BRS
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Monthly Tanker Report

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BRS Tanker Monthly Report

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Market Commentary

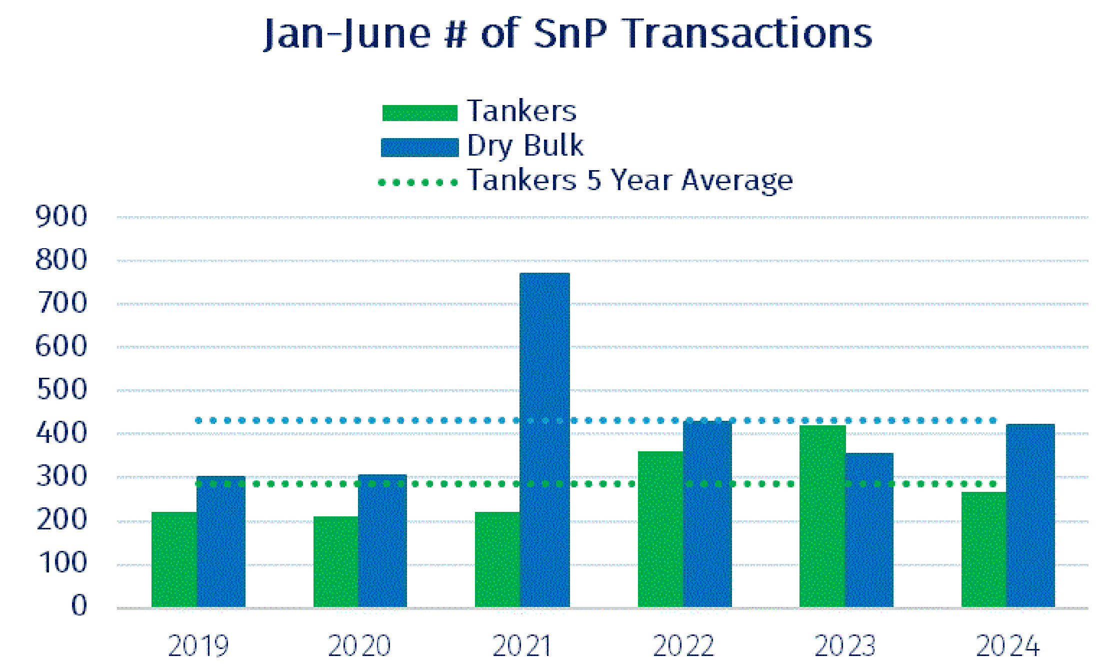
Tanker SnP Transactions soften, asset values continue to rise

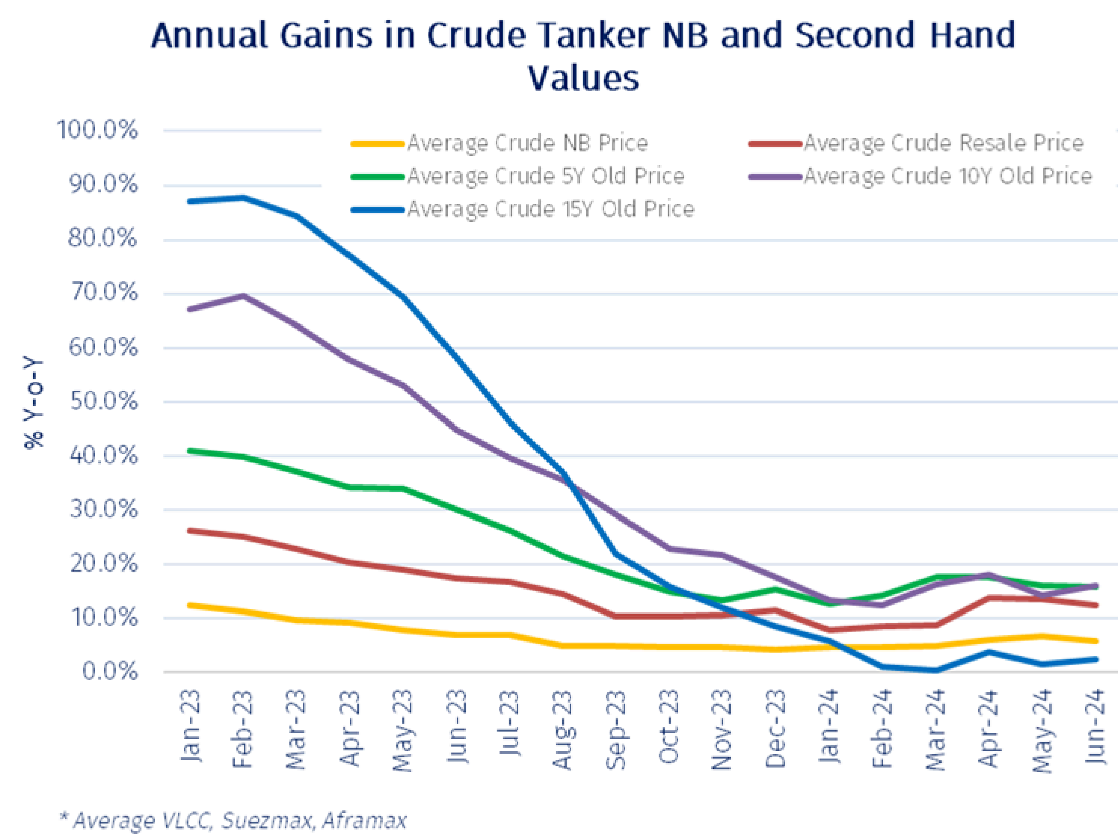
While the market focus has shifted on the momentum that dry bulk asset values have exhibited so far in 2024, tanker asset values continue to experience notable resilience. So far in 2024, average spot product tanker earnings have performed higher compared to last year, as they have been the main beneficiaries of Red Sea disruptions and this has been reflected in rising asset values particularly for 10Y old and 15Y old MR units. Meanwhile, spot crude tanker earnings have underperformed, even when factoring in improved Baltic consumption figures compared to last year (with the exception of VLCCs). Nevertheless, this y-o-y drop has not been reflected in crude crude tanker asset values which continue to be supported higher compared to last year. We argue that part of this dislocation is related to sequential increases in period rates above last year's levels, which have turned out outperforming the spot market on average during the first half of the year.

Tanker SnP Transactions slow down, asset values on the rise.

In contrast to the dry bulk SnP market that has seen YTD 2024 transactions increasing by +18% y-o-y and in line with the 5 year average for this time of year, factoring in the hyperactive period of 1H2021, tanker SnP transactions have deflated. YTD 2024 tanker SnP transactions have dropped from the highs observed last year and currently stand below the five year average for this time of year. From January to the third week of June approximately 267 second hand tanker sales were recorded, -36% below the same period last year and 7% below the five year average. Nevertheless, tanker asset values continue to diverge from SnP activity levels, registering large increases compared to last year.

Crude tanker period rates at a premium to spot earnings in the first half of 2024. The first half of 2024 has seen one year time charter rates averaging at a slight premium to spot Suezmax (S2TCE) and Aframax (A6TC) rates, while this premium has widened over the past month. For comparison, during the same period last year, spot Aframax and Suezmax earnings had instead averaged more than 20% and 35% respectively above average one year period rates. What is more, the spread between the three year period crude tanker rates over one year period rates has widened compared to last year, as the former have increased at a faster pace on average. The trend has provided a higher confidence in holding onto the crude tanker assets instead of disposing them, despite the softer spot market, thereby limiting available SnP supply and keeping values resilient. Nevertheless, the convergence of spot and one year time charter rates has slowed down momentum in value gains, with annual price increases slowing down compared to last year, particularly for 15Y Old+ units. Instead, the asset value strength has concentrated on 10Y old units at the end of the quarter in the sub-VLCC segments, while VLCC asset value gains have been driven by 5Y old units. The VLCC spot earnings discount to Suezmax and Aframax has narrowed down to 5% and 11% respectively on average during the first half of 2024. This is down from a substantial 51% and 46% discount during the same period last year. In addition, expectations for VLCCs eventually outperforming their smaller counterparts has driven the asset values over period earnings multiples much higher compared to Suezmax and Aframax, particularly for 5Y old modern units. The market seems to be discounting to the present 5Y Old assets values that are much higher than what today's period earnings justify, potentially pricing in gains related to future fuel consumption and emission savings against binding regulatory targets that will become stricter from next year, in what currently seems a market distortion. Instead, there is currently a higher incentive to



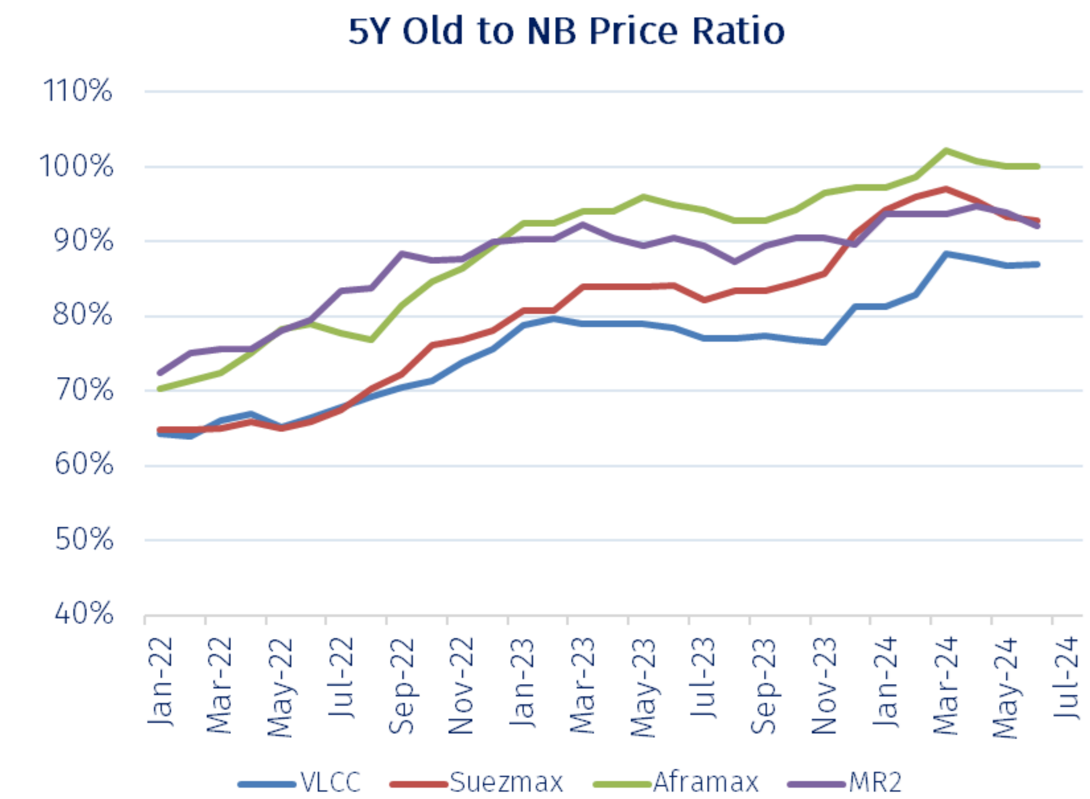


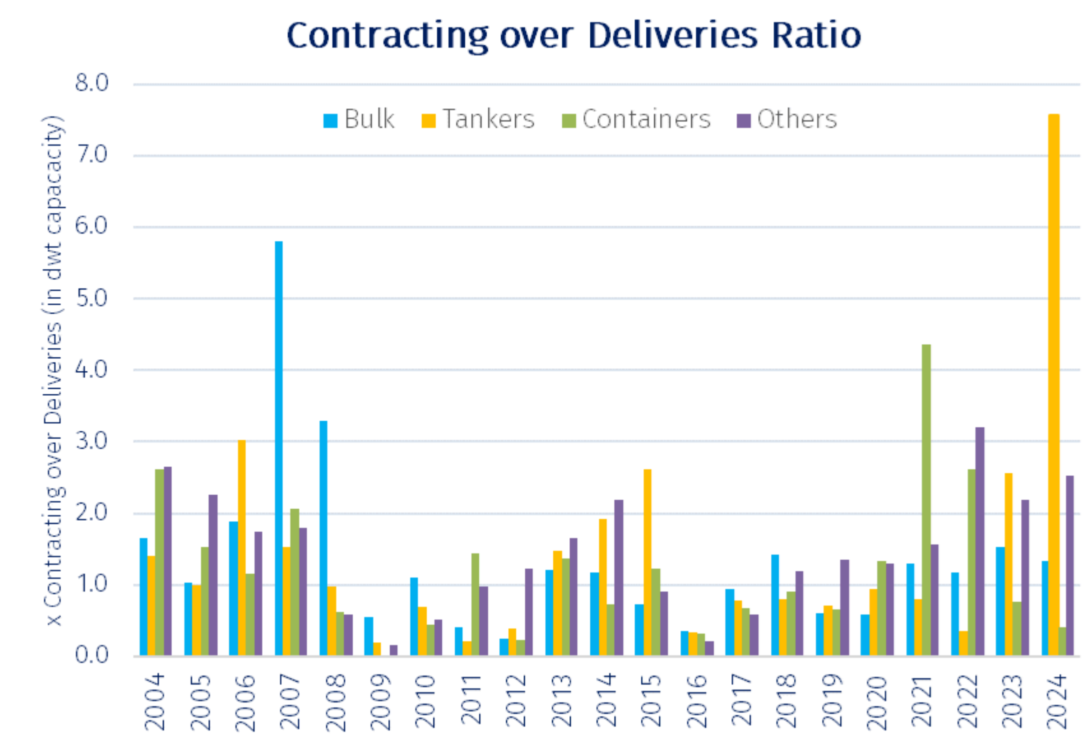
Market Commentary

capitalize on product tanker assets amid the stronger momentum of spot product tanker earnings and maximize IRRs by investing in units around 15 years of age which have ended up seeing the largest annual gains compared to younger age classes.

Shipyards capacity expansion key to the NB price trend. Over the quarter, top tier NB tanker prices have found a ceiling, as new orders continued to be attracted by more competitive pricing in Chinese yards for the most part, while 5Y Old values have narrowed the gap with NB parity. Contracting activity slowed down in June, with 30 firm orders placed for vessels above 34k dwt bringing the total Jan-June 2024 new orders at 217 vessels +22.7% y-o-y. At this pace of contracting, annualized contracts are running at the highest level since 2015 in dwt terms. Contrary to the rest of the shipping segments, where new orders over deliveries in dwt terms are below long term average multiples (factoring in the shipbuilding boom between 2006-2008), the ratio in tankers has reached record high levels of 7 multiplies (including small and chemical tankers). Fresh contracting over deliveries for tankers larger than 34kdwt stands at 5 multiples (see BRS Tanker Monthly Newsletter dated May 2024). This compares to 1.6 multiples across all sectors on average and is driven mainly by multi-decade low tanker deliveries in 2024, while the contracting pace - although not overwhelmingly high in absolute terms- could be set to surpass 2015 levels if the current pace continues.

This trend would normally drive NB prices much higher, however, macro factors explained in the previous two monthly newsletters, along with the fact that new orders over deliveries in the rest of the segments stand below long term averages has likely contributed in keeping tanker NB prices from surging further. This comes in contrast with the 2006-2008 period, when it was the overwhelming high dry bulk orders that drove the ratio of new contracts to deliveries at more than 5 multiples, pushing NB prices across all sectors at record high levels. Constrained shipyards capacity and owners refraining from massively ordering vessels that will serve the decarbonization trajectory has also played a role in keeping the contracting to deliveries ratio off record highs across shipping segments. Looking forward, NB prices might end up dislocating from historical contracting/ deliveries ratios in the next years i.e. a lower contracting to deliveries ratio might be needed than previous cycle highs, but of more expensive vessel designs dominating to keep NB prices structurally higher and potentially diverging from the period earnings trend. This will give the price signal for shipyards capacity to convincingly expand. For the time being, we see shipyards capacity expanding over the next four years driven primarily by China, but still falling short of 2011 levels.





Source: BRS Neptune

Global Fleet Overview

Crude tankers

Currently active Fleet	Number of Ships	Total DWT
VLCC	909	280M
Suezmax	652	102M
Aframax	686	75M
Panamax	68	5M

Addition - # ships	2022	2023	2024
VLCC	42	22	1
Suezmax	44	8	1
Aframax	21	15	6

Deletions- # ships	2022	2023	2024
VLCC	7	-	-
Suezmax	8	1	1
Aframax	11	3	1
Panamax	3	-	-

New orders - # ships	2022	2023	2024
VLCC	3	18	40
Suezmax	10	57	35
Aframax	7	15	10

Product tankers

Currently active Fleet	Number of Ships	Total DWT
LR2	454	50M
LR1	383	28M
MR2	1806	88M
MR1	499	19M

Addition - # ships	2022	2023	2024
LR2	17	22	11
MR2	67	38	16
MR1	3		

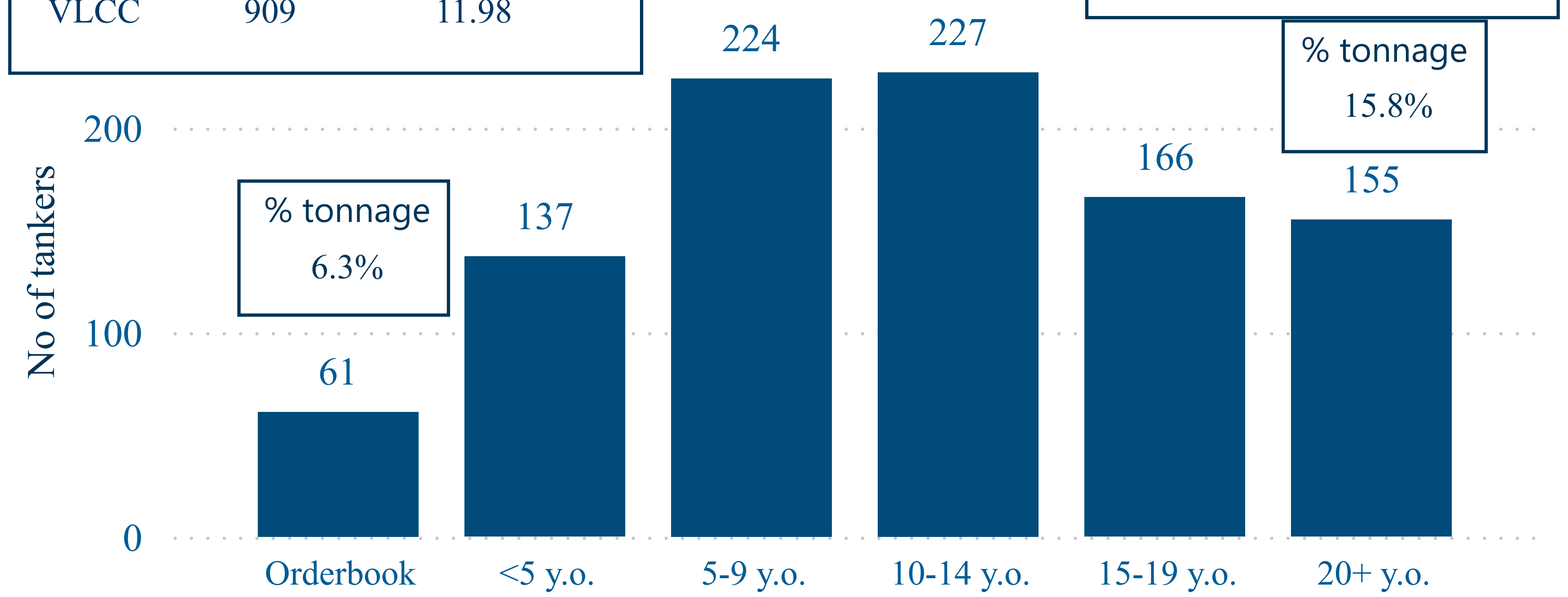
Deletions- # ships	2022	2023	2024
LR2	5	-	-
LR1	1	2	-
MR2	14	5	-
MR1	7	1	-

New orders - # ships	2022	2023	2024
LR2	28	90	29
LR1		32	13
MR2	50	123	66
MR1		6	8

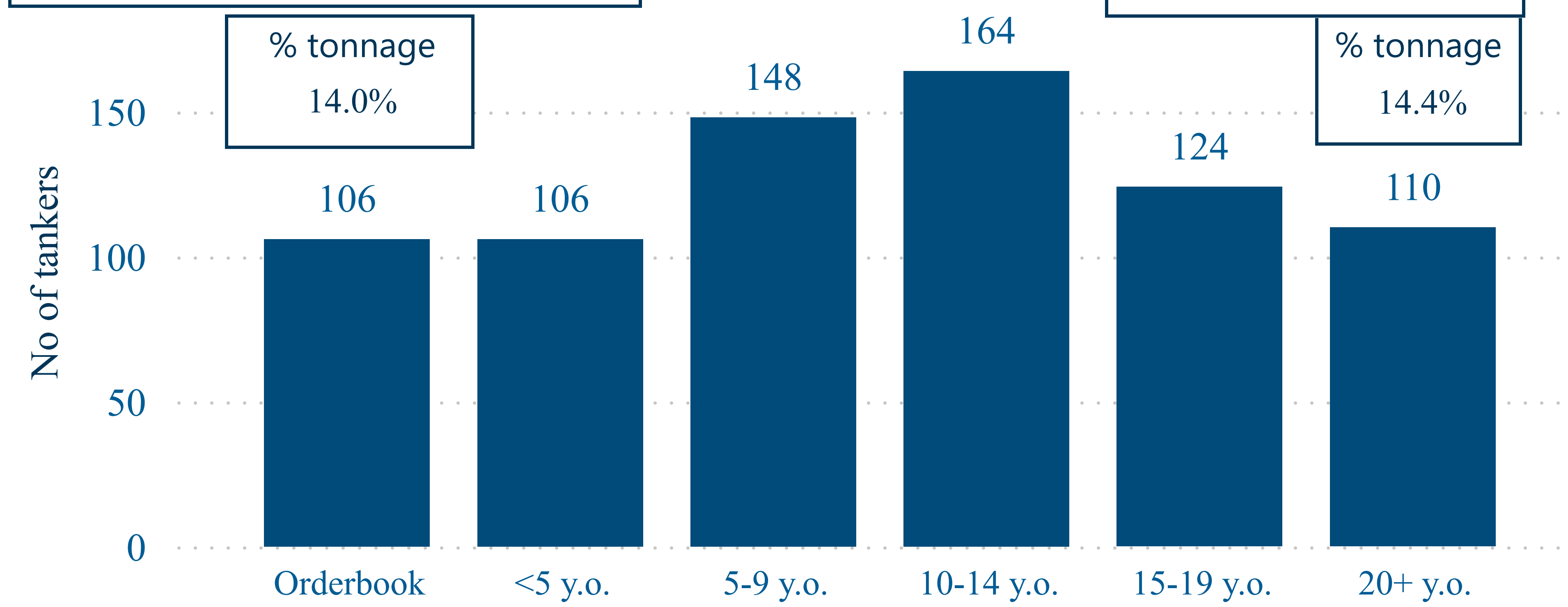
**all 2024 columns are YTD*

Fleet Age Breakdown - Crude Tankers

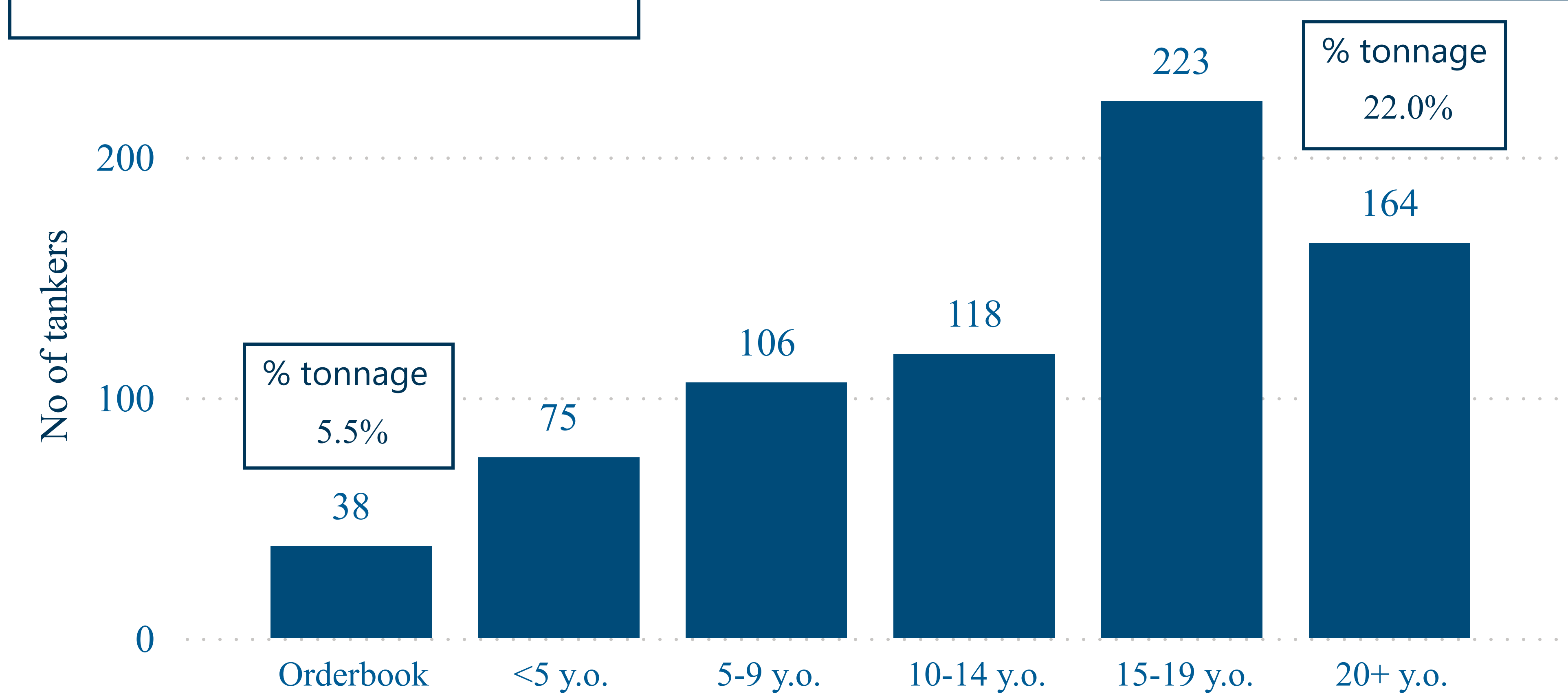
Ships	Existing	Average Age
VLCC	909	11.98



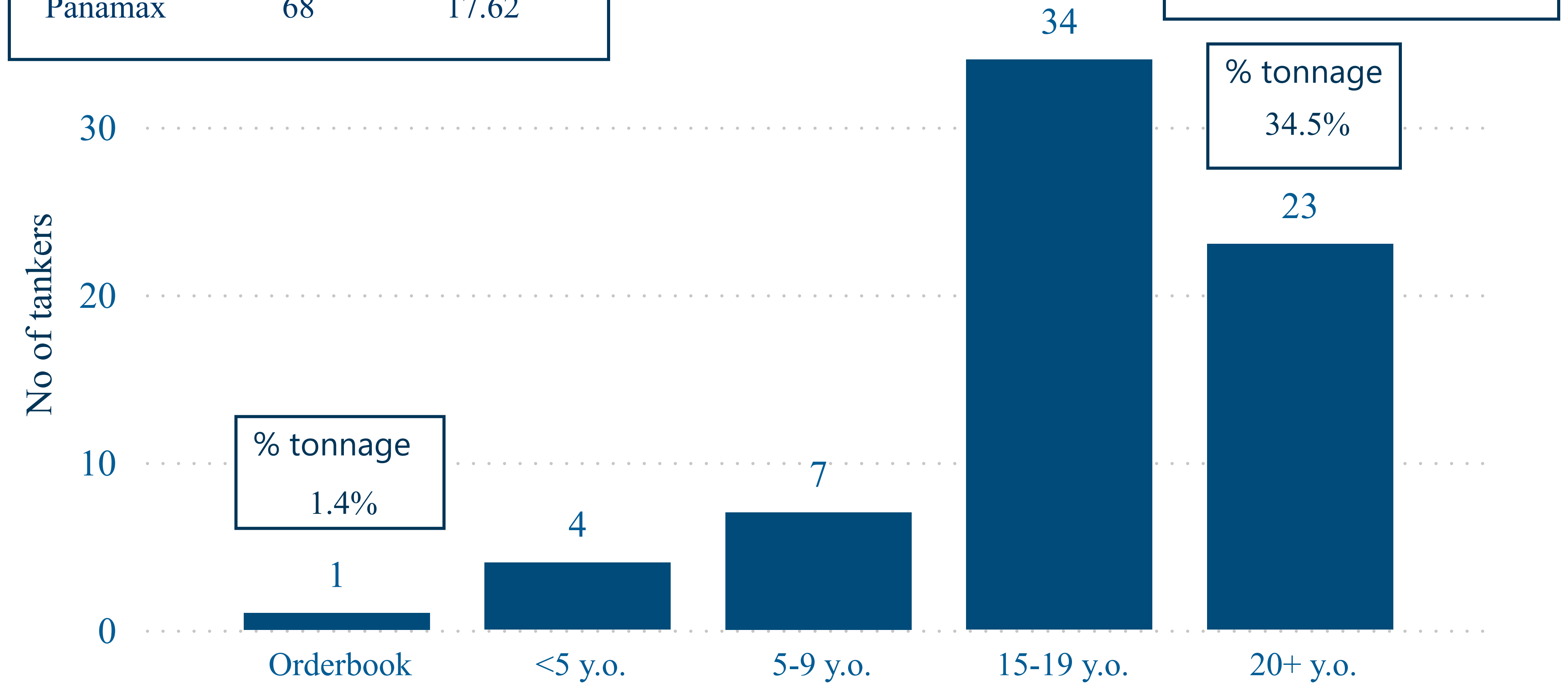
Ships	Existing	Average Age
Suezmax	652	12.12



Ships	Existing	Average Age
Aframax	686	14.27



Ships	Existing	Average Age
Panamax	68	17.62



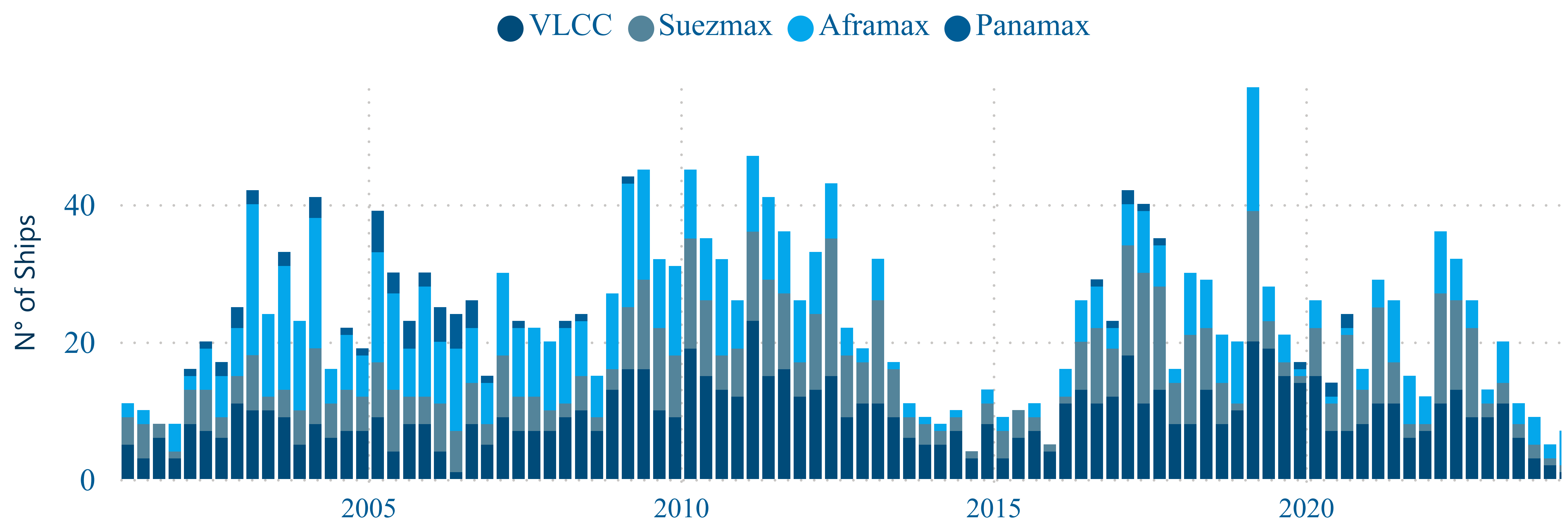
Crude Tanker Deliveries

Year Deliveries- # ships	2024 # Deliveries	DWT	2025 # Deliveries	DWT
VLCC	1	0.3M	6	1.8M
Suezmax	7	1.1M	31	4.9M
Aframax	8	0.9M	16	1.8M
Panamax	1	0.1M		

2024 deliveries includes vessels that have already been delivered the market

Year Deliveries- # ships	2026 # Deliveries	DWT	2027 # Deliveries	DWT
VLCC	26	8.1M	26	8.0M
Suezmax	44	6.9M	24	3.8M
Aframax	11	1.3M	8	0.9M

Quarterly Deliveries



Deliveries May-24

Name	dwt	Registered Owner	Parent Owner	Operator	Shipyard	Ordered on	Reported Price ($m)
Ariadne	114,905	Hydra Star Corp	Inglessis Group	Samos Steamship	Sumitomo Yokosuka	5/1/2022	

Expected Deliveries Jun-24

Name	dwt	Registered Owner	Parent Owner	Operator	Shipyard	Ordered on	Reported Price ($m)
Ns Explorer	154,107	Ns Explorer Transport Ltd	Sinochem & Cnooc & China Cosco Shipping & Silverbond Overseas	Cnooc	Dalian Csic No. 2	7/1/2021	
Valentin Pikul	69,000	Rosnefteflot Jsc	Rosneft	Rosnefteflot	Zvezda	4/1/2019	

Crude Tankers - Orderbook

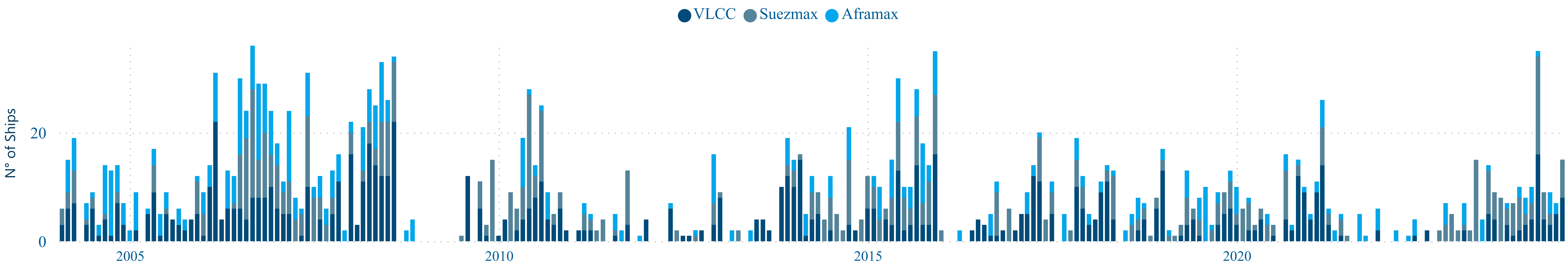
Recent Orders May-24

Name	DWT	Owner	Parent_Owner	Operator	Shipyard	Order Date	Reported Price ($m)	IMO
(Tbn)	300,000	Undisclosed	China Cosco Shipping	China Shipping Consultancy	Shanghai Waigaoqiao	5/1/2024	120.00	12549
(Tbn)	306,474	Undisclosed	Fredriksen Group	Seatankers Management	Cssc Tianjin	5/1/2024		1068932
(Tbn)	306,474	Undisclosed	Fredriksen Group	Seatankers Management	Cssc Tianjin	5/1/2024		1068944
(Tbn)	306,474	Undisclosed	Marinakis Group	Capital Maritime & Trading	Cssc Tianjin	5/1/2024		1069455
(Tbn)	306,474	Undisclosed	Marinakis Group	Capital Maritime & Trading	Cssc Tianjin	5/1/2024		1069467
(Tbn)	114,516	Undisclosed	Melissanidis	Aegean Shipping Management	Cshi Yangzhou	5/1/2024		1069211
(Tbn)	114,516	Undisclosed	Melissanidis	Aegean Shipping Management	Cshi Yangzhou	5/1/2024		1069223

Orders by Segment

Year	2024		
Segment	April	May	June
VLCC	3	5	8
Suezmax	2		7
Aframax	4	2	

Monthly Ordering Activity

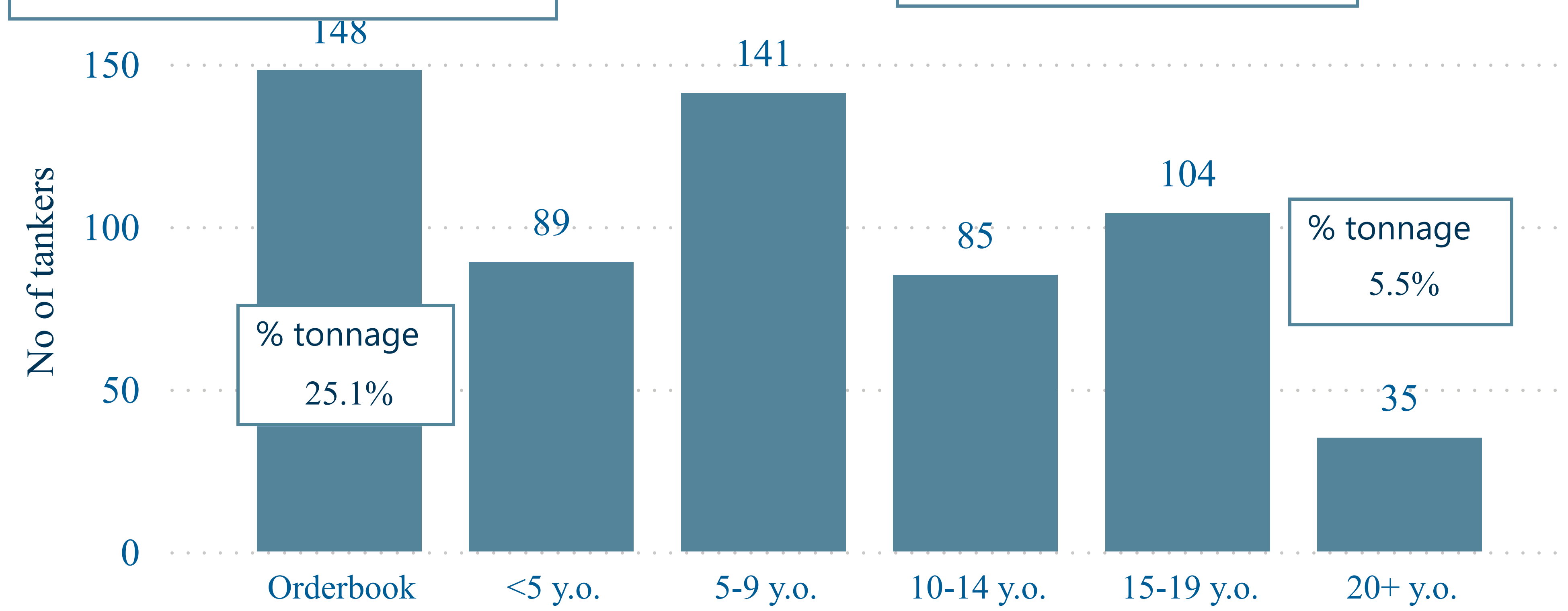


Global Fleet - Product Tanker Age Breakdown

LR2

Ships	Existing	Average Age
LR2	454	10.40

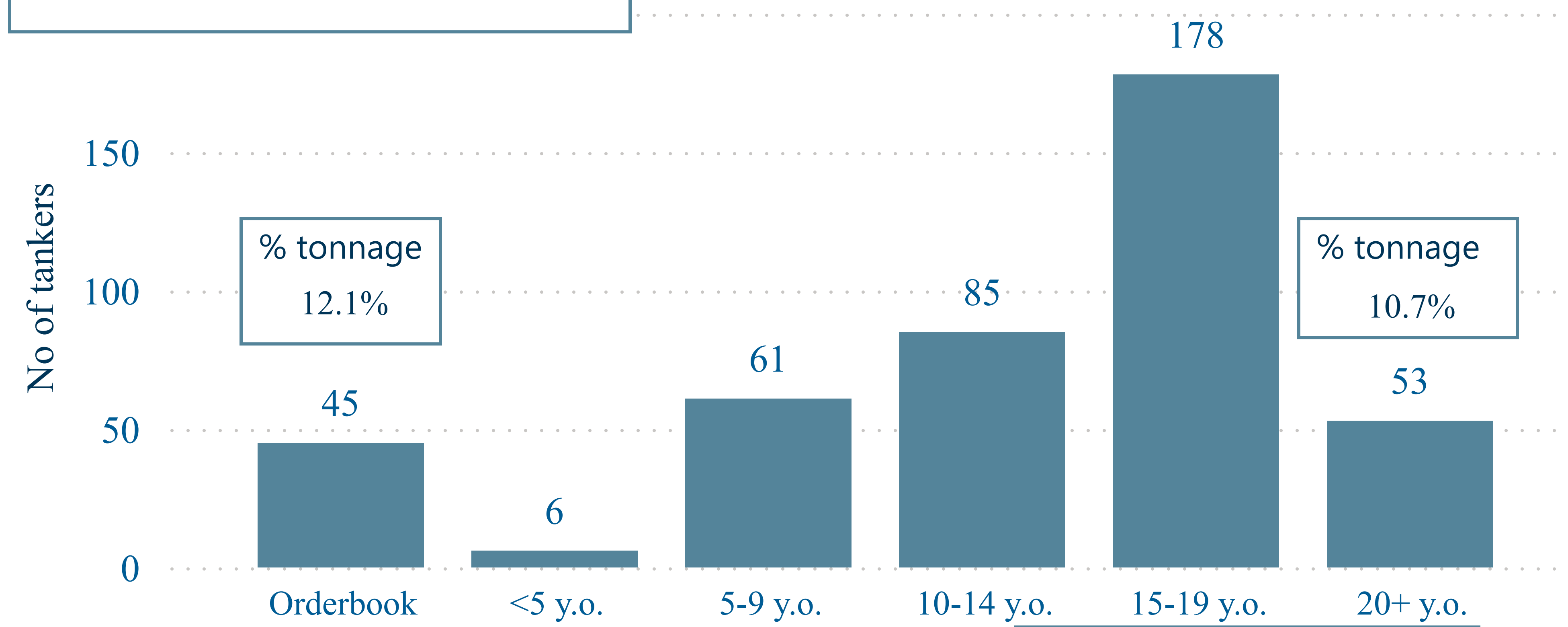
% tonnage (>15 y.o.)
22.5%



LR1

Ships	Existing	Average Age
LR1	383	14.72

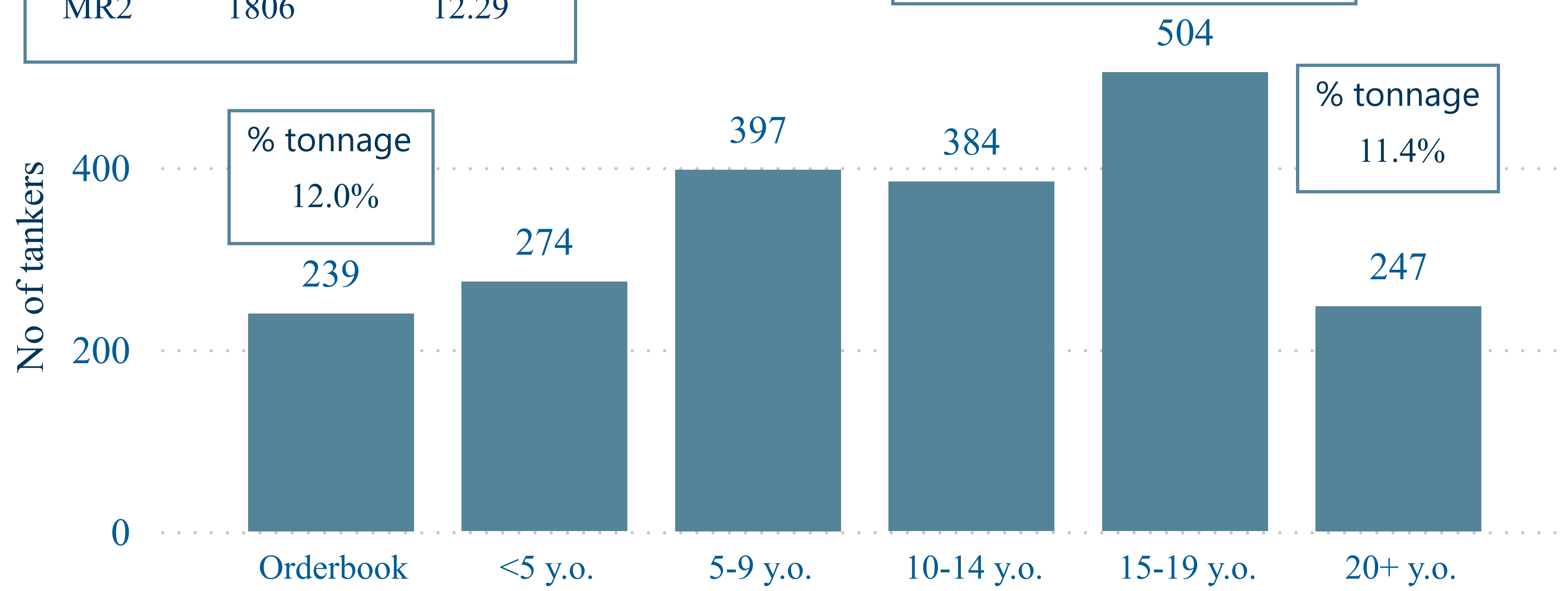
% tonnage (>15 y.o.)
53.5%



MR2

Ships	Existing	Average Age
MR2	1806	12.29

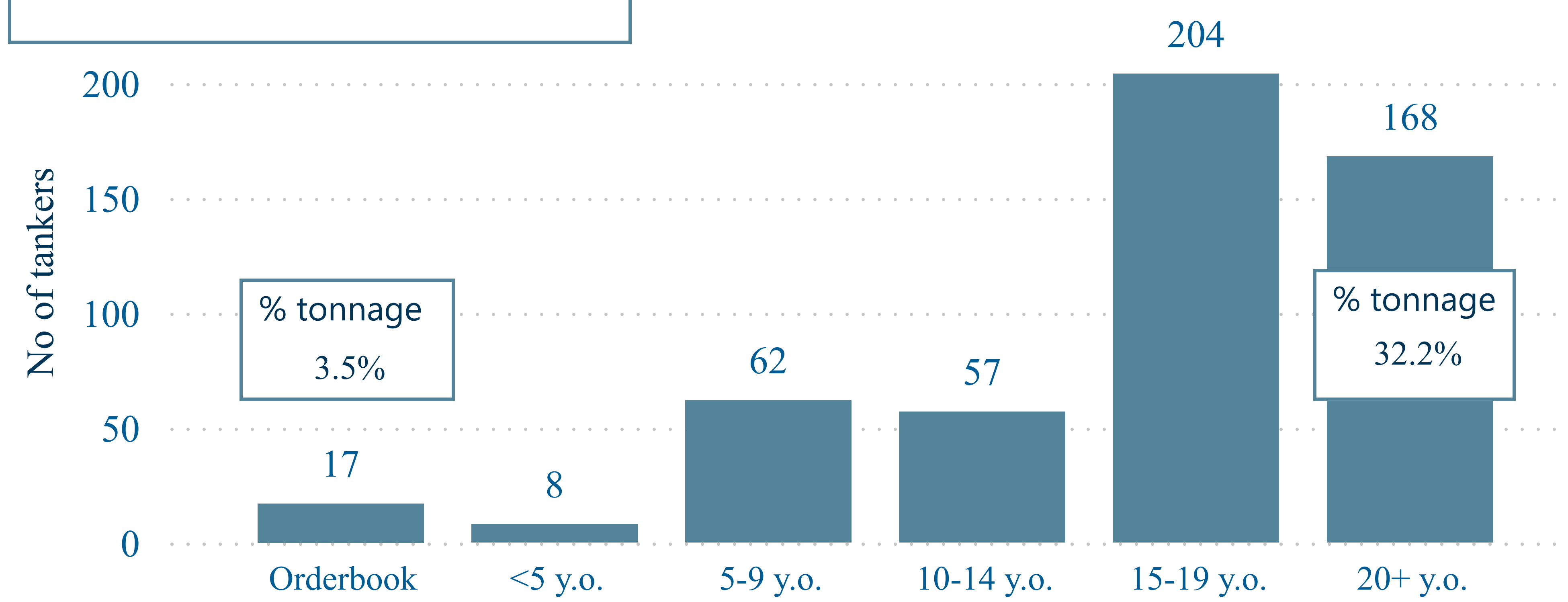
% tonnage (>15 y.o.)
35.6%



MR1

Ships	Existing	Average Age
MR1	499	17.00

% tonnage (>15 y.o.)
71.7%



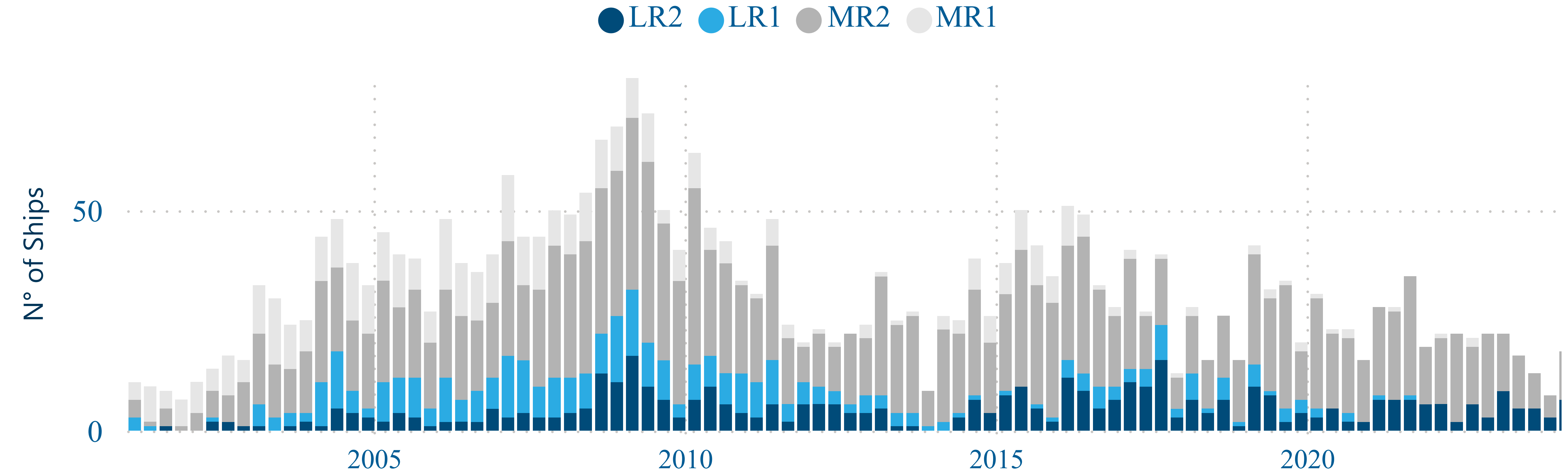
Product Tankers - Deliveries

Year	2024		2025	
Deliveries- # ships	# Deliveries	DWT	# Deliveries	DWT
LR2	20	2.3M	53	6.1M
LR1			11	0.8M
MR2	41	2.0M	83	4.2M
MR1	1	0.0M	5	0.2M

2024 deliveries includes vessels that have already been delivered the market

Year	2026		2027	
Deliveries - # ships	# Deliveries	DWT	# Deliveries	DWT
LR2	56	6.4M	24	2.7M
LR1	21	1.6M	13	1.0M
MR2	96	4.8M	35	1.7M
MR1	5	0.2M	6	0.2M

Quarterly Deliveries



Deliveries May-24

Name	DWT	Registered Owner	Parent Owner	Operator	Shipyard	Ordered on	Reported Price ($m)
Hygge	49,999	Cl Jiaxing Ltd	China Development Bank	Hengyi Petrochemical	Guangzhou Sy	5/1/2021	
Metro Aegean	114,934	Kymo Shipping Co	Angelopoulos Group	Metrostar	Hyundai Vietnam Sb	3/1/2022	
Nave Cosmos	115,651	Xiang H142 International Ship Lease Co Ltd	Bank Of Communications	Chevron Shipping	K Shipbuilding	5/1/2022	58.50
Nord Vulcan	49,999	Southern Route Maritime Sa & Nissen Kaiun Co Ltd	Sumitomo Mitsui Financial Group & Nissen Kaiun	Norden	Hyundai Vietnam Sb	7/1/2022	42.50
Pintail Pacific	44,997	Pintail Pacific Shipping Pte Ltd	Kuok Group	Pacific Carriers	K Shipbuilding	10/1/2022	

Expected Deliveries Jun-24

Name	DWT	Registered Owner	Parent Owner	Operator	Shipyard	Ordered on	Reported Price ($m)
Anatoly Lamekhov	45,000	Arctic Ivy Tankers Ltd	Mitsui Group	Novatek	Guangzhou Sy	2/1/2022	
Arctic Tern	49,000	Xiang S1 International Ship Lease Co Ltd	Bank Of Communications	Louis Dreyfus	K Shipbuilding	9/1/2021	52.00
Cl Virginia Woolf	49,359	Shenzhen Qianhai Sheng Li No. 8 Leasing Co Ltd	China Development Bank	Shell Tasco	New Times Sb	4/1/2021	37.00
Onega Gulf	45,000	Viterlef Management Ltd	Undisclosed	Uncommitted	Trogir	10/1/2005	41.00
Sfl Tucana	109,895	Sfl Tucana Inc	Fredriksen Group	Seatankers Management	New Times Sb	6/1/2022	

Product Tankers - Orderbook

Recent Orders May-24

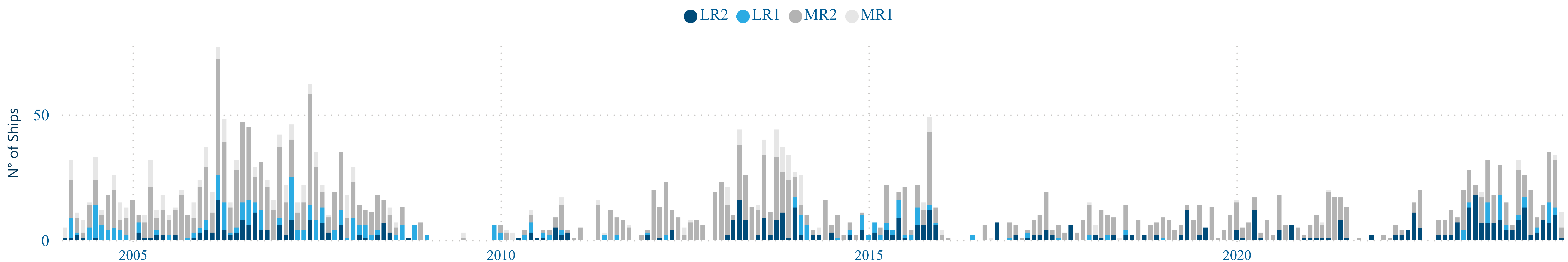
Name	DWT	Registered Owner	Parent Owner	Operator	Shipyard	Ordered on	Reported Price ($m)	IMO
(Tbn)	115,000	Singfar Tanker Pte Ltd	Sentek Marine & Trading	Singfar Tanker	New Times Sb	5/1/2024		1065332
(Tbn)	115,000	Singfar Tanker Pte Ltd	Sentek Marine & Trading	Singfar Tanker	New Times Sb	5/1/2024		1065344
(Tbn)	113,600	Undisclosed	Solai Holdings	Union Maritime Ltd-Gbr	Fujian Mawei	5/1/2024		1068073
(Tbn)	113,600	Undisclosed	Solai Holdings	Union Maritime Ltd-Gbr	Fujian Mawei	5/1/2024		1068085
(Tbn)	113,600	Undisclosed	Solai Holdings	Union Maritime Ltd-Gbr	Fujian Southeast	5/1/2024		1068164
(Tbn)	113,600	Undisclosed	Solai Holdings	Union Maritime Ltd-Gbr	Fujian Southeast	5/1/2024		1068176
(Tbn)	111,000	Undisclosed	Quantum Pacific Group	Eastern Pacific Shipping	Guangzhou Sy	5/1/2024	83.00	1071422
(Tbn)	111,000	Undisclosed	Quantum Pacific Group	Eastern Pacific Shipping	Guangzhou Sy	5/1/2024	83.00	1071434
(Tbn)	111,000	Undisclosed	Quantum Pacific	Eastern Pacific Shipping	Guangzhou Sy	5/1/2024	83.00	1071446

**25 more product tankers ordered in May*

Orders by Segment

Year	2024		
Segment	April	May	June
LR2	7	8	1
LR1	8	3	
MR2	20	19	4
MR1		2	6

Monthly Ordering Activity



Fleet Exits

**No product tankers were demolished in May.*

Crude Demolitions May-24

Name	IMO	DWT	Built	Parent Owner	Operator	Country	Demo Date
Jal Gamini	9188788	157,449	2000	Brij Maritime	Brij Maritime	BANGLADES H	5/1/2024

Demolitions by Vessel Type May-24

Ships	# Demolitions	Average Age
Suezmax	1	24.0

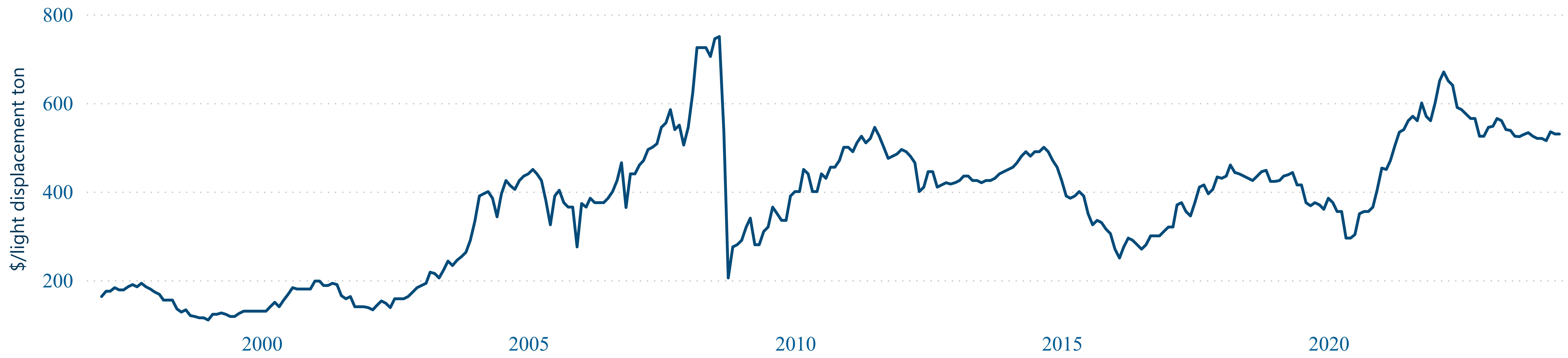
Product Demolitions May-24

Name	IMO	DWT	Built	Parent Owner	Operator	Country	Demo Date

Demolitions by Vessel Type May-24

Ships	# Demolitions	Average Age

Tanker Demolition Prices - $/ldt



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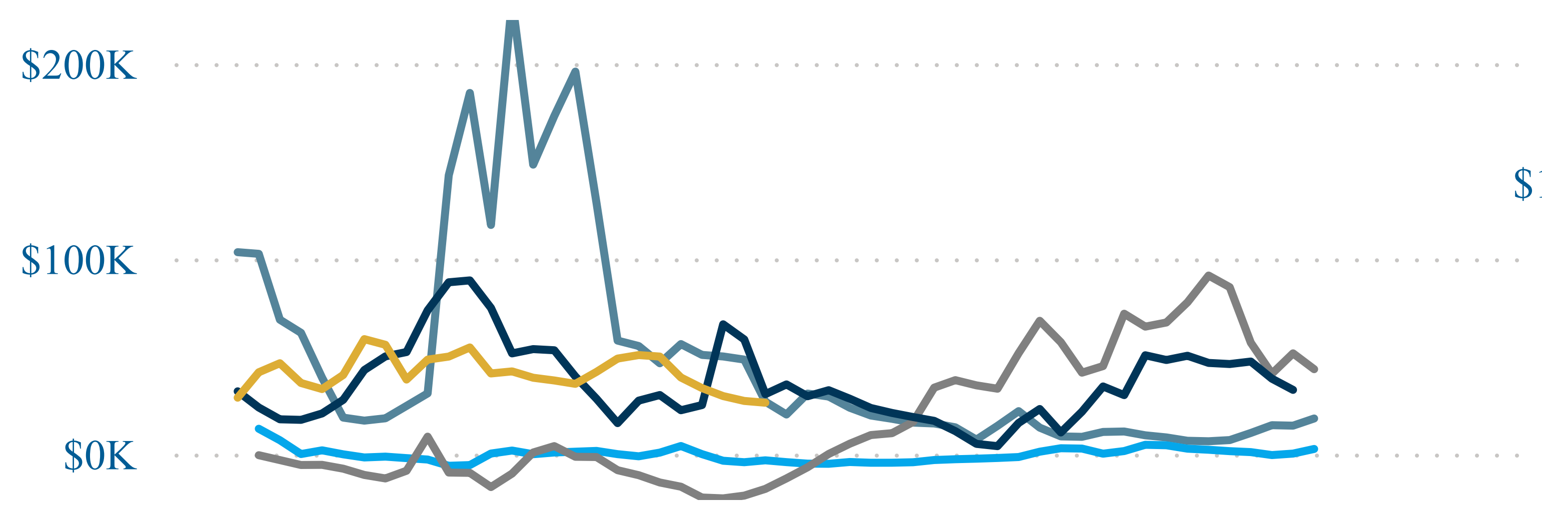
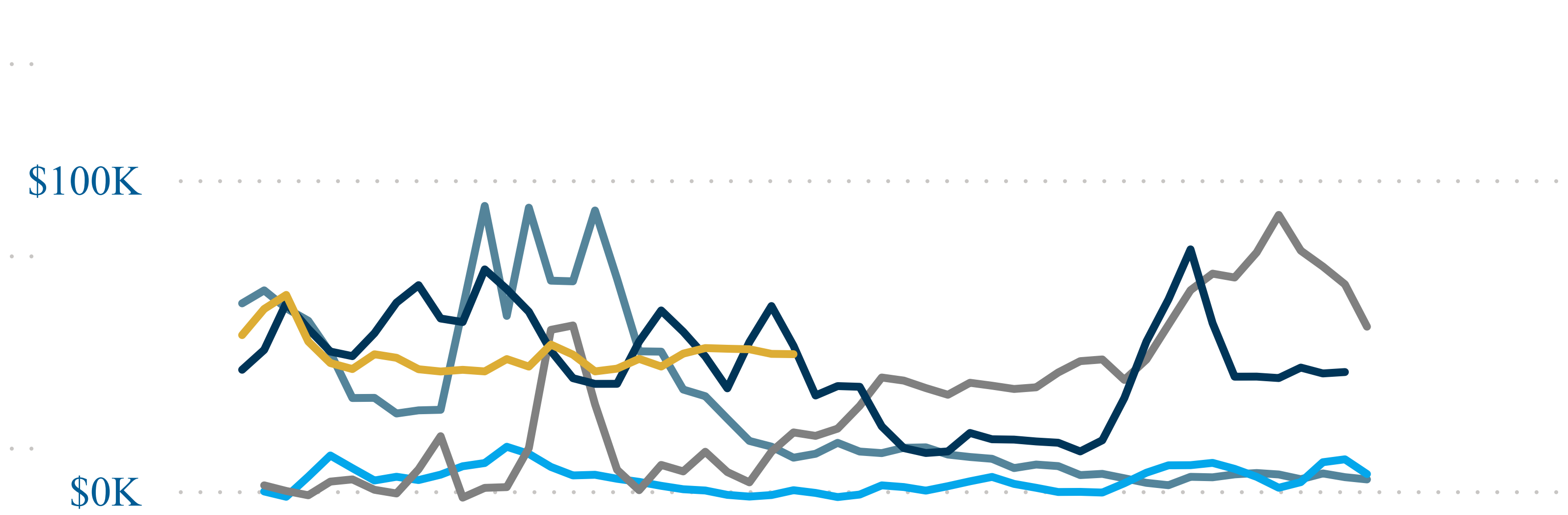
Crude Tankers - Spot Market

Month	May				June			
Identifier	Monthly Avg TCE	Avg TCE YTD	M-o-M Variation%	TCE one year ago	Monthly Avg TCE	Avg TCE YTD	M-o-M Variation%	TCE one year ago
VLCC 260kt WAF/China	$49,301	$45,755	22%	$28,797	$34,994	$44,106	-29%	$43,112
VLCC 270kt MEG/China	$46,715	$43,599	21%	$25,200	$29,165	$41,387	-38%	$42,975
Suezmax 130kt WAF/UKC	$42,027	$43,633	-0%	$48,133	$44,649	$43,789	6%	$45,988
Suezmax 135kt Cross Med	$44,431	$47,069	7%	$57,196	$49,329	$47,415	11%	$47,495
Aframax 70kt USG/ARA	$40,779	$47,768	-7%	$60,540	$49,865	$48,090	22%	$41,838
Aframax 80kt Cross Med	$65,361	$53,807	20%	$59,837	$47,888	$52,900	-27%	$41,027

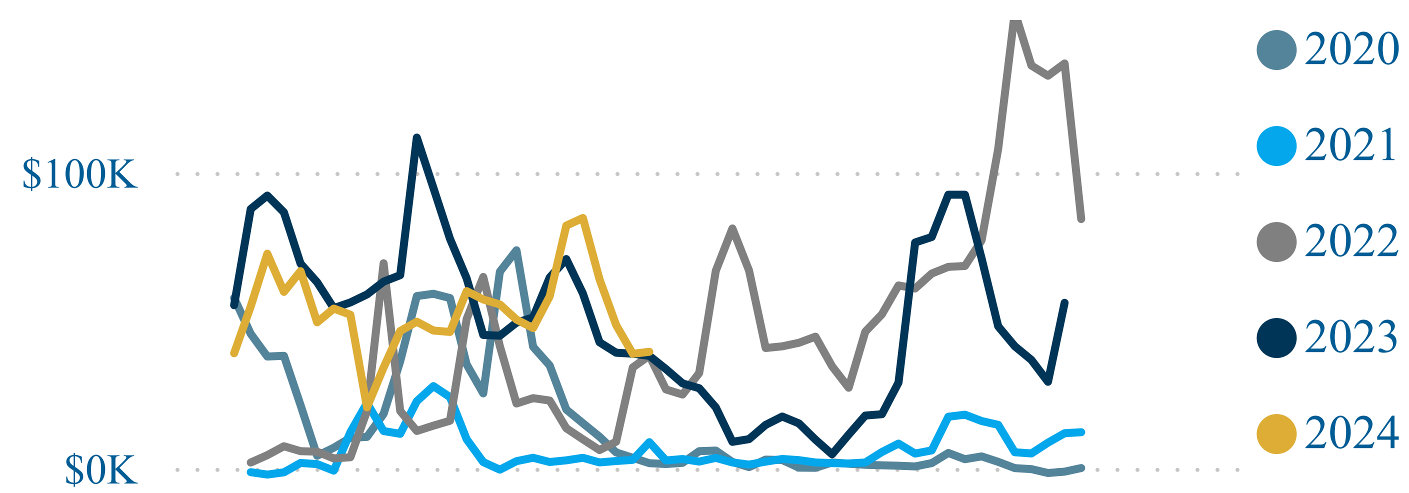
VLCC 250kt MEG/China (Ras Tanura-Ningbo)



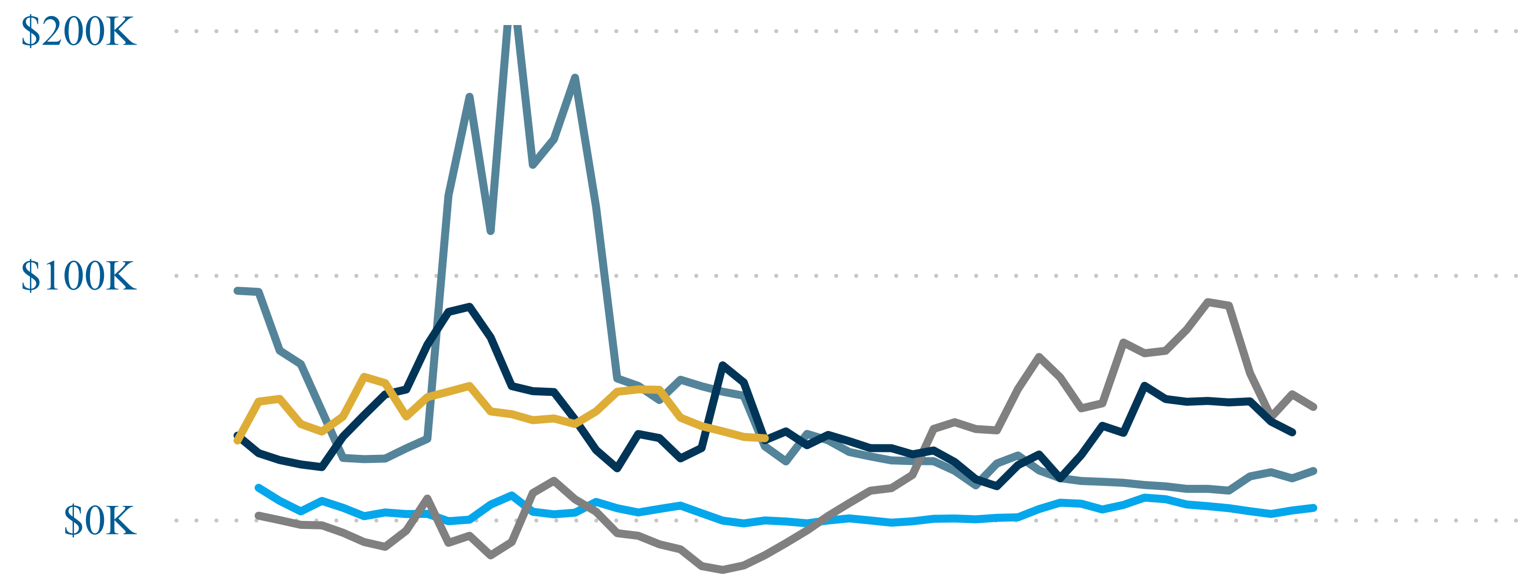
Suezmax 130kt West Africa/UKC TCE (Bonny-Rotterdam)



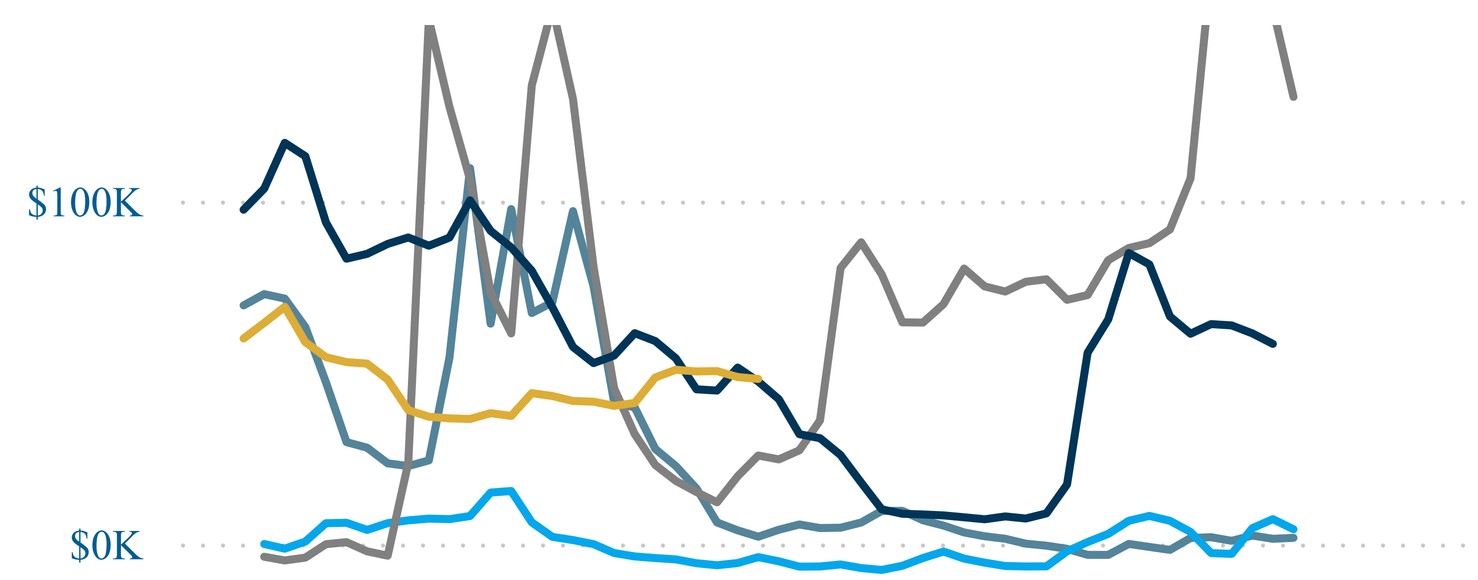
Aframax 80kt xMed TCE (Ceyhan-Lavera)



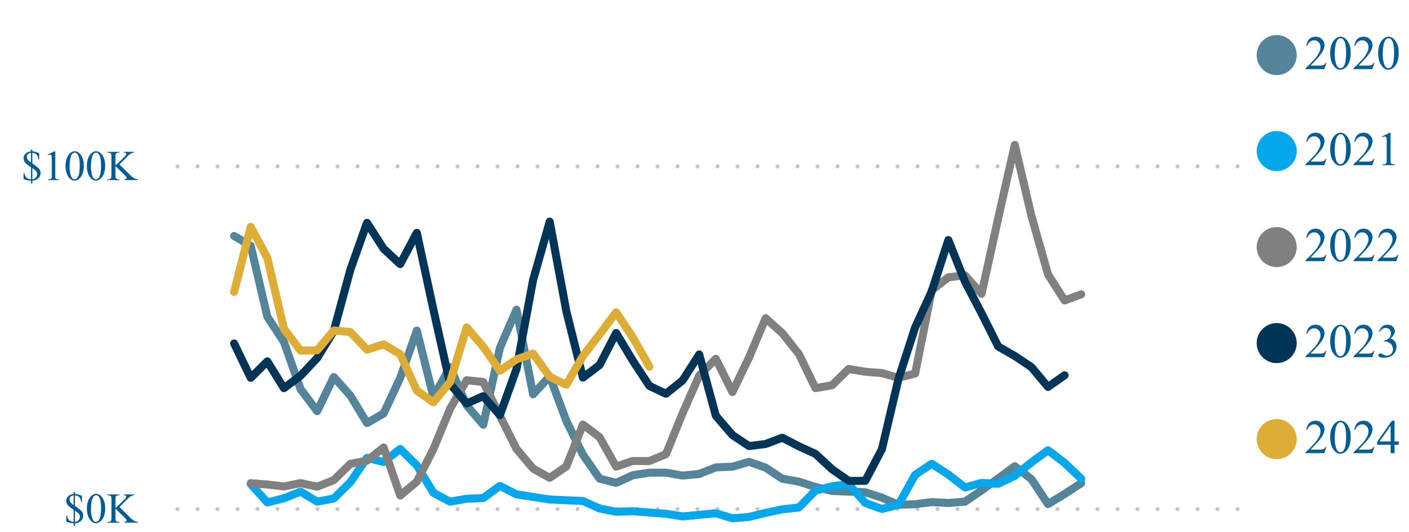
VLCC 260kt West Africa/China TCE (Bonny-Ningbo)



Suezmax 135kt xMed TCE (Novorossiyk-Augusta)



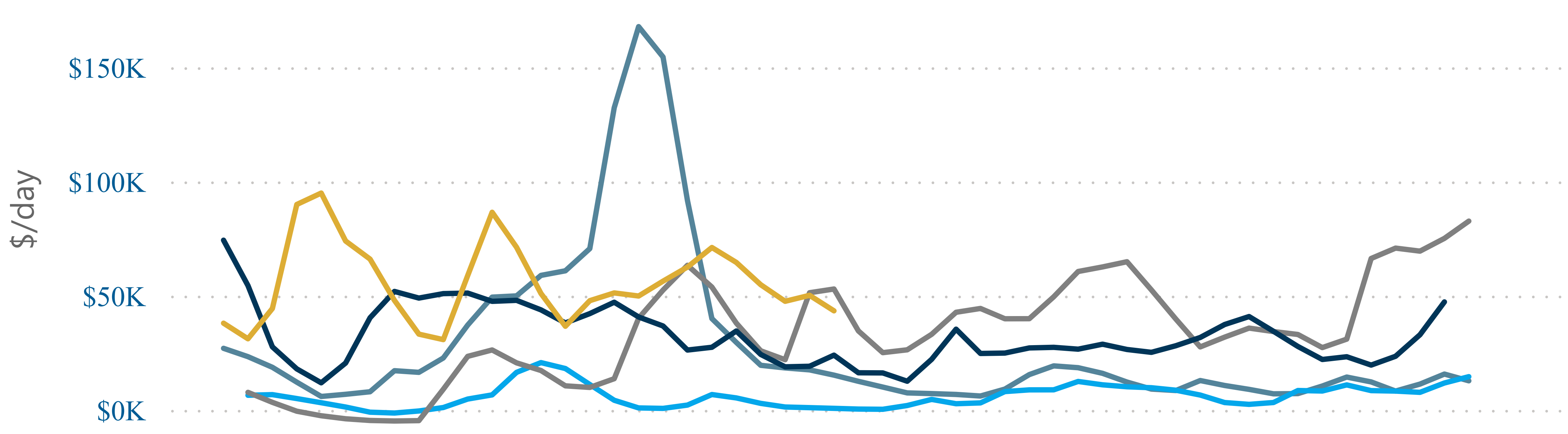
Aframax 70kt USG/ARA TCE (Houston-Rotterdam)



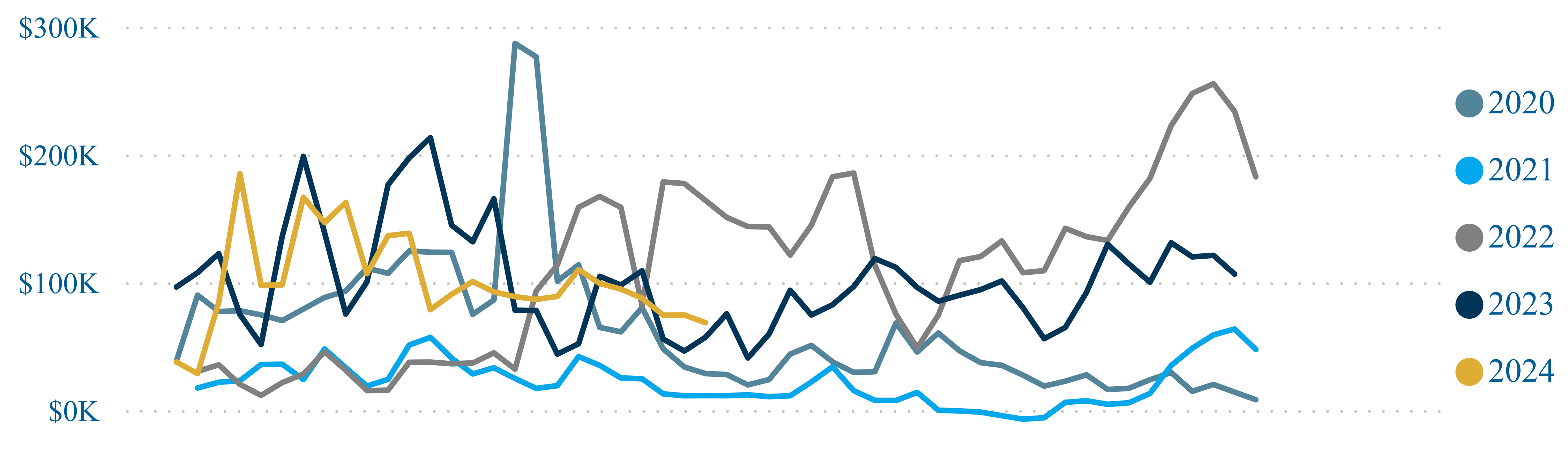
Product Tankers - Spot Market

Month	May				June			
Identifier	Monthly Avg TCE	Avg TCE YTD	M-o-M Variation%	TCE one year ago	Monthly Avg TCE	Avg TCE YTD	M-o-M Variation%	TCE one year ago
LR2 75kt MEG/Japan	$61,964	$57,200	33%	$32,385	$49,247	$55,982	-21%	$22,661
LR1 55kt MEG/Japan	$45,952	$43,825	23%	$30,863	$42,335	$43,596	-8%	$22,561
MR 30kt Cross MED	$41,012	$43,672	9%	$12,662	$20,861	$40,177	-49%	$11,318
MR 37kt ARA/US	$21,276	$22,073	10%	$16,119	$16,030	$21,147	-25%	$14,595

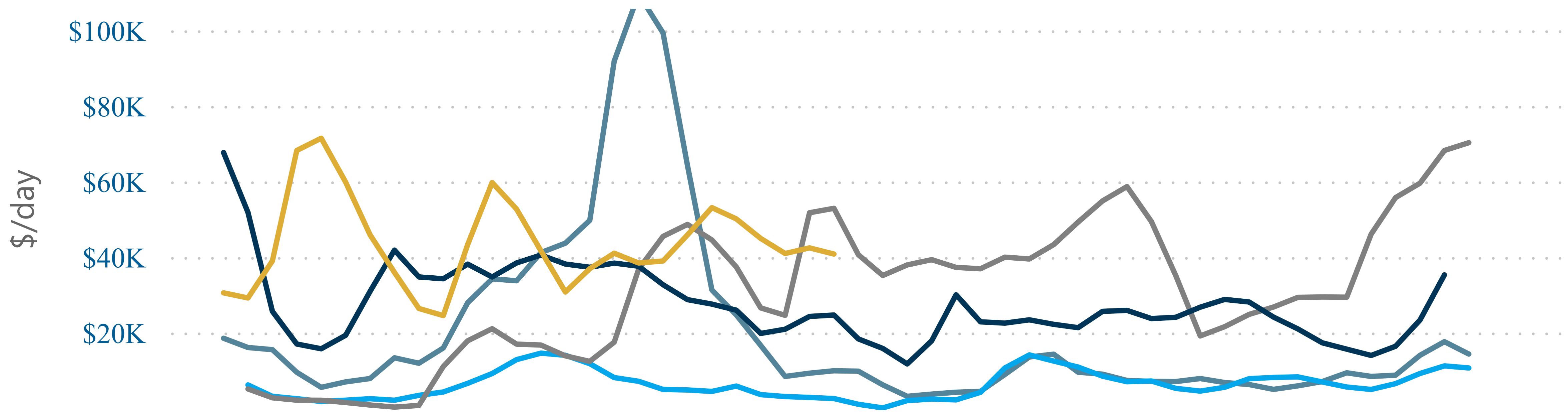
LR2 75kt MEG/Japan TCE (Ras Tanura-Yokohama)



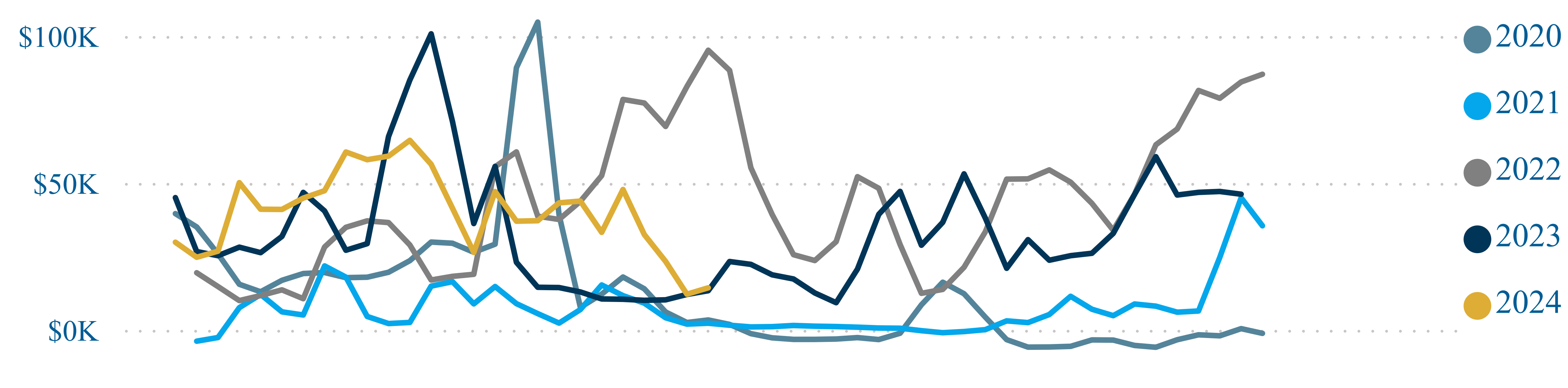
MR 37kt ARA/US West Coast TCE (Amsterdam-New York)



LR1 55kt MEG/Japan TCE (Ras Tanura-Yokohama)

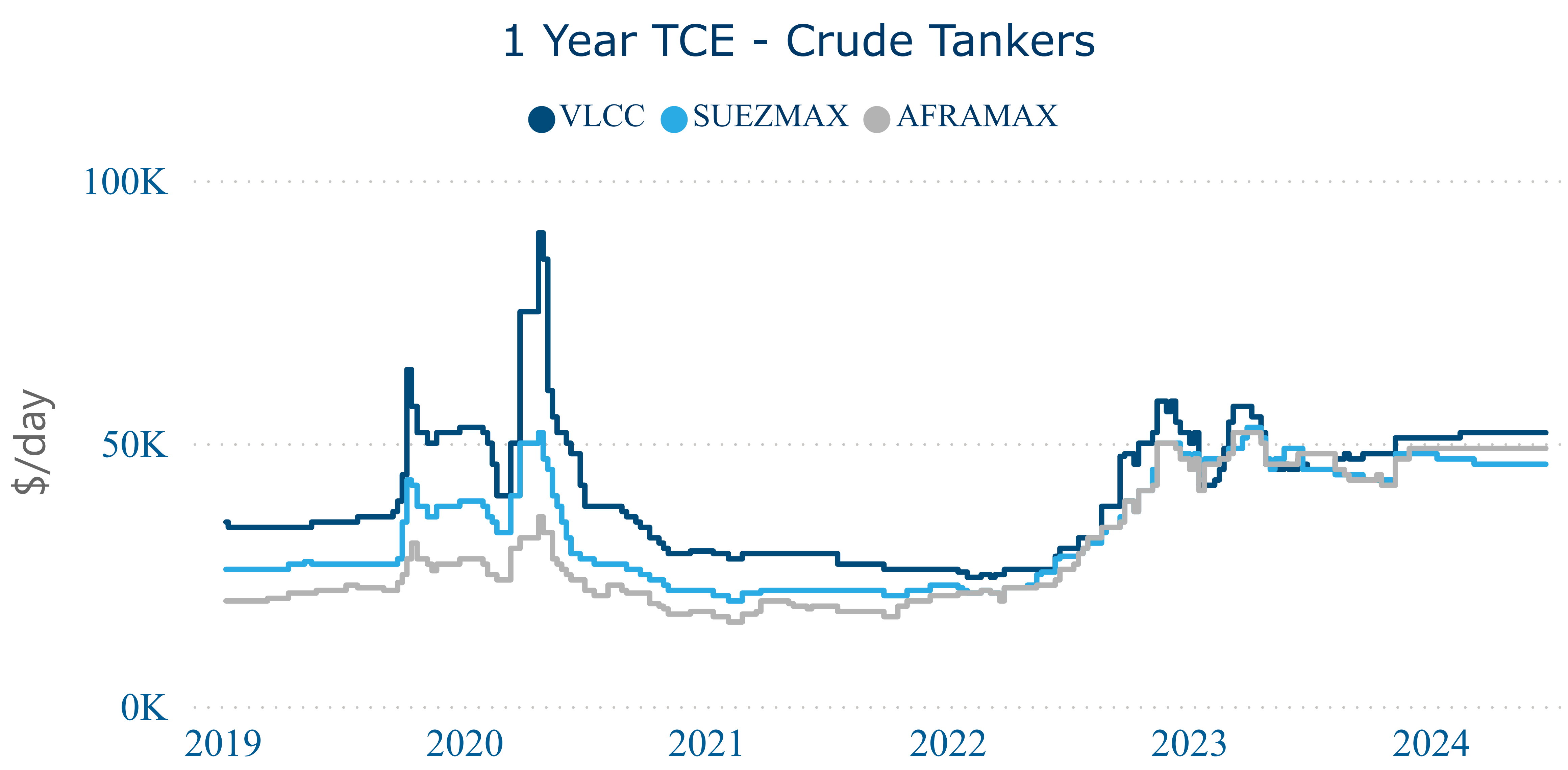


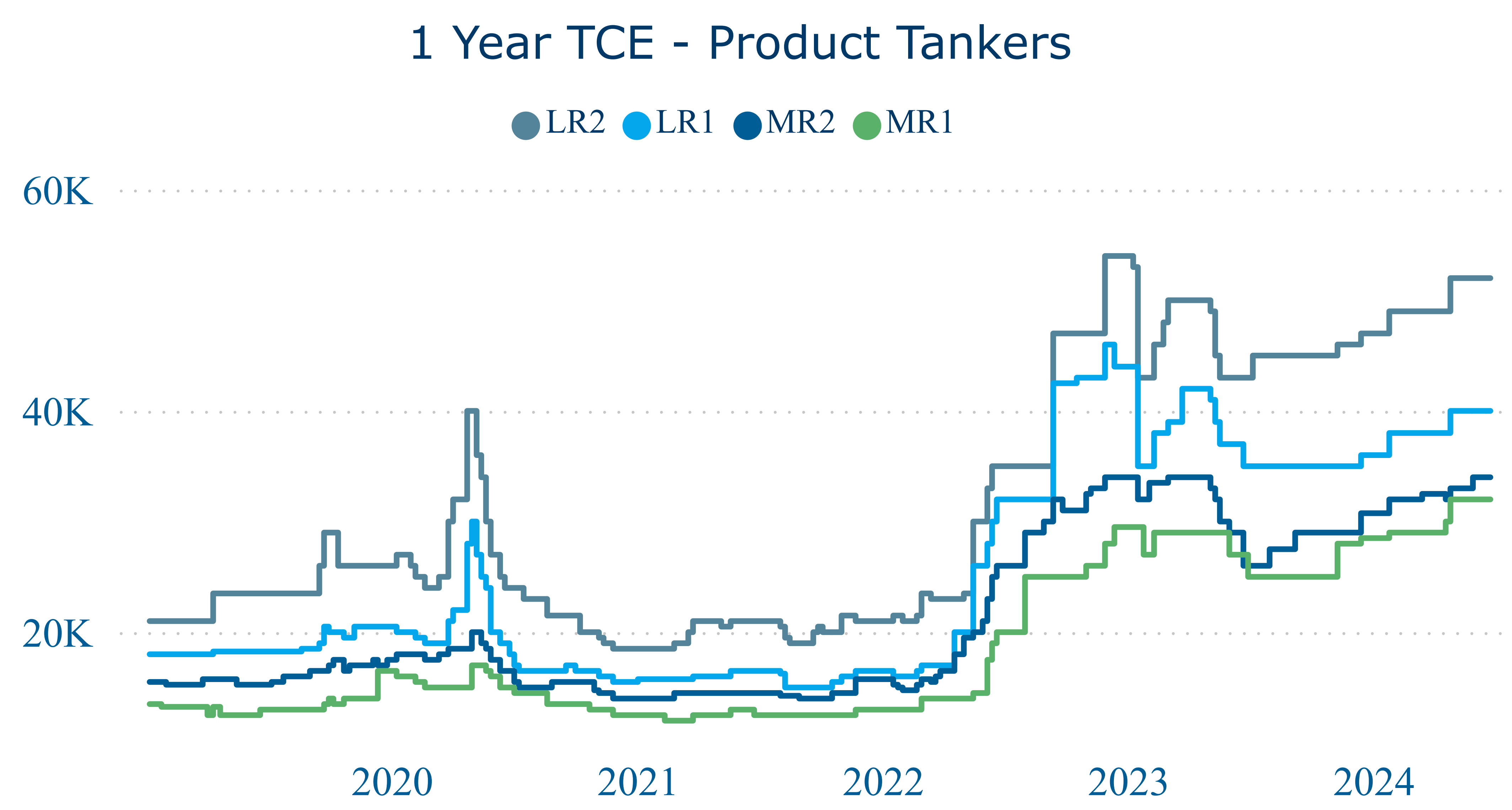
MR 30kt xMed TCE (Skikda-Lavera)



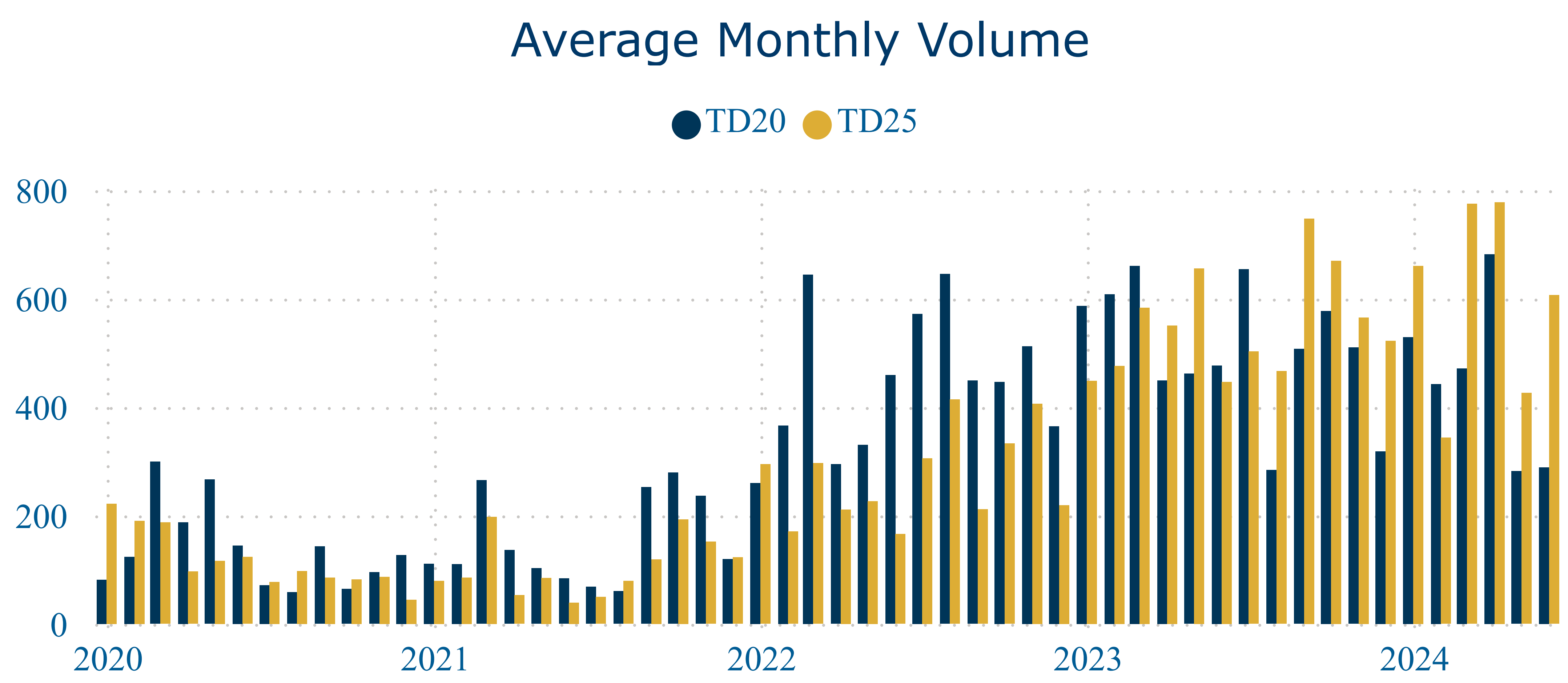
Time Charter Rates

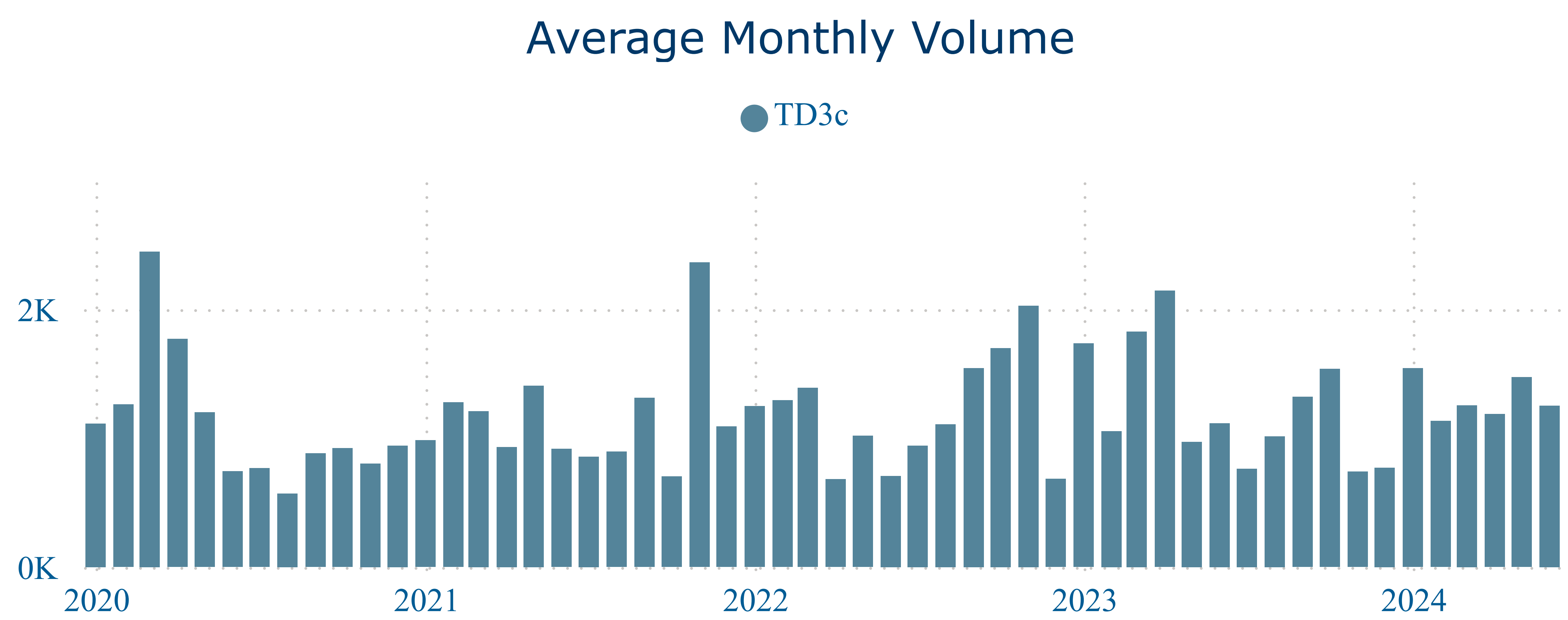
Year	2024							
Month	April				May			
Segment	Average Eco ($/day)	MoM%	YoY%	One Year Ago	Average Eco ($/day)	MoM%	YoY%	One Year Ago
VLCC	$52,000	0.0%	-5.0%	$54,750	$52,000	0.0%	14.5%	$45,400
Suezmax	$46,000	-0.5%	-12.4%	$52,500	$46,000	0.0%	-2.1%	$47,000
Aframax	$49,000	0.0%	-4.9%	$51,500	$49,000	0.0%	6.5%	$46,000
LR2	$49,600	1.2%	-0.8%	$50,000	$52,000	4.8%	13.0%	$46,000
LR1	$38,400	1.1%	-8.6%	$42,000	$40,000	4.2%	2.0%	$39,200
MR1	$29,800	2.8%	2.8%	$29,000	$32,000	7.4%	10.3%	$29,000
MR2	$32,500	0.8%	-4.4%	$34,000	$33,000	1.5%	3.8%	$31,800

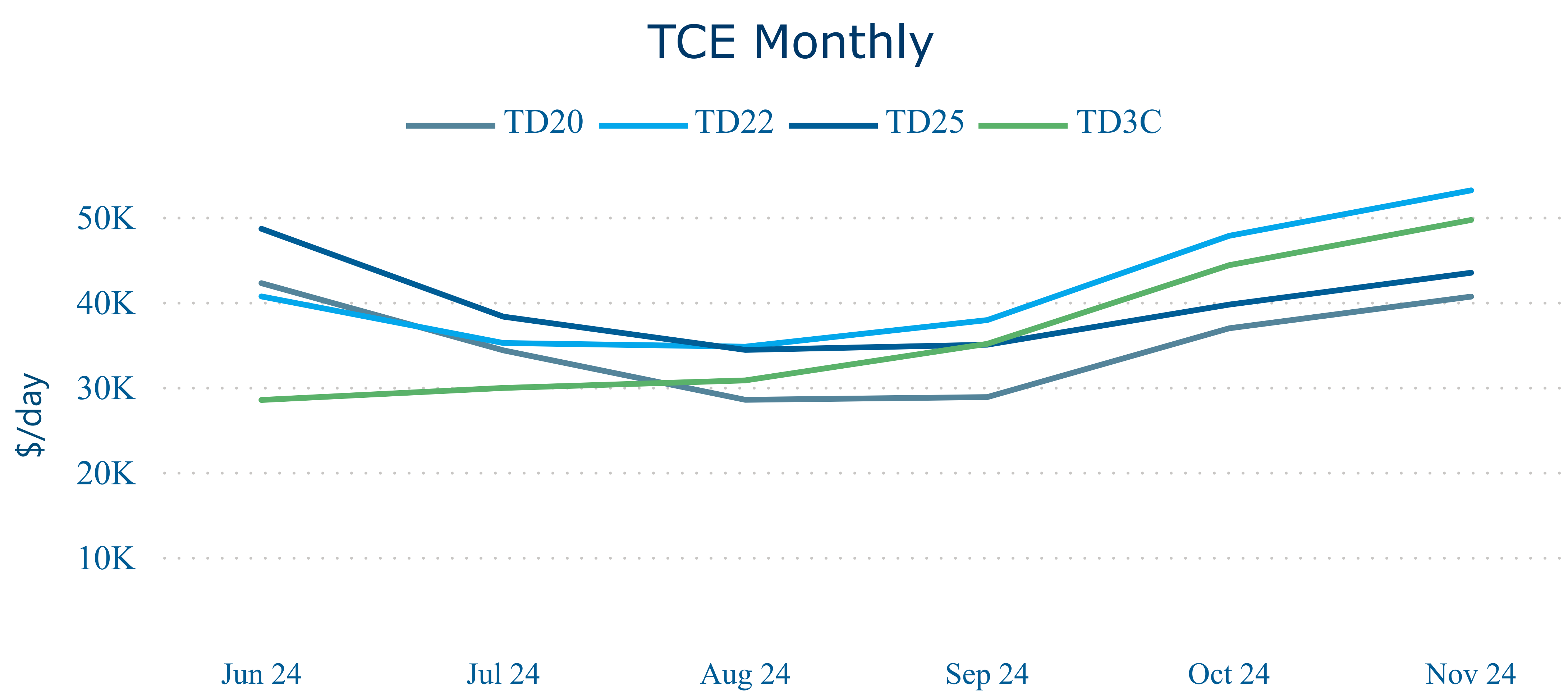


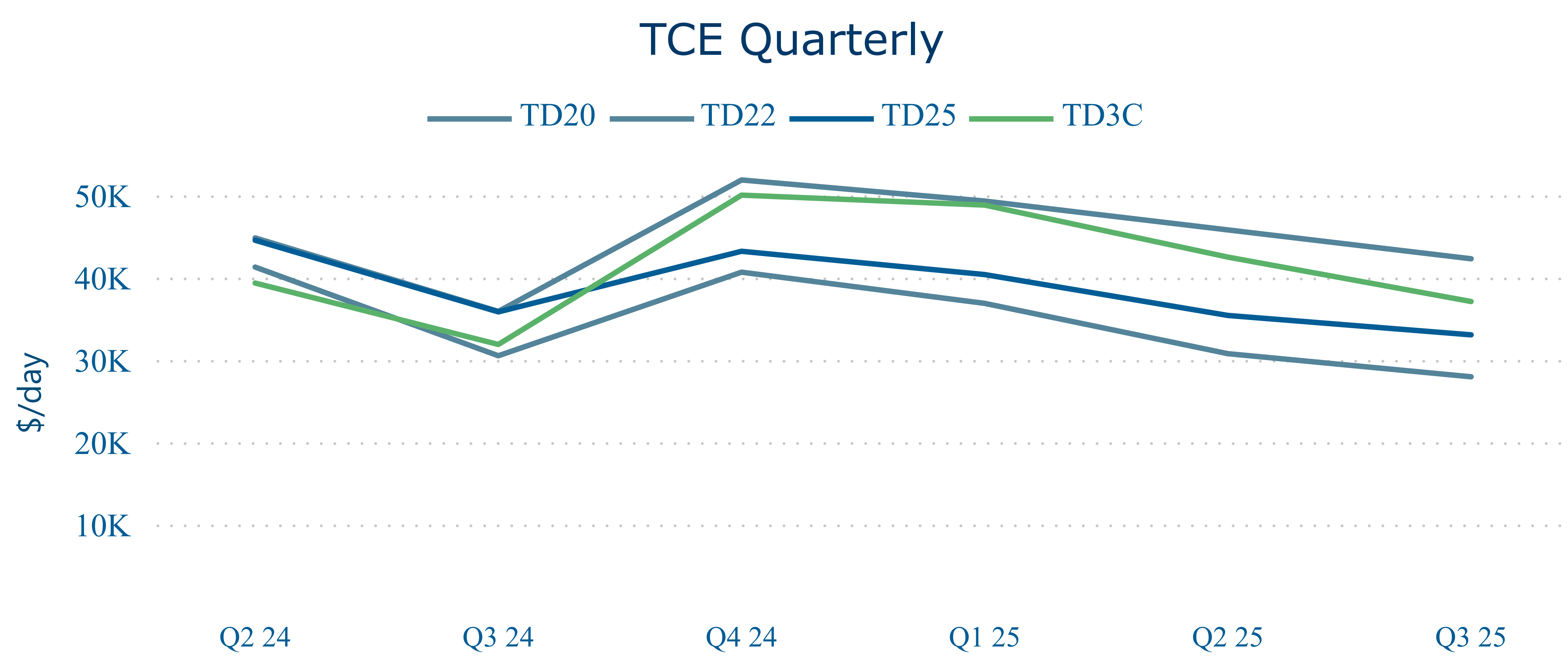


Crude Tankers - FFA



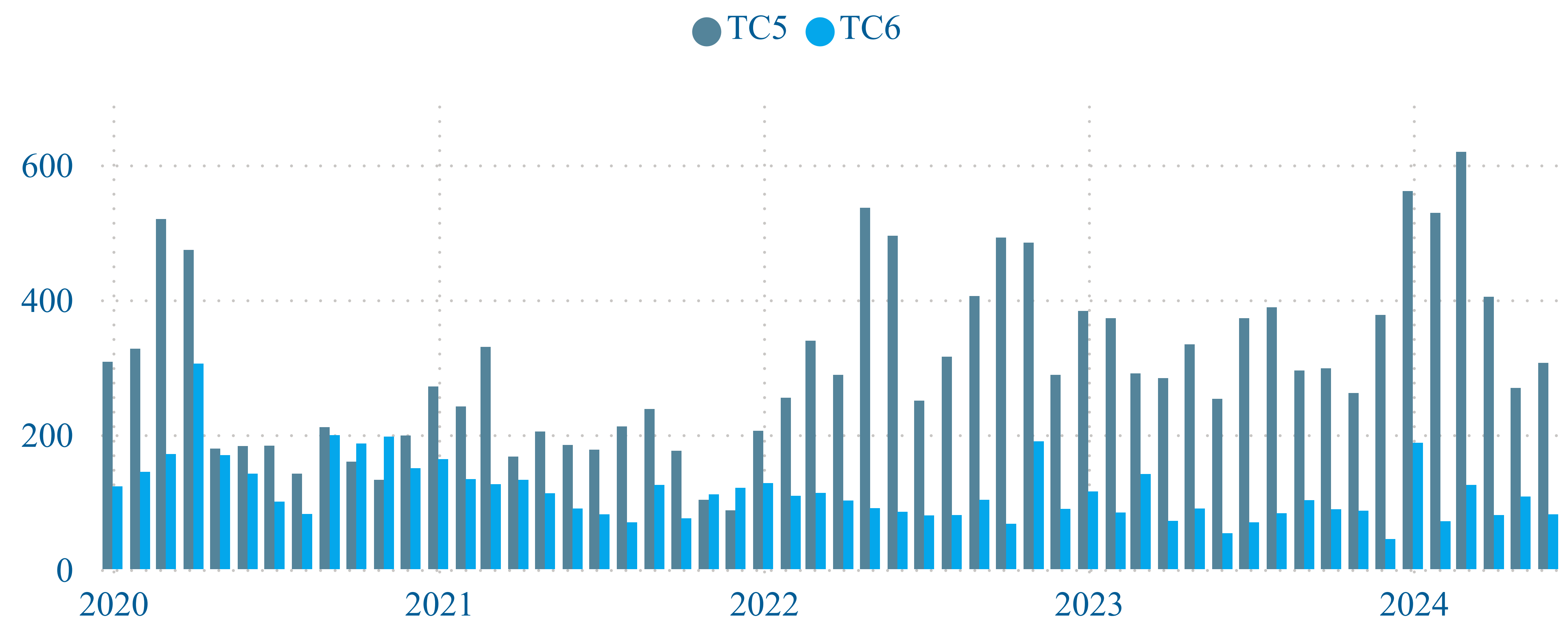




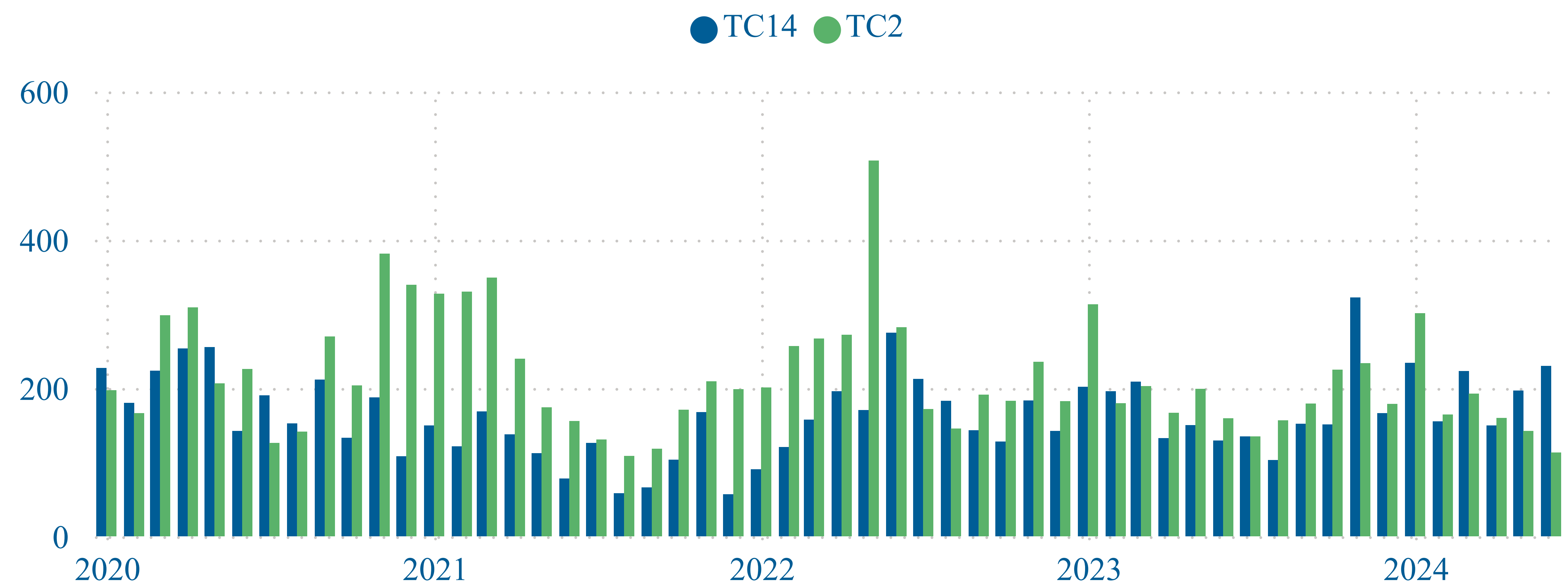


Product Tankers - FFA

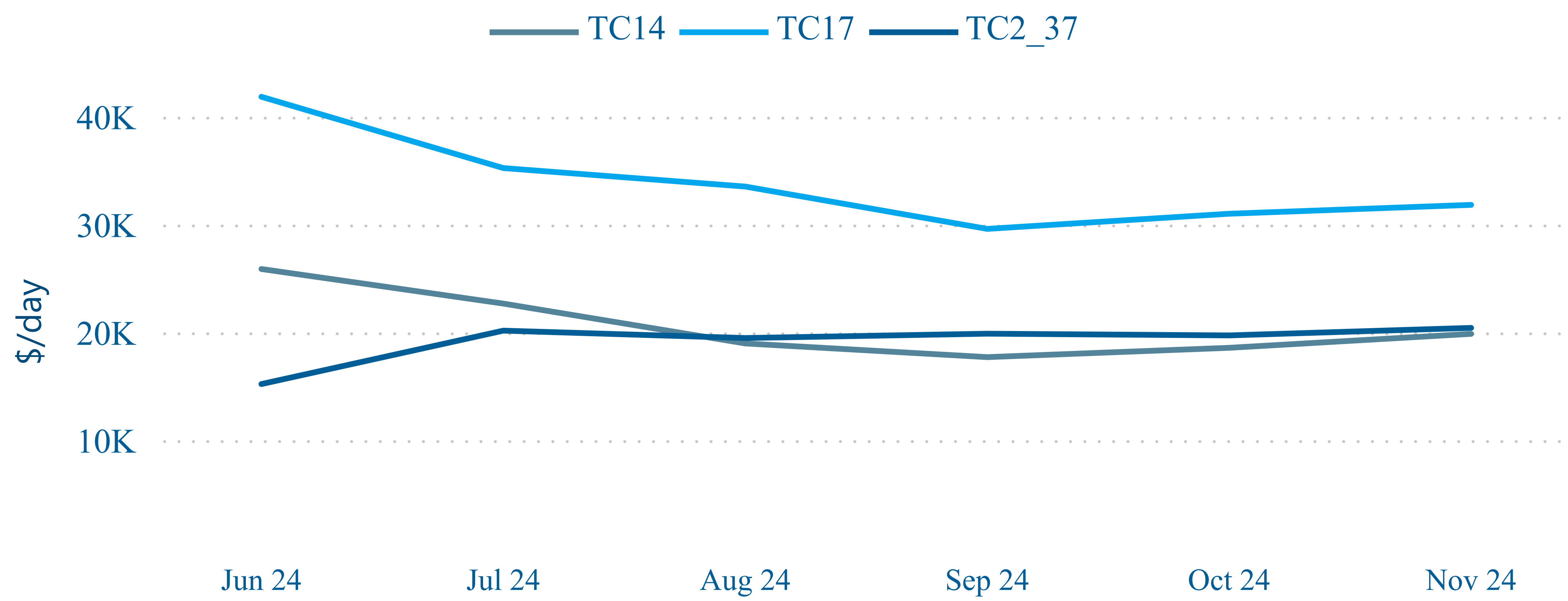
Average Monthly Volumes



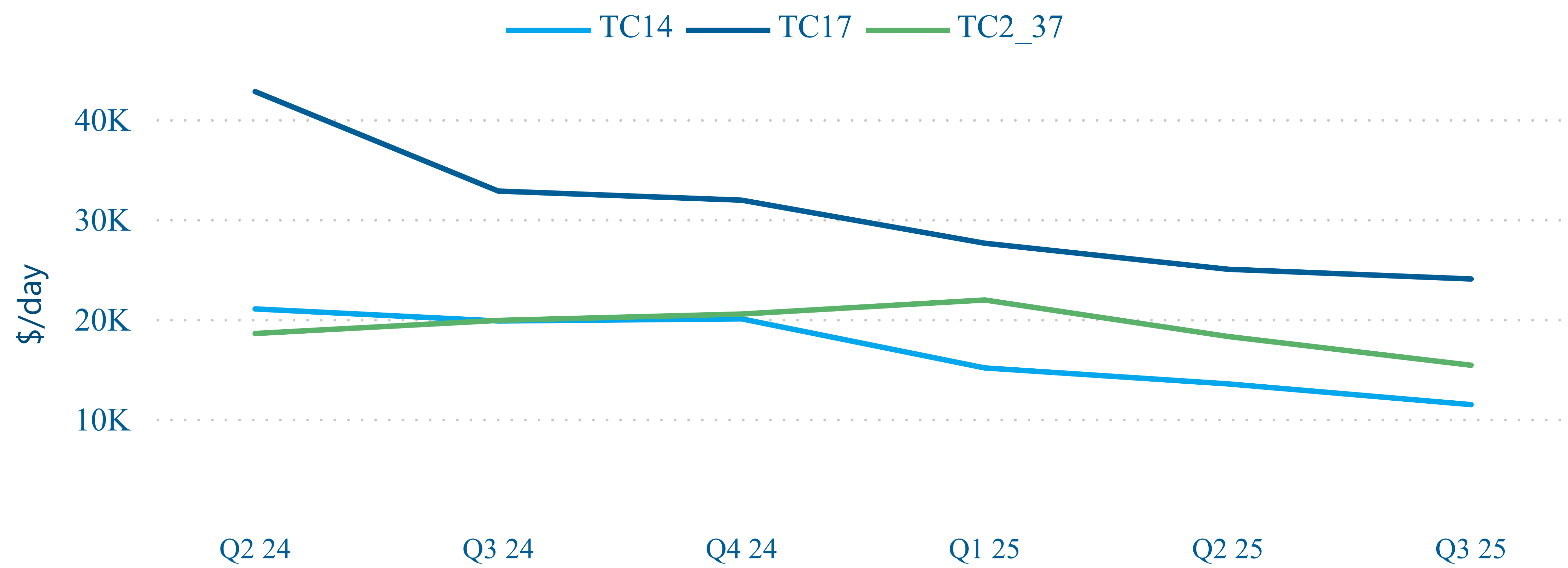
Average Monthly Volumes



TCE Monthly



TCE Quarterly



Tanker Prices - Newbuilding and Secondhand

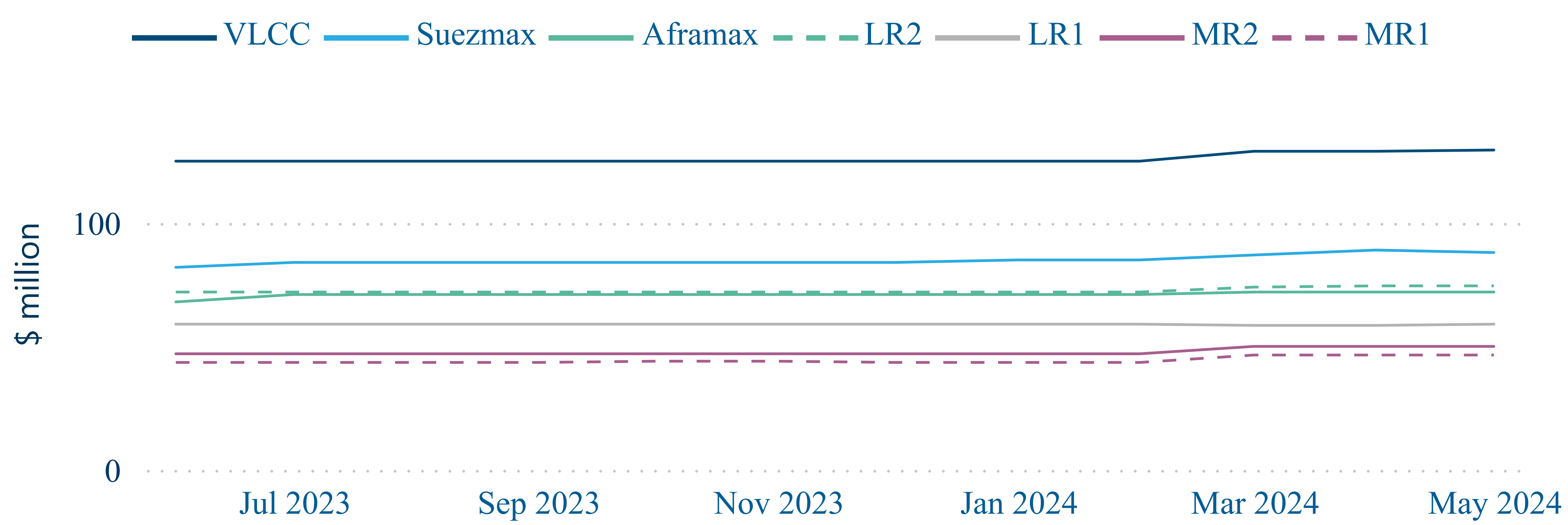
May-24

Sale Type	VLCC	Suezmax	Aframax	LR2	LR1	MR2	MR1
New Building	129.50	88.00	72.00	74.50	59.00	50.00	46.50
5 y.o. 2nd-hand	113.00	83.00	72.00	74.50	53.00	46.50	42.25
10 y.o. 2nd-hand	83.00	68.50	58.00	60.00	43.00	38.50	34.25

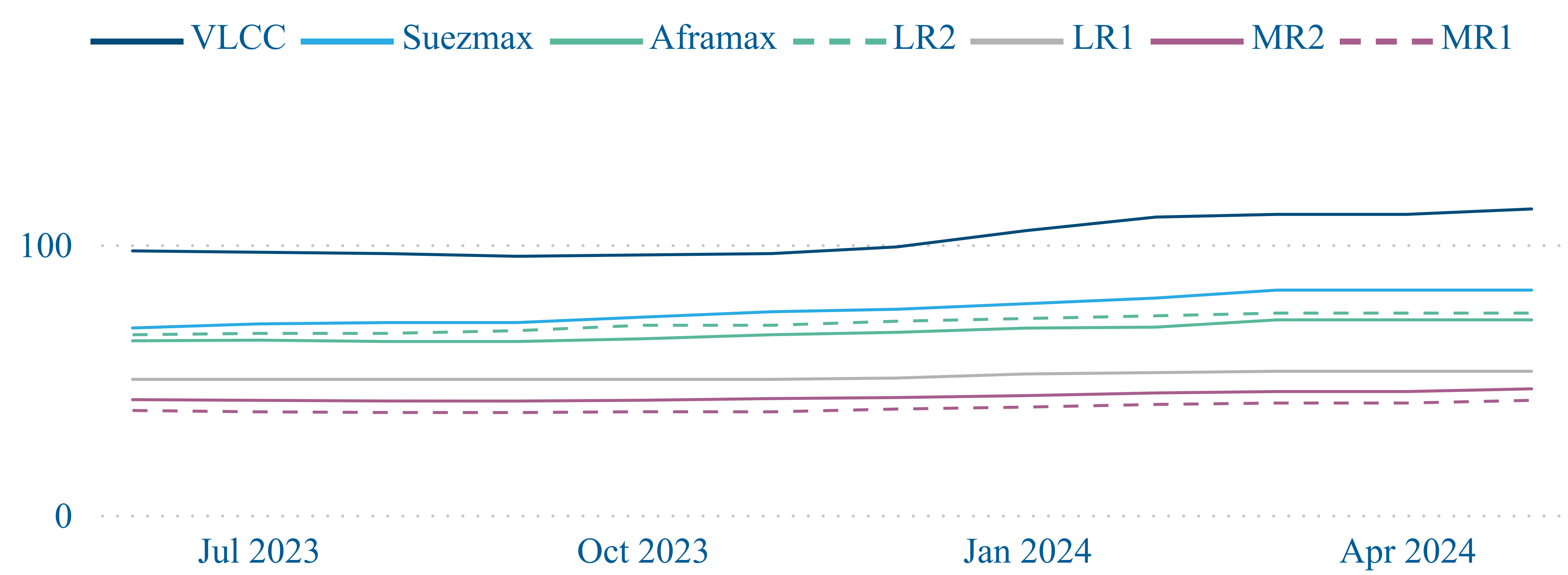
M-o-M Variation	VLCC	Suezmax	Aframax	LR2	LR1	MR2	MR1
New Building	0.50	-1.00	0.00	0.00	0.50	0.00	0.00
5 y.o. 2nd-hand	2.00	0.00	0.00	0.00	0.00	1.00	1.00
10 y.o. 2nd-hand	0.00	0.00	0.00	0.00	0.00	0.75	0.75

Returns index basis 1Y-TC	VLCC	Suezmax	Aframax	LR2	LR1	MR2	MR1
New Building	12.0%	15.4%	20.6%	21.6%	19.9%	19.8%	20.2%
5 y.o. 2nd-hand	13.9%	16.4%	20.9%	21.5%	22.2%	21.4%	22.2%
10 y.o. 2nd-hand	19.0%	20.1%	25.9%	26.6%	27.6%	25.9%	27.6%

Tanker Newbuilding Prices



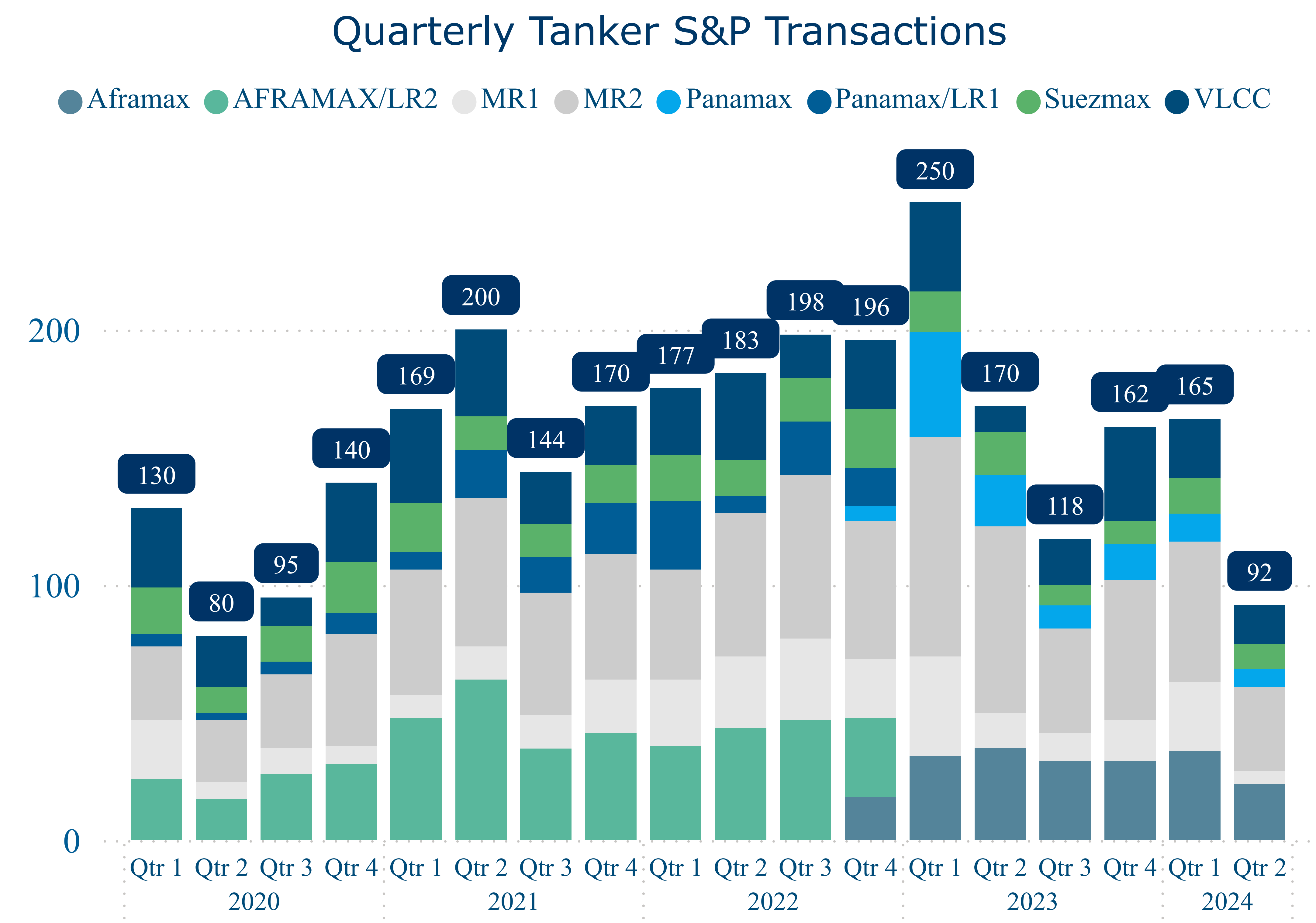
5-Year Old Tanker Prices



Sale & Purchase Activity

Ship Name	Built	Dwt	Seller	Price ($m)
STAR I	2008	63495	MARITIME MANAGEMENT SERVICES	-
THEODOSIA	2004	70312	HALKIDON SHIPPING	-
CHORA	2006	72768	IMS SA	-
UOG AEOLOS	2009	73427	UNITED OVERSEAS MANAGEMENT	28.80
SANMAR SONNET	1997	99999	SANMAR SHIPPING	28.60
MINERVA ROXANNE	2004	103560	MINERVA MARINE	-
MINERVA ELEONORA	2004	103622	MINERVA MARINE	-
LOVINA	2005	105047	TMS TANKERS	-
ZUMA	2005	105188	TMS TANKERS	-
NIPPON PRINCESS	2008	105392	TSAKOS ENERGY NAVIGATION	38.00
SANMAR SANGEET	2004	106516	SANMAR SHIPPING	26.90
DEMETRIOS	2011	149999	DYNACOM	53.00
DAWN II	2000	159901	DAKAI SHIPPING	-
SEOUL SPIRIT	2005	159966	TEEKAY CORP	34.50
AMETHYST MTS	2003	159988	EDGE MARITIME	-
BESIKTAS DARDANELLES	2005	163750	BESIKTAS LIKID	-
EURONIKE	2005	164565	TSAKOS ENERGY NAVIGATION	40.50
SM VENUS1	2019	299696	KOREA LINE	116.00
SM VENUS2	2020	299696	KOREA LINE	116.00
SM WHITE WHALE1	2019	300759	KOREA LINE	116.00
SM WHITE WHALE2	2019	300759	KOREA LINE	116.00

In total, 42 tankers were sold in May 2024

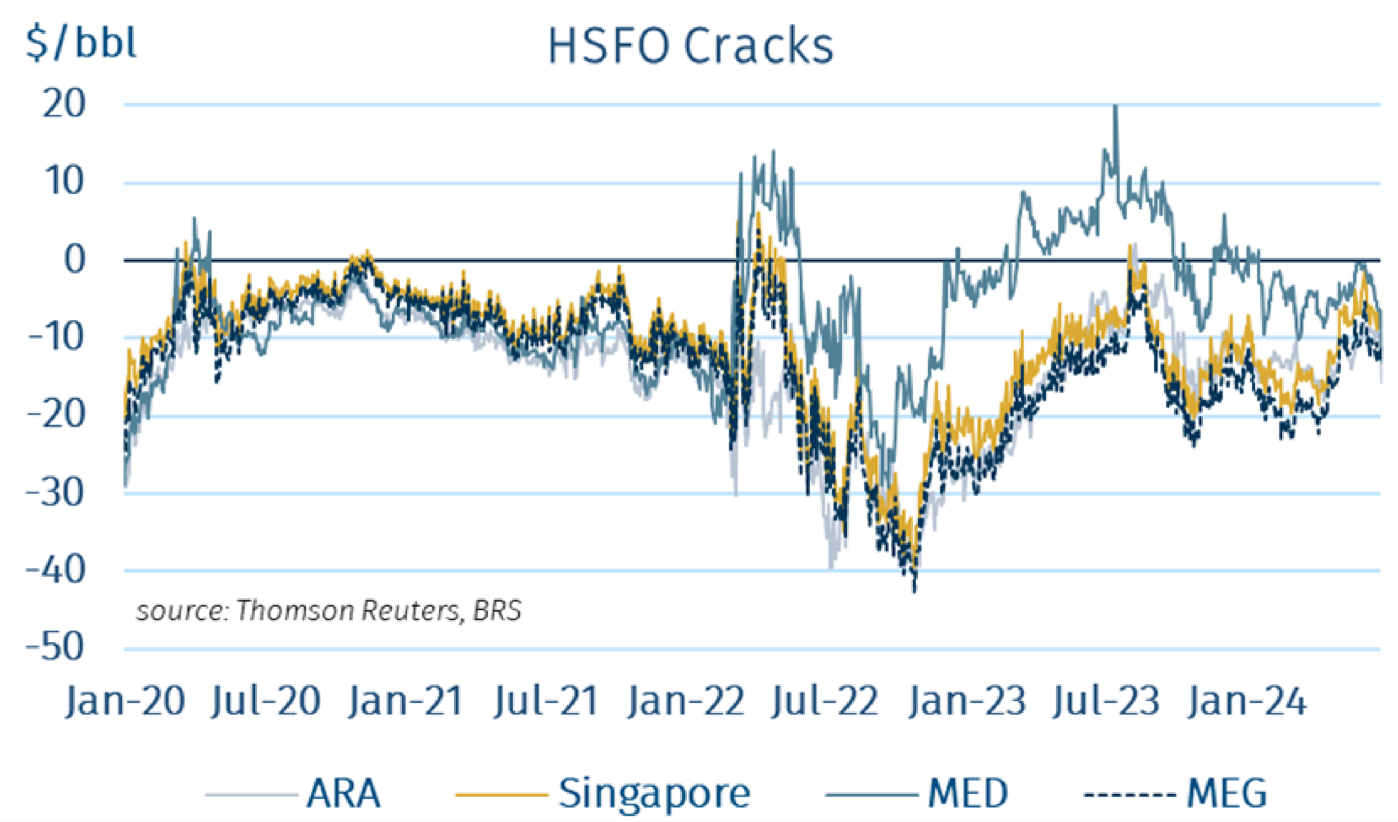


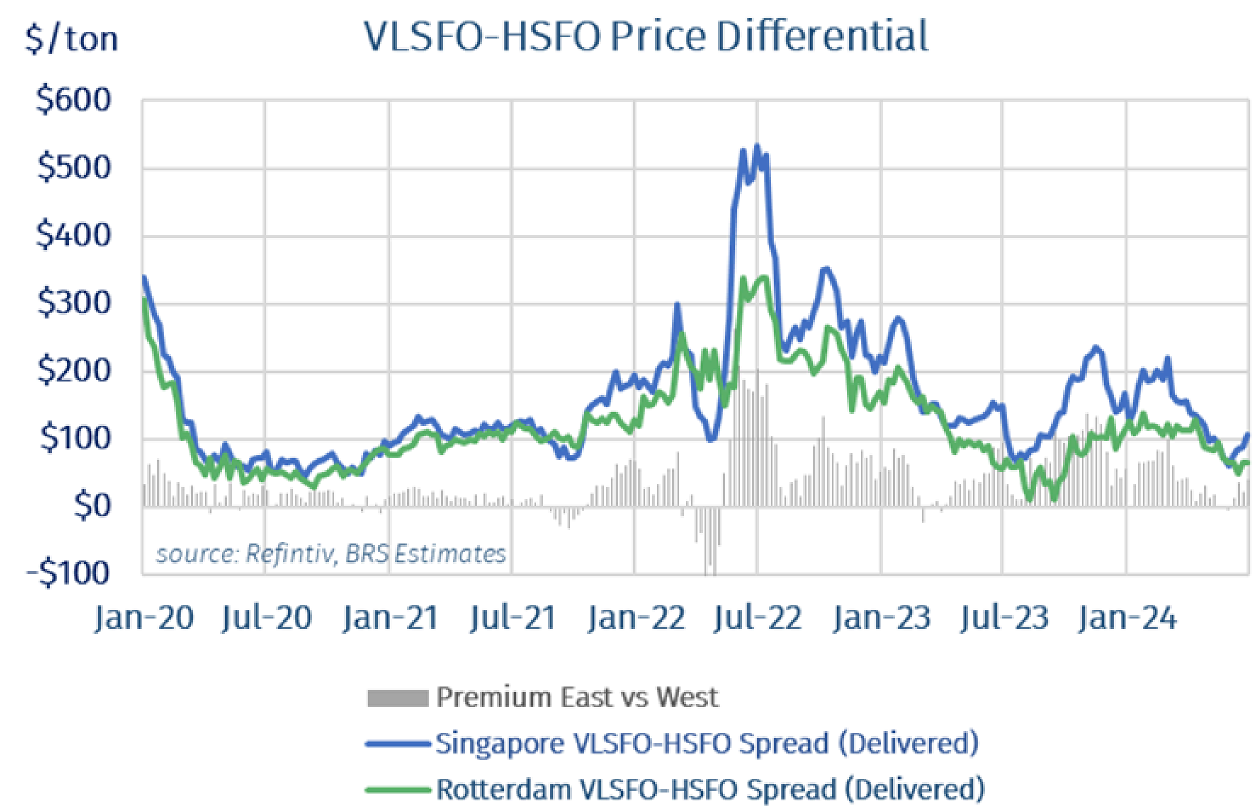
S&P TANKER MARKET

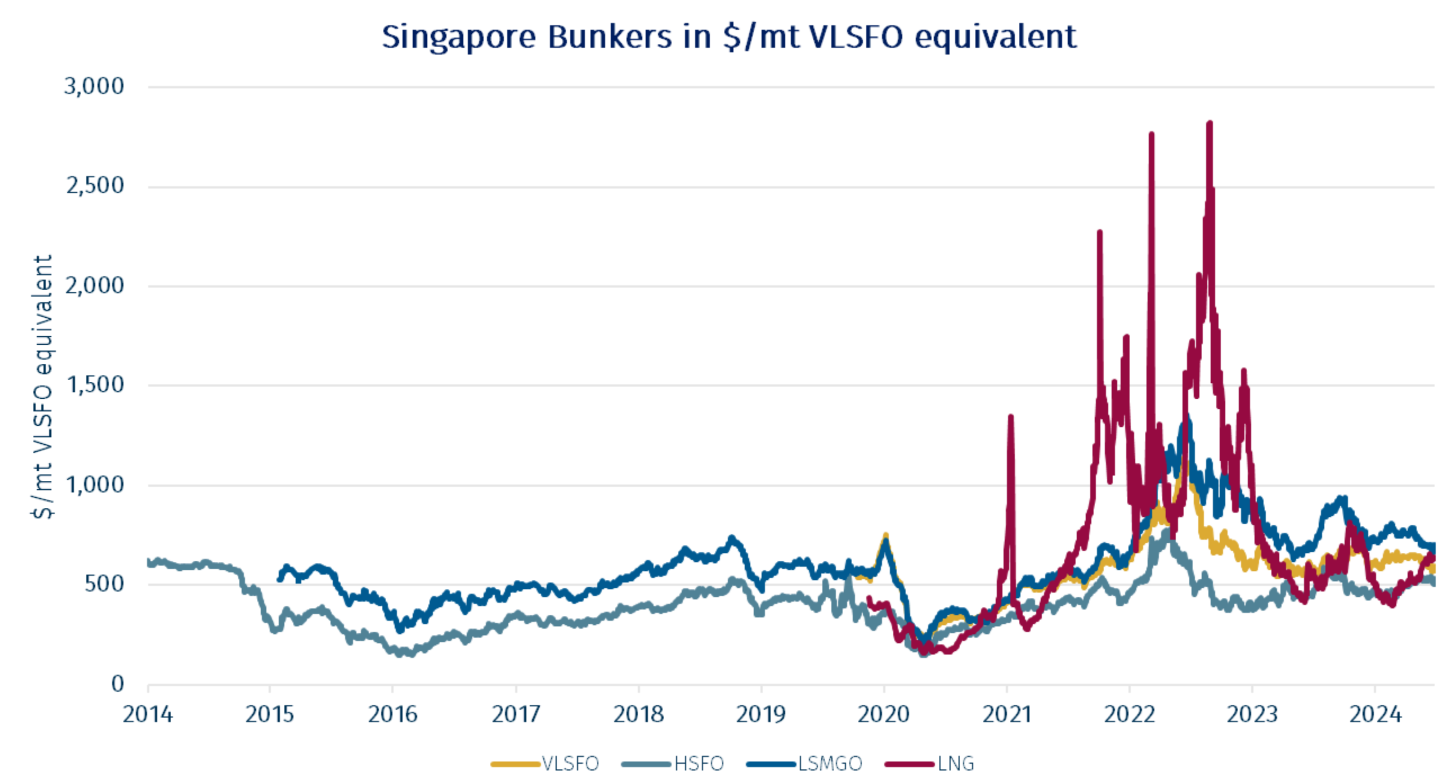
- The number of S&P transactions in May was 42 (against 50 in previous month).
  - Sales of tankers ranged from VLCC to MR1. The most traded tonnage was MR2 with 17 transactions recorded during the month.
- No tanker was sold for demolition, same as last month.
- The average age of tonnage traded in this month was 16 years old (same as previous month).

Bunker Prices

Bunker prices have recovered in line with the rise in oil prices, with the relative HSFO strength subsiding compared to last month, as June saw a increase in HSFO imports into Singapore and slightly lower VLSFO inflows. Asia’s HSFO imports from Russia increased compared to May which had marked the lowest import level from the country since July 2023. HSFO exports from Russia are likely to increase over the next month as refineries recover from heavy idling during Q2. Meanwhile, lower refinery processing rates amid peak refinery maintenance in Asia has softened demand for fuel oil as feedstock in secondary units. As a result, VLSFO prices have gained at a higher pace compared to HSFO in Singapore, while HSFO price gains have become again more pronounced in Rotterdam. VLSFO prices in Singapore are on track to end the month up +4.4% and HSFO prices down by -3.4%. Rotterdam VLSFO prices are on track to end the month up by +3.3% m-o-m and HSFO prices up by +3.7% m-o-m. As a result, following the counter seasonal weakness in VLSFO-HSFO price differentials in Singapore over the previous month, June is ending with the differential widening. HSFO crack spreads strength in Singapore has slightly subsided compared to May, while VLSFO’s oversupply has improved as the sequential drop in Singapore gasoil crack spread since the start of Q2 found a floor in June and by the end of the month it has recovered to 2 month highs. This is expected to weaken the incentive to keep shifting production to the VLSFO pool. In the above context, the VLSFO-HSFO delivered bunkers differential in Singapore increased by ~$44/ton m-o-m and currently stands at $105/ton (-$45/ton y-o-y). The differential has remained stable m-o-m in Rotterdam at $66/ton (+$11/ton y-o-y) . Please see market pointer of BRS weekly newsletter as of May 6, describing the context for a potential counter seasonal widening of the Singapore scrubber premium during Q3. LNG bunker prices have increased compared to last month tracking the increases in LNG benchmarks in Europe (TTF) and Asia (JKM). More pronounced gains in Asia where LNG bunker prices are also higher y-o-y and at a premium to VLSFO when adjusted for energy content, while Rotterdam LNG bunker prices are trading approximately 18% below last year’s levels and continue to closely compete with HSFO.

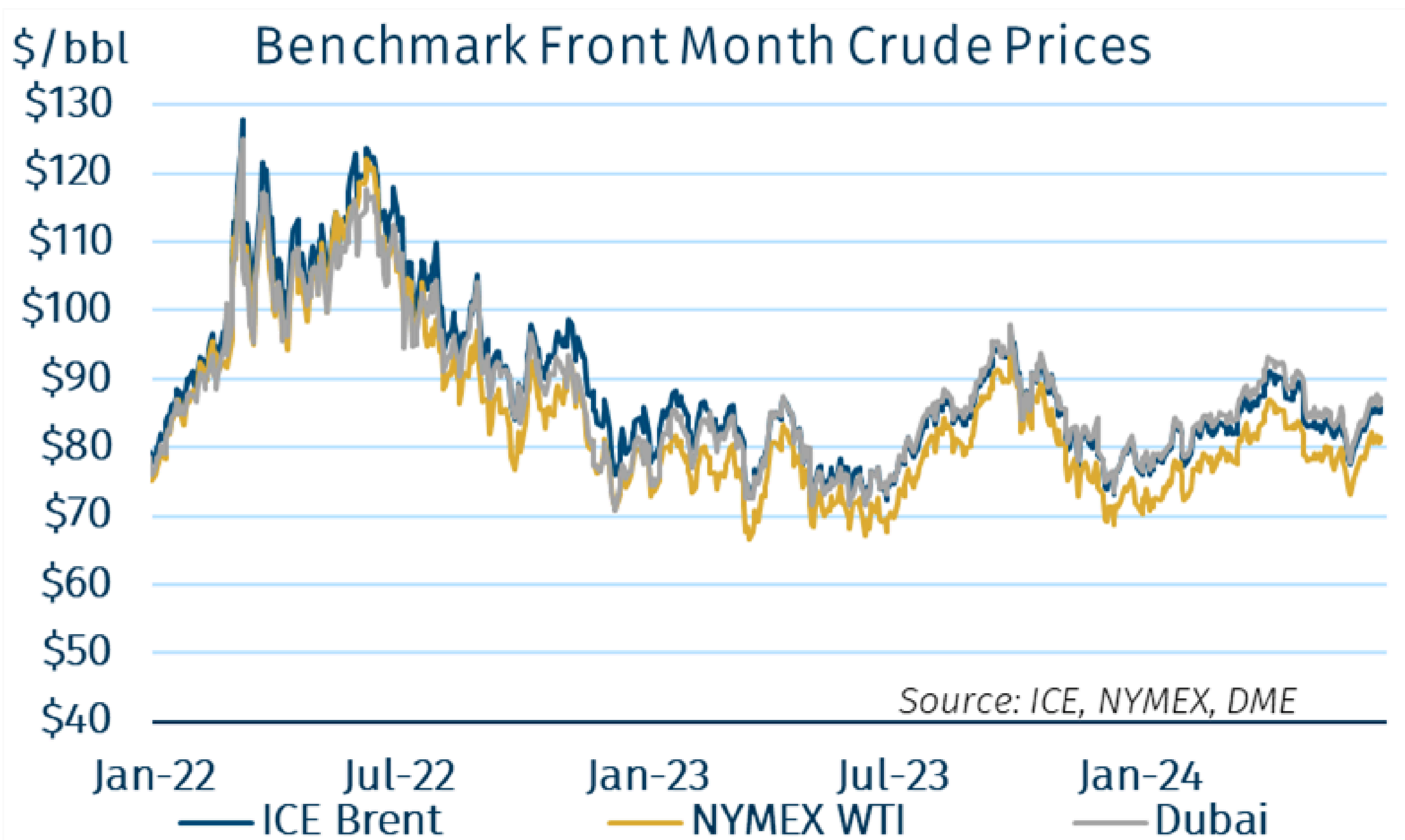


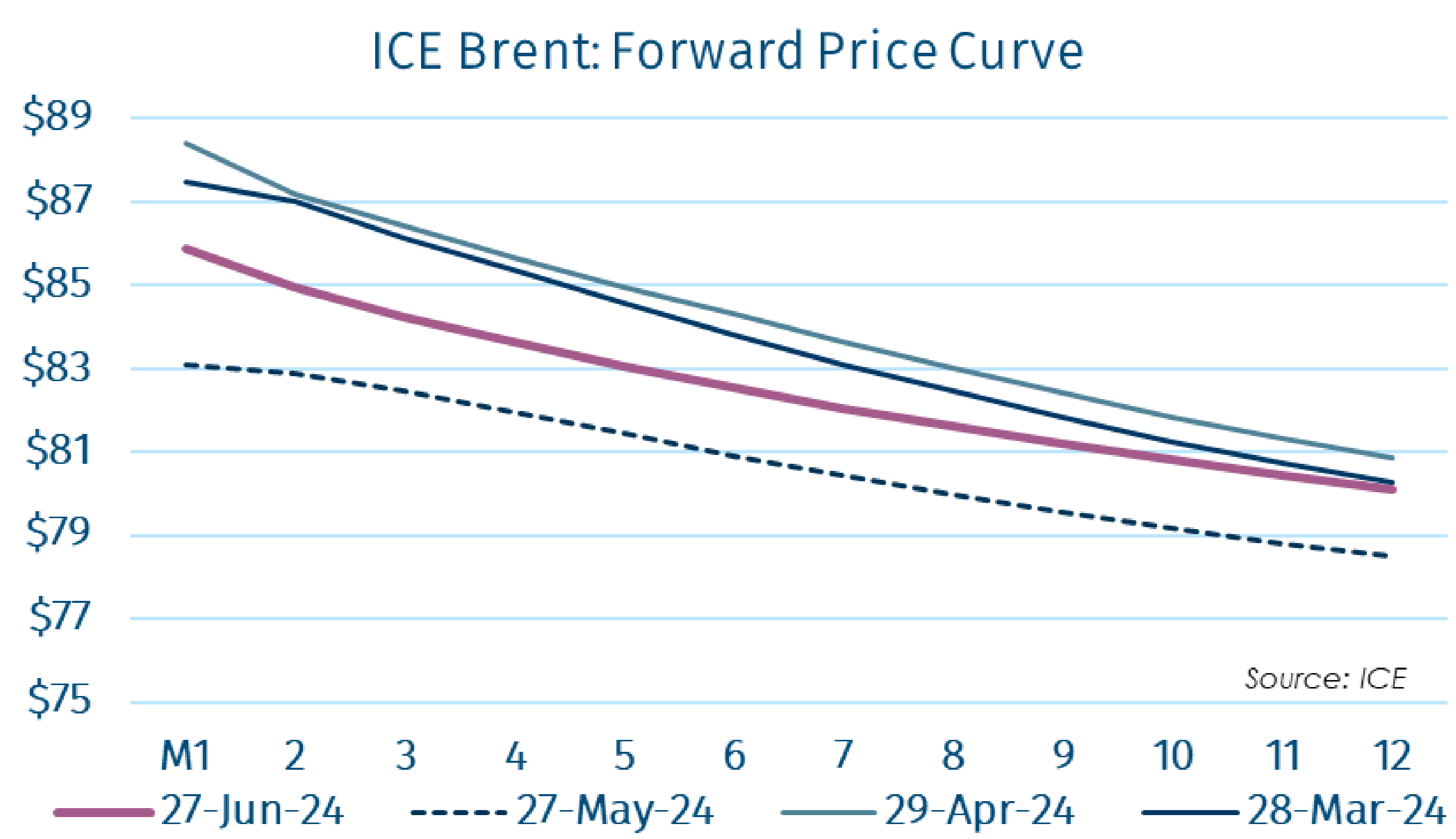


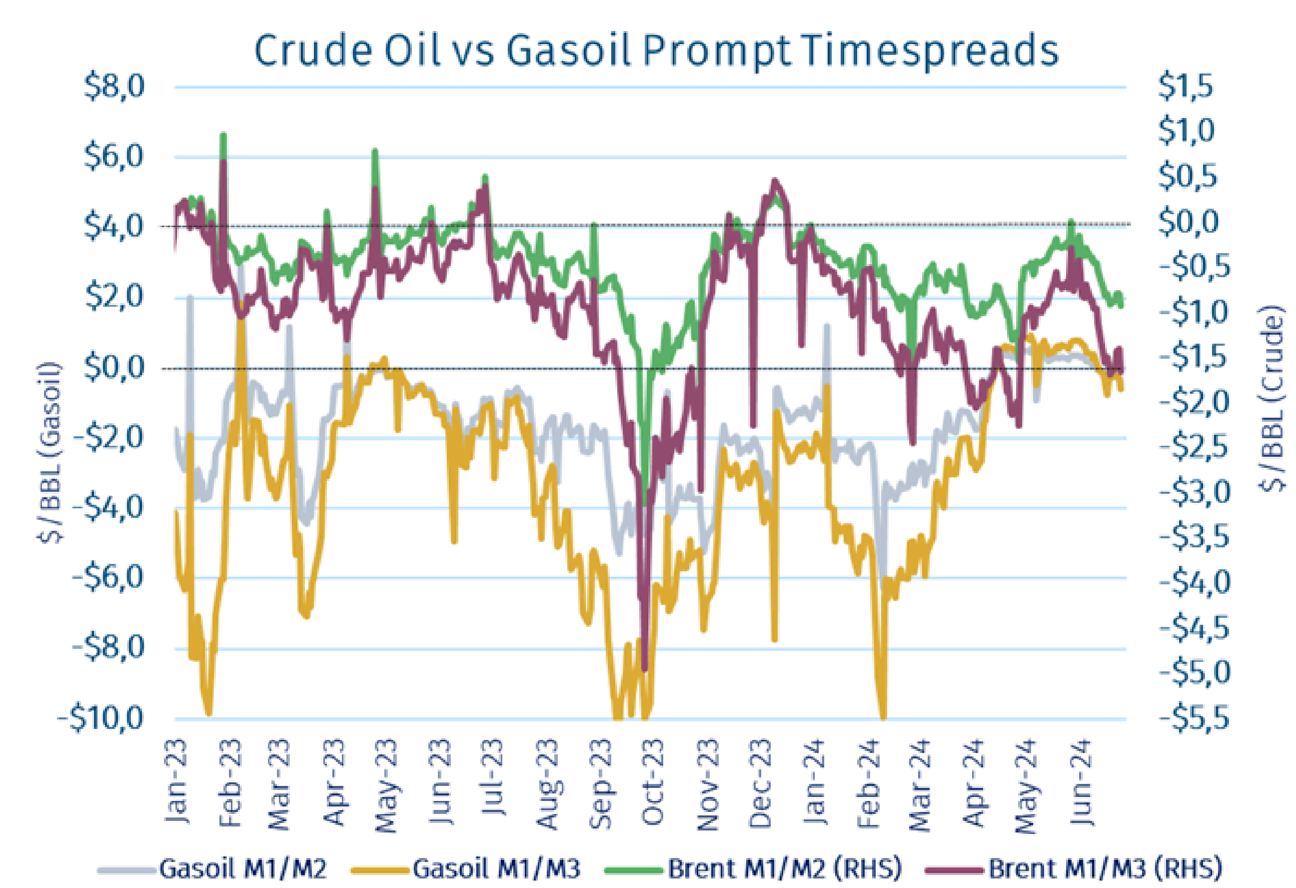


Oil Prices

With Houthis having escalated the attacks on commercial ships over the past week, geopolitical tensions have taken center stage again, supporting oil prices. The support is coming along with positive demand drivers that are seasonal, as Q3 is the high demand quarter for refinery processing rates. In this context, oil prices for August delivery are on track to end June at a 2-month high. Fundamentally the rise in oil prices is supported by the start of inventory draws and a recovery in refinery margins, particularly in Asia where profitability had been on a downward trend since the end of 1Q24. As the month draws to a close, Singapore refinery margins have rebounded by approximately 59% m-o-m, while US and Europe refinery margins have declined by 24% and 9% respectively over the month, according to Refinitiv data. Gasoline crack spreads are underperforming middle distillates as we head into the summer. Meanwhile, the European gasoil curve has shifted back into a backwardated structure, as net long positions in ICE gasoil contracts registered large increases over the previous week. Brent and WTI are trading up +5.6% m-o-m and +6.1% m-o-m as of June 27 at $86.2/bbl and $81.7/bbl respectively. Both benchmarks are up +15.1% and +15.7% respectively compared to the same period last year, with Dated Brent at a premium and forward contracts backwardation widening. This compares to a thin contango structure seen last year signaling that the oil balance is at this point priced in tighter compared to the same period last year. The extension of OPEC+ production cuts and a lower oil supply response growth from non-OPEC oil producing countries compared to last year have so far offset projections of lower oil demand growth, as geopolitical tensions are contributing further to an upward repricing. However, China's oil import and refinery processing data for May continued to soften, while preliminary data on the country's refinery utilization for June indicate weaker real oil demand compared to last year. This has facilitated a lower pace of oil inventory restocking compared to last year, as YTD Jan-May crude oil imports have underperformed. If refinery processing rates increase in line with seasonality but at a slower pace compared to 3Q23 to support refinery margins further, we are likely to see lower oil inventory draws compared to last year over Q3. This would further lower the probabilities of oil prices experiencing the rally seen during 3Q23 (i.e. +10% on average q-o-q). Potentially lower oil price gains q-o-q will ultimately be supportive to a stronger restocking pace over Q4 as OPEC+ simultaneously unwinds the additional voluntary cuts. However, exogenous factors like a hyperactive US Atlantic hurricane season could overturn the scenario of lower inventory draws during Q3 if US crude oil supply is put at risk.







BRS Tanker Monthly Report

Jun-24 | Issue 30

Oil Market Commentary

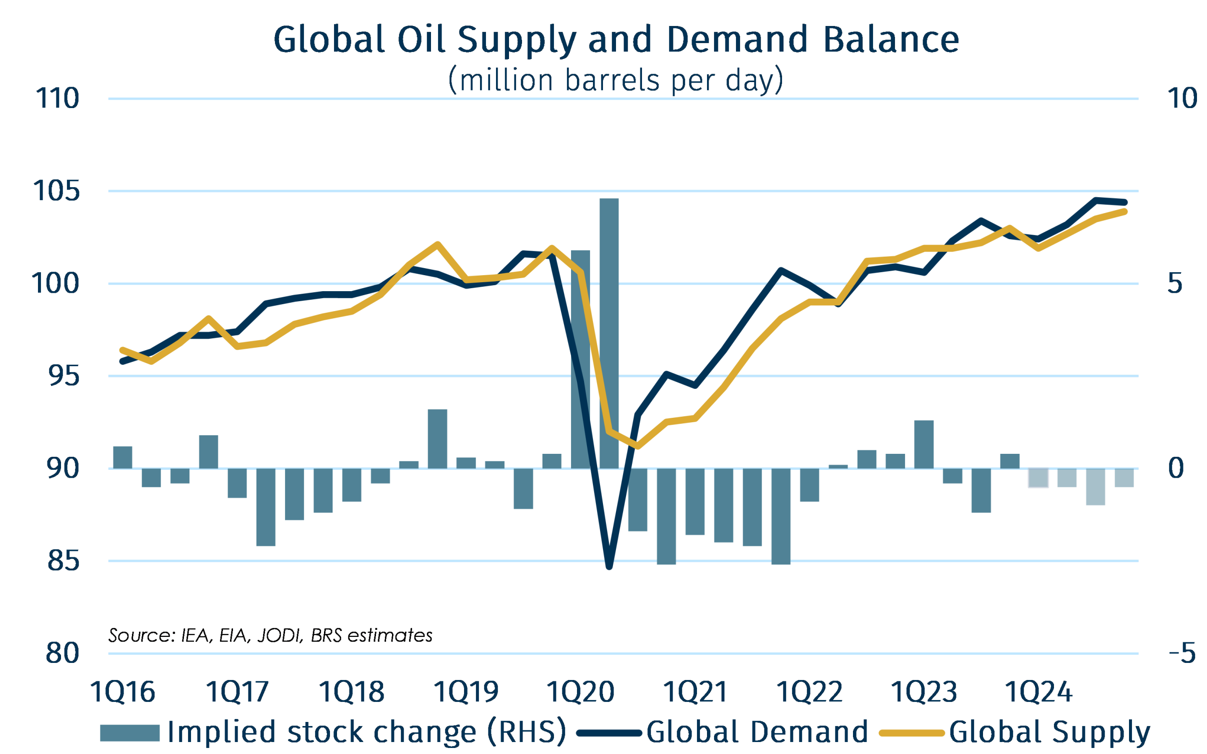
Demand unchanged. We maintain our forecast for global oil demand to grow by 1.4 mb/d this year. Although we hinted at downward revisions last month is the wake of mounting macroeconomic headwinds, the picture has improved somewhat over the past month. Recently released preliminary oil demand and macroeconomic data appear more supportive while recent lower oil prices should help to support demand throughout the key Northern hemisphere driving season. That being said, things could quickly take a turn for the worst and downward revisions cannot be discounted in the months ahead.

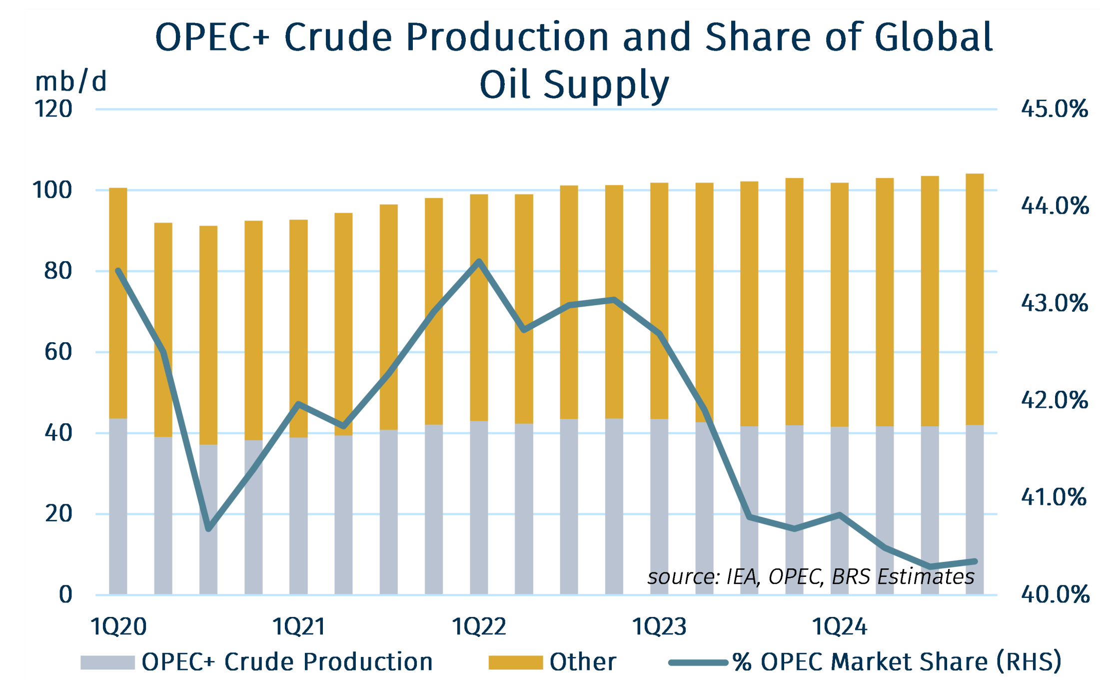
Eyes still looking towards monetary policy. Despite the above optimism, we do not project US driving season to be especially strong this summer, as recent US data, especially concerning inflation and the labour market, suggest that the US Federal Reserve will likely only cut interest rates once this year (rather than the three cuts hinted at in January), which will likely be at the back end of the year. However, on the positive side, May's feeling that they could potentially hike rates (which would put a dampener on oil demand) later this year, has largely dissipated. All told, this suggests that the US driving season may be underwhelming this year. This has already been reflected in subdued transatlantic CPP tanker demand since the driving season kicked off in May and as discussed in recent issues of BRS Weekly Tanker Newsletter, this could leave the market replying on an active hurricane season for a boost. Away from the US and the picture in Europe is improving with the ECB already proceeding with the first interest rate cut in June.. This should provide a fillip to oil demand (especially transport fuels) in a region which is already struggling with lacklustre industrial demand and after a warm winter, both of which have dampened diesel and gasoil demand.

OPEC+ set the tone. With global oil demand unchanged, all eyes remain on the supply side looking for indications of where oil and tanker markets are headed. At their early-June meeting, energy ministers from OPEC+ agreed to rollover their existing 1.65 mb/d crude supply cuts into 2025. However, the producer group announced that their existing 2.2 mb/d cut will be 'phased out' on a monthly basis after end-September 2024. Although this implies that oil will be drip fed onto global markets from October, there continues to be uncertainty since OPEC+ stated that the monthly increases can be 'paused or reversed subject to market conditions'. This suggests that this plan is subject to prices being at a level which OPEC+ ministers are comfortable with.

Sketchy compliance. One factor which has contributed to relatively soft oil prices of late has been the compliance with the supply cuts by OPEC+ member countries. Preliminary data for May imply that OPEC+ production rose by over 100 kb/d in May reflecting rises in exports from both Nigeria (+150 kb/d) and Iraq (100 kb/d). Although Russian crude exports dropped by 100 kb/d on the month, they remained above their OPEC+ quota. Preliminary data for June (with one week remaining) suggest that Russia may finally touch its quota with exports down by more than 100 kb/d. However, this appears to have been more-than-offset by clean product exports which appear to have soared by more than 100 kb/d, likely on a rebound in refinery activity following the damage sustained by drone attacks in the first quarter.

VLCCs set for a boost… eventually. Although the above OPEC+ policy is less positive for crude tanker markets than our previous expectations of an earlier, and greater, rolling back of supply cuts, it does provide a chink of light for crude tanker owners to cling on to. Considering the current travails of its African and Latin American members, the





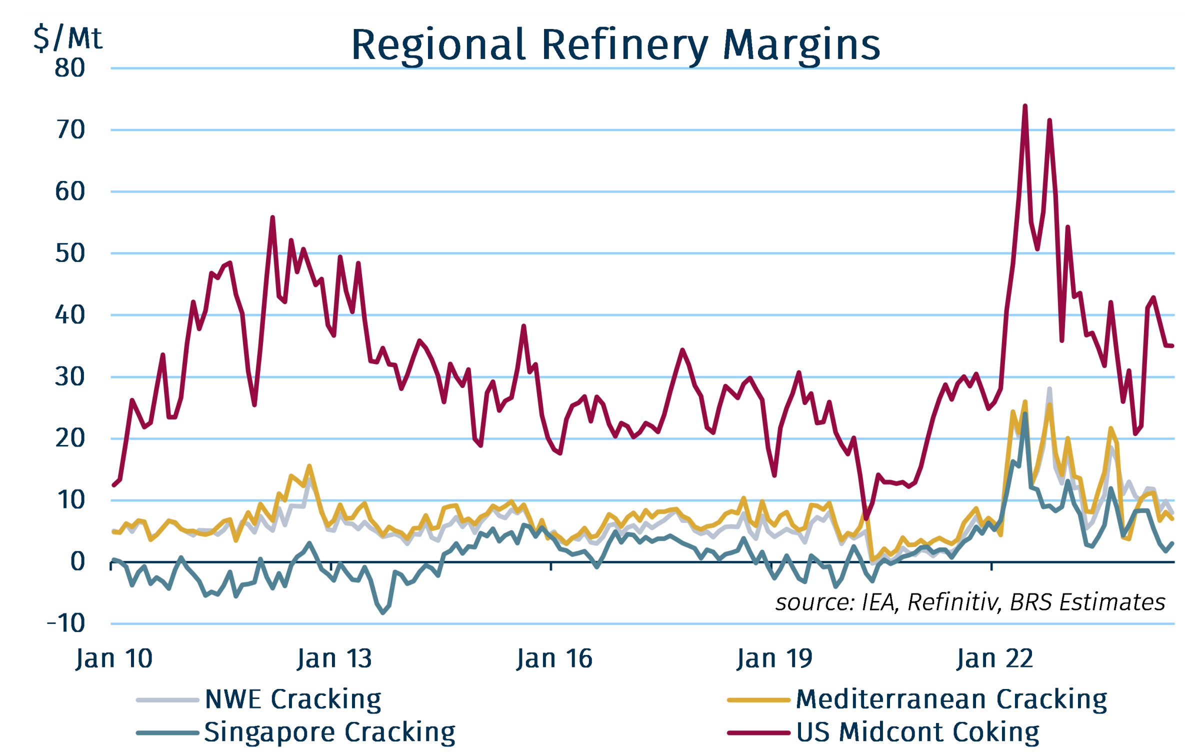
Oil Market Commentary

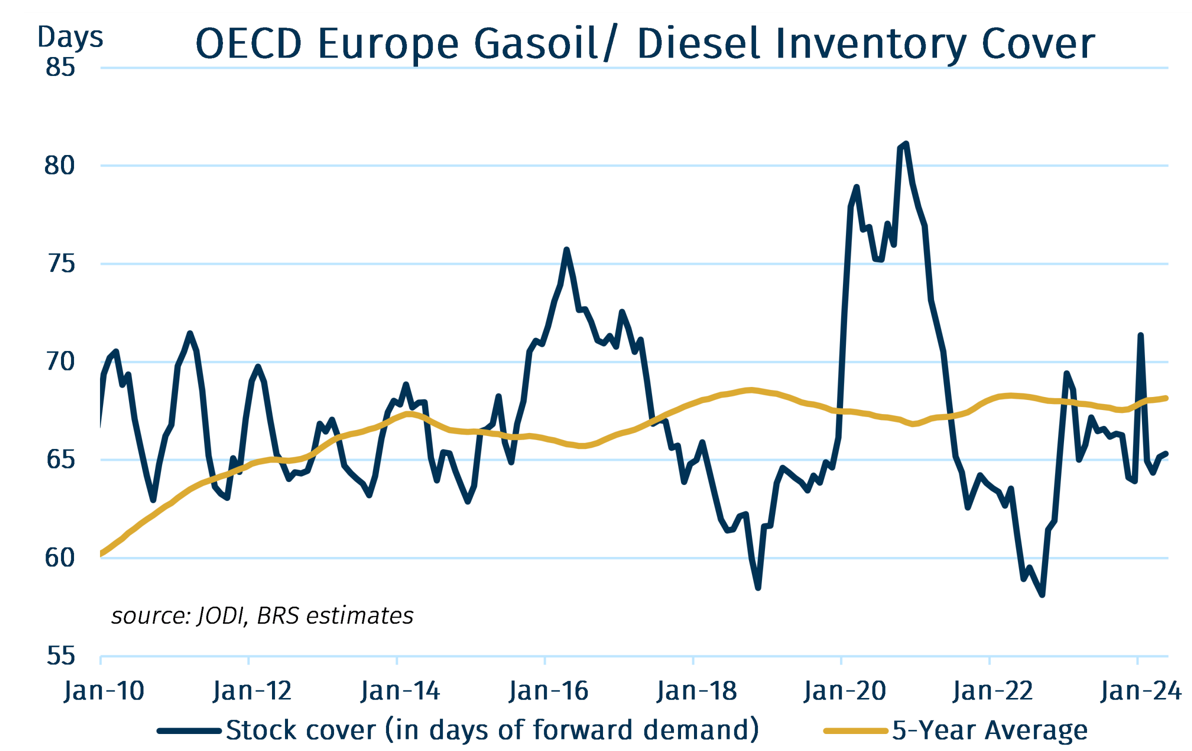
majority of OPEC+'s incremental barrels due to hit the market in the fourth quarter will be produced in the Middle East. Furthermore, they should be marketed in Asia as this is where competition is fiercest and as OPEC+ already views Asia as its key market for the future. This implies that any incremental barrels will boost global VLCC demand.

US crude supply (and exports) back on track. Away from OPEC+ and US crude exports have gone from strength to strength recently as US crude production has remained on an upward path in the wake of buoyant prices (notwithstanding January's disruptions stemming from freezing weather). Although US crude supply grew by 300 kb/d year-on-year in 1Q24, this remained significantly less than the 1 mb/d averaged in 2023. Nonetheless, and without accounting for a hyperactive active hurricane season that could trigger severe oil infrastructure disruptions, we forecast that supply will accelerate in 2H24 as crude prices should also remain supported. All told, we project that growth should average just over 600 kb/d y-o-y in 2024. So far this year, the US Gulf has been the major support to VLCC demand as Asia has imported more and more US crude. We anticipate that this will remain the case in 2H24. Indeed, we do not expect the gradual winding down of OPEC+ crude supply cuts to heap downward pressure on prices (thereby hitting the prospects for price elastic US light, tight oil production), rather they should work as a mechanism for stopping crude prices from being propelled into territory which could eventually harm demand growth.

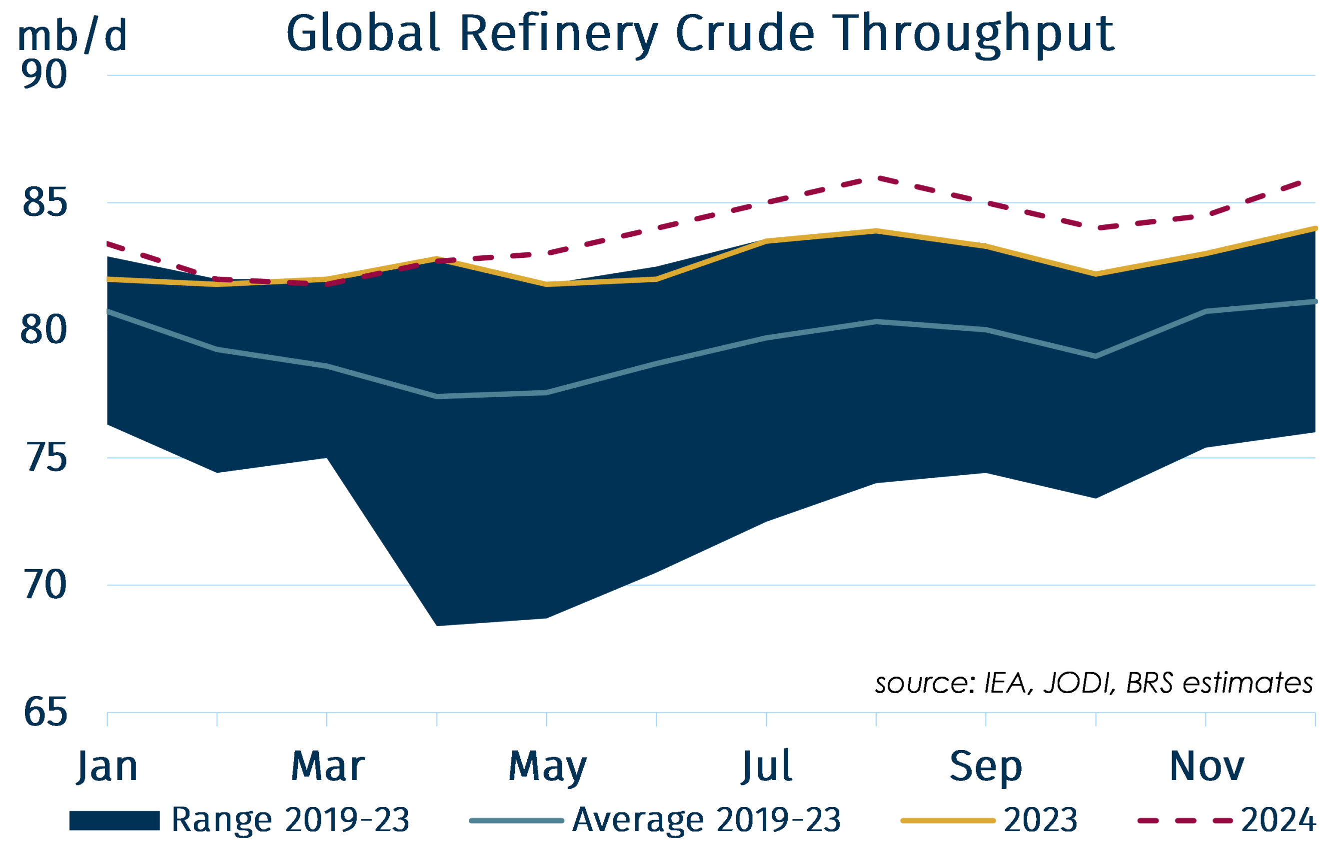
Price support? The upshot of the combination of an unchanged demand picture with a tighter supply side picture is that the global oil balance is now seen tighter in the second half of the year. Accordingly, global oil inventories are projected to draw by a notional 1 mb/d in 3Q24, a less steep quarterly draw compared to 3Q23 when front month ICE Brent averaged $86/bbl. Thereafter, stock draws are forecast to moderate to 0.3 mb/d in 4Q24. These draws should provide some support to crude and product prices across the summer. Indeed, these draws could already be occurring (although without a significant prompt price impact), with certain commentators suggesting that some of the recent malaise in VLCC markets can be attributed to lacklustre Chinese appetite for crude as its refiners are cutting back their purchasing as they intend drawing crude inventories across the summer.

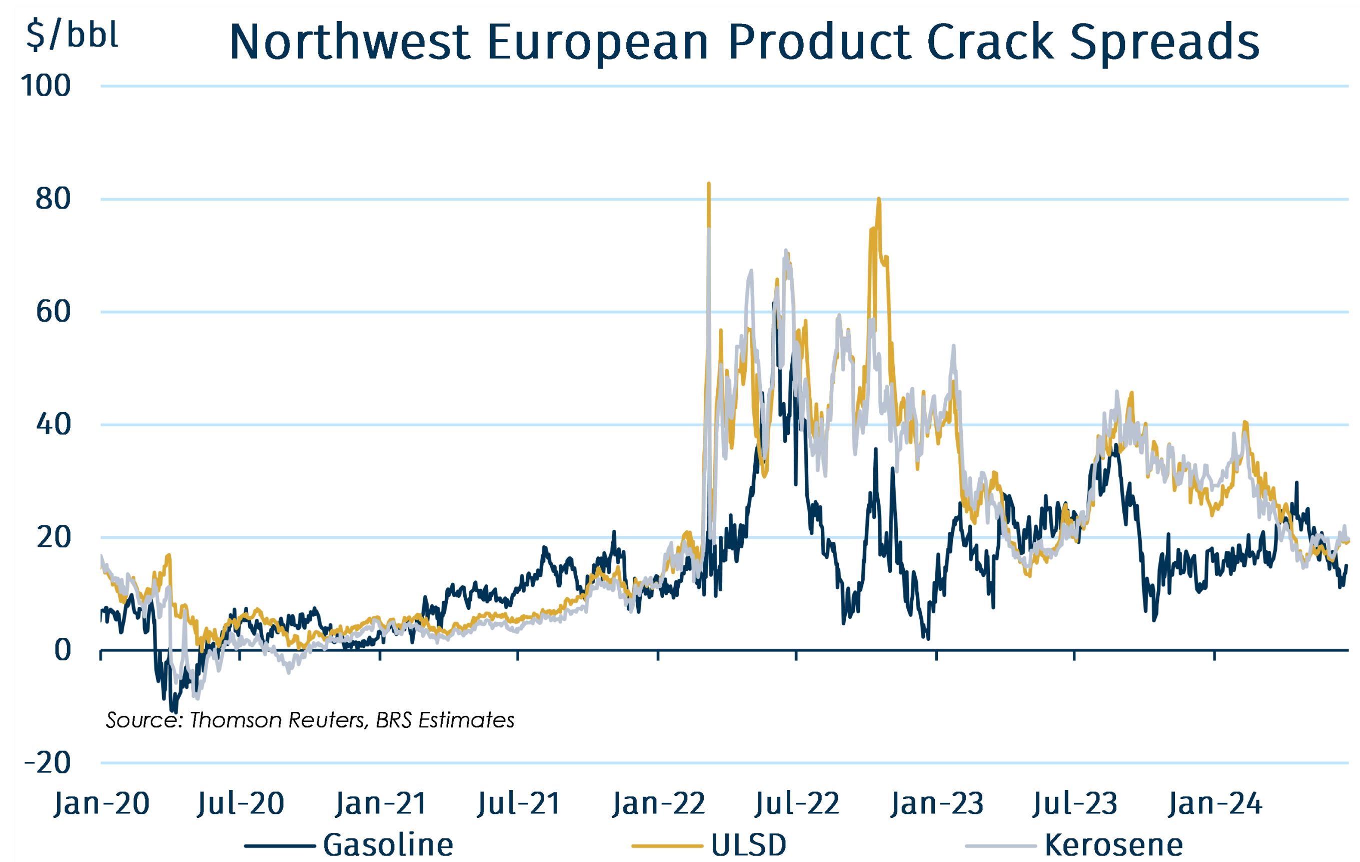
Refinery crude demand rising steadily. Although our forecast of global refinery crude demand remains relatively unchanged compared to last month's report, the global industry continues to be balanced on a knife edge. On the positive side, lower crude prices have helped refinery margins to turn a corner over the past month. However, the upside to margins is likely to be limited by ample transport fuel inventories (especially in days of forward demand terms) in most major consuming regions. These inventories, plus healthy Chinese product exports, appear to be weighing heavily on the margins of refiners in Asia. All told, global crude demand is projected to rise by a strong 3 mb/d between June and August, although as previously discussed we anticipate that some of this increase could be drawn from crude inventories, especially in China.

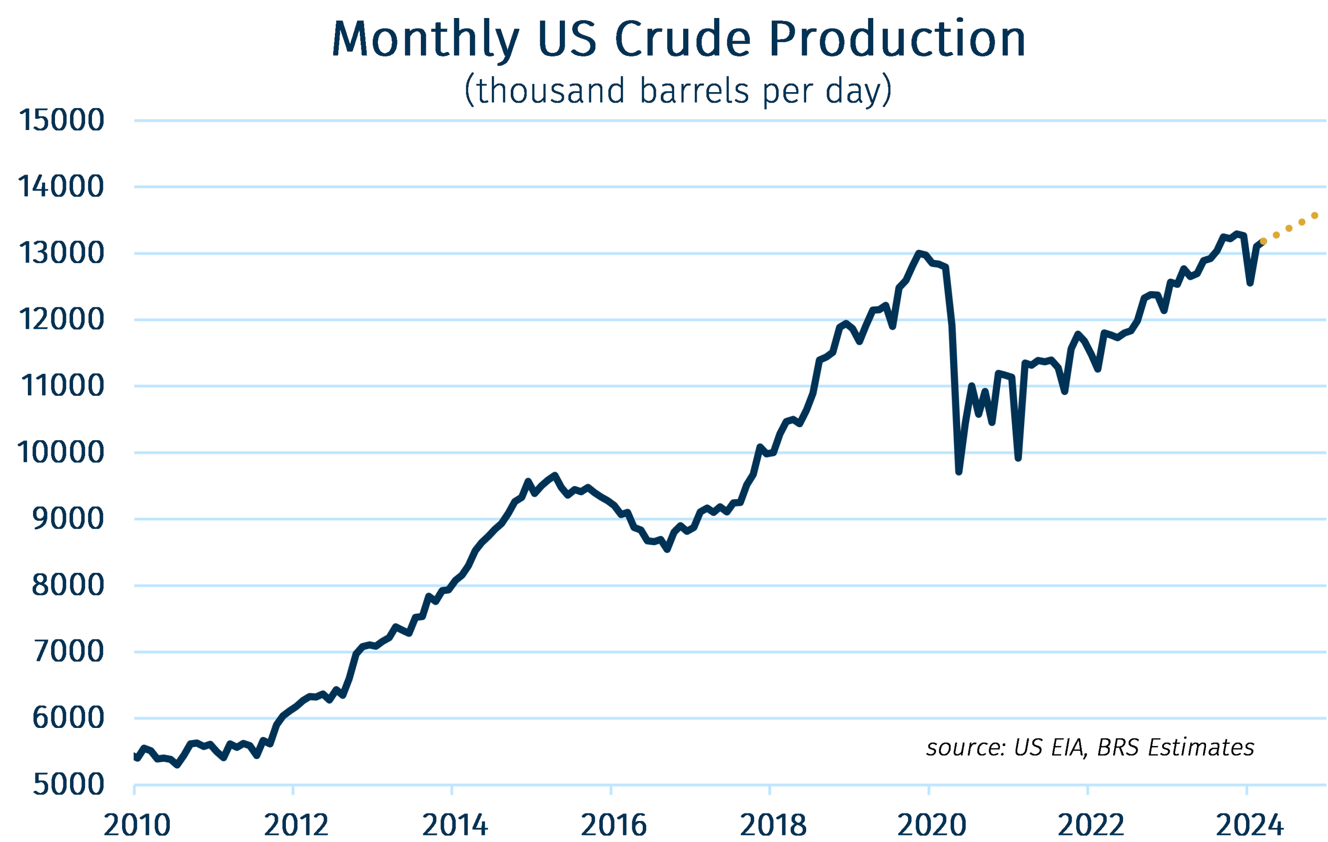


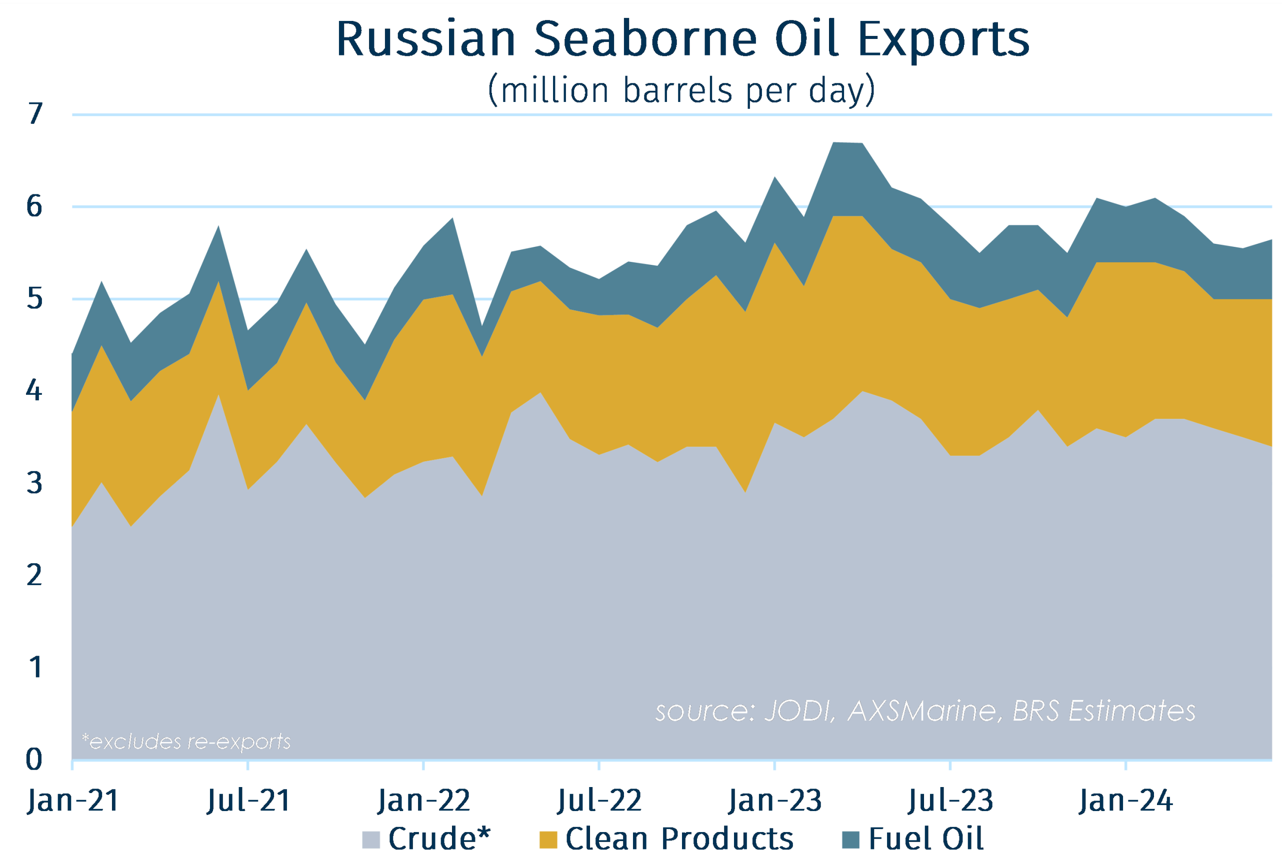


Selected Oil Market Fundamentals









Research

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