# WEBER WEEKLY TANKER REPORT

**WEEK 02 – 14 JANUARY 2011** **ISSUE 02 – 2011**

## Fleet growth outlook

With the return of peak oil demand and an accompanying projected rise in tanker ton-mile demand, any improvement in earnings this year will likely be muted as lower orderbook slippage rates will weigh heavily on the market.

For the Panamax and larger tanker classes, the percentage of newbuilding contracts for which a 2010 delivery date was pushed forward to a later year decelerated to 31% from the 2009 rate of 39%. The 2010 slippage rate, nevertheless, exceeded expectations. VLCCs were the only size class to see orderbook slippage accelerate—to 34% from 2009's rate of 25%. During 2011, we project that all four size classes will see slippage rates below those during 2010 as shipyards benefitted from a massive buying-spree during 2010 with tanker newbuilding contracts alone totaled over 42 million DWT, making them less keen to delay deliveries going forward.

On the demolitions front, early incentives for owners to demolish single hull tonnage stemming from both the IMO phase out guidelines and rising demolition values during 1H10 proved insufficient as these units were then enjoying good earnings and low operating expenses relative to their newer counterparts. Following the closure of Bangladesh to vessel demolition activities, a reduction of available demolition slots coincided with falling steel prices to cause the demolition yards in China, India and Pakistan to be less aggressive in their pursuit of tonnage and the pace of tanker demolitions remained slow accordingly.

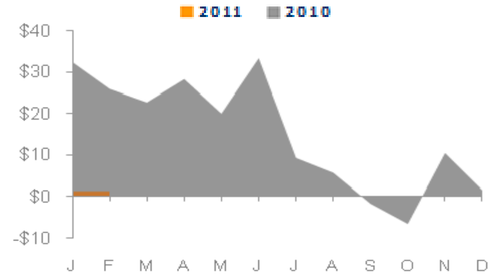
During 2011, we remain optimistic that a fresh wave of tanker demolition activity will materialize. During 4Q10, demolition values pared their 3Q10 losses, making demolitions attractive again to owners. Moreover, with Bangladesh suffering the affects of the closure of a massive domestic industry in which workers earn about 50% more than the national average and also provides a cheap and necessary source of steel to meet rising demand, the likelihood is that activities will soon be allowed to resume there. With Bangladesh having the world's largest spare demolition capacity, a reemergence of activities there will increase competition in this industry and prompt both demolition values and activity to rise. This will help offset the wave of deliveries and poise the market for a much healthier environment from 2012.

Based on our revised orderbook and phase-out projections, we find that during 2011, Suezmax owners will see the greatest net fleet increase, at 8.9% versus the average of the four classes at 6.3%. A breakdown of our projections are provided below:

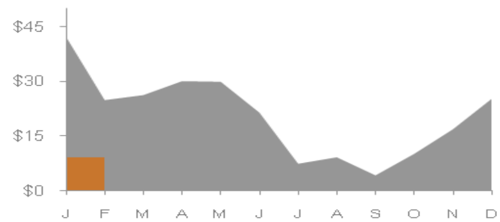
### ***VLCC – 2010 Slippage Rate: 34%***

At the start of 2010, the world VLCC fleet stood at 540 units. Over the course of the year, the fleet grew by 17 units, or 3.2%, to 557 units. Orderbook slippage accelerated from the previous year to 34%, with 54, or 66%, of the 82 units scheduled for delivery during 2010 having materialized. Some 37 units were sold for either demolition or conversion.

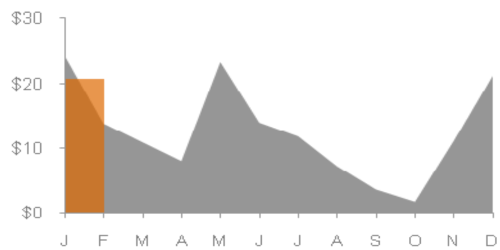
Of the 90 units on order for delivery during 2011, we project that 22% of these will slip to a later delivery year, yielding a total of 70 deliveries. Simultaneously, we project that 34 single hull units will be exited from the fleet. On this basis, we project that there will be a net fleet growth of 36 units, or 6.5% of the fleet, as from 1 January.



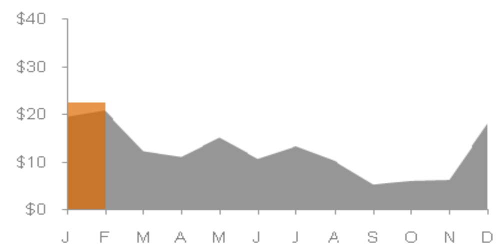

**VLCC TD1 TCE** 280k AG-USG | **MTD Average** $250/Day | **'10-'11 MoM** ▼ -99%



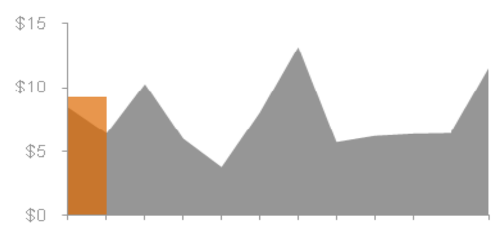

**S'MAX TD5 TCE** 130k WAF-USAC | **MTD Average** $8,750/Day | **'10-'11 MoM** ▼ -79%




**A'MAX TD9 TCE** 70k CBS-USG | **MTD Average** $20,500/Day | **'10 -'11 MoM** ▼ -15%




**P'MAX TD10 TCE** 50k CBS-USAC | **MTD Average** $22,250/Day | **'10-'11 MoM** ▲ +13%




**MR TC3 TCE** 38k CBS-USAC | **MTD Average** $9,250/Day | **'10-'11 MoM** ▲ +9%

## VLCC Fleet Growth Projection:

**Fleet at 1 Jan:** 557

| | Additions | Deletions | Net Δ |
|---|---|---|---|
| 2011 | 70 | 37 | 6.5% |
| 2012 | 80 | 8 | 12.1% |
| 2013 | 50 | 10 | 6.0% |
| 2014 | 4 | 3 | 0.1% |

### ***Suezmax* – *2010 Slippage rate: 38%***

At the start of 2010, the world Suezmax fleet stood at 395 units. Over the course of the year, the fleet grew by 19 units, or 4.8%, to 414 units. Orderbook slippage decelerated from the previous year to 38%, with 38, or 62%, of the 61 units scheduled for delivery during 2010 having materialized. Some 19 units were sold for either demolition or conversion.

Of the 68 units on order for delivery during 2011, we project that 19, or 28%, of these will slip to a later delivery year, yielding a total of 49 deliveries. Simultaneously, we project that 12 single hull units will be exited from the fleet. On this basis, we project that there will be a net fleet growth of 37 units, or 8.9% of the fleet, as from 1 January.

## Suezmax Fleet Growth Projection:

**Fleet at 1 Jan:** 395

| | Additions | Deletions | Net Δ |
|---|---|---|---|
| 2011 | 49 | 12 | 8.9% |
| 2012 | 60 | 10 | 11.1% |
| 2013 | 39 | 7 | 6.4% |
| 2014 | 2 | 10 | -1.5% |

### ***Aframax* – *2010 Slippage Rate: 27%***

At the start of 2010, the world Aframax fleet stood at 836 units. Over the course of the year, the fleet grew by 45 units, or 5.3%, to 881 units. Orderbook slippage decelerated from the previous year to 27%, with 69, or 73% of the 95 units scheduled for delivery during 2010 having materialized. Some 24 units were sold for either demolition or conversion.

Of the 84 units on order for delivery during 2011, we project that 17, or 20%, of these will slip to a later delivery year, yielding a total of 67 deliveries. Simultaneously, we project that 24 single hull units will be exited from the fleet. On this basis, we project that there will be a net fleet growth of 43 units, or 4.9% of the fleet, as from 1 January.

## Aframax Fleet Growth Projection:

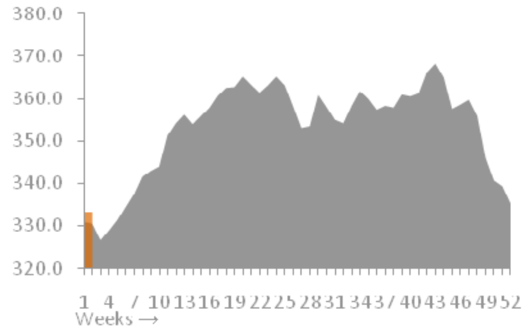
**Fleet at 1 Jan:** 836

| | Additions | Deletions | Net Δ |
|---|---|---|---|
| 2011 | 67 | 24 | 4.9% |
| 2012 | 58 | 7 | 5.5% |
| 2013 | 17 | 2 | 1.5% |
| 2014 | 10 | 2 | 0.8% |

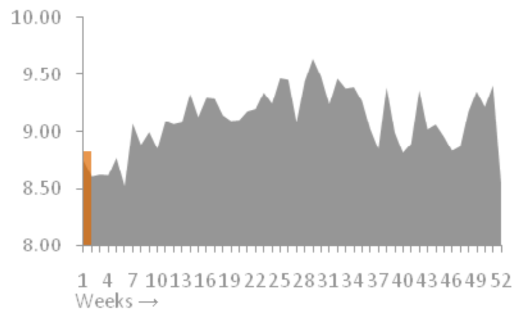
### ***Panamax* – *2010 Slippage rate: 25%***

At the start of 2010, the world Panamax fleet stood at 389 units. Over the course of the year, the fleet grew by 9 units, or 2.3%, to 398 units. Orderbook slippage decelerated from the previous year to 25%, with 27, or 75%, of the 36 units scheduled for delivery during 2010 having materialized. Some 18 units were sold for either demolition or conversion.

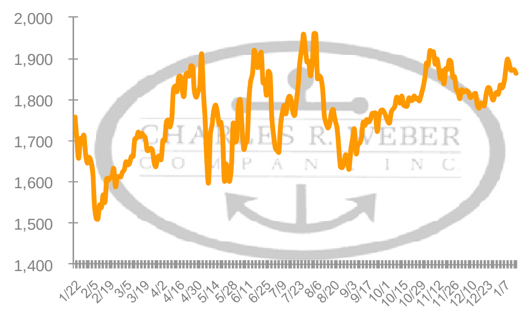
Of the 49 units on order for delivery during 2011, we project that 9, or 18%, of these will slip to a later delivery year, yielding a total of 40 deliveries.



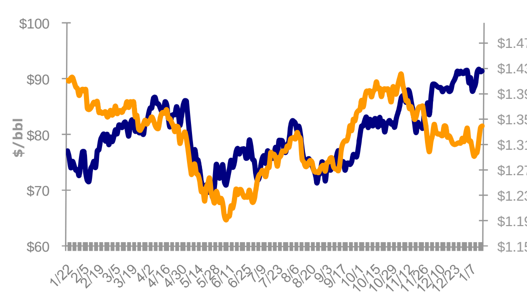

| | | |
|---|---|---|
| **US Crude Stocks (EIA)** | **333.1 Mbbls** | **'10-'11 WoW ▲ +4.1%** |




| | | |
|---|---|---|
| **US Gasoline Demand (EIA)** | **8.819 Mb/d** | **'10-'11 WoW ▲ +0.9%** |




| | | |
|---|---|---|
| **Weber Tanker Index*** | **1,863.70** | **Weekly Change ▼ -1.8%** |



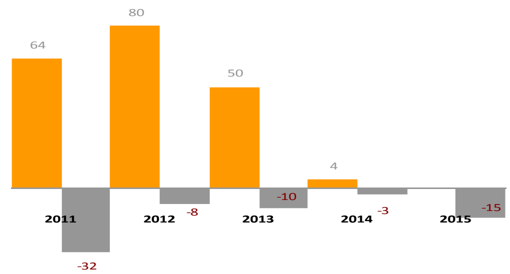

| | | Weekly Change |
|---|---|---|
| **WTI FUTURE** | **$91.54/bbl** | **▲ +3.5%** |
| **EUR/USD** | **€1=$1.3388** | **▲ +3.7%** |

Simultaneously, we project that 20 single hull units will be exited from the fleet. On this basis, we project that there will be a net fleet growth of 20 units, or 5.0% of the fleet, as from 1 January.

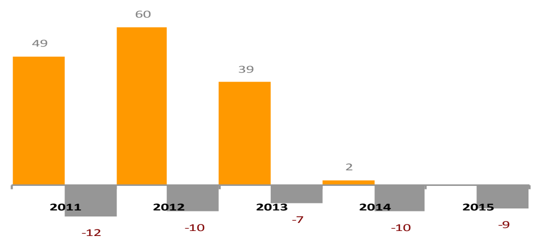
**Panamax Fleet Growth Projection:**

**Fleet at 1 Jan:** 398

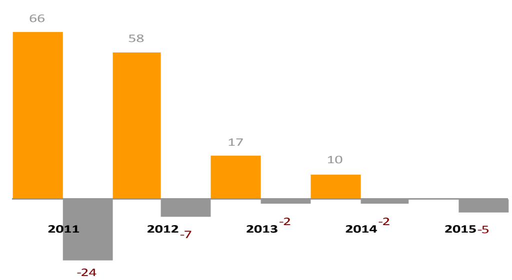
| | Additions | Deletions | Net Δ |
|---|---|---|---|
| 2011 | 40 | 20 | 5.0% |
| 2012 | 23 | 8 | 3.6% |
| 2013 | 20 | 10 | 2.3% |
| 2014 | 2 | 4 | 0.5% |



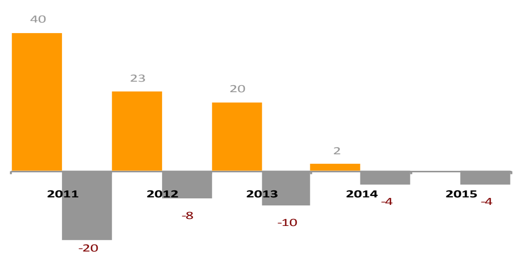
**VLCC Projected Deliveries/Removals**



**Suezmax Projected Deliveries/Removals**



**Aframax Projected Deliveries/Removals**

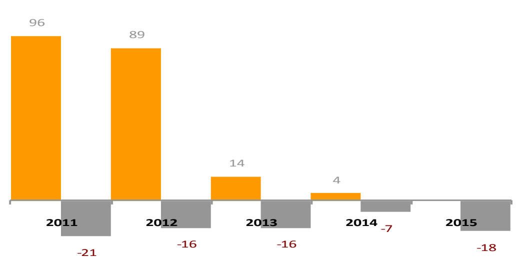


**Panamax Projected Deliveries/Removals**

## Spot Market Rates

| Trade | | Cargo | WS Rate |
|---|---|---|---|
| *Where available, click on the trade route for our interactive web TCE calculators.* | | | |
| **VLCC** | | | |
| **TD1** | AG>USG | 280,000 MT | 30.0 |
| **TD2** | AG>SPORE | 260,000 MT | 47.5 |
| **TD3** | AG>JPN | 260,000 MT | 47.5 |
| **TD4** | WAFR>USG | 260,000 MT | 50.0 |
| **SUEZMAX** | | | |
| **TD5** | WAFR>USAC | 130,000 MT | 60.0 |
| **TD6** | B.SEA>MED | 135,000 MT | 62.5 |
| **AFRAMAX** | | | |
| **TD7** | N.SEA>UKC | 80,000 MT | 85.0 |
| **TD9** | CBS>USG | 70,000 MT | 122.5 |
| **TD11** | NAFR>MED | 80,000 MT | 70.0 |
| **PANAMAX** | | | |
| **TD10** | CBS>USAC | 50,000 MT | 150.0 |
| **TD12** | CONT>TA | 55,000 MT | 140.0 |
| **CPP** | | | |
| **TC3 MR** | CBS>USAC | 38,000 MT | 135.0 |
| **TC2 MR** | CONT>TA | 37,000 MT | 145.0 |
| **TC1 LR2** | AG>JPN | 75,000 MT | 105.0 |
| **TC5 LR1** | AG>JPN | 55,000 MT | 120.0 |
| **TC4 MR** | SPOR>JPN | 30,000 MT | 147.5 |

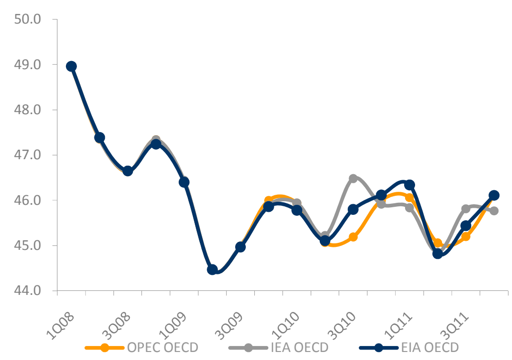
| Time Charter Rates | 1 Year | 3 Years | 5 Years |
|---|---|---|---|
| **VLCC** | $29,500 | $33,000 | $36,500 |
| **Suezmax** | $24,000 | $26,500 | $27,500 |
| **Aframax** | $18,000 | $19,500 | $21,000 |
| **Panamax** | $15,000 | $16,500 | $17,250 |
| **MR** | $13,000 | $14,250 | $14,750 |



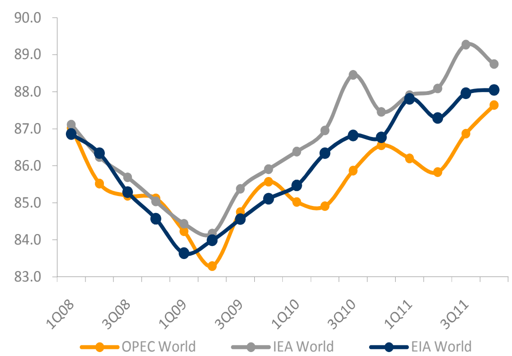
**MR Projected Deliveries/Removals**

## THE TANKER MARKETS

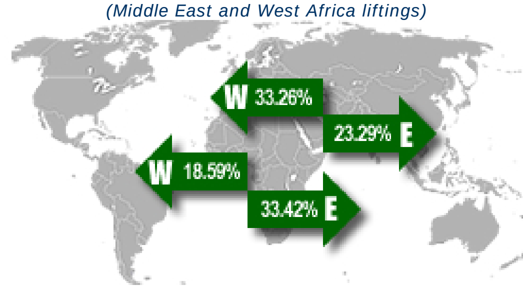
Projected OECD Oil Demand




Projected World Oil Demand




**Percentage Change, 120+ kMT fixtures, 2009-10**
*(Middle East and West Africa liftings)*




### VLCC

The VLCC markets were markedly more active this week as chartering activity for cargoes bound for China increased. Twelve such cargoes were fixed for Middle East liftings and a further five were fixed for liftings in the Mediterranean and Atlantic basins. By contrast, just 6 China-bound fixtures were concluded last week. The surge in activity was not unexpected as Chinese charterers returned from two weeks of holidays, but the upward pressure on rates was short-lived and nominal as the number of available units simply outweighed the increased inquiry. By late in the week, a fresh YTD low was reached with one fixture concluded at ws42 for a MEG-Korea voyage as the wave of competing newbuilding deliveries, which normally must fix below market due to their lack of approvals, forced owners to choose between being more competitive or to simply wait for the next rally.

There were 42 fixtures reported this week; 30 emanating from the Middle East and 11 from the Atlantic basin. As mentioned above, China led the discharge profile of Middle East liftings, accounting for 12 of the 27 Eastbound fixtures, and followed by Korea which accounted for 4. Rates to the West eased by about 1.6 points to average ws29.93 this week whilst the earlier flurry of inquiry and accompanying slight rally in rates for Eastbound business saw that route average 3.8 points higher at ws48.64. With rates mired at present levels, single hull tonnage remained undesirable to charterers and only one fixture on such tonnage was reported.

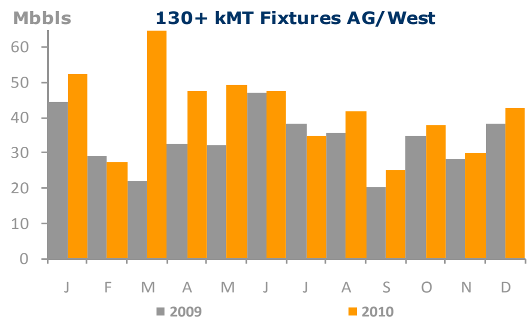
With 103 January program fixtures concluded to-date, a further 10-12 could be reasonably expected. By contrast, 21 double hull units are projected to be load-ready by the end of the month. Thus for the balance of the January program rates will probably remain at present lows with perhaps a few points added if bunker prices continue firming. With the Chinese New Year looming, from late in the week ahead Chinese charterers are likely to move more aggressively into their February programs. Simultaneously, Westbound activity is likely to pick up for early February cargoes with US crude inventories having fallen significantly in recent weeks and a discounted Saudi pricing scheme for Westbound crude. With only about 5 of the spillover January units likely to remain open in the Middle East, this influx of inquiry for early February cargoes will likely see rates pick up late in the week ahead.

There was modest activity in the Atlantic Basin with 11 fixtures reported; all bound for the East. With Suezmaxes trading in the high ws50s, the VLCCs saw diminished inquiry for trans-Atlantic business and the last such fixture is almost two weeks old (done at the equivalent of just over ws60 basis 2011 flat rates). The next will be closer to the ws50 level and with a weaker MEG sector we could soon see some units ballasting in this direction for WAFR-USG voyages (recently, the ballast units have almost exclusively serviced the WAFR-East route). In the week ahead we do not foresee much change—ballast units from the East will continue to apply downward pressure to rates in the Atlantic basin.

### Suezmax

With a flurry of activity in the Atlantic market at the start of the week being particularly focused on a narrow liftings window, tonnage appeared somewhat constrained and prompted a slight firming of rates. Having commenced at the ws55 level, by mid-week rates had risen to into the low ws60s. With inquiry having evaporated thereafter, however, rates corrected back to the ws60 level.

With little change to the overall supply/demand ratio – supply remaining somewhat exacerbated by VLCC ballasts from the East – the likelihood is that rates will remain soft through to the start of the week ahead.

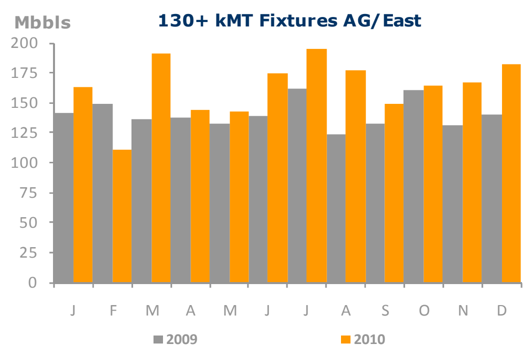



## Aframax

The Caribbean Aframax market weakened this week as available tonnage was in excess to the very light levels of inquiry which materialized. Rates commenced the week at the ws130 level and lost ground incrementally over the course of the week to conclude at the ws120 level.

## Panamax

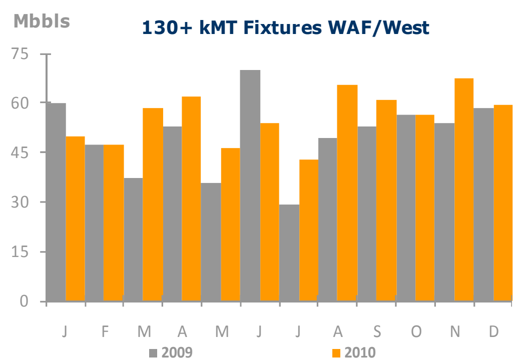
With an oversupply of tonnage in the Caribbean Panamax market, rates continued to correct this week. Having commenced at the ws180 level, by the end of the week the market had declined to the ws147.5 level. Sustained inquiry at the start of the week ahead should see rates stabilize at present levels.




## MR

A widening arbitrage situation for backhaul ULSD shipments to Europe saw an early flurry of inquiry met with resistance by owners, who were disinterested in repositioning tonnage to Europe with the front haul TC2 market trading at just ws120. Accordingly, the backhaul market was successfully pushed from ws95 to ws110 whist a prompt replacement fixture on TC2 at ws160 saw rate gains as well with the market closing the week at ws145.

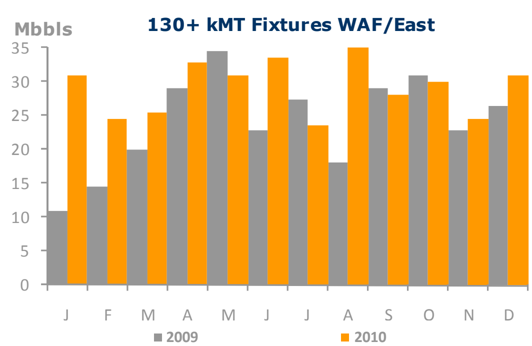
The Caribbean market was unaffected by the activity in the Atlantic and rates were largely flat in the low/mid-ws130s. With many US charterers closed in observance of upcoming Monday holiday, the slow start to the week could translate into a slight softening in rates.




## Sale & Purchase

S&P activity in the dry sector has slowed markedly as owners appear to be taking a wait-and-see approach and, although purchase enquiries abound, there seems to be an unbridgeable gap between sellers' price ideas and buyers' price expectations. As a result, there are few dry cargo deals to report. The most notable sale is the *en bloc* deal of two 79,600 DWT Panamax resale units scheduled for delivery 1Q 2011 from Jinhai, China, for $39.50 million each including attached time charters for 5 years at $ 19,000 per day.

On the tanker market, activity levels have risen whilst a two- tier market is now taking hold. Prices for modern tonnage remain firm whereas prices for older tonnage is softening. With this in mind, on the high end we are reporting the sale of the modern MR product tanker "FREJA SCANDIA" (53,000 Dwt / blt 2010 Japan) for $40.0 million. Simultaneously, we are reporting the sale of the older MR product tanker "FAJA DE ORO 2" (47,629 Dwt / Blt 1995 Japan) for $12.0 million.




Newbuilding activity is declining whereas there seems to be a few demolition candidates and as a result prices are firming. Bangladesh remains inactive and, after last week's sale of a Capesize to Chinese demolition buyers at the high $400's per LDT, we are seeing prices in China softening a bit to below the mid-$400's region.

*-Sale & Purchase commentary excerpted from the WeberSeas (Hellas) S.A. Weekly Market Report.*

# WEBER WEEKLY TANKER REPORT

## TANKER SALES

**"GRAND SEA"** 310,444/08 - MITSUI - B&W 36,927 - IGS - SBT COW - DH - SS/DD 03/2013
*-Sold for $100 mill. to Hong Kong-based buyers, including long term time charter attached.*

**"GRAND"** 263,097/94 - IHI - SUL 22,978 - IGS - SBT - COW - SH SS 06/2013, DD 06/2011
*-Sold for $20 mill. to undisclosed buyers for conversion.*

**"FREJA SCANDIA"** 53,000/10 - KURUSHIMA - MIT 14,440 - IGS SBT - COW - DH
*-Sold for excess $40 mill. to Danish buyers (Kirk Kapital).*

**"FAJA DE ORO 2"** 47,629/95 - ONOMICHI - B&W 11,665 - IGS SBT - COW - DH - SS 06/2015 - DD 11/2013
*Sold for $12 mill. to undisclosed buyers.*

**"SPOTLESS"** 47,084/91 - HALLA - B&W 10,151 - COATED COILED - SBT - IGS - COW - DH - SS/DD 03/2012
*-Sold for $6.7 mill. to undisclosed buyers.*

**"GULF MISHREF"** 44,000/10 - SLS - B&W 15,363 - COATED COILED - SBT - IGS - COW - DH
**"GULF MIZHAR"** 44,000/10 - SLS - B&W 15,363 - COATED COILED - SBT - IGS - COW - DH
*-Sold for $42 mill. each to Norwegian buyers (Odfjell).*

**"HELLESPONT CHIVALRY"** 13,185/06 - KY HEAVY - B&W 6,145 COATED - COILED - SBT - IGS DH - SS/DD 08/2011
**"HELLESPONT CREATION"** 13,097/07 - SEKWANG - B&W 6,145 COATED - COILED - SBT - IGS DH - SS/DD 07/2012
**"HELLESPONT CREDO"** 13,087/07 - KY HEAVY - B&W 6,145 COATED - COILED - SBT – IGS - SS/DD 11/2012
*-Sold for $43 mill. en bloc to British buyers.*

**"STELLAR ACACIA"** 12,000/10 - KURUSHIMA - B&W 6,037 COATED - COILED - SBT - IGS - DH
*-Sold for $25 mill. to Dutch buyers.*

**"GALP MARINE"** 2,779/05 - BENGBU - CATERPILLAR 2,028 - SBT IGS - DH - SS 03/2015, DD 03/2013
*-Sold for Euro 4.5 mill. to UK based buyers.*

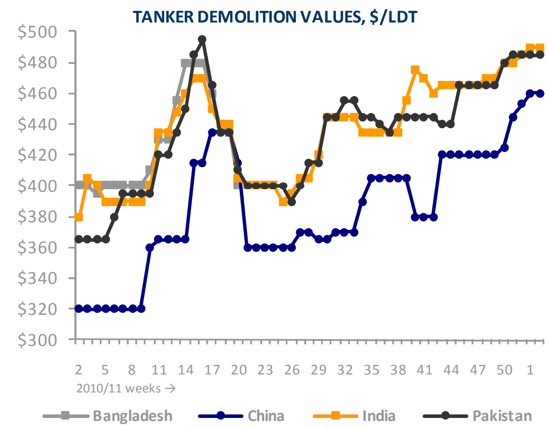
**"SUN CROWN"** 1,999/87 - MURAKAMI HIDE - AKASAKA 1,800 COATED - COILED - IGS - DH SS/DD 02/2012
*-Sold for $1.5 mill. to Asian buyers.*

## TANKER DEMOLITION SALES

*INDIA:*

**"KAPADOKIA"** 46,828/84 - 11,432 LDT
*-Sold for $482/ldt.*

**"EYLEN"** 8,706/81 – 3,430 LDT
*-Sold for $780/ldt, including 290 MT of stainless steel.*




*The Weber Tanker Index commenced on March 1, 2009 at the 1,000-points mark. It is a market-capitalization weighted average of US-listed tanker companies and is updated daily, basis market closing prices. It is intended to be used for reference purposes only.

FOR THE LATEST MARKET DATA AND NEWS GO TO: WWW.CRWEBER.COM


George P. Los,
Senior Market Analyst
Charles R. Weber Research

Charles R. Weber Company, Inc.
Greenwich Office Park One,
Greenwich, CT 06831
Tel: +1 203 629-2300
Fax: +1 203 629-9103
research@crweber.com