



## POTEN TANKER OPINION



## Making Waves In The Pacific

## The Aframax trades in the Pacific are due for a change

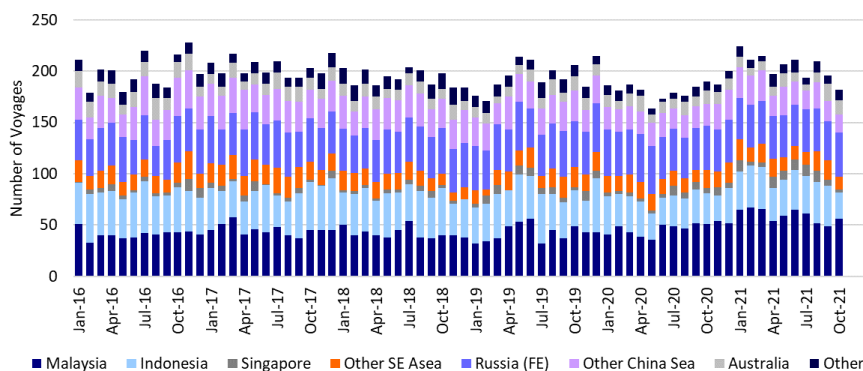
The Aframax crude oil trades tend to have a regional focus. Some of the most important trading areas for Aframaxes are the US Gulf/Caribbean, the North Sea/Baltic and the Mediterranean. Because Aframaxes are most competitive on short- to medium haul voyages, they are much less prevalent in the trades from the Middle East and West Africa, which tend to be dominated by VLCCs and Suezmaxes. The Pacific Basin is a bit of an outlier. There are some regional trades within the Pacific, by far the biggest of which are the trades from Indonesia/Malaysia to other ASEAN countries and China. Other distinct trades are the voyages from Australia, Russia and the movements along the Pacific coast of North and South America. Let's take a closer look at some of the Pacific Aframax trades and see if there are potential areas of growth.

Over the last 5 years, not much has changed in terms of overall volume of Aframax crude oil export voyages in the Pacific. The number of Aframax voyages loading in Asia/Australia has typically been in the range of 175 – 225 voyages per month (Chart 1). The lowest level was during one of the worst months of the pandemic, in May 2020, when 164 export voyages were concluded. In January of this year, the volumes had recovered to 224 monthly liftings, with the 2021 average to date at 205 monthly voyages.

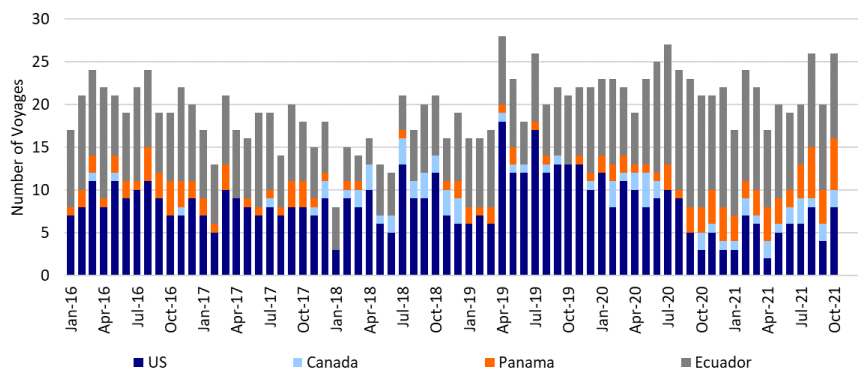
It appears that the number of Aframax voyages from Malaysia has increased markedly since early 2020. In the period 2016 – 2019, the number of voyages originating in Malaysia averaged 42 per month. In 2020 the average was 47 voyages and in 2021 to date, it has increased to 59 monthly liftings. Since there has not been a significant increase in Malaysia's crude oil production, we suspect that this increased activity is a result of the increased floating storage activity in Malaysian waters. This is partly due to the floating storage boom after Covid-19 hit in early 2020 and partly a result of the increase in clandestine crude oil movements into Asia. "Rogue" VLCCs laden with crude from Iran and Venezuela frequently anchor offshore Malaysia, from where Aframaxes tankers shuttle the crude to their final destination. Shuttle voyages seem to be driving the Aframax activity offshore China as well with an average of 27 voyages per month originating in the China Sea.

In contrast, export voyages from Indonesia have gradually declined over the last 5 years as Indonesia's crude oil production has stagnated and increasing domestic demand has limited the potential for exports. In 2016, Indonesia registered an average of 41 Aframax export voyages per month. By 2019, it was down to 39 voyages and in 2021 to date Indonesia has exported less than 37 cargoes per month, a gradual decline.

Aframax Crude Voyages Loading in Asia/Australia By Load Area



Aframax Crude Voyages Loading in Americas, Pacific By Load Country



Source: Lloyd's List Intelligence

Exports from Russia's Far East have remarkably stable over the last five years ranging from 40 voyages per month in 2016 to 43 voyages per month in 2019 and 2020.

On the other side of the Pacific, Aframax activity is more subdued, at least for now (Chart 2). The most active Aframax trade on the Pacific coast of the Americas has been the export trade from Ecuador at about 10 cargoes per month. The main destinations are the U.S. and Panama. Some Ecuadorian exports to Panama end up in the PTP storage tanks in Puerto Armuelles, for export to China (in VLCCs) or directly transshipped into VLCCs off the Panamanian Coast.

Aframax trades from North America (Pacific) have been dominated by the Jones Act movements from Alaska to the U.S. West Coast. This trade is expected to gradually decline with falling Alaskan production. However, in recent years, there has also been a trickle of crude coming out of Canada (one or two cargoes per month). With the expansion of the Trans Mountain pipeline coming online in 2022 or 2023 (+600,000 b/d), the volume of Aframax exports is expected to increase to more than 30 voyages per month. This could be a major boost to Aframax employment in the area in the coming years.