A year to forget

Tanker market participants will be happy to forget 2021 and move on. This was one of the weakest years in terms of tanker spot earnings in living memory. The downward momentum which characterised spot hire rates in 2H20 continued into 2021 so that the returns for certain tankers stayed below operating expenditure levels for much of the year. These 18 months of weak earnings were unusually long. As at end-2020, seasonality was mostly absent last year. There were sporadic pockets of short, localized, higher rates which supported earnings but, as fleet fundamentals remained loose, these were few and far between.
MARKET OVERVIEW

On the tanker demand side, the main driver came from global oil demand rebounding from the ravages of Covid which helped to draw down bloated inventories. In turn, this led to a rise in global refining activity and motivated the OPEC+ Alliance to ease their supply cuts which they had enacted in 2020. All told, this led to a rise in both crude and products transported by tanker. However, this was unable to offset the negative impacts of a steadily expanding tanker fleet as deliveries remained strong, and although tanker scrapping rebounded from 2020’s lows, it was insufficient to have a positive impact.

Early 2021 was marked by hopes that vaccines would lead to a better second half of the year, unfortunately as Covid persisted and as scrapping never really took off, expectations were downgraded by summer, and it became evident that 2021 would be a year of persistent pain for tanker owners. OPEC+ continued to dictate the volumes of crude on the water as crude exports transported by tanker. However, this was unable to offset the negative impacts of a steadily expanding tanker fleet as deliveries remained strong, and although tanker scrapping rebounded from 2020’s lows, it was insufficient to have a positive impact.

By the end of the year, oil global market fundamentals remained strong. In turn, this led to a rise in global refining activity and motivated the OPEC+ Alliance to ease their supply cuts which they had enacted in 2020. All told, this led to a rise in both crude and products transported by tanker. However, this was unable to offset the negative impacts of a steadily expanding tanker fleet as deliveries remained strong, and although tanker scrapping rebounded from 2020’s lows, it was insufficient to have a positive impact.

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Perspectives have worsened for 2022. Indeed, with Omicron global oil demand is expected to recover as was rapidly as initially expected, while a significant volume of new tonnage will be delivered. Nonetheless, there remains optimism for 2023 and beyond due to the lack of newbuildings amid shipyards being full of orders for vessels other than tankers, while global oil demand should have exceeded its pre-pandemic level by then. Indeed, the low orderbook for 2023 and 2024 is now virtually set in stone as it is almost impossible to order a ship in 2022 for pre-2025 delivery, and even 2025 shipyard slots remain scarce. We anticipate that tanker supply will be limited further by sustained interest in scrapping new environmental regulations, principally the IMO’s Energy Efficiency Existing Ship Index (EEXI) & and the European Union’s Emission Trading Scheme (EU ETS) should encourage the scrapping of the least efficient tankers. This has created a strange market where participants are resigned to persistent low rates across 2022 while anticipating much stronger spot rates thereafter. 2023 will also see the delivery of a significant number of dual fuel LNG tankers. It will be interesting to see if LNG will really be used by such vessels considering the elevated price of LNG at the time of writing ($2,100/mt in Rotterdam vs VLSFO at $529/mt) and whether additional dual-fuel LNG tankers will be ordered during the year. The new regulations will likely encourage charterers to focus more on eco-tonnage, which is likely see higher premiums placed on such tonnage in the time charter market. These bullish expectations means that there is a light amid the current darkness.

Annual Tanker deliveries

<table>
<thead>
<tr>
<th>Year</th>
<th>VLCC</th>
<th>Panamax</th>
<th>LR2</th>
<th>MR2</th>
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<th>Suezmax</th>
<th>Aframax</th>
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<td>200</td>
<td>50</td>
</tr>
</tbody>
</table>

* includes only those vessels reaching breakers’ yards.
There is a light amid the current darkness

Lifya or PCR Nemoossyris in the Black Sea to name a few. The negative aspect of this trade is that ships operating in the Far East have not much choice other than to ballast back to the Atlantic. With bunker prices that strengthened by 40-50% during 2021, earnings could not but suffer. Non-scrubber fitted ships running VLCCs were particularly hard hit by the extra bunker costs with their earnings clipped accordingly in a market where every penny becomes marginal. A $5,000-6,000/day loss in TCE compared with a scrubber fitted ship makes a huge difference. The result of trading below OPEC+ is giving some owners no incentive to move oil at all with waiting/laying idle being the cheaper option.

On the supply side, the Suezmax segment grew by a net 14 units as 23 newbuildings hit the water while 9 units were scrapped. By the end of the year, the fleet stood at 549 ships. The average age is increasing and newbuilds stand at 11.3 years. Furthermore, 28% of the fleet is over 15 years and 24 units 14.5% of the entire fleet, will enter this market as newbuilds in 2022. Owners with modern and well-approved ships are actually predicting better returns in 2022 as the number of “workable” ships for companies with higher vetting levels will decrease, but access to the market is too easy as 30-40 expectations are needed to enter the fleet this year. This will accelerate fleet growth to 6% unless we see more scrapping. However, as things stand, we do not expect the scrapping this year to be more than 22 units.

Prospects for 2022 remain dim with at best a revival of demand starting in the 3rd quarter while increasing oil supply will depend on the attitude of OPEC+. Indeed, even if OPEC+ ups its output hikes, as some commentators have suggested, the direct winners will be the VLCC’s who continue to be the main competitors to the Suezmaxes.

Once more Lifya that was the driving force behind a comparatively stronger Mediterranean market, with many owners relying upon the Mediterranean to absorb the extra heavy fuel to provide the bulk of their income last year indeed, due to the well-priced crude oil and West Africa/Brazil around $1.2-$1.4 m/t throughout the year, barring the occasional and recurrent regional uncertainties which we have grown so accustomed to.

Meanwhile, CPC exports remained relatively consistent, with an average of almost 34 charter equivalent TCE of the Black Sea on a monthly basis – a figure owners hope will be surpassed this year providing that Kazakhstan and Russia will have met their supply commitments under the OPEC+ deal.

However, all things considered, 2021 was and will remain, a more than uninspiring and uneventful year for all tanker owners and charterers, owners and shipbrokers alike will be happy to leave the past twelve months behind, instead turning their attention to what the future in a Covid-ridden world holds.


**PRODUCT TANKERS – EAST**

**LR2**

For the LR2 segment, 2021 started much like 2020 had ended. Poor refinery volumes due to depressed demand and high crude prices meant returns for much of Q1 and Q2 were below $5,000/day for TC1 and western runs from the Middle East Gulf for eco-vessels. Meanwhile, eco-tonnage equipped with scrubbers managed to perform at around the $10,000/day level. In addition, the regular deliveries of newbuilding VLCC and Suezmax tonnage opting for OPP trade instead of DPP 90% of the volume out of the market. Indeed, one VLCC full of ULSD takes out three LR2 voyages from the market. A couple of more LR2s were being used to support VLCCs with some short runs from the Middle East Gulf to Fujairah or Mina, the preferred STS locations for such reverse lighting.

The second half of the year saw an improvement in cargo volumes and general optimism that the negative impact of Covid was starting to recede. With the OPP market in the west recovering somewhat, some Suezmaxes and VLCCs entered their intended DPP trade. Some LR2s also chose to dirty up over the summer as the premium for trading dirty was sufficient to pay more than for the cleanup of the vessel.

This effectively tightened the supply of tonnage and earnings across Q3 and Q4 rose to around $17,000/day – $22,500/day for Q3. LR2s entered their intended DPP trade. Some LR2s also chose to dirty up over the summer as the premium for trading dirty was sufficient to pay more than for the cleanup of the vessel.

Overupply of tonnage across Q3 and Q4 rose to $17,000/day – $22,500/day for Q3. LR2s entered their intended DPP trade. Some LR2s also chose to dirty up over the summer as the premium for trading dirty was sufficient to pay more than for the cleanup of the vessel.

**MR**

As for the larger segments, in the MRs East of Suez markets had a tough 2021. Early optimism for a 2H21 recovery was soon shot down as Q1 proved to be disappointing across the board as the markets struggled to recover from the end-2020 resurgence of Covid and the emergence of the Delta variant. Despite the slump in demand, we still saw evidence of the usual seasonal spike at the end of Q1, although this was considerably more muted than in previous years. TCE earnings climbed to a peak in March, to average $10,300/day across the month for a TC17 run.

This was the theme throughout the year, any improvements proved to be short lived. Oversupply of tonnage and weak demand proved to be the routine issues, certainly in the first half of the year, and continually threatened to destabilize the market. The weight of the newbuilding tonnage, doldrums and soft sentiment enabled charters to drive rates down further as resolve was lacking. For example, the arrival of small LCO trades into China, driving more vessels to the Middle East in search of employment. This culminated in a disastrous Q3 for them, and LR2 west to east trade is mostly contract supply, meaning no

**PRODUCT TANKERS – WEST**

**LRs**

While 2021 offered little to smile about for tanker markets in general, the LRs found something of a niche which has helped them achieve better earnings than most sectors throughout the year. Natural gas demand due to Covid has seen the LRs support dry ports and keep rates above the low $10,000/day mark. However, as we saw last year, once the impact of Covid fades, there is a lot of volume out of the market. Indeed, one VLCC full of ULSD takes out three LR2 voyages from the market. A couple of more LR2s were being used to support VLCCs with some short runs from the Middle East Gulf to Fujairah or Mina, the preferred STS locations for such reverse lighting.

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It seemed as though any recovery was a long way off, particularly as short haul cargoes were covered on LRs and other cargoes were regularly stepped up to the LR2s, Lampian every effort was made to keep them supplied. However, the tables started to turn in August, as the world seemed to be on the path to recovery, and longer-term, a robust market. The return of travel was the catalyst for this, with a dramatic return of cruise voyages, delays and the position list tightened up. Furthermore, increased scrutiny from Australia to West Coast India as a result of refinery closures and run-rate cuts gave the market some legs and, more importantly ensured a slower reuplay of tonnage to the Middle East region. All told, this gave the market renewed hope for the end of the year and in September UCTs for TC17 crept up to a high of $17,100/day.

As we’ve become so accustomed to now, disaster was around the corner as prices for New Q1 cargoes saw a new start from June, many countries started to consider travel restrictions. Negative sentiment crept in, and we saw Q4 begin on a softer note than we were used to seeing. Nevertheless, steady activity remained over the holiday season. The LR1s and LR2s remained resilient, on the face of this, and owners held onto their ground after being reinvigorated by the state of the market at the end of Q3. The end of the year saw a crunch in bunker prices, and costs which had fallen away at the start of Q4 took a sudden hike. This wasn’t necessarily negative for the market, as the steady flow of ballast positions from Singapore started to dry up and ensured that the position list didn’t grow exponentially as we had seen earlier in the year. Freight climbed alongside and an increase in cargo to supply the newly unseemly naptha crackers in the Far East in the second half December boosted the owners the needed confidence.

Despite some end-year positivity for the MRs, 2022 looks to be a similar picture to 2021 – certainly for the first half. The global tonnage balance has been restored as we start the year, but on a sustained recovery, we will need to see a resumption in crude production, which would not need too much over short-term economic recovery. However, with severe market weakness, there are some smaller quantitative elements that MR owners can hopefully look to. The presence of new refineries across the Middle East and Southeast Asia, which should help to employ more vessels and reduce the strain on over-sold position lists.

**Edible Oils**

Vegetable

Vegetable oil exports from Argentina increased again in 2021, with approximately 7.6 million tons shipped, 6.5% more than the previous year (7.1 million tons), which of which 151 went to India, which remains the main importer of Argentine vegetable oils, were exported with some months more active than others. A total of approximately 1.15 million tons of SME (Soya, Cotton, Linseed, Olive) oil, was exported, exclusively to Europe. Almost exactly the same as the previous year.

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A year ago, many were happy to dismiss the end of 2020 as a miserable end to a dynamic year. The tanker FFA market did see recent levels of activity throughout the first two quarters of the year. However, the storage play had a shelf life and the steep oil contango flattened out in the third quarter. The typically tetchy freight market Q4 had failed to deliver, and the year ended on a whimper. At the end of 2020 many in the FFA community had higher hopes for 2021 as prices were pricing a rosier future. On the 30th December 2020, TDIC 4Q21 was marked optimistically at $10,350/mt ($8,216/day) and the whole Cal 21 at $8,50 (53/022/day). A year on and the reality is much dimmer with the current YTD for TDIC a dismal $4,42 mt while TD3 average TEs for 2021 were a shocking $516/day.

Many speculative traders at the start of this year had played the paper from the long side in anticipation of an eventual break out which never materialized. Although the Cal22 and Cal23 FFA rates remained relatively high, the FFA 2021 forward curve moved lower especially in the front months, thereby reflecting the state of the spot market. This presented a challenge for market participants as the 2021 monthly FFAs were often priced too low for hedgers to lock in an appropriate hedge and also well above spot rates for speculators to play from the long side. This left many to alternatively look at calendar spreads, taking a view on the shape of the curve to manage risk. Traders could look at spreads across two boats. Bear spreading; selling nearby contracts and buying deferred or bull spreading, buying nearby contracts and selling deferred. The rationale for spreads is that FFAs typically have more movement from market conditions in the nearby months and to position oneself accordingly with the opposite position against the deferred periods. Once again as we conclude 2021, FFAs paint a much more attractive future with 2022 TCE standing at $23,750/day while the Cal23 stand at $19,430/day.

Palm Oils

The palm oil market was again active in 2021 with around 340 MTs and MTs fixed into the Mediterranean, Continis, West Africa and the US. Furthermore, 49 MTs of newbuildings, out of the 80 launched last year, fixed in the Mediterranean on their maiden voyage. Rates moved from $13,500/day at their lowest to $20,000/day at their highest. Volumes are likely to remain steady in 2022. We still expect approximately 70 newbuildings to be delivered across the year which will provide TIOA tonnage to the market. However, this is slightly lower than in previous years. Rates will most likely depend on the Asian clean petroleum tanker market, nevertheless, we anticipate them to remain stable. Furthermore, exports of biodiesel and used cooking oil rose significantly in 2021, which provided good alternatives and returns in excess of $20,000/day to the owners whose tankers were able to carry these products.

Fuel Oil

The ongoing pandemic that impacted the broader tanker market in 2021, did not spare the fuel oil segment on Handies/MR and Panamaxes. The usual spikes in rates that follows normal seasonality did not occur in 2021 and the year began under very slow steam in terms of volumes with rates plumbing the bottom and this trend persisted throughout almost the full year. Nonetheless, rates started to suddenly pick up to good levels in Q4 which gave owners a breath of fresh air.

In Q1, rates for Handies voyaging from the Baltic to UK Continent averaged W5 145 on a minimum 30,000 mt intake with the averages for Q2 and Q3 remaining broadly flat, thereby demonstrating how flat the market was for the majority of the year. On the other hand, the average for Q4 surged to W5 204.

The time charter equivalent was impacted by the rising bunker prices. This was most noticeable during Q2 when the TCE for TDIC averaged $13,000/day while the highest average ($12,250/day) was in Q4. Both levels according to Baltic Exchange values and always basis round trip.

The Panama market also started very slowly with the Q1 average W5 level reported by the Baltic Exchange sinking to W5 74 translating into a negative TCE for most of the quarter. There was a slight improvement in Q2 and Q4 where TCE averages of $4,500/day and $3,500/day, respectively, were posted.

In the south, the Black Sea remains the area from which the majority of fuel oil is exported. The most active traders continue to be Galicia, Trafigura and Lukoil while last year saw newcomer Coral Energy enter the fray.

The average freight on fuel oil tankers remains high with plenty of the vessels over 15 years old which imposes difficulties for some charterers who implement the restriction of only chartering tankers with a maximum age of 15 years.

The sentiment moving into 2022 is yet to be tested. However, the majority of the operators hope that the pandemic will dissipate sooner rather than later to lead tanker market activity back to its levels in 2019 and early 2020.

Time Charter

The time charter (TC) market activity in 2021 contrasted significantly with 2020, where the high number of newbuildings (for a minimum of 6 months or longer) has declined by more than 30% compared with 2020. This was especially the case for crude tankers where the number of transactions fell by about 45% year-on-year while they fell by 14% year-on-year for clean tankers. The persistently weak spot freight environment in 2021 and upfront freight due to Covid contributed to this reduction in the number of TC deals compared with 2020. However, it should be noted that 2020 saw an above average number of transactions which reflected the extremely high volatility which characterized the first part of the year.

Low spot freight earnings contributed to weaker short-term TC rates. On the other hand, rates for periods longer than 12 months remained stable as the back end of the TC curve remained supported with expectations of an eventual stronger tanker market. During the first half of 2021, rates for 12 months TC and longer already held a significant premium compared with shorter time charter rates as market participants expected a recovery in spot freight rates by 4Q21. However, this didn’t materialize and due to the ongoing Covid pandemic, market participants were more concerned about 2022. Nonetheless, as the coverage into 2022 gradually increased and hence the likelihood to be exposed to a stronger market, 12 month TC rates didn’t decline significantly. For such periods only eco-VLCCs (non-scrubber) saw a slight decline from close to $30,000/day in 2Q21 to mid-twenties by end of 4Q21. Other segments saw 1 year TC rates broadly unchanged with eco-VLCCs being the only ones to see significant declines in rates. The freight for handies for 2022, while continuing to take positions covering 2023 and 2024 are looking much tighter in terms of supply and demand and upcoming regulations from the IMO (EEXI) and The EU (EUE), which can be seen in the extremely high volatility which characterized the first part of the year.

The rational for spreads is that FFAs typically have more movement from market conditions in the nearby months and to position oneself accordingly with the opposite position against the deferred periods. Once again as we conclude 2021, FFAs paint a much more attractive future with 2022 TCE standing at $23,750/day while the Cal23 stand at $19,430/day.

FFA MARKET

2021 TDIC spot vs 4Q21 forward price

<table>
<thead>
<tr>
<th>Year</th>
<th>TDIC spot</th>
<th>4Q21 forward price</th>
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<tbody>
<tr>
<td>2021</td>
<td>$6,427</td>
<td>$8,500</td>
</tr>
<tr>
<td>2022</td>
<td>$5,167</td>
<td>$7,250</td>
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</table>

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2021 ended with a more bearish view for 2022 while expectations for 2023 and 2024 remained bullish. Indeed, a significant amount of newbuildings are expected to be delivered in 2022 and tanker demand may remain below pre-pandemic levels. On the other hand, 2023 and 2024 are looking much tighter in terms of supply and demand and upcoming regulations from the IMO (EEXI) and EU (EUEX), which can be seen in the extremely high volatility which characterized the first part of the year.

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While the first half of 2022 will likely continue to be affected by the uncertainties regarding Covid and the recovery in tanker demand, the second half of 2022 will likely see rising TC rates as coverage beyond 2022 increases into a period expected to be characterized by significantly lower newbuilding deliveries, an ageing fleet and tanker demand recovering to exceed its pre-pandemic level.
Tanker prices increased for every reason except oil transportation demand.

**SECOND HAND MARKET**

*If you don't want to feel constantly frustrated, avoid doing things that are beyond your control.* **Epikteos**

There is little doubt that Tanker Owners had to be at this self-discipline originating from **“Epikteos,” a Greek philosopher (50-125) from the Stoic school.**

Last year saw the poor demand for oil transportation hit all sizes and all vintages of tankers. No tanker owner was spared from the miserable earnings experienced all year long and there was no pre-emptive action that could have safeguarded them. Many were hoping for 2021 to be the year returning the market which characterised the last months of 2020. However, the pandemic and multiple emerging variants put an end to any hope. Besides the few owners with mixed fleets including bulkers or container carriers, the industry had every right to feel some frustration in the face of such a helpless situation.

In previous years, tanker owners had enjoyed alternating ups and downs, whereas 2021 was particularly dull and affected by macro-economic factors which drove price inflation for tankers of all apps. Meanwhile, the chartering market did not recover from the low levels of late 2020.

The newbuilding frenzy witnessed in the drybulk and container markets pushed newbuilding prices to levels not seen over the last decade. The combination of high demand and raw material prices increased shipbuilding steel did not facilitate things. Furthermore, the overall reduction in shipbuilding capacity brought prices to their highest level in the last 12 - 14 years. Older tankers’ values were supported by the high demand for scrap steel and increased in demolition prices. This all meant that tanker prices increased for every reason except oil transportation demand.

Owners were denied the fulfilment of their expectations on the employment side by a lack of cargoes and had their hopes pushed into 2022 if not later. Demolition sales remained across all sizes, with scrap prices increasing from $400 to over $600/mt. However, the consensus remains that this was not enough to balance the impact of new deliveries. Nevertheless, there are expectations in the year to come that the oldest non-eco vessels will be pushed towards demolition due to incoming EEDI & CII regulations.

The long-term forecast appears brighter due to the restraint in ordering exercised by owners during the course of 2021 as only 94 units were contracted against 122 in 2020. VLCCs and Suezmaxes were particularly affected with a 30% and 24% reduction in newbuilding orders, respectively. Aframaxes and LR2s were the preferred newbuilding choice of tanker owners as ordering increased from 39 to 66% from 2019 levels, while older tonnage experienced more erratic price changes explained by units’ respective age profiles.

The evolution of second-hand tanker prices in 2021 was characterized, and mostly determined by external factors and elements related to oil transportation. In general, asset values increased, while employment earnings decreased. Modern ship values were impacted by newbuilding prices while older units were impacted by higher scrap prices. Middle aged tankers were subject to various trends depending on their specifications and ability to adapt to future emission rules.

Price fluctuation was stronger for very modern units such as resale and those around 5 years old which rode the coattails of newbuilding prices. Resale values came close to their 2019 levels, while older tonnage experienced more erratic price changes explained by units’ respective age profiles.

Vessel value changes from January 2021 to December 2021

**Tanker second-hand prices**

<table>
<thead>
<tr>
<th>Year</th>
<th>VLCC</th>
<th>Panamax &amp; LR1</th>
<th>Aframax &amp; LR2</th>
<th>Panamax &amp; LR2</th>
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<tr>
<td>2021</td>
<td>20</td>
<td>10</td>
<td>12</td>
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</table>

*Does not correspond to the number of tankers reaching breakers’ yards.*

<table>
<thead>
<tr>
<th>N° of Ships</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tr>
<td>Panamax &amp; LR1</td>
<td>42</td>
<td>66</td>
<td>76</td>
<td>95</td>
<td>129</td>
</tr>
<tr>
<td>Aframax &amp; LR2</td>
<td>12</td>
<td>23</td>
<td>33</td>
<td>24</td>
<td>41</td>
</tr>
</tbody>
</table>

Transaction volumes for ships younger than 5 years increased dramatically to 11 reported sales, outperforming the 22 in 2020. A significant portion of these sales was composed of en-block transactions with large owners, enforcing strategic decisions of chartering sale and leaseback operations taking advantage of higher selling prices for refancing requirements. To illustrate the above, Frontline’s acquisition of 6 vessels built at Hyundai in Korea from Central Marine Inc serves as a good example. In respect of 6 to 10 year old vessels, only 5 transactions were reported, mostly linked to the Xihe Holdings bankruptcy. For vessels built 10 to 15 years ago there was a decent 20 transactions. Meanwhile, there were 45 transactions for units more than 15 years old. At the beginning of the year, 40 VLCCs were expected to hit the water, but in the end only 35 units were reported. According to the orderbook at end-December 2021 which stood at 68 units, 50 ships should theoretically hit the water in 2022. Meanwhile, twenty units (including floating storage units) were scrapped last year.

**S&P activity (vessels for further trading)**

<table>
<thead>
<tr>
<th>N° of Ships</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>VLCC</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Panamax &amp; LR1</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Aframax &amp; LR2</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

For the fifth year in a row, the number of transactions for further trading increased by more than 15% with some 41 additional sales reported compared with 2020. The first 4 months of the year were particularly active with almost 50% of the year’s transactions taking place by April and over 62% completed by the end of May. The number of transactions was also driven by numerous, large-en-block sales.

After the summer activity slowed down due to the growing mismatch between asset values and the underlying chartering market. Prices steadily increased for modern and resale units, while the prices for older units started to slowly weaken from their mid-year peak. This softening provided an opportunity for some players to buy a few ships in the hope of a future recovery.

**New orders 2015 to 2021**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
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<td>VLCC</td>
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<td>44</td>
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<td>64</td>
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<td></td>
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<tr>
<td>Suezmax</td>
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<td>28</td>
<td>38</td>
<td>39</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Aframax &amp; LR2</td>
<td>109</td>
<td>19</td>
<td>37</td>
<td>56</td>
<td>39</td>
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<td></td>
</tr>
<tr>
<td>Panamax &amp; LR1</td>
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<td>8</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

**Price:** MAERSK CURACAO oil products tanker, 49 919 dwt, built by Samsung Ningbo shipyard in 2019, operated by Maersk Tankers.

ANNUAL REVIEW 2022
The Suzemax market registered a slight decrease with only 38 units sold for further trading in 2021 against 44 in 2020. There was little appetite from buyers to match theoretical valuations referencing modern units and this was reflected in a shortage of candidates and sales.

Among the notable exceptions was Eurospav's purchasing of 3 Daehan Suzemax vessels from Yangzijiang for about $56-57 million each. As far as vessels built between 2011 and 2015, we only saw five units changing hands and four of them were part of a single transaction. Similarly, only 5 sales took place for the 11 to 15 year old Suzemax category.

Buyers' attention focused on tonnage older than 15 years, with 22 transactions for further trading taking place during the year. The increase in recycling values paved shippers' opportunity to offload once again some of their older tonnage for healthy values. A good example lies in the case of the 10 units in 2021 units for a reported price of $14.75 million each.

The Suzemax fleet saw 23 units delivered in 2021 versus an end-2020 forecast for 35 vessels while 10 units were scrapped. By end-2021, the total Suzemax orderbook stood at 58 units, of which 46 are expected to hit the water in 2022.

Aframax/LR2 and Panamax/LR1

Contrary to their larger cousins, Aframaxes and LR2s saw their S&P activity volume increase substantially with 133 transactions reported versus 95 in 2020. All vintages benefited from this trend, and we saw a strong transaction volume for all the different age segments.

Surprisingly, 28 units younger than 5 years old switched hands. This is worth mentioning that 10 of them were sold by Maersk Tankers to AODNC. However, there were only 10 transactions for vessels aged between 5 and 10 years old. Transactions took place for vessels older than 10 years, almost evenly balanced between the 10-15 years and the 15+ years segments. Among them, several units built at Shanghai WanshaoShipsbuilding, emanating from the Xihe Bankruptcy, were sold to different Greek buyers.

In the newbuilding market, 88 MR2s were ordered during 2021, and 80 units were delivered against the initial expectation of 106. The total orderbook remains high with 140 units, of which 87 are expected to be delivered in 2022. A healthy 38 units were reported sold for demolition last year.

S&P activity benefited from the same positive trend as crude tankers. However, the increase in deal sizes was clearly concentrated on 10 to 15 year old units. This reflected the exacerbated price evolution for newbuilding and resales in H1 increased as opposed to values for vessels built in the previous 2-3 years. A major shock to the market was the large LDT where they stood in early 2021. Their smaller LDT meant that the rise of scrap steel prices had a smaller impact on their values.

The number of transactions for further trading surged to 168 units compared with 116 in 2020. A strong 40 units below 5 years of age found new homes. In the 5 to 10 year old segment, there were 26 transactions reported. The preferred 10-15 year old segment saw a large total of 71 units sold. 15 years and older had no activity because of the month with just 31 transactions reported.

The increase in second hand prices for medium units gave buyers early exit opportunities for some sellers and the opportunity to bet on the future for the market for buyers. If medium vessels values increased at a slower pace than newbuilding prices, this was of course related to the immediately current poor chartering market. Otherwise, vessels between 10 and 15 years old were particularly attractive for potential buyers.

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S&P activity in the MR1 segment was limited once again with only 37 transactions for further trading taking place. Of which, only 4 units were less than 5 years old. Once again more than half of the sales were for units between 10 and 15 years of age. To complete the picture, 13 units older than 15 years old changed hands, with several Vietnamese and Middle Eastern buyers.

As of the 31 December 2021, the MR1 orderbook was left with only 3 units an order all scheduled for 2022 delivery. Meanwhile, 24 units were scuttle for demolition in 2021.

Panamax tanker sales increased to 41 transactions in 2021 against 24 reported the previous year. Only 4 units were less than 5 years old, built by SBM and sold by SAFE/MARINE CRDB. Only 3 units between 5 and 10 years old changed hands. Therefore, more than 80% of the transactions were for vessels older than 10 years. Among them, Eletson has been an active seller. The Xihe bankruptcy contributed to this activity with the disposal of four units built in 2007 at New Century for an average price of $10 million each.

In the Panamax (including LR1) fleet, we only saw 2 vessels delivered across 2021 against an anticipated number of 5 units, with 12 demolitions and no new orders. The total orderbook at end-2021 stood at 4 units, all due in 2022.

MR1 and MR2

MR1/S&P activity benefited from the same positive trend as crude tankers. However, the increase in deal sizes was clearly concentrated on 10 to 15 year old units. This reflected the exacerbated price evolution for newbuilding and resales in H1 increased as opposed to values for vessels built in the previous 2-3 years. A major shock to the market was the large LDT where they stood in early 2021. Their smaller LDT meant that the rise of scrap steel prices had a smaller impact on their values.

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OBO

Once again activity was limited in the OBO fleet with 3 transactions taking place in the S&P market. 58 units of their 120,000 dwt 2003 Hyundai Heavy-built units to Middle Eastern buyers for about $15 million each, while Klaveness sold their cabu vessel Barcelo 73,163 dwt 2011 Doha-built unit to Chinese buyers for a reported $13.1 million. The last three vessels on order at Yangzijiang were delivered to Klanerss and none remain on order.

S&P outlook for 2022

2021 was a year of expectations. Expectations which were not fulfilled. Endogenous pressure propelled tanker values higher, however, the segment lacked the demand support from the chartering market. New the question is whether the market can recover in 2022? In theory no, but 2022 could, and should be a year of change.

Nevertheless, shipowners could again suffer from headwinds as the Covid pandemic remains the key factor driving the evolution of the global demand for crude transportation. Therefore, the emergence of new Covid variants may kill this recovery theory. There are therefore different approaches and expectations. Looking at the successful vaccination campaigns around the world and the decreased severity of recent variants, we hope to see a recovery in the second part of 2022 driving an increase in the demand for crude oil and clean products.

Although the discussions between Iran and the other P5+1 members continue, it doesn't appear likely that a nuclear deal can be reached promptly, the effect of which would be to reinstate Iranian crude in the market. Hopes for tanker owners should not be lost as they rest on more geo-political outcomes - for instance EEUU regulations will be introduced in January 2023.

The new requirements in terms of the maximum amount of CO2 emissions per tonne mile will have a significant effect in 2023 and the necessary pre-adjustments will start to show in 2024. Every vessel larger than 400 GT will need to comply with the regulation and have their attained EEK rated as lower than the maximum threshold.

Among the existing possibilities to reduce a vessel's EEK there is the derating of the main engine or the reduction of speed. Both cases might make older vessels less attractive and continue to push them out of the market but this will not happen in one day. It will be a slow process.

On the newbuilding front, prices are historically high, and yards are particularly busy. Owners rightfully question themselves every day in respect of the proper propulsion system to opt for (knowing that they must get it right for the next 20 years...). Therefore, the number of tanker newbuilding orders for short-term delivery will not be high. Although there is a high quantity of vessels to be delivered in 2022, numbers are significantly lower for 2023 with no slots available for the year anymore. There is therefore no reason to doubt that the tanker market will have its revenge against containers and bulkers and there is no doubt that tanker owners will endeavour to get ready to make tough calls in 2022.