

# DAILY ENERGY MARKETS FORUM

## NEW SILK ROAD



Consultancy  
Intelligence  
Publishing

## EXCLUSIVE SERIES

# VIEWS YOU CAN USE

**Pradeep Rajan**  
Senior Managing Editor, APAC Freight Markets  
S&P Global Platts



### It's been an unprecedented and phenomenal year for shipping.

Containers are making around \$10,000 to \$12,000 for shipping a 40 foot-foot equivalent unit (FEU) from the Far East to North America. Dry bulk markets across every sector are above the \$35,000/day range. Tanker markets by contrast, is where the grief is. After the contango market that we had in 2020 with oil demand destruction happening, a lot of the tankers went into floating storage. Now, with crude in backwardation, those ships are being redelivered back to the market and adding to spot supply. To move one metric ton of crude from the Persian Gulf into a port in China on a VLCC today, you are only paying between \$6 to \$7 a metric ton. Some vessels are operating below OpEx levels and not making enough money to run even day to day activities. But with oil demand recovering now, we're starting to see signs of tanker markets coming back to life.

### What tanker routes are showing the best recovery?

We're starting to see more oil from the Atlantic basin coming into the Far East. There and back, that's a 90-day employment for a ship. A trip from the Persian Gulf to the Far East by contrast completes a return trip after 30 or 40 days. So, we're seeing slightly better freight rates in the VLCC markets and across the dirty tanker markets. We could also expect the same story in the clean tanker markets given that a lot of refineries are not carbon compliant and will have to slow down their operations. As a result, clean products could be in short supply in particular areas, so we will start to see clean tankers making longer hauls to supply those areas. By Q1 or Q2 of next year, tanker markets should have recovered.

### Are crew changes still an issue because of Covid restrictions?

Currently, the main issues are travel restrictions and closed borders and that is still leading to crew changes as well as delaying ships. Individual port states also have their own restrictions and quarantine rules which causes congestion and further delays, all these factors are adding to the strength in shipping markets.

### Are ports and the shipping sector adapting fast enough to the energy transition?

The International Maritime Organization is coming up with new legislation for 2023 for ships to reduce carbon emissions. They will get a grading depending on the ship's efficiency and carbon emission levels. Large chartering companies such as Vitol, Trafigura or Reliance, which are members of an initiative called Sea Cargo Charter, are likely to only use complaint ship owners. The shipping sector is currently working on processes and technologies that will make them compliant once the new emission regulations kick in. Various alternative fuels are being looked into delivering energy transition in the maritime sector. Many ports, too, are working on setting up infrastructure to facilitate as well as cater to energy transition in the shipping markets. ■

*\*Paraphrased comments*

**Series Supported By:**



Copyright © 2021 GULF INTELLIGENCE FZ LLC. All Rights Reserved.

Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.