WEBER WEEKLY
TANKER REPORT

WEEK 43 – 25 OCTOBER 2013 ISSUE 43 – 2013

Refining Refinery Capacity – A Constantly Moving Target

By John M. Kulukundis

This morning Ineos management and Unite, the union representing workers at their petrochemical plant in Grangemouth, Scotland, agreed on terms to save the plant and by extension the adjacent 210,000 bbl/day refinery which is jointly owned by Ineos and PetroChina which has 49%.

Ineos had announced as late as this Wednesday that the plant was to shut, with the loss of 800 jobs, after union members rejected a survival plan. This morning in a 180 degree turnaround Ineos said shareholders would invest $485 million in the site to cover losses and pay for a new terminal to import shale LNG from the United States. "We've given the chemicals business another 15 to 20 years on the back of new raw materials, new contracts and significant investment," Ineos stated.

BP will be relieved as Grangemouth supplies steam and power to their Kinneil terminal in the Forties field. In 2008 another strike forced about 70 North Sea platforms to shut down or reduce production, closing the terminal and pushing oil prices up.

In other news this morning it was reported that Indonesia has broken off talks with KPC and Saudi Aramco regarding the construction of two new 300,000 bbl/day refineries in Indonesia following disagreements over tax issues.

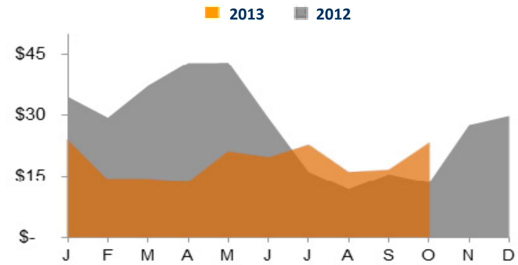
These new refineries would have increased the refining capacity of Pertamina to 1.6 million bpd, which is reportedly slightly above Indonesia's oil consumption for 2012. The collapse in talks has setback Indonesia's efforts to be less reliant on foreign oil products, especially as by 2018 it is predicted to become the world's largest importer of gasoline.

Global Refinery Capacity Growth 2013 - 2017

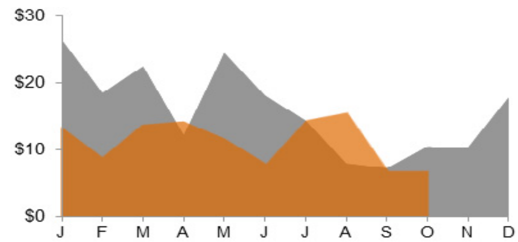
Millions BBls/Day | Source: CRW estimates

	2013	2014	2015	2016	2017
China	0.130	0.790	1.460	0.320	0.600
Middle East	0.460	0.400	0.927	0.916	0.510
Latin America		0.062	0.560	0.370	1.083
India		0.420	0.072	0.120	0.985
South East Asia		0.112	0.495	0.100	0.270
North America	0.210	0.030	0.094	0.249	0.000
FSU-Europe	0.010	0.210	0.129	0.131	0.020
Africa	0.005	0.010	0.170	0.027	0.216

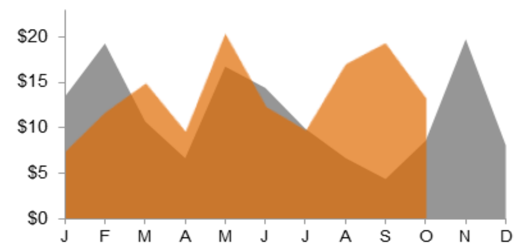
While there definitely will be significant new global refining capacity additions over the next few years, these are not expected to be in Europe. Trying to put firm numbers and dates on capacity additions and refinery closures is a trying and inexact science. As evidenced by and overnight 180 in Scotland and the collapse of discussions in Indonesia. Minus 210,000 bbl/day, minus 600,000 bbl/day add back 210,000 bbls/day.



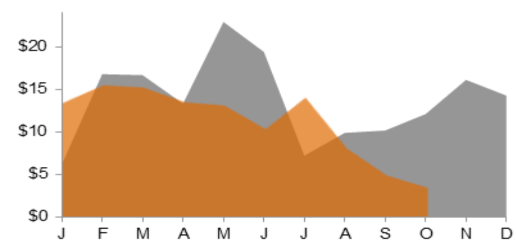
VLCC TCE 280k AG-USG + CBS-SPORE | MTD Average $23,300/Day | Month y/y ▲ +74%



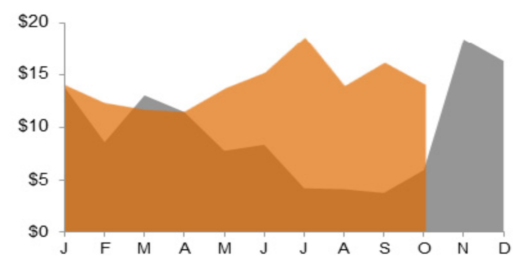
S'MAX TCE 130k WAF-USAC | MTD Average $6,800/Day | Month y/y ▼ -34%



A'MAX TCE 70k CBS-USG | MTD Average $13,300/Day | Month y/y ▲ +55%



P'MAX TCE 50k CBS-USAC | MTD Average $3,200/Day | Month y/y ▼ -74%

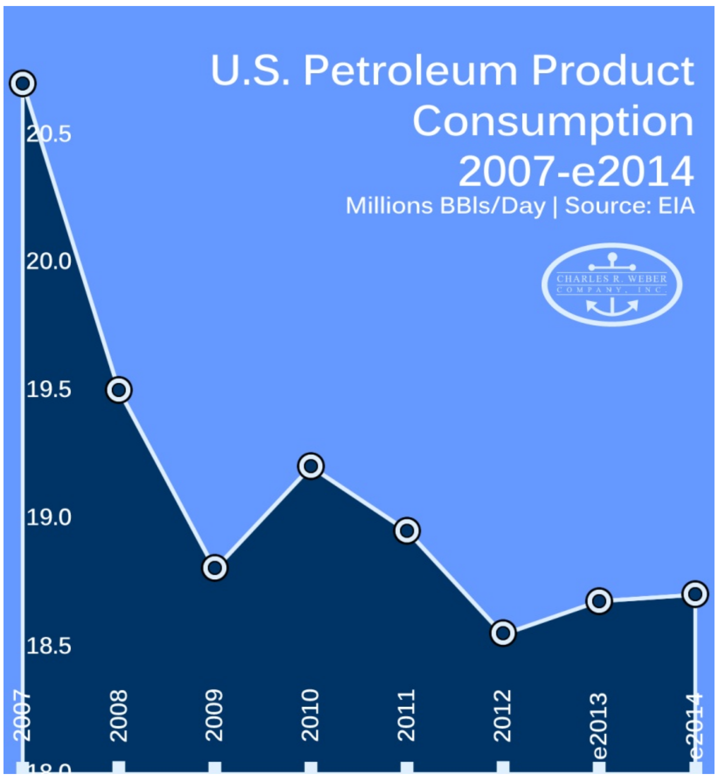


MR TCE 38k CBS-USAC | MTD Average $14,100/Day | Month y/y ▲ +136%

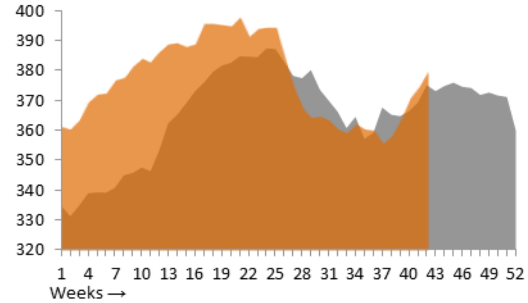
While the numbers are constantly changing we do believe that due to yields, costs, environmental regulations and declining demand that refining in Europe, Oceania and Japan could well be facing multiple shutdowns and a fundamental shift to importing refined product from new capacity being built at or close to crude supply or with lower costs and far less regulation.

We see strong capacity growth in Asia and the Middle East to fill strong demand growth, while new capacity projects scheduled for Latin America may well be completed much later than previously announced, if at all and possibly much less capacity than initially announced. We also see a number of projects being cancelled globally due to lack of finance or escalating costs.

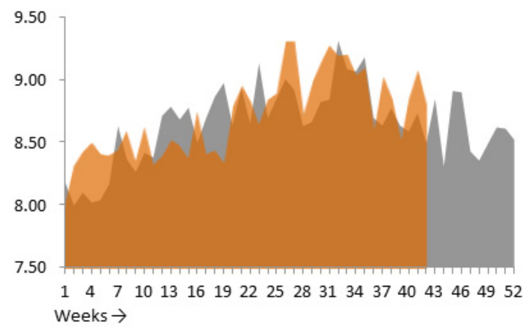
With the United States new found oil and natural gas wealth this all bodes very well for the product export market. With planned Latin America capacity increases arriving later, if at all and with possibly with much less capacity than promised. To this end we do expect the present, positive US/Latin America CPP market to run for a while.



We believe that the combination of hefty increases in domestic U.S. crude production and shrinking domestic demand will benefit the U.S. product export market and owners of clean tonnage. Diminishing U.S. refined petroleum demand may well be helped in a small way by U.S. based ship owners and senior tanker brokers ordering both the Tesla Model S and the new BMW i8, on the back of firmer MR and LR chartering rates and commissions!



US Crude Stocks (EIA)	Last Week 379.8 Mbbls	Week y/y ▲ +1.3%



US Gasoline Demand (EIA)	Last week 8.797 Mb/d	Week y/y ▲ +3.6%

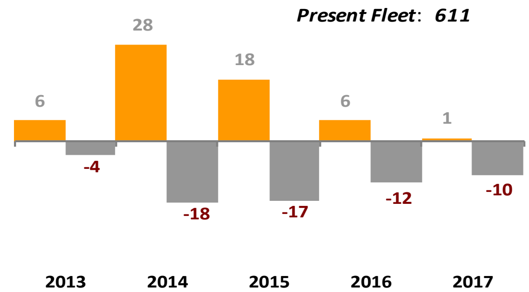
■ 2013 ■ 2012

WEBER WEEKLY TANKER REPORT

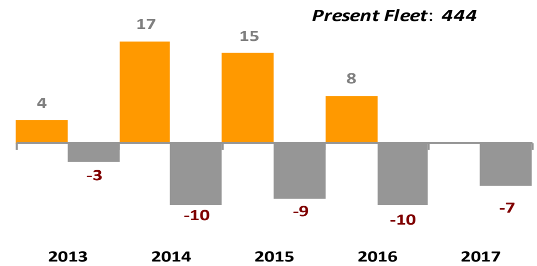
Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC (12 Kts L/11.5 Kts B)	**18-Oct**		**25-Oct**	
AG>USG 280k (TD1)	28.0	$4,749	27.5	$4,749
AG>USG/CBS>SPORE/AG	--	$25,034	--	$30,011
AG>SPORE 270k (TD2)	41.0	$22,436	42.5	$24,346
AG>JPN 265k (TD3)	41.0	$22,185	42.5	$24,507
WAFR>USG 260k (TD4)	42.0	$22,147	45.0	$26,256
WAFR>CHINA 260k (TD15)	42.5	$21,730	44.0	$24,178
SUEZMAX (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	47.5	$5,936	60.0	$14,711
BSEA>MED 135k (TD6)	52.5	$988	60.0	$7,800
CBS>USG 130k	53.0	$798	70.0	$13,905
AFRAMAX (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	125.0	$37,604	85.0	$8,509
AG>SPORE 70k (TD8)	85.0	$14,647	82.5	$13,498
BALT>UKC 100k (TD17)	130.0	$69,353	72.5	$20,175
CBS>USG 70k (TD9)	90.0	$11,991	90.0	$12,214
MED>MED 80k (TD19)	72.5	$7,146	77.5	$10,547
PANAMAX (12.5 Kts L/B)				
CBS>USG 50k	92.5	$731	95.0	$1,671
CONT>USG 55k (TD12)	100.0	$6,751	97.5	$6,135
ECU>USWC 50k	147.5	$16,607	147.5	$16,755
CPP (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	70.0	$(2,581)	72.5	$(1,829)
USG>CONT 38k (TC14)	85.0	$3,452	100.0	$7,422
USG>CONT/CONT>USAC/USG	--	$7,913	--	$11,340
CBS>USAC 38k (TC3)	100.0	$6,203	105.0	$7,582
AG>JPN 35k	115.0	$8,044	110.0	$6,958
SPORE>JPN 30k (TC4)	119.0	$6,371	116.0	$5,787
AG>JPN 75k (TC1)	97.0	$20,843	90.0	$17,473
AG>JPN 55k (TC5)	102.5	$10,903	93.0	$7,461

Time Charter Market $/day (theoretical)	1 Year	3 Years
VLCC	$18,250	$21,500
Suezmax	$15,750	$17,750
Aframax	$13,250	$15,250
Panamax	$14,000	$15,500
MR	$14,500	$15,750

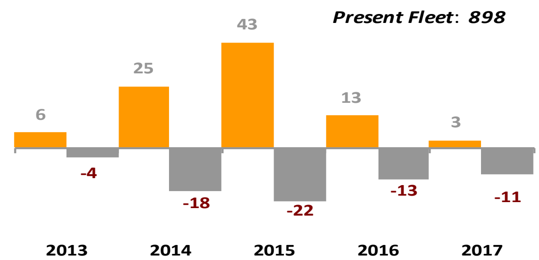
VLCC Projected Deliveries/Removals



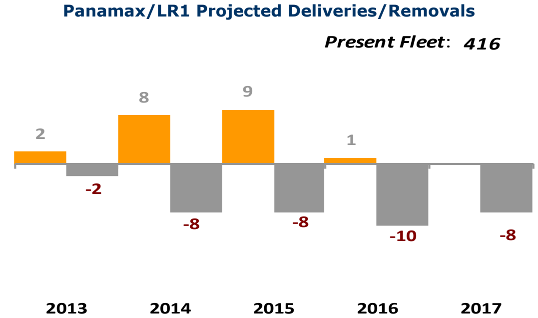
Suezmax Projected Deliveries/Removals



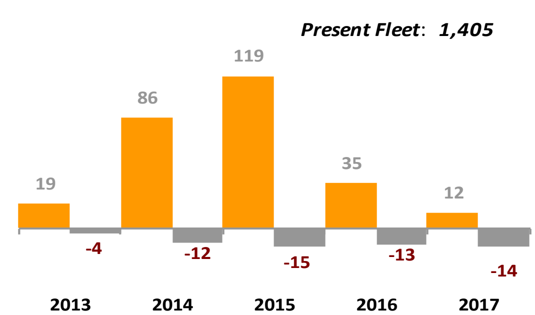
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



THE TANKER MARKETS

VLCC

VLCC rates across all markets strengthened this week, led by a sustained rally in the Middle East and fresh gains in the Caribbean market, where a rebound of activity this week reduced vessel availability. Fixtures for voyages from the Middle East declined by 5%, w/w, but remained 52% above the YTD weekly average with the relatively robust pace allowing for incremental rate gains. We note that this week's activity has brought the number of November cargoes covered to date to 72, including 65 for loading during the first half of the month. The first half activity ultimately represented an extension of recent months' activity gains and likely indicates that the November program will conclude as the third consecutive monthly program of 130+ cargoes. Moreover, with recent activity allowing demand to absorb a number of charterer relet units and previously "hidden" units, the present supply/demand position appears more certain. Against expectations for demand to remain robust through the second half of the November program, the present rally appears likely to extend through the coming weeks and should see earnings remain on a firming trend through to the start of 1Q14.

Middle East

Rates to the Far East gained 2.7 points on last week to an average of ws41.6 and a closing value of ws42.5. Corresponding TCE earnings averaged ~$4,298/day greater this week on last week at ~$23,583/day and stand at ~$24,380/day presently. Rates to the USG via the Cape gained 0.75 points, w/w, to an average of ws27.25 and concluded at ws27.5. What may have otherwise been a stronger rally on the route ultimately was limited this week by rising rates in the Caribbean market, with the resulting potential for earnings approaching $30,000/day over 110 days making competition for USG-bound cargoes stronger. Triangulated Westbound trade earnings averaged ~$27,103/day this week, representing a ~$3,987/day w/w gain. At present rates, earnings are ~$29,822/day.

With 72 November Middle East cargoes covered to date, we anticipate a further 17 cargoes to materialize for loading through the end of the second decade of the month. Against this, position lists show 25 units available through the same space of time, implying 8 excess units (a nominal deviation from the 7 estimated last week to remain uncovered by mid-month).

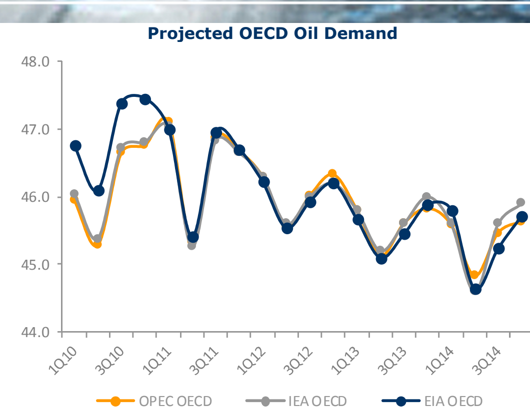
Atlantic Basin

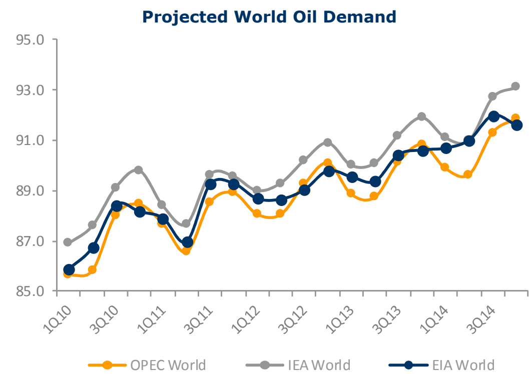
Activity in the Atlantic basin was more active this week with 11 fresh fixtures materializing. The West Africa market was marginally more active, with 3 fixtures materializing; though representing a rise from last week's one fixture, it remains below the YTD weekly average. Rates extended last week's gains on the back of the rising Middle East market and the WAFR-FEAST route gained 0.75 points, w/w, to average ws42.75. Corresponding TCEs gained to an average of ~$1,236/day to an average of ~$22,233/day. The present assessment of ws43 yields ~$22,587/day.

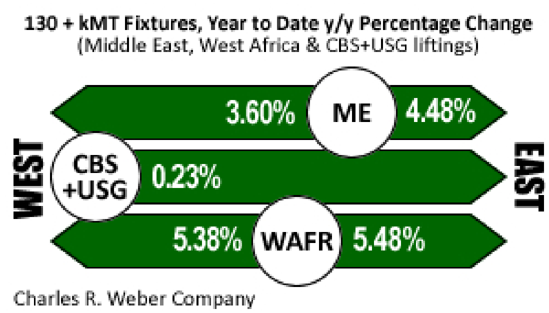
The Caribbean market was markedly more active with 7 fresh fixtures materializing versus just one last week. With the fresh activity causing a tightening of regional positions, rates on the CBS-SPORE route gained $340,000 LS to an average of $3.84m LS; at the close of the week rates stand at $4.1m – an 8 month high for the route.

Suezmax

The West Africa Suezmax market was more active this week with total fixtures more than doubling from last week and 38% above the YTD weekly average. Combined with strengthening rates for VLCCs, Suezmaxes commanded strong gains this week and the WAFR-USAC route added 12.5 points to conclude at ws60. As the market remains busy at the close of the week, sustained demand during the start of the week ahead could see rates post further gains.

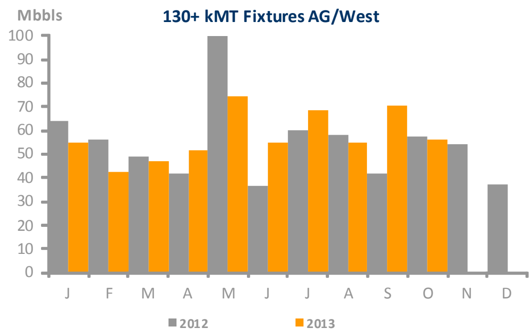






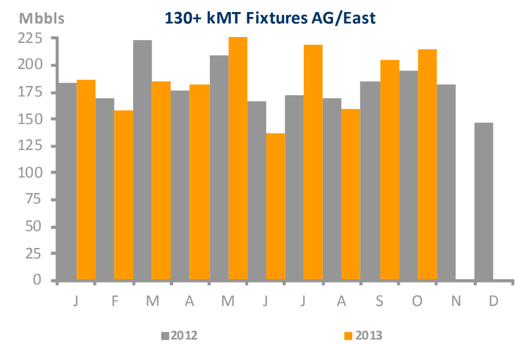
Aframax

The Caribbean Aframax market was largely flat this week with activity proving sufficient to stem earlier negative pressure on rates. The CBS-USG route closed unchanged from a week ago at ws90. While a small number of cargoes remain uncovered at the close of the week – as charterers did not appear to be in a rush to fix – rates could remain at present levels at the start of the upcoming week. Failing a more active period thereafter, however, rates could experience modest downside.



Panamax

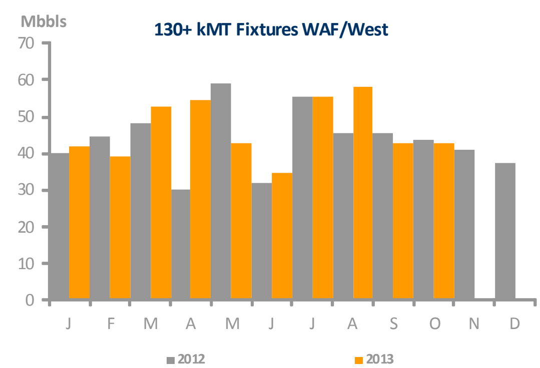
The Caribbean Panamax market was considerably more active this week following a prolonged lull. Although the stronger demand ultimately consumed most of the prompt tonnage that had been weighing on rates, that development coincided with the conclusion of the October program, thus preventing rates from commanding the more significant gains that may have otherwise materialized. The CBS-USG route added 2.5 points to conclude at ws95 which more than doubles TCE returns to ~$1,671/day, but this level remains well off from the YTD average of ~$11,220/day. How active the market remains at the start of the upcoming week will likely dictate the direction rates will take and an extension of this week's activity levels will likely allow owners to command stronger rate gains.



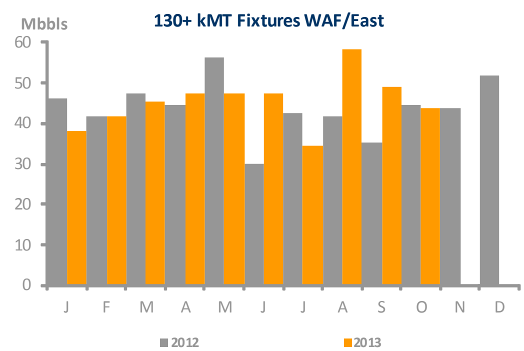
CPP

The USG MR market was markedly more active this week with total fixtures rising 54% w/w to a total of 40. Lingering upward pressure from the close of last week failed to boost rates at the start of the week, though by mid-week the activity gains – combined with owners' resistance – saw the USG-TA route rise to the mid/high 90s and by the close of the week rates reached ws100, representing a 15-points gain on last week's close. Though WTI's discount to Brent has declined from earlier highs, it remains around $10/bbl at the close of the week.

Together with a progression by regional refineries from seasonal maintenance programs, should boost crude inputs and distillate production levels during the coming weeks, supporting exports and MR demand. In the interim, however, a slower pace of activity could prevail at the start of the upcoming week which against a few late-week fixtures having failed on subjects likely implies that rates could pare some of this week's gains.



A modest rebound of activity in the European MR market this week saw small gains materialize with the CONT-USAC route gaining 2.5 points to ws72.5. The gains came largely as charterers shored up remaining October stems but with a more aggressive progression into early November cargoes – which are expected to be stronger on a rise in refining activity following regional turnarounds – the ability for owners hold the market at ws72.5 has been cast to doubt for now and a return to ws70 appears likely on retesting early next week.



REPORTED TANKER SALES

"LR Mimosa" 74,035/06 – New Century – DH
-Sold for $22.0m to undisclosed Greek buyers.

"Aristarchos" 51,604/13 – Hyundai Mipo – DH
-Sold for $38.0m to Greek buyers (Capital Product Partners).

"Agamemnon II" 51,238/08 – STX Jinhae – DH
-Sold for $31.5m to Angolan buyers (Sonangol).

"Wawasan Celeste" 45,726/06 – Minami Nippon – DH
-Sold for $20.6m to Irish buyers (Ardmore).

"Kuldiga" 37,237/03 – Hyundai Mipo – DH
-Sold for $14.3m to undisclosed Greek buyers.

"C. P. 39" 7,786/01 – Higaki Zosen – DH
-Sold for $6.0m to undisclosed Far Eastern buyers.

"Nena K" 6,480/09 – Tuzla – DH – Ice 1C
"Nosi" 6,480/10 – Tuzla – DH – Ice 1C
-Sold en bloc on private terms to Angolan buyers (Sonangol)

"Vingatank" 4,298/02 – Tuzla – DH
-Sold on private terms to undisclosed Russian buyers.

"Vingatank" 3,641/75 – Buesumer Werft – SH
-Sold for $1.0m to undisclosed Russian buyers.

"Roskem 2" 2,754/86 – Volgogradskiy – DH
-Sold for $2.6m to undisclosed buyers (unit converted from Gen Cargo 07/2005).

REPORTED TANKER DEMOLITION SALES

Pakistan

"Delos" 298,816/95 – 42,318 LDT – DH
-Sold for $435/ldt.

Bangladesh

"Eagle Corona" 95,634/93 – 15,927 LDT – DH
-Sold for $401/ldt.

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