



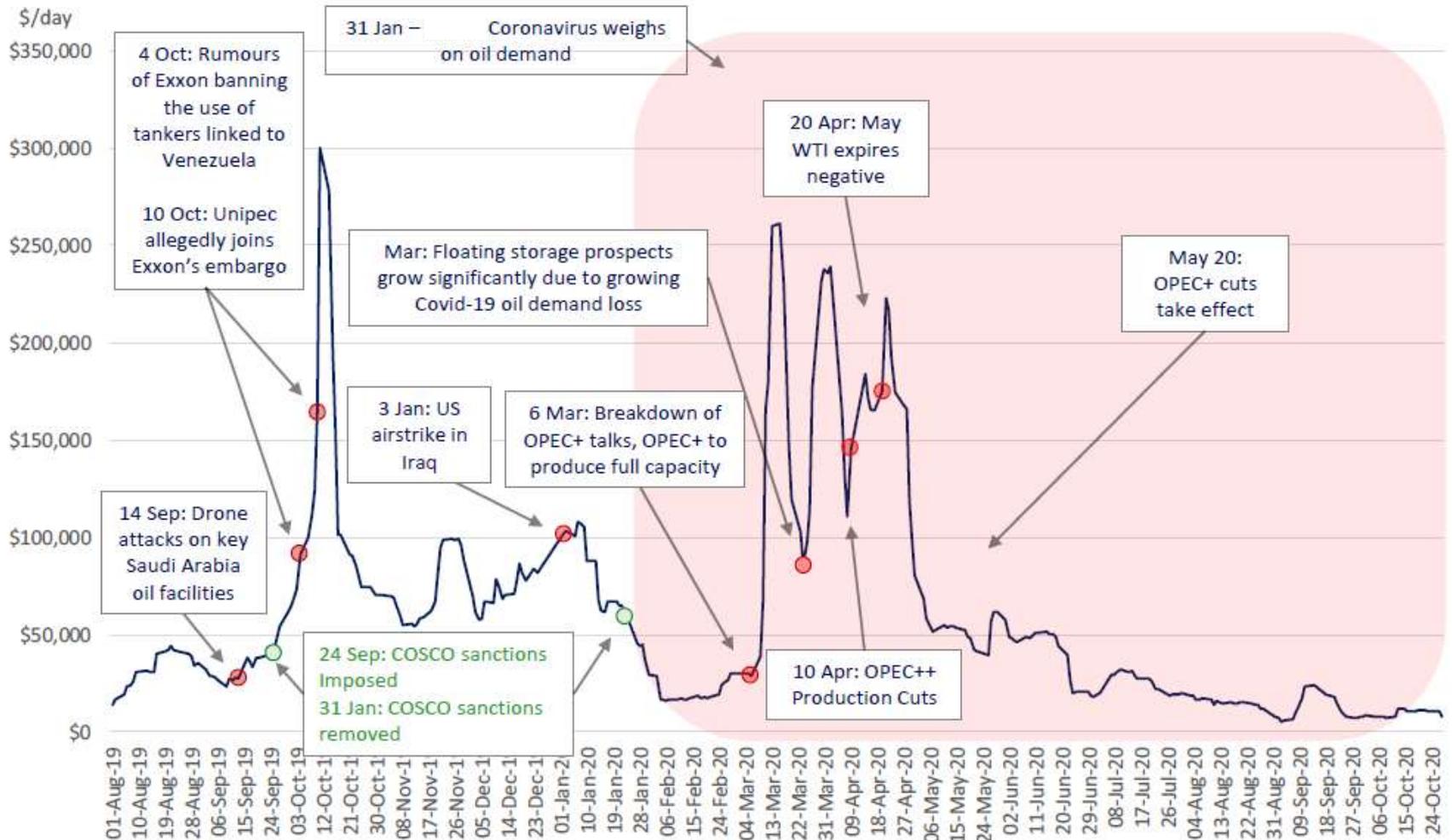
# Tanker Trades: The longer-term picture in the 'New Normal'





Pretext:

## Events that have impacted the Tanker Markets in 2019-2020





## Present Scenario

---

- Oversupply of tonnage in all segments due to slowdown of economies due to Covid-19. The supply of tankers has outpaced an already subdued demand as the pace of recovery for gasoline, diesel and jet fuel slows.
- After witnessing splendid tanker freight rates, Crude and Product Tanker earnings have been sliding since May'20, reaching levels barely above operating expenses on many routes for all vessel sizes in recent times.
- Tankers which were on floating storage have come out of their charters and added to the oversupply, driving tanker rates downwards.
- The looming fears of re-lockdowns and the associated macro-economic uncertainties are holding back large capital intensive projects which is adversely affecting crude oil movement.



## Short Term Outlook

---

- A flat crude tanker market contrary to the sentiment for a rebound in Q4, traditionally a strong quarter for tankers, is looking uncertain.
- The virus resurgence in many countries prompted the International Energy Agency (IEA) to drastically revise down its demand expectations.
- Oil gained the most in a couple of weeks amid signals that Covid-19 vaccine is highly effective against the Corona Virus, boosting optimism that an uptick in demand may be nearing.



## Medium Term Outlook

---

- The global tanker shipping industry is likely to find a new normal in the medium term, with sales of second-hand ships taking center stage while orders for new builds slow down.
- Viewing the uncertainties of the markets, Owners are shying away from buying new builds and rather preferring second hand purchases.
- EIA said crude oil production cuts from OPEC and partner countries (OPEC+), which started in May 2020, decreased the demand for crude oil shipping and floating storage.
- In the October Medium-Term Energy Outlook, EIA forecasts that global petroleum liquids consumption through 2021 will remain lower than 2019 levels.



## Long Term Outlook

---

- Oil demand will be marred with uncertainty for years to come, as the world gradually moves away from fossil fuels. The rate of the shift and its difference from country to country and even region to region, will constantly alter demand for tankers, in what appears to be the beginning of a rather challenging era for the wet sector.
- A key consideration that will influence the choice between second-hand and new build ships is the unpredictability of the market in the medium to long term as the energy transition gathers pace.
- The usage of renewable energy resources, for instance in EVs and fuels used to move ships, has witnessed an increase in recent years. Moreover, the movement of crude oil and refined products loaded on tankers is forecasted to decline, thereby adversely affecting freight rates.



## Challenges

---

- Freight rates below break-even levels
- Difficulties in repairs and DD
- Crew change
- Difficulties in terminal acceptance due to problems in repairs and crew matrix
- Difficulty in getting SIRE done due to the pandemic, leading to acceptance issues at load port terminal.



# Strategies

---

- Depressed freight market – plan periodic repairs / dry-dockings of tankers.
- Be ready to capitalize when the markets recover.
- Long standing strategy to have a judicious mix of time charters and spot voyages, hedges the risks, to some extent, against market downturn
- Presence in almost all tanker segments from GP vessels to VLCCs provides operational flexibility and advantage of fleet versatility.
- Presence across various cargo segments helps
- Emphasis on captive cargoes such as COAs, coastal movements along with long term time charters.
- Opportunity for tonnage acquisition



Thank You