



POTEN TANKER OPINION



That Sinking Feeling ...

Global ton-mile demand took another beating in 2021

Last year we published our first ranking of global dirty trade routes, covering both crude oil and dirty products, like fuel oil. Many of the top routes (in ton-miles/day) have destinations in Asia, the engine of oil demand growth. Not surprisingly, because of the Covid-19 pandemic, transportation demand was down in 2020 compared to 2019, both in barrels per day as well as in ton-miles per day. The latter is the most relevant for the tanker market, because it considers transportation volumes as well as distances. Unfortunately, the situation did not improve in 2021. Ton-mile demand (derived from the APEX data of Lloyds List Intelligence) was down another 5.3% last year compared to 2020 (on top of the 5.5% decline in the previous year). Within the overall ton-mile demand picture, there are some interesting movements on individual routes, which we will discuss below.

In the rankings, two things stand out. First, the dominance of Asia as a destination. Nine of the top 10 dirty trade routes have Asian destinations. The first non-Asian route is the Arabian Gulf to U.S. Gulf route, ranked at No. 10. Secondly, distances matter... a lot. While the No. 1 route tops the list for both ton-miles per day and barrels, per day, the second largest route by volume, AG to South Asia only places 13th in the ton-mile ranking due to the short distance between the Middle Eastern producers and their customers in South Asia. The reverse is true for some of the export-routes out of the Atlantic Basin. Exports from the U.S. Gulf and the Atlantic coast of South America (Brazil, Venezuela, Guyana) feature prominently in the ton-mile ranking, but their volumes in terms of barrels per day are not as impressive.

Increasing imports into South Asia (the Indian subcontinent) were a favorable development in 2021. Oil demand in India grew 4% in 2021 relative to 2020, from 4.54 Mb/d to 4.72 Mb/d, a positive development. However, even better for the tanker market was the fact that most of the increase in Indian crude oil import demand was sourced from the U.S. Gulf. As can be seen in Table 1, the US Gulf to South Asia route moved up from 13th in 2020 to 9th in 2021. With an increase of 169.9 million ton-miles per day (Mtm/d), this route was the biggest gainer in 2021 (+45%). The boost in ton-mile demand was driven by the long distances involved in this trade. The volumes from the AG and West Africa to South Asia picked up as well, but their growth was much more limited. Another long-haul trade, from the AG to the West Coast of North America was the second largest gainer: +152.2 Mtm/d (+45%).

West African exports hit a rough patch in 2021. The West Africa to South Asia trade was the only major West African export

Top 20 Dirty Trade Routes

	TonMiles per Day					Barrels Per Day	
Route	(Million)	%	(Million)	Rank	Rank	(1,000)	(1,000)
Top Increases	2021	2021	2020	2021	2020	2021	2020
AG to China Sea	5,645	22%	6078.04	1	1	6,774	7,292
AG to Japan	1,897	7%	1906.86	2	2	2,124	2,136
W Africa to China Sea	1,575	6%	1871.01	3	3	1,223	1,450
S America (Atl) to China Sea	1,133	4%	1370.8	4	4	785	954
AG to SE Asia	1,039	4%	933.55	5	6	2,073	1,854
US Gulf to China Sea	1,015	4%	1062.76	6	5	723	757
S America (Atl) to SE Asia	552	2%	753.42	7	8	371	504
Scandinavia/Baltic to China Sea	547	2%	860.827	8	7	298	462
US Gulf to South Asia	544	2%	374.444	9	13	421	289
AG to US Gulf	524	2%	593.547	10	9	326	373
AG to N America (Pac)	487	2%	334.931	11	14	317	218
W Africa to South Asia	449	2%	433.991	12	11	454	440
AG to South Asia	400	2%	383.469	13	12	3,069	2,941
W Africa to SE Asia	383	1%	441	14	10	350	403
C America - (Pac) to China Sea	285	1%	331	15	15	220	255
SE Asia to SE Asia	264	1%	230	16	20	1,964	1,706
US Gulf to SE Asia	239	1%	311	17	17	153	198
Black Sea to S Europe	234	1%	239	18	19	909	928
UK/Eire to China Sea	233	1%	325	19	16	119	166
N America (Pac) to N America (Pac)	211	1%	197	20	25	750	702
All Other	8,365	32%	8,453			27,284	27,139
Global Trade	26,021	100%	27,484			50,705	51,166

Top Dirty Trade Route Changes

Route	TonMiles per Day				Barrels Per Day			
	(Million)	(Million)	(Million)	%	(1,000)	(1,000)	(1,000)	%
Top Increases	2021	2020	Change	Change	2021	2020	Change	Change
US Gulf to South Asia	544	374	+169.9	45%	421.1	289.4	131.7	46%
AG to N America (Pac)	487	335	+152.2	45%	316.7	217.8	98.9	45%
AG to SE Asia	1,039	934	+105.5	11%	2,072.7	1,853.8	218.9	12%
AG to S America (Atl)	136	52	+84.5	164%	91.1	35.0	56.1	161%
S America (Atl) to N America (Pac)	133	60	+73.5	123%	149.3	66.6	82.7	124%
Top Decreases	2021	2020	Change	Change	2021	2020	Change	Change
AG to China Sea	5,645	6,078	-432.9	-7%	6,774.0	7,292.0	-517.9	-7%
Scandinavia/Baltic to China Sea	547	861	-313.4	-36%	298.3	462.4	-164.2	-35%
W Africa to China Sea	1,575	1,871	-295.9	-16%	1,222.7	1,449.6	-226.9	-16%
S America (Atl) to China Sea	1,133	1,371	-237.6	-17%	785.1	953.6	-168.5	-18%
S America (Atl) to SE Asia	552	753	-201.0	-27%	370.6	503.8	-133.2	-26%
Global Trade	26,021	27,484	-1462.6	-5%	50,705.0	51,166.4	-461.4	-1%

Source: Poten & Partners, Lloyd's List Intelligence

trade that increased in 2021. The West Africa to SE Asia trade declined only marginally, but the West Africa – China Sea, the 3rd largest global trade declined by almost 300 million ton-miles per day (Mtm/d), a reduction of 16%!

Overall, there was a significant YoY decline in ton-mile demand and the bottom half of table 2 shows that imports into the China Sea were the largest contributors to these declines (in Mtm/d), as China in particular imported less crude. Chinese customs data shows that the country's crude oil imports declined 5.4% last year, the first reduction in imports in 20 years. Chinese authorities clamped down on domestic fuel production and refiners drew down inventories that were build up when crude oil prices were very low during periods in 2020. Expectations are that imports will grow again in 2022, but not at the average annual rate of 10% that China experienced since 2015.

The above statistics make it abundantly clear why the tanker market was in the doldrums in 2021: a decline in ton-mile demand combined with an expanding fleet. A reversal of these trends, preferably both at the same time, will be needed to lift the fortunes of the owners of crude oil tankers.