



Teekay's *Kilimanjaro Spirit* was fixed by Marathon for a Gulf of Mexico cargo at \$2,500/day

Breakeven remains elusive

THE TANKER sector was sluggish all round once again this week, with forward prospects failing to excite market participants. In a conference call, OSG described the near-term market as "very tough". Mike Reardon, Imarex's market watcher in Houston, looked closely at the desultory dynam-

ics facing owners of the larger vessels. He told his clients: "The [Gulf] market is firming as a steady conclusion of fixtures has come about alongside rising bunkers. TCE has improved a few thousand per day, but still has a long way to go before most owners are clearing the breakeven level."

Braemar Seascope estimated that Fujairah bunkers had risen by \$31/tonne during the week. Meanwhile, this being monsoon season, Gibsons advised that: "remaining tonnage for August should accommodate... prompter positions" in the Gulf should charterers need to replace tonnage that runs into weather delays.

On a Gulf/South Korea run, Ssangyong fixed Cardiff Maritime's *Universal Brave* at W36, working back to about \$10,000/day. Bluelight took the single-hulled *Front Sabang* on a 250,000-tonne cargo to China for a paltry W28. On Imarex, with light turnover, the VLCC forward curve was upward sloping, with December 2009 settles just shy of \$25,000/day, well above the \$13,300 time charter equivalent of the spot TD3 route (Ras Tanura/Chiba) quote, but below the \$40,000/day seen on the route as recently as late June.

Braemar Seascope observed that while owners of VLCCs are suffering, "they are not suffering as bad as their smaller cousins", Suezmax and Aframax ships. Koch took a *Gemini TBN* at W42.5 from West Africa into the Gulf while Hess paid the same on the Lemos-owned *North Star* into St Croix.

Another market opinion comes from equity analysts, in their view of Suezmax operator Nor-

Bunker prices

Latest mid-range prices listed in \$ as at Tuesday 11 August 2009.
d = delivered, w = ex-wharf. Ports listed regionally clockwise from NE
Information supplied by Cockett Marine Oil. Tel: +44 1689 883400

REGION	380CST	180 CST	MDO	MGO
EUROPE				
d ST PETERSBURG	317.50	327.50	435.00	495.00
d GREAT BELT	431.00	461.00	601.00	646.00
d HAMBURG	423.00	435.00	570.00	626.00
d ROTTERDAM	416.00	431.00	567.50	614.00
d ANTWERP	416.00	432.00	547.50	612.50
d LE HAVRE	446.00	461.00	n/a	664.00
d FALMOUTH	460.50	479.50	675.50	670.50

MEDITERRANEAN

d ISTANBUL	478.00	487.50	n/a	630.00
d PIRAEUS	445.50	465.50	n/a	620.50
d VALLETTA	462.00	469.50	n/a	628.50
d AUGUSTA	467.50	486.00	n/a	666.50
d FOS/LAVERA	481.50	554.50	n/a	698.50
d GIBRALTAR	450.00	465.00	630.00	650.00

AFRICA

d ARZEW	456.00	464.00	n/a	657.00
d DURBAN	n/a	472.50	632.50	642.50
d LAGOS	502.50	560.00	n/a	697.50
d DAKAR	502.50	532.50	n/a	682.50
d LAS PALMAS	460.00	475.00	640.00	641.00

MIDDLE EAST

d KHOR FAKKAN	443.00	465.00	n/a	637.50
d ADEN	445.00	455.00	n/a	655.00
d JEDDAH	465.00	465.00	n/a	720.00
d SUEZ	491.00	511.00	n/a	750.00
d DAMMAM	450.00	450.00	n/a	630.00

ASIA

d TOKYO	481.00	486.50	577.50	n/a
d SYDNEY	507.50	507.50	n/a	700.00
d COLOMBO	475.00	477.50	n/a	695.00
d SINGAPORE	436.00	443.00	602.50	606.00
d HONG KONG	450.00	454.00	622.50	632.50
d KAOHSIUNG	489.00	492.00	625.00	640.00
d SOUTH KOREA	448.00	460.50	612.50	617.50

AMERICAS

w NEW YORK	427.00	437.00	612.50	n/a
w HOUSTON	414.00	434.00	502.00	n/a
w CRISTOBAL	431.50	451.00	632.00	n/a
w VENEZUELAN PORTS	435.00	454.50	663.00	671.00
d RIO DE JANEIRO	455.00	473.50	n/a	666.00
d BUENOS AIRES	477.50	497.50	695.00	695.00
d LA LIBERTAD	439.00	479.00	n/a	927.00
w LOS ANGELES	438.50	448.50	605.00	n/a
w SEATTLE	463.50	474.00	592.50	n/a
w VANCOUVER BC	469.50	494.50	647.50	650.00

dic American Tanker Shipping. NATS is valued based on expectations of its likely dividend, which vacillates proportionally with cash generation, after expenses.

The analyst team at Dahlman Rose, led by Omar Nokta, was forecasting an average spot rate of \$20,000/day for the current (July-September) financial quarter, compared to present per diems (at rates circa W42.5) of around \$8,000/day. DR's report suggests that NATS's performance "could be further pressured with dividends moving lower next quarter."

The forward rates on Imarex, points to levels of \$21,000-\$22,000 day for the winter season, but the Baltic's TD5 quote slightly above \$7,000/day is squarely in line with the NATS experience. Over at Morgan Stanley, Ole Slorer also took a very cautious view of Suezmaxes, commenting that, barring a substantial rebound in August/September spot rates, NATS's dividend "could realistically come under further pressure in 3Q"

Gibsons said market observers were "running out of ways to describe how dire the Med Aframax market is." Cross-Med business included Talmay's fixture of Eastern Med's *Athena M* at W65, which equates to roughly breakeven, a timecharter equivalent of \$0.

Trafigura was linked with a fixture of *Torm Mette* at the same rate, from the CPC Terminal (Black Sea) into the Med. The London broker

characterised the beginning of August as a dire week in both the North Sea and Baltic with levels "dragging their heels along the bottom of economic viability." Reported fixtures included Efremov's booking of *Thenamaris's SeaStar* at W50 from Primorsk to UK/Continent and Conoco's booking of *Arcadia's Aegean Harmony* from Murmansk to UKC, also at W50.

The Gibsons analysts were being too generous in their assessments; returns do not cover operating costs. An Imarex calculation of the TCE on a TD17 Aframax run from Primorsk to Wilhelmshaven actually yields a -\$4,000/day yield, a negative number that hints that owners may be motivated by repositioning considerations.

In US Gulf trades, Marathon paid W65 for a 70,000 tonne cargo from EC Mexico into the LOOP on Teekay's *Kilimanjaro Spirit*, the same rate paid by Chevron Shipping in taking an American Eagle TBN. The daily return to owners on these runs, at W65, is roughly \$2,500/day.

Over time, owners cannot subsidise movements of oil without cost recovery. CR Weber estimated that Aframaxes were worth \$16,500/day on one-year period business, and \$18,000/day over three years. Such estimates are consistent with forward settle curves (adjusted for estimated fuel pricing) and move up towards the low \$20,000s/day on the main Aframax trades out into 2010.

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Competition in the pipeline

TURKEY has agreed to take part in Gazprom's South Stream natural gas pipeline, a scheme that could spur gas shipments from the port of Ceyhan.

The heads of government for Russia, Turkey and Italy have signed an accord in Ankara to start building the pipeline, with capacity of 63Bn m³ per year, in Turkey next year.

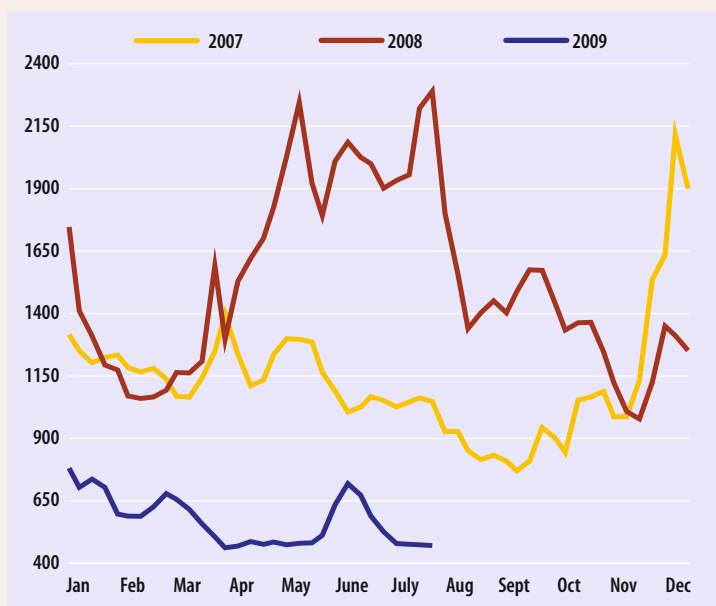
The move casts doubt on the future of the Nabucco pipeline, running via Turkey to Austria, on which agreement was reached just one month ago. Although Turkey has not said it is pulling out of Nabucco, analysts do not believe there will be enough gas supply – or European demand – for both.

Both the Turkish and Russian prime ministers insisted that the two pipelines were not in competition, but in reality only one pipeline is likely to be needed, with the first to be completed having substantial advantages, according to analysts at IHS Global Insight.

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Baltic Spot Rates — Crude Oil

After a very quiet week the Baltic Dirty Tanker Index closed unchanged at 474 points. VLCC markets to the East firmed only slightly, while Suezmaxes ex-West Africa were stable and any relative volatility was served up by the Mediterranean.



Baltic Clean Rates

Clean tanker rates dropped only marginally over the week to 462 points. LR1 tonnage rates softened midweek but firmed up again by Friday as vessels were in demand for storage, mainly in Europe. LR2s remained more stable while volatility was provided by the MRs.

