

Tanker Market Overview & Outlook Q3 2022

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Webinar
13 September 2022

Agenda

1. Recent developments
2. Demand drivers
3. Supply outlook
4. Conclusions

1. Recent Developments

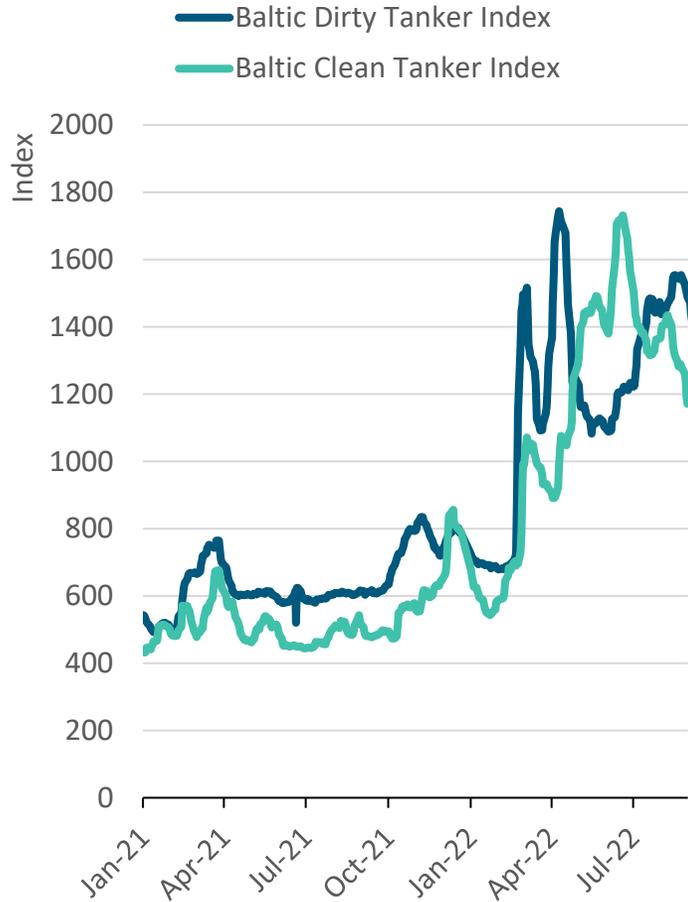
- 2. Demand Drivers
- 3. Supply Outlook
- 4. Conclusions

Rates & Prices

Sustained improvements but some vessel segments benefit more

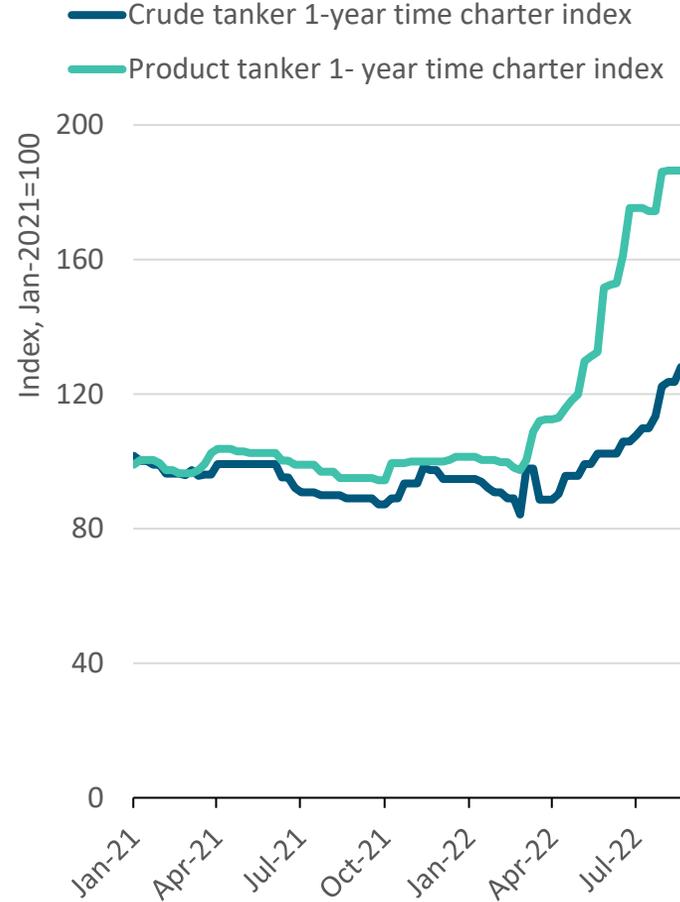


Freight Rates



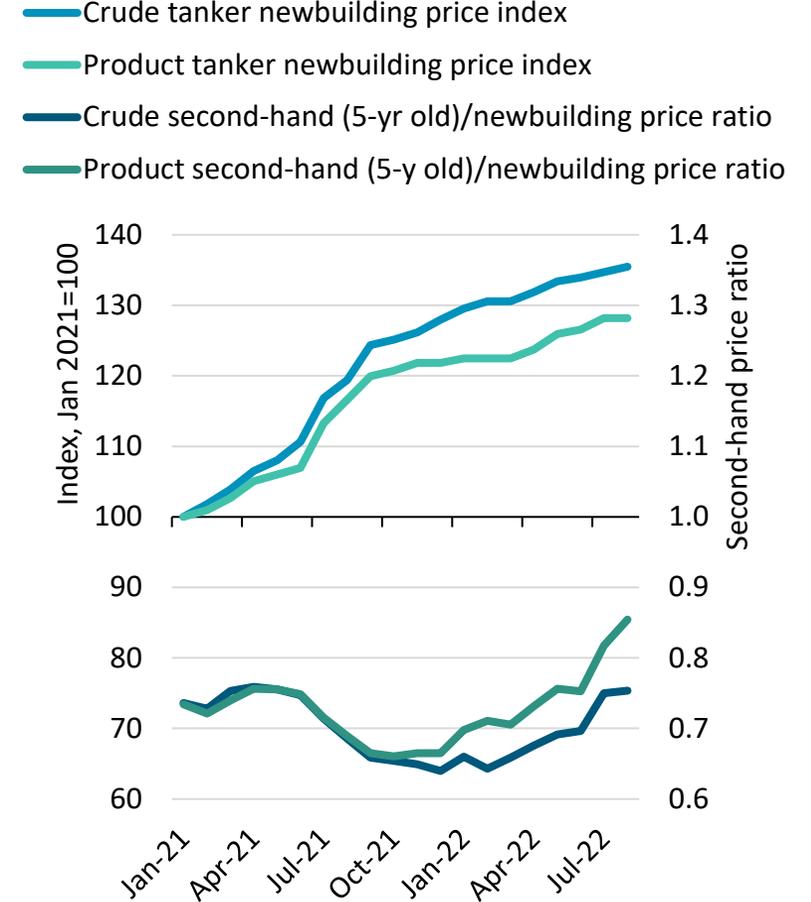
Source: Baltic Exchange

Time Charter Rates



Source: BIMCO, Clarkson Shipping Intelligence Network

Asset Prices



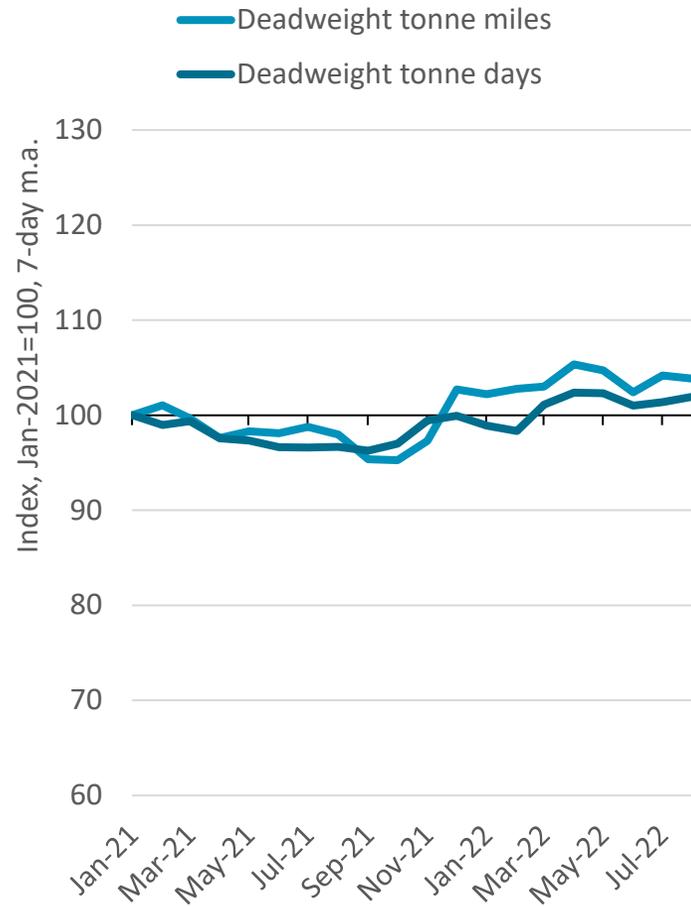
Source: BIMCO, Clarkson Shipping Intelligence Network

Dirty Tanker Demand

China has been a disappointment while recovery seen elsewhere

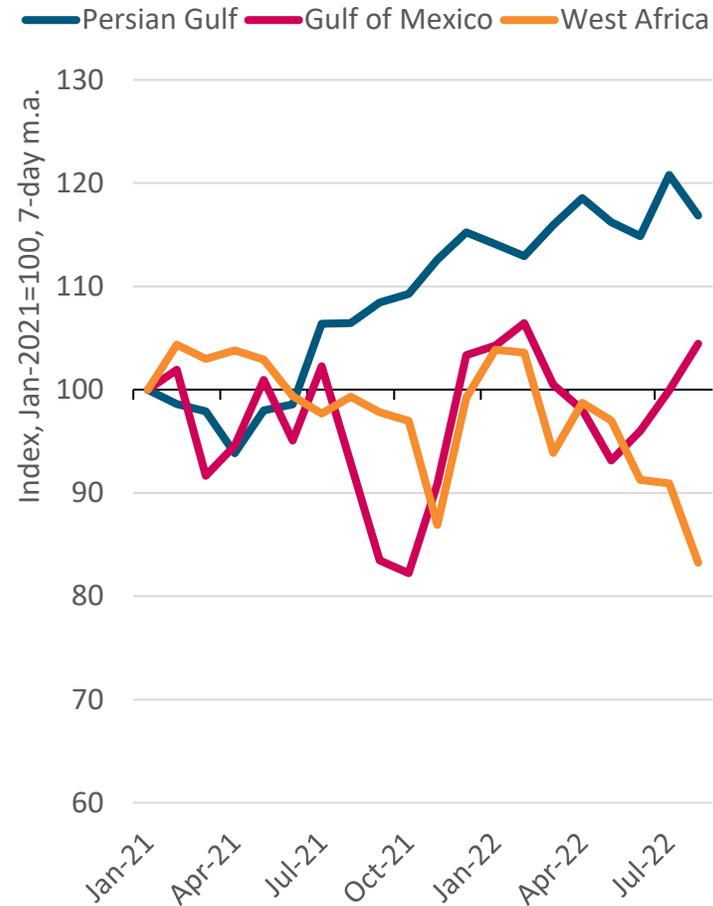


Deadweight Tonne Demand



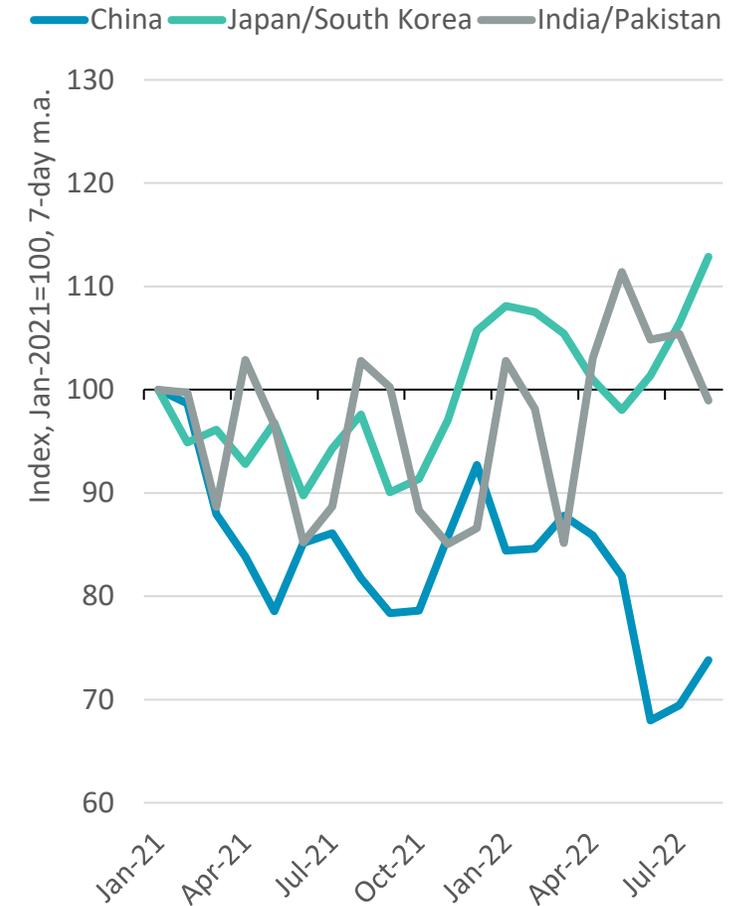
Source: Signal Ocean

DWT Tonne Miles - Top Origins



Source: Signal Ocean

DWT Tonne Miles - Top Destinations

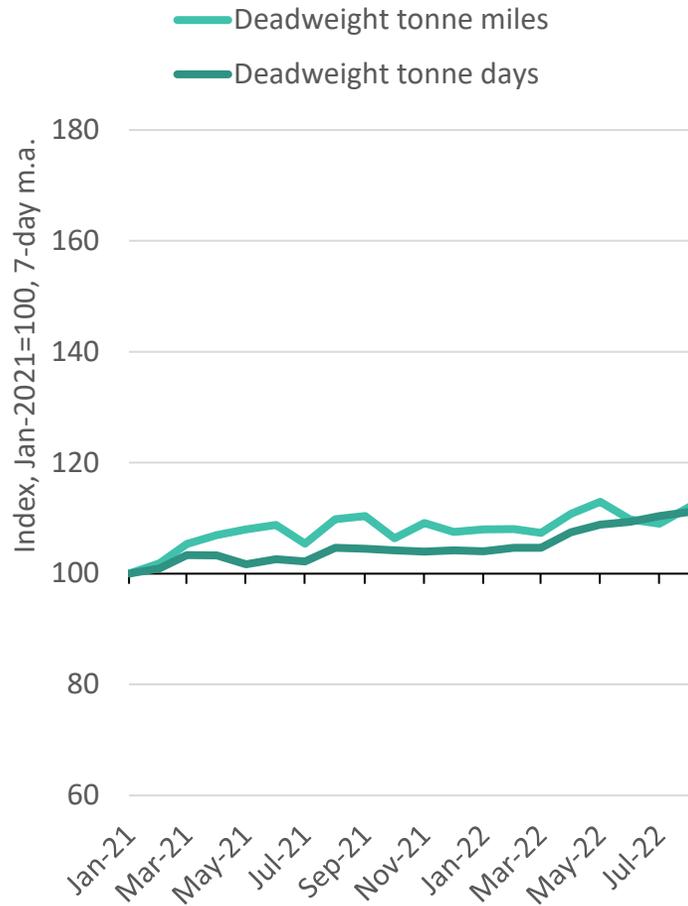


Source: Signal Ocean

Clean Tanker Demand

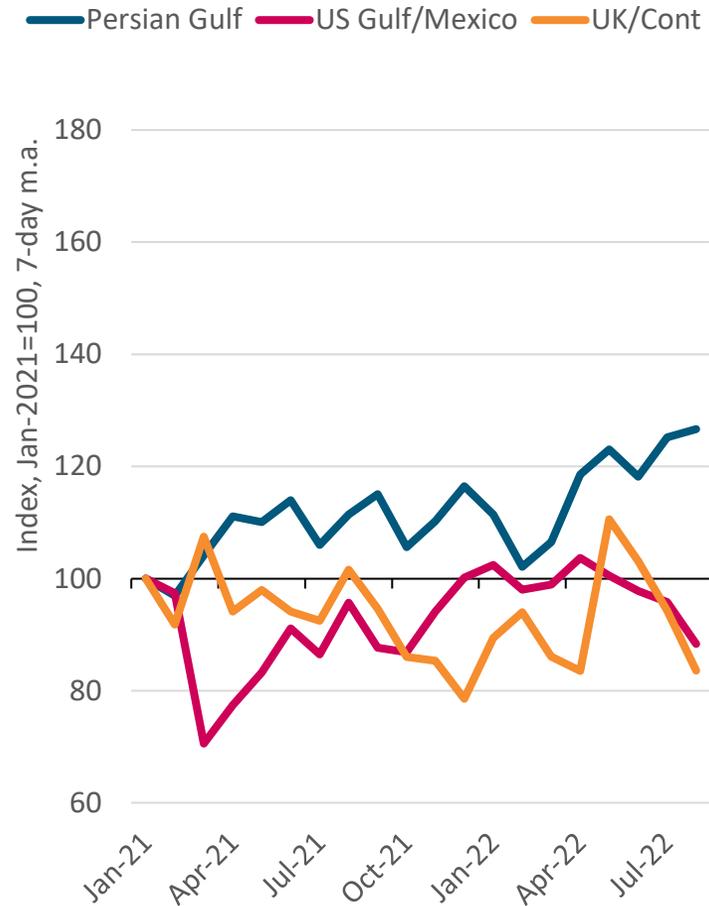
Europe emerges as a key area for demand growth

Deadweight Tonne Demand



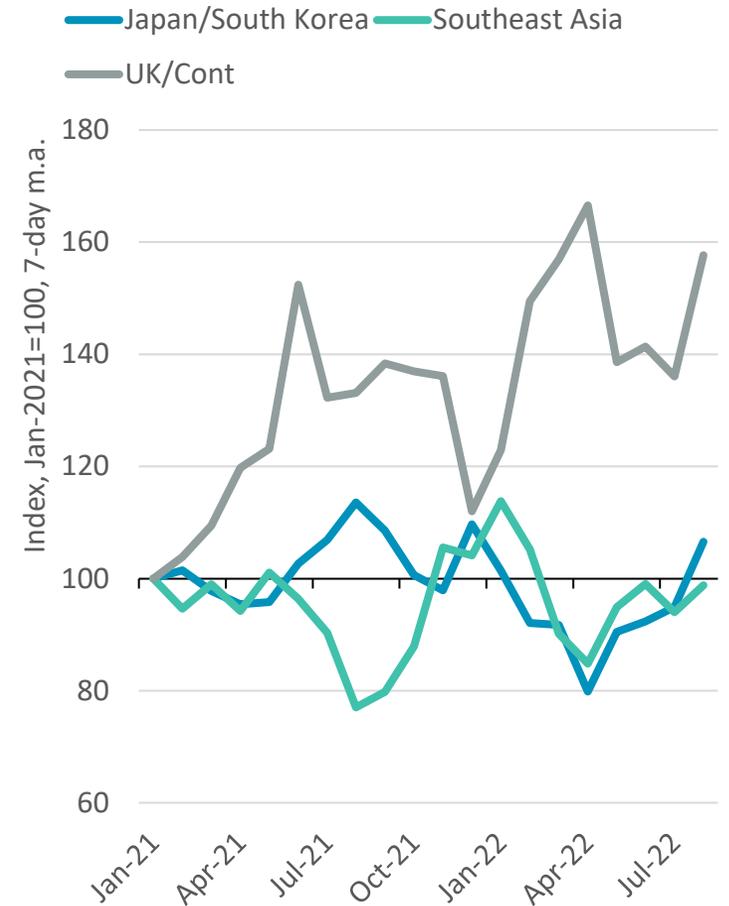
Source: Signal Ocean

DWT Tonne Miles - Top Origins



Source: Signal Ocean

DWT Tonne Miles - Top Destinations



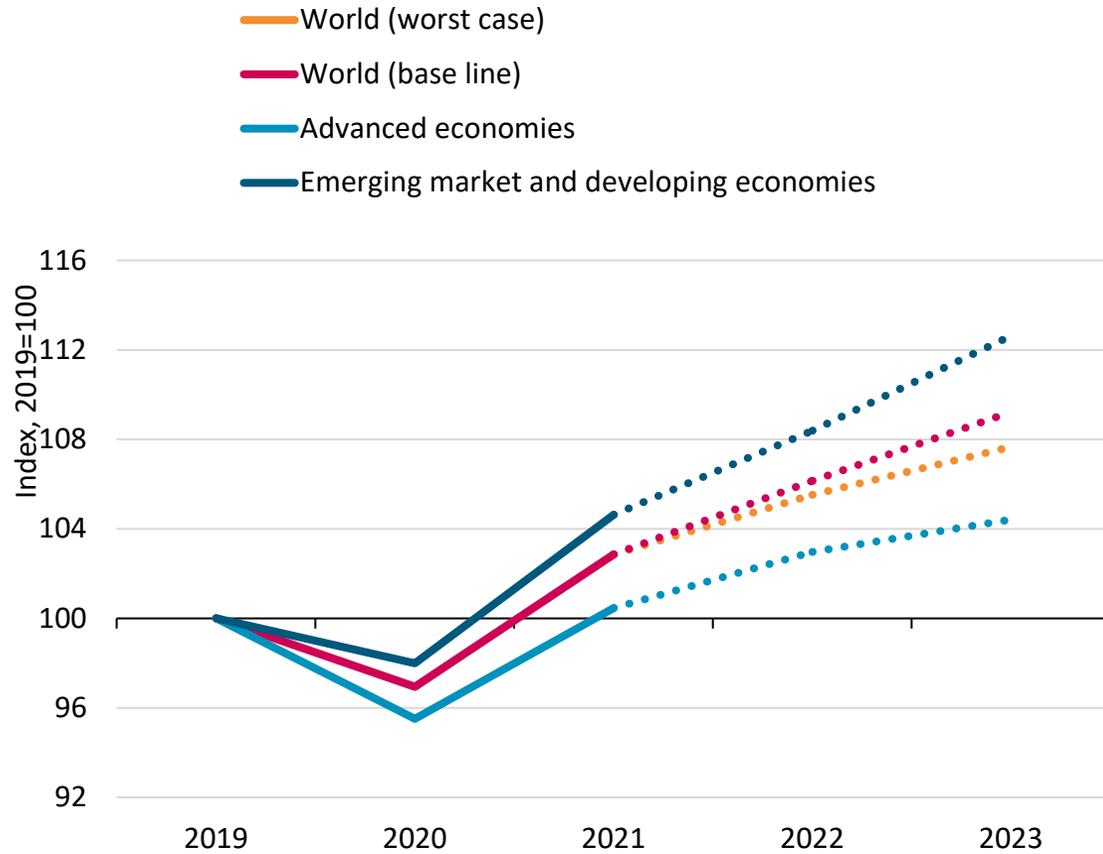
Source: Signal Ocean

1. Recent Developments
- 2. Demand Drivers**
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World Economy

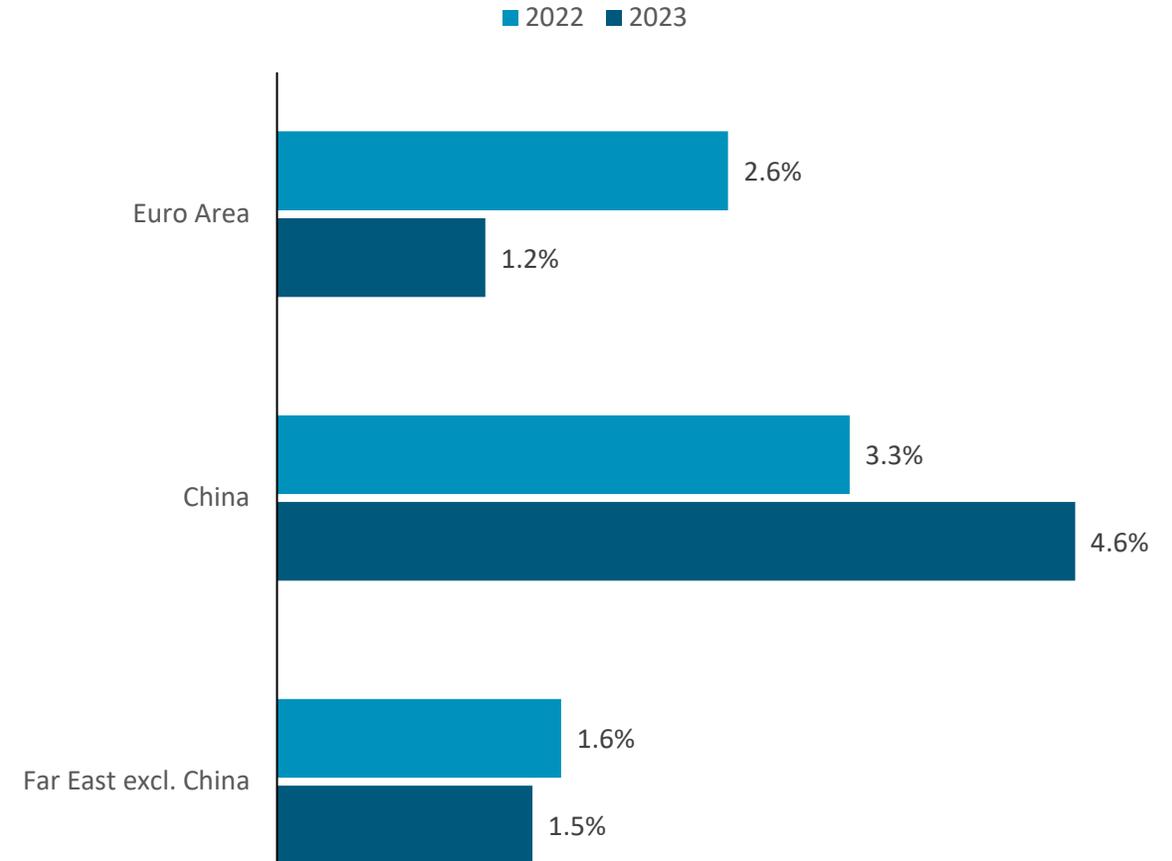
Growth prospects lowered once more and further risks remain

World GDP Forecast



Source: IMF

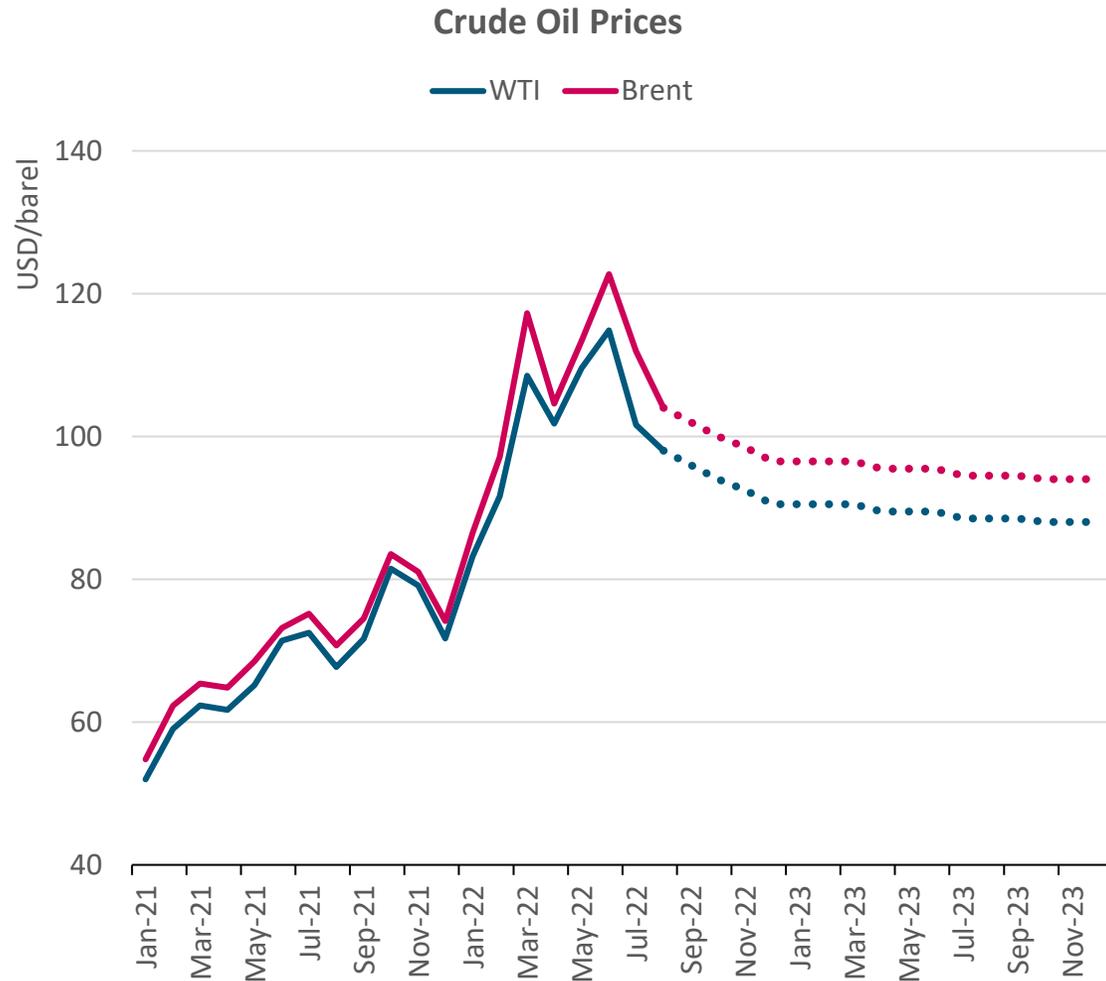
Key Areas GDP Forecast, y/y



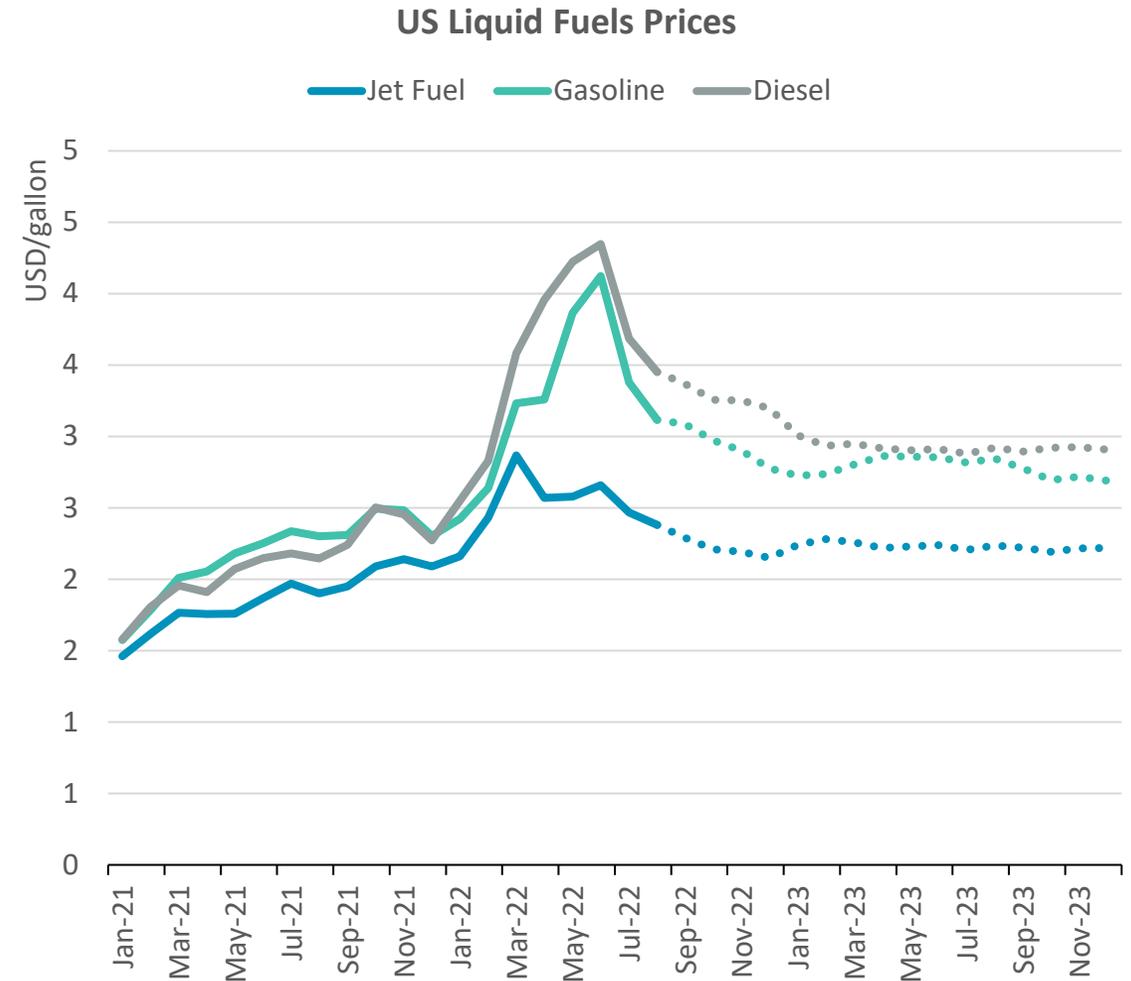
Source: IMF

Crude & Fuel Prices

Crude prices expected to dip below \$100/barrel, but not by much



Source: U.S. Energy Information Administration



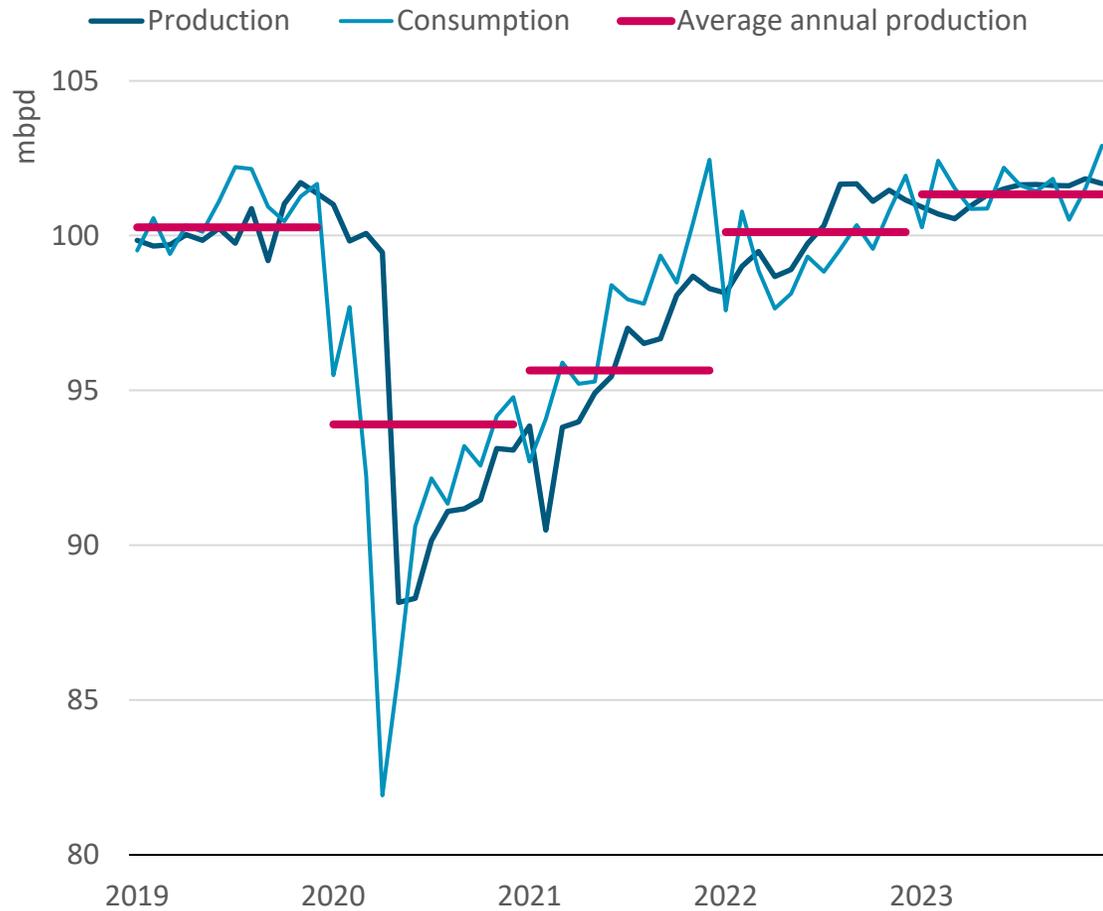
Source: U.S. Energy Information Administration

Production & Consumption

Global production to increase 1.2% in 2023 and exceed 2019 by 1.1%

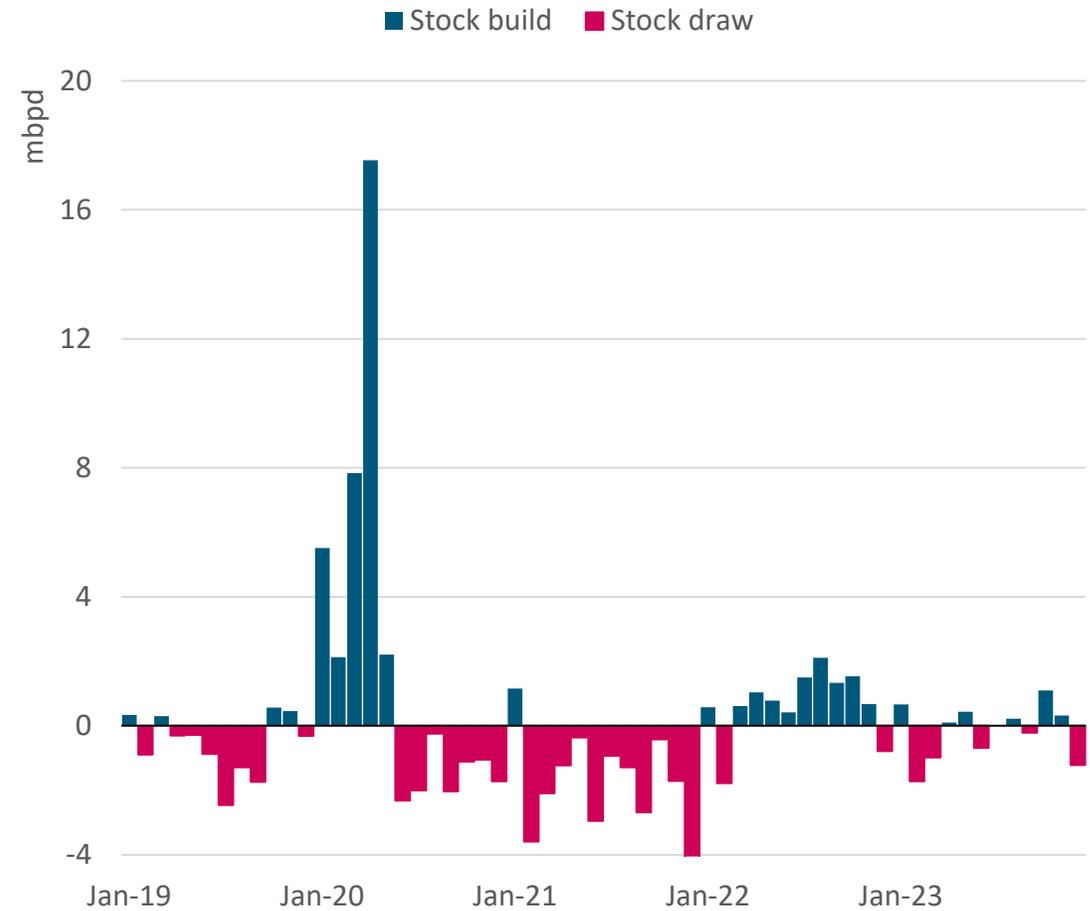


World Liquid Fuels Production and Consumption



Source: EIA, STEO August 2022

Implied Stock Development

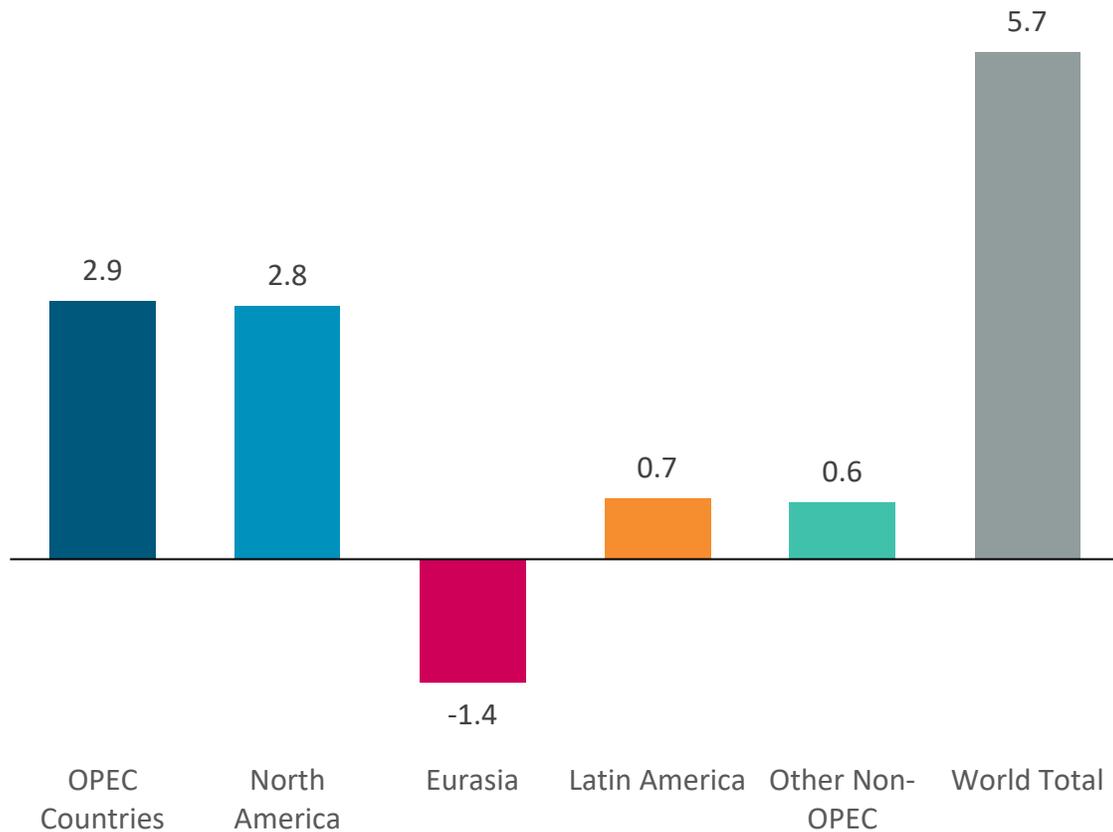


Source: EIA, STEO August 2022

Crude Production and Consumption

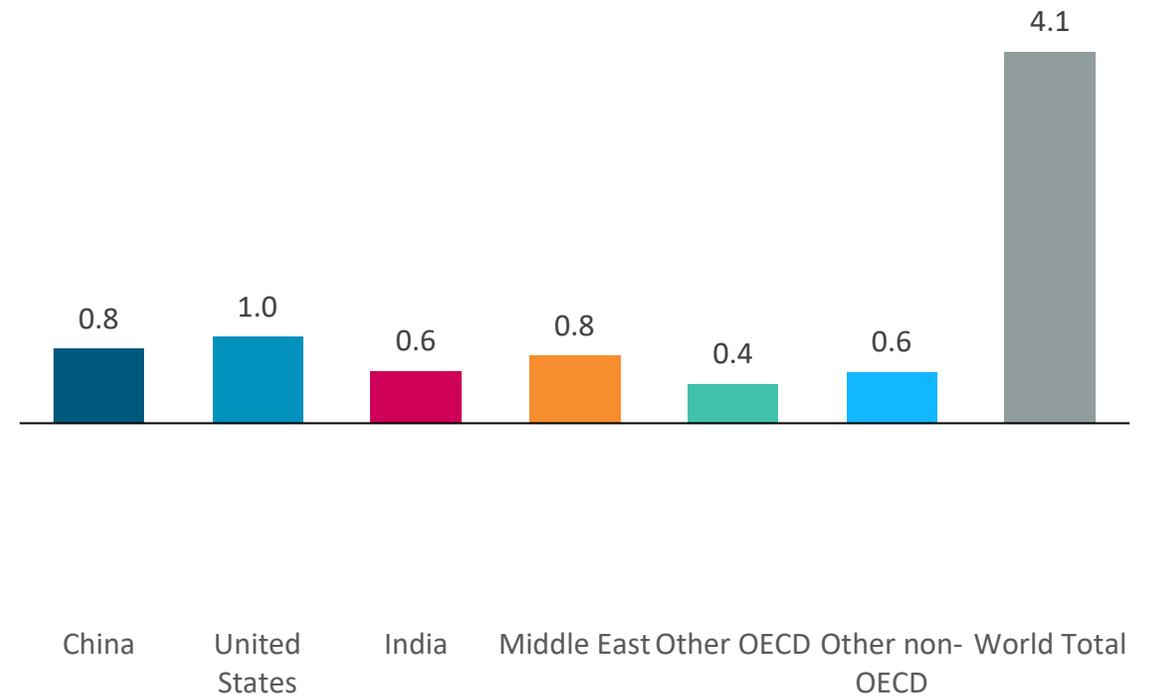
Only top 3 consumption areas will consume more than in 2019

Changes in Production - 2023 vs. 2021, mbpd



Source: EIA, STEO May 2022

Changes in Consumption - 2023 vs. 2021



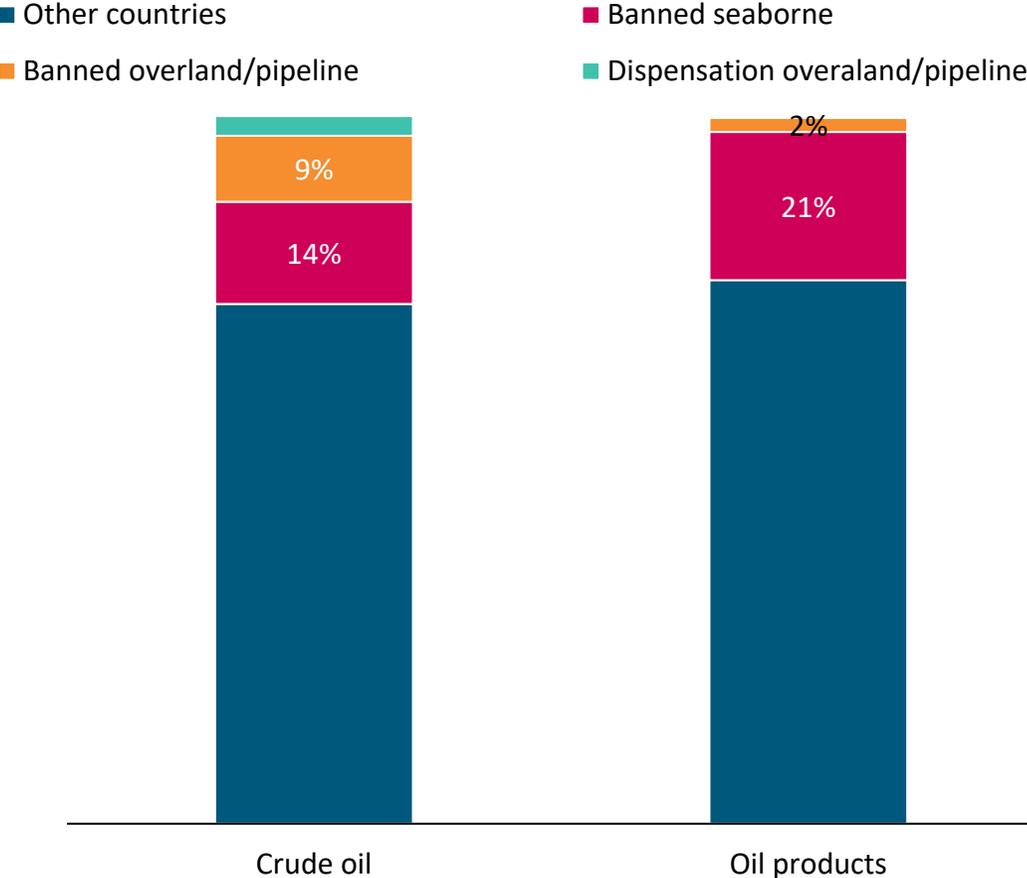
Source: EIA, STEO May 2022

Russia/Ukraine

EU ban on Russia to add 5% to tonne miles as average haul increases

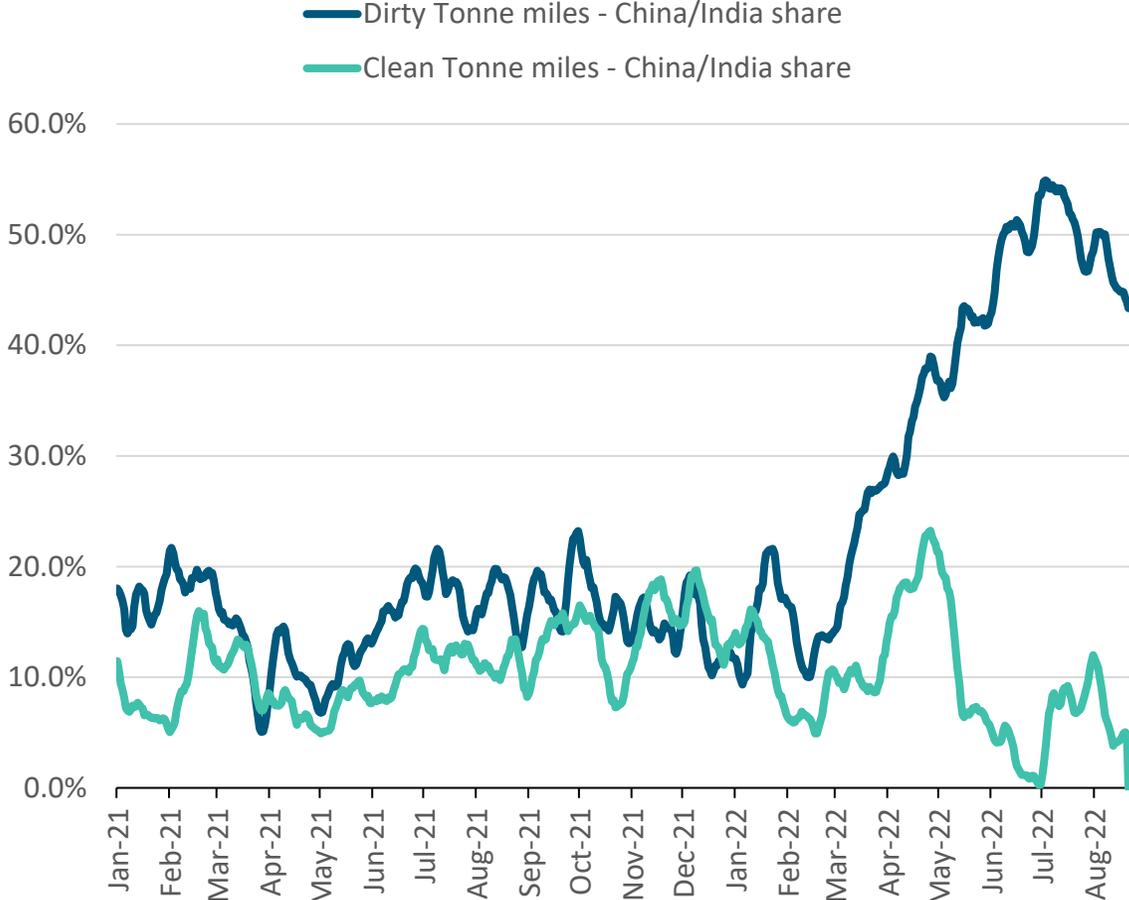


EU Oil and Oil Products Import Mix



Source: Tradeviews

Russia Exports to China/India



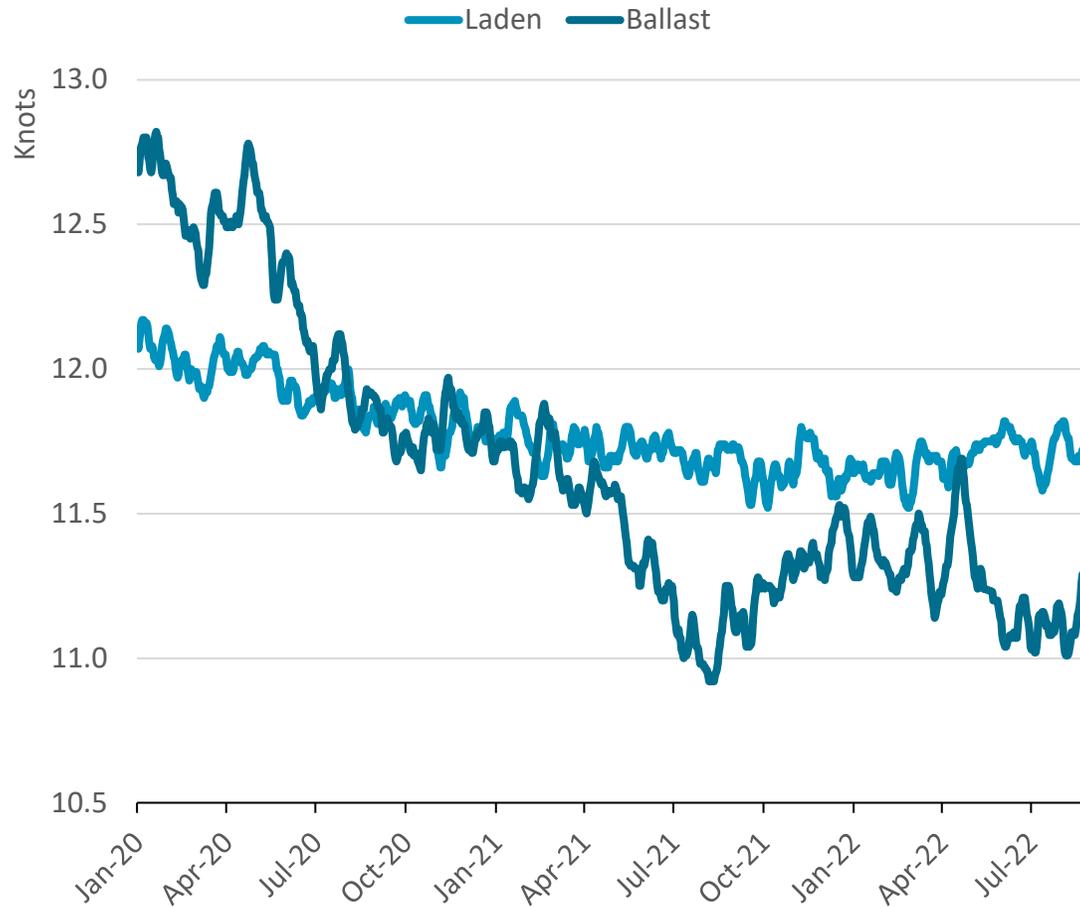
Source: Signal Ocean

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Sailing Speed

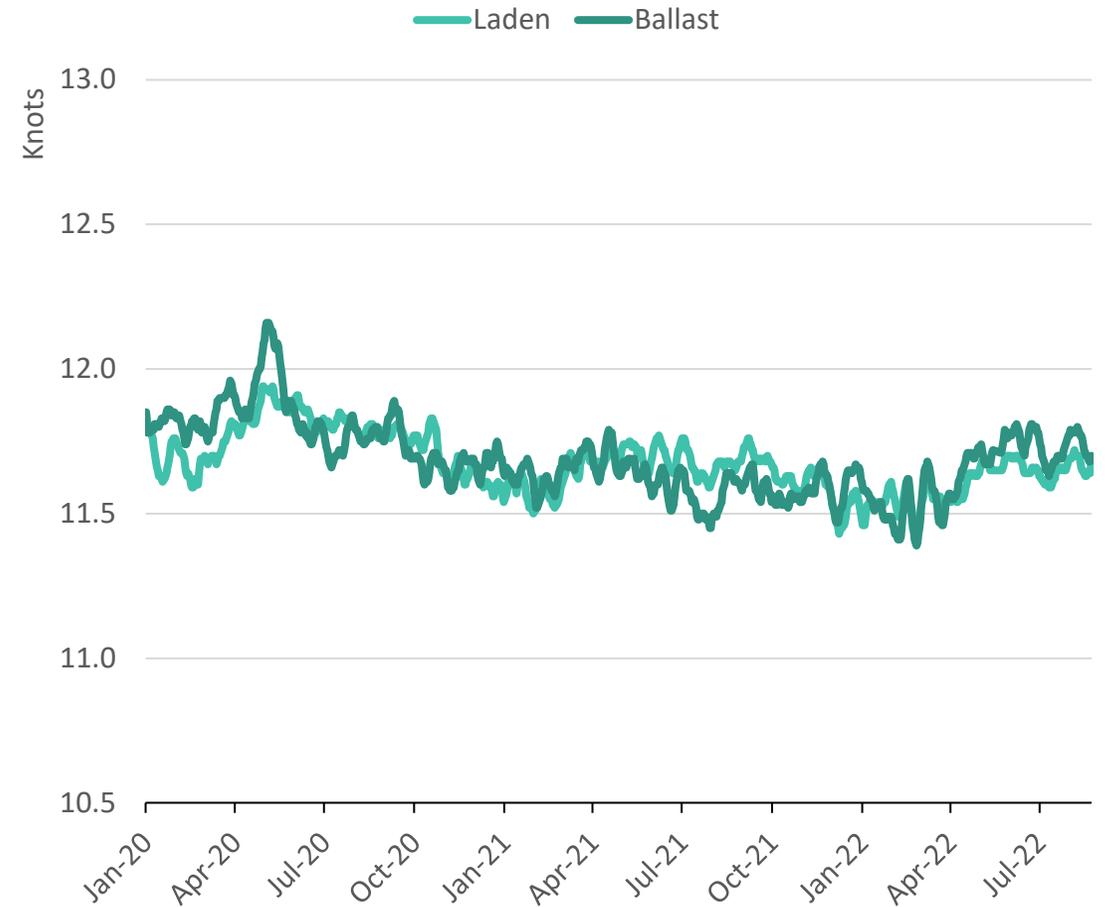
Crude carriers' ballast speed has not reacted much to market upturn

Sailing Speed - 125k-550k Deadweight



Source: Signal Ocean

Sailing Speed - 25k-125k Deadweight



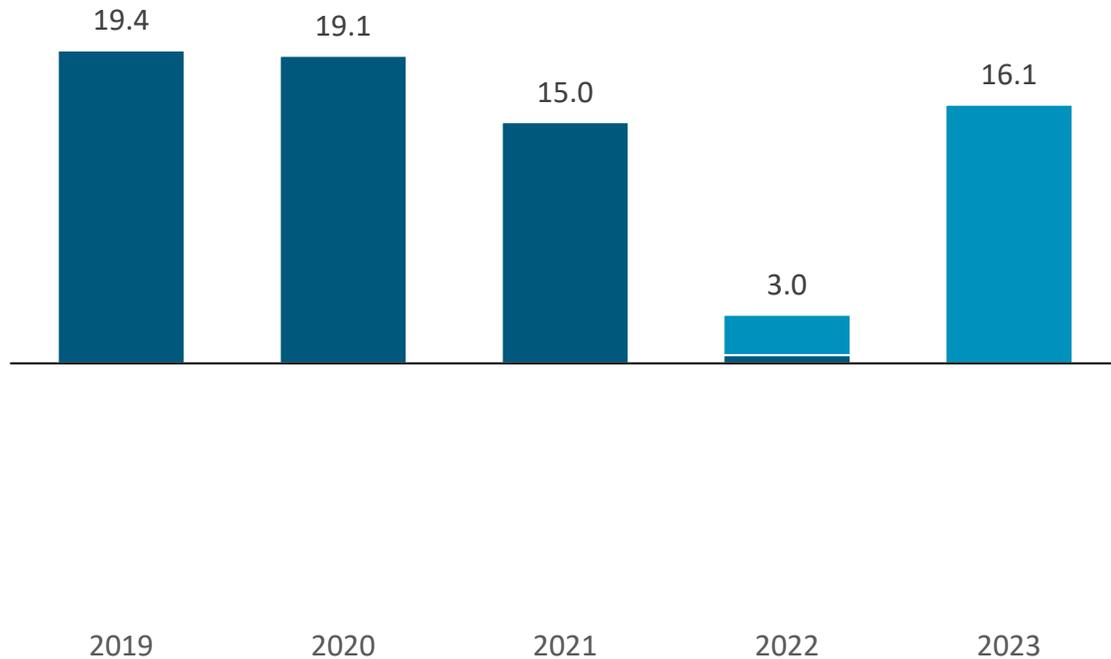
Source: Signal Ocean

Crude Tanker Fleet Development

High 2022 deliveries reduce orderbook to 2.5% of fleet by end 2022

Contracting, DWT m

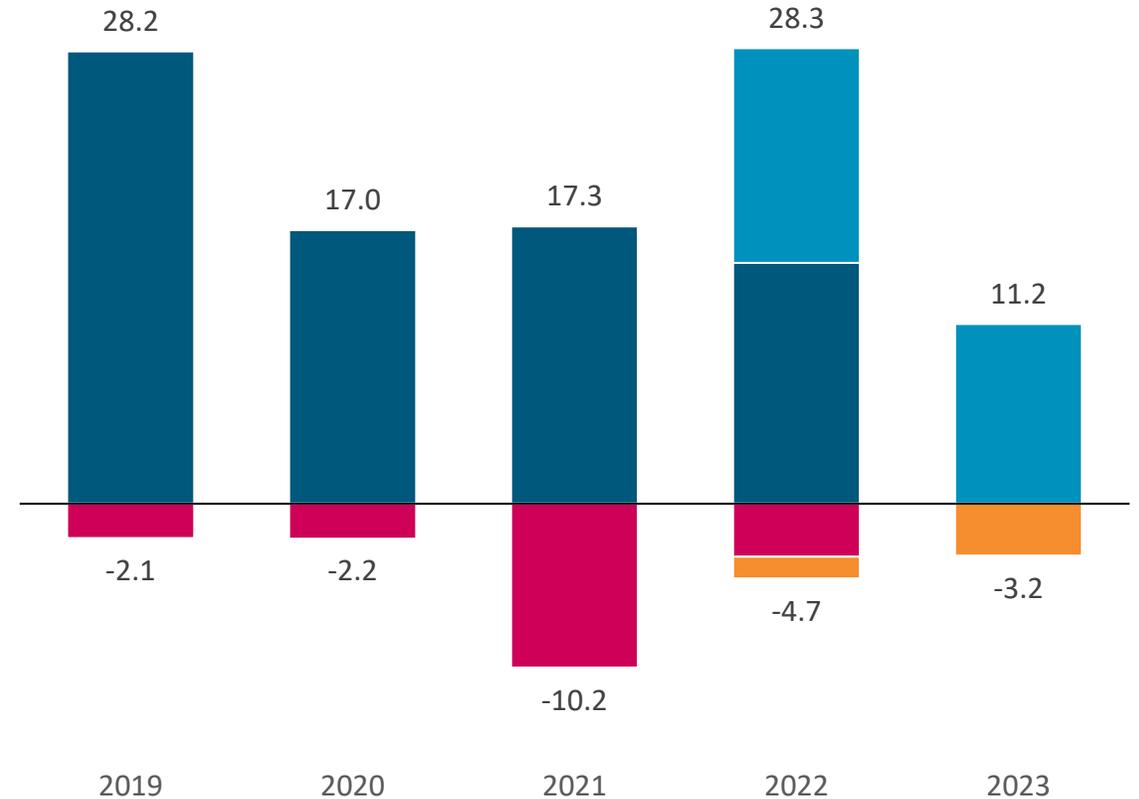
■ Contracted ■ Forecasted contracting



Source: BIMCO, Clarkson Shipping Intelligence Network

Deliveries & Demolition, DWT m

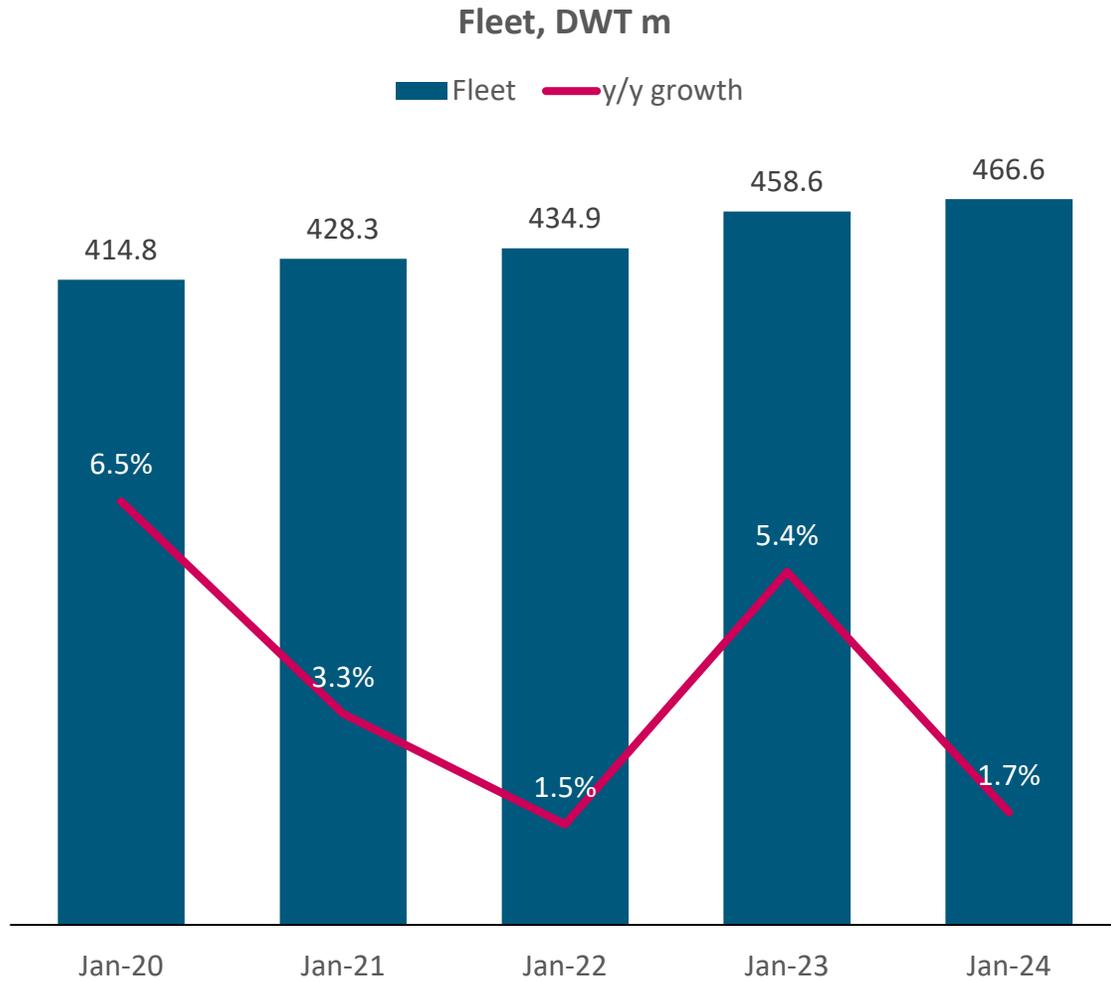
■ Delivered ■ Deliveries from orderbook
■ Demolished ■ Forecasted demolition



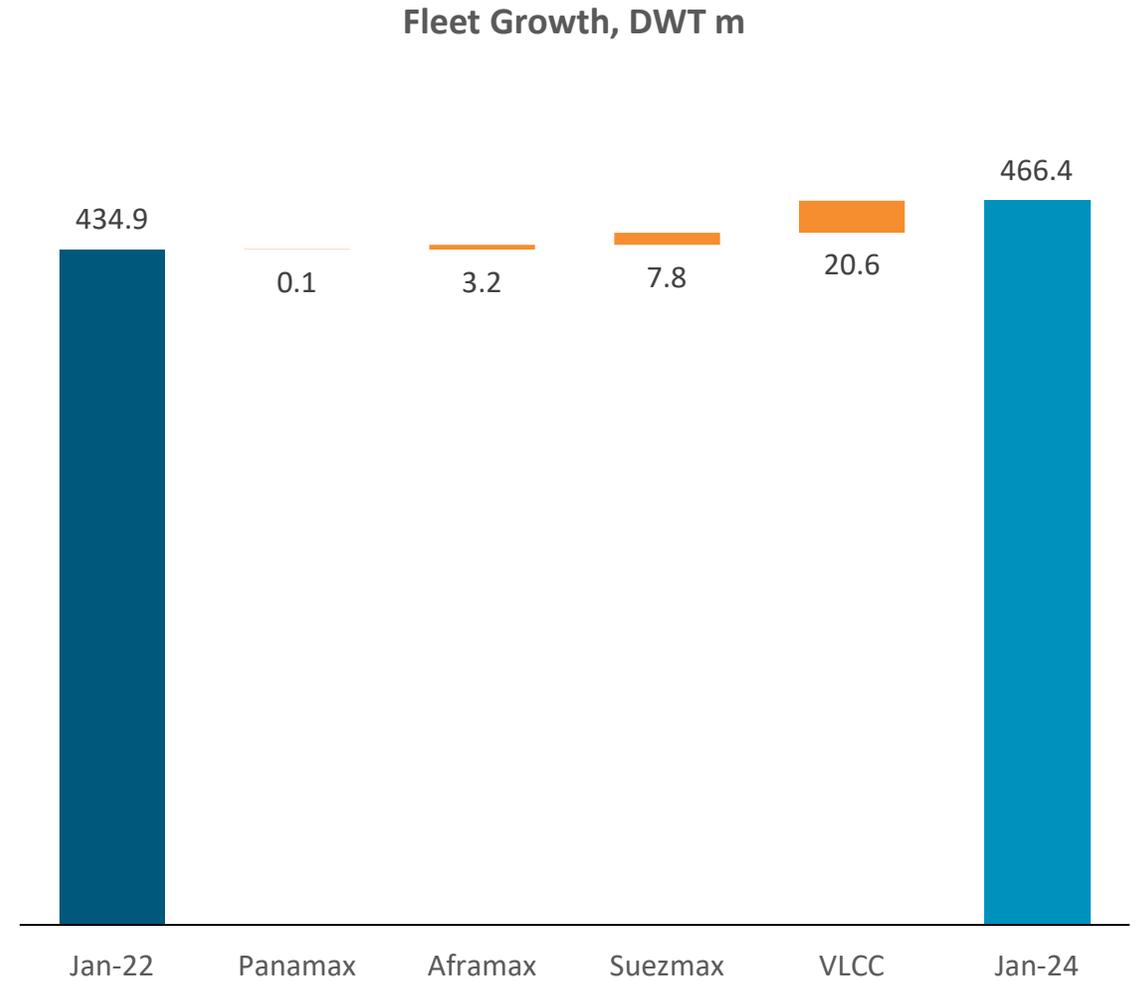
Source: BIMCO, Clarkson Shipping Intelligence Network

Crude Tanker Fleet Size

VLCCs dominate deliveries and fleet growth



Source: BIMCO, Clarkson Shipping Intelligence Network



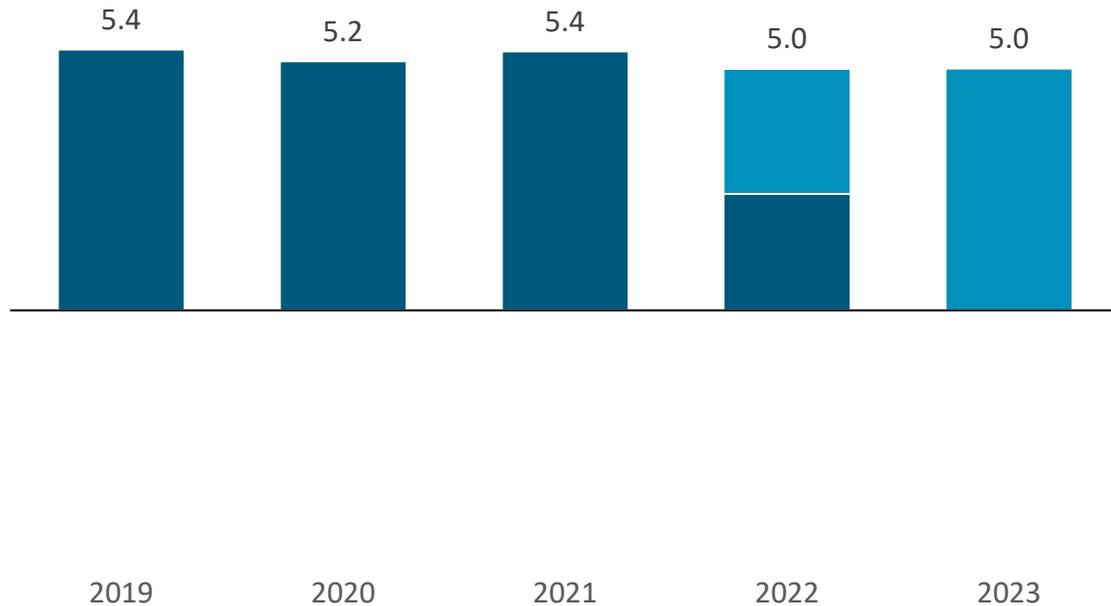
Source: BIMCO, Clarkson Shipping Intelligence Network

Product Tanker Fleet Development

The orderbook is expected to remain about 5.0% of fleet

Contracting, DWT m

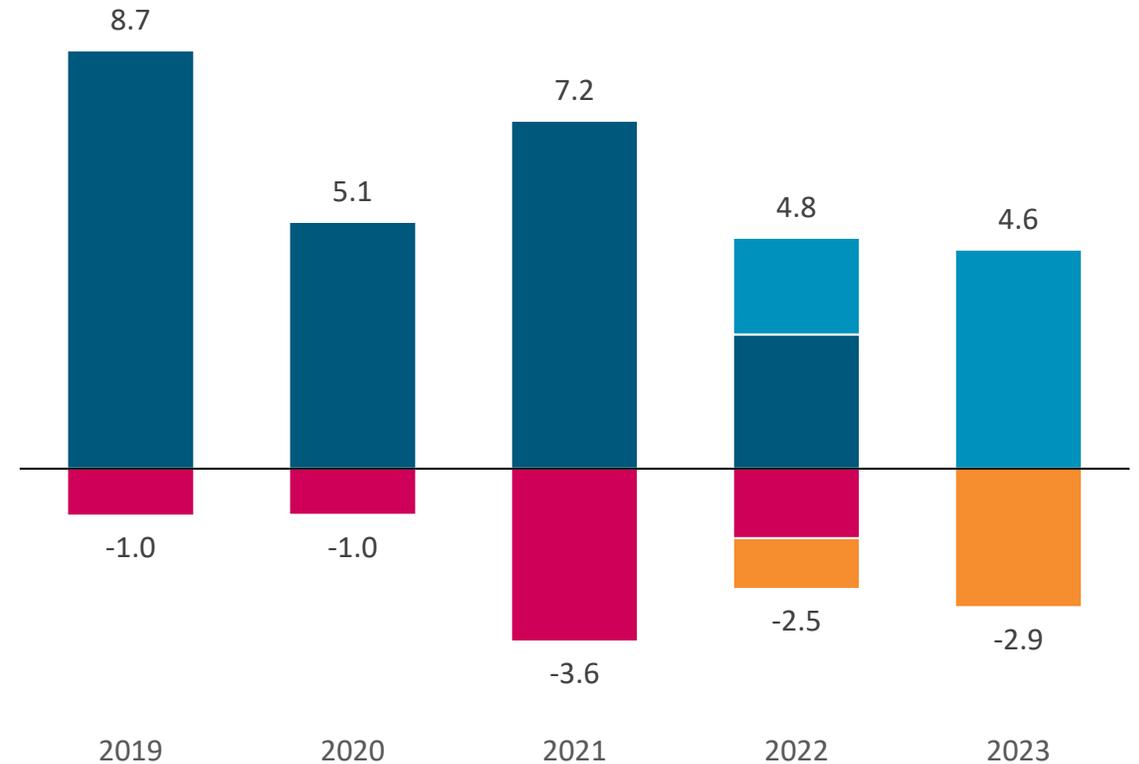
■ Contracted ■ Forecasted contracting



Source: BIMCO, Clarkson Shipping Intelligence Network

Deliveries & Demolition, DWT m

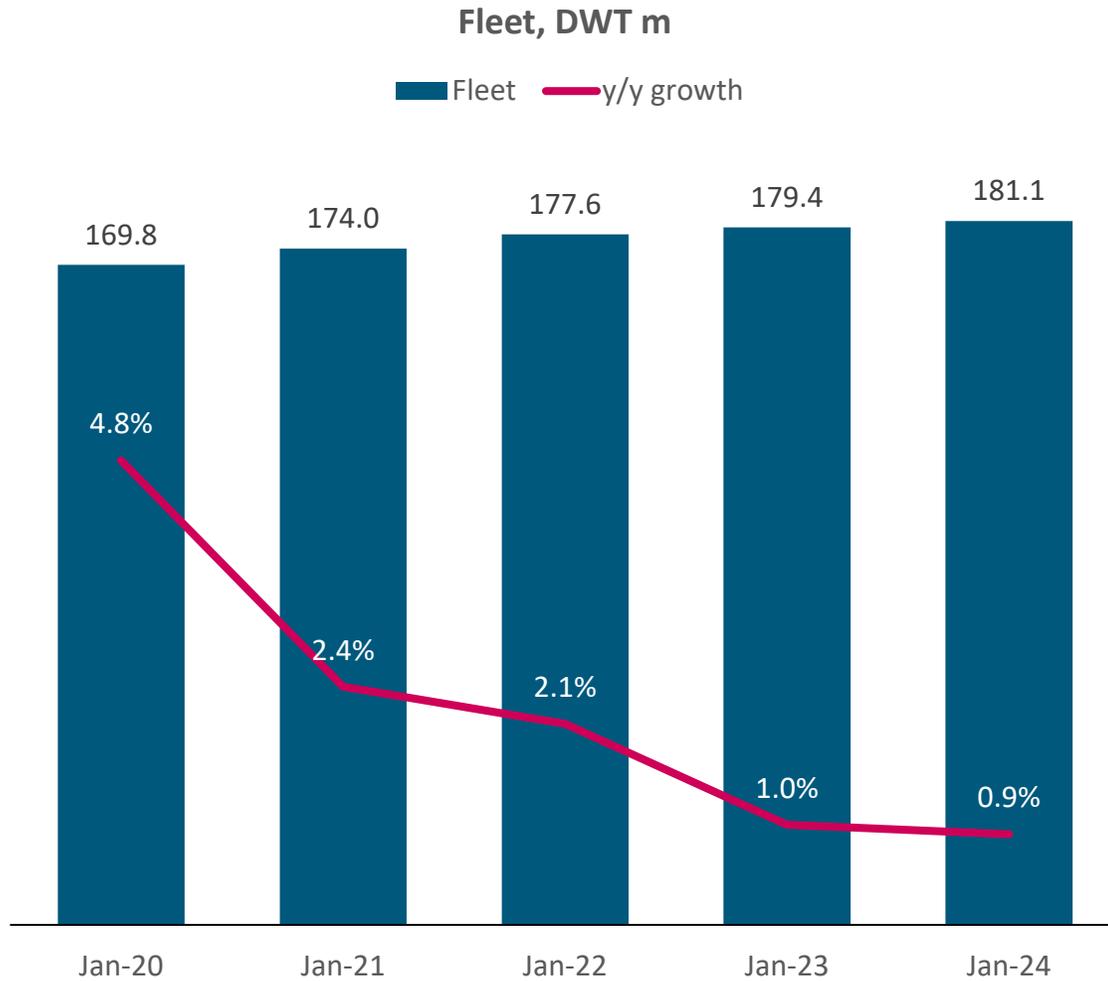
■ Delivered ■ Deliveries from orderbook
■ Demolished ■ Forecasted demolition



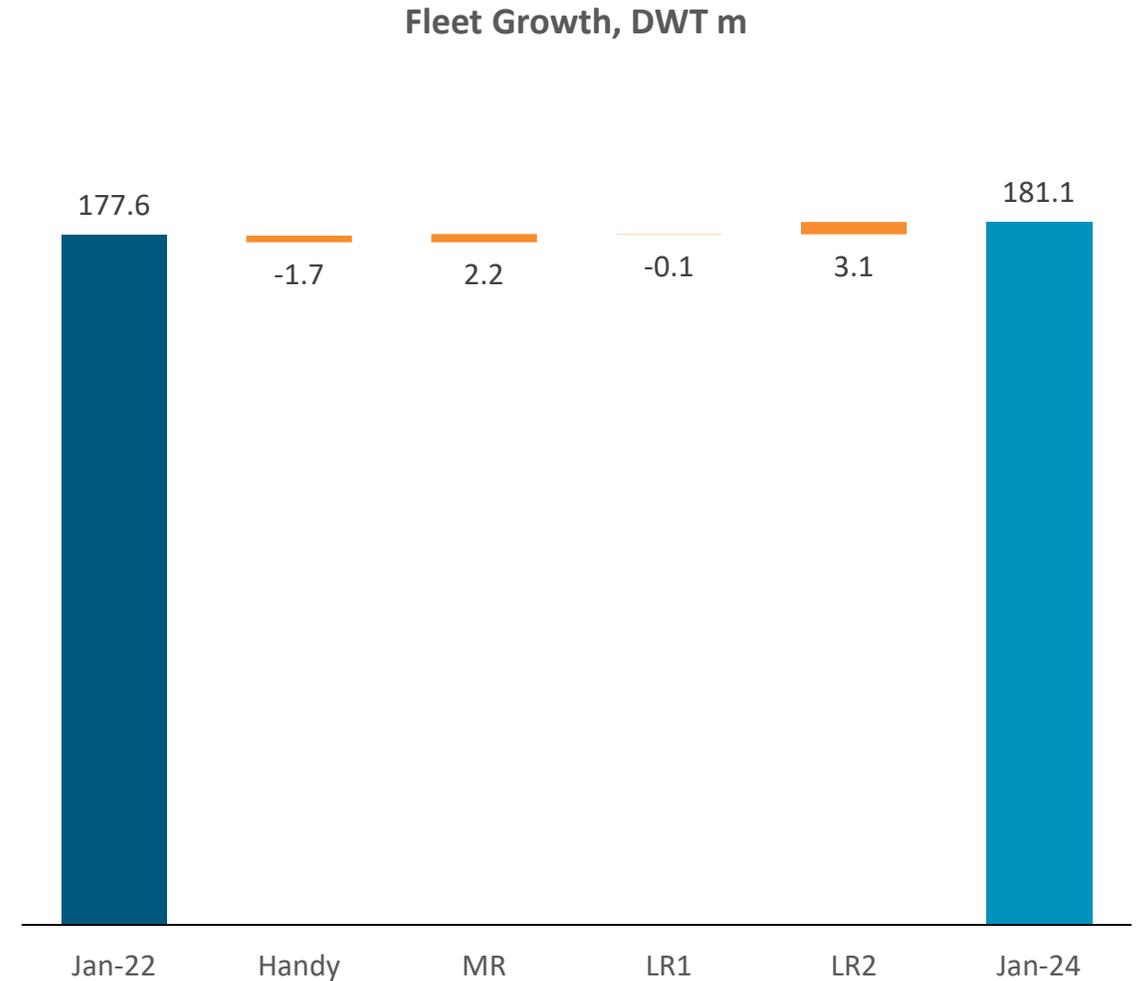
Source: BIMCO, Clarkson Shipping Intelligence Network

Product Tanker Fleet Size

MRs and LRs continue to be drivers of fleet growth



Source: BIMCO, Clarkson Shipping Intelligence Network



Source: BIMCO, Clarkson Shipping Intelligence Network

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Conclusions

Rise in demand and tonne miles to secure sustained tanker recovery

- So far this year, The Baltic Exchange Dirty Tanker Index (BDTI) has on average been 86% higher than during 2021 and The Baltic Exchange Clean Tanker Index (BCTI) has on average been 113% higher.
- The IMF has lowered its global economic growth forecast to 3.2% for 2022 and 2.9% for 2023, and highlights that the risk of a global recession has increased.
- Year-to-date dirty tanker tonne miles have on average been 5.1% higher than the 2021 full-year average, whereas clean tanker tonne miles are up 2.9%.
- We estimate demand growth to approach 5% in 2022 and 2023 for both markets. Solid production and consumption increases drive 2022, while increased sailing distances due to the EU's ban on Russian oil and oil products will provide most support in 2023.
- Contracting has remained low, and the order book has reduced to 4.7% and 5.4% of the crude and product tanker fleet sizes respectively.
- The crude fleet is expected to grow by 5.4% in 2022 and by 1.7% in 2023, whereas product tanker fleet growth is forecast at only 1.0% in 2022 and 0.9% in 2023. Capacity supply in both segments is expected to grow slower than the fleet during 2023 and may even drop by 2-3% compared to 2022 due to reductions in sailing speed arising from EEXI, CII, and ETS implementation.
- Overall, we expect further and solid improvements for both tanker markets in 2023 although headwinds for the global economy remain a risk.

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