Tanker Market – Q1 Outlook

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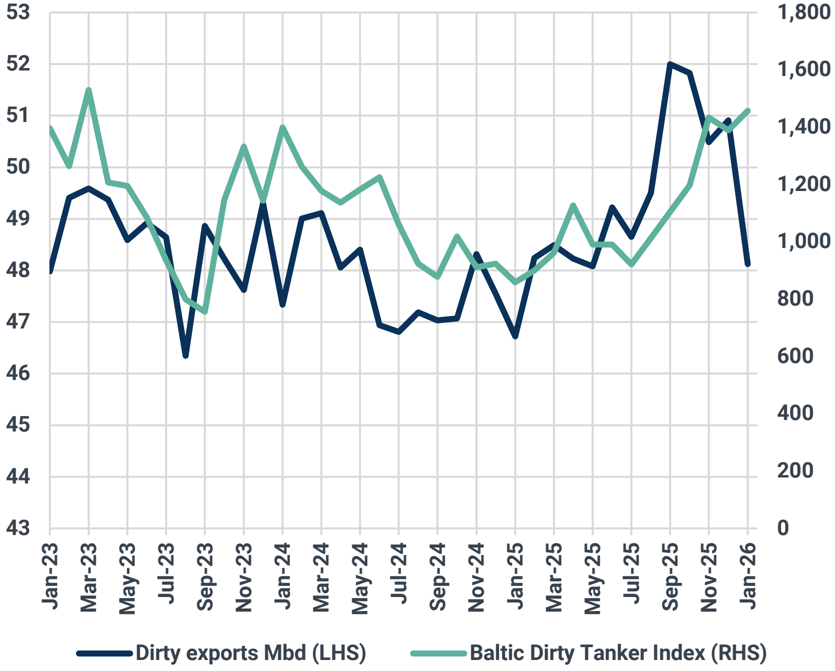
Overview

- **Status Update:** Review of the tanker market and the key drivers of each segment
- **Shadow fleet**: Loss of Venezuela and fall in flows from Iran
- **OPEC+:** Export ease in January but supply glut remains
- **Midsize strength**: Aframaxes and Suezmaxes benefit from changing flows and outages
- **Clean sector**: Rates diverge from fundamentals as dirty strength trickles down

Dirty tanker rates push higher even as exports fell in January

VLCCs see high volatility while midsizes post steady gains

Crude and DPP exports & Baltic Dirty Index



Source: Kpler, Baltic Exchange

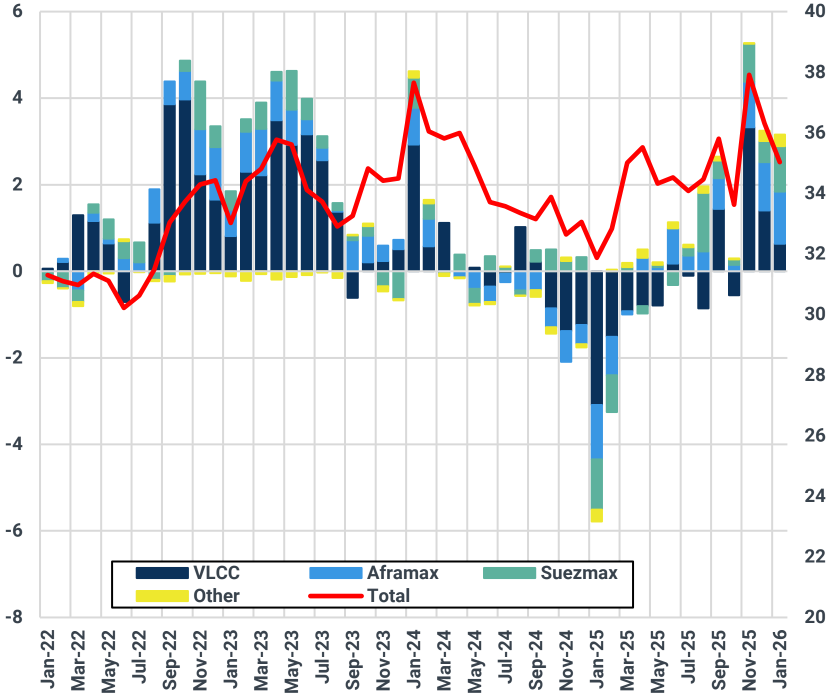
Kpler Tanker Indexes ($/bbl)

Source: Kpler, Baltic Exchange

Dirty tanker on-miles ease from November high

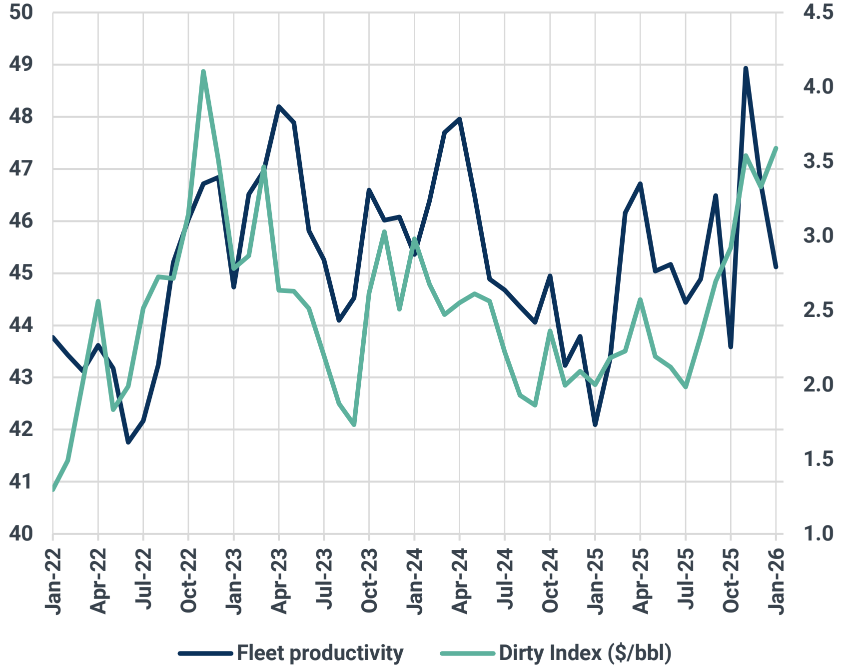
Fundamentals remain strong but geopolitical risk is adding a significant premium

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



Source: Kpler

Dirty Tanker Productivity (TM/DWT) LHS and Dirty Index ($/bbl) RHS

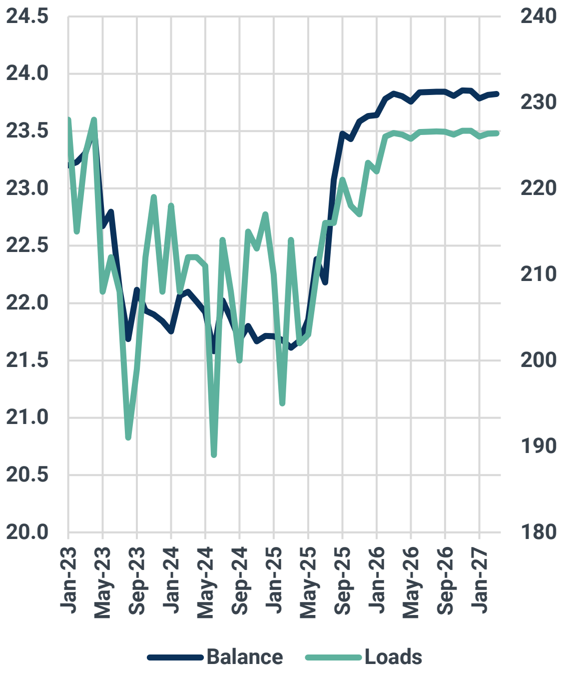


Source: Kpler

Huge decline in WoS VLCC demand added to rate volatility

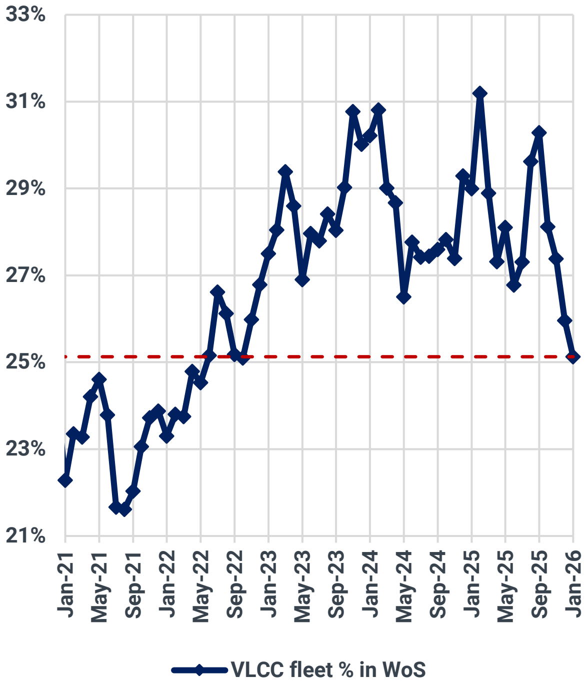
Growth in Shadow fleet demand has drained the commercial fleet

Middle East OPEC net balance (ex. Iran) LHS (Mbd) and VLCC loads per month RHS



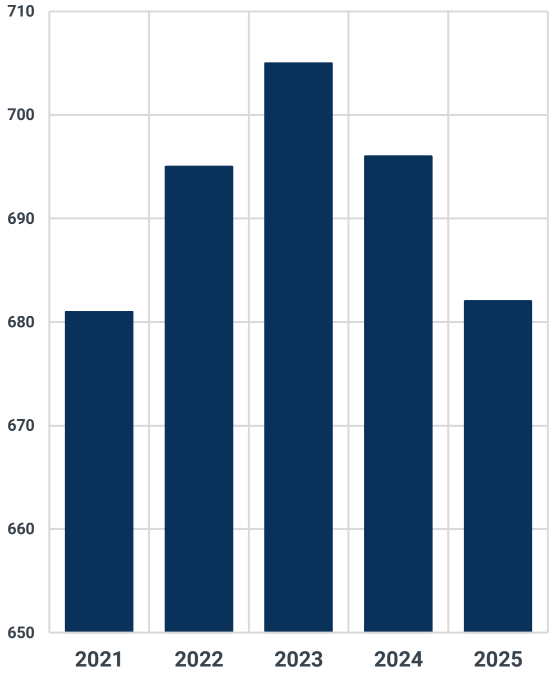
Source: Kpler

VLCC employment in the WoS Seas as a share of the total fleet



Source: Kpler

Commercial VLCC fleet size



Source: Kpler

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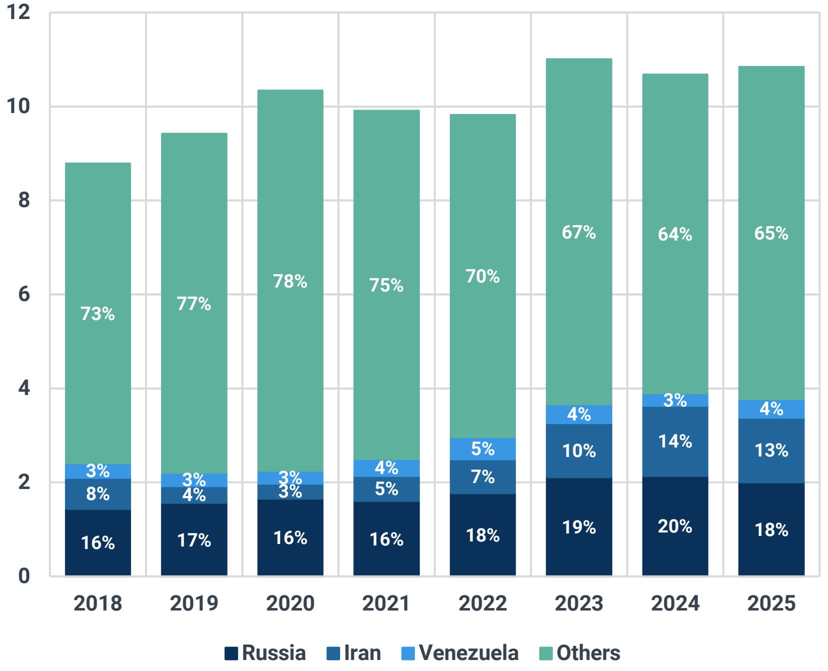
China remains focal point for battle of sanctioned barrels

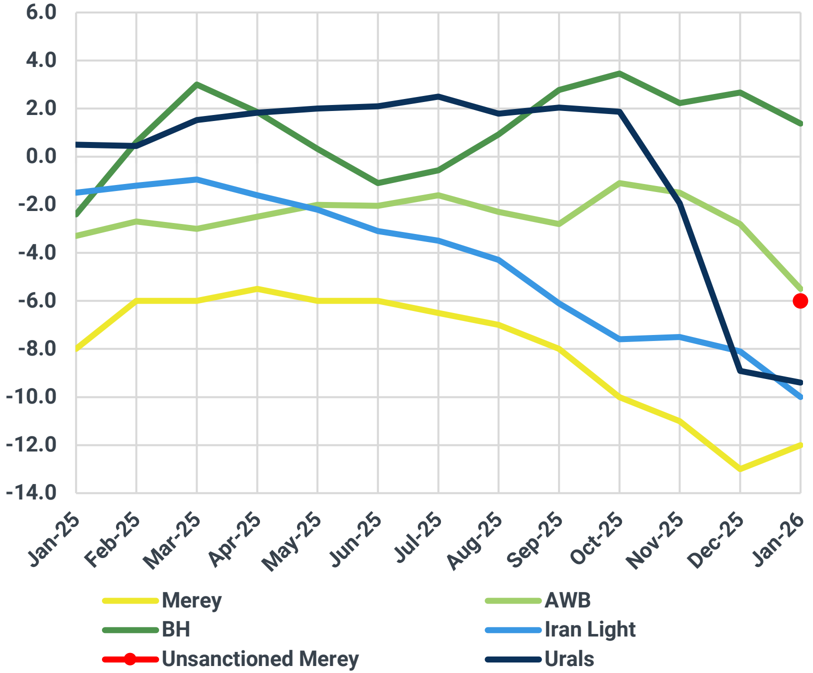
Venezuela differentials increasing, Iran proving too risky, leading to incremental Urals uptake

China oil imports (seaborne+pipelines), Mbd



Source: Kpler

Selected crude differentials vs ICE Brent, DES China basis, $/bbl

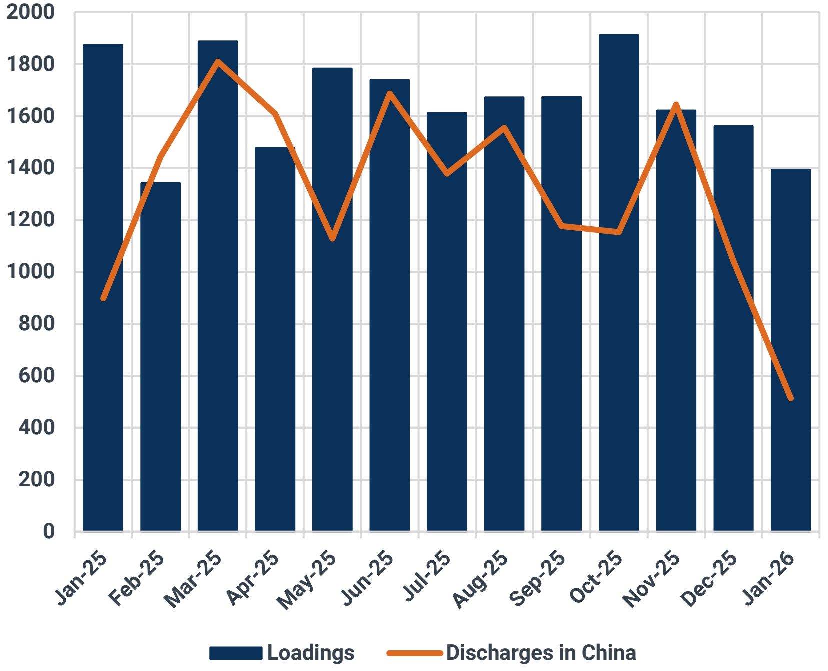


Source: Argus Media, Kpler

Chinese demand for Iranian wanes with geopolitcal flare-ups

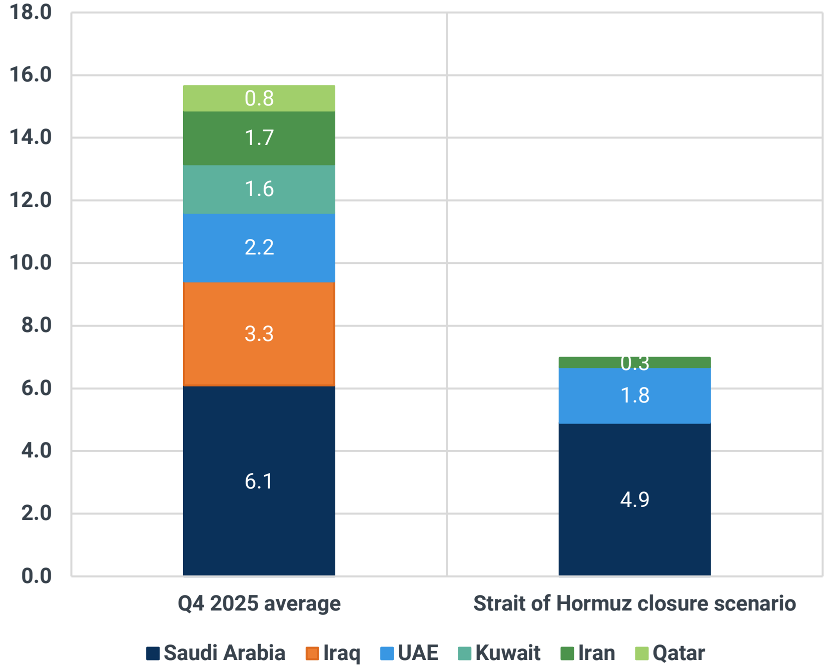
A regime under stress is unpredictable; closure of the Strait of Hormuz would put ~8 mbd of crude flows at risk

Iran oil loadings vs discharges in China, kbd



Source: Kpler

Global seaborne oil trade passing by the Strait of Hormuz, Mbd



Source: Kpler

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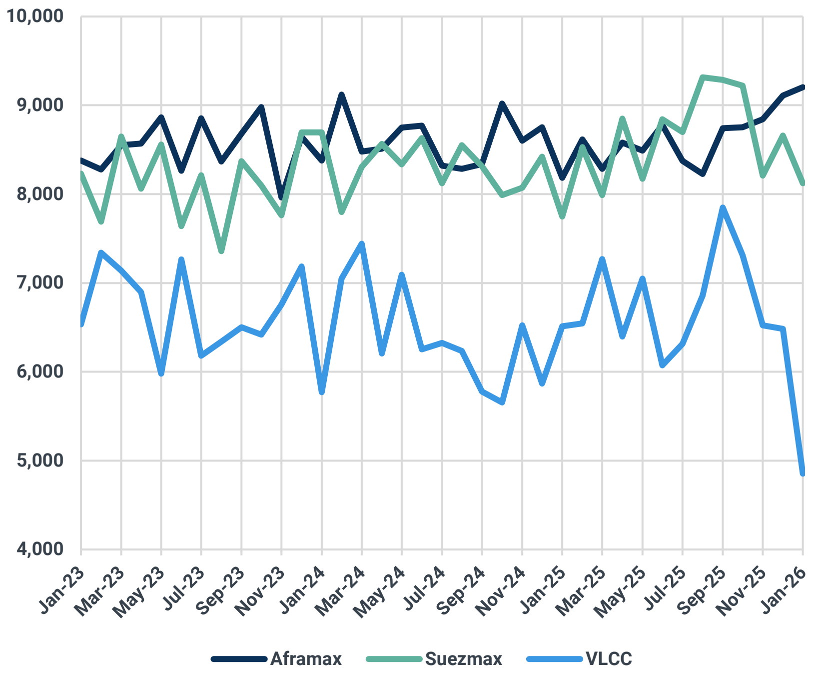
Closed West to East arb has boosted midsize demand in the West

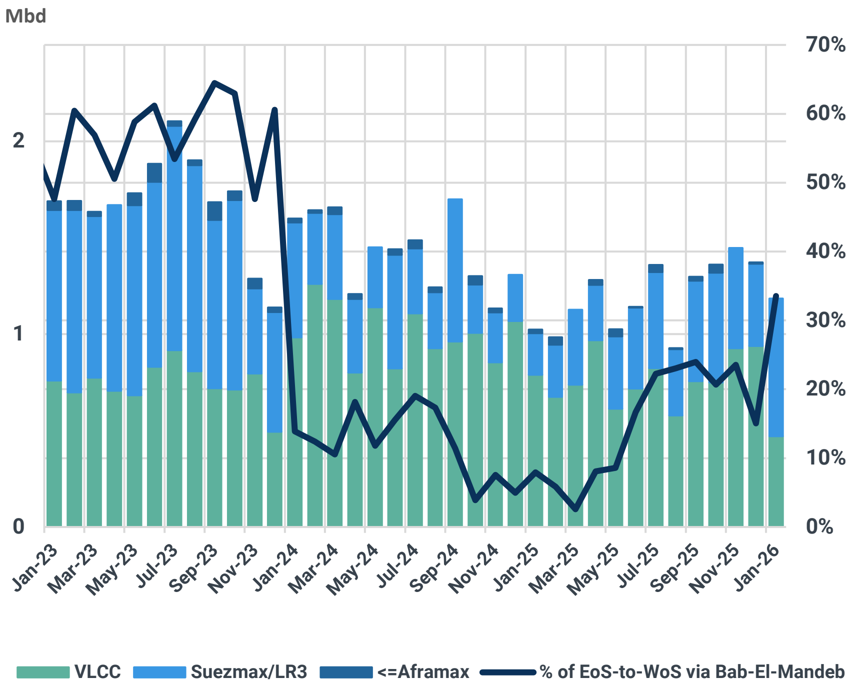
Suezmax demand also benefitting from steady return in Red Sea flows

West of Suez (excluding Venezuela) exports (kbd)



Source: Kpler

East-to-West Crude trade by vessel class and route



Source: Kpler

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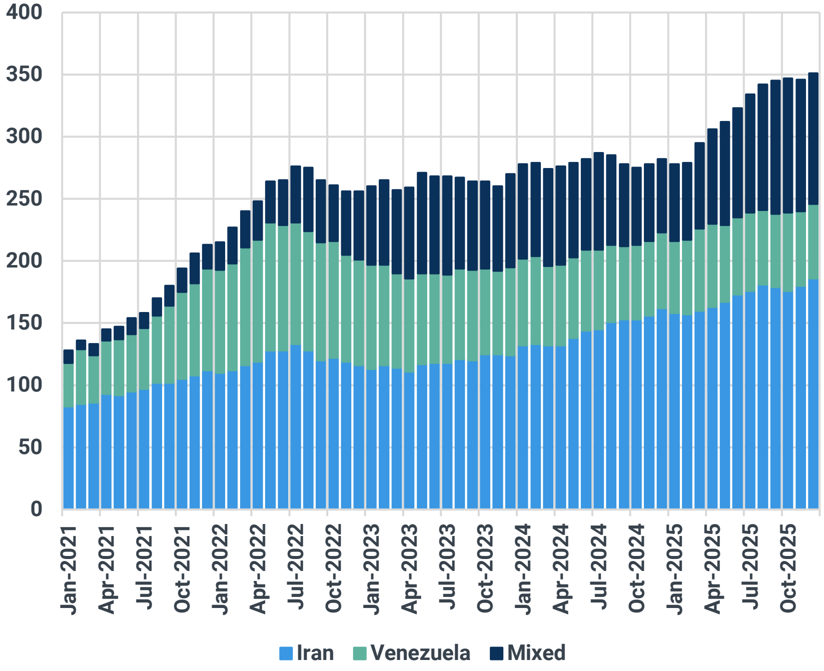
Shadow fleet serving sanctioned countries hit a record high in 2025

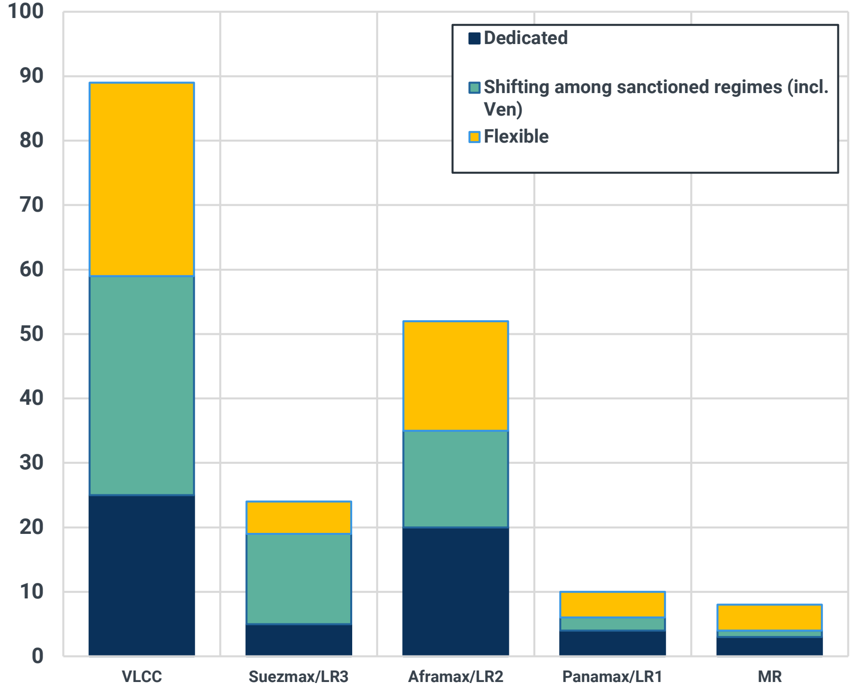
Loss of Venezuela affects ~180 tankers, pushing them into other markets

Dedicated Iran and Venezuela fleet (12-month rolling average) (>=MR)



Source: Kpler

Fleet serving Venezuela (excluding flows to the US) by type



Source: Kpler

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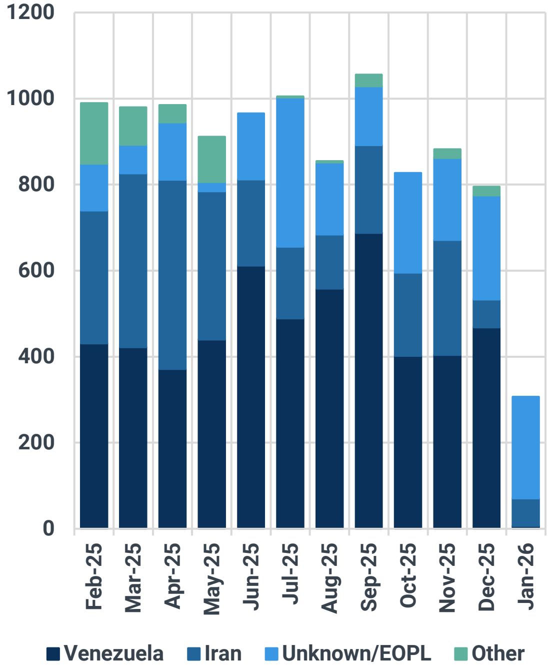
Venezuela VLCCs struggle while midsizes turn to Russia

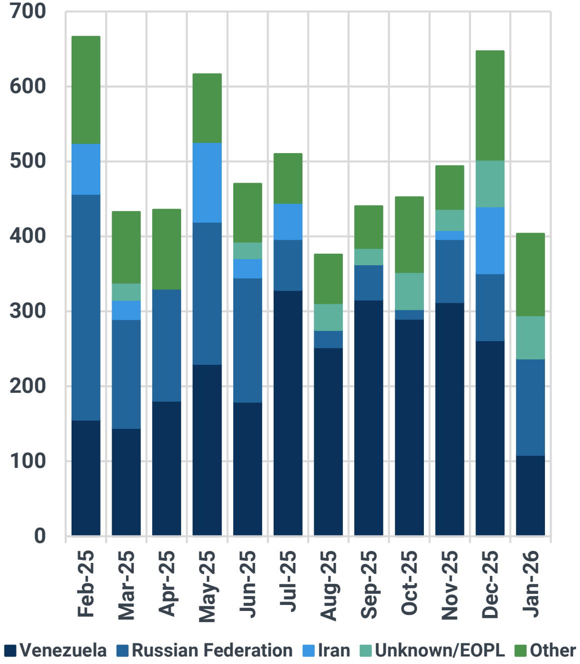
January loads reflect mixed outlook for shadow fleet sectors

Venezuela VLCC fleet



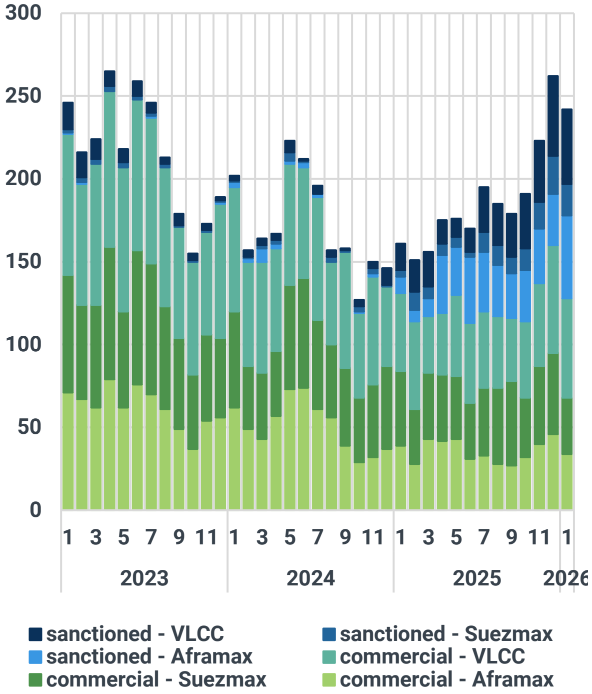
Source: Kpler

Venezuela Suezmax & Aframax fleet



Source: Kpler

Floating storage vessel count



Source: Kpler

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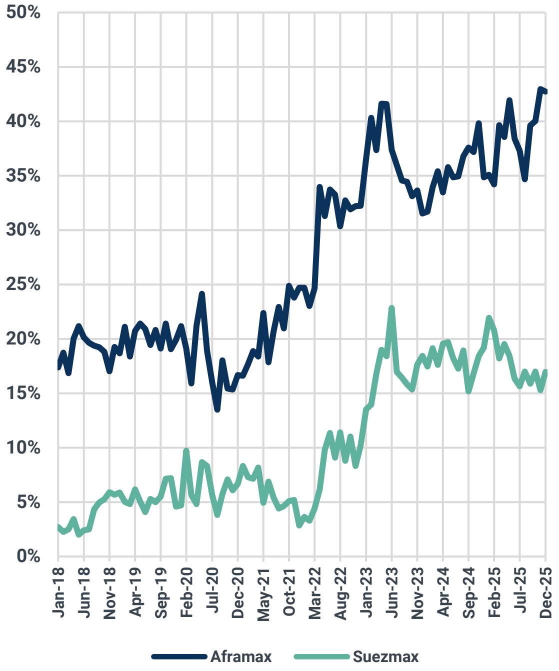
Changes in trade flows since 2022 mean Russia has an outsized impact on tanker demand

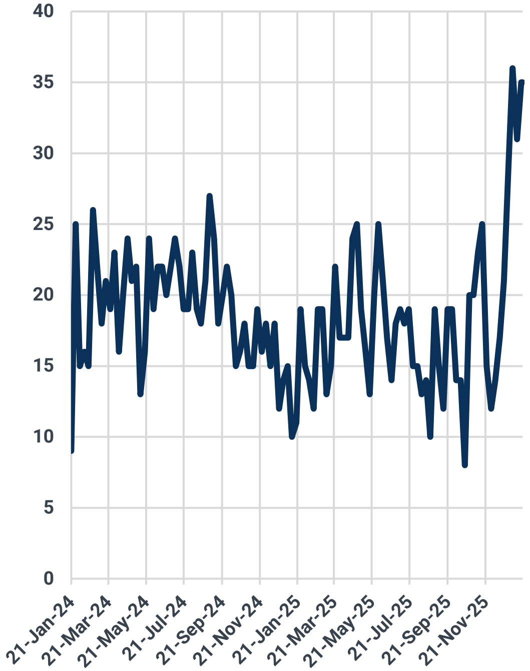
Pressure on Indian refiners has pushed more Urals East, lifting midsize shadow fleet demand

Russia ton-miles as share of the Aframax & Suezmax markets



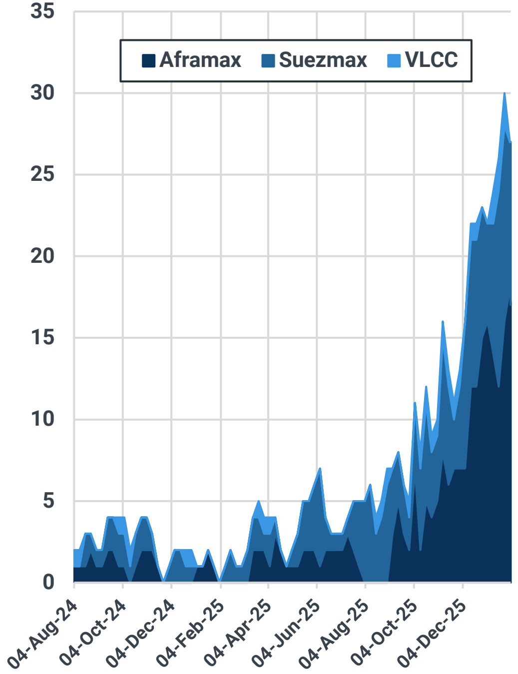
Source: Kpler

Laden vessels with Russian crude offshore WC India



Source: Kpler

Western Russian Crude on water (Singapore & China) (vessel count)



Source: Kpler

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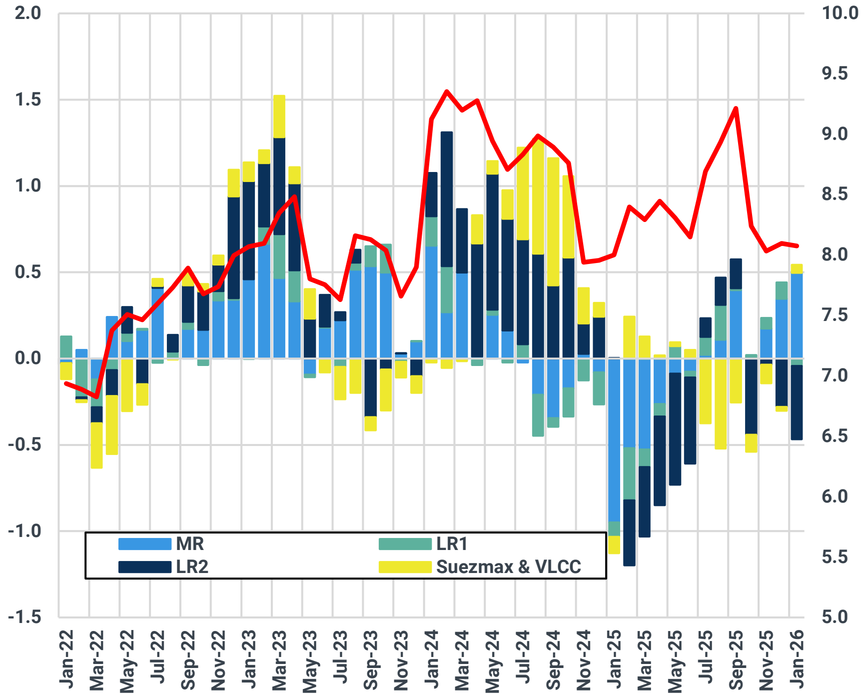
Clean tanker rates further diverge from demand indicators

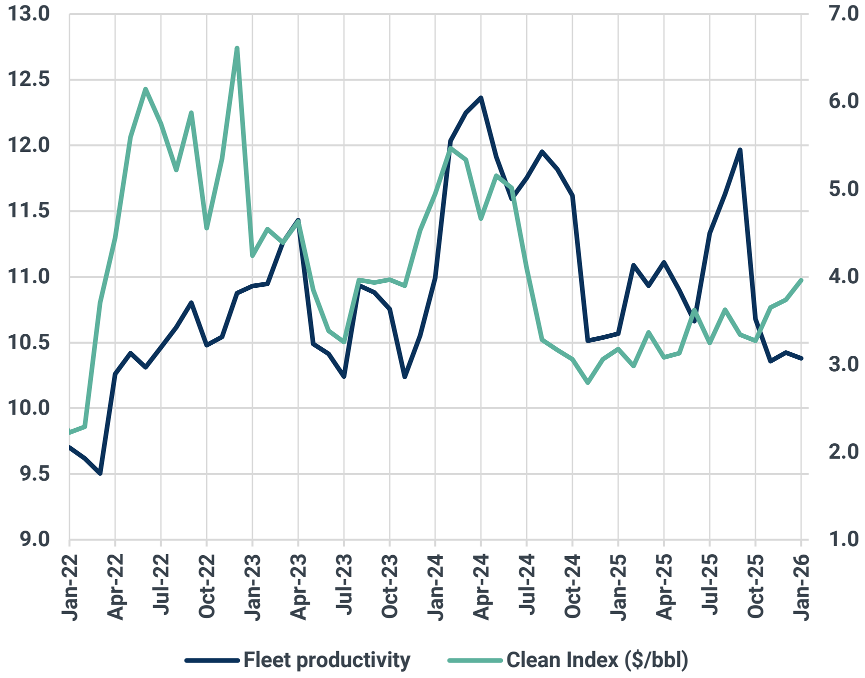
Export momentum shifts from LR2s to smaller assets

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



Source: Kpler

Clean Tanker Productivity (TM/DWT) LHS and Clean Index ($/bbl) RHS

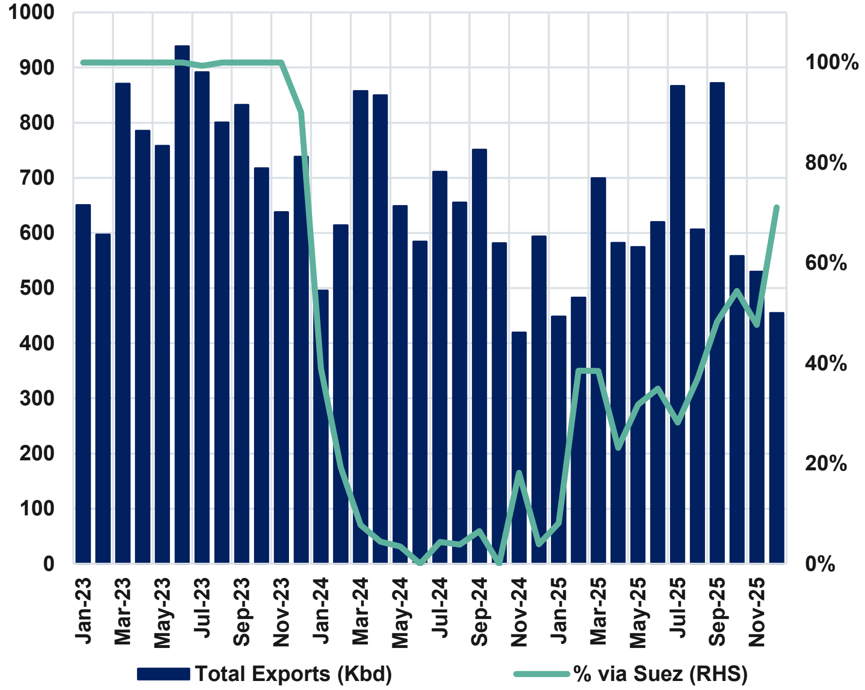


Source: Kpler

LR2 traffic in Red Sea picks up

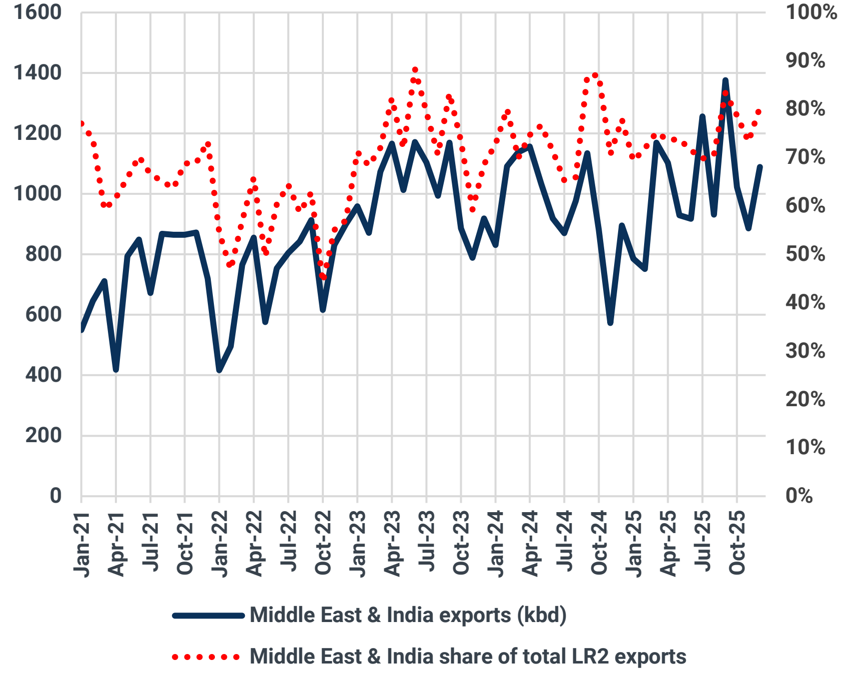
Prospect of further increases in Red Sea flows poses the largest threat to LR demand

LR2 Clean flows East of BeM to UK/Cont



Source: Kpler

Middle East & India LR2 exports



Source: Kpler, Baltic Exchange

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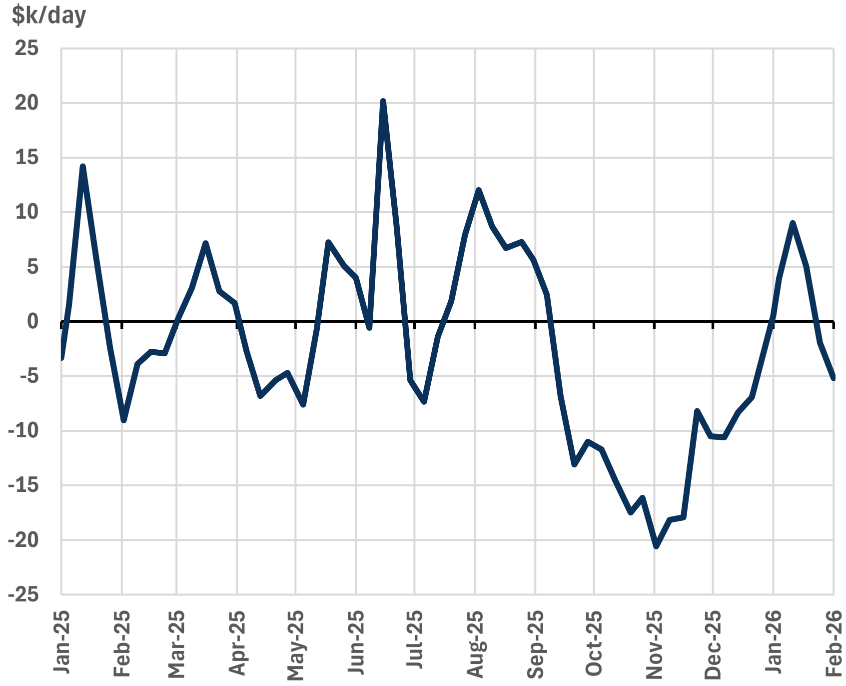
Wide Afra/LR2 earnings spread drove net shift of 50 vessels from clean to dirty

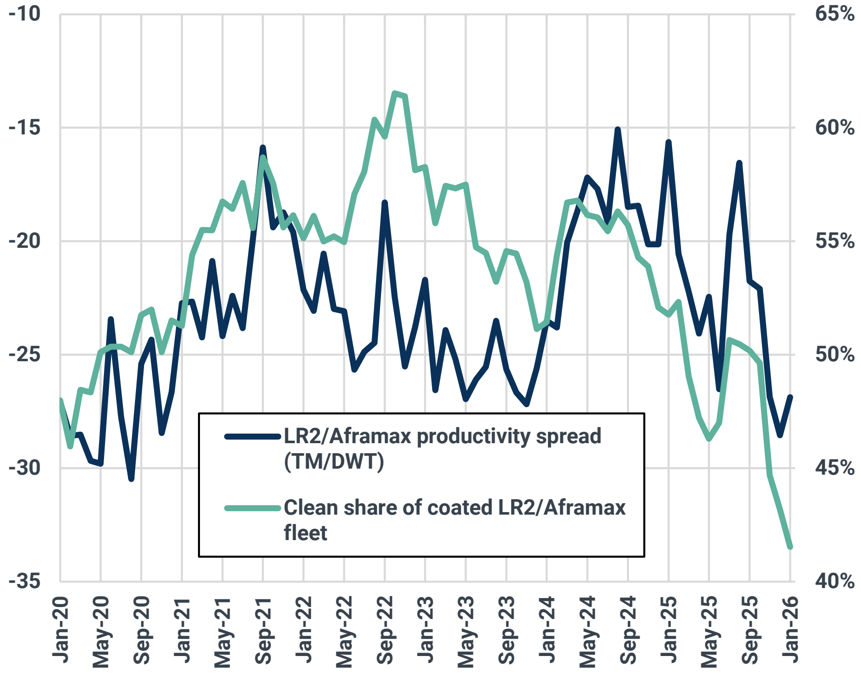
Flip in earnings spread in January unlikely to be a regular occurrence

Weekly Clean versus Dirty earnings spread for EoS LR2s



Source: Baltic Exchange, Kpler

LR2/Aframax productivity spread (TM/DWT) and share of coated LR2/Aframax fleet carrying clean

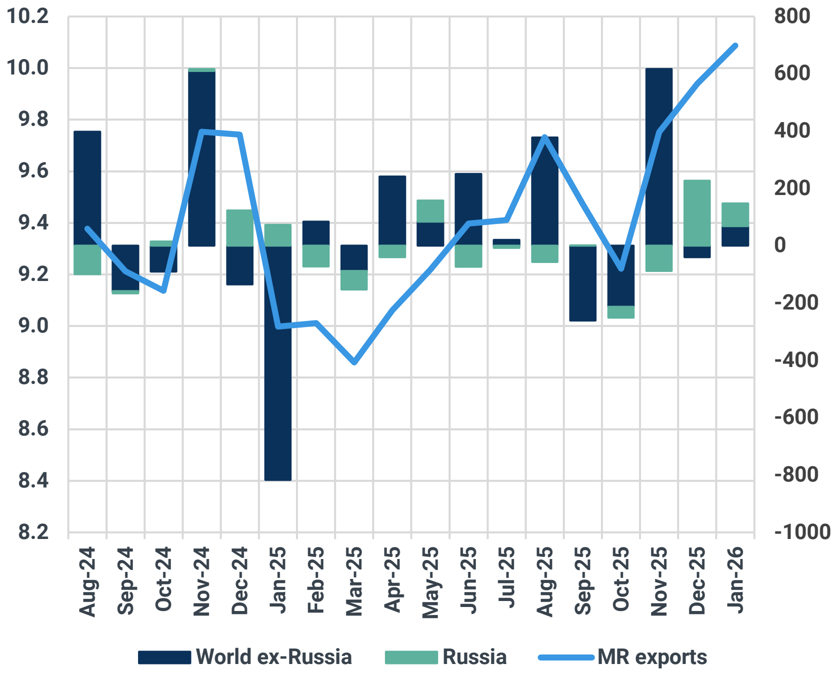


Source: Kpler

Growth in US Gulf exports has pulled MR tonnage West

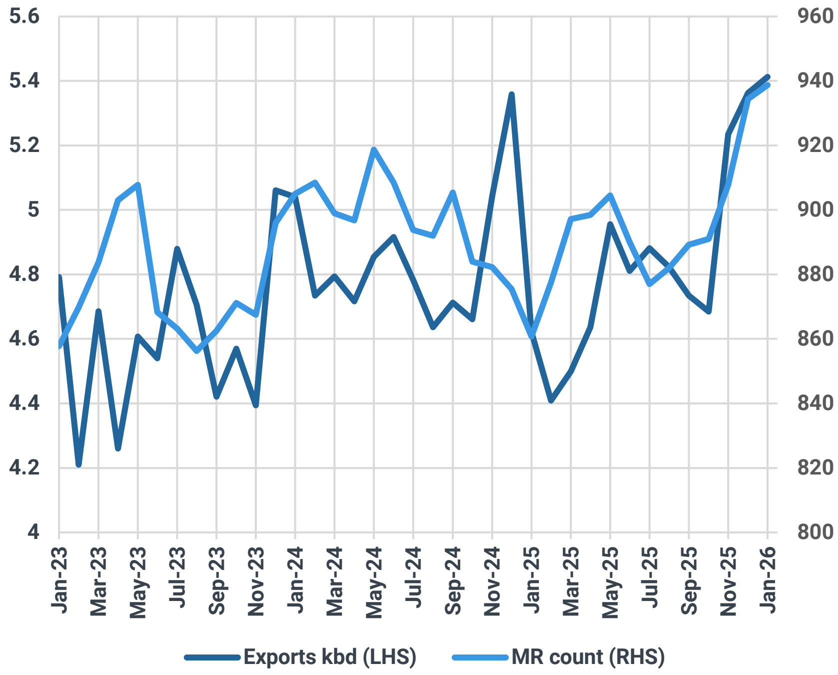
Return of Russian clean exports has pulled flexible tonnage back into the sanctioned cargo market

Clean MR exports (Mbd) LHS, m/m change (kbd) RHS



Source: Kpler

West of Suez MR exports LHS (Mbd) and fleet count



Source: Kpler

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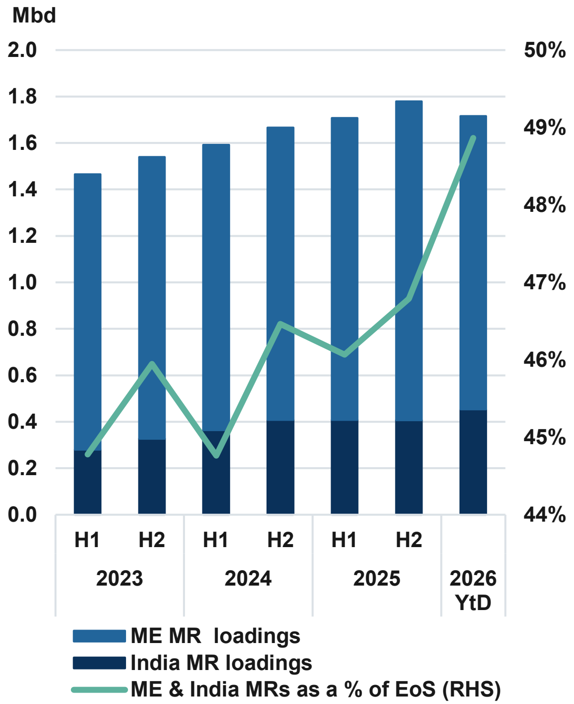
MEG & India Demand limit MR tonnage from Eastern Markets

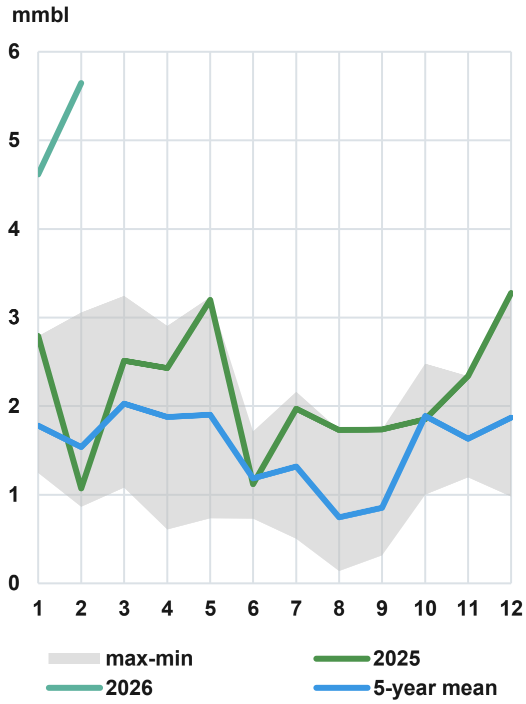
Friction in Indian CPP trades pivots exports to EoS markets on MRs

MEG & India MR exports vs % of total EoS fleet



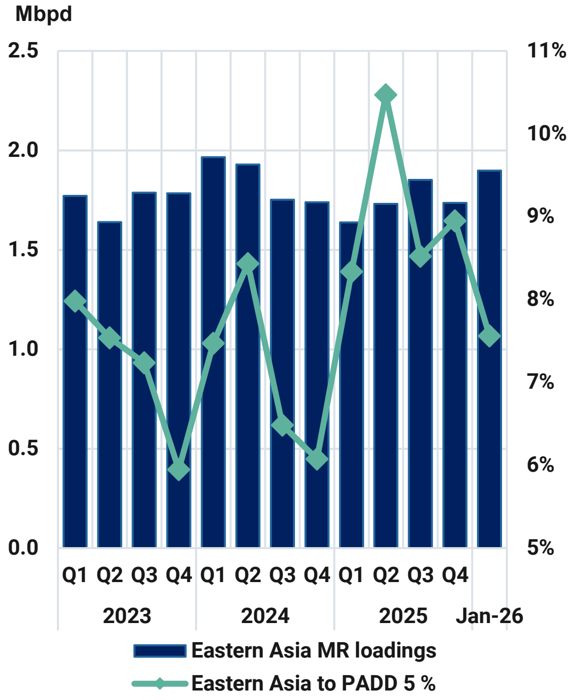
Source: Kpler

CPP floating storage of Indian origin



Source: Kpler

Eastern Asia MR loadings vs % to PADD5



Source: Kpler

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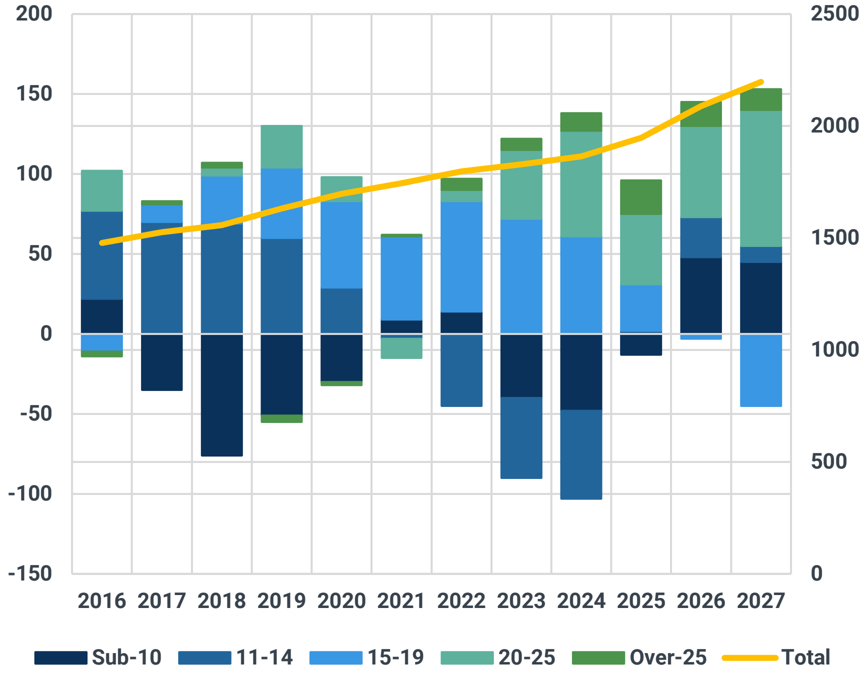
Will jump in MR newbuilds lead to older tonnage scrapping?

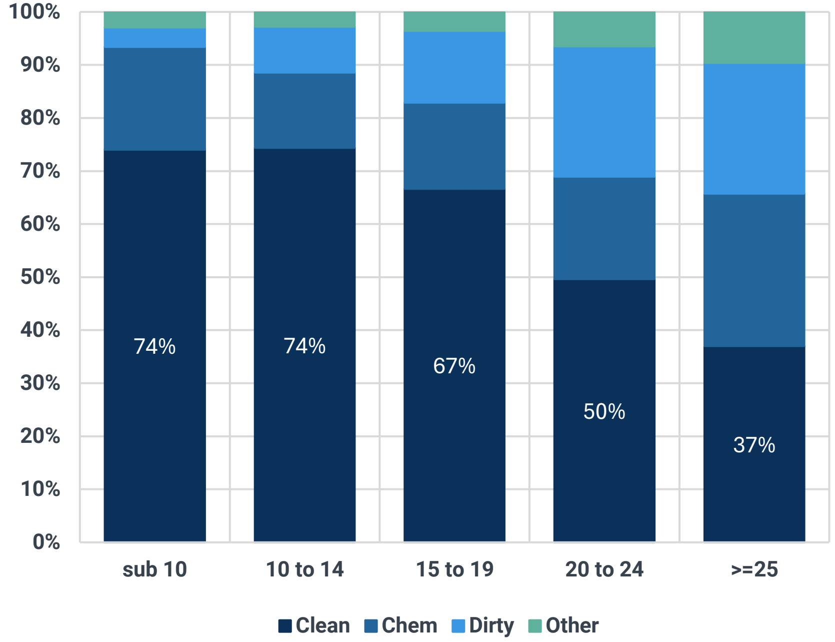
20+ fleet will account for 19% of the MR fleet this year, up from 7% in 2020

MR fleet growth y/y LHS and total fleet RHS



Source: Kpler

MR cargo market by age



Source: Kpler

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Summary

Bullish – Shadow

- Longer-haul Russian exports support Aframax and Suezmax demand.
- Return of Russian clean exports

Bearish – Shadow

- Loss of sanctioned barrels and seizure risks weigh on VLCCs and Aframaxes.

Bullish – Commercial

- Strong Middle East export growth and India's crude diversification underpin VLCCs
- Aframaxes and Suezmaxes boosted by closed West-East arb
- MRs boosted by rising USG and trans-Pacific flows

Bearish – Commercial

- Chinese refinery maintenance, Russian crude flows and weak East-West arb reduce VLCC demand.
- Fleet growth across sectors, particularly MRs and Suezmaxes