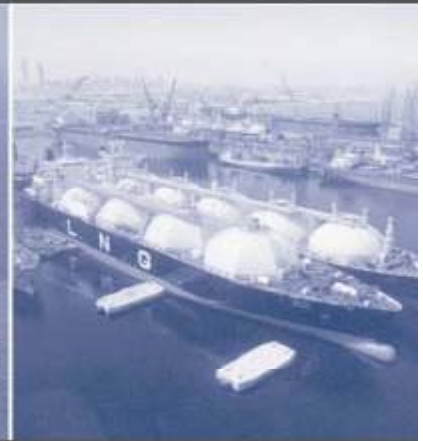


# International Tanker Market Outlook

Mare Forum USA - Houston



Jeffrey Goetz  
February 19, 2010

# Agenda

- Energy Market Outlook
- Tanker Market Outlook
  - Spot and Term Market Activity
  - Vessel Supply/Demand
- Near-Term Shipping Market Expectations

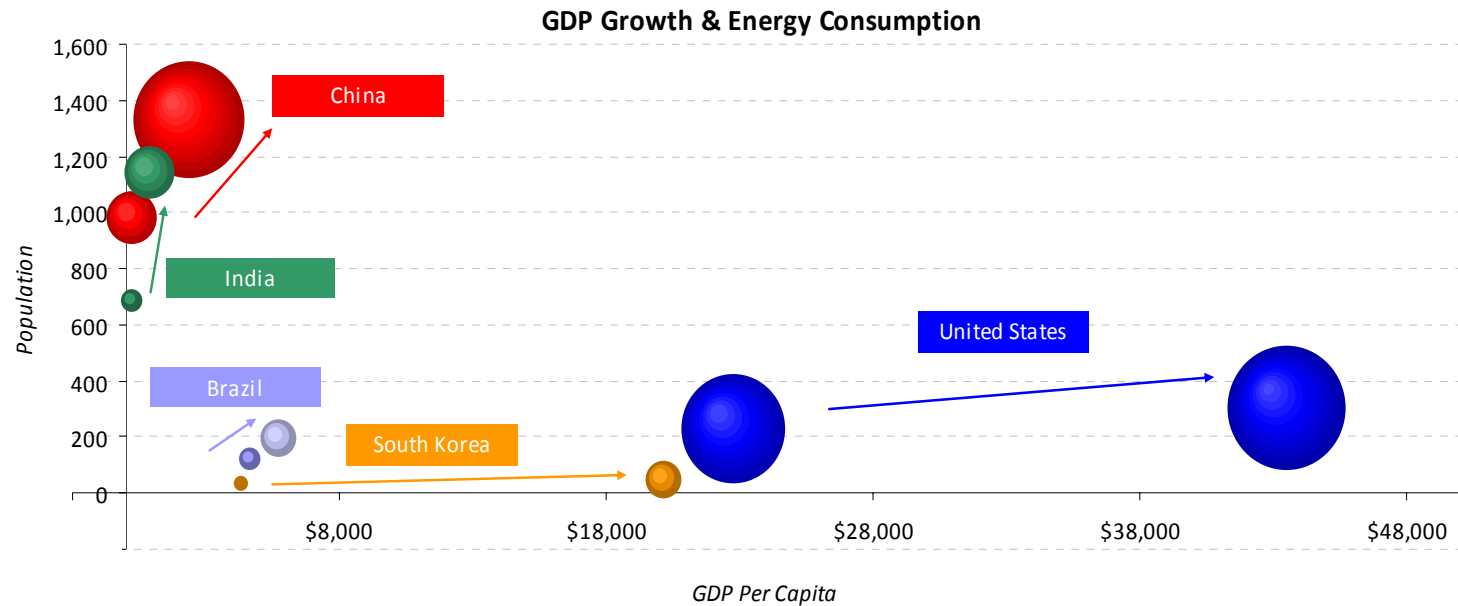




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# Energy Market Outlook

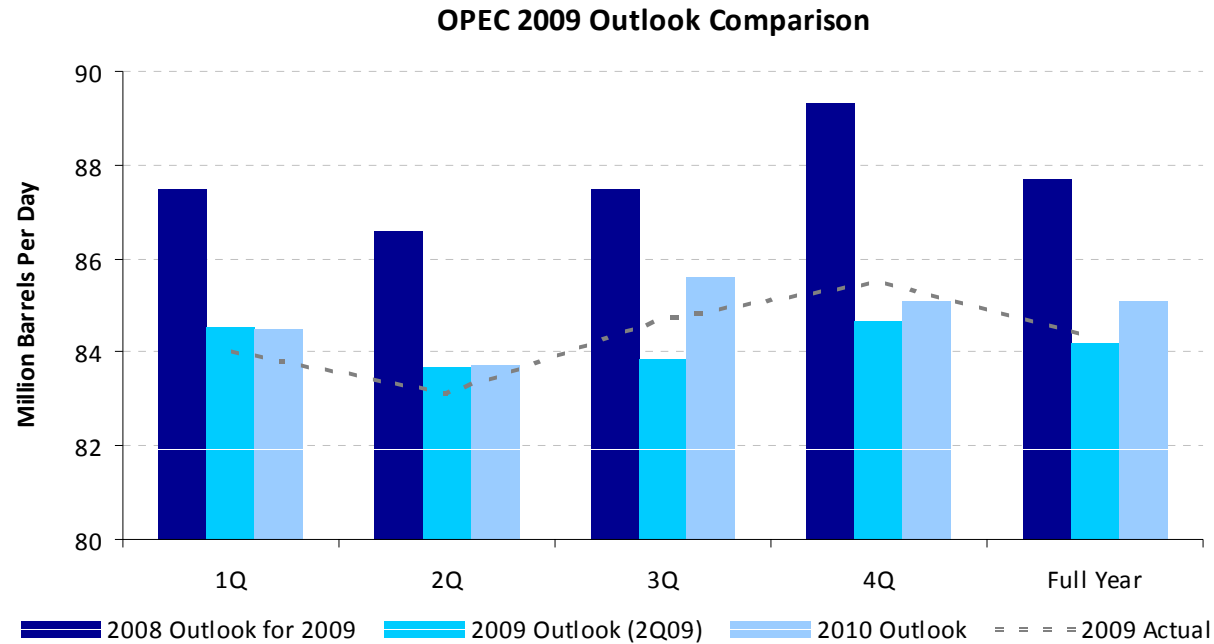
# Energy Consumption and Growth



- Compares GDP per capita in 1980 versus GDP per capita in 2008
- Size of the bubble shows total energy consumption
- Link between growth in population, GDP per capita and energy consumption



# OPEC Crude Production Outlook Changes



Source: OPEC Monthly Bulletin

- Considerably reduced GDP growth in Far East coupled with significant decrease in OECD demand has led OPEC to significantly reduce production expectations
- However, OPEC has recently revised their projection for 2010 global demand upward 110 kbd from their December 2009 assessment
- Saudi Arabia has committed to increase volumes to China over the next year

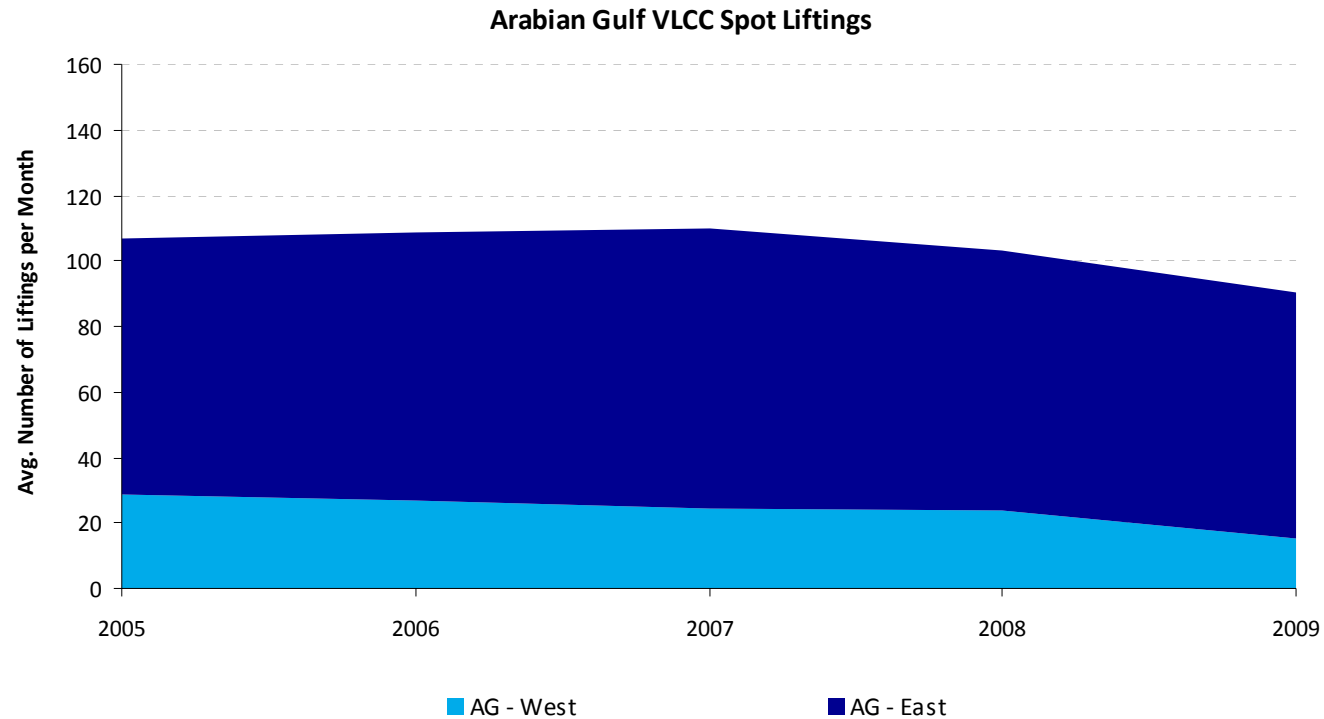




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# Tanker Market Outlook

# Spot Tanker Market Demand



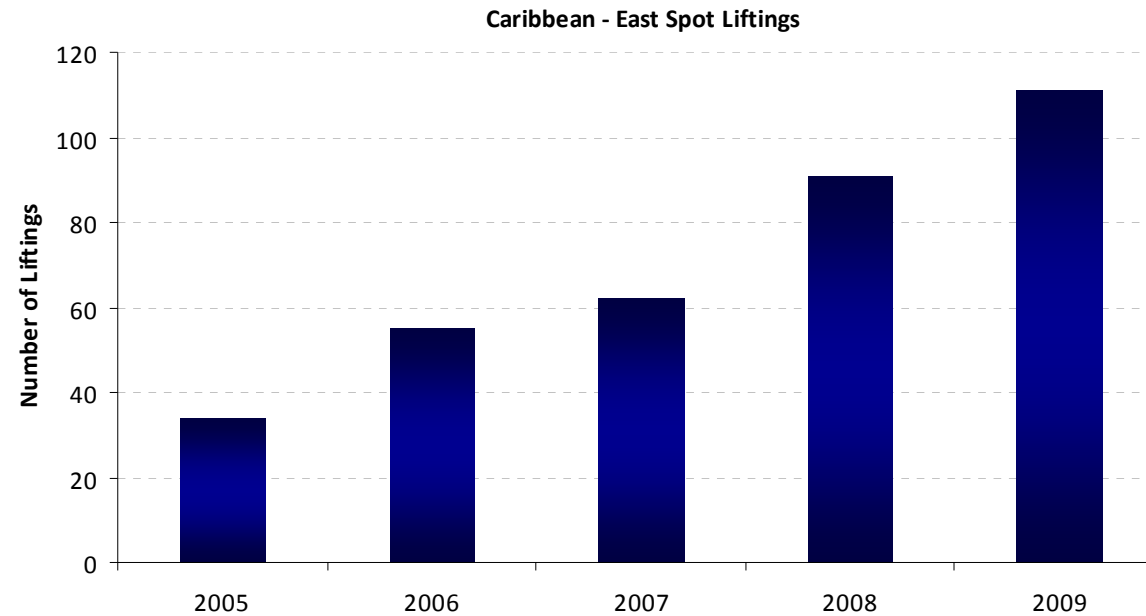
**Source: Poten & Partners**

- Average number of liftings in 2009 down 14 from long term average
- Westbound crude lifted on VLCCs down nearly 40% from 5 year average, compared to roughly 5% decline in eastbound crude
- Estimated 23 VLCCs are in short-term storage, down 50% from June 2009

Average Number of AG Spot Liftings per Month			
	<i>AG - East</i>	<i>AG - West</i>	<i>Total</i>
<b>2005</b>	78	29	107
<b>2006</b>	82	27	109
<b>2007</b>	86	24	110
<b>2008</b>	79	24	103
<b>2009</b>	75	15	90
<b>5 Year Average</b>	80	24	104



# Spot Market Activity



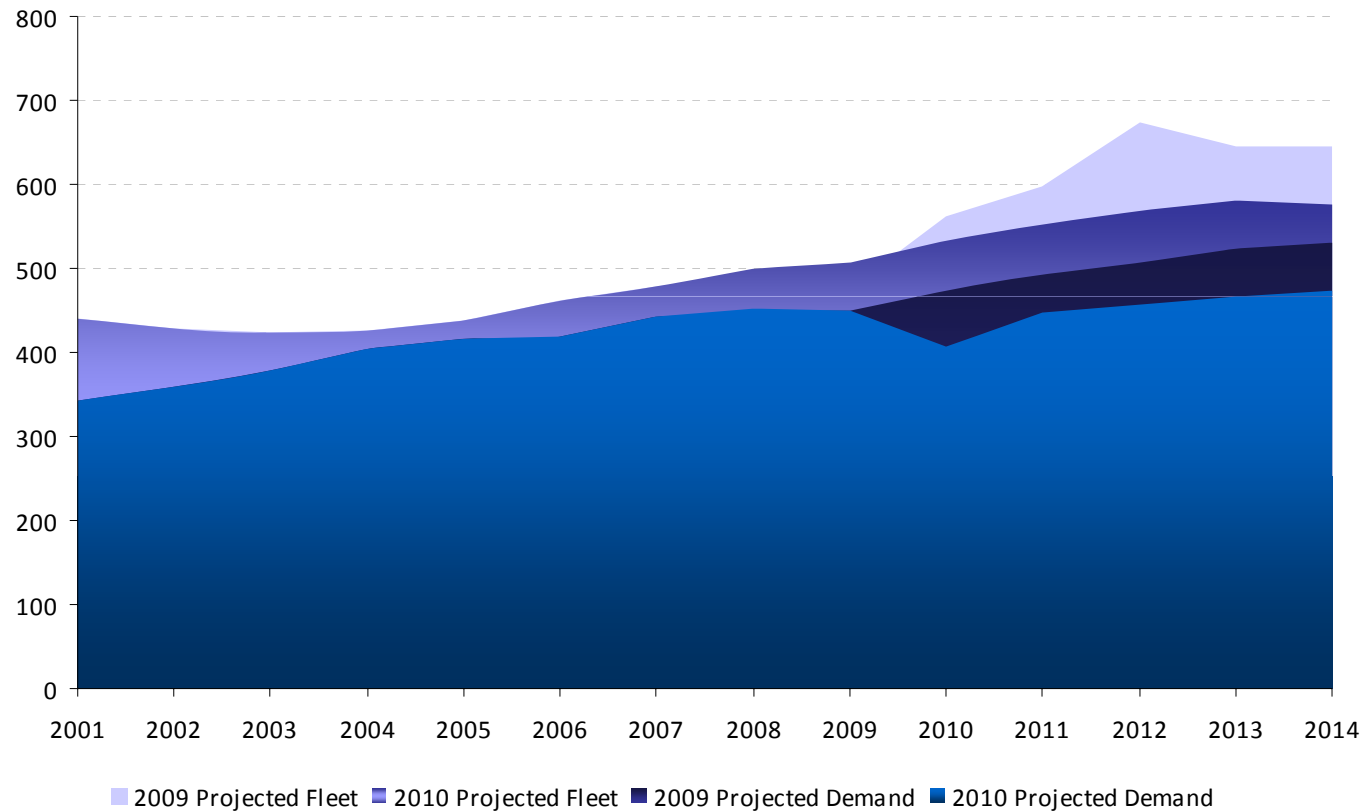
Source: *Poten & Partners*

- Reported eastbound VLCC liftings from the Caribbean basin has more than tripled since 2005
- These movements will continue for economic and political reasons





## VLCC Supply & Demand – 2009 vs. 2010

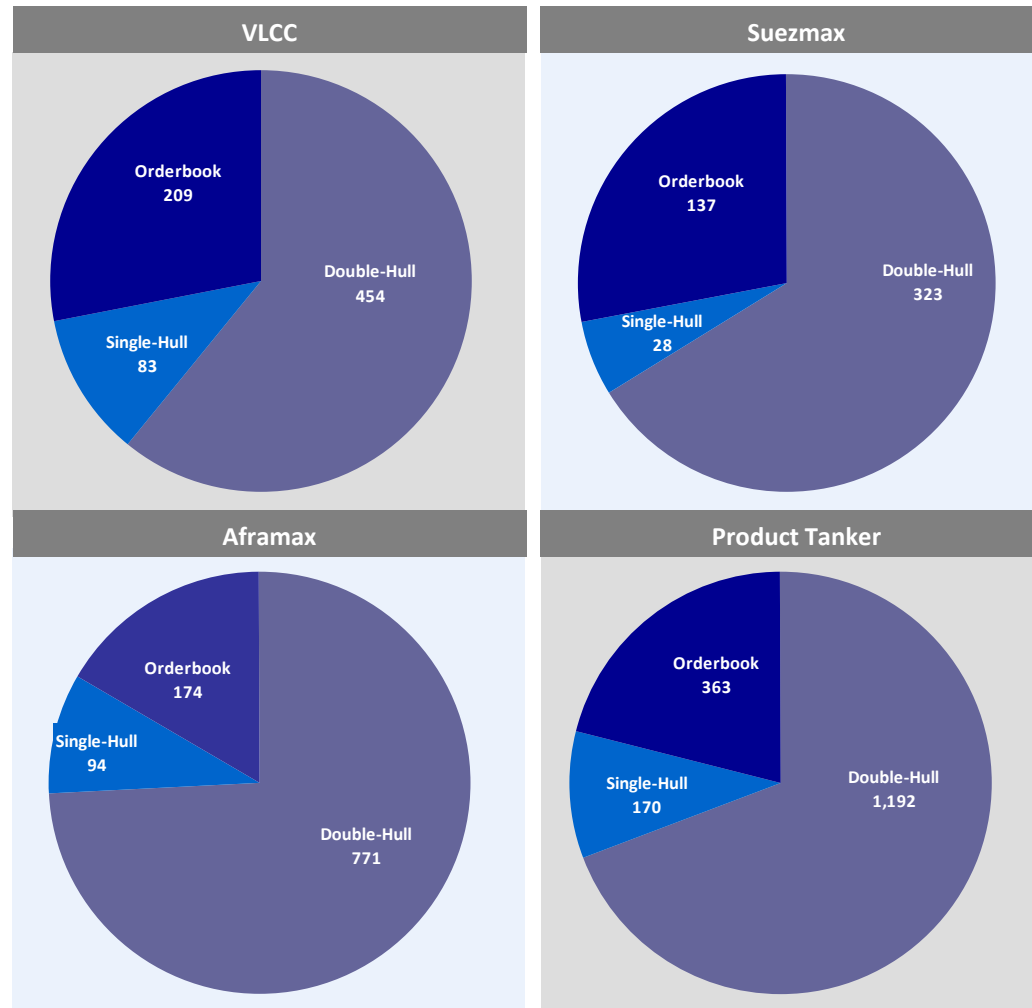


Source: *Poten & Partners*

- In January 2009, expectation was for supply/demand balance to tighten by 2015
- Drop in 2009 demand level was more dramatic than previously anticipated
- Expect slow demand recovery combined with newbuilding orders delivering into fleet to result in surplus over coming years



# Tanker Supply – Fleets By Hull Type



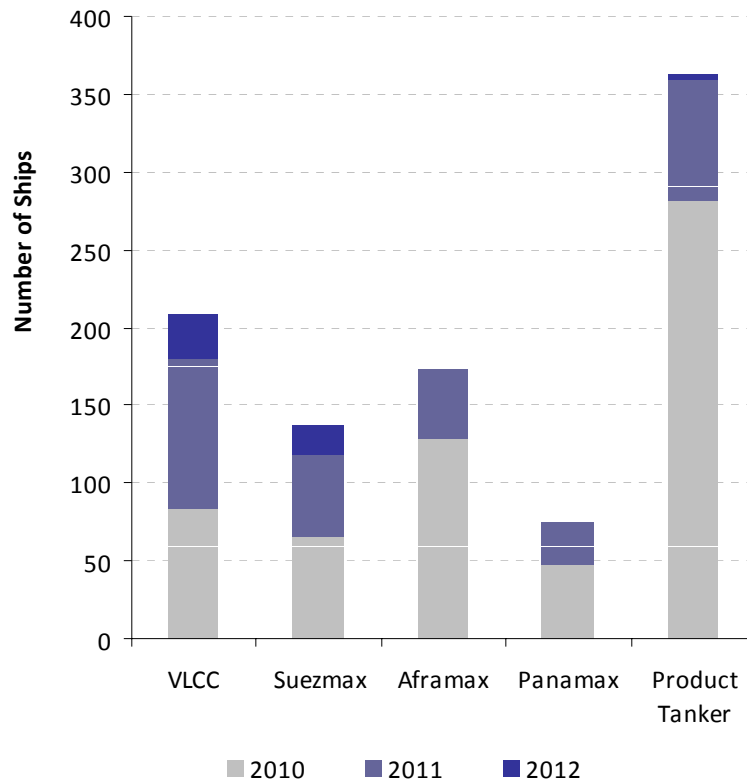
Source: Poten & Partners

- Sizeable orderbooks remain across all tanker sectors

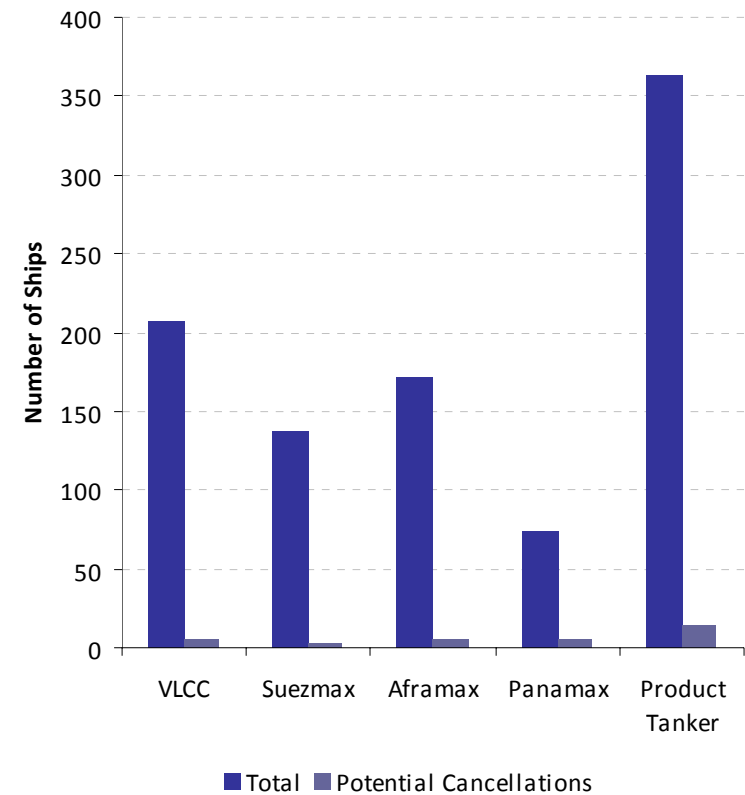


# Orderbook & Cancellations

Tanker Orderbook by Year



Orderbook Vs. Potential Cancellations



Source: *Poten & Partners*

- Ships for 2010/2011 delivery are already under construction
- Expect outright cancellations to be very limited; even if cancelled vessels will likely be re-marketed by shipyard



# Newbuilding Activity

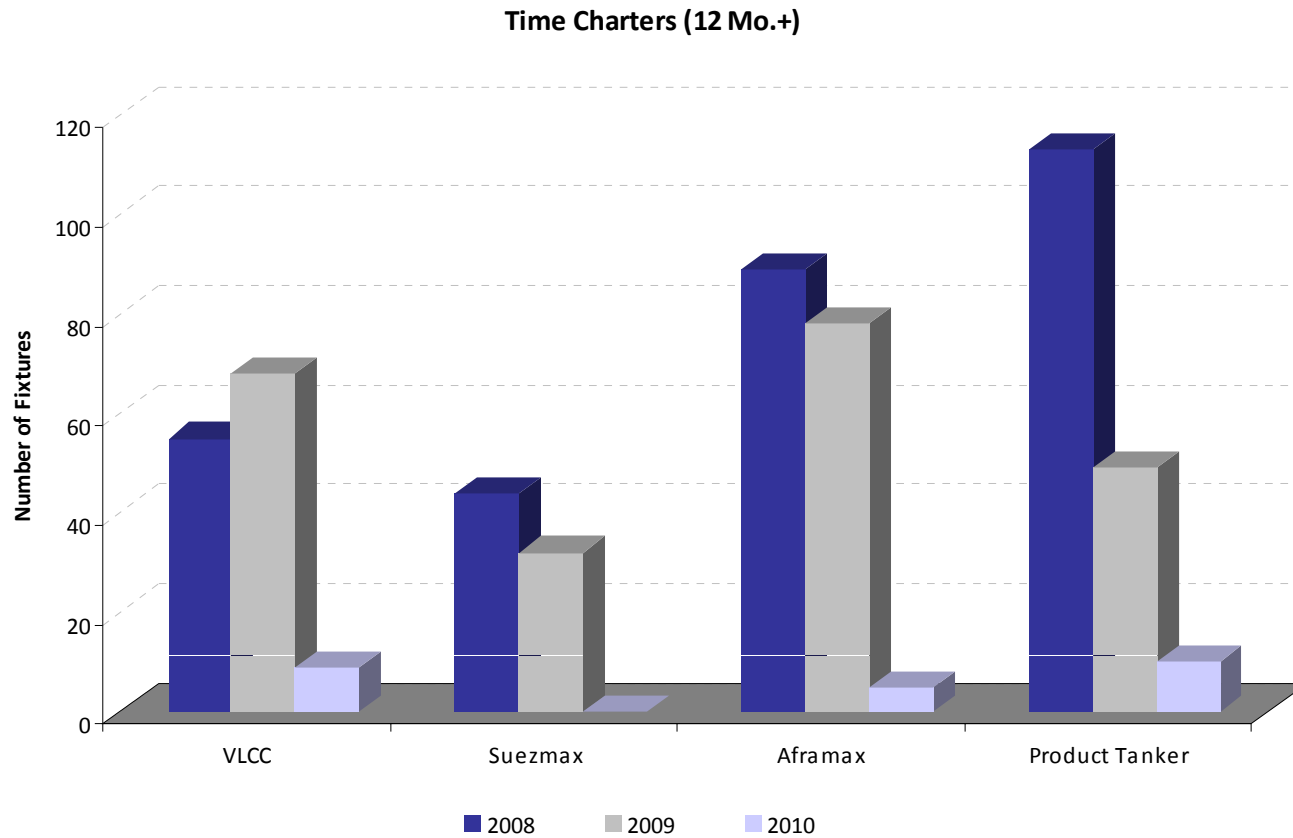
Tanker Newbuilding Activity		
	May-08 to Nov-08 (7 months)	Dec-08 to Jan-10 (14 months)
VLCC	67	12
Suezmax	19	17
Aframax	5	5
Product Tanker	10	6

*Source: Poten & Partners*

- Assessed asset prices across all vessel sectors have fallen approximately 40% from September 2008 highs
- Ordering of new vessels dramatically declined beginning November 2008; has been slow to resume
- 2009 orders were primarily from shipowners affiliated with national oil companies



# Term Charter Activity



Source: Poten & Partners

- Significant decline in product tanker time charters due to reduced demand and vessel oversupply



# 2010 shipping expectations

- Current worldwide energy demand and hence tanker demand has been dramatically curtailed
- Spot market activity and rates expected to slowly recover as demand accelerates and trade patterns evolve
- Term charter rates have stabilized and are expected to remain relatively weak
- Single-hull phase-out likely to accelerate as trading options continue to decline
- Newbuilding activity will only see a case-by-case resurgence based on owner specific needs for fleet renewal
- Major asset price declines have already taken place; can expect stable prices for the near-term. Prices likely to drift moderately lower over intermediate term

