



Tanker Market Outlook

February 2025

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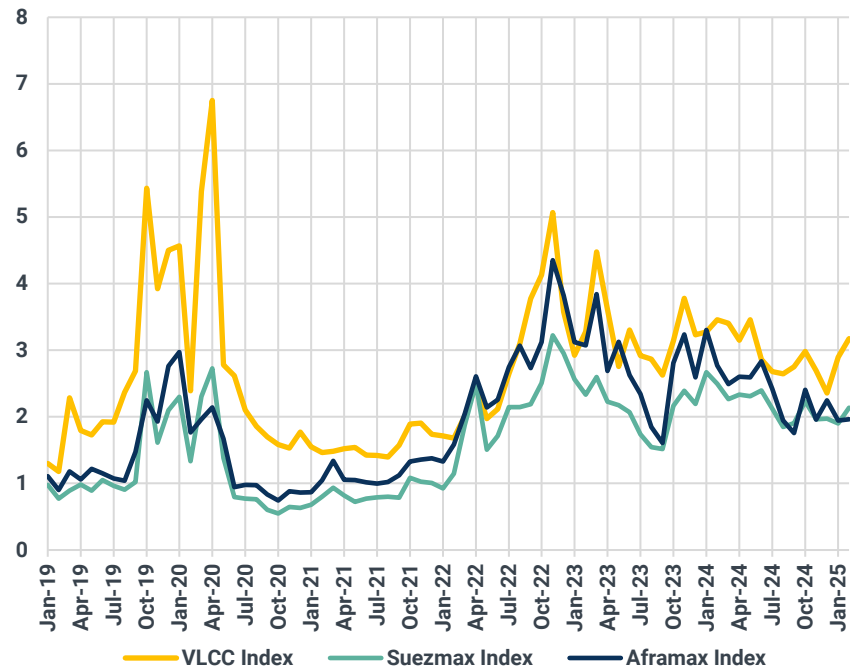
Principal Freight Analyst



Rates picked up in January, but gains have been modest

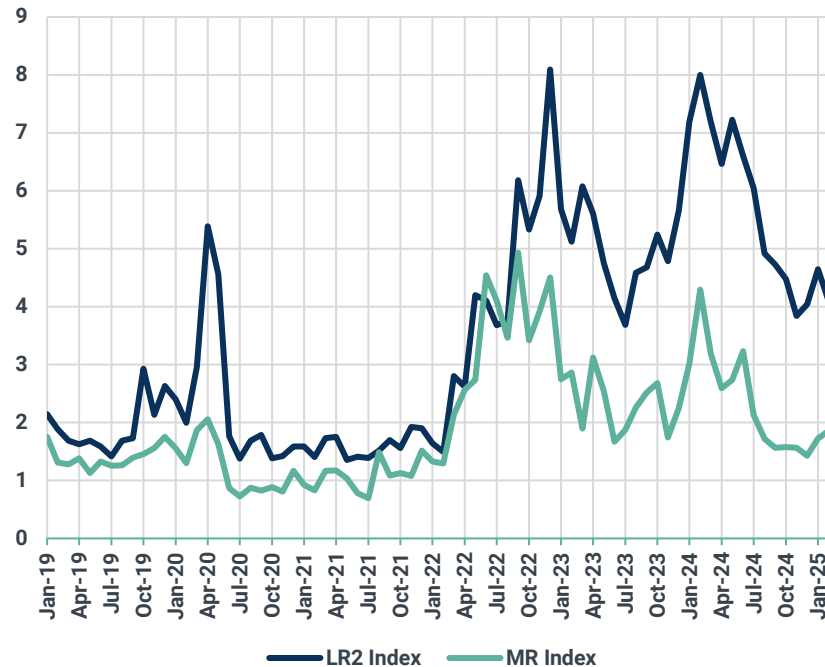
Exports are higher but sanctions and geopolitical uncertainty have been the main driver of rates

Dirty Tanker rates (\$/bbl)



Baltic Exchange, Kpler

Clean Tanker rates (\$/bbl)

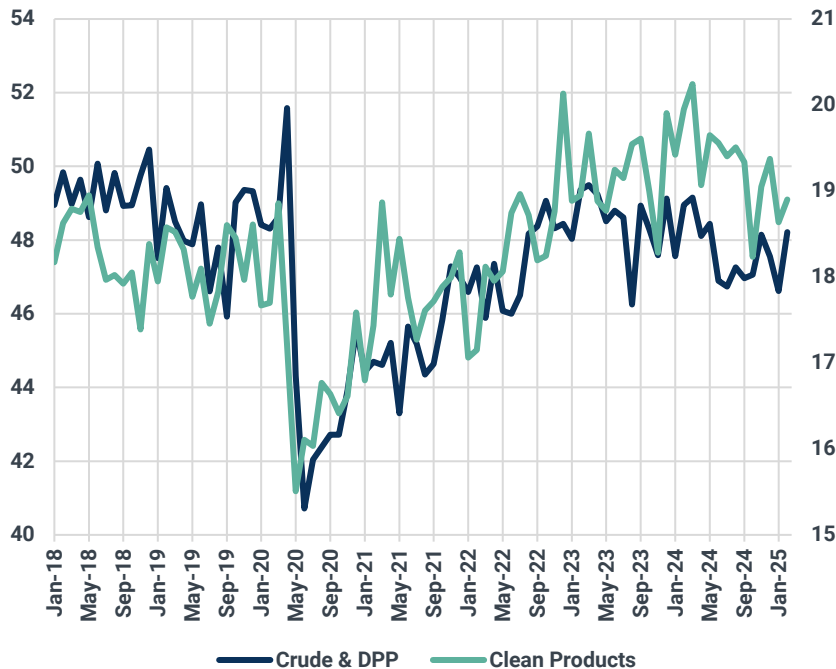


Baltic Exchange, Kpler

Oil exports have stabilised after large declines over 2H24

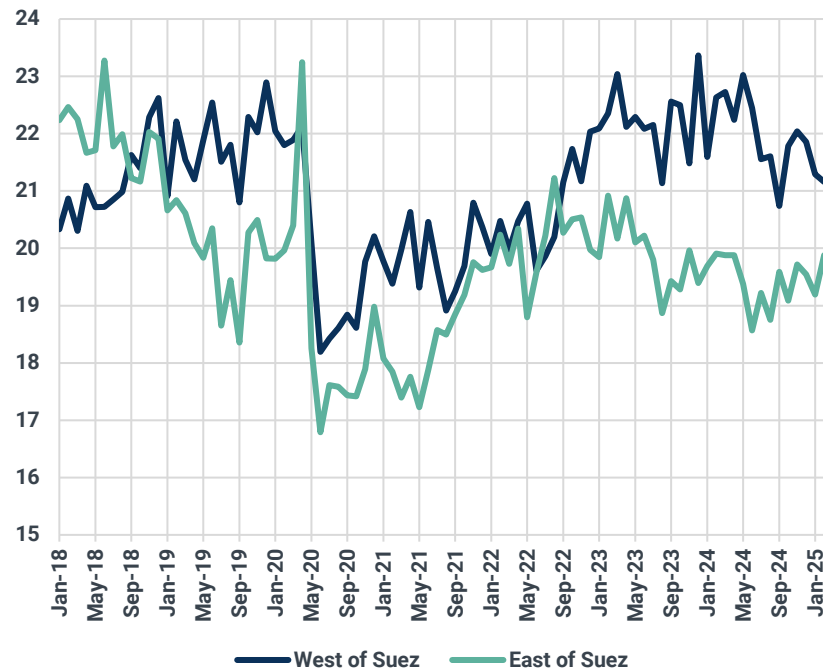
But growth in longer voyages remain absent

Global oil exports Mbd (Crude and Total RHS, Clean LHS)



Source: Kpler

Crude exports by region (Mbd)

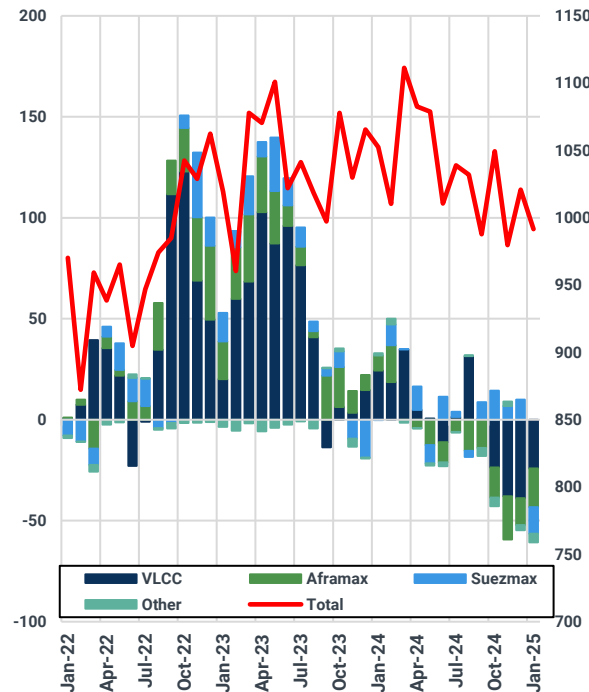


Source: Kpler

Growth in VLCC demand from the Middle East helped maintain demand

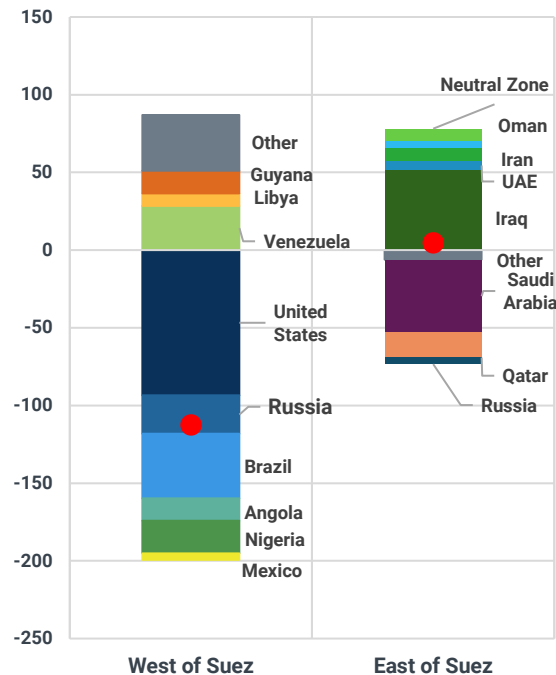
Suezmax and Aframax demand have struggled to make gains this year

Dirty tanker ton-miles RHS and y/y change LHS (Bn)



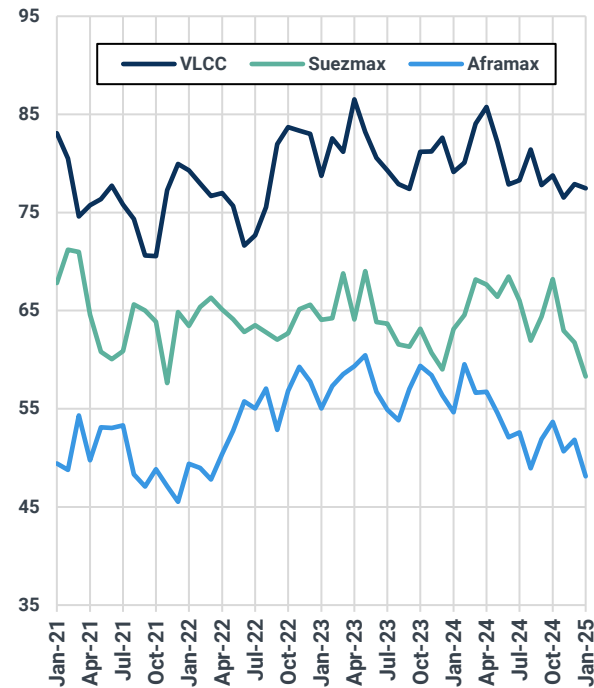
Source: Kpler

Change in crude export ton-miles y/y (Q4) (Bn)



Source: Kpler

Dirty tanker productivity (TM/DWT)

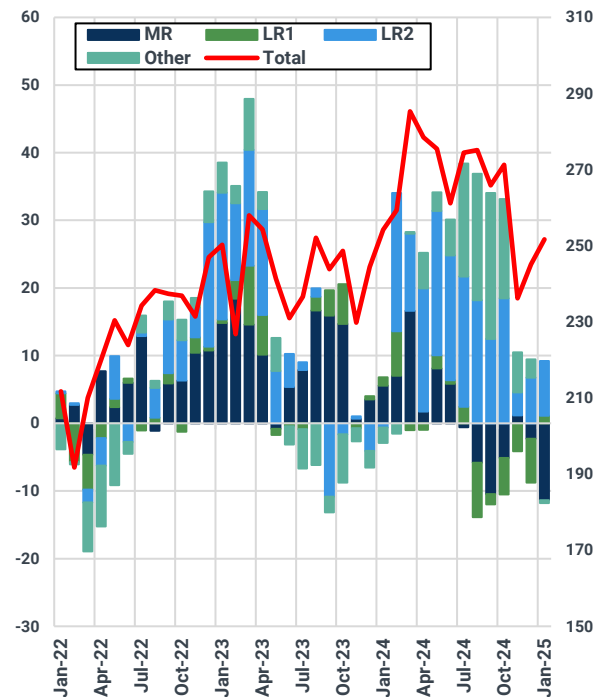


Source: Kpler

LR demand bouncing back after slump in MEG exports to the West over 4Q

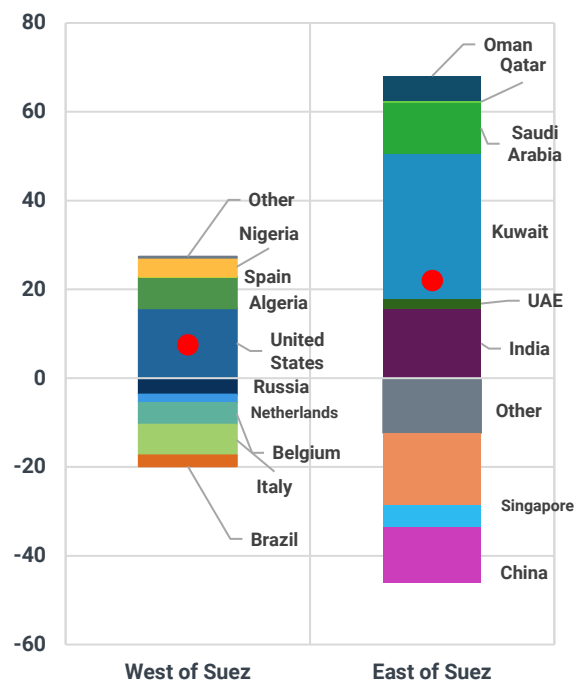
MR demand fell further early this year, with rates supported by supply shifts

Clean tanker ton-miles RHS and y/y change LHS (Bn)



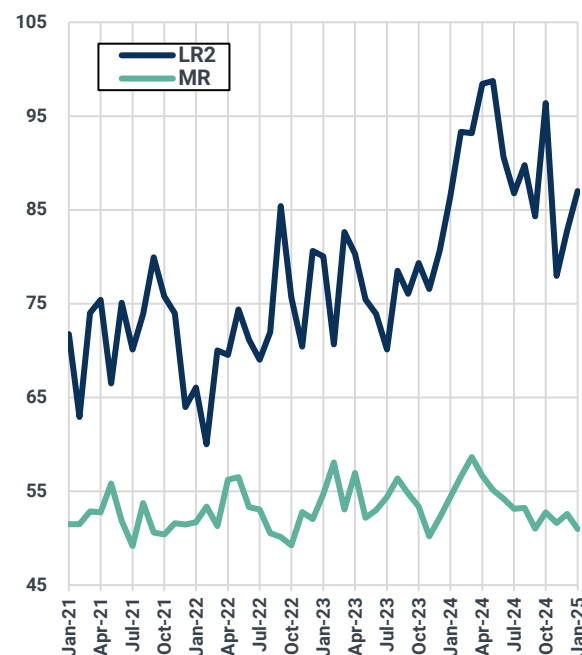
Source: Kpler

Change in clean product export ton-miles y/y (Q4) (Bn)



Source: Kpler

Clean tanker productivity (TM/DWT)

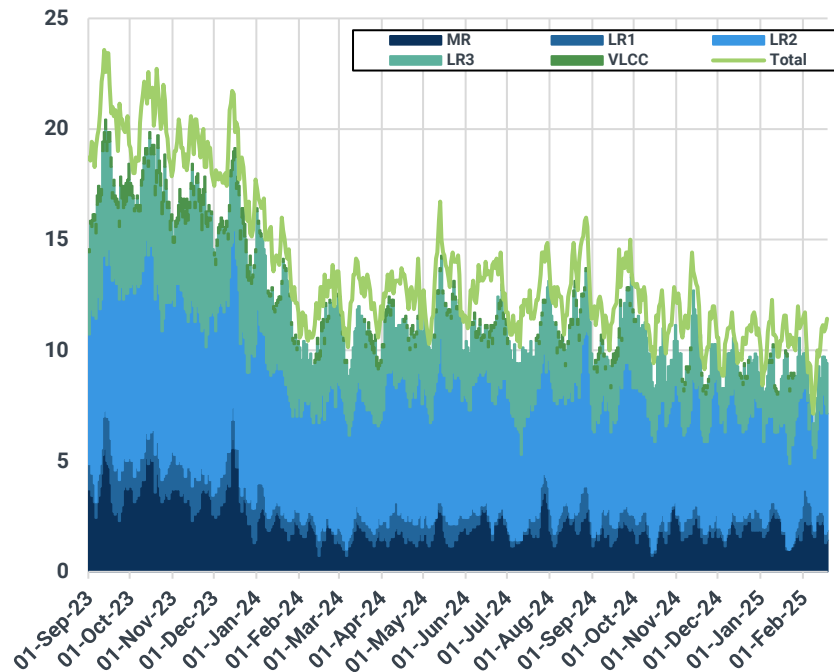


Source: Kpler

So far there has been no change in Suez Canal transits

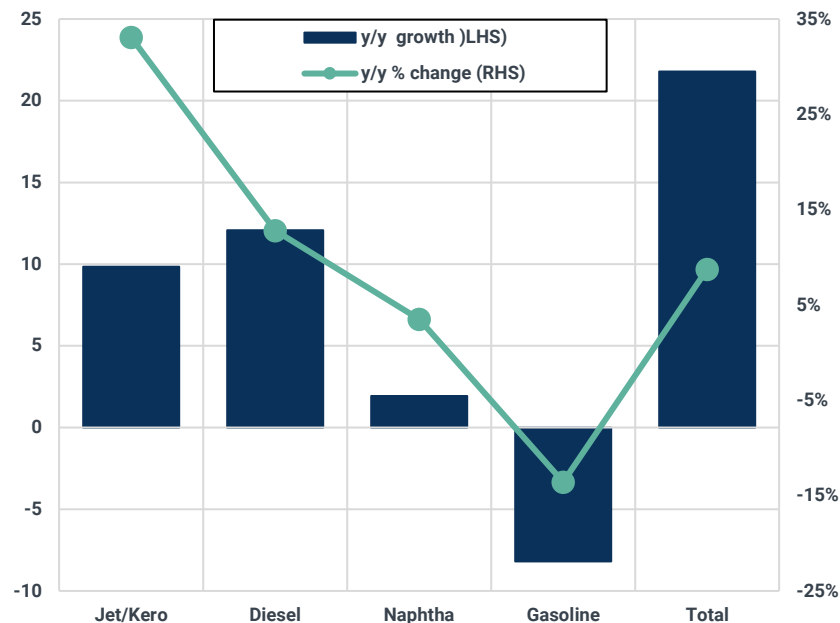
Suez Canal tanker transits fell to 13/day in 2024, down from 21/day in 2023

Number of tanker transits of the Suez Canal per day



Source: Kpler

Change in global product ton-miles (2024 vs 2023)

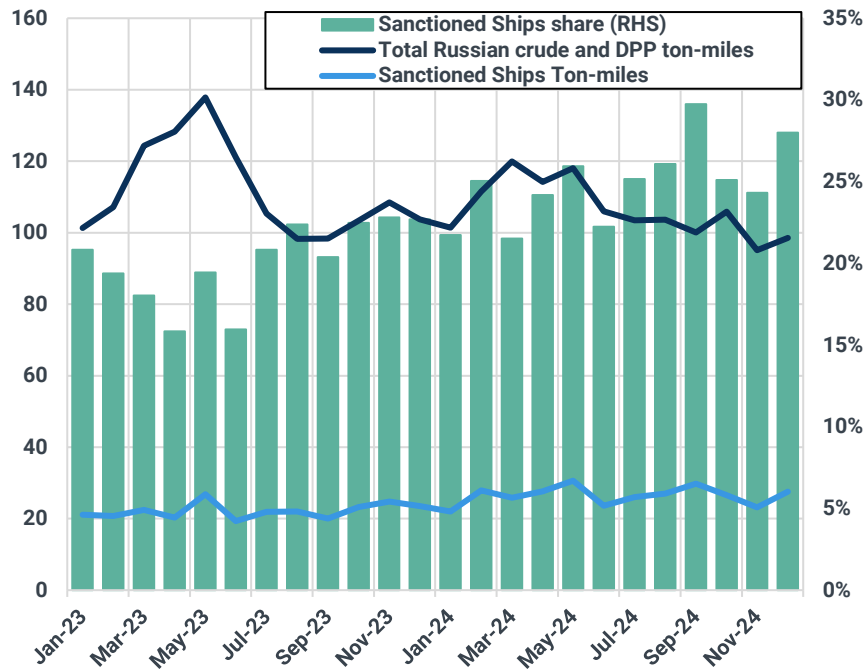


Source: Kpler

Newly sanctioned ships accounted for 25% of Russian crude export ton-miles in 2024

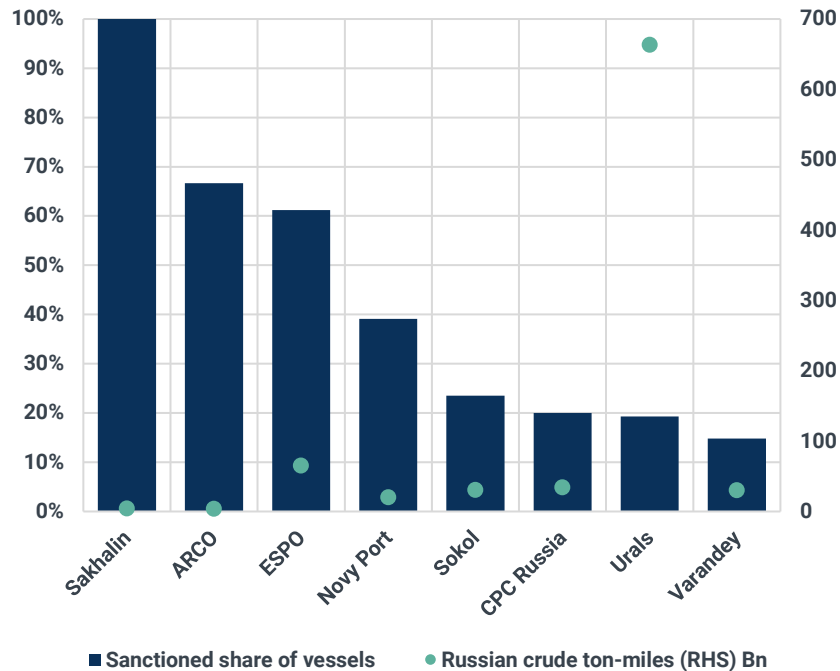
But the share is not evenly distributed, 61% of ships that carried ESPO last year were sanctioned compared with 19% that carried Urals

Total Russian crude and DPP export ton-miles (Bn) and share from sanctioned ships



Source: Kpler

Sanctioned share of tankers involved in shipping Russian crude by grade

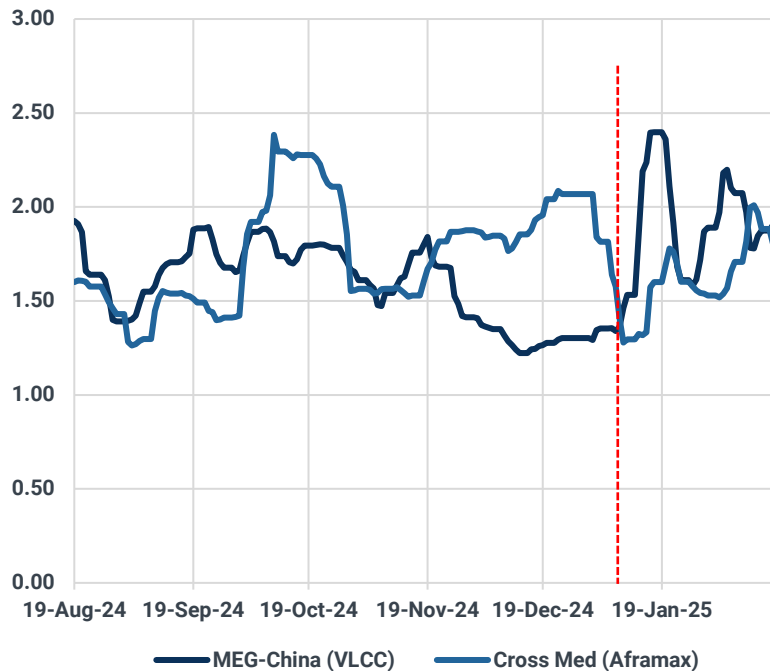


Source: Kpler

Russian rates remain high to pull in more vessels

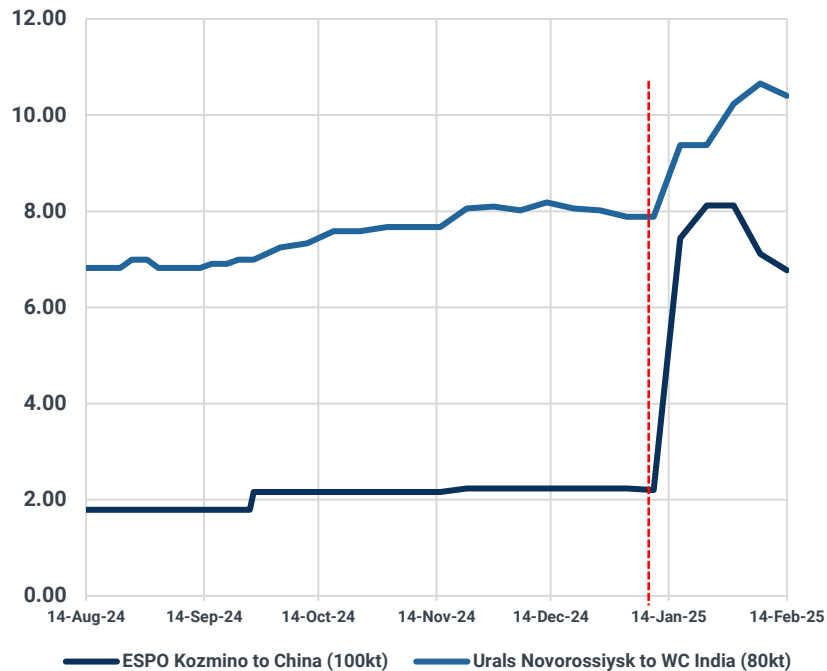
Non-Russian freight saw a temporary increase, but supply changes could support rates this year

Non-Russian freight (\$/bbl)



Source: Baltic Exchange, Kpler calculations

Russian freight rates (\$/bbl)



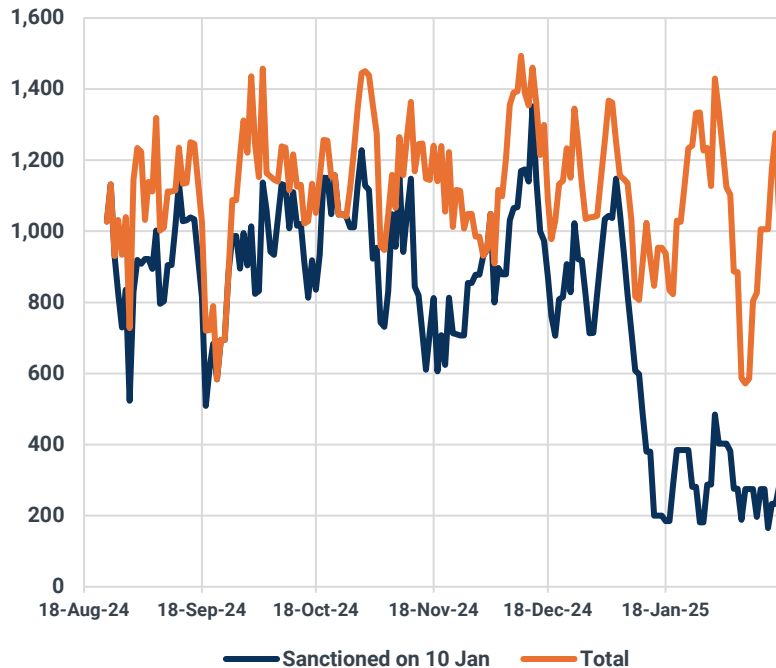
Source: Argus Media, Kpler Calculations

Sanctioned vessel activity has dropped, but total exports from Russia are stable

More vessels have been pulled into Russian trade to plug the gap

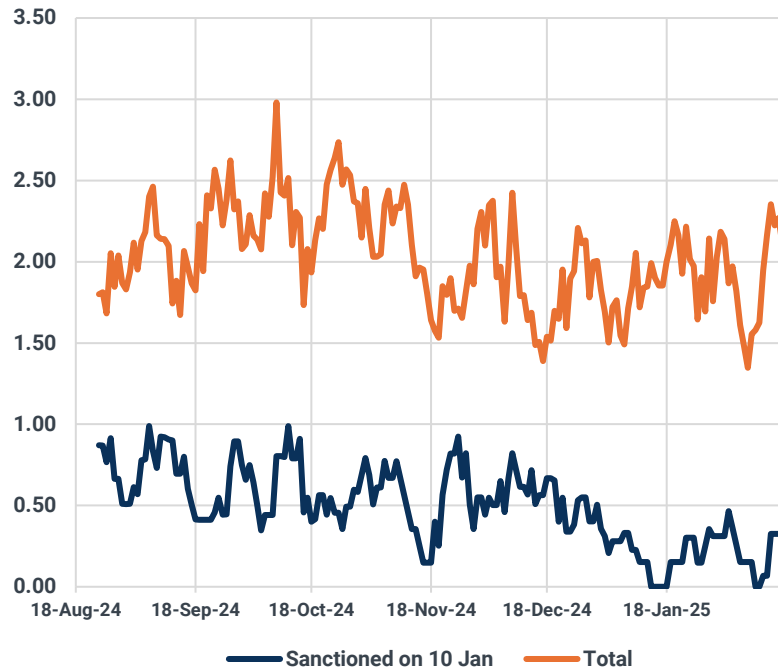
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Eastern Russian crude exports 7DMA (kbd)



Source: Kpler

Western Russian crude exports 7DMA (Mbd)

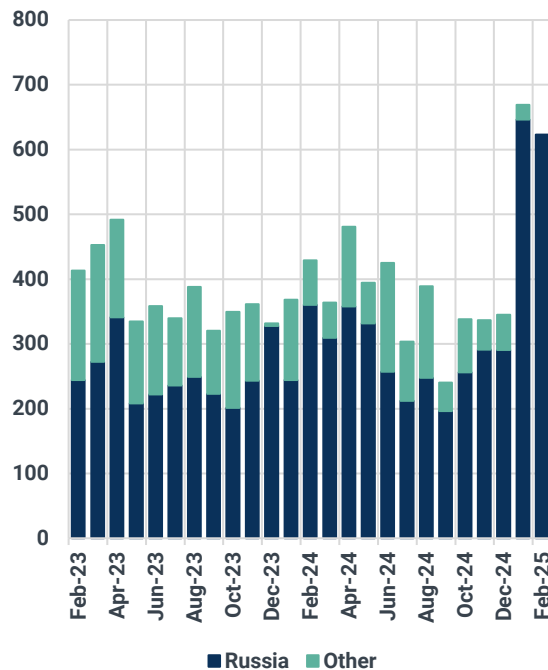


Source: Kpler

Non-sanctioned ships pick up the slack, few are new to Russian trade

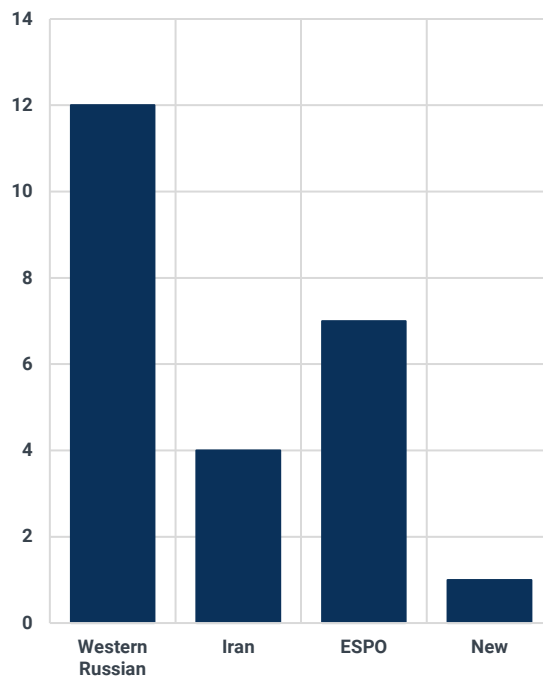
Ships previously trading Western Russian crude head East seeking higher rates

Eastern Russia crude exports on non-sanctioned ships (kbd)



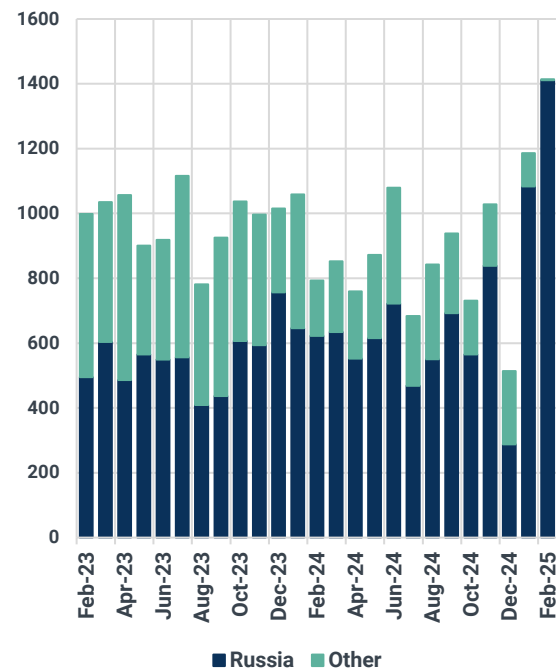
Source: Kpler

Previous trading region of non-sanctioned ships loading ESPO since 10 Jan



Source: Kpler

Western Russia crude exports on non-sanctioned ships (kbd)

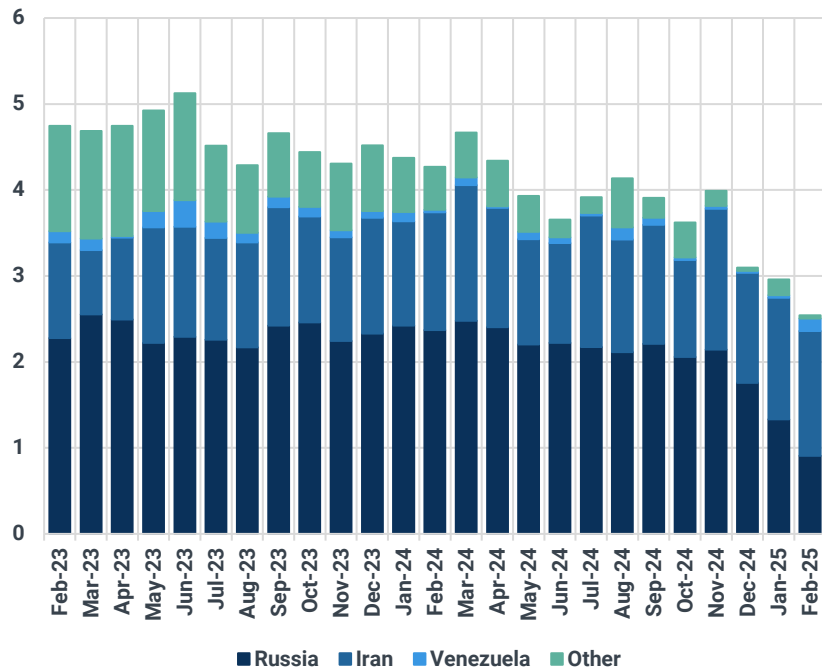


Source: Kpler

Sanctions are more impactful on Russian exports

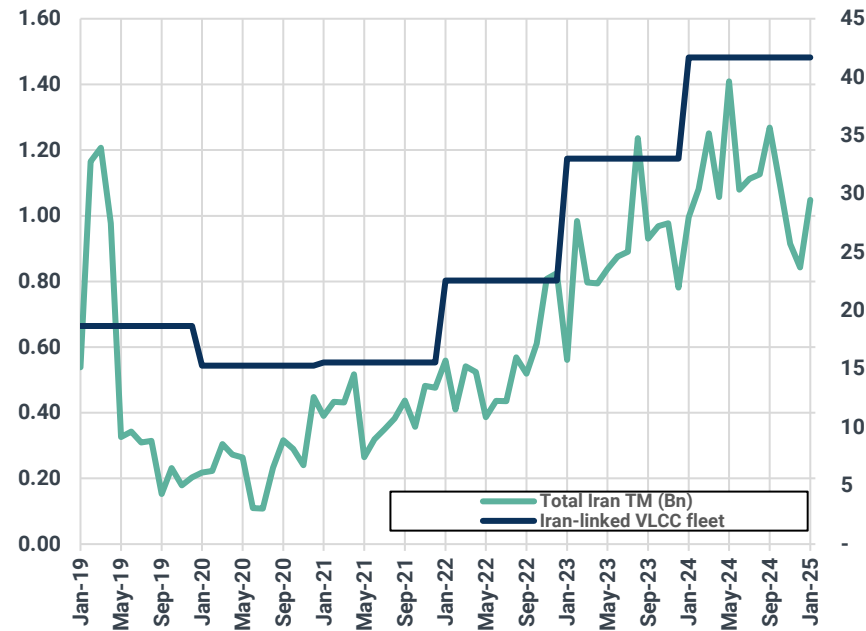
Vessels tend to move to Iranian trade after being sanctioned, although this is slowing

Crude exports on sanctioned tankers (as of Feb 2025) Mbd



Source: Kpler

Iran-linked fleet bn ton-miles/day (LHS) fleet size (Mn DWT)



Source: Kpler

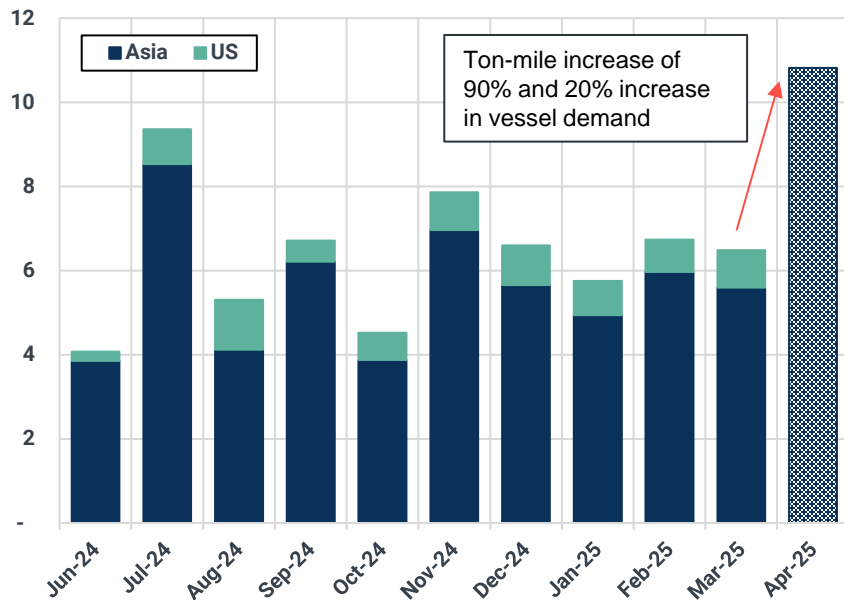
Canada tariffs: base case is a limited impact on Canadian crude and products freight

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Crude freight impact: Base case is limited to no change in seaborne flows, keeping freight demand flat, but if US cuts crude imports to PADD 5 and flows divert to Asia, ton-miles would rise 90%.

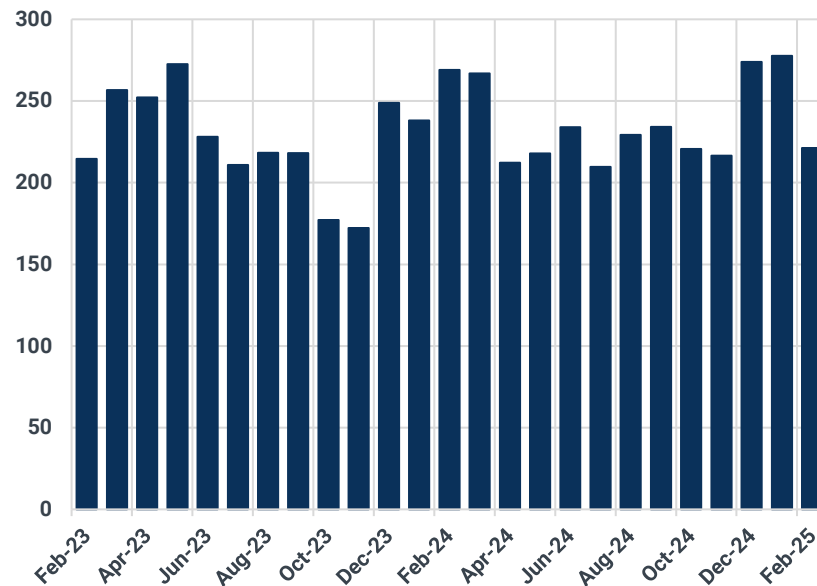
Product freight impact: The higher cost of gasoline imports could be passed on to the end user. The US can source gasoline from Europe but this will depend on if it is also hit with tariffs

TMX ton-miles if all exports go to Asia (Bn)



Source: Kpler

US product imports from Canada (kbd)



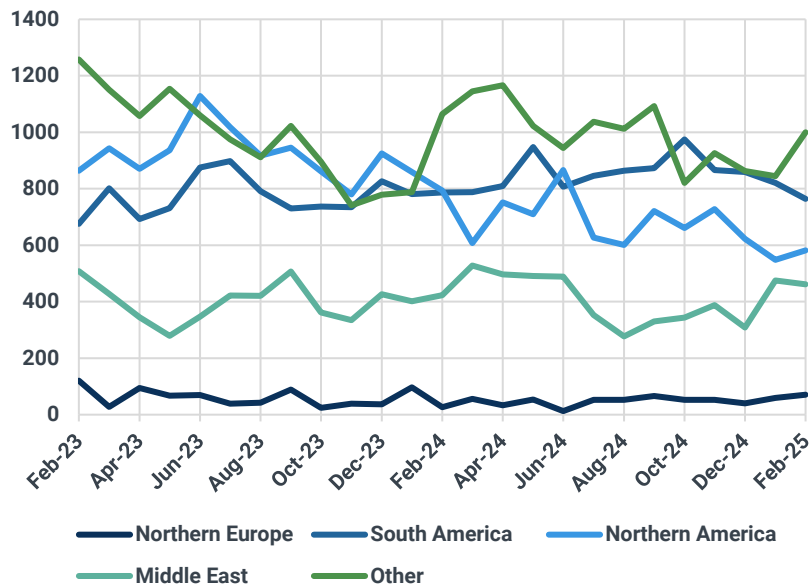
Source: Kpler

Mexico tariffs: crude freight would likely rise while limited change expected for products

Crude freight impact: PADD 3 has more optionality in replacing Mexican crude. Ton-miles could increase by around 20-30% including re-direction of Mexican grades

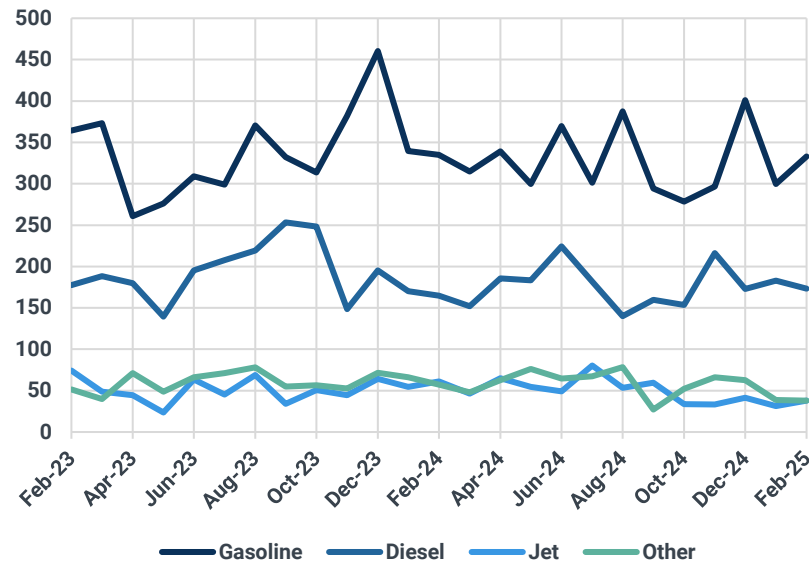
Product freight impact: Mexico has limited reciprocal options as it is reliant on US clean products, particularly gasoil.

PADD 3 crude imports by region (kbd)



Source: Kpler

US product imports from Canada (kbd)

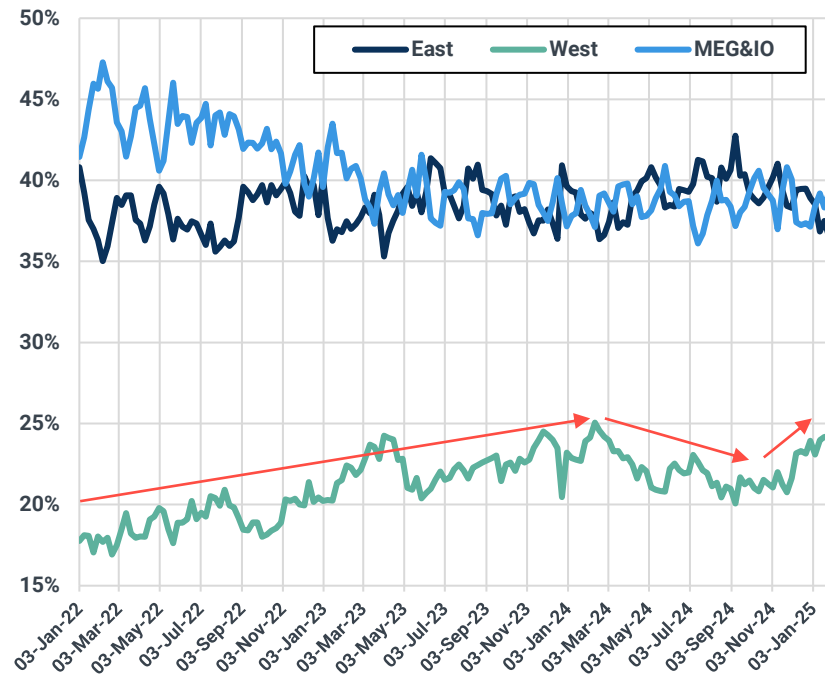


Source: Kpler

VLCC share in the Atlantic begins to rise again

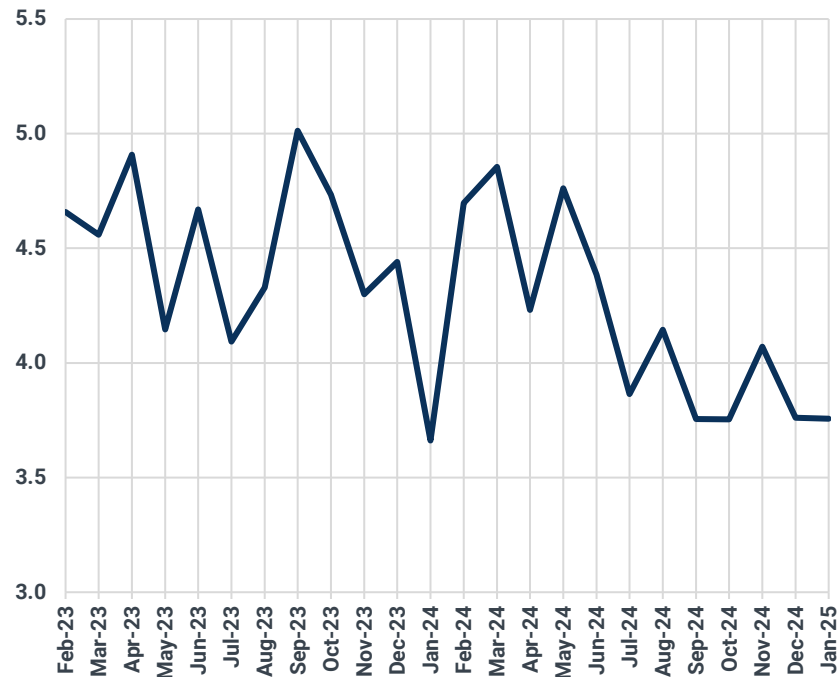
But low Chinese buying has kept long-haul flows constrained for now

Share of VLCC fleet by region



Source: Kpler

WoS VLCC crude flows to Asia-Pacific (Mbd)

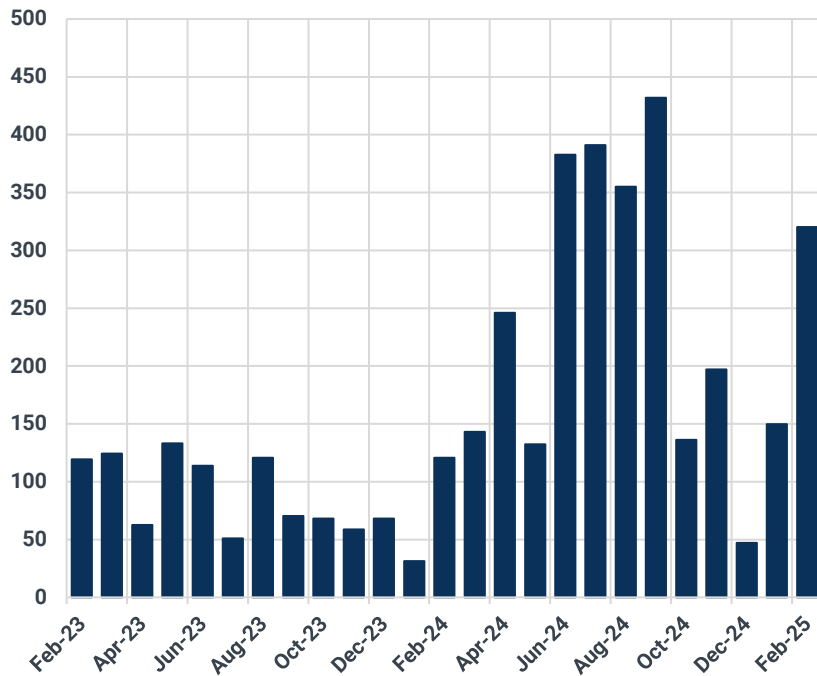


Source: Kpler

Rise in LR2 rates triggered an increase in Suezmaxes switching to clean again

LR rates will likely remain capped by the MEG Suezmax market

Clean product exports on Suezmaxes (kbd)



Source: Kpler

MEG LR2 rates capped by Suezmaxes switching to clean



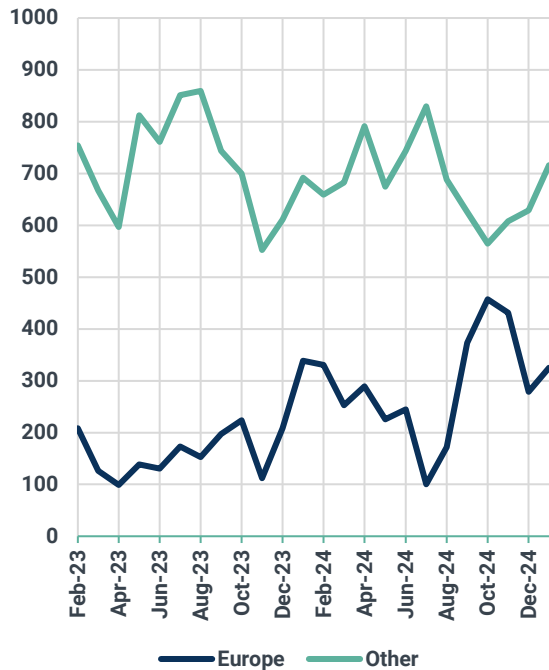
Source: Baltic Exchange, Kpler calculations

MR supply changes support rates despite weak demand

Drop in fleet supply has helped boost Atlantic earnings

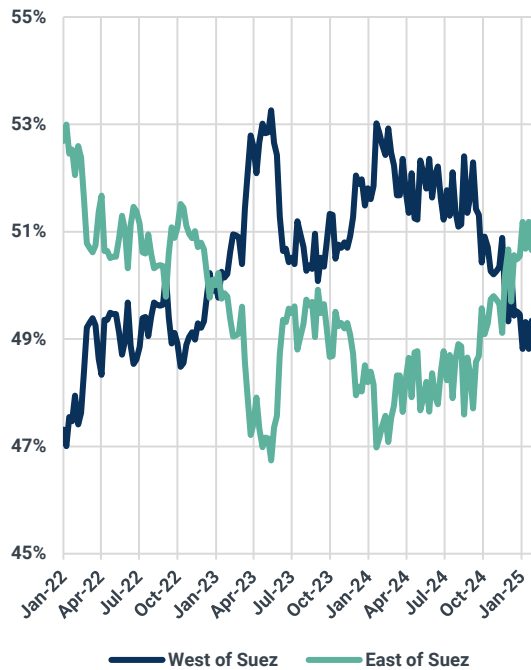
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Northwest Europe MR exports by destination



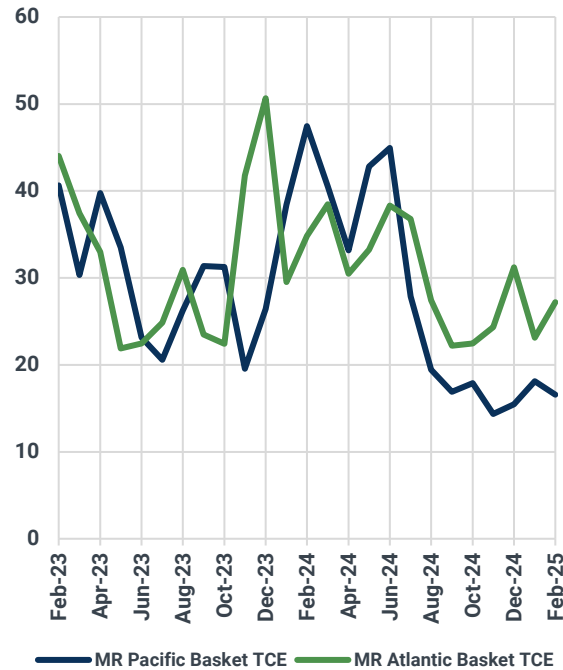
Source: Kpler

Share of MR fleet by region



Source: Kpler

MR TCE



Baltic Exchange

Outlook for 2025

Dirty: Increase in Chinese imports in the coming months and tighter supply as vessels are pulled into Russian trade to support rates

Clean: Weak MR demand to persist in the West, LR rates to remain capped and Red Sea remains a threat to demand

	VLCC	Suezmax	Aframax	LRs	MRs
Positive Factors	<ul style="list-style-type: none"> Low fleet growth through 2025 Weakness in Atlantic grade diffs to support flows to Asia Trump pressure on Iran to increase commercial tanker demand and increase scrapping 	<ul style="list-style-type: none"> Increased use across the Atlantic Russian trade to increase vessel demand post sanctions Tariffs would increase demand from GoM to outside the region 	<ul style="list-style-type: none"> TMX and Dangote benefit Aframax Russian trade to increase vessel demand post sanctions Tariffs would increase demand from GoM to outside the region 	<ul style="list-style-type: none"> Refinery closures in Europe to maintain flows from MEG/India Steady naphtha demand from Asia 	<ul style="list-style-type: none"> US refinery maintenance coming to an end Growth in exports from new refineries Growth in import demand in SEA
Negative Factors	<ul style="list-style-type: none"> Limited growth in Chinese crude demand – expect for near term increase Less competitive on short-haul flows in the Atlantic 	<ul style="list-style-type: none"> WAF exports to steadily decline Fleet growth picks up in 2025 Seasonal decline in demand from Guyana 	<ul style="list-style-type: none"> Fleet growth picks up in 2025 Increased competition from Suezmaxes in WoS 	<ul style="list-style-type: none"> Rates capped by Suezmaxes Fleet growth picks up in 2025 Red Sea re-opening remains a threat Weak MR market 	<ul style="list-style-type: none"> Dangote ramp up with further erode MR demand Asian demand swamped by shift in supply East
Net Effect	