



POTEN TANKER OPINION



Atlantic Basin Based

How the pandemic changed Aframax flows and volumes

Last, but not least, in our series about the impact of Covid-19 on crude oil trade flows, we will address the Aframax market. Unlike the VLCC and Suezmax tankers that we discussed in previous weeks, Aframaxes are predominantly employed in short-haul, regional trades. Global Aframax trades in the first six months of 2020 were down by an average of 26 voyages per month (3%) compared to the same period of 2019. However, similar to the other segments, the decline was not universal; some trades showed increased volumes, while others were down significantly. Let's explore some of the differences to see if we can explain what is going on.

Aframax export voyages from the U.S. Gulf were up 11%, from 118 voyages per month in 2019 to 130 voyages per month in 2020 (chart 1). A significant part of the Aframax activity in the U.S. Gulf is related to (reverse) lightering activity. Both increased VLCC imports from the Middle East (primarily from Saudi Arabia) and higher VLCC exports to Asia during the first half of 2020 generated more lightering and reverse lightering demand. But this was not the only explanation for higher Aframax volumes. Increased exports to Northwest Europe were also a significant contributor.

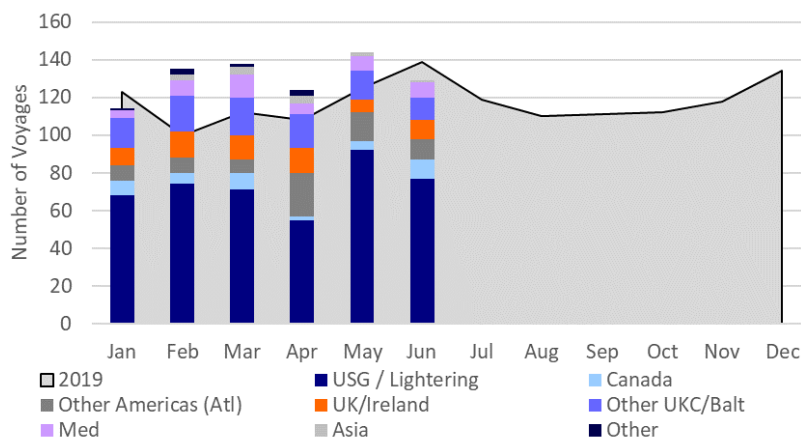
Export volumes from the North Sea and the Baltic were a mixed bag during the first six months of 2020. North Sea exports were up, while Russian volumes from the Baltic were down (chart 2). Russia was a participant in the OPEC+ production cuts, which explains part of their decline.

The Mediterranean was also a study in contrasts. While North African exports were down as a result of the shutdown of Libyan ports, flows from the Black Sea and Sidi Kerir (pipeline) were up. Most of Libya's crude goes to Europe and they replaced it with oil from the North Sea, the Black Sea and the U.S. Gulf. The impact on ton-mile demand was fairly limited.

Even with Covid-19, Asia Pacific was a growth area for Aframaxes. China, in particular took more volumes from the Middle East, the Mediterranean, the North Sea and the Americas both from the Atlantic and the Pacific side (Canadian crude ex-Trans Mountain pipeline). Not all Aframax trade in Asia grew in 2020. Volumes into Japan, Australia and the Indian Sub-Continent were down. As shown in the 3rd chart on the right, intra-regional trade in Asia was down in the first half of 2020, compared to 2019, in particular in the 2nd quarter.

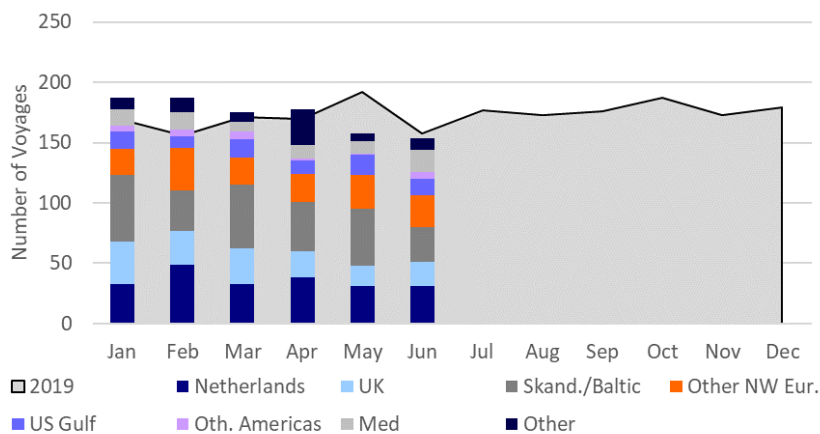
The Asian market has grown in importance for Aframax tankers over the years, but the Atlantic Basin remains the bread and butter for this segment and a rebound of European and North American demand is key for an Aframax recovery.

2020 Aframax Export Voyages from the US Gulf



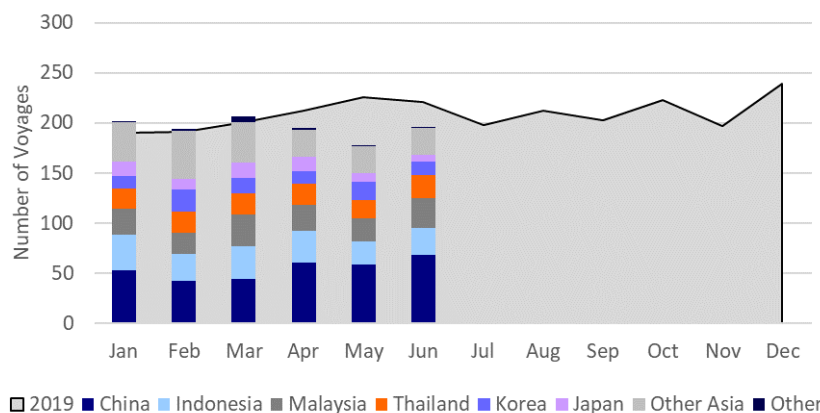
Source: Lloyds List Intelligence

2020 Aframax Export Voyages from UKC/Baltic



Source: Lloyds List Intelligence

2020 Aframax Export Voyages from Asia/Australia



Source: Lloyds List Intelligence