POTEN TANKER OPINION

Guyana Revisited

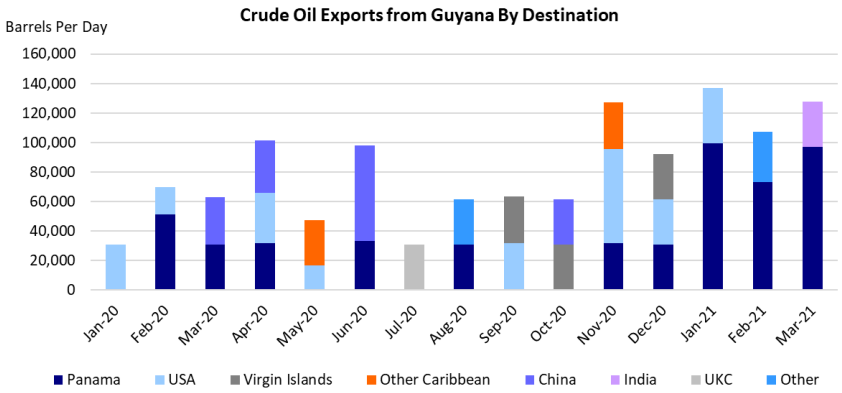
A welcome new addition to the crude oil export markets

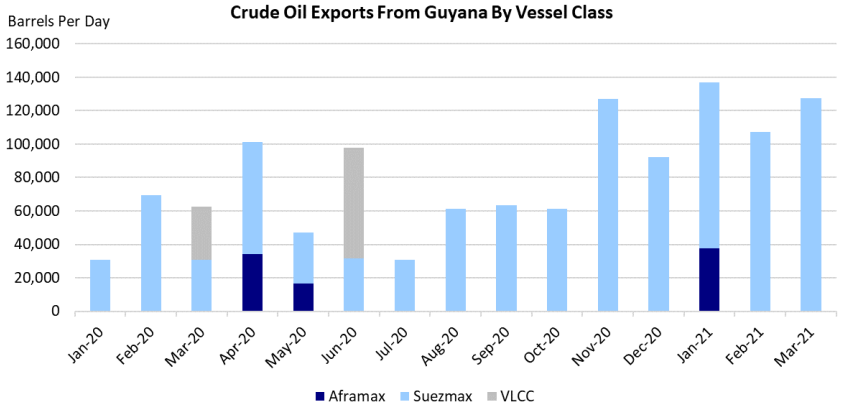
In October 2019, we wrote a Weekly Opinion entitled "Guyana Gusher". We described the enormous potential of this new Atlantic Basin oil producer that was planning to start exporting oil in the beginning of 2020, growing its output to 120,000 b/d in 2021 and eventually targeting 750,000 b/d in 2025. Back in 2019, we did not know where the oil was going to be exported to and which tanker segments were likely to benefit most. Obviously, the original plans pre-dated the Covid-19 pandemic and the resulting turmoil in the oil markets and things will have changed. In this Weekly Tanker Opinion, we will take a look back at how 2020 and the beginning of 2021 developed for Guyana as compared to our original expectations.

The first shipment of Guyana's Liza light sweet crude took place in January 2020. A Suezmax took 1 million barrels from the Liza Destiny FPSO and shipped it to Exxon's refinery in Galveston, Texas. Exxon is the main producer in Guyana, together with partners Hess and China's CNOOC. Since that first cargo, several of the other shipments have also been sold into one of the partner's refining systems.

Guyana itself receives a portion of the crude oil output as part of the deal with the oil companies that discovered and developed the offshore fields. The country can then sell this oil on the open market. However, because Guyana does not have a domestic refining industry, nor a state oil company, the country relies on private companies to market it's share. Initially, Guyana struck a short-term deal with Royal Dutch Shell, which marketed the first three shipments. Guyana launched a search for a permanent partner, but the selection process was deemed unsuccessful after 28 of the 29 bidders failed to meet the criteria. Instead, Guyana asked Exxon, Hess and CNOOC to submit bids, with Hess presenting the best terms.

As can be seen in chart 1, Guyana's crude, which is of high quality, has been shipped all over the world, although most of the cargoes remain in the Atlantic Basin (USA, Virgin Islands, Aruba, etc.). Several European oil companies have also taken (trial) cargoes to test the crude in their refineries. The Netherlands, France and Italy have all imported crude from Guyana. Outside the Atlantic Basin, most of the Liza crude seems to end up in China, courtesy of CNOOC, which is a member of the production consortium. However, according to the import statistics of the EIA, cargoes of crude from Guyana also regularly show up on the U.S. West Coast. This crude is most likely shipped via the Trans-Panama pipeline. According to the APEX data from Lloyd's List Intelligence, the highest volume trade for the Liza crude is from Guyana to Chiriqui Grande in Panama, the location of the Atlantic terminal of the Trans-Panama pipeline. The crude then shipped from the





Source: Lloyd's List Intelligence

Pacific terminal of the pipeline in Charco Azul to destinations in China and (as mentioned earlier) and the U.S. West Coast. China has received some direct shipments (not via the Trans-Panama pipeline) as well. Other destinations in the Pacific Basin include India and Malaysia.

Suezmaxes have been the main beneficiaries of Guyana's nascent crude oil exports (chart 2). There were a few Aframax cargoes destined for the U.S. Gulf, two VLCCs that shipped cargoes to China and one VLCC that discharged in Chiriqui Grande. All other cargoes from the Liza field in Guyana have been shipped on Suezmaxes. The trips to India and Malaysia in particular generated significant ton-miles. India's government has indicated that these purchases are part of the country's diversification drive and it is expected to import more crude from Guyana in the future. However, we have to keep in mind that the current production is only 120-130,000 b/d, i.e. 3-4 Suezmax cargoes per month. As the production ramps up, it becomes more likely that shipments to Asia will increase and more VLCCs will be utilized. One thing is certain, the small nation of Guyana (population 800,000) has no domestic refinery (or plans to build one), so all the crude that is produced will be exported. And given that the oil production facilities are all located offshore in deep water, there is flexibility to use vessels up to VLCCs.