

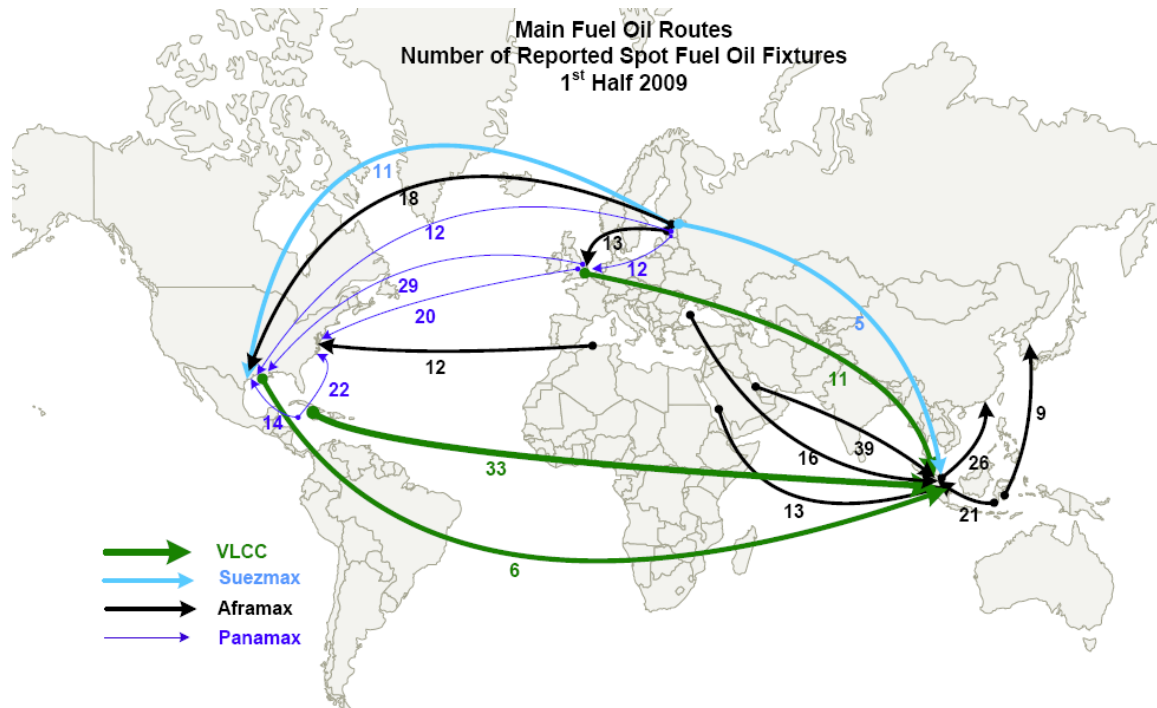


## Walking This Way?

The oil tanker industry is expected to experience major shifts in fuel oil routes to accommodate future International Maritime Organization (IMO) bunker fuel regulations.

In the first half of 2009, the greatest number of spot fuel oil-hauling VLCC fixtures originated in the Caribbean, the US Gulf Coast and Northwest Europe and discharged in Southeast Asia (specifically Singapore). Suezmaxes were the least utilized vessel class, typically hauling residual fuel oil from the Former Soviet Union Republics to the Far East and the US Gulf Coast.

The majority of the spot Aframax fixtures moving residual fuel oil in the first half of 2009 originated in the Eastern Hemisphere (the Arabian Gulf, the Red Sea, the Black Sea, and Indonesia) and discharged in Asia Pacific. Aframax class vessels also shipped fuel oil from the Baltic Sea to Northwest Europe and to the US Gulf Coast. Spot Aframax fixtures moved residual fuel oil from Algeria to the US East Coast. Spot Panamax fixtures moving residual fuel oil dominated in the Western Hemisphere. Majority of the Panamax cargo discharged in the US East and Gulf Coasts.



Source: Poten & Partners Proprietary Spot Tanker Fixture Database.

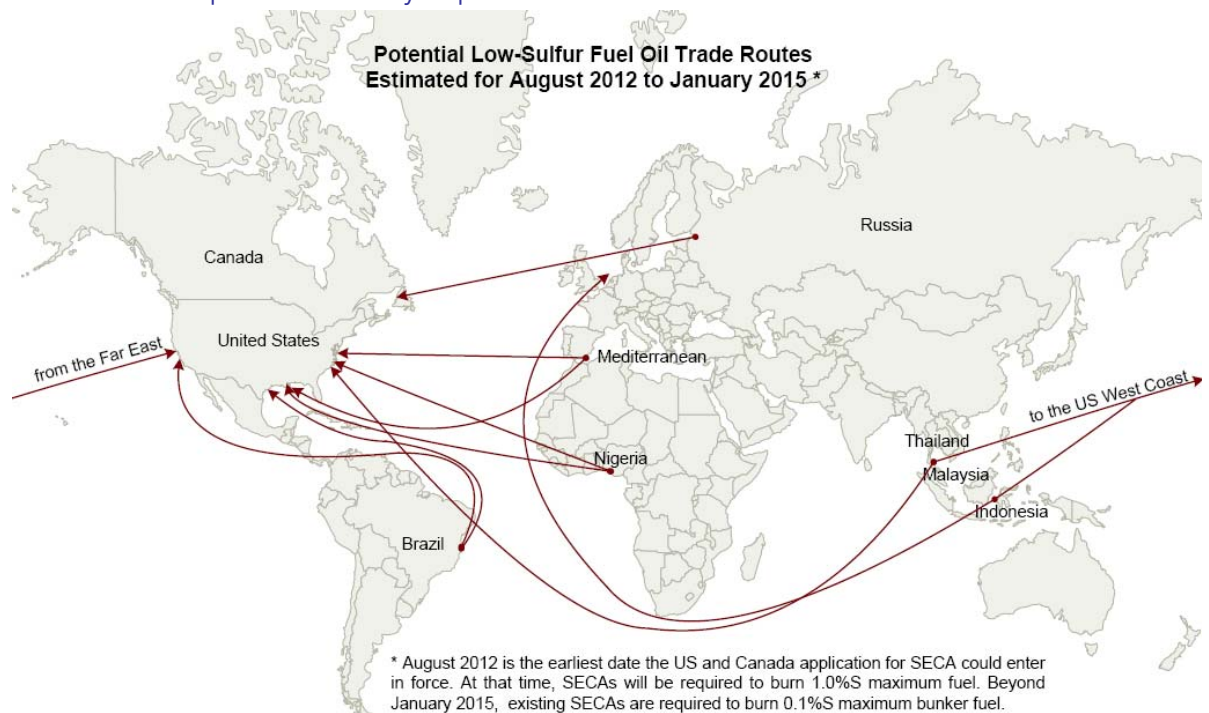
Vessel Class	Deadweight Tons
VLCC	200,000 +
Suezmax	120,000-199,999
Aframax	80,000-119,999
Panamax	60,000-79,999

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## No California LSFO Rush?

The earliest the US and Canada can be approved to become Sulfur Emissions Control Areas (SECAs) is August 2012. Once this happens, demand for 1%S bunker fuel oil could increase by over 1.6 million metric tons on the US East and Gulf Coasts in 2013. Demand would remain strong until January 2015 when the bunker sulfur content is capped at 0.1% maximum. This shift in LSFO demand for bunkering would cause the waning of existing high-sulfur fuel oil routes and the creation of new low-sulfur fuel oil routes.

Canada was the leading source of 1%S maximum residual fuel oil in 2008 for the US. According to the US Energy Information Administration, Canada exported nearly half a million metric tons of 1%S maximum fuel oil to the US East Coast. Canada could retain the low-sulfur product for its own bunkering operations, however, should it become a SECA. East Coast Canada could potentially also turn to Russia to meet its future low-sulfur bunker fuel demand. On the other hand, high-sulfur fuel oil exports from Russia and Northwest Europe to the US East and Gulf Coasts are expected to virtually stop.

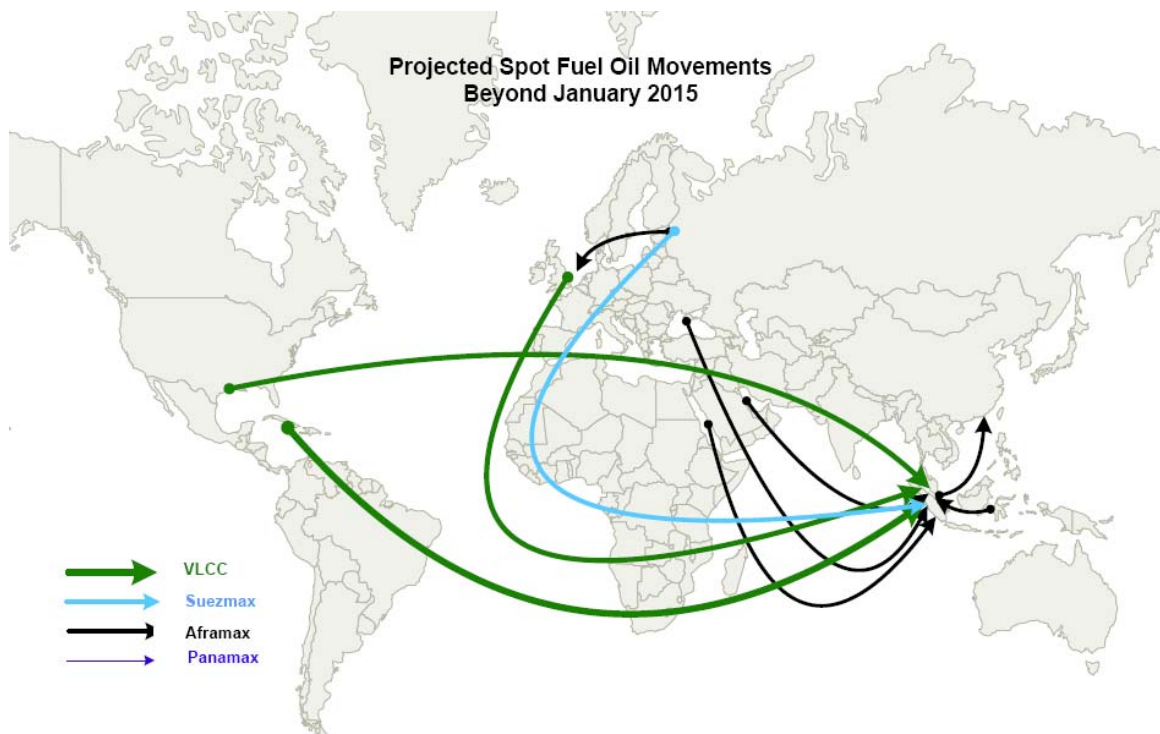


The US imports minor quantities of low-sulfur fuel oil from the Mediterranean (specifically Spain, Algeria and Libya). Imports of 1%S maximum fuel oil from the Mediterranean could increase after August 2012. Nigeria's low-sulfur fuel oil exports to the US would also pick up, assuming that the political uncertainty in the northwest African country stabilizes. Brazil's Petrobras already has set up camp in Rotterdam where it offers LSFO for bunkering. Petrobras also supplies the US East Coast with 1%S maximum fuel oil. Should the requirements for the product increase, LSFO from Brazil will likely find its way to the US Gulf Coast, and could transit the Panama Canal to reach the US West Coast.

Depending on how strong LSFO demand is during the period August 2012 to January 2015, the US may turn to the Far East for imports (specifically Thailand, Malaysia and Indonesia). A possible scenario is the Far East exporting low-sulfur fuel oil to North America and importing back high-sulfur fuel oil.

California, which usually marches to the beat of its own drum when it comes to environmental regulations, is aiming to jump the gun on a possible US SECA and impose a 0.1%S max fuel restriction on vessels calling at its ports beginning January 2012. If California goes its own way, not much low-sulfur residual fuel oil is expected to move from the Far East to the US West Coast, as this demand will need to be met with marine diesel.

## Show Is Over, Nothing to See Here



Following the expected 2012 to 2015 LSFO rush in Northwest Europe, US and Canada, demand for the 1%S maximum resid is expected to wane. The fuel oil routes created during this period would likely be replaced by routes reflecting the increasing demand for marine diesel \*. One thing that is expected to remain unchanged past 2015 is the demand for resid in Southeast Asia's hub of Singapore without any current plans to adopt the more stringent SECA limits, Singapore should remain a popular bunkering location.

\* Poten's newest publication *Transportation Fuels Prospects 2009-2015* provides projections on gasoil/diesel, gasoline and kerosene supply, demand and cost. To be published mid-July 2009. For more information, please email us at [transfuels@poten.com](mailto:transfuels@poten.com).