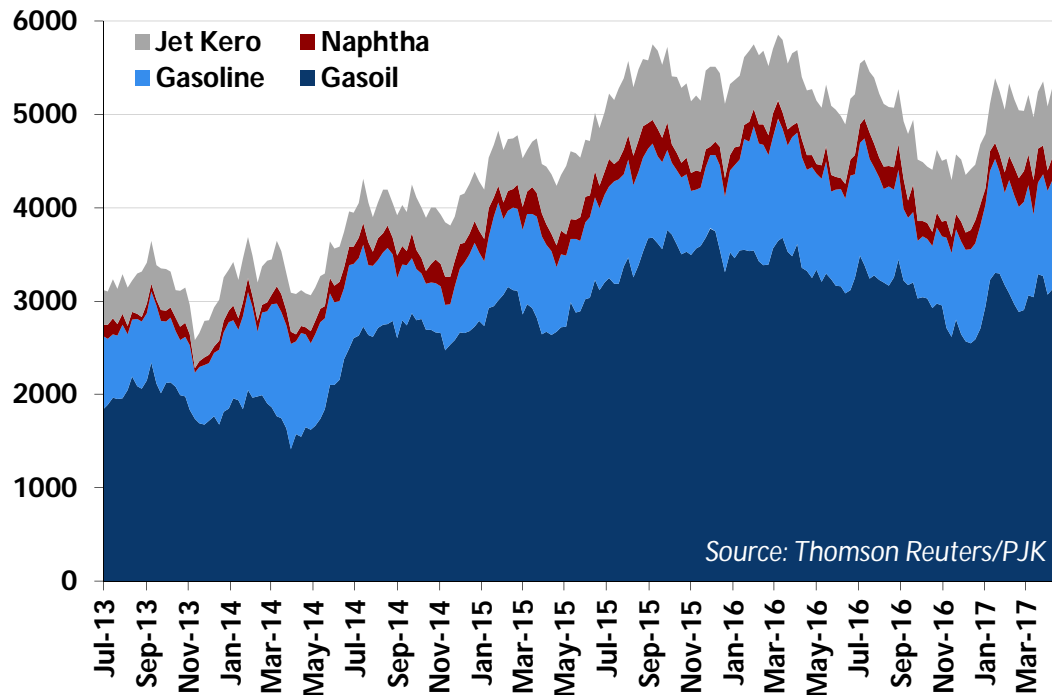


Key Themes in Demand

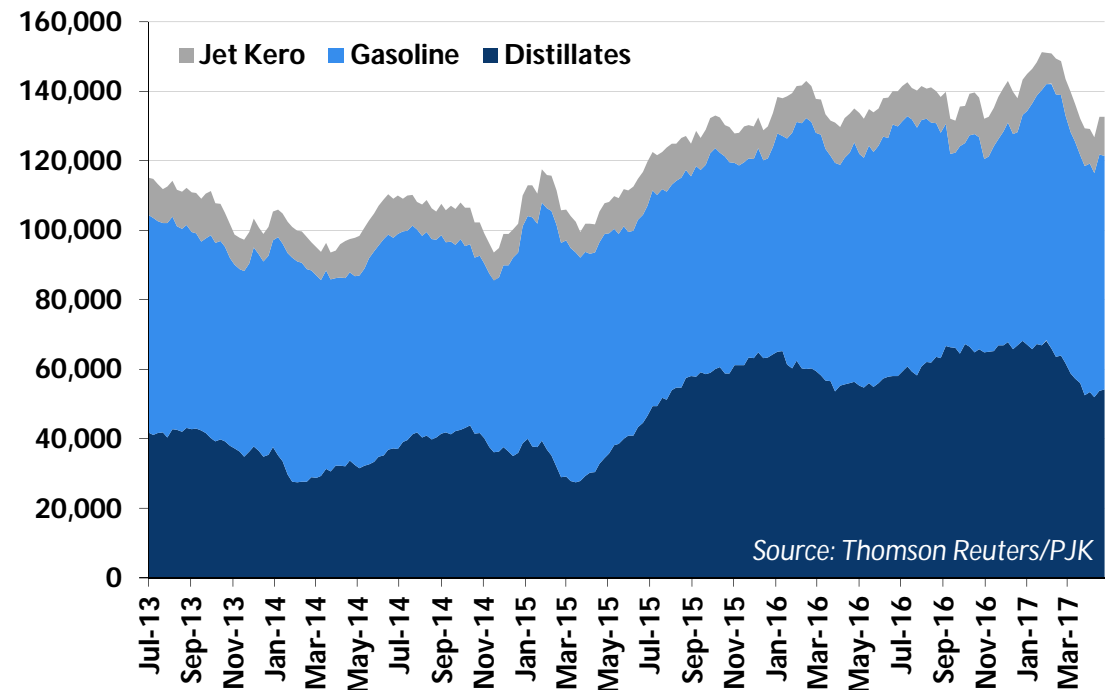
Product stocks are a barrier to a sustained clean market recovery

- Global product stocks remain at elevated levels. US gasoline stocks recently saw some draw downs, but may build again following higher arbitrage flows and the conclusion of maintenance season in the US.
- Whilst stocks are starting to be drawn down in some regions, the rebalancing is likely to take the majority of 2017, and could still impact the markets into 2018.

ARA Clean Product Stocks (000' tonnes)



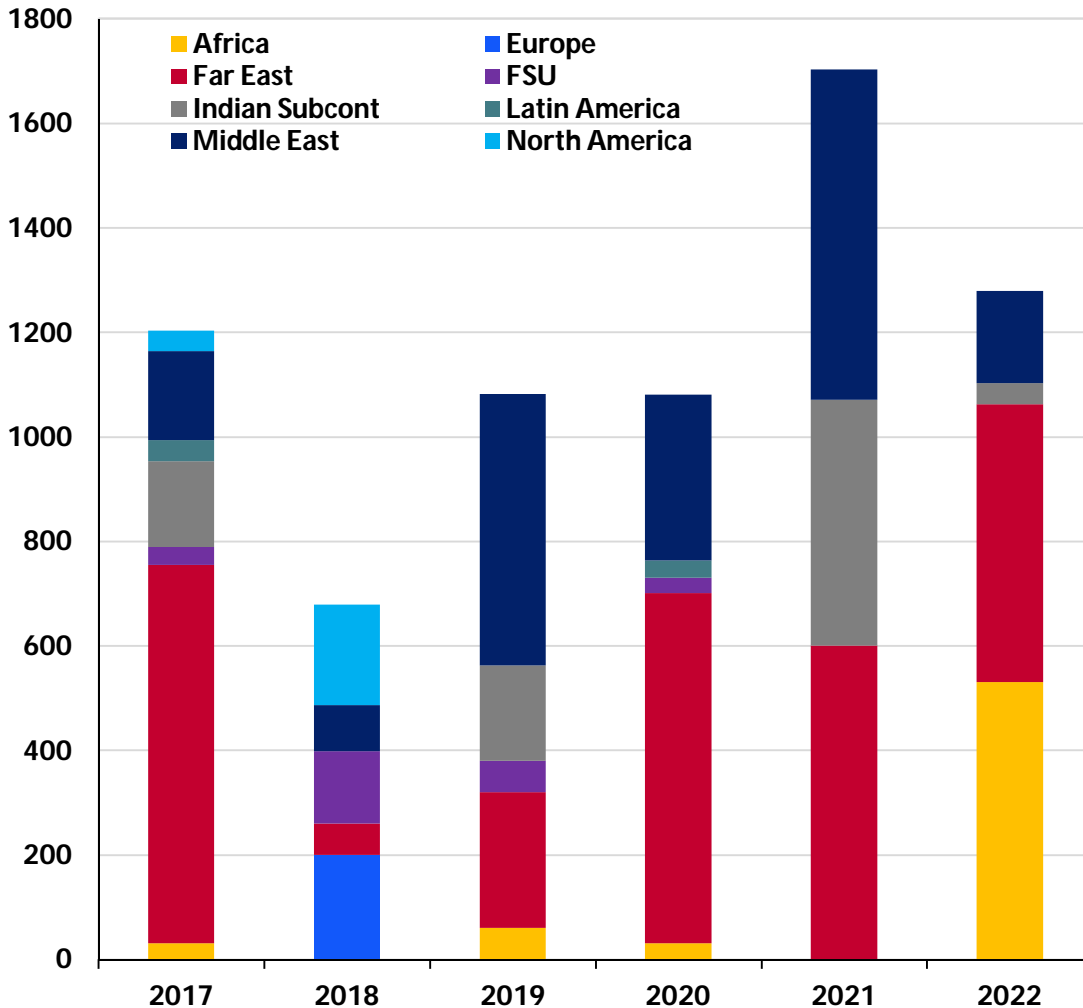
USAC Clean Product Stocks (000' bbls)



Refining Capacity Additions

Net CDU capacity additions according to the IEA

000 b/d



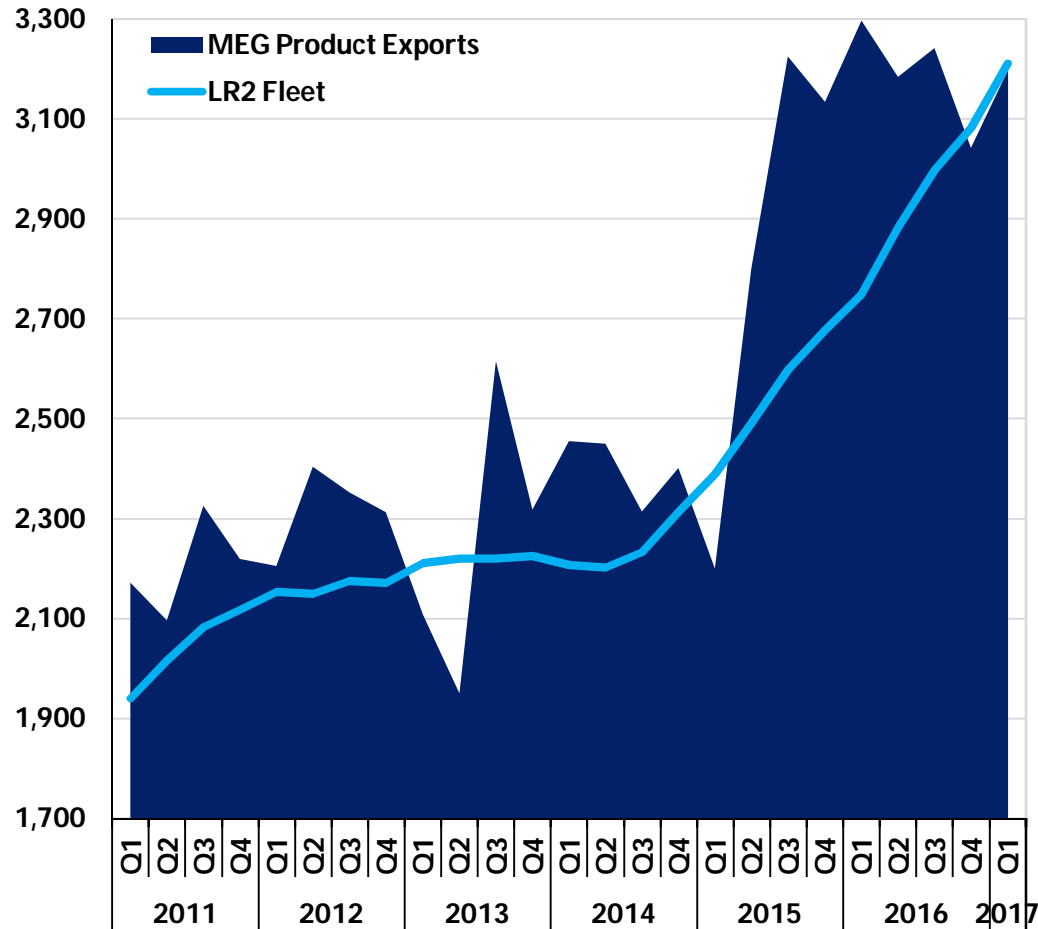
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- Refining capacity expansions are primarily driven by projects in the Middle East, Far East and India.
- The next major wave of capacity additions starts in 2019, driven by new plants in the Middle East (Jizan, Al Zour etc).
- Strong growth in Middle East product exports are expected for 2019-22.
- After a lull in 2018, Far Eastern refining capacity sees growth through to 2022, increasing regional crude demand.
- Increasing capacity in the Far East will cater for a portion of regional demand growth, with the balance served by rising imports.
- Indian expansions are seen in 2021, but are unlikely to be enough to cater for domestic demand growth, supporting product imports.
- The IEA anticipate the start up of the Lagos Lekki refinery in 2022, which could have a big impact on West African product imports. However it is too soon to tell whether this refinery will be a success.

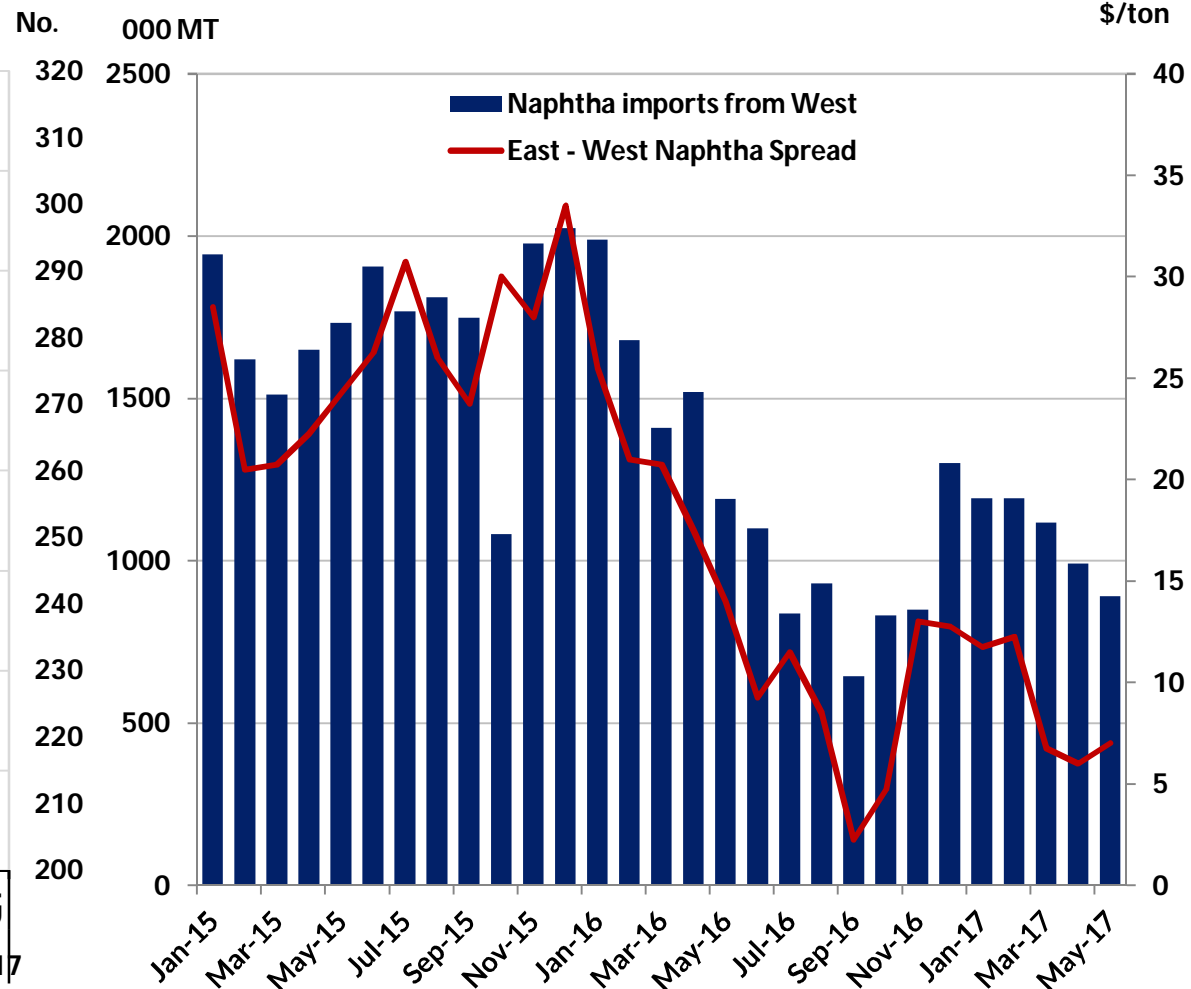
Slower growth in long haul products trade/rising tanker supply

MEG Product Exports vs. LR2 Fleet Growth

UAE estimated*
000 b/d



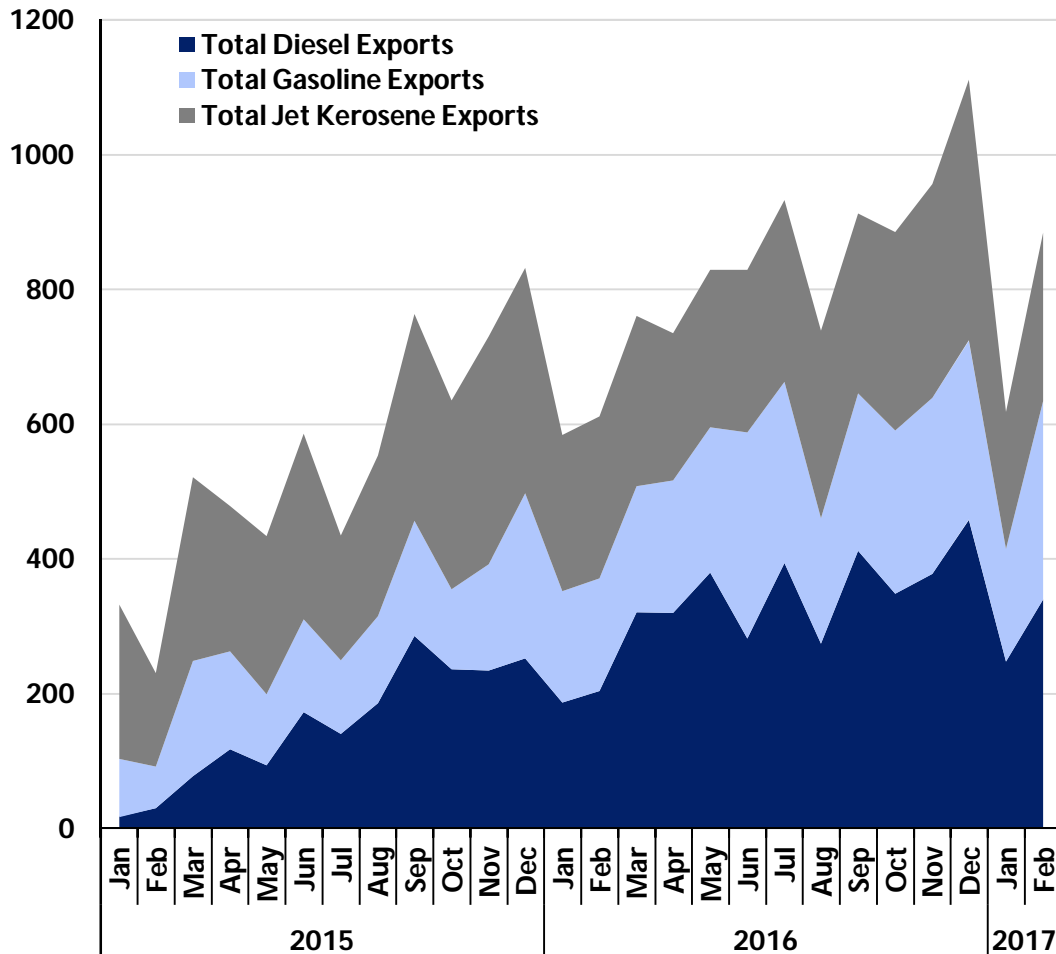
Asia Naphtha barrels from the West



Higher exports from China competing with imports

China CPP Exports
Light and Middle Distillate Exports

000 b/d

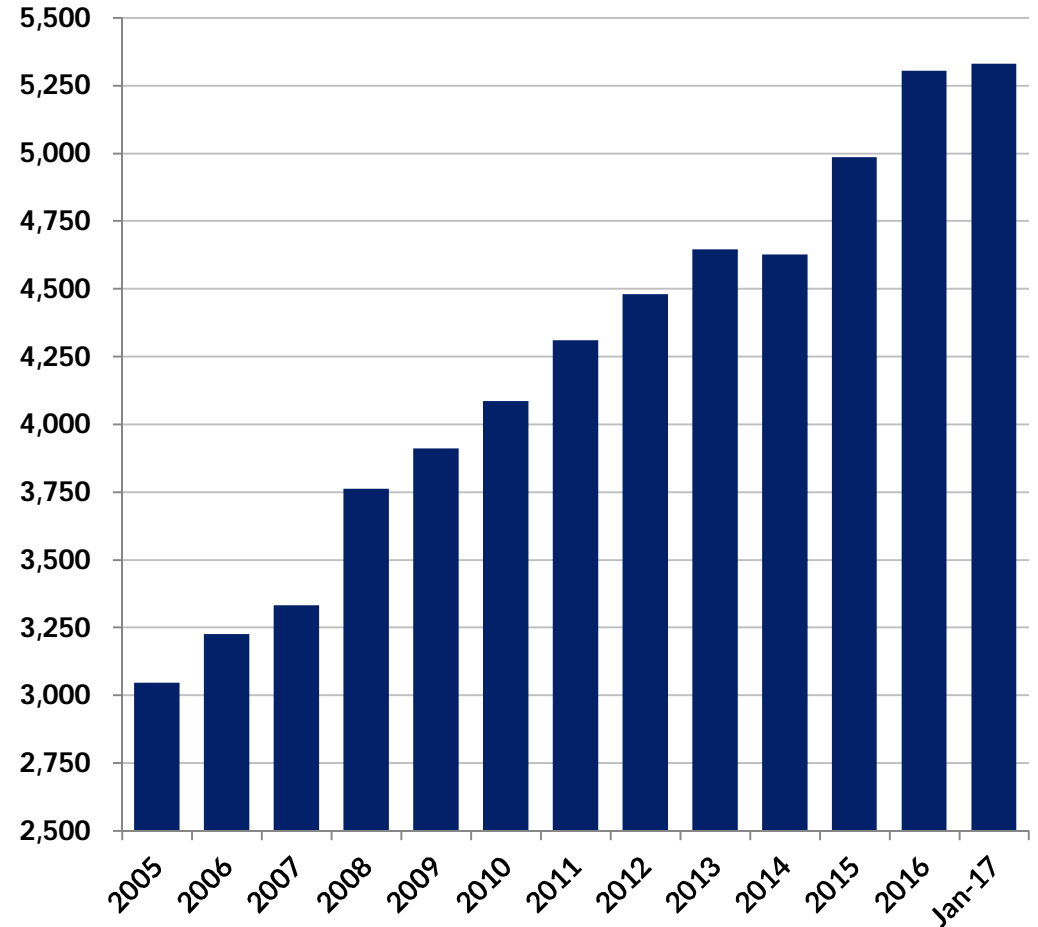


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Source: Reuters Eikon

Selected Intra-Asian Product Trade

000' b/d



Source: IEA, countries include China, Japan, Korea, Australia

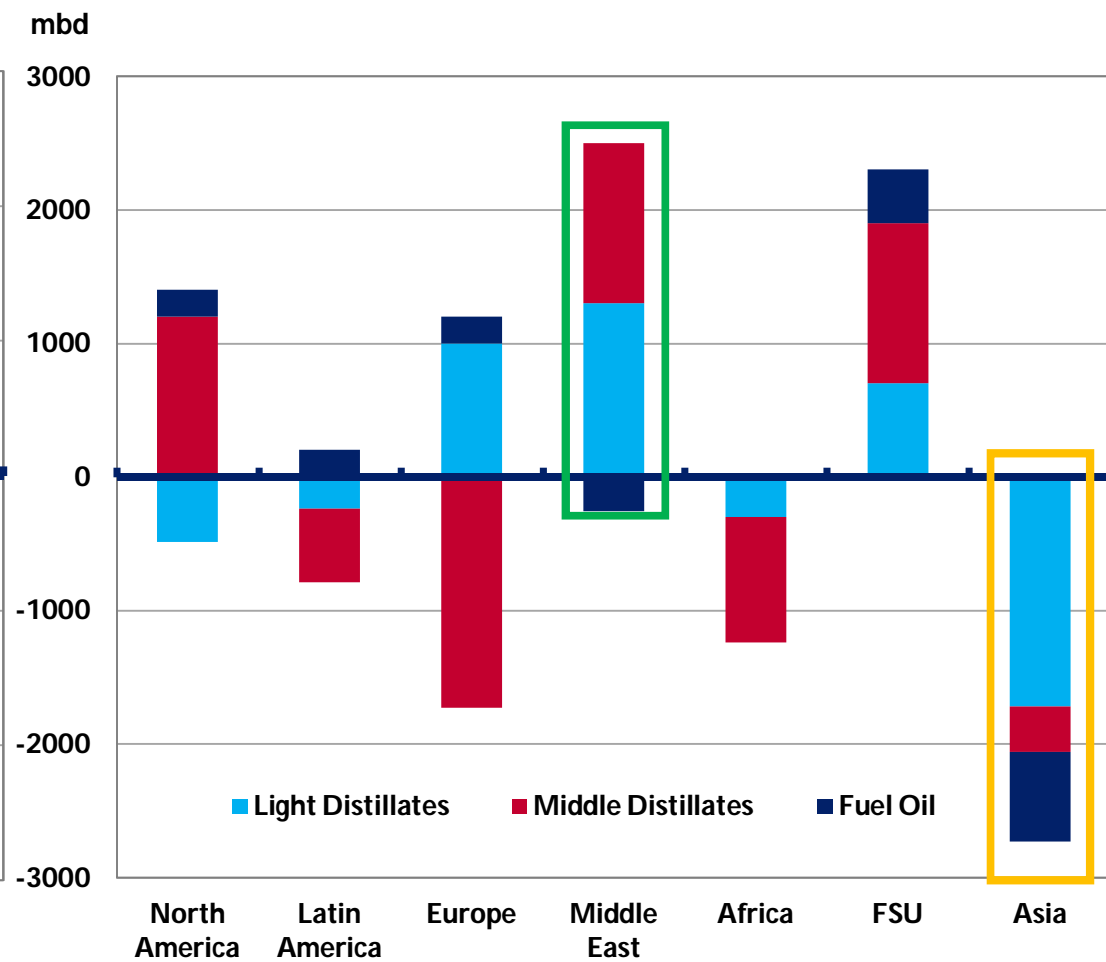
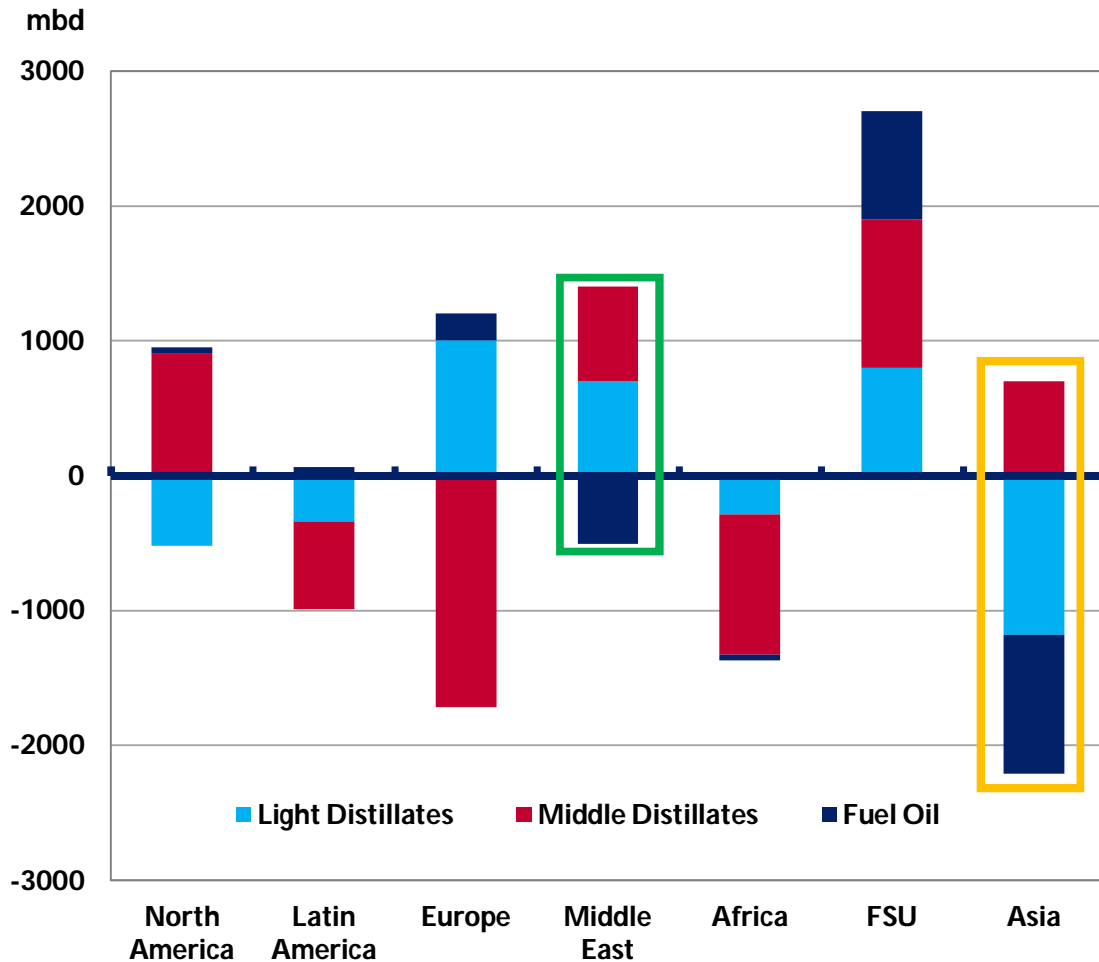
What Next?

Product Demand: Trade between the Middle East and Asia the major driver

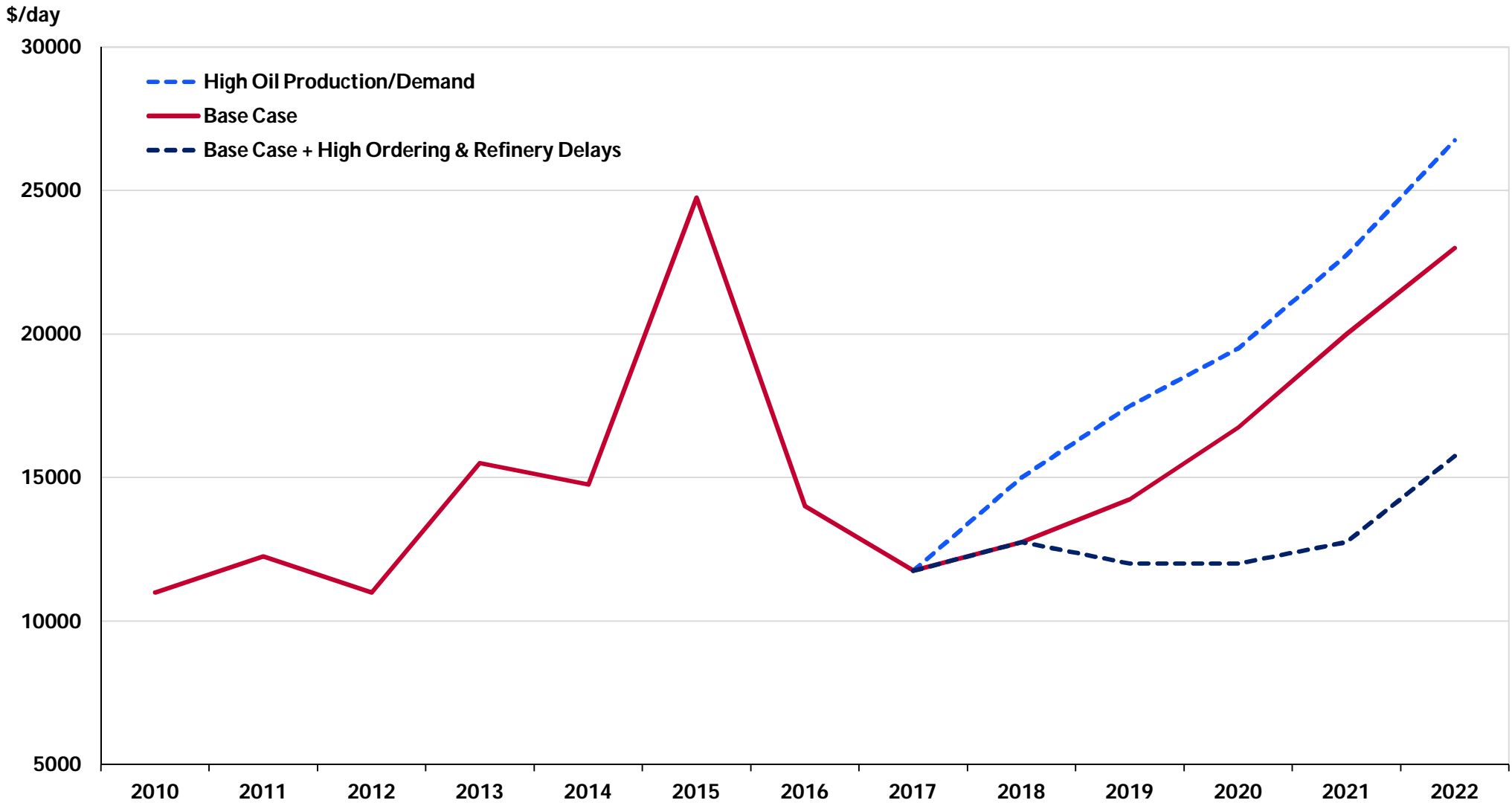
2016 vs. 2022 (000' b/d)

Global Product Balances: 2016

Global Product Balances: 2022



MR Earnings Forecast



Questions

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