



Tanker Market Outlook Q426

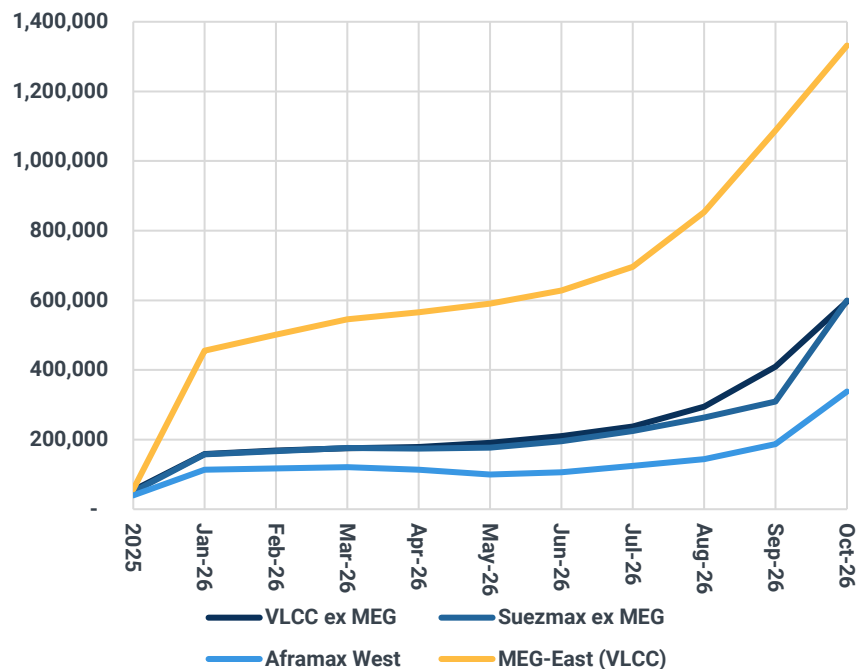
Matt Wright
Panagiotis Krontiras



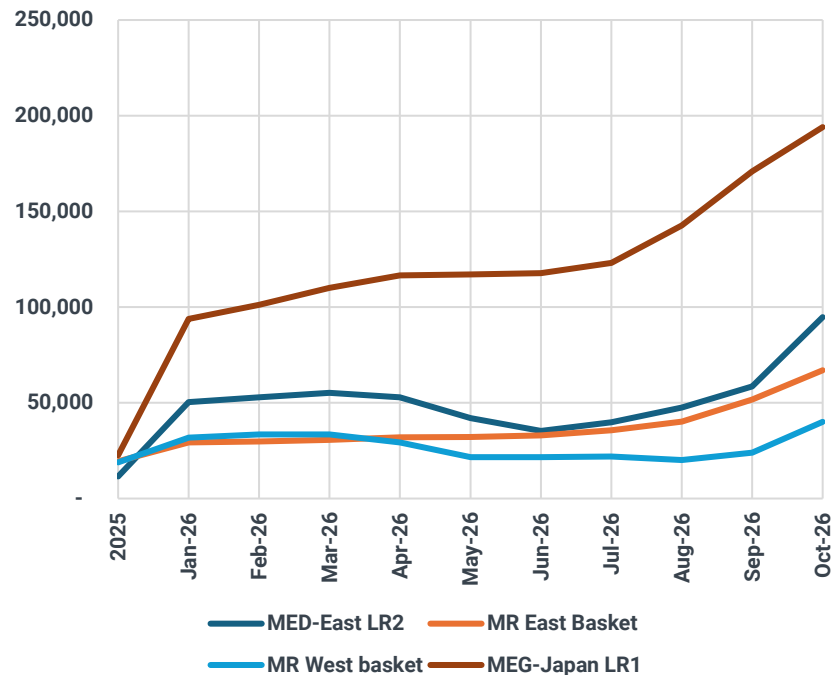
Where rates stand today

Fifth straight quarter MEG VLCC rates have topped six figures - historically rare

Dirty Tanker Index Earnings (\$/day)



Clean Tanker Index Earnings (\$/day)



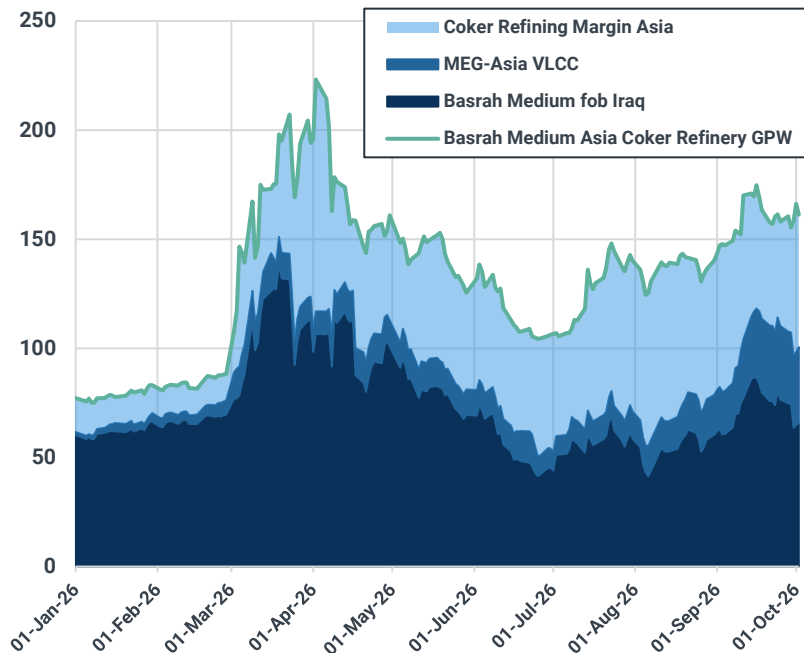
Source: Baltic Exchange, Kpler

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Asian margins continue to weather Middle East freight as crude is discounted

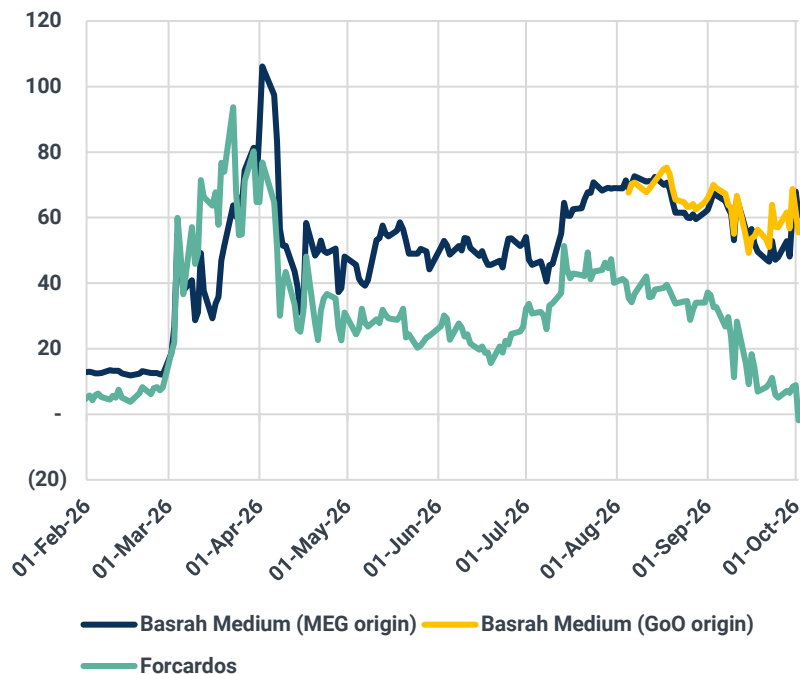
Escalation in Atlantic VLCC rates has pushed margins negative

Eastern Asia coker refining margin calculation basis MEG loaded Basrah Medium \$/bbl



Source: Kpler, Argus Media

Eastern Asia coker refining margins \$/bbl

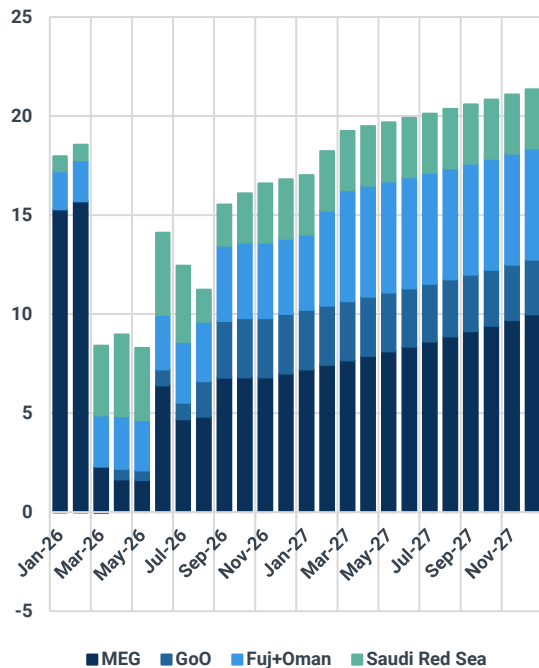


Source: Kpler, Argus Media

A deal is no longer necessary for a return in flows...

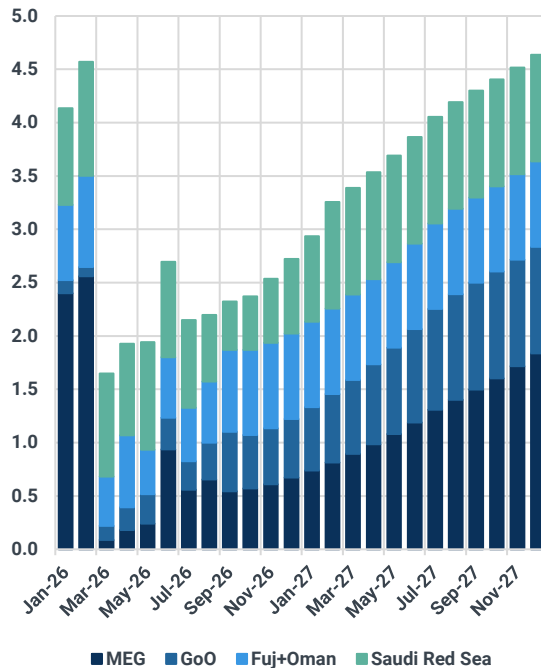
...but it would help bring down freight rates

Middle East* Crude export forecast (Mbd)



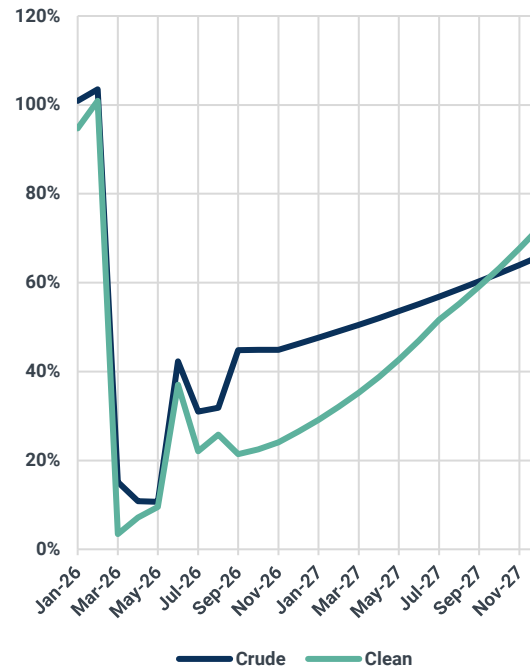
* Middle East Aggregated Exports, Hormuz clearance including GoO + Red Sea , excluding Iranian loadings

Middle East* clean product export forecast (Mbd)



* Middle East Aggregated Exports, Hormuz clearance including GoO + Red Sea , excluding Iranian loadings

Crude and Clean Products Strait of Hormuz exports as share of pre-war levels

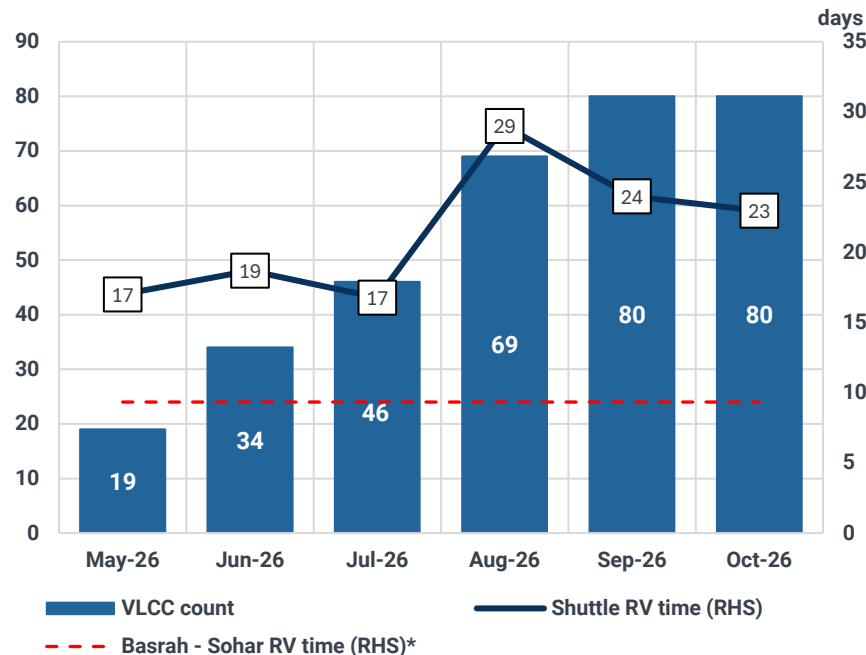


Source: Kpler

GoO shuttle trades persist, but MEG Trades are diversifying

As round-voyages increase, additional tonnages required to support each incremental barrel of regional exports

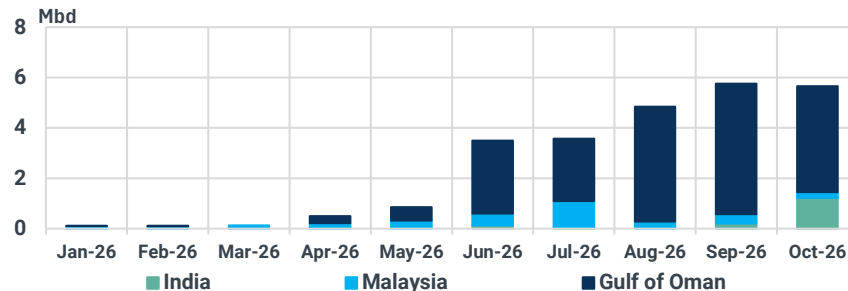
GoO "Shuttle" VLCC fleet growth



* Speed 11 knots, sea margin 5%, 2 days loading, 2 days discharging

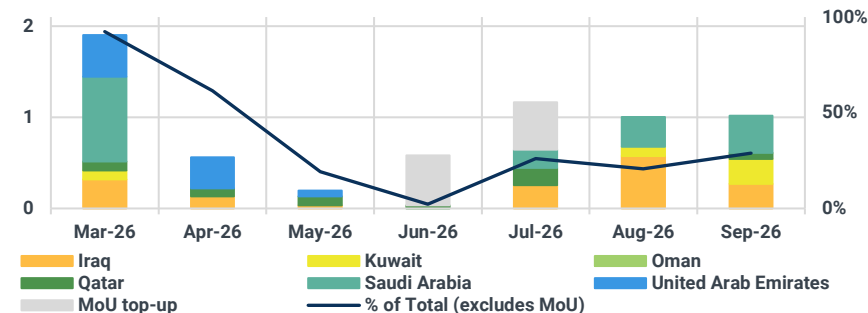
Source: Kpler

STS of MEG barrels per region



*excludes Omani, Murban and Iranian volumes

Direct MEG barrels (finished voyages – Mbd)



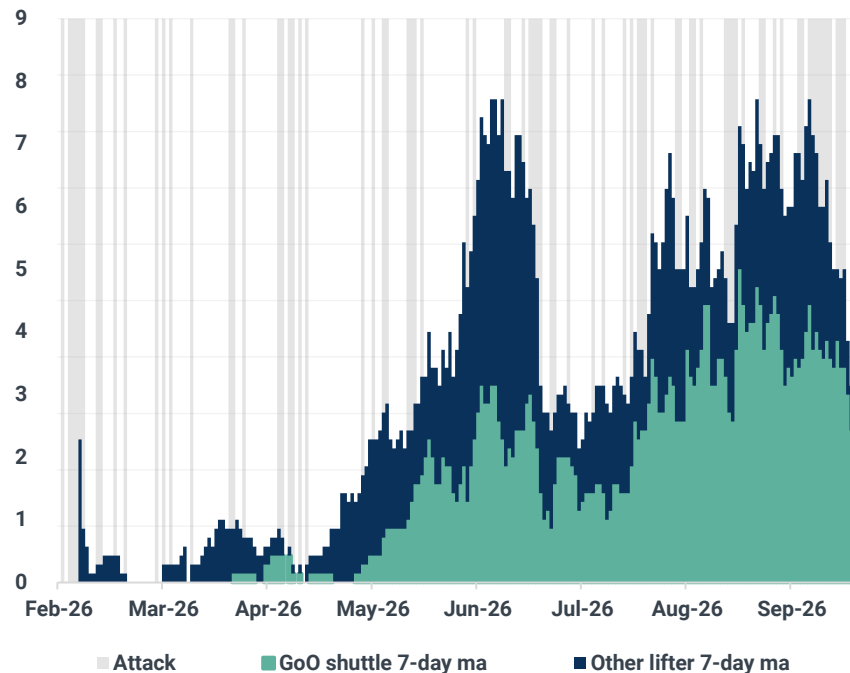
*MOU (17 Jun-11 Jul), excludes intra-regional flows

Source: Kpler

A larger fleet faces a higher volume of attacks

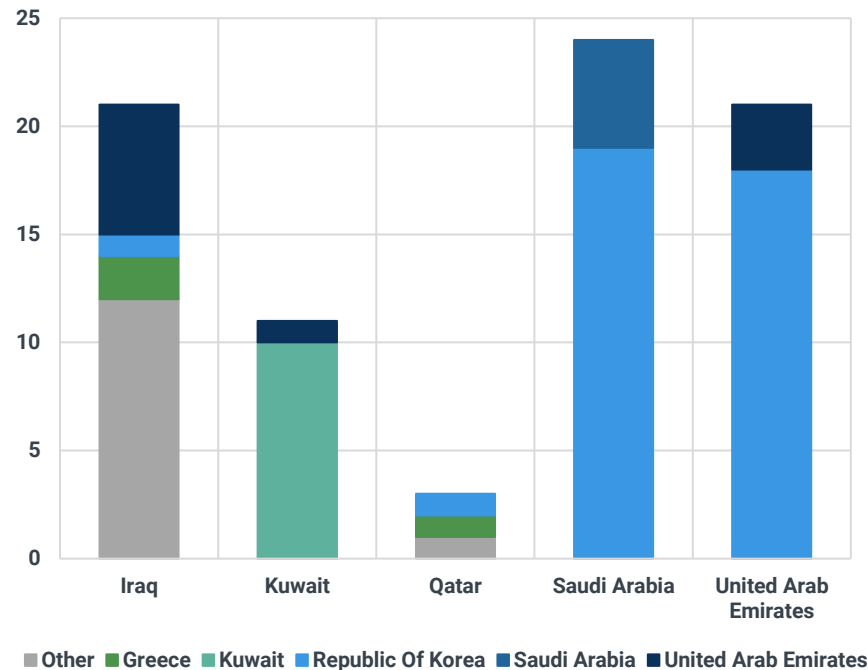
AS shuttle VLCC ownership remains consolidated

MEG VLCC inbound ballasters by entry profile



Source: Kpler, IMO

GoO "Shuttle" VLCC fleet beneficial ownership by most frequent Country of call

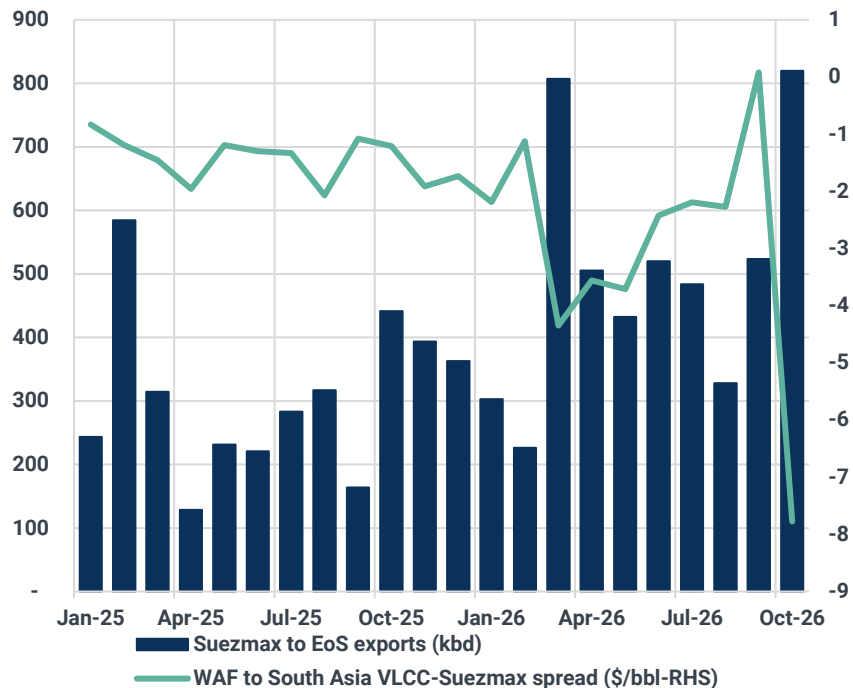


Source: Kpler, Marine Traffic

VLCC strength cascades into mid-sizes

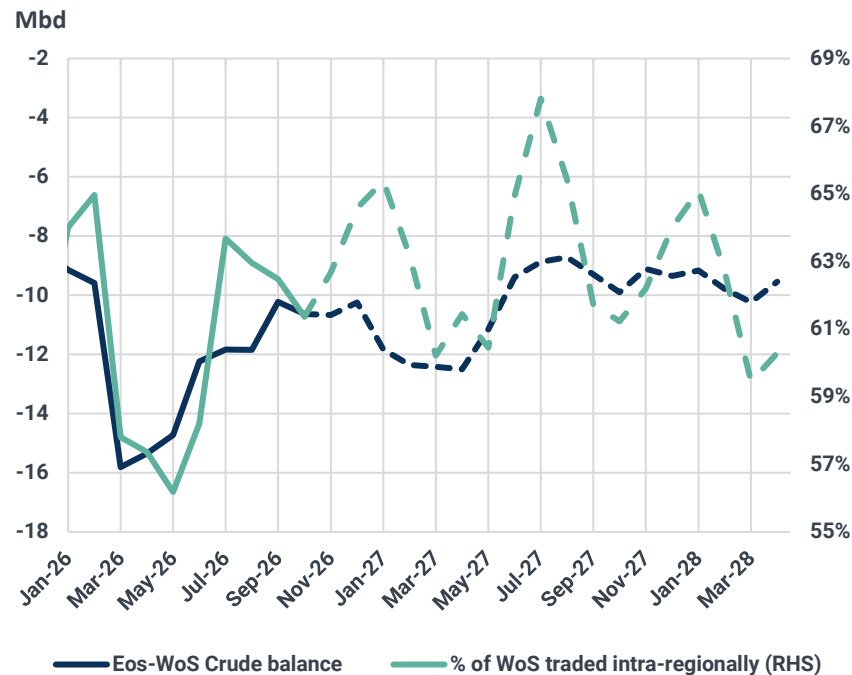
Higher MEG output to keep WoS barrels in the Atlantic, supporting midsize

WAF to EoS Suezmax trades vs rates spread



Source: Kpler

Spread in the EoS – WoS balances vs WoS output traded intra-regionally

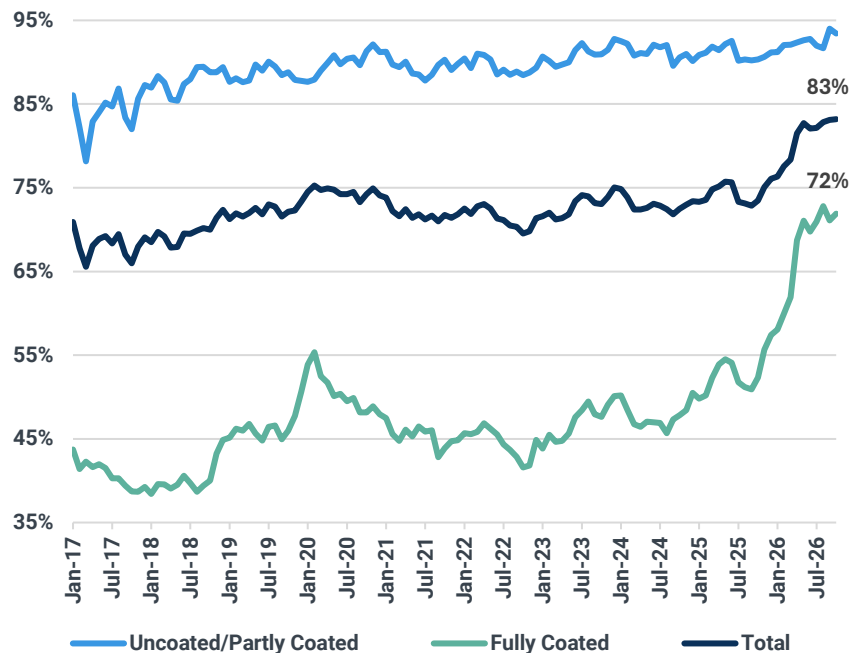


Source: Kpler

Clean LR2 count dropped by 20% over course of the war

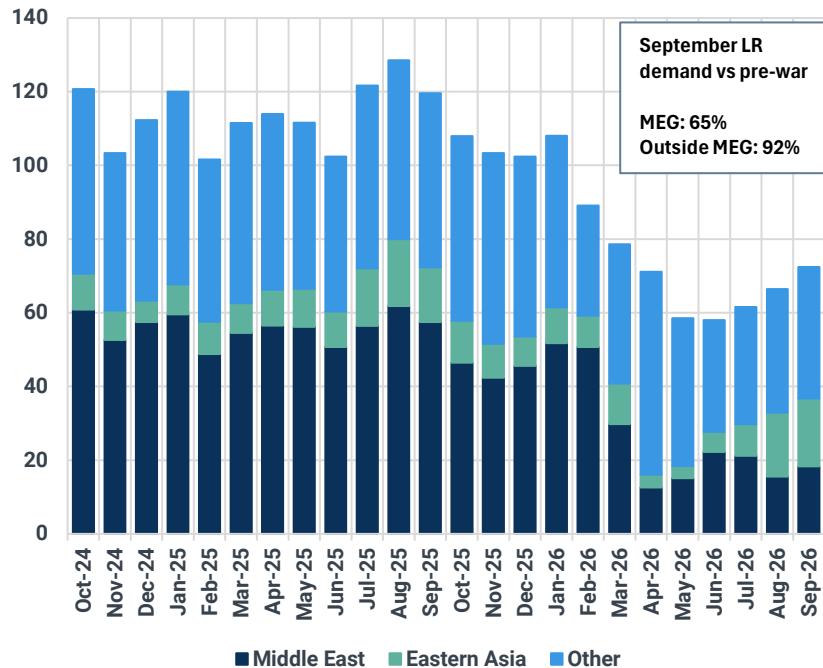
72% (364 vessels) of the fully coated LR2 remains employed in Dirty Trades

Share of Aframax tonnage employed in the Dirty pool



Source: Kpler

Clean LR ton-miles (Bn)

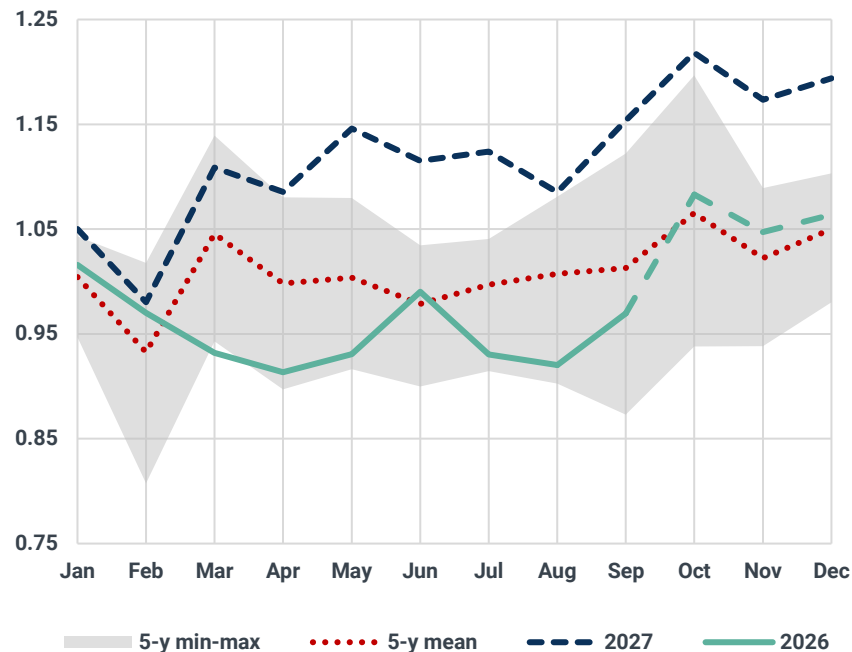


Source: Kpler

Dirty vs Clean: Same shock, different response

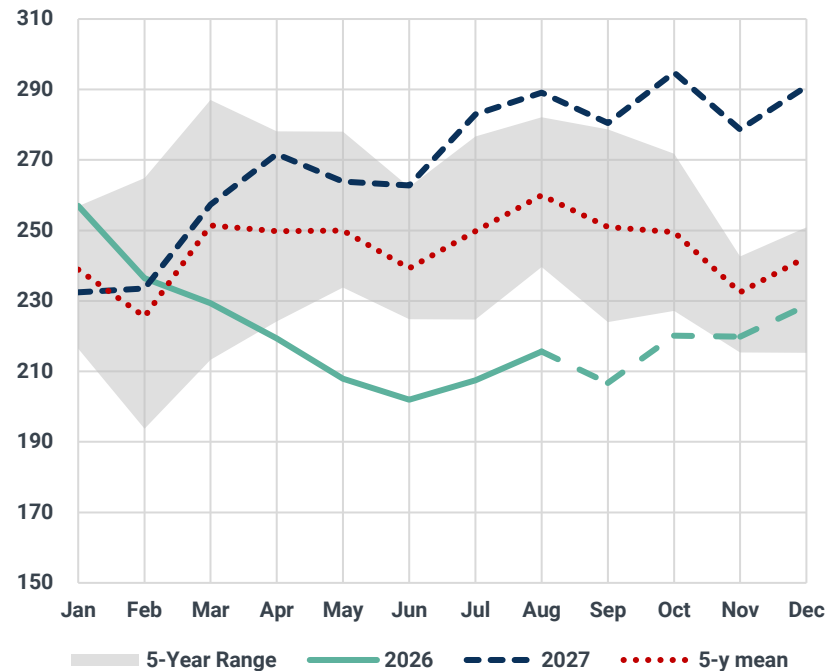
Crude is travelling further while refined product losses have been greater

Dirty Tanker ton-mile forecast (Tr)



Source: Kpler

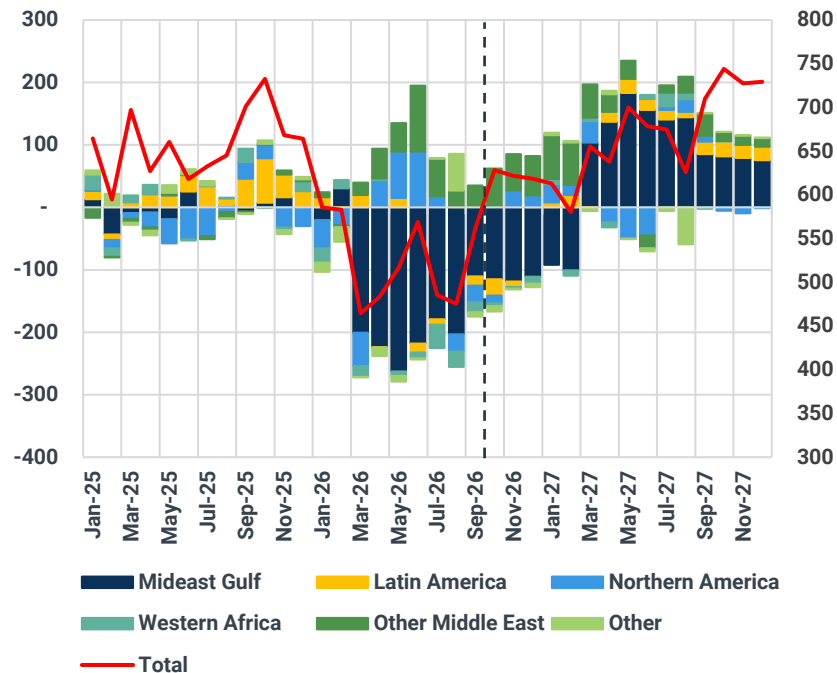
Clean tanker ton-mile forecast (Bn)



Source: Kpler

- Saudi barrels are being reshuffled across export corridors. Aramco is expected to keep both the MEG and Red Sea routes open for optionality.
- Higher MEG volumes more than offset more controlled eastbound Red Sea loadings in laden demand.
- Gulf of Oman STS capacity is at its limit, so extra barrels travel further afield (WCI or Malaysia), lengthening round voyages.
- Without a concrete deal, the restocking incentive is deferred, which weighs on H2 2027 demand.
- Outside the Middle East, Latam accounts the largest share of VLCC demand growth in 2027.

VLCC ton-miles forecast y/y (Bn)

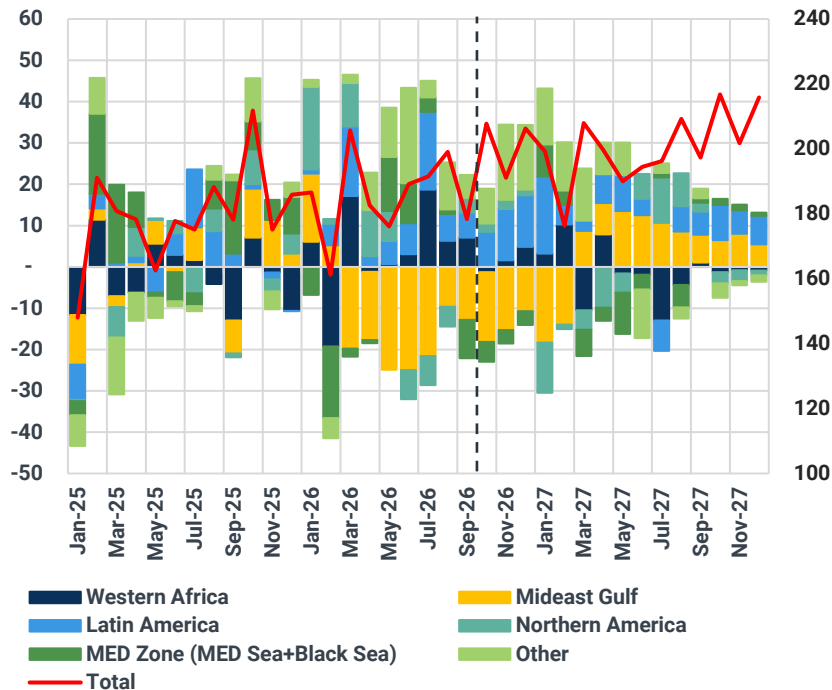


Source: Kpler

Suezmaxes lifted by Latam production gains offsetting a weaker WAF market

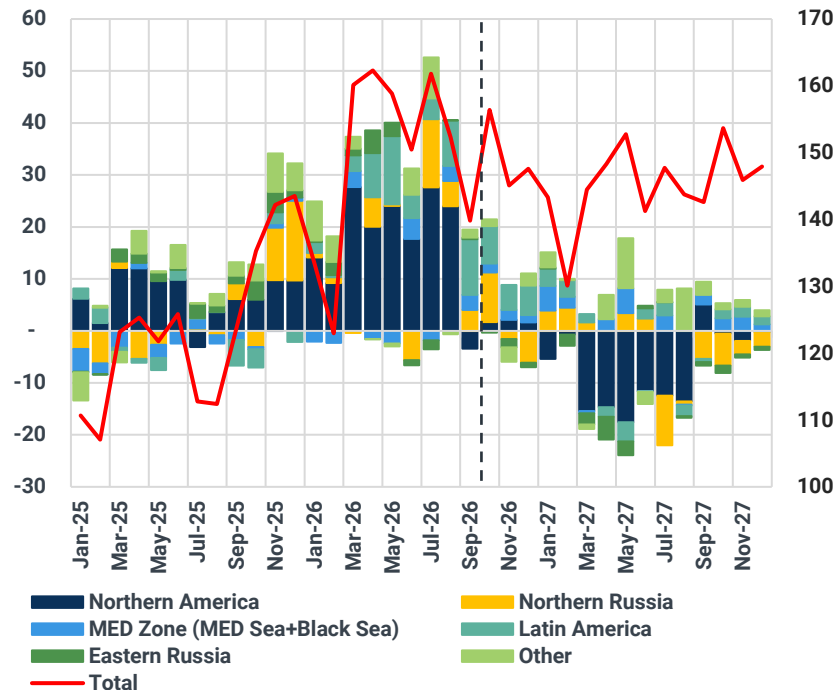
Aframax Demand faces headwinds amidst a maturing USG production

Suezmax ton-miles forecast y/y (Bn)



Source: Kpler

Aframax ton-miles forecast y/y (Bn)

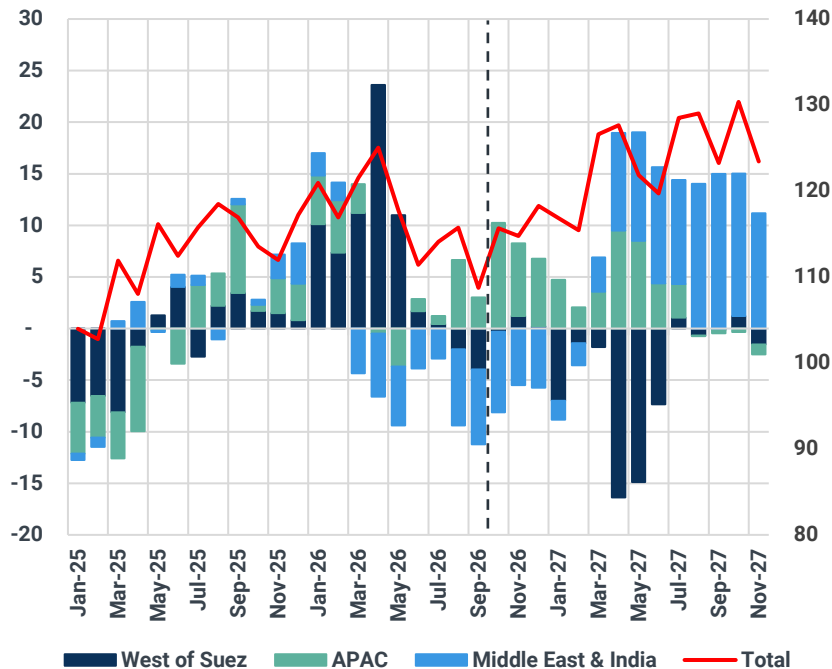


Source: Kpler

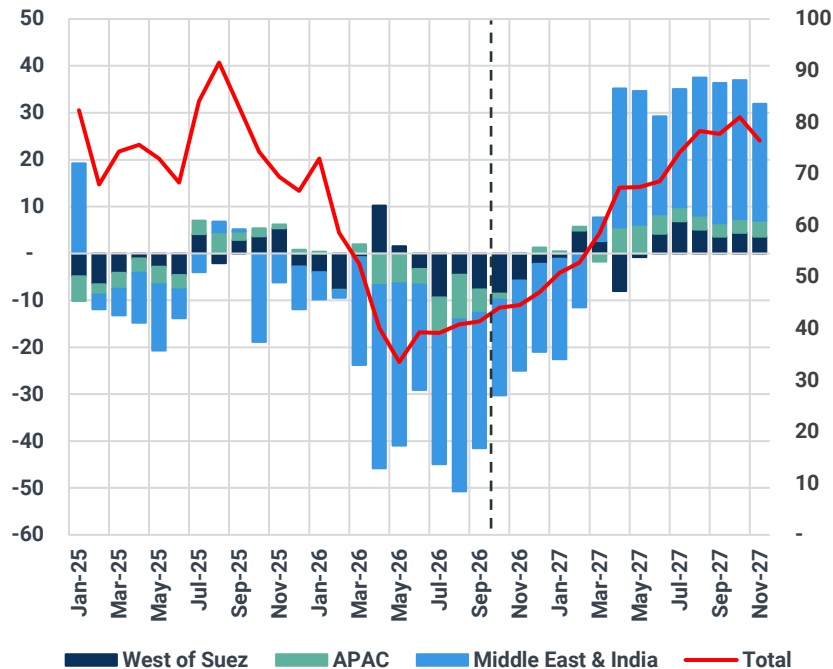
MRs to benefit from “trapped” LR tonnage as MEG flows pick up

Middle East export recovery key to LR demand

MR ton-miles forecast y/y (Bn)



LR2 ton-miles forecast y/y (Bn)



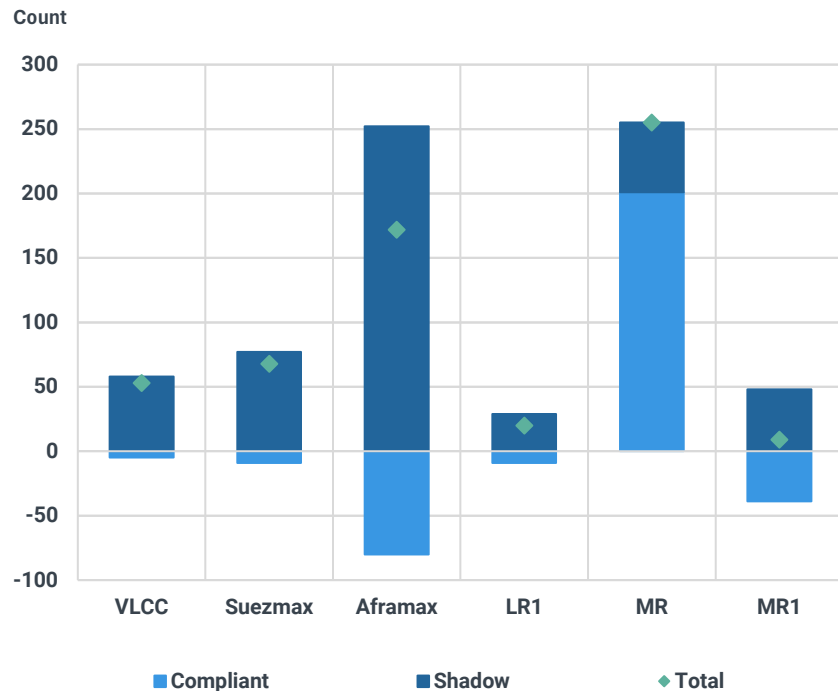
Source: Kpler

The delivery wave is here

New arrivals will push older tonnage to the shadow fleet or scrap yard

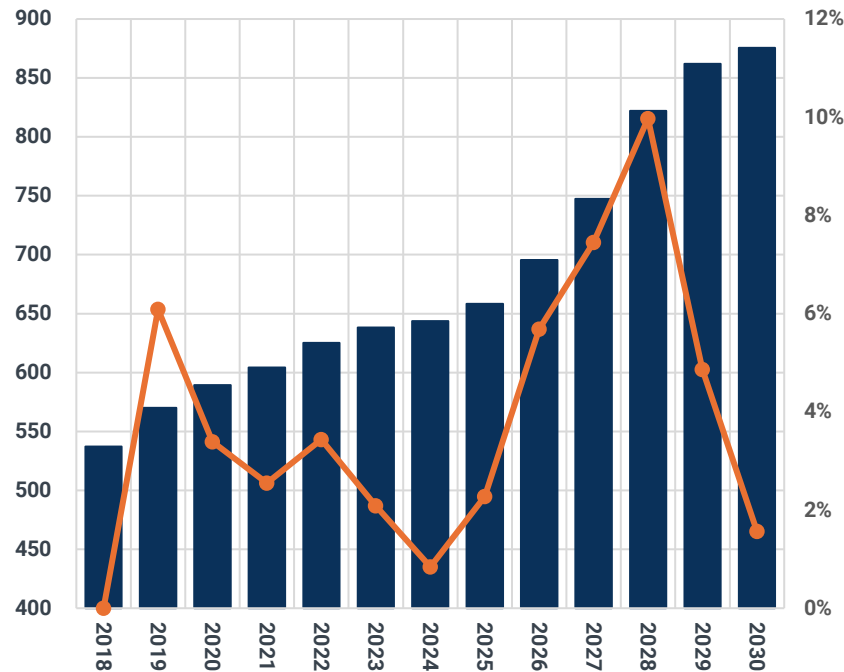
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Compliant and Shadow VLCC fleet (2026 vs 2022)



Source: Kpler

Tanker fleet growth (Mn DWT)

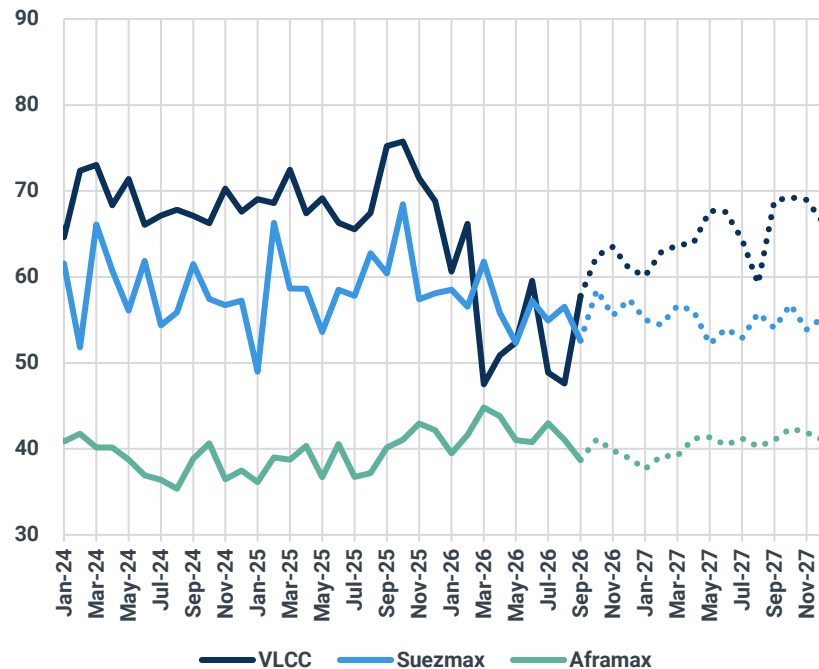


Source: Kpler

Can deliveries be absorbed?

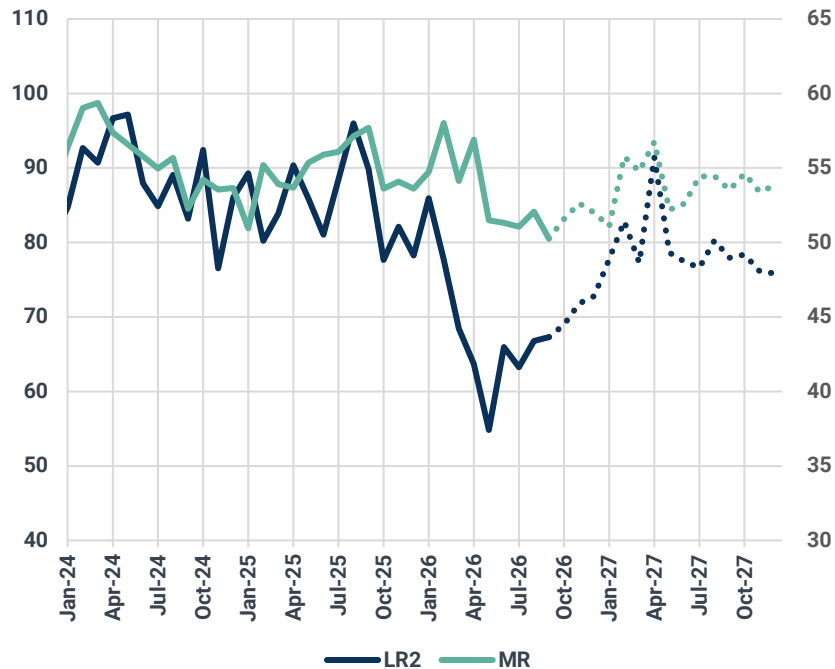
VLCCs expected to be insulated but other segments may come under pressure

Dirty tanker fleet productivity forecast (ton-miles/DWT)



Source: Kpler

Clean tanker fleet productivity forecast (ton-miles/DWT)



Source: Kpler

Key Takeaways

Dirty tanker fundamentals remain supported; clean tanker recovery is more conditional

Dirty Tankers

SUPPORTED

1 MEG risk keeps VLCC freight elevated

Saudi exports pivot to MEG ports and Gulf of Oman STS limits lengthen round voyages.

2 Managed Hormuz normalisation is the base case

Transits are ramping up without a deal, lifting Q4 demand but removing a Q1 2027 spike.

3 Suezmaxes gain from VLCC spillover

Cargo splitting and longer WAF-to-East Asia hauls tighten Suezmax tonnage.

4 Aframaxes hinge on Atlantic flows to Europe

WTI clears into Europe despite record freight.

Clean Tankers

RECOVERING

1 Clean demand rebuilds through 2027

Ton-mile growth led by the Middle East and India.

2 LR2 supply is a constraint to demand growth

An Aframax premium keeps coated tonnage dirty despite LR2 demand growth.

3 MRs expected to pick up the LR2 supply shortfall

MRs to benefit from limitations in Aframaxes cleaning up

4 Asia leads MR growth as the West softens

Asia-Pacific MR demand rises 16% in 2027; Western MR demand falls 6%.

BOTTOM LINE

Dirty remains structurally firm; clean has more upside if Hormuz reopens.

kpler

Q&A

