



POTEN & PARTNERS

September 19
2025

HOUSTON / NEW YORK / LONDON / ATHENS / SINGAPORE / GUANGZHOU / PERTH

POTEN TANKER OPINION



VLCCs Are Booming Again

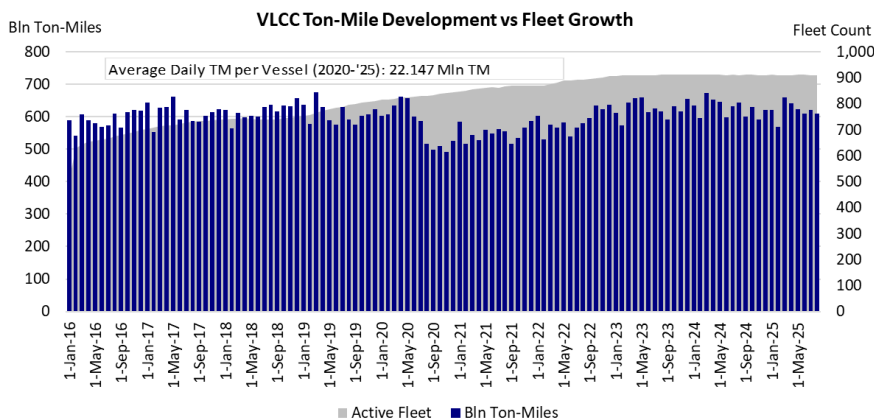
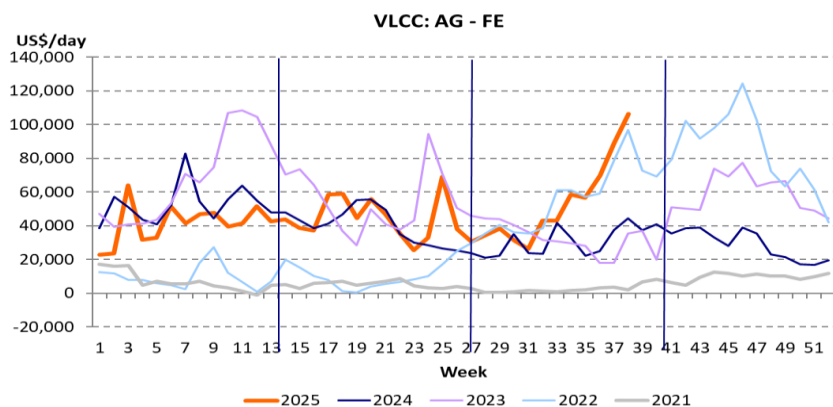
VLCC rates are surging, but will it last?

The tanker market does not usually make it into the mainstream press. That is, unless there are oil spills or major geopolitical events in oil producing regions. However, another time when tankers get noticed by the general public is when VLCC rates cross the magical \$100,000/day level. That happened this week. VLCC rates on the benchmark AG-China (TD3C) route touched \$100,000/day, well above the previous peak reached during the brief Israel-Iran conflict in June. The last time VLCC rates were at these levels was in 2022, on the back of the Russian invasion of Ukraine and the massive crude oil releases from the U.S. Strategic Petroleum Reserves. In this Tanker Opinion, we'll discuss what triggered the current rate spike and whether it can last into the fourth quarter of this year and into 2026.

The underlying reasons for the high VLCC rates are relatively straightforward: a combination of increasing demand for ships and limited supply of available tonnage. VLCC demand has been rising as the number of long-haul voyages have picked up. There has been more crude shipped from the Atlantic to the Pacific Basin, adding to ton-mile demand and longer trips limit tanker availability. More barrels from West Africa, the U.S. Gulf and Latin America are shipped to Asia, mostly on VLCCs. For the first time in a long time, there was even a cargo of North Sea crude shipped to China. Middle East OPEC producers, especially the ones that participated in the voluntary cutbacks in 2023, have unwound their quota cuts and are starting to bring back production and exports. Further export increases are expected as the end of summer means that domestic energy demand in the Middle East (for air conditioning) will subside. India, which has been in the crosshairs of both the U.S. and the E.U. because of their large purchases of Russian oil, is diversifying its sources of crude, buying more from the Middle East, but also looking further afield to the Atlantic Basin (West Africa and the U.S. Gulf). This shift away from Russia effectively transfers barrels from Aframaxes and Suezmaxes to VLCCs.

China is also a major factor driving oil demand. Domestic oil demand is not growing very quickly in China, but imports are still elevated because of stock building. This is probably driven by a combination of regulatory requirements, competitive oil prices, increased availability of new storage capacity, and a desire to boost inventories in an increasingly uncertain world with higher risk of supply disruptions.

On the vessel supply side, we have also seen bullish factors that underpin the current freight market. VLCC deliveries have been extremely low. In 2024, only one VLCC was delivered and in 2025 to date, only two new vessels have been added. At the same time, Western governments continue to add vessels to the



Sources: Poten & Partners, Vortexa

sanctions list. According to Tankertrackers.com, some 177 VLCCs are currently sanctioned, representing almost 20% of the total VLCC fleet. While most of these vessels continue to be employed somewhere and somehow, the pool of ships available for mainstream business is being reduced. And these are the vessels that set the rates. Factors that have an impact on the margin are more vessels going into drydock, and certain owners employing unconventional chartering strategies that restrict vessel supply. Another issue to consider is the USTR regulations that will be implemented on October 14. As of this date Chinese owned/operated vessels will effectively be unable to call on the U.S. If they do, they will incur significant fees, making them uncompetitive. Chinese owners/operators have been required to reposition their ships, creating inefficiencies and further tightening the market.

Based on all these factors, the strong VLCC market is not a surprise. But what about the future? Is this sustainable? We think it is. Many of the drivers that pushed the market up so far will remain in place for a while. More OPEC oil is coming, China will likely continue to build inventories, and many OECD countries also have low stock levels that will need to be replenished. VLCC deliveries for the remainder of 2025 are very limited and the fleet of sanctioned vessels, unavailable for the mainstream markets, continues to grow. VLCC deliveries will pick up in 2026, with 30 newbuildings expected. However, this compares favorably to the 189 VLCCs that will be 20 years old or older next year.