

kpler

Tanker Market Outlook

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Overview

Strait of Hormuz update and reopening scenarios

Dirty Tankers

- VLCC shift West
- West of Suez Midsize demand growth
- Aframax/LR2 clean-to-dirty switching
- Shadow fleet trends
- Second hand asset price rally
- Dirty tanker demand outlook

Clean Tankers

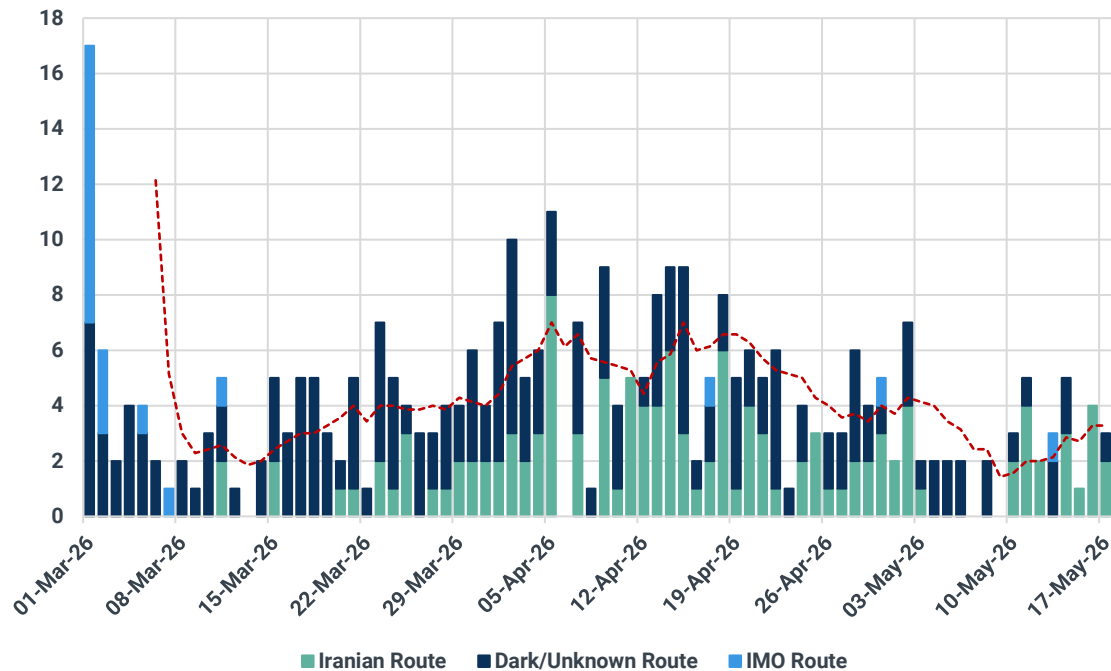
- MR demand boost
- MR ballast incentives
- LR supply driven support
- Clean tanker demand outlook

The stats

Strait of Hormuz

- Hormuz **tanker transits down 95%**
- **216 tankers (MR+)** trapped in MEG accounting for **3.8% of global fleet**
- **8.5% of compliant VLCCs** in MEG
- Mideast Gulf accounts for **32% of global seaborne crude flows**, 37% of naphtha, 13% of middle distillates.

Strait of Hormuz Tanker Transits

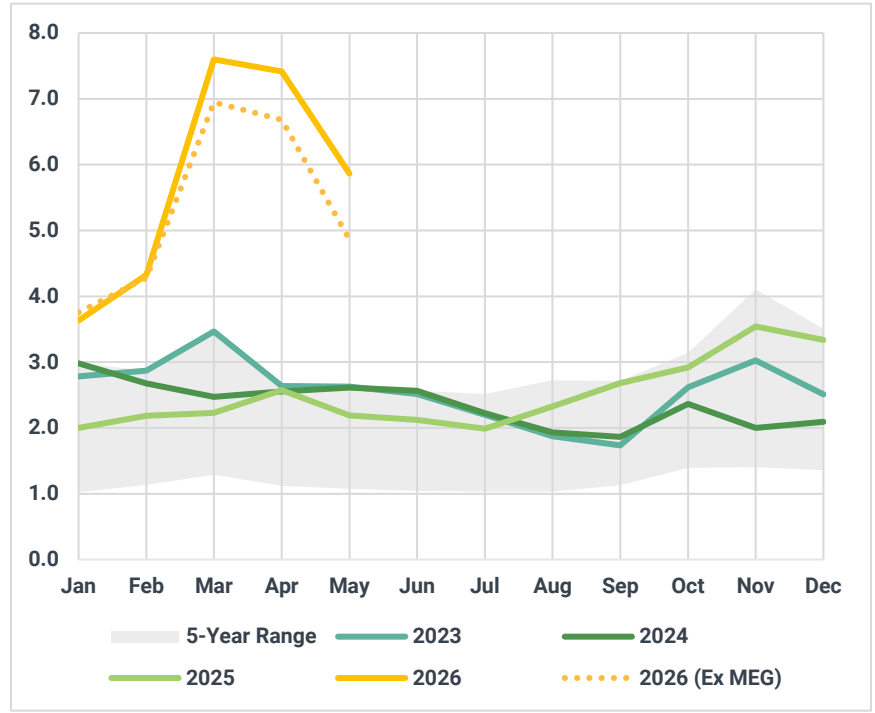


Source: Kpler

Tanker Indexes

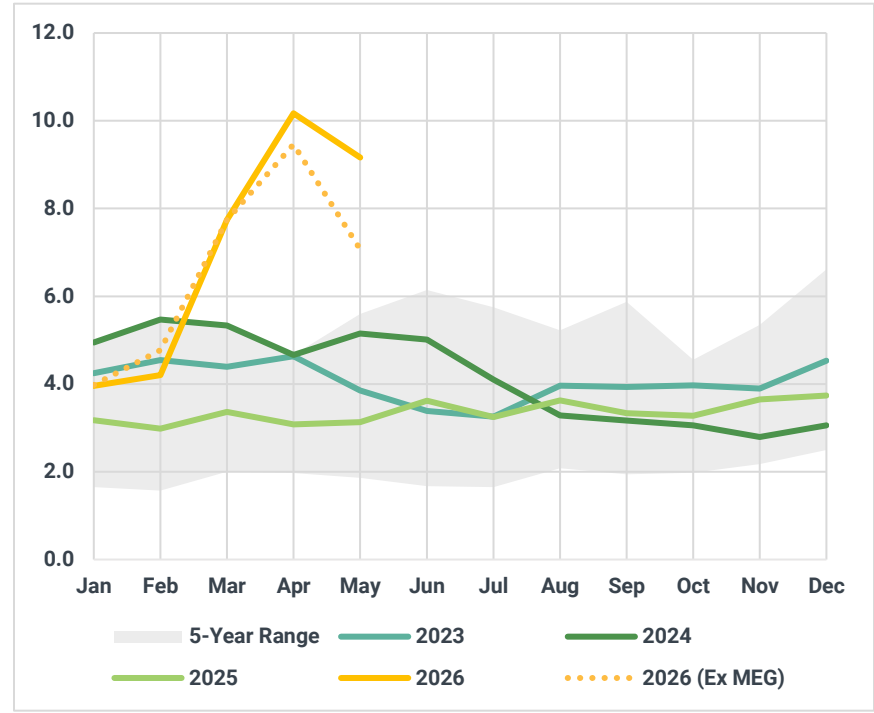
Non-MEG rates have contracted with many dropping below pre-war levels

Dirty Tanker Index (\$/bbl)



Source: Kpler, Baltic Exchange

Clean Tanker Index (\$/bbl)

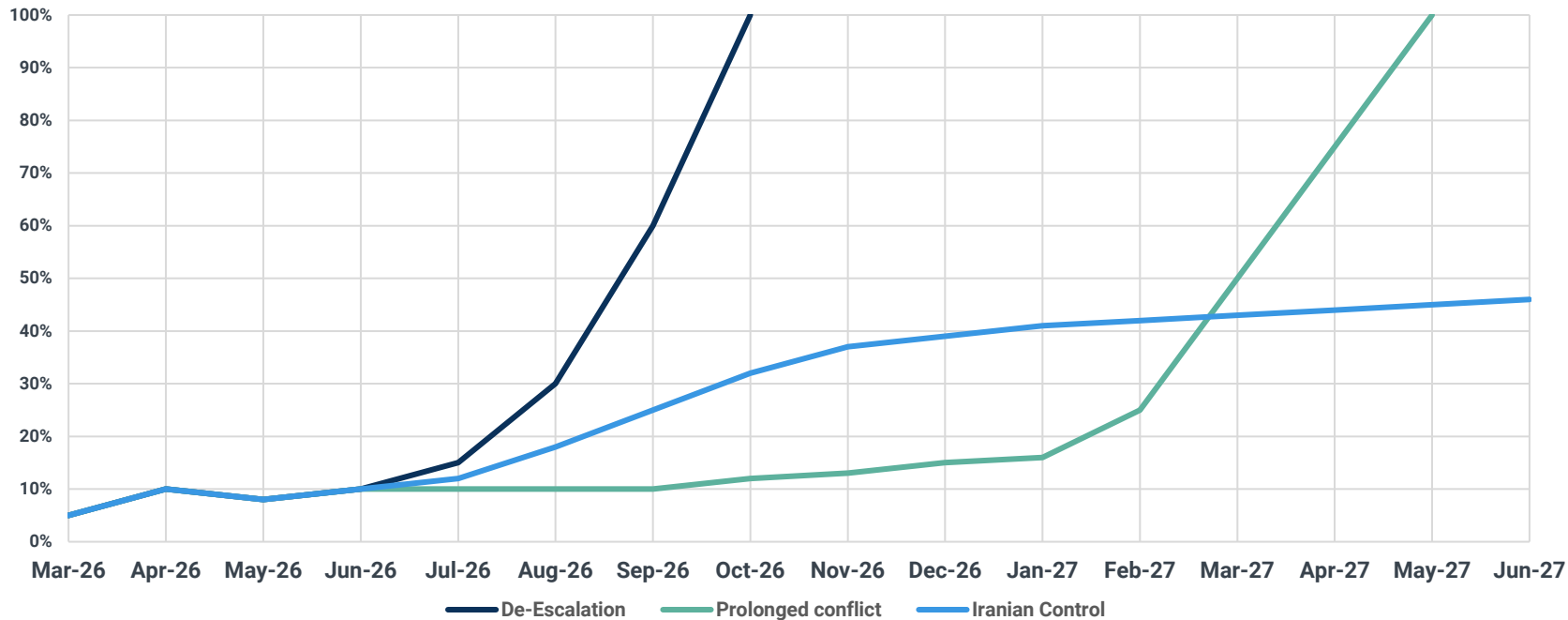


Source: Kpler, Baltic Exchange

Paths for Hormuz: Increasing risk Iran maintains long term control

Shipping recovery will lag any ceasefire

Scenarios compared: Phased return of Hormuz transits for tankers (% of MEG export capacity)

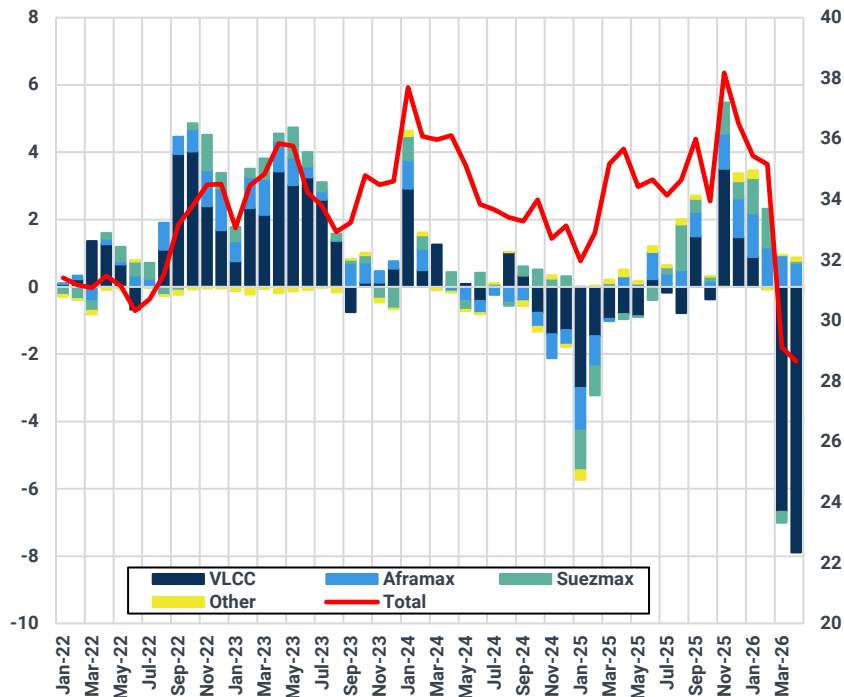


Source: Kpler

VLCC demand loss drags down dirty segment

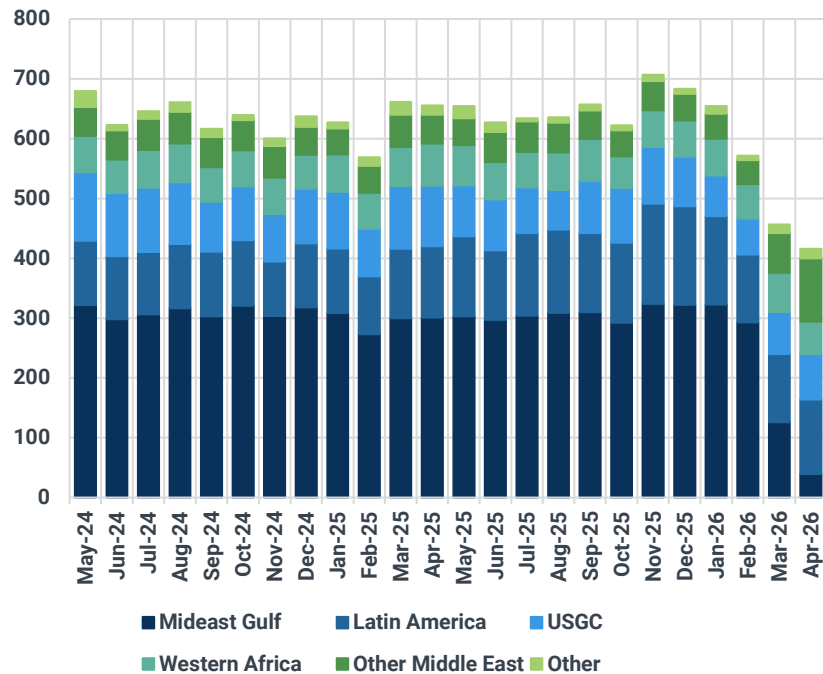
Increase in long haul flows from the US has eased some pressure

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



Source: Kpler

VLCC ton-miles by region (Bn)

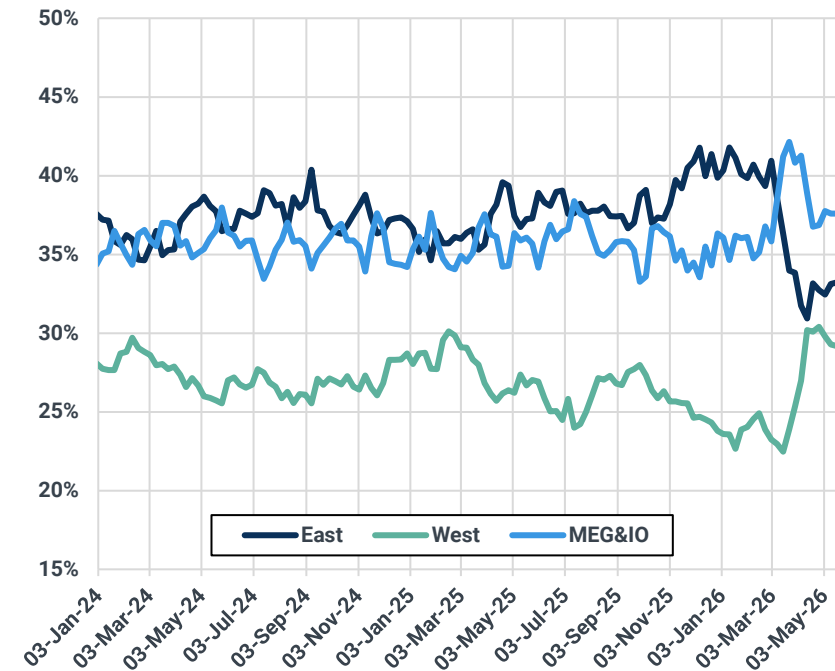


Source: Kpler

The VLCC fleet is settling into a new equilibrium

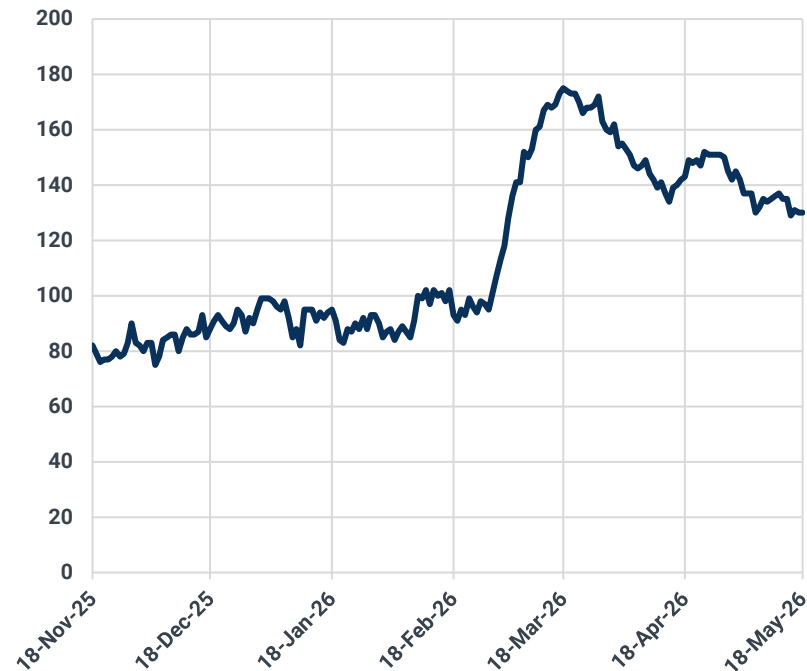
This means sustained lower flows to Asia but longer voyages from the Atlantic

VLCC fleet distribution



Source: Kpler

Gulf of Oman, Red Sea and Arabian Sea VLCC ballast count

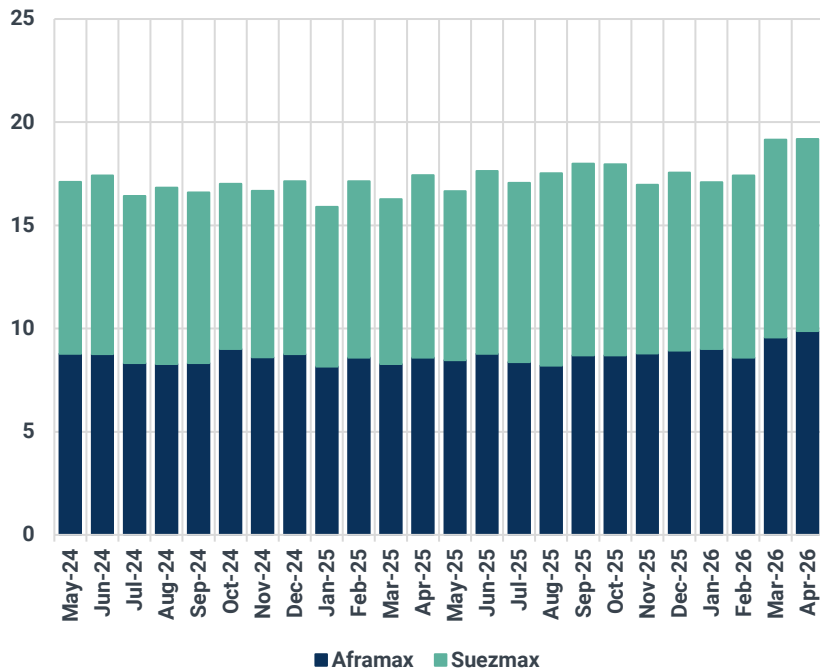


Source: Kpler

Midsize tanker demand in the West has increased

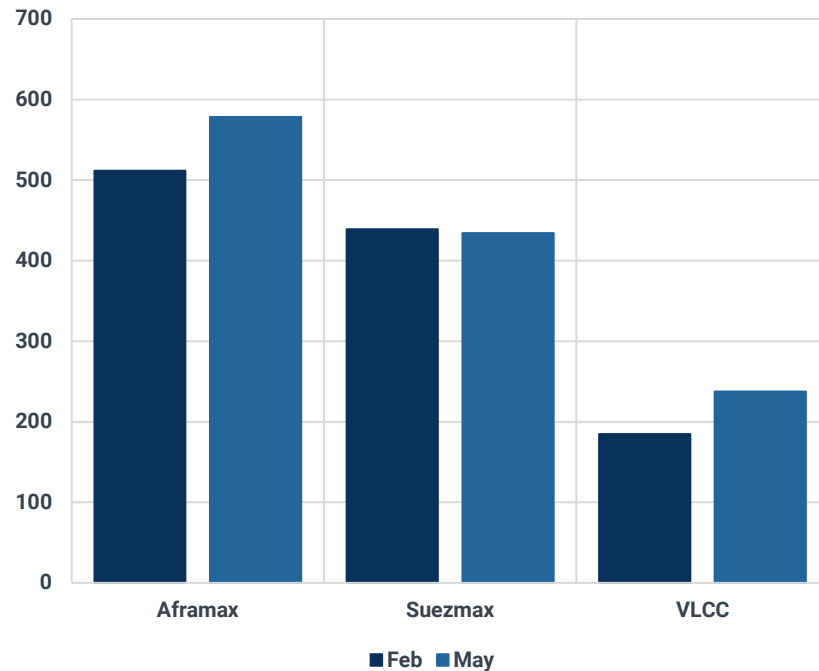
Pressure is coming from the supply side and VLCC competition

Midsize tanker exports from WoS (kbd)



Source: Kpler

Change in fleet in the West of Suez February vs May

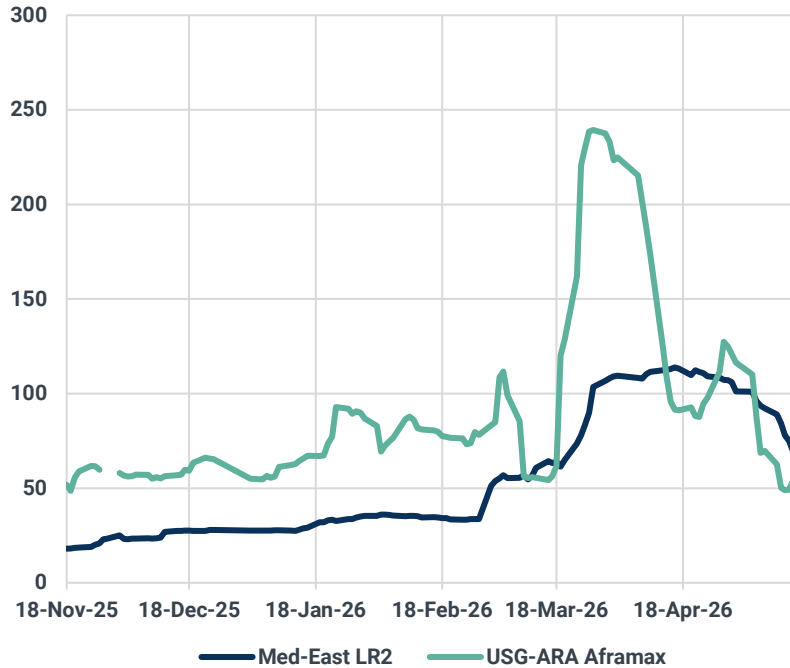


Source: Kpler

Demand decline and significant supply increase pushed Aframax earnings lower

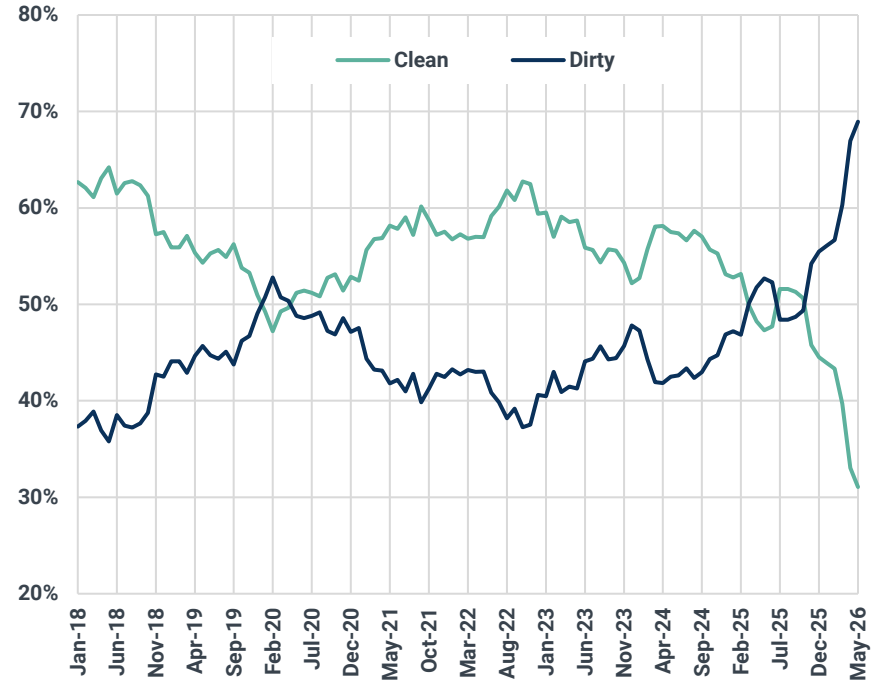
Clean to dirty switching will now slow but dirty to clean is unlikely for now

LR2 and Aframax earnings (\$'000/day)



Source: Kpler

LR2/Aframax coated fleet by market

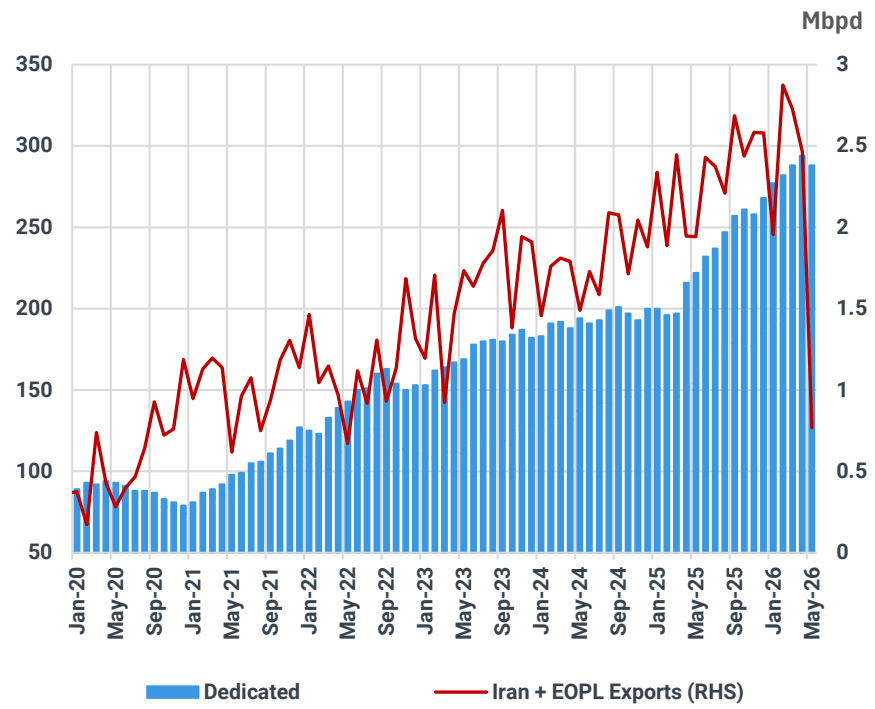


Source: Kpler

US blockade has significantly reduced Iranian exports

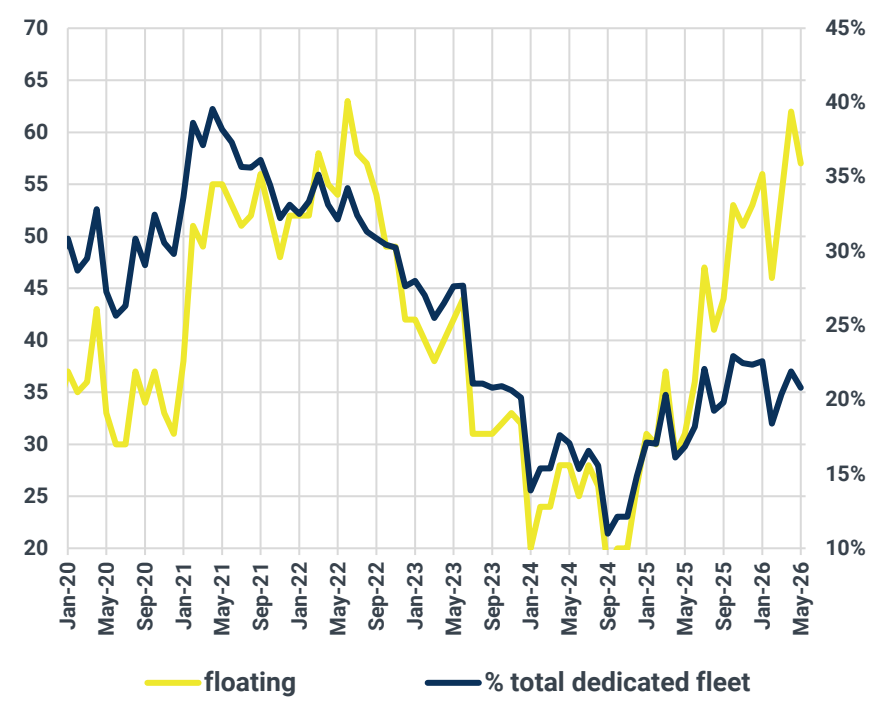
Iranian fleet has turned to floating storage

Dedicated Iranian Fleet versus Iranian crude exports



Source: Kpler

Dedicated Iranian Fleet in floating storage

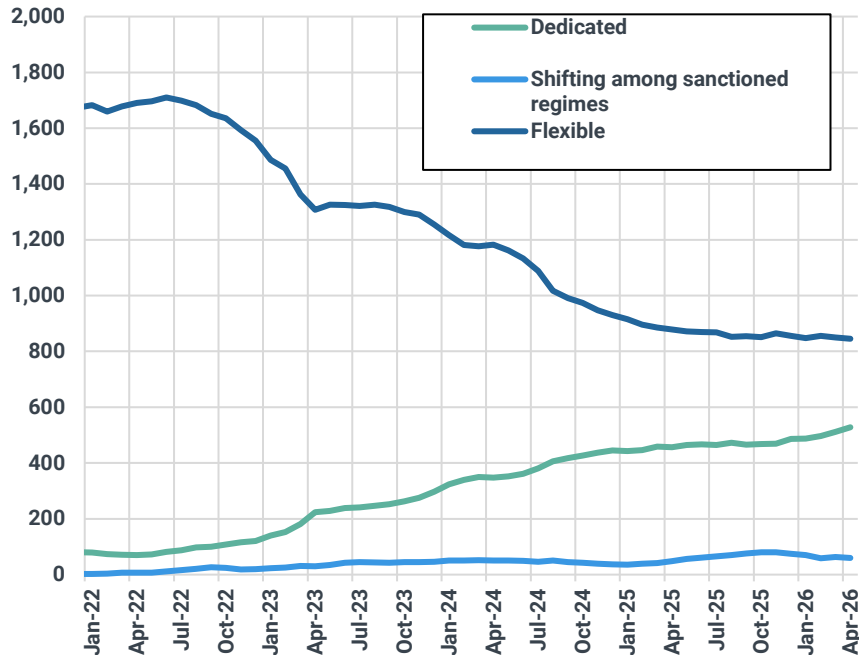


Source: Kpler

Russia's dedicated fleet continues to grow

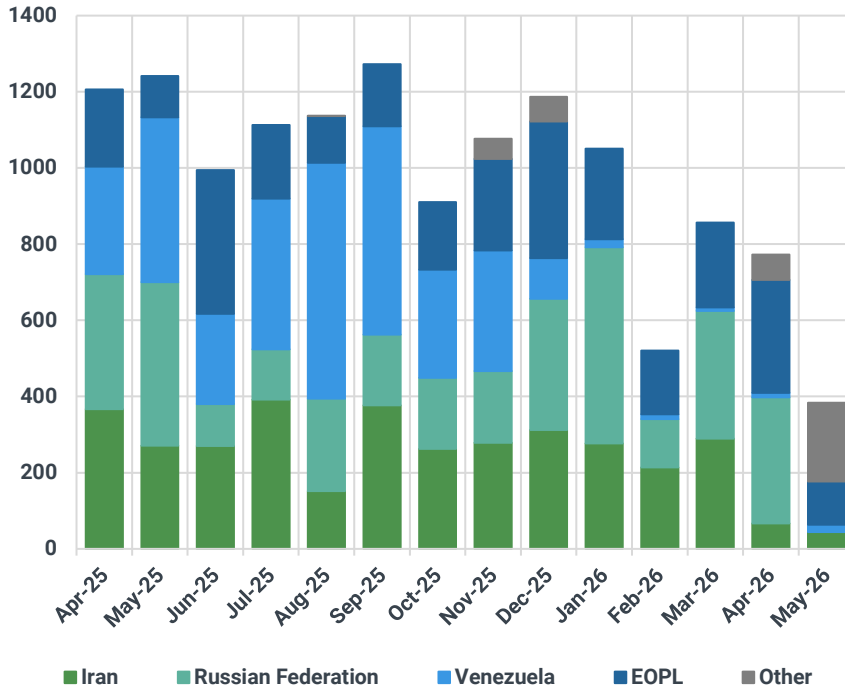
Vessels that in the past were fluctuating between regimes increasingly turn to Russia/EOPL

Russian Shadow Fleet



Source: Kpler

Multi-sanction regime fleet: Loadings by country of Origin (kbd)

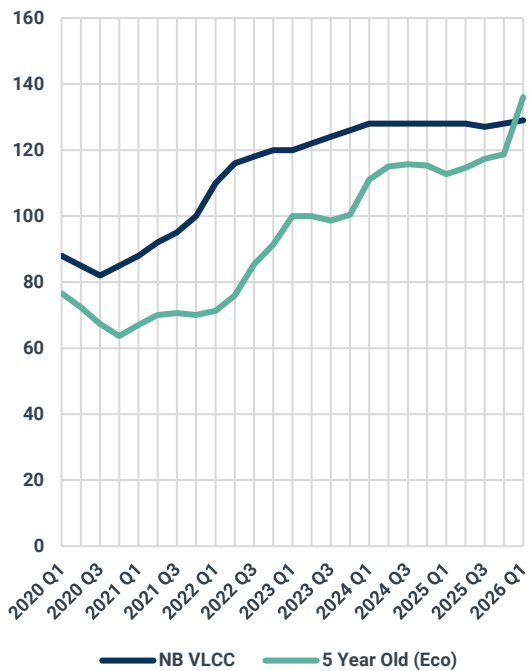


Source: Kpler

Prompt VLCCs command a premium

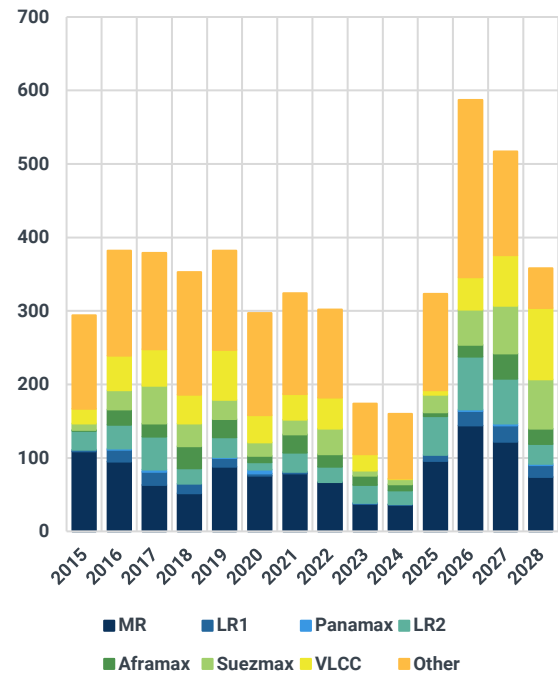
Rise in second hand asset values signals expectations of high earnings in the near term

VLCC asset prices



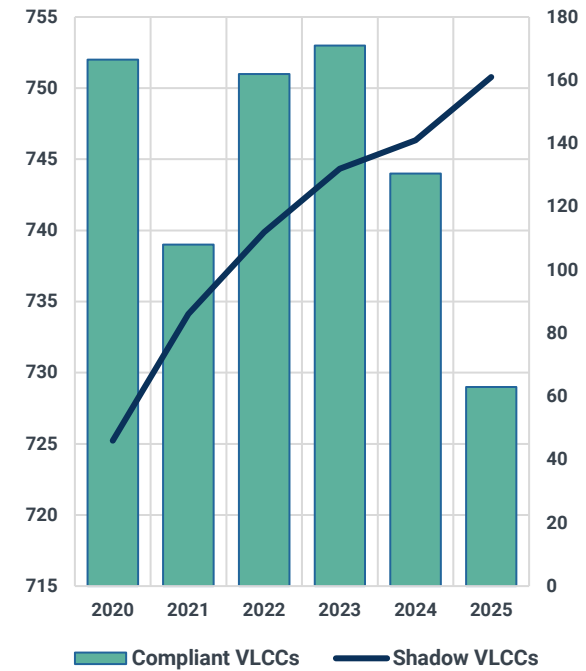
Source: Kpler

Tanker deliveries (Count)



Source: Kpler

Compliant vs shadow VLCC fleet

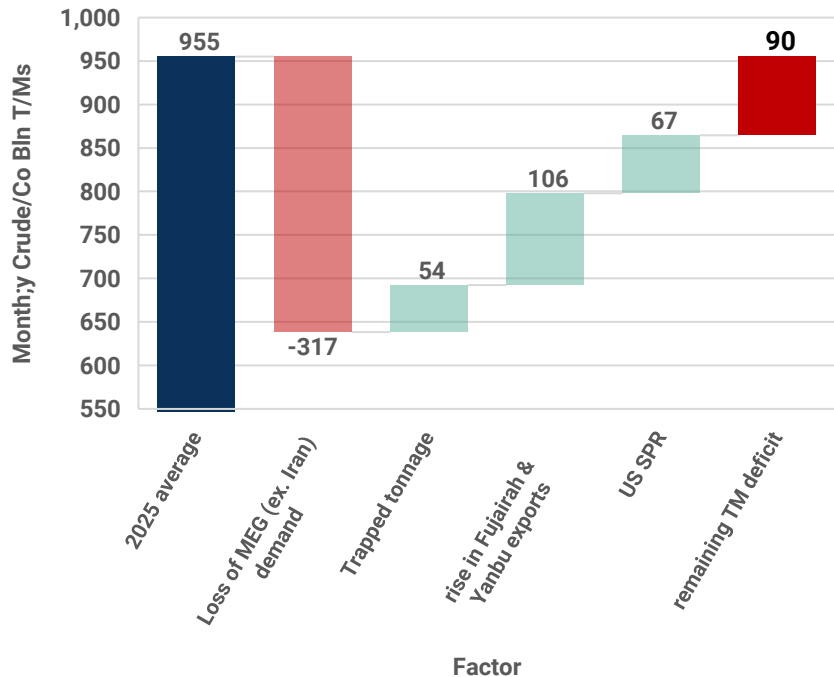


Source: Kpler

Crude tanker ton-miles face a 10% decline as US SPR cushions losses

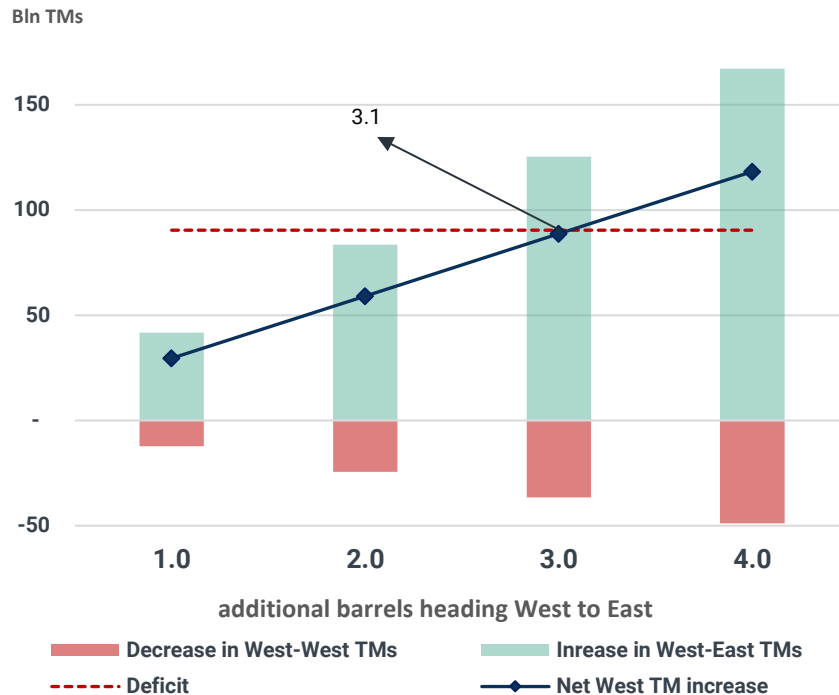
To offset this loss, ~3.1Mbd of crude exports from West to East would be required

Dirty Tanker demand loss due to the closure of the SoH



Source: Kpler

West-to-East trade increases to address the MEG TM deficit

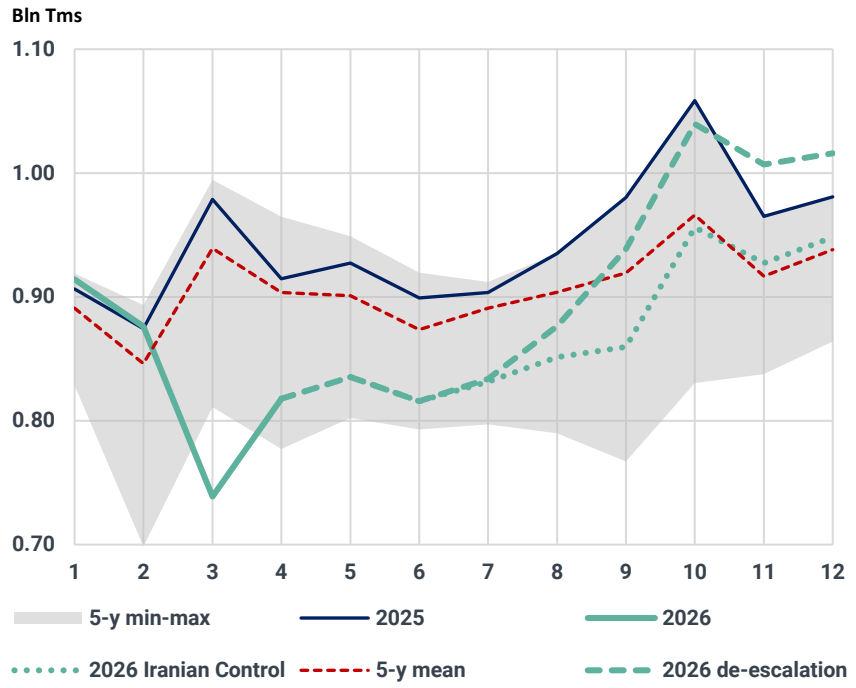


Source: Kpler

A de-escalation scenario sees T/Ms drop 5% y/y

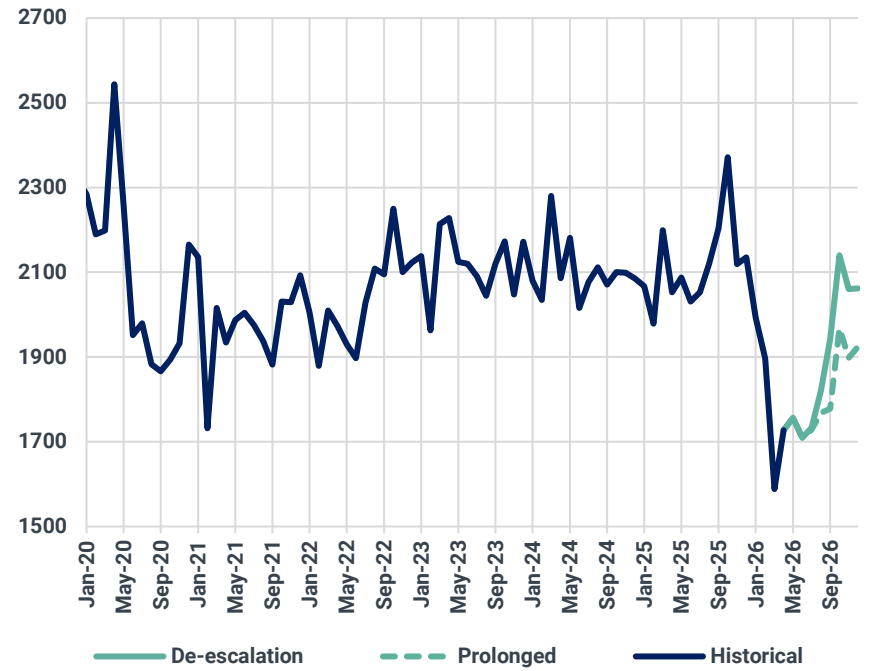
An expected surge in deliveries over H2 puts further pressure on the fleet's productivity

Crude Tanker T/M forecast under the two scenarios



Source: Kpler

Crude Tanker productivity forecast under the two scenarios

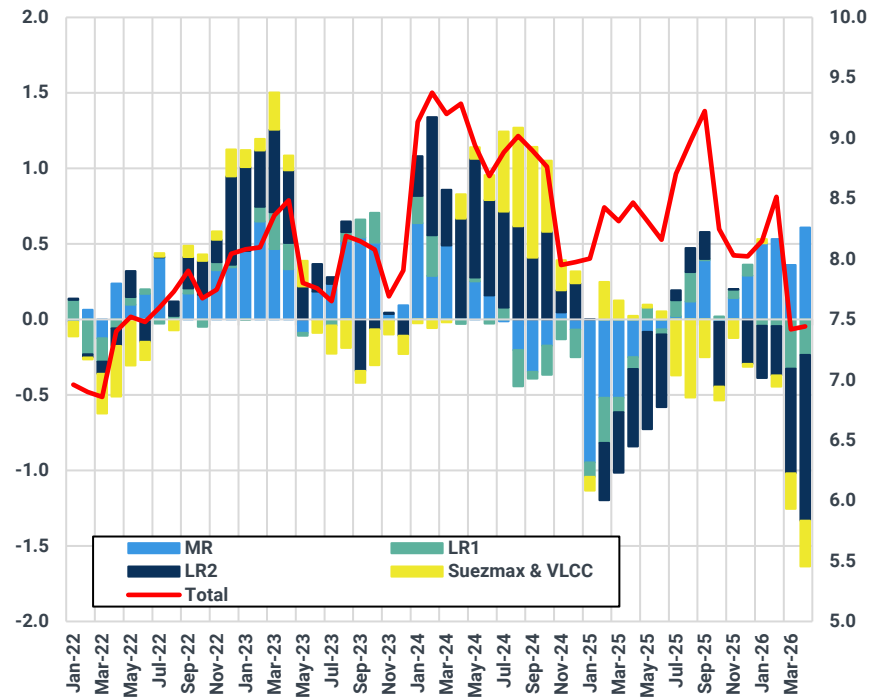


Source: Kpler

Clean ton-miles drop but MR demand hits record levels April

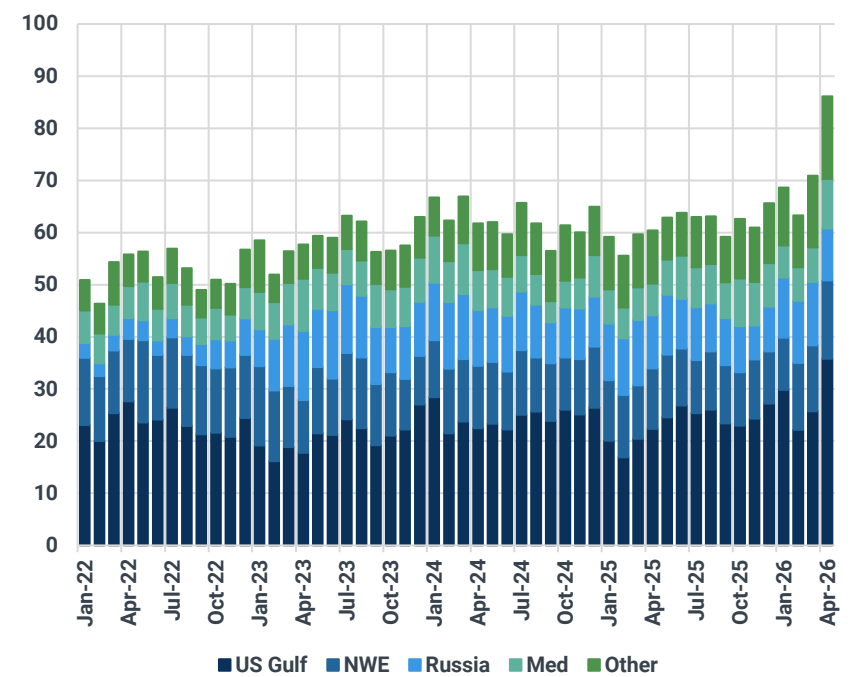
The USG market leads support for the sector

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



Source: Kpler

West of Suez MR ton-miles (Bn)

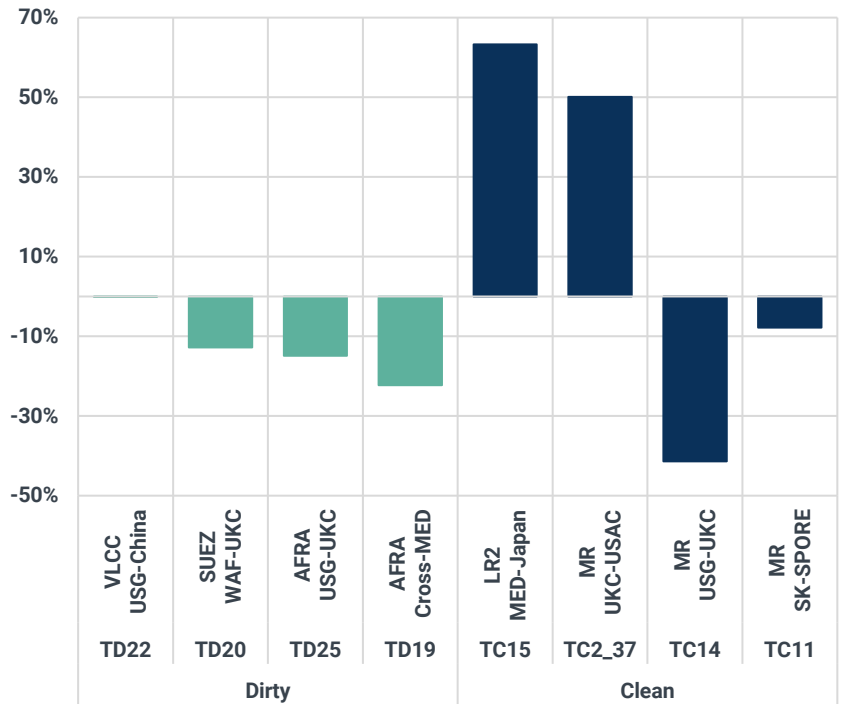


Source: Kpler

MR tonnage supply has been relatively balanced

The exodus of laden tonnage from West to East has outpaced the inflow of ballast vessels

Change in key (excl. MEG) tanker assessments (present vs pre-Iran war)



Source: Kpler, Baltic Exchange

Net migration into the WoS

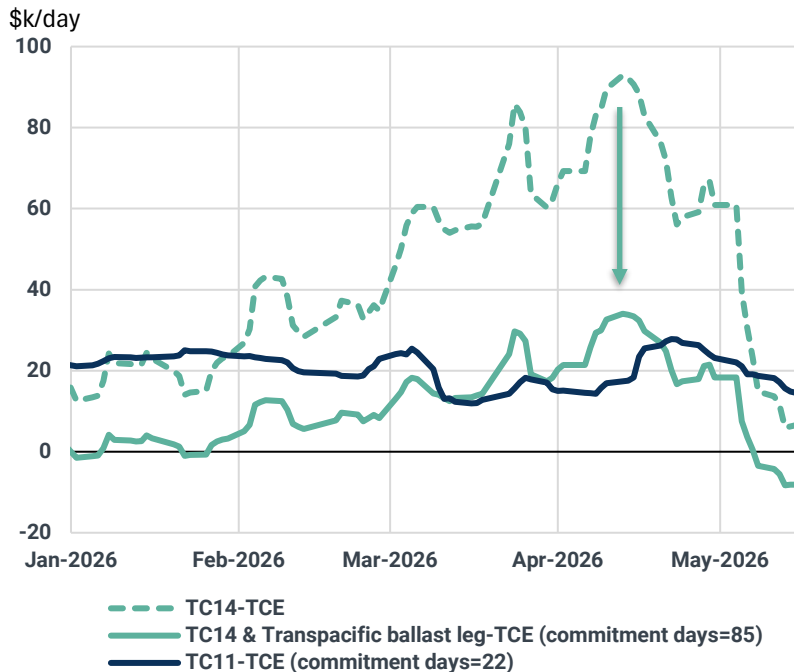


Source: Kpler

Incentive for Transpacific has closed

Panama Canal traffic further disincentivises a new wave of East-to-West migration

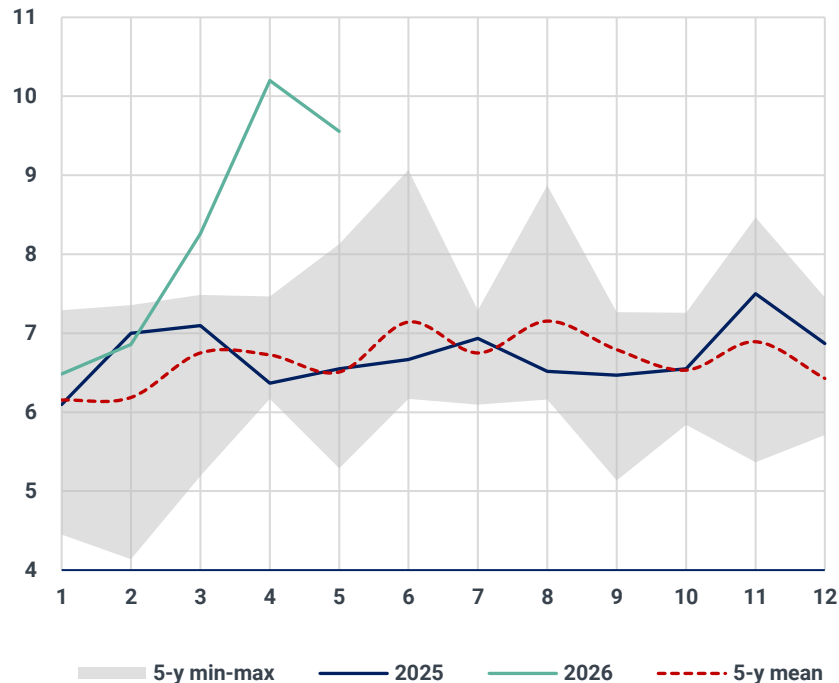
Asia-West ballast incentive



*ballast leg port basis: Singapore, earnings on a RV basis

Source: Kpler, Baltic Exchange

Panama Canal Tanker Transits (daily mean)

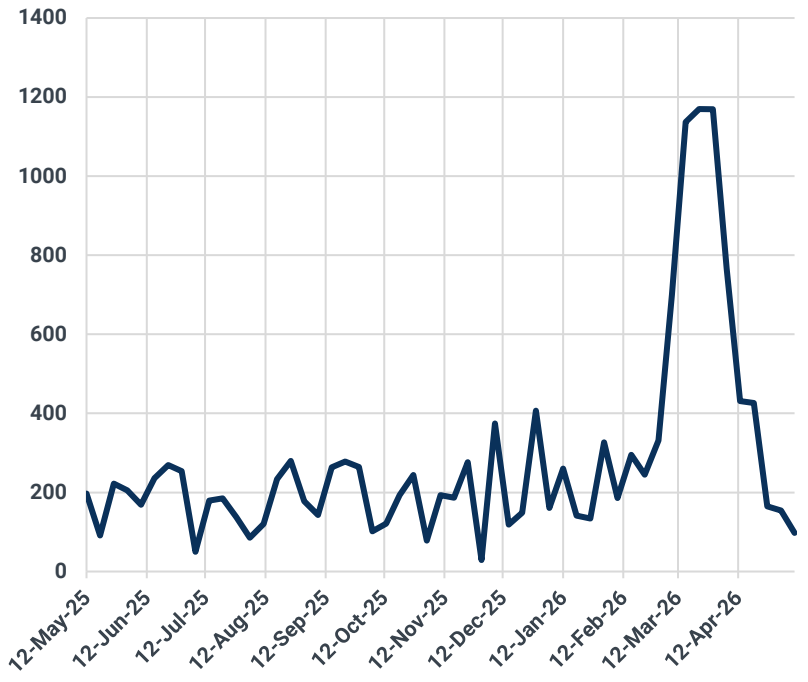


Source: Kpler

Long haul MR demand boom has slowed

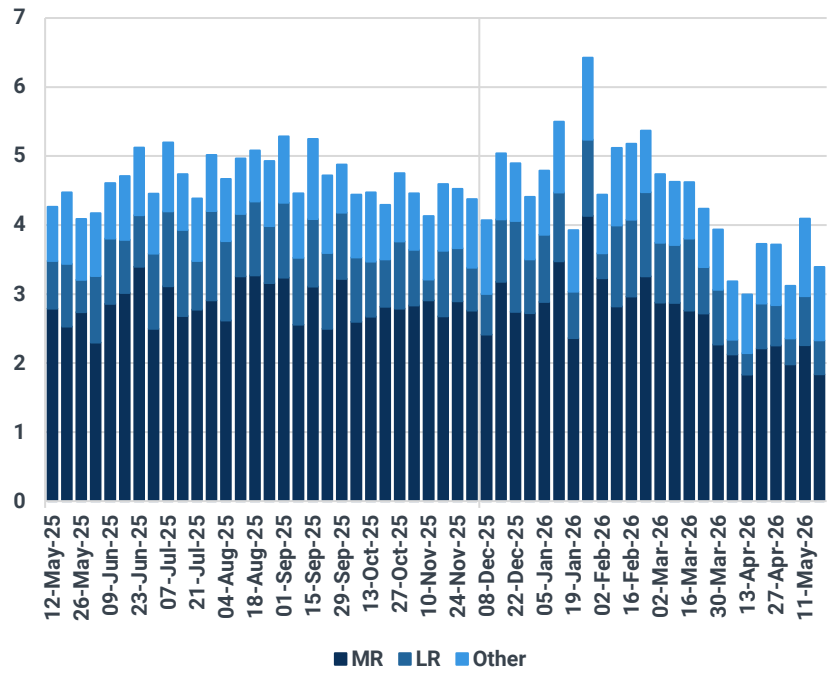
Will Asia-Pacific exports increase to fill the gap?

MR exports from WoS to Southern Africa and Asia-Pacific (kbd)



Source: Kpler

Asia-Pacific clean product exports (Mbd)

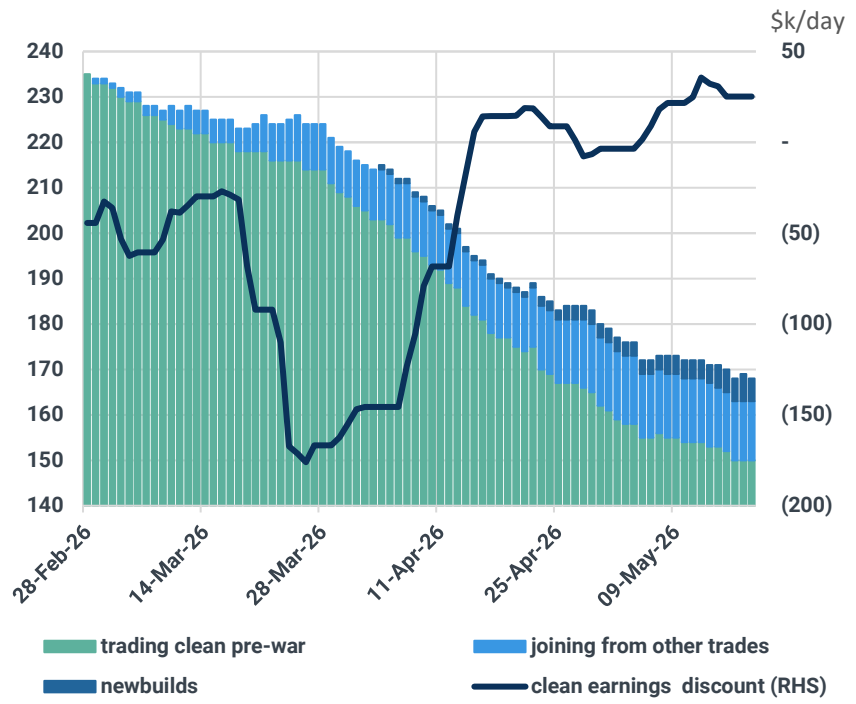


Source: Kpler

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

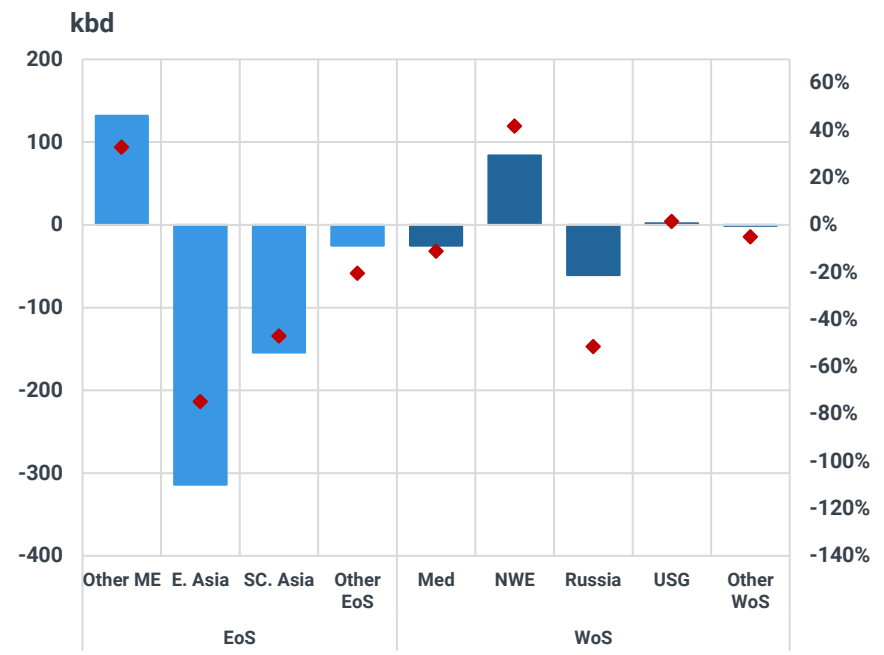
West-to-East CPP flows encourage upsizing in NWE

Change in LR2 fleet trading clean and LR2 earnings discount



Source: Kpler

April m/m changes in LR2 loadings by origin trading region (excl. MEG)

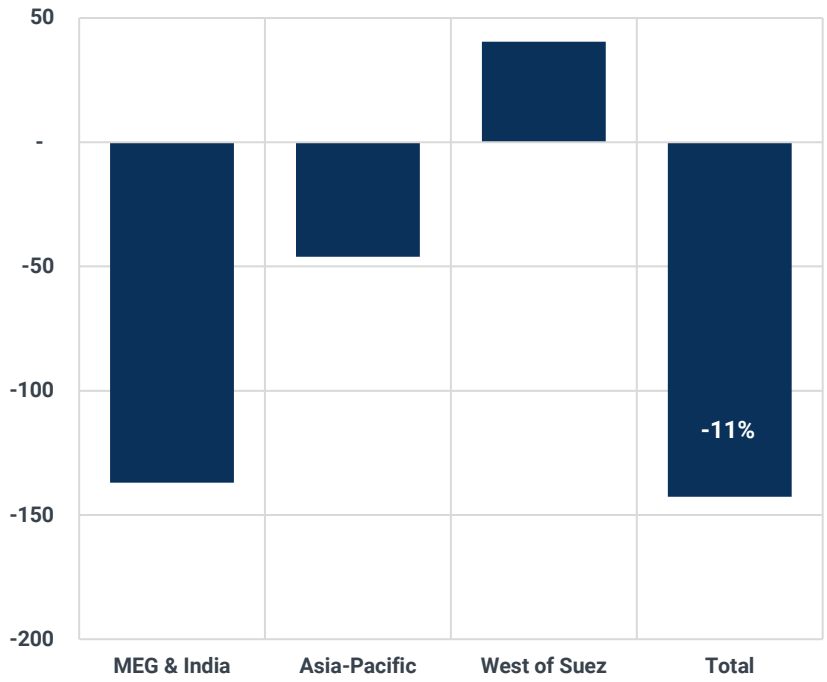


Source: Kpler

Clean product tanker demand faces substantial declines

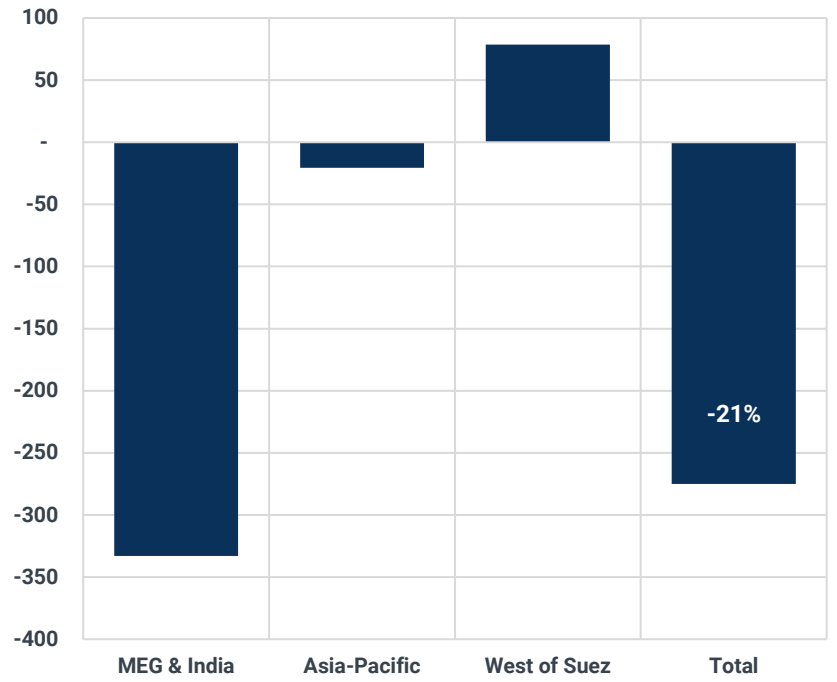
Total clean ton-miles could fall as much as 14% on an annualised basis

Potential MR ton-mile demand change by region vs 2025
(Annualised ton-miles Bn)








Source: Kpler

Potential LR ton-mile demand change by region vs 2025
(Annualised ton-miles Bn)



Source: Kpler

	VLCC	Suezmax	Aframax	LRs	MRs
Positive Factors	<ul style="list-style-type: none"> ▪ Elevated US exports at 2 Mbd sustain baseline long-haul demand ▪ Positioning in Gulf of Oman and Arabian Sea tightens availability outside the region 	<ul style="list-style-type: none"> ▪ Stable vessel supply compared to VLCCs limits immediate oversupply risk ▪ Residual West to East flows continue to absorb some capacity ▪ Intra-West demand firming 	<ul style="list-style-type: none"> ▪ Strong intra-West flows at 8 Mbd support regional demand ▪ Limited further clean-to-dirty switching reduces supply risk ▪ Potential uplift from Russian export flows linked to refinery outages 	<ul style="list-style-type: none"> ▪ Clean LR2 fleet ~20% decline tightens vessel availability ▪ Continued West of Suez long-haul flows support tonne-mile demand ▪ Switching frictions limit rapid return of vessels to clean trades 	<ul style="list-style-type: none"> ▪ Potential rally in APAC exports would boost demand ▪ Strong Atlantic basin balances sustain short-haul demand ▪ Seasonal US gasoline demand boosts transatlantic flows
Negative Factors	<ul style="list-style-type: none"> ▪ Weak West to East arbitrage reduces long-haul demand and tonne-miles ▪ Rising Atlantic ballaster supply increases regional oversupply ▪ Softer Asian buying interest limits incremental demand growth 	<ul style="list-style-type: none"> ▪ VLCC displacement on long-haul routes reduces Suezmax employment ▪ Declining West to East flows cut tonne-miles and vessel utilization ▪ Increasing Atlantic ballasters redue structural oversupply 	<ul style="list-style-type: none"> ▪ Prior surge in switching has already increased available supply ▪ Competition from VLCCs and Suezmaxes for shorter-haul cargoes ▪ Slowing export growth caps demand upside 	<ul style="list-style-type: none"> • Loss of MEG volumes reduces core demand base • China export policy shift weakens Atlantic to Asia pull • Clean and dirty earnings convergence removes switching support 	<ul style="list-style-type: none"> ▪ Rising ballast arrivals into the Atlantic increase supply pressure ▪ Decline in long-haul WoS to EoS flows reduces tonne-miles ▪ Shift toward regional trades limits upside in freight rates
Net Effect					

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Thank you!