

What's Good and What's Bad for Tanker Operators?

**Tanker Operator Conference
Hamburg April 2016**

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- The good news
- The bad news...new regulations
- The world
- The oil industry
- The customer
- The ship operators challenges
 - The system
 - Is there another system?

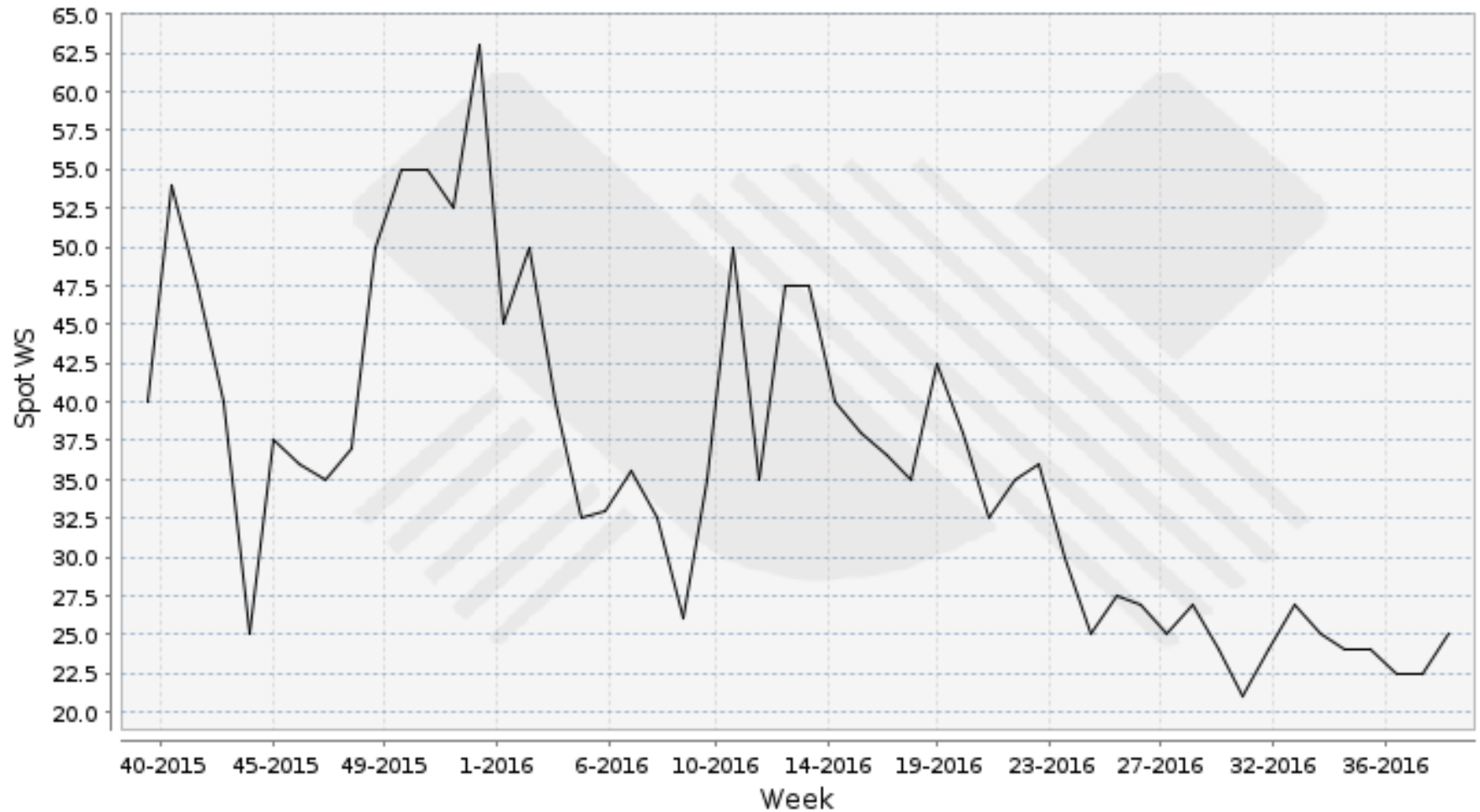
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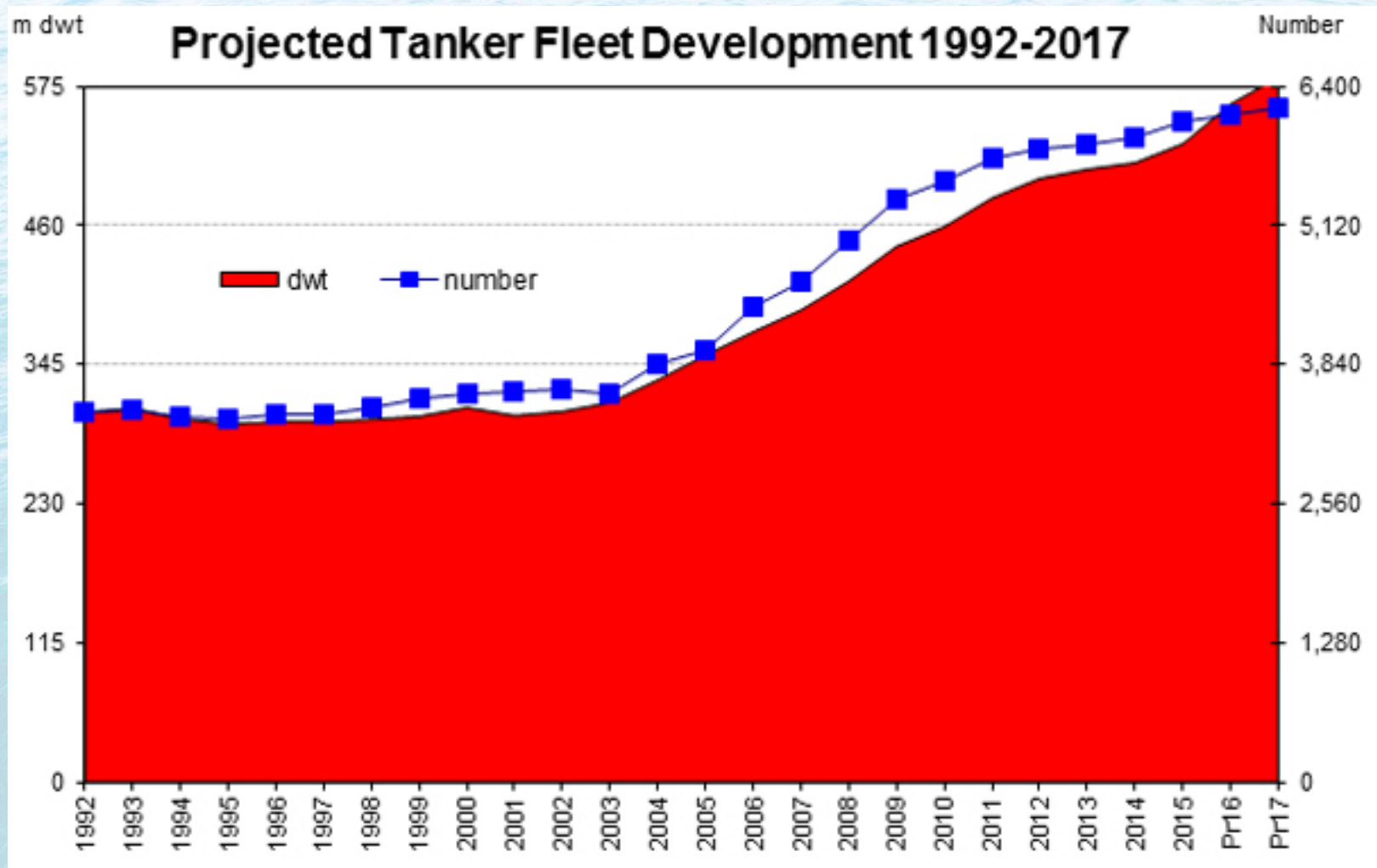
Tanker industry

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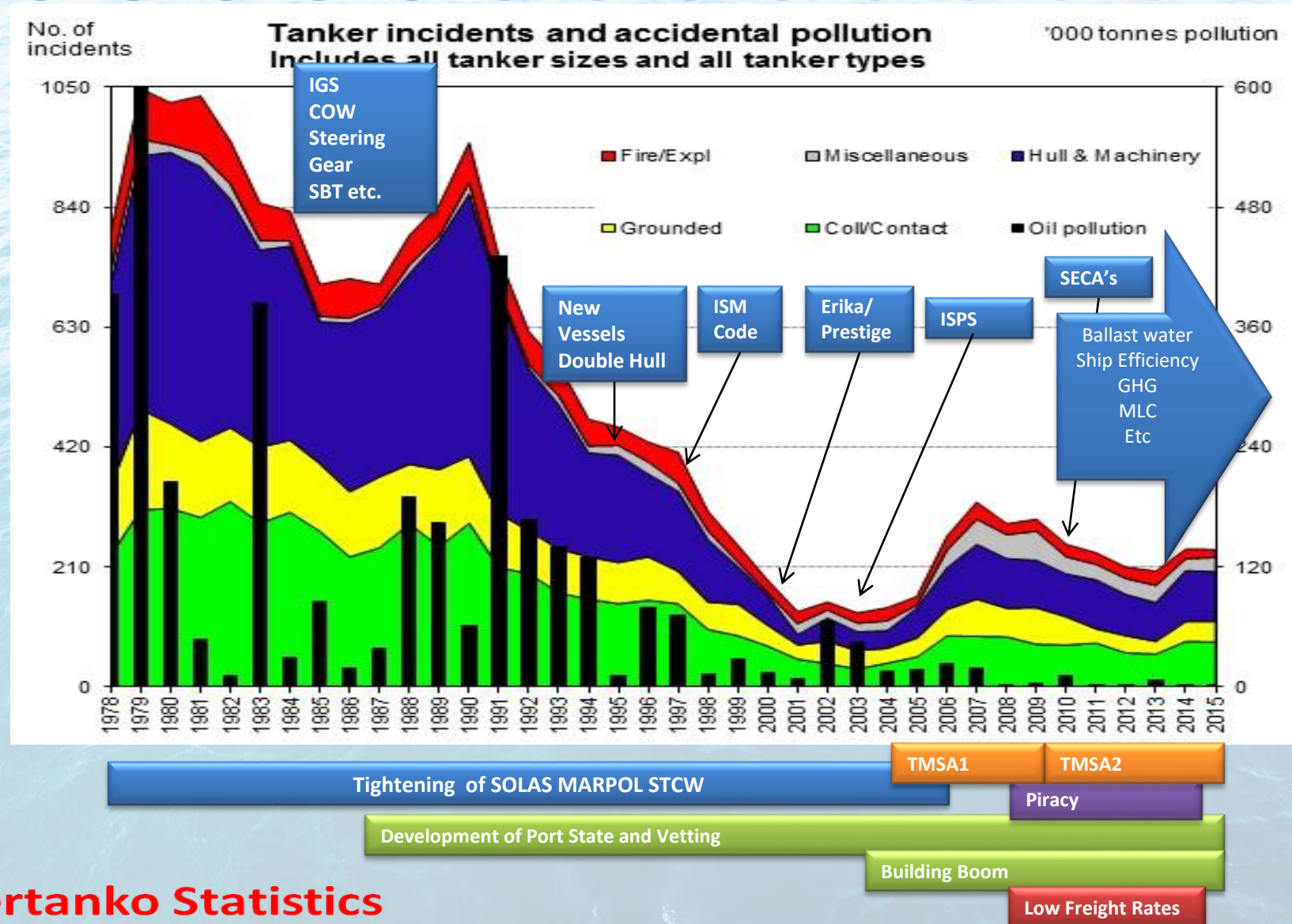
Good News?

MEG / West (VLCC)





Source Intertanko



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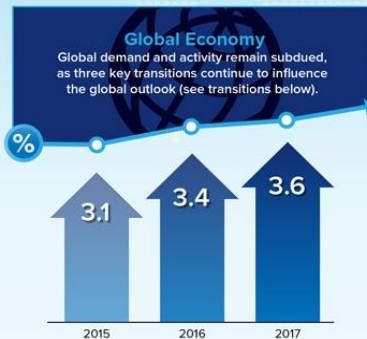
The world

moams World growth, oil growth

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FUTURE GROWTH RATES

Growth will pick up more gradually than projected in fall 2015, especially in emerging market and developing economies.



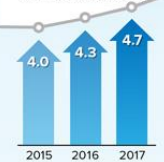
Advanced Economies

A continued modest recovery should gradually close the output gap between real vs. potential GDP.



Emerging Market & Developing Economies

China's slowdown and rebalancing, lower commodity prices, and other strains in some larger emerging market economies are likely to weigh down growth prospects.



TRANSITIONS AND RISKS



Transition: The slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services

Risk: A sharper-than-expected slowdown could take a toll on trading partners and have global financial market repercussions (including declines in confidence).

Transition: Lower prices for energy and other commodities

Risk: Further price drops will worsen the growth outlook for already-strained commodity producers.

Transition: The gradual tightening in U.S. monetary policy

Risk: Further dollar appreciation would put additional pressures on firms in emerging market economies.

Other Risks

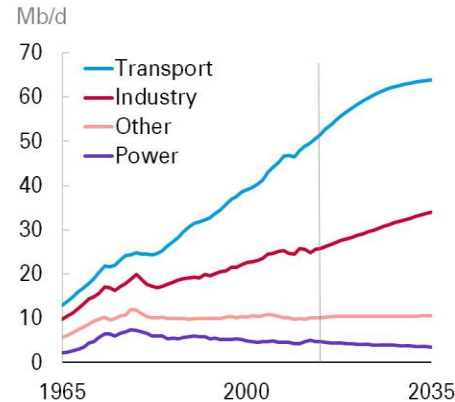
New economic or geopolitical shocks could further delay a pickup in activity in countries currently in economic distress.

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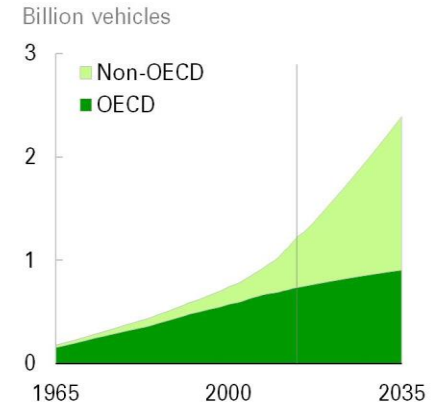
Oil demand



Liquids fuel demand by sector



Vehicle fleet



2016 Energy Outlook

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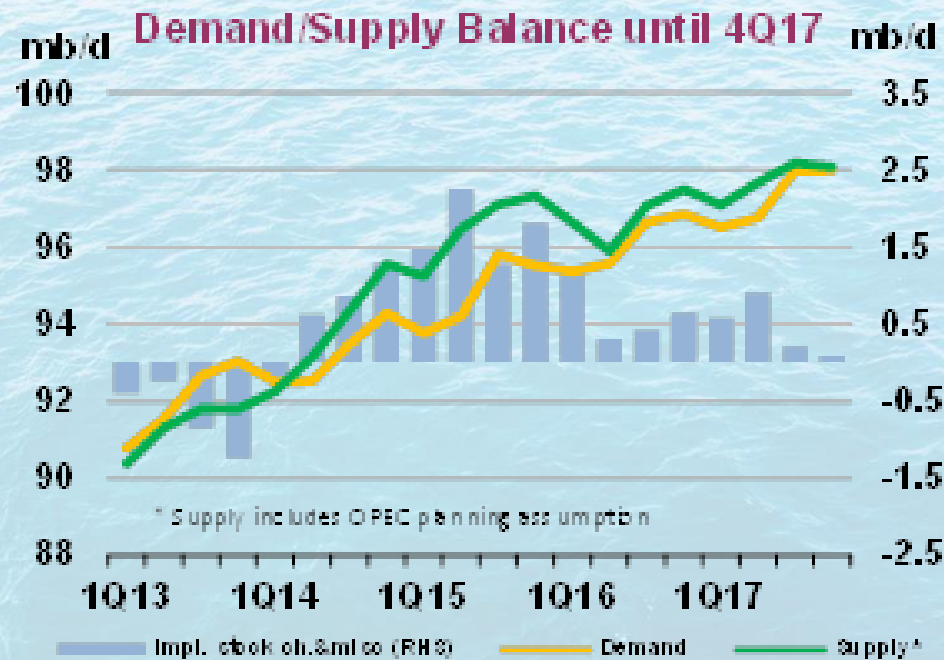
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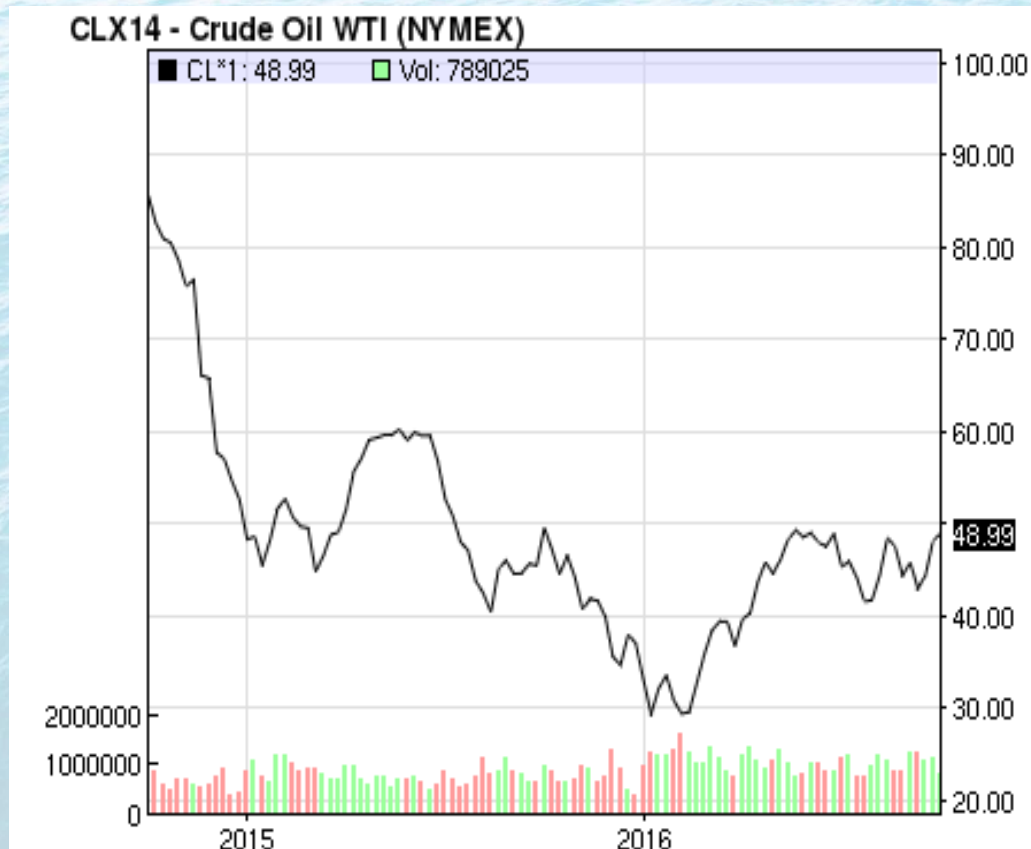
- Growth Forecasts reduced
- Brexit
- Main oil growth is in transportation-electric cars

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The oil Industry

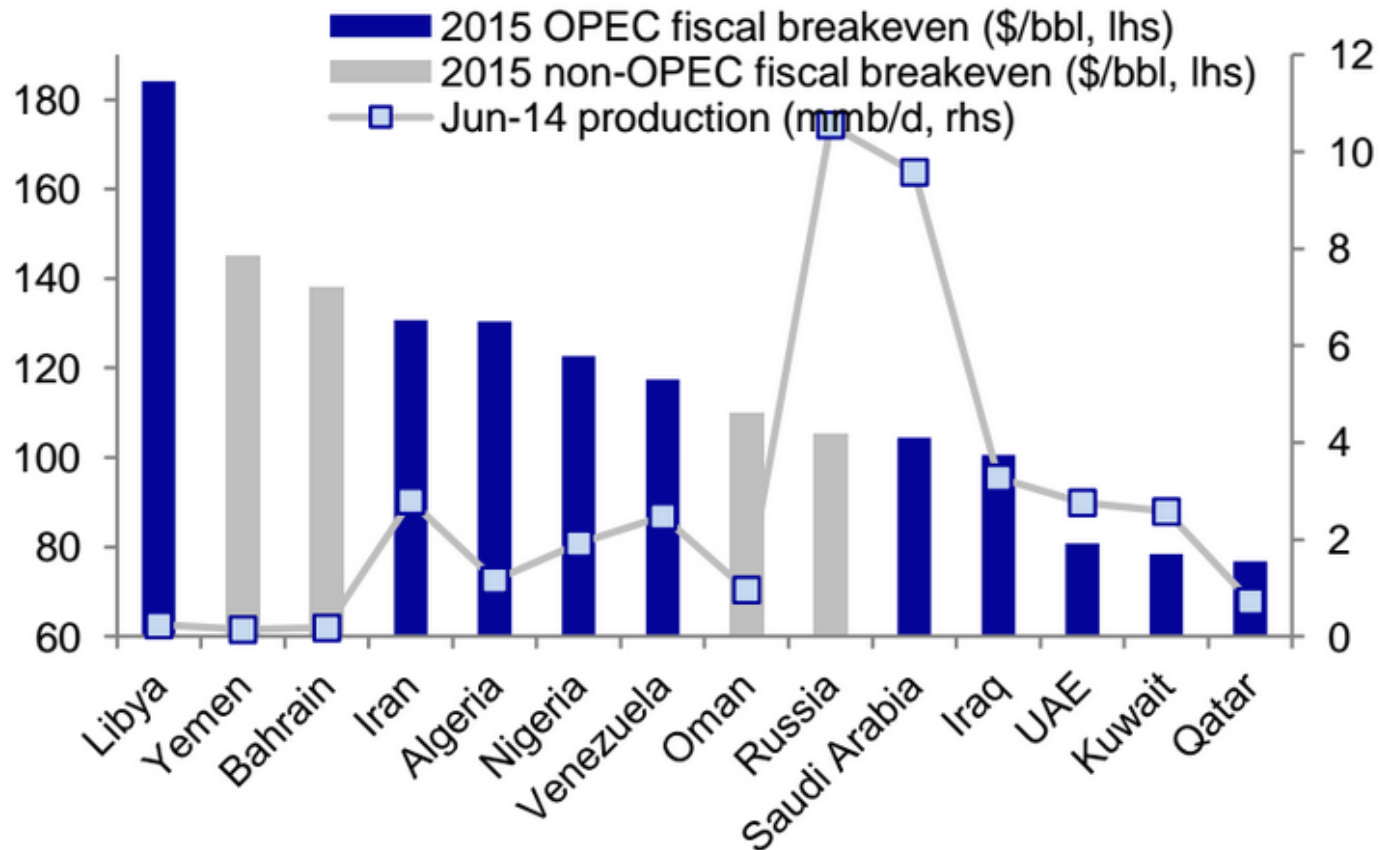
moams IEA Supply/Demand Balance





- Recent OPEC Deal?
- Subsequent increases
- Iran locking in higher production after sanctions
- Will the OPEC deal turn the clock back?

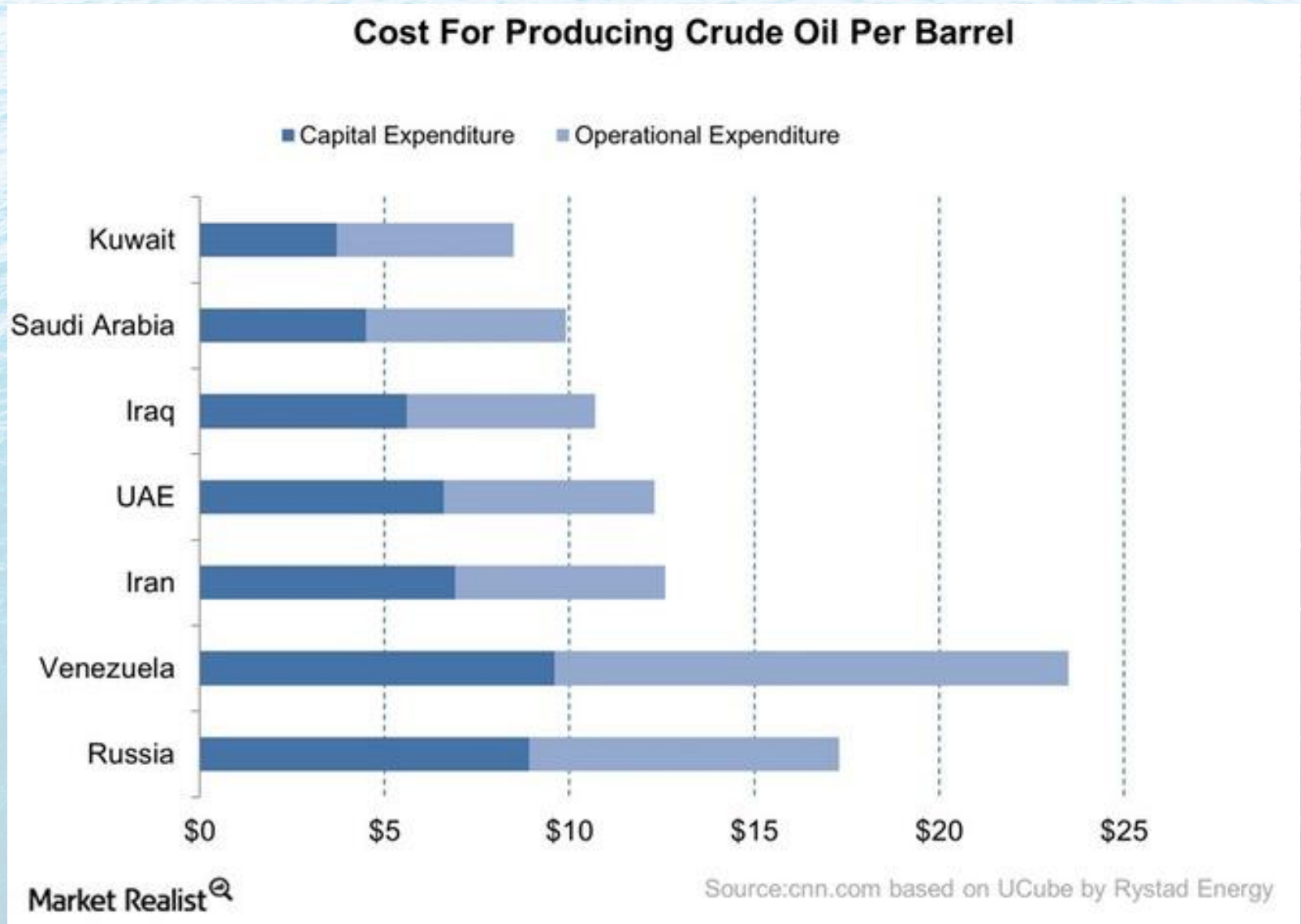
Figure 6: Producer country fiscal breakeven (\$/bbl)



Source: IMF, Deutsche Bank

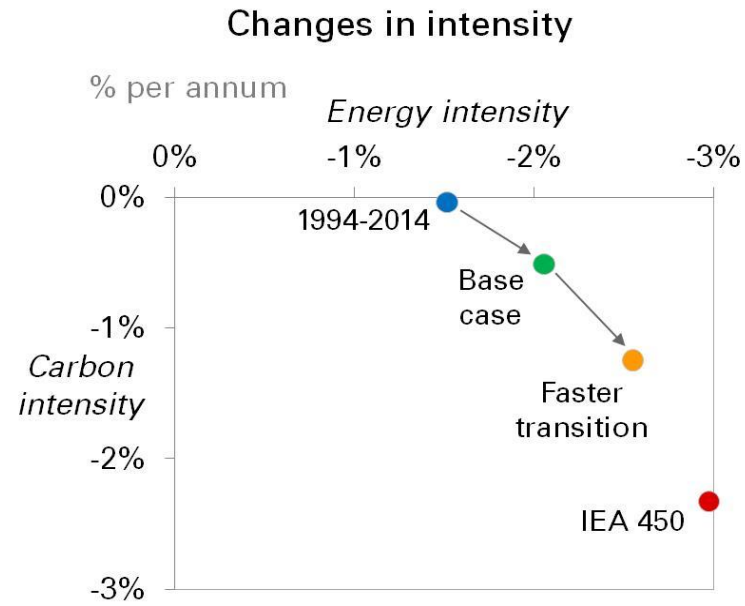
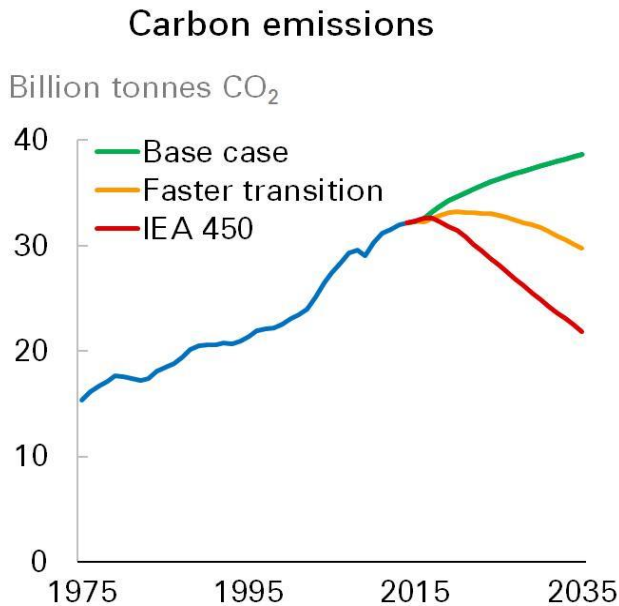
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If you've got it pump it!



moams Don't forget the future of the planet!!

Outlook for carbon emissions



2016 Energy Outlook

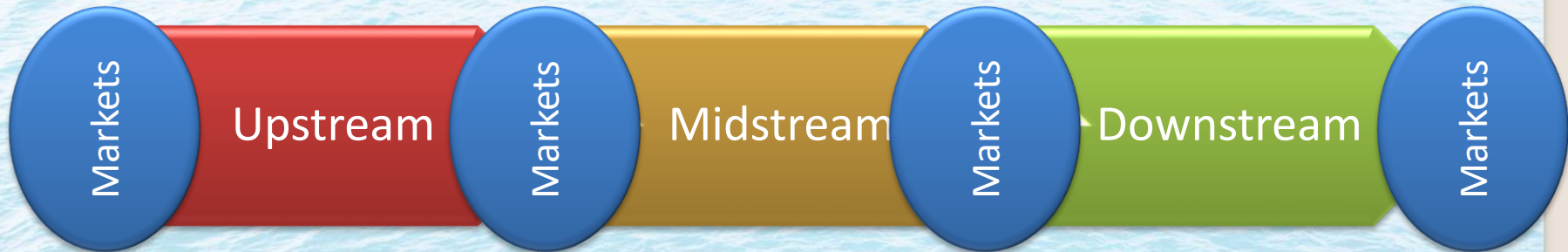
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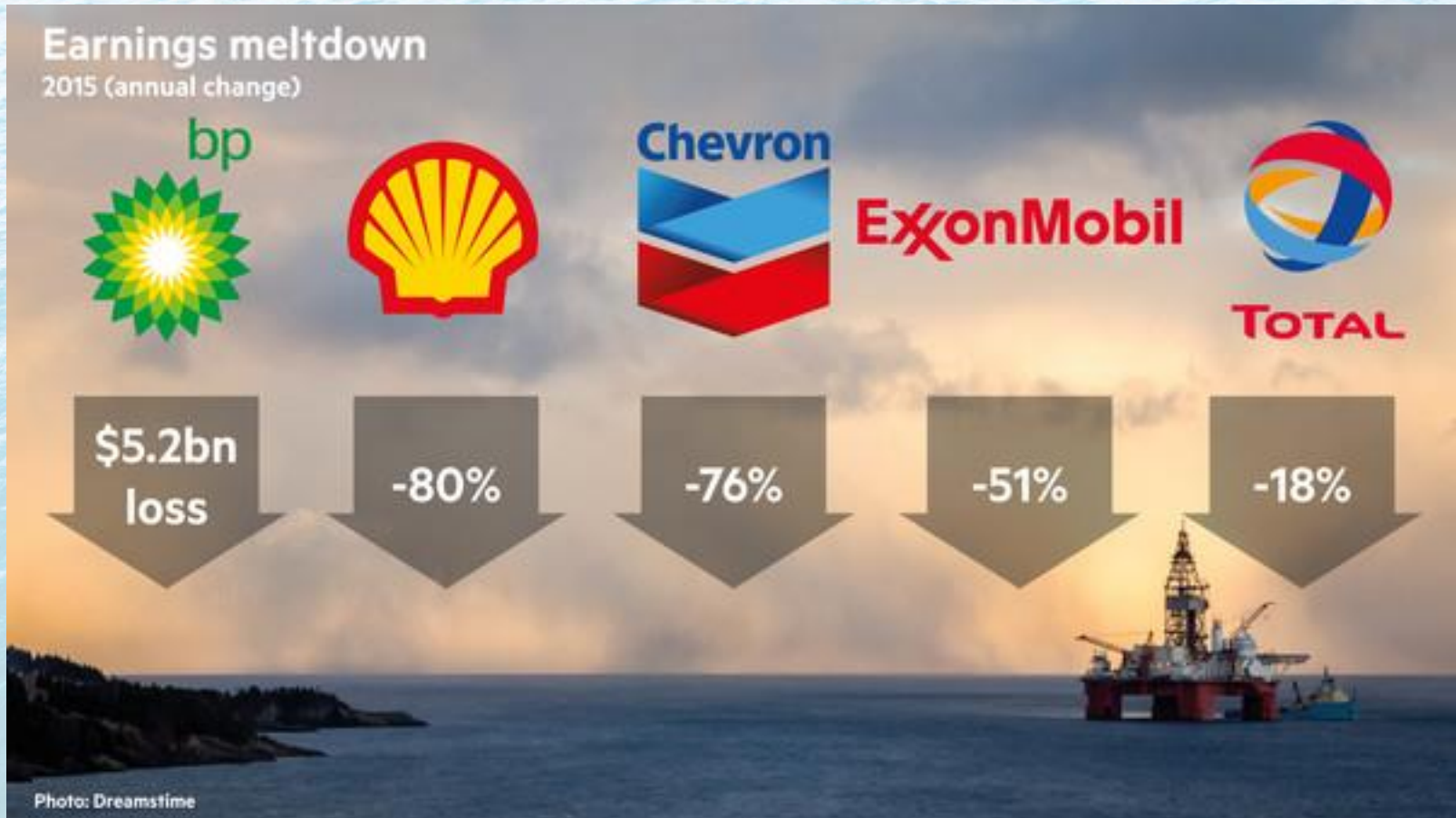
And what about energy security!!!

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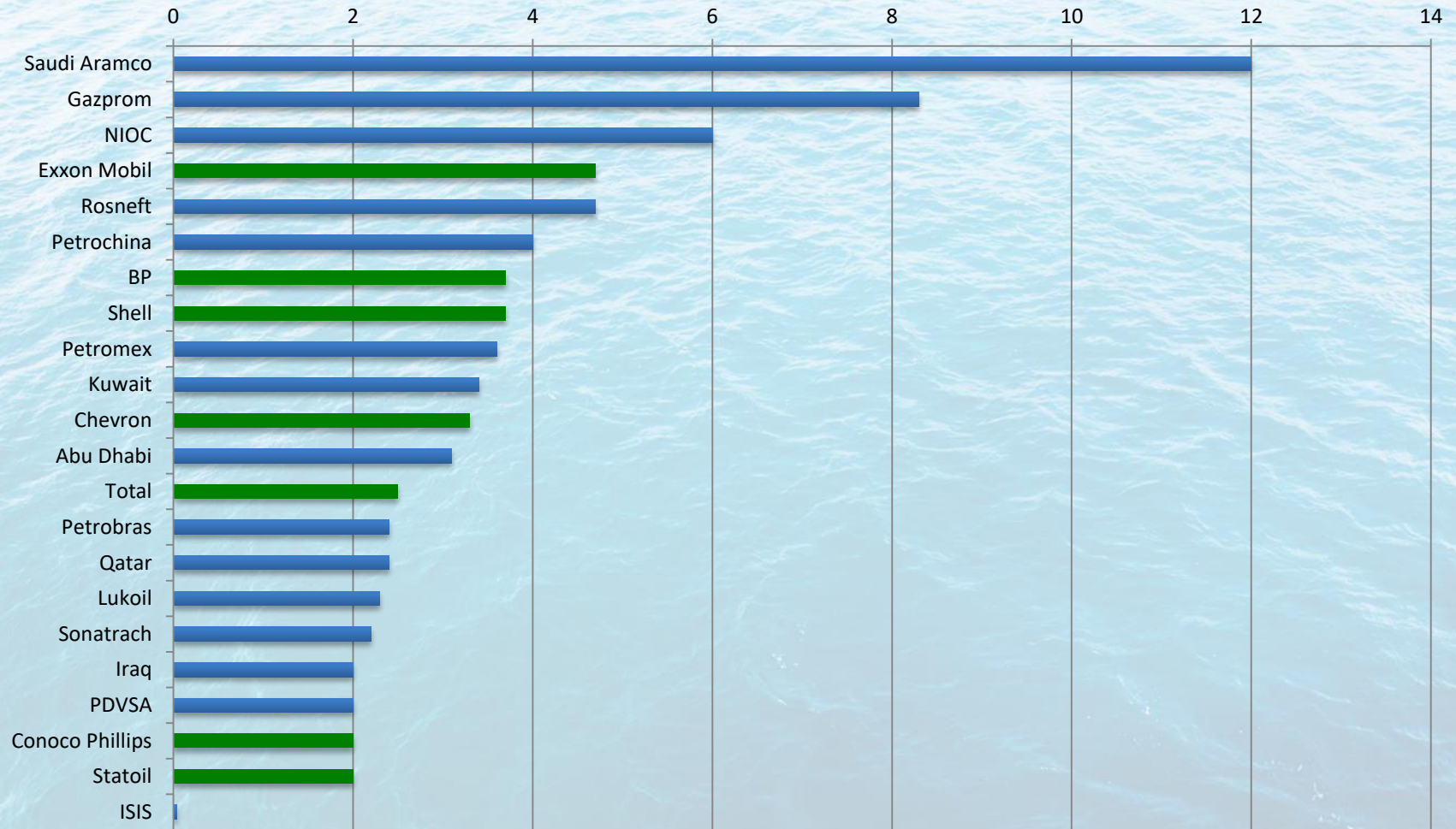
The customer



- Oil super major? .. XOM, Shell, BP
- Oil major + Chevron, Total, Statoil, Conoco Phillips
- E&P's Premier, Talisman etc
- Refiners Inios, Valero etc
- Traders.....Glencore, Trafigura etc
- Integrated / sector specific
- **IOC or NOC?!!!**

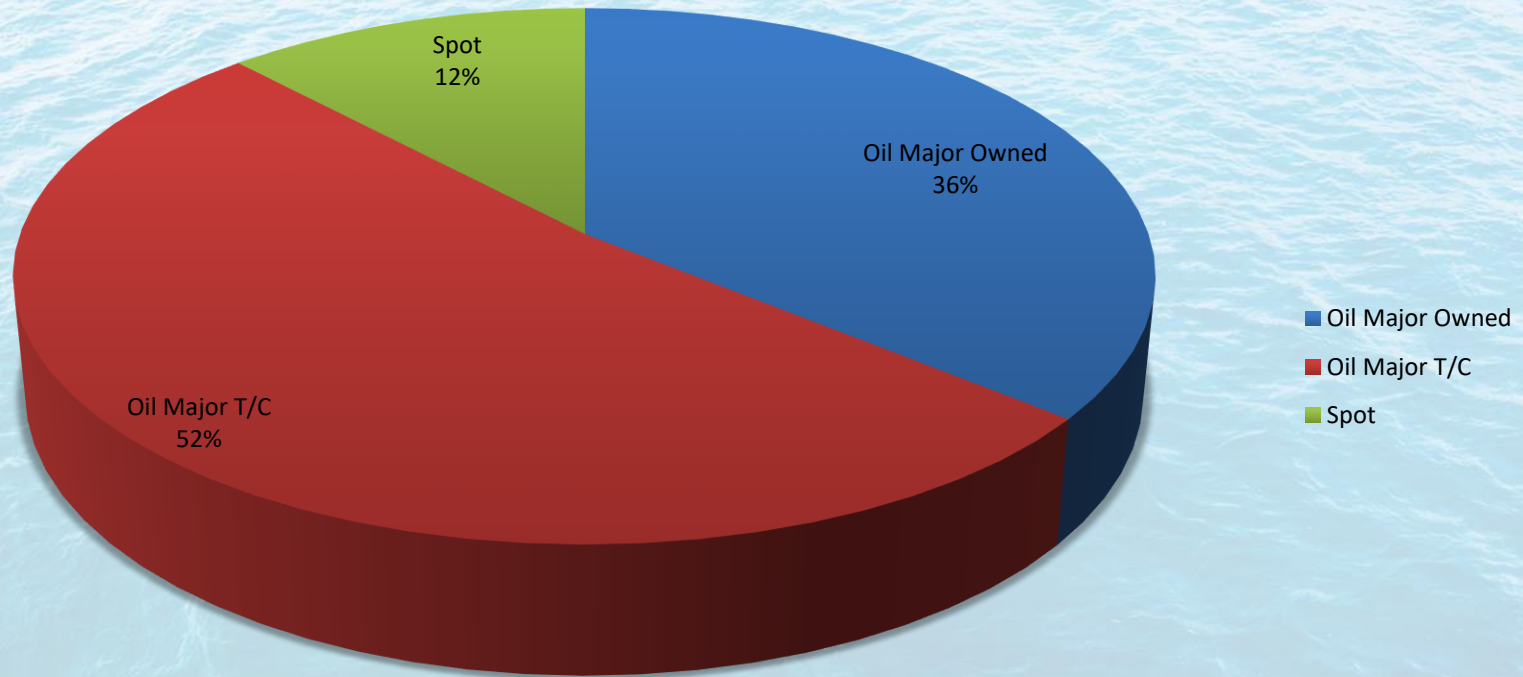


Oil Majors? 2015 Top Producers



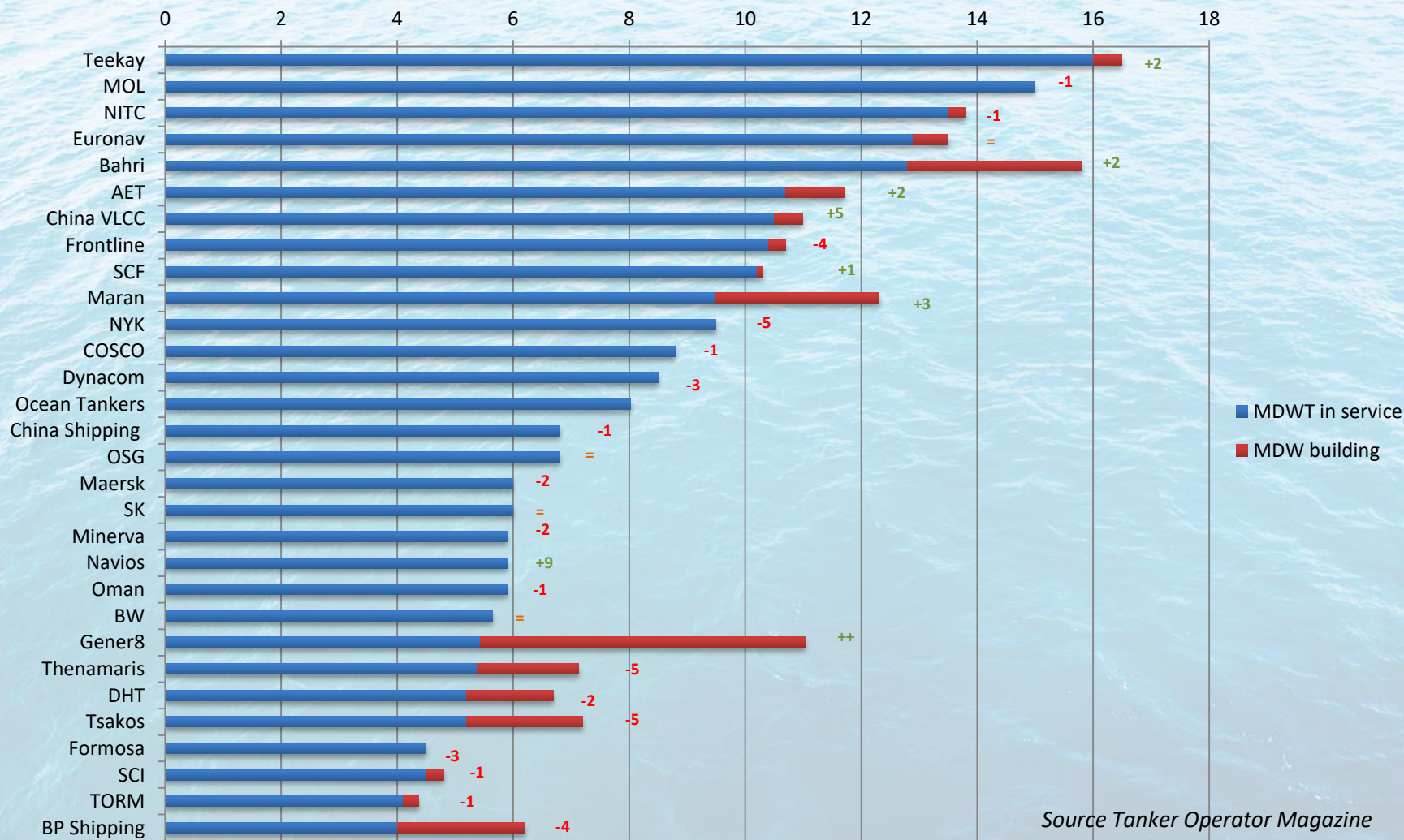
Data source Forbes

Oil Major share of tanker tonnage 1970



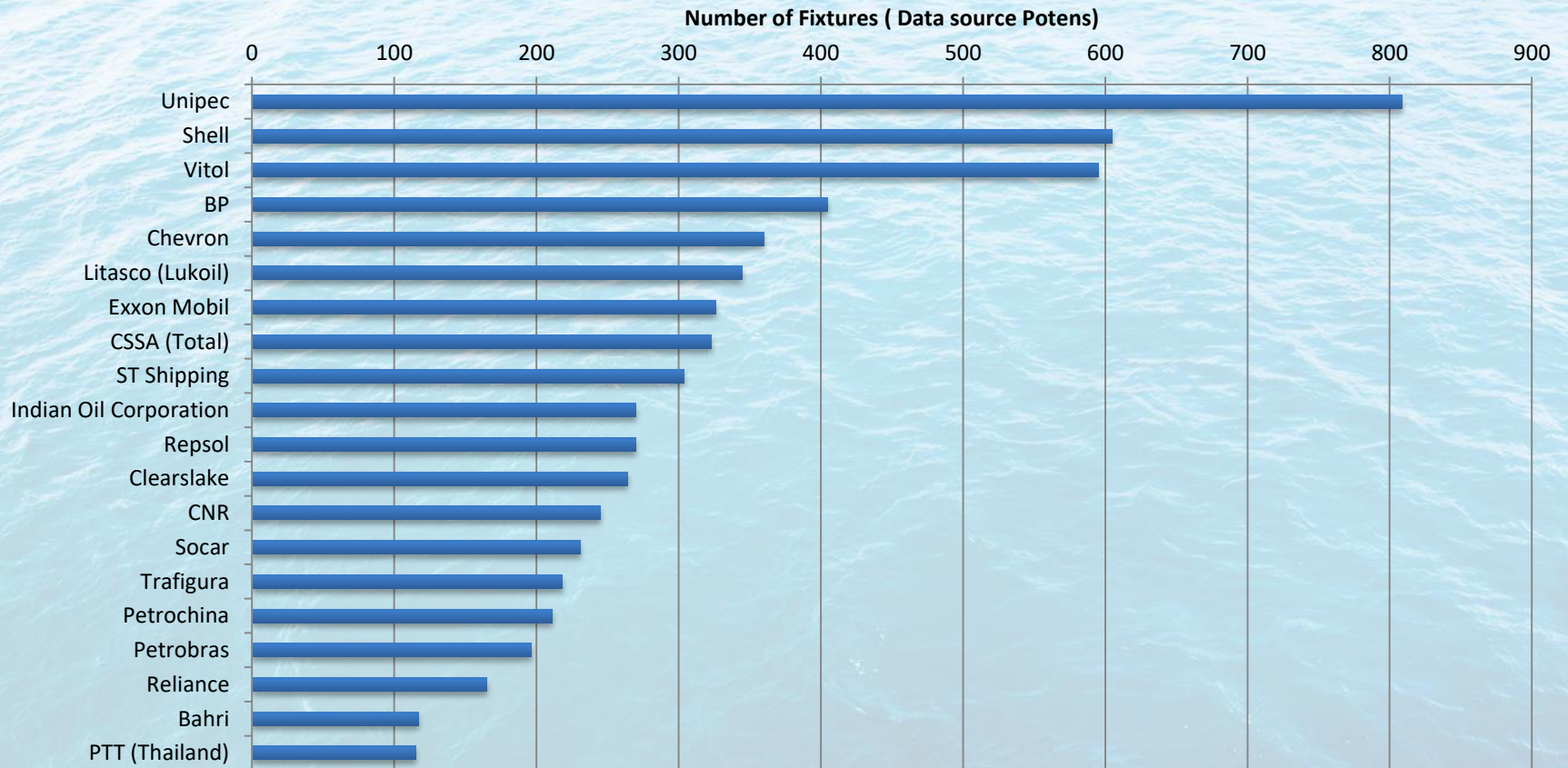
Data Source Martin Stopford Maritime Economics

Tanker Owners Top 30 2015



Source Tanker Operator Magazine

2015 Dirty Fixtures



- Safe
- Reliable
 - On time-no stock outs or field shutdowns
 - No breakdowns
 - No contamination
- Efficient
 - Good rate
 - Load and discharge full stem
 - Good communications

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The ship operators challenges

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The dream

- Transparent markets
- Balanced market providing fair return for owners and economic transportation for charterers
- Single uniform standard across the globe



The requirements

- No flags of convenience
- Transparent ownership and taxation
- Ship-owners committed to common standards
- No competition between flag states, class societies.
- Clean covered
- No over politic
- No tra
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- Healthy tanker rates?
- Incident rates and pollutions are low but the consequence of getting it wrong is even higher than it was
- Demand is uncertain with world growth, price, demand, energy security and climate change
- There are many customers
 - National oil companies are increasingly the main player
 - IOC's
 - Super majors, majors
 - Traders
 - E&P's
- The balance has changed over 50 years but instead of big oil major fleets there are now big NOC fleets
- The industry is complex but what's the alternative?