Gibson

06.06.2025

Tanker Market Report

Refinery developments

Refinery developments

Total global refining capacity has been in an upwards trend for a long time, and years with declines are rare, barring those caused by overarching events such as the COVID pandemic. It is possible that this trend will soon change. Refinery closures are accelerating in the Atlantic Basin, driven by lower margins largely caused by structural demand developments. In recent months, global refining margins have been surprisingly strong, though maintenance activity and the closure of refineries are partly responsible. East of Suez, refining capacity is still growing, though at a slower pace than in previous years, whilst some capacity rationalisation is also prevalent in China.

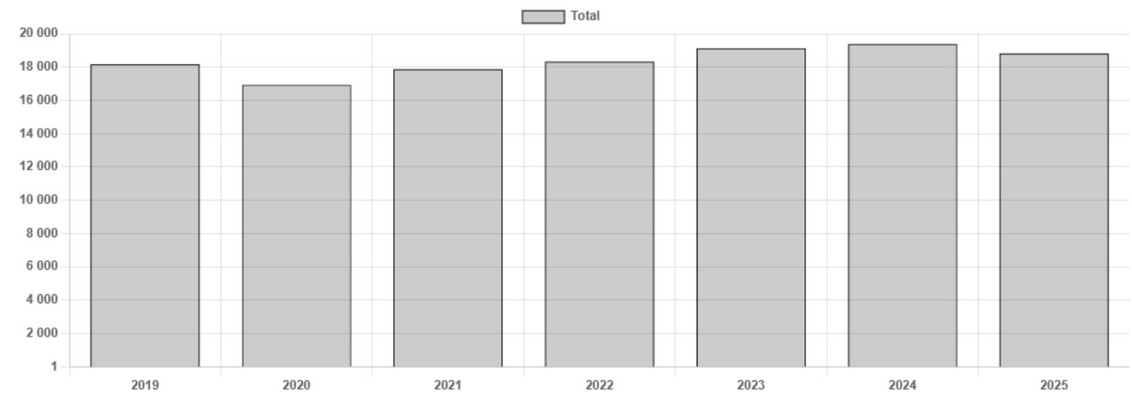
So far this year, the 260 kbd LyondellBasell refinery basin in Houston and Grangemouth (150 kbd) have shut their doors, and Wesseling (150 kbd), and Philips 66 Los Angeles (139 kbd) are scheduled to fully close or be repurposed. BP Gelsenkirchen is to close a third of its 257 kbd refinery and put the rest up for sale. Combined, these closures amount to around 800 kbd of capacity scheduled to shutter in the West this year. Closures may provide support to the margins of the remaining refineries, possibly helping to delay further shutdowns. However, European refining is likely to remain under pressure with Dangote expected to reach full scale gasoline production later in Q4, and demand also pressured in the key US export market. Given the competitive challenges facing European and some US refiners, even with the additions of Dangote and Olmeca, the IEA expects capacity in the Atlantic Basin to shrink faster than demand this year. The start-up of the 340 kbd Olmeca refinery has been beset by delays, and it is now expected to ramp up later in the year, though the timeline until full capacity is reached is unclear. Greater refining capacity in Mexico may push more US barrels into Europe to compensate for the loss of the Mexican export market, but the closure of Lyondell somewhat balances this.

Globally, refinery capacity additions are largely taking place East of Suez, with additions in China, the Middle East, and India this year. In the Far East, some Chinese independent refiners have struggled to remain competitive and have been forced to close or cut runs, as increased difficulty in accessing cheap oil from Iran and Venezuela, and a push by Chinese policy makers to raise import taxes and limit rebates on fuel oil has weighed on margins. China has also been consolidating its state-owned refineries, with the 410 kbd Dalian refinery to be permanently shut from the end of this month. 2026 will see further refinery additions in the East, but there are no large-scale projects in the pipeline in Western economies. Beyond next year, the pipeline of new refinery capacity additions looks limited, though FIDs may still be taken.

It is difficult to project what this all might mean for the clean tanker market. With demand in the largest markets in the West shrinking, clean tankers may find themselves turning East for employment. However, a significant share of new expansions East of Suez are focused on meeting domestic demand rather than export markets and may not benefit clean tankers. Some continued demand growth such as in Latin America may provide limited support, though in West Africa this could be met to a significant extent by increased local refining capacity provided by Dangote and other smaller local refineries.

Additionally, if demand in especially Europe shrinks more slowly than refining capacity, we could see increased need for imports from East of Suez, possibly supporting clean tanker demand. Overall, the clean tanker market may no longer be able to rely on the long-standing upwards trend in global refining capacity, with new investments mostly taking place East of Suez, where demand is expected to continue to grow.

Global CPP exports (kbd)



Crude Oil

East

The VLCC AG market is currently experiencing significant challenges with rates dropping to their lowest levels since January. The slow pace from charterers for the 3rd decade has put enough downward pressure on owners to accept lower rates below last done to find employment. The impact of the Eid holidays is likely to add to the slowdown as activity decreased at the end of the week. Owners can only hope that we have reached the bottom of the current cycle but next week could be equally challenging. Today we are calling AG/China WS45 and AG/USG WS25.

A slowish week in the AG on Suezmaxes with little to report, ships have been picked off under the radar throughout the week. Rates remain steady around 140 x WS45 via C/C. Rates to go East have remained stable around the 130 x WS95 mark. The slightly firmer sentiment in the West has taken a few ships out of the list by fixing ahead from West Africa.

In Asian Aframaxes, mid-month requirements were swiftly covered as the front end of the list was trimmed. However, it’s still not significant enough to move the needle into the green. Rates ex-Oz were also depressed as a reported fixture to the Far East broke WS100. Sentiment sits on the softer side despite off market activity going on along with a few outstanding stems, but owners remain optimistic on more second decade cargoes emerging. Expect rates to trend sideways as we assess Indo/Oz 80 x WS105.

West Africa

The VLCC WAF market remained very quiet this week with hardly any enquiry reported or concluded. Rates remain under pressure albeit not as much as in AG, but we will need to see July stems very soon if owners are to stop this decrease. Current demand for WAF crudes to the east remain low and enquiry to the UKC were few and far between. We are calling WAF/East in the region of WS49 today.

Suezmaxes in West Africa has firmed slightly throughout the week but slow levels of enquiry to end the week have softened sentiment a touch. TD20 we feel charterers will be looking to break WS 90 early trading next week and likely to have success.

Mediterranean

For Suezmaxes, TD6 is pretty steady but there is a marginally softer feel, and charterers are likely to be able to chip a few points off last-done to around WS97.5. That said, the Aframax market has firmed and there is some potential for some of the list to be trimmed via part-cargoes. Rates for Libya Ningbo are steady, and we expect next-done levels to be around $4.7m.

Rinse and repeat for the Mediterranean Aframax sector; what goes down must come up. With stirrings last Friday in the States market owners were ready upon opening this week to fight back for the points lost last week. Charterers could smell this in the air and those leaving cargoes until Monday didn’t have an easy time and cargoes quoting on later dates added fuel to the fire. Ceyhan freight rates moved from WS120 levels to WS130 in short shrift and Libya loaders were faced with numbers in the WS140s to cover for shorter flat rates. CPC levels were once more concluded in the mid WS150s and there the freneticism fizzled out and the excitement stopped. The list remains thin now but with cargoes having fixed very far forward this does not indicate a precarious position for charterers. the going is balanced and with other sizes looking equally out of gas, owners will be pleased to reinforce these rates if they can next week.

US Gulf/Latin America

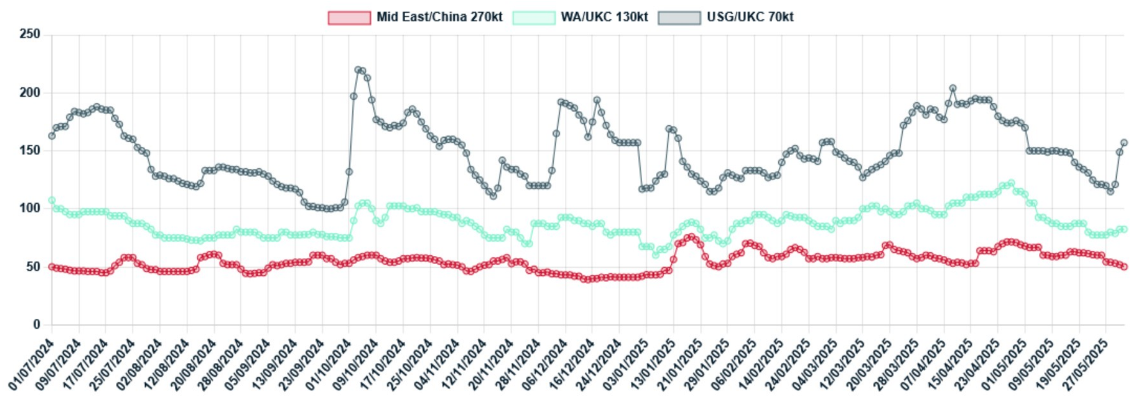
The USG export market finally came alive again after recent inactivity but unfortunately for VLCC owners the large build-up of available tonnage in the region led to a sharp decline in rates both to east and UKC. It was hoped that recent buoyant activity on smaller rises would lead to a pickup on VLCCs but this has not happened, and sentiment remains very soft. Brazil on the other hand enjoyed a very active week and while rates are slight softer there is more cause here for optimism as demand especially to the Far East remains high. Today we are calling USG/China $6.2m & Brazil/China WS48.

Local Aframaxes started the week hot and climbed to WS185 (which ultimately got failed) leaving WS175 as the highest paid. Market feels softer now as inquiry has slowed and VLs are reaching new lows with $6.2m/$2.3m done for East/UKC respectively.

North Sea

For Aframaxes it was a slow week disturbed by Nor Shipping but that counts for little as the market continue to lack inspiration. Several ballasters have headed to Med and TA where returns are much more favourable compared to local rates. XCont still sits at WS122.5 with little suggesting a change.

Crude Tanker Spot Rates (WS)



Clean Products

East

A quiet end to the week as public holidays sweep the Middle East. The LR2s have been consistently quiet, and we expect to see negative correction next week as the tonnage list builds and owners compete on stems entering the market. TC1 for now sits at 75 x WS135 and UKC at $3.75m both of which need to be tested. The LR1s saw a little more activity, but alas not amounting to much as a good proportion of deals were failed and ended up going on own programme tonnage. TC5 at the 55 x WS150-155 levels and West circa the $3.0m mark. Owners on both sizes will be hoping that come Monday the taps are turned on and cargoes are plentiful.

Overall it's been an active week on the MR's in the Middle East with a large influx of cargoes coming into play over the first few days. However, with the list well-supplied from last week rates have taken a hit with TC17 down at 35 x WS185 and TC12 at 35 x WS145. At the time of writing the list has tightened up a touch but further activity will be needed early next week if rates are to have a bounce back.

UK Continent

We have seen MR rates hit a well-tested floor of 37 x WS115 TA on an LC methanol boat this week and then rebound back to 37 x WS140 TA on an LC base oil boat, so the theme of volatility continues. The change in rates has largely been driven by the Med rates altering the shape of the tonnage list in favour of the Med as the North was constrained with tonnage in the prompt to seven days out window. The Atlantic tonnage displacement factor continues to play out as each area seems to drive at different times. Outlook remains rangebound, and we feel next real spike will likely be a storm related event.

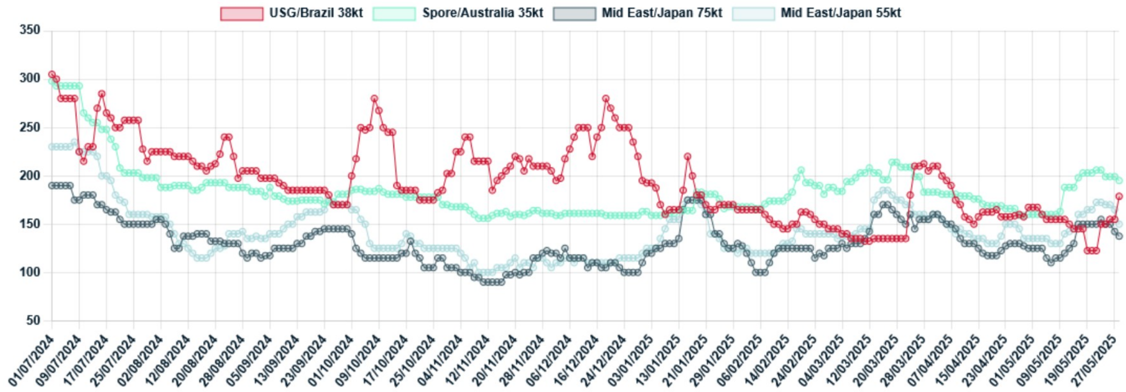
Handy owners' momentum quickly fizzled out at the start of the week and the main catalyst for this was the softening seen on the MR market. With TC2 trading at 37 x 120, TC23 had to correct down to avoid 30kt clips being gobbled up by the bigger units with freight adjusting to 30 x 160. The bottom of market has been reached (supported by a bounce back on TC2) and at the time of writing we have seen the fixing window now being stretched to 15-17. A few units on the front end of the list remain uncertain so the weekend break will be welcomed to see firmer itineraries come Monday.

Med

Owners with Naphtha suitable ships stuck to their guns this week and were rewarded with 37 x WS150 being achieved TA. This grade sensitivity continues to be a rebound driver for both the UKC and Med as when the naphtha starts moving the actual workable fleet is minimal. Rates going forward feel a little range bound which is like the UKC, the market seems to bounce between WS125-150 levels and that feels likely to remain the case whilst the current volume and other regions perform as they have been doing. The Med can go awfully quiet in the summer, but we are not quite at that stage yet.

A bleak week for Handies in the Med as rates have plummeted. We opened at 30 x WS180 and now sit at 30 x WS135. Additionally, the prospect of further softening is very much on the cards as the list remains long with all bases covered from both the prompt and standard fixing window fuelling continued downward pressure. There has been fixing action throughout the week but not enough to tighten the market up. Owners will be hopeful vessels get their subs today and a small clear out of tonnage is seen, but we anticipate that charterers will maintain their momentum into next week with rates under further pressure until a floor is found.

Clean Tanker Spot Rates (WS)



Dirty Products

Handy

It's been another slow week for Handy owners in the North as enquiry has struggled to surface. The little enquiry we have seen has come out of restricted ports or required modern well-approved tonnage, leaving few candidates for charterers to choose from. This helped to support rates at the 30 x WS260 mark. Should enquiry surface more vintage tonnage can be called upon, we expect to see rates tested downwards towards the 30 x WS255-257.5 mark as idle days mount for some owners.

The Med has seen a similar story to the North in terms of activity. The week started with a lengthy list of vessels to choose from off early dates. The previous weeks' forward fixing left enquiry scarce early on. The little enquiry we did see came out of CMed and EMed with 30 x WS260 on subs for a Taranto cargo. Some owners began to look for cargoes in the Americas which if fixed, will take a couple of units from the Mediterranean for a little while. Levels are there to be tested down as we look to next week with units sat spot over the weekend, we see vanilla XMed rates in the region of 30 x WS255-257.5.

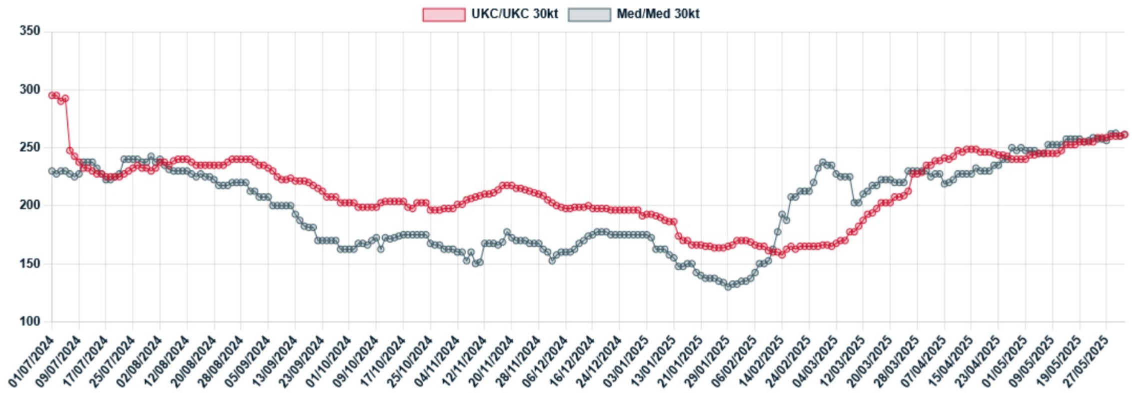
MR

Not the week owners would have hoped for in either region as like their Handy cousins, MRs saw scarce enquiry. A couple of vessels are available in the North come the start of next week which could invite some competition for stems. Levels here are around the 45 x WS180 mark. The Med saw its long-awaited fresh test this week with 45 x WS177.5 fixed for an EMed load setting a new benchmark on which to build. Available tonnage does look somewhat thinner which could support levels here early into next week.

Panamax

Panamaxes this week saw some local enquiry with a stem out of the north fetching L/S 750k USD for an XUKC voyage marking a small increase on last done. Enquiry for UKC-TA runs has struggled to surface but with naturally placed tonnage still a decent way out before opening, this shouldn't be too much of a concern for owners. We assess runs into the USG at 55 x WS120. TD21 has seen a lacklustre week as tonnage still shows at the top of the list and enquiry struggles to make meaningful headway into clearing it. Levels are hovering around the WS 150 mark. Owners will need a strong start to the week if levels are to find a floor.

Dirty Product Tanker Spot Rates (WS)



Rates & Bunkers

Clean and Dirty Tanker Spot Market Developments – Spot WS and $/day TCE (a)

	wk on wk change	Jun 5th	May 29th	Last Month*	FFA Q2
TD3C VLCC AG-China WS	-8	44	52	60	57
TD3C VLCC AG-China TCE $/day	-8,500	23,750	32,250	43,000	34,500
TD20 Suezmax WAF-UKC WS	12	89	78	89	93
TD20 Suezmax WAF-UKC TCE $/day	7,500	33,750	26,250	35,250	33,250
TD25 Aframax USG-UKC WS	53	173	121	149	157
TD25 Aframax USG-UKC TCE $/day	20,000	44,750	24,750	36,750	34,250

TC1 LR2 AG-Japan WS	-4	129	134	111	
TC1 LR2 AG-Japan TCE $/day	-1,000	29,000	30,000	22,750	
TC18 MR USG-Brazil WS	-14	166	181	161	162
TC18 MR USG-Brazil TCE $/day	-2,750	20,000	22,750	19,250	17,000
TC5 LR1 AG-Japan WS	1	159	158	133	145
TC5 LR1 AG-Japan TCE $/day	750	26,750	26,000	20,250	21,250
TC7 MR Singapore-EC Aus WS	-5	200	205	161	184

TC7 MR Singapore-EC Aus TCE $/day	-500	23,000	23,500	16,250	19,250

(a) based on round voyage economics at 'market' speed, eco, non-scrubber basis

Bunker Prices ($/tonne)

	wk on wk change	**Jun 5th**	**May 29th**	**Last Month***
Rotterdam VLSFO	**+2**	473	471	438
Fujairah VLSFO	**-10**	496	506	496
Singapore VLSFO	**-3**	504	507	499
Rotterdam LSMGO	**-5**	608	613	581