

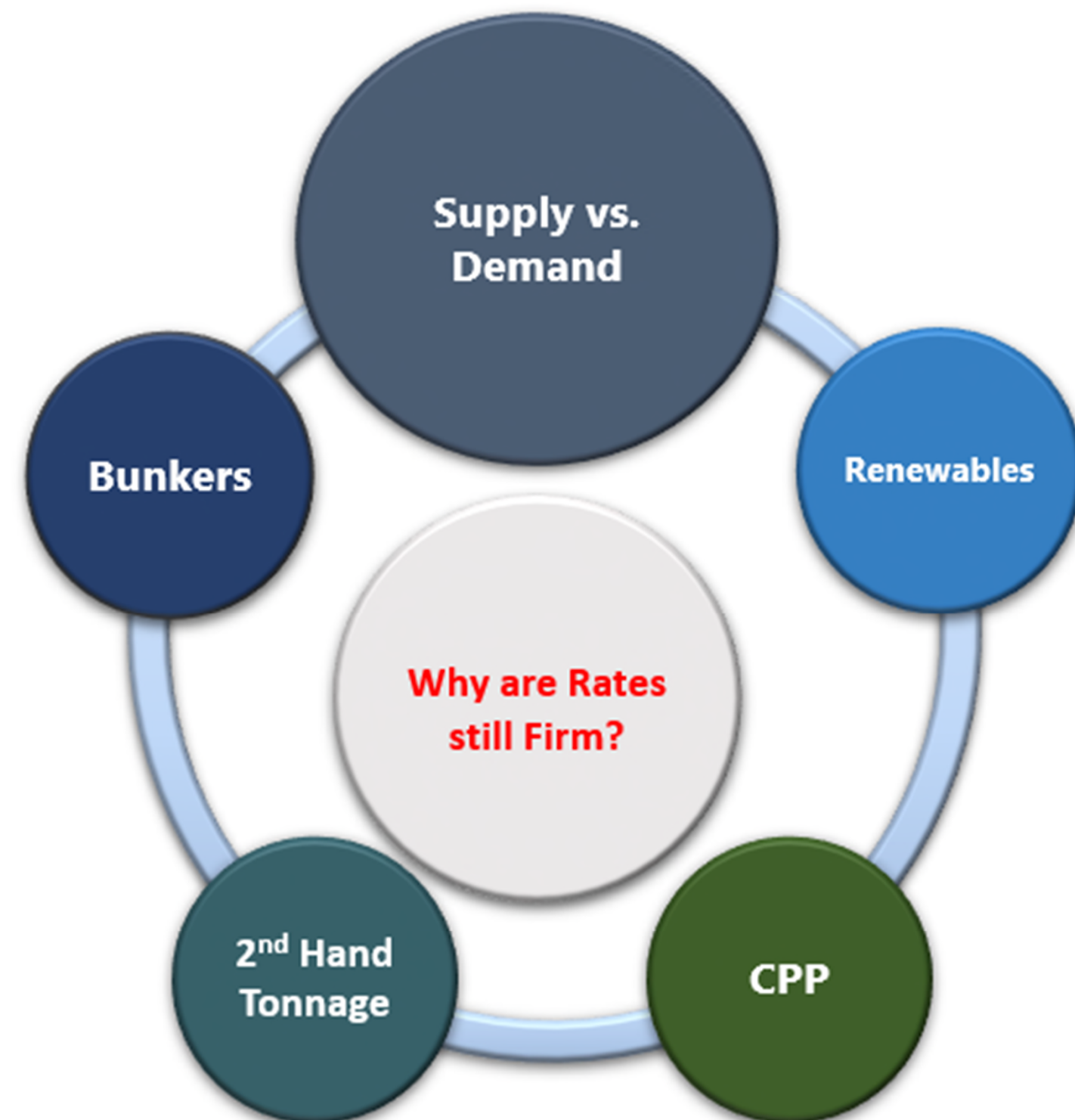


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WHY ARE RATES STILL FIRM?

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GLOBAL GDP TREND

Inflation appears to be peaking amidst slowing economic growth. The global economic outlook remains highly uncertain but lower growth rates are projected for 2023

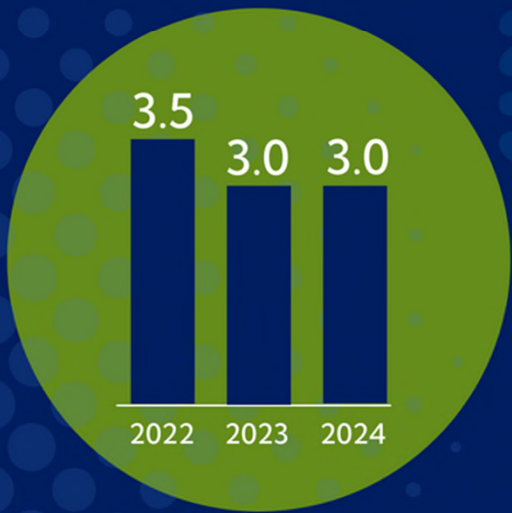


2023

2024

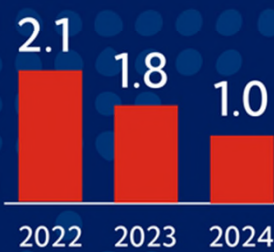
WORLD ECONOMIC OUTLOOK JULY 2023 GROWTH PROJECTIONS BY REGION

GLOBAL GROWTH

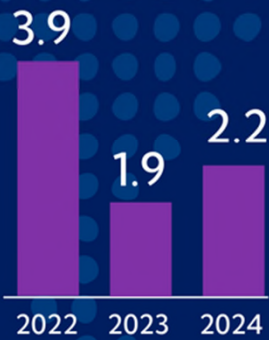


(Real GDP growth, percent)

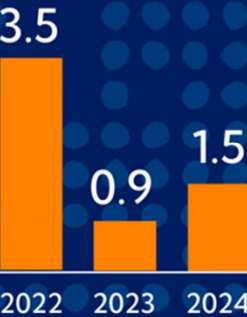
UNITED STATES



LATIN AMERICA & THE CARIBBEAN



EURO AREA



SUB-SAHARAN AFRICA



MIDDLE EAST & CENTRAL ASIA



EMERGING & DEVELOPING ASIA



Source
IMF, World Economic Outlook, July 2023.

Note
Order of bars for each group indicates (left to right): 2022, 2023 projections, and 2024 projections.

Misunderstood Global Fleet

Only a fraction of the overall fleet is suitable for Chemicals

Total Fleet

128.4
MILLION
DWT
4,986 SHIPS



7.0 MILLION
DWT
252 SHIPS



1.0%
INCREASE
DWT

IMO 2 Suitable Fleet

81.9 MILLION
DWT
2,222 SHIPS



6.1 MILLION
DWT
160 SHIPS



4.6%
INCREASE
DWT

Newbuildings Through 2026

Not Including Scrapping for 3 Years

***Vessels 16,000-56,000 DWT with any coating,
IMO 1/2 - 25 Year Old

Breakdown by Vessel Size and 25 Year Age

Minimal increase expected in larger-sized vessels over the next 3 years.

16-29,999 DWT
Regional

27-39,999 DWT
Regional or Long Haul

40-56,000 DWT
Long Haul

Current Fleet

15.3 MILLION
DWT
760 SHIPS
AVG. AGE 12.7
YRS

13.2 MILLION
DWT
371 SHIPS
AVG. AGE 12.8
YRS

53.4 MILLION
DWT
1,091 SHIPS
AVG. AGE 9.3 YRS

Newbuildings
through 2026

1.2 MILLION
DWT
58 SHIPS

0.37 MILLION
DWT
12 SHIPS

4.4 MILLION
DWT
90 SHIPS

Not Including
Scrapping

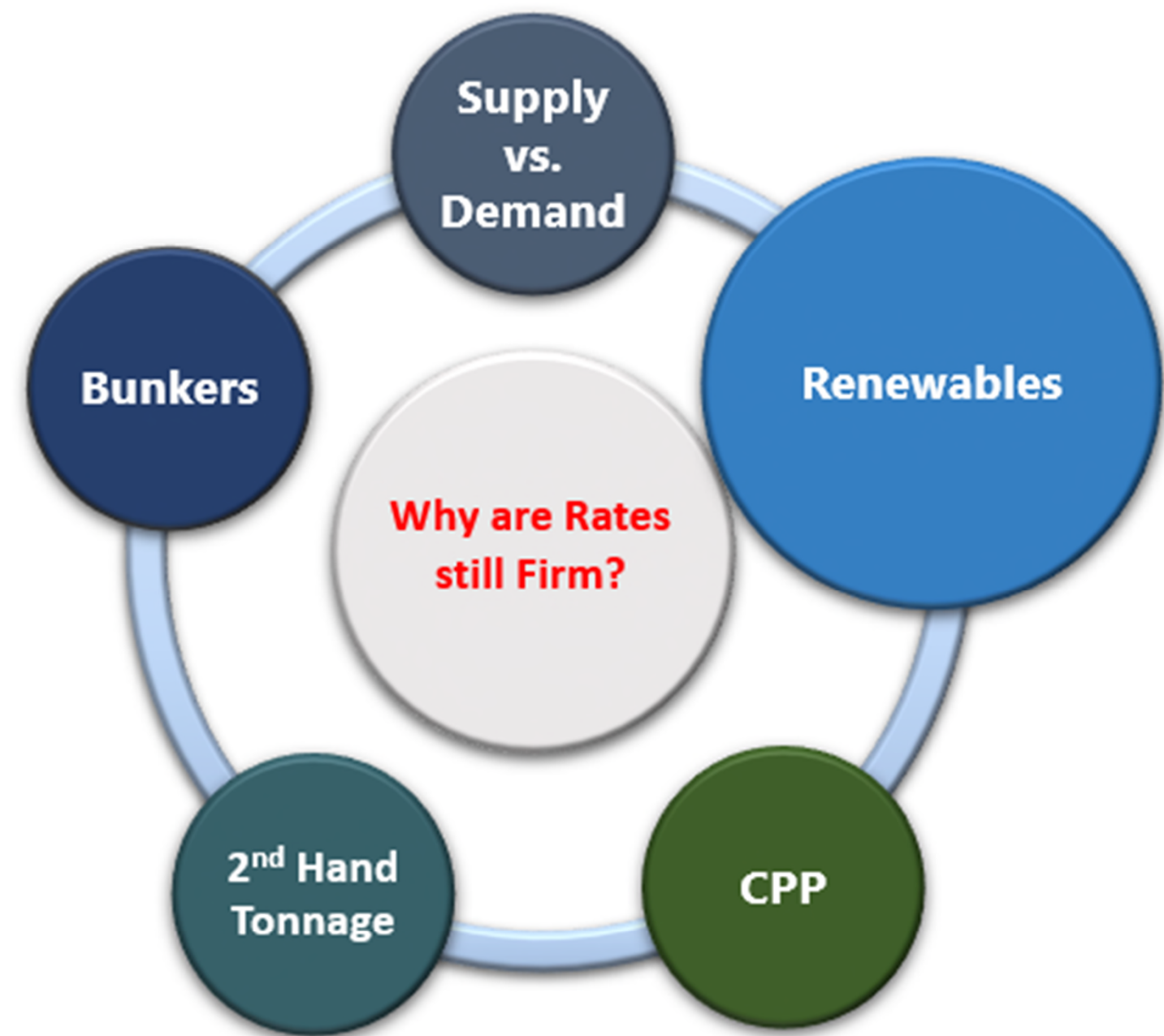
3.4%
INCREASE
DWT

3.3%
DECREASE
DWT

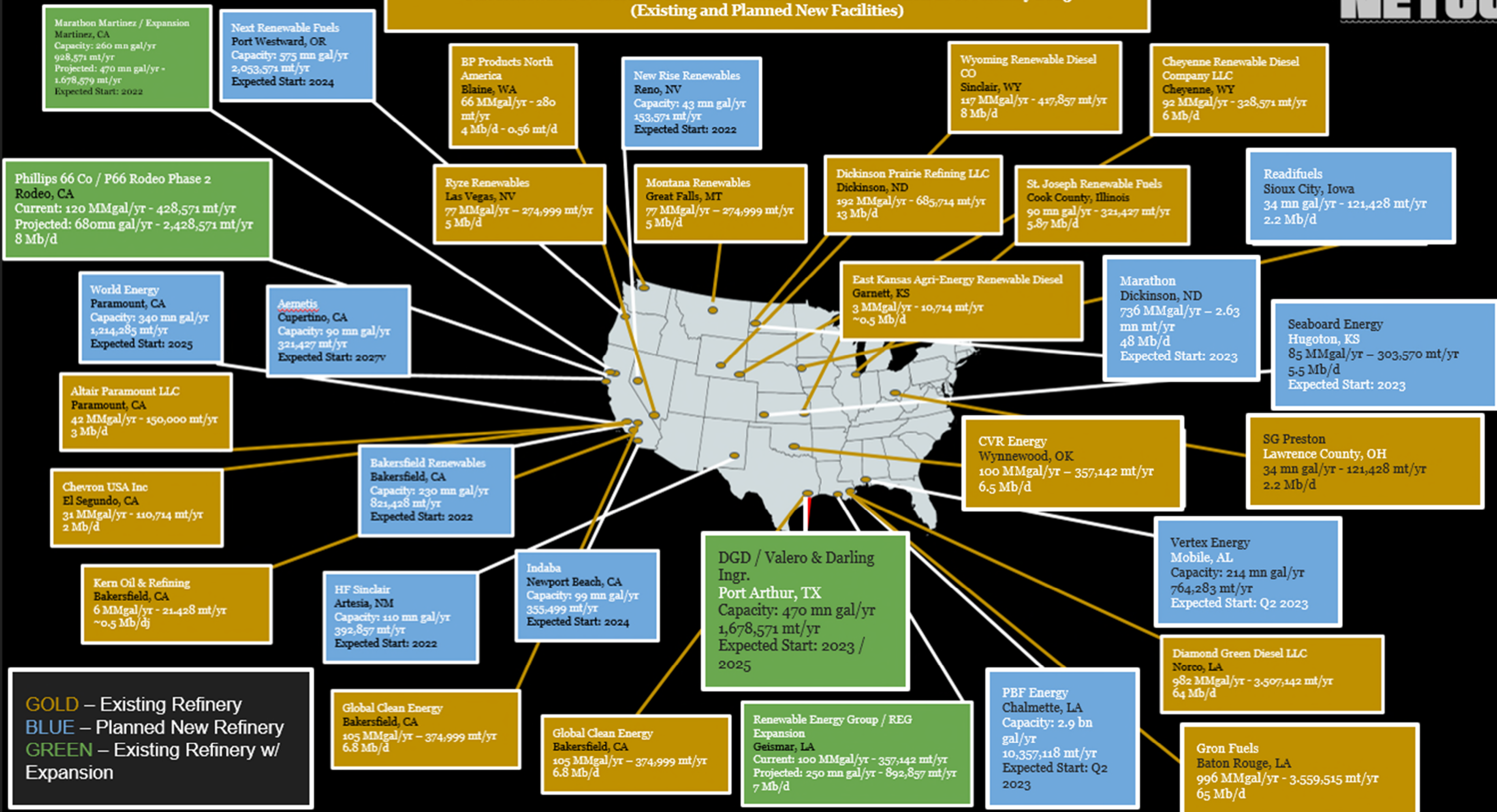
6.8%
INCREASE
DWT

WHY ARE RATES STILL FIRM?

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U.S. Renewable Diesel Fuel and Other Biofuels Plant Production as of January 2023 (Existing and Planned New Facilities)



WHY ARE RATES STILL FIRM?

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CPP

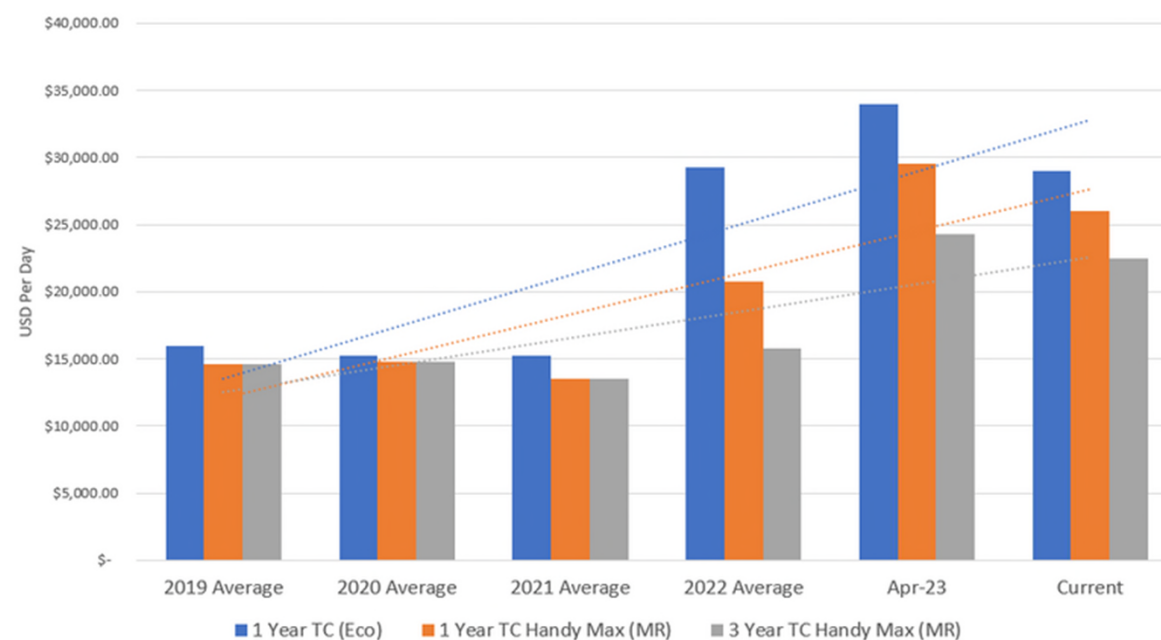
EXTREME VOLATILITY SINCE MARCH 2022

2022 - Current	USG/Caribs	USG/Chile	USG/EcMex	TC2 (ARA / USAC) in LS	TC14 (USG / ARA) in LS	TC18 (USG / BRAZIL) in LS
Jan-22	\$ 471,429	\$ 1,345,714	\$ 273,095	\$ 739,993	\$ 673,932	\$ 1,038,269
Feb-22	\$ 592,000	\$ 1,544,750	\$ 390,500	\$ 839,332	\$ 820,807	\$ 1,252,562
Mar-22	\$ 785,714	\$ 1,919,286	\$ 586,667	\$ 1,022,227	\$ 1,356,627	\$ 1,705,888
Apr-22	\$ 1,285,000	\$ 2,785,714	\$ 1,071,905	\$ 1,193,163	\$ 2,110,701	\$ 2,543,359
May-22	\$ 1,045,000	\$ 2,661,250	\$ 845,205	\$ 1,809,951	\$ 1,728,421	\$ 2,375,369
Jun-22	\$ 990,000	\$ 2,813,409	\$ 790,000	\$ 1,945,498	\$ 1,654,272	\$ 2,435,399
Jul-22	\$ 1,115,000	\$ 2,950,000	\$ 888,750	\$ 1,686,419	\$ 1,745,423	\$ 2,592,686
Aug-22	\$ 1,043,696	\$ 2,695,652	\$ 791,304	\$ 1,593,360	\$ 1,653,298	\$ 2,361,021
Sep-22	\$ 1,272,619	\$ 2,986,905	\$ 1,038,095	\$ 1,446,617	\$ 1,787,890	\$ 2,609,672
Oct-22	\$ 871,429	\$ 2,700,000	\$ 666,667	\$ 1,497,679	\$ 1,478,187	\$ 2,301,766
Nov-22	\$ 1,035,275	\$ 2,870,000	\$ 812,775	\$ 1,862,160	\$ 1,667,604	\$ 2,578,493
Dec-22	\$ 1,082,619	\$ 2,914,286	\$ 845,714	\$ 2,040,523	\$ 1,877,393	\$ 2,836,917
Jan-23	\$ 485,635	\$ 1,854,524	\$ 285,635	\$ 1,239,689	\$ 838,208	\$ 1,449,274
Feb-23	\$ 847,250	\$ 1,815,000	\$ 643,000	\$ 1,424,957	\$ 2,047,018	\$ 2,157,213
Mar-23	\$ 855,435	\$ 2,571,739	\$ 663,043	\$ 1,557,776	\$ 2,015,620	\$ 2,181,053
Apr-23	\$ 744,105	\$ 2,328,947	\$ 554,632	\$ 1,478,178	\$ 1,759,576	\$ 1,923,440
May-23	\$ 638,409	\$ 2,003,409	\$ 427,045	\$ 1,025,765	\$ 1,405,244	\$ 1,569,212
Jun-23	\$ 702,955	\$ 2,122,727	\$ 502,955	\$ 994,596	\$ 1,059,089	\$ 1,709,660
Jul-23	\$ 815,789	\$ 2,413,158	\$ 621,053	\$ 992,617	\$ 1,210,654	\$ 1,980,455

Comments:

- 10% MR Fleet transferred to shadow, price cap business
- Russian price cap forces longer ton mile voyages in comparison with past years
- Older non-eco units steaming slower to comply with carbon regulations during ramp up
- Charterers continue to take MR tonnage for longer periods at elevated rates - current mid-high \$20s non eco / high \$20s eco

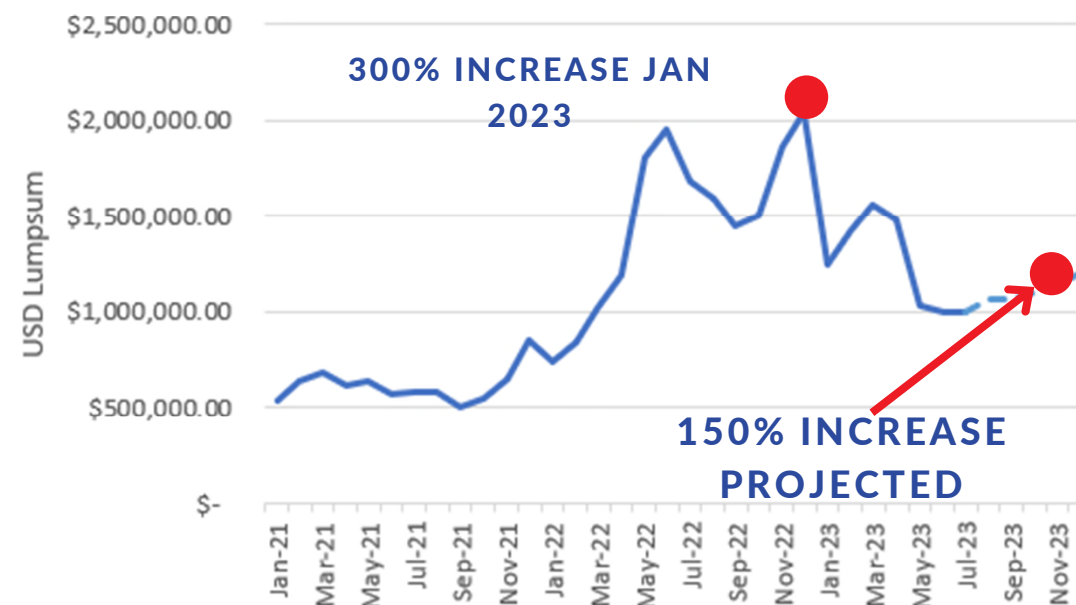
MR Time Charter Rates



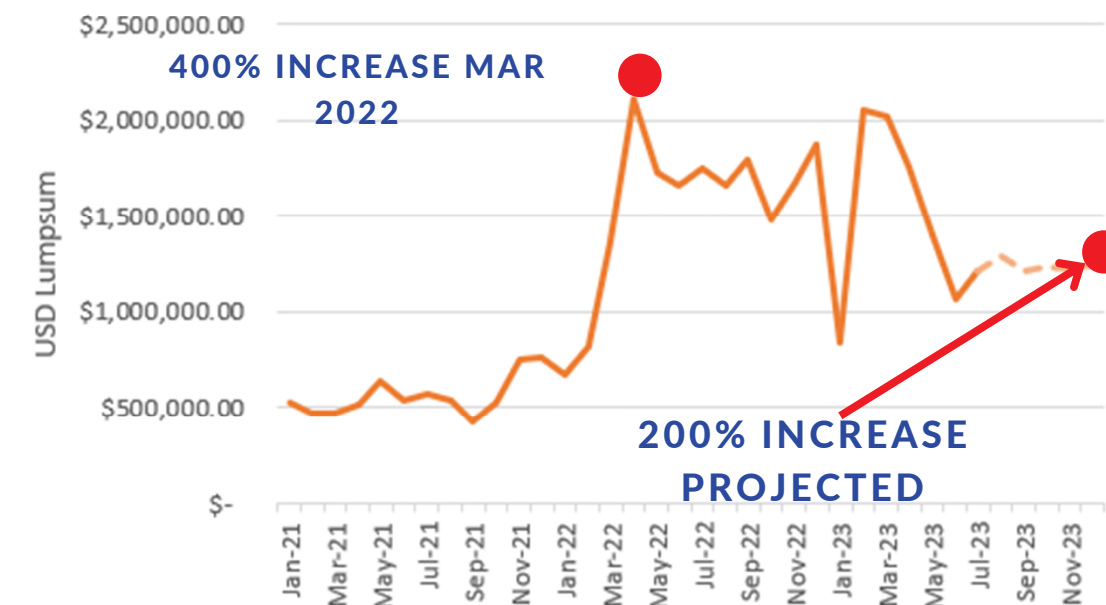
CPP

Drastic rate jumps since 2021

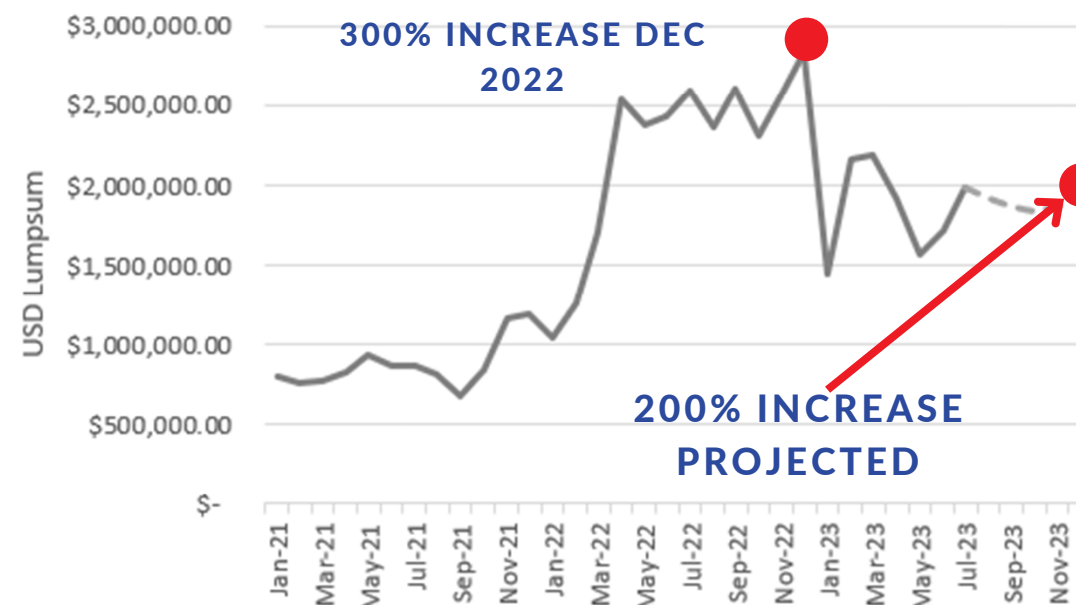
TC2 (ARA/USAC) CPP Year End Projection



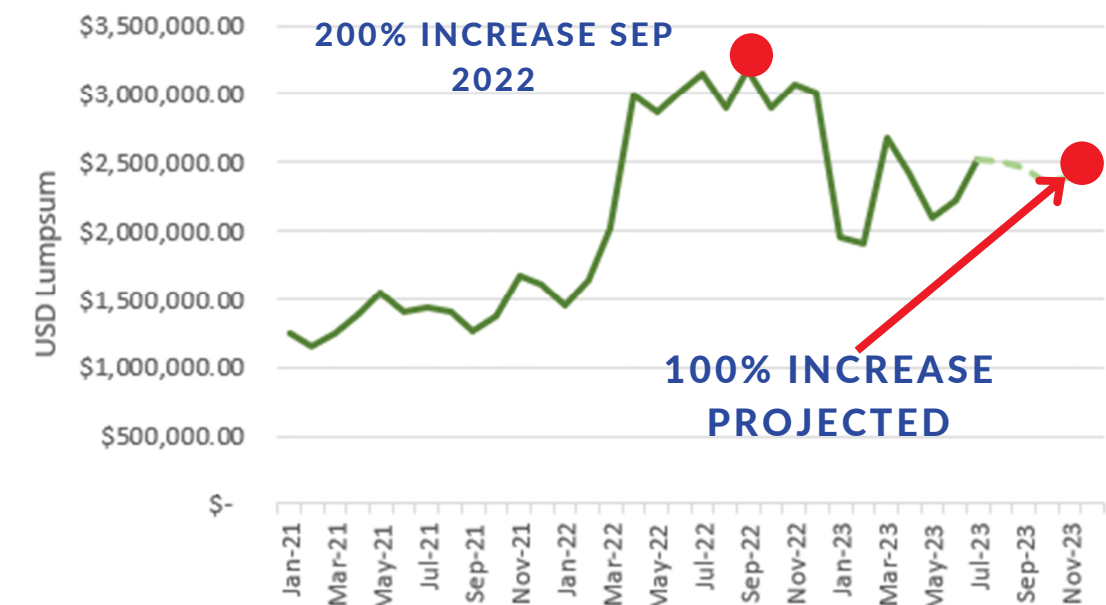
TC14 (USG/ARA) CPP Year End Projection



TC18 (USG/BRAZIL) CPP Year End Projection

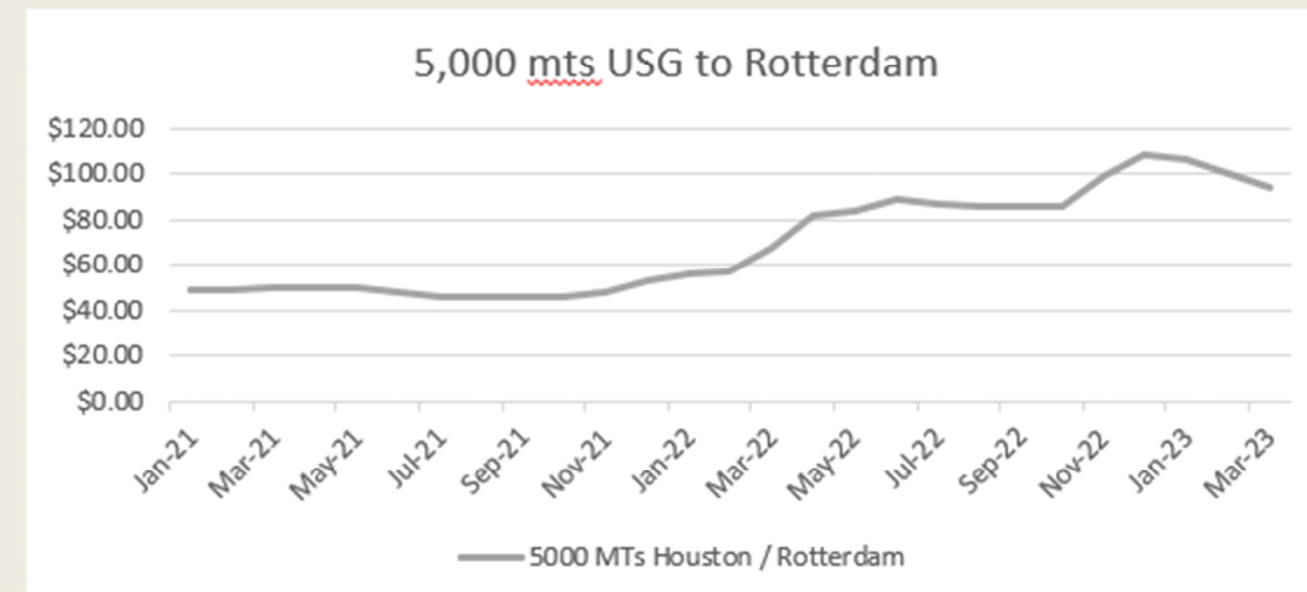
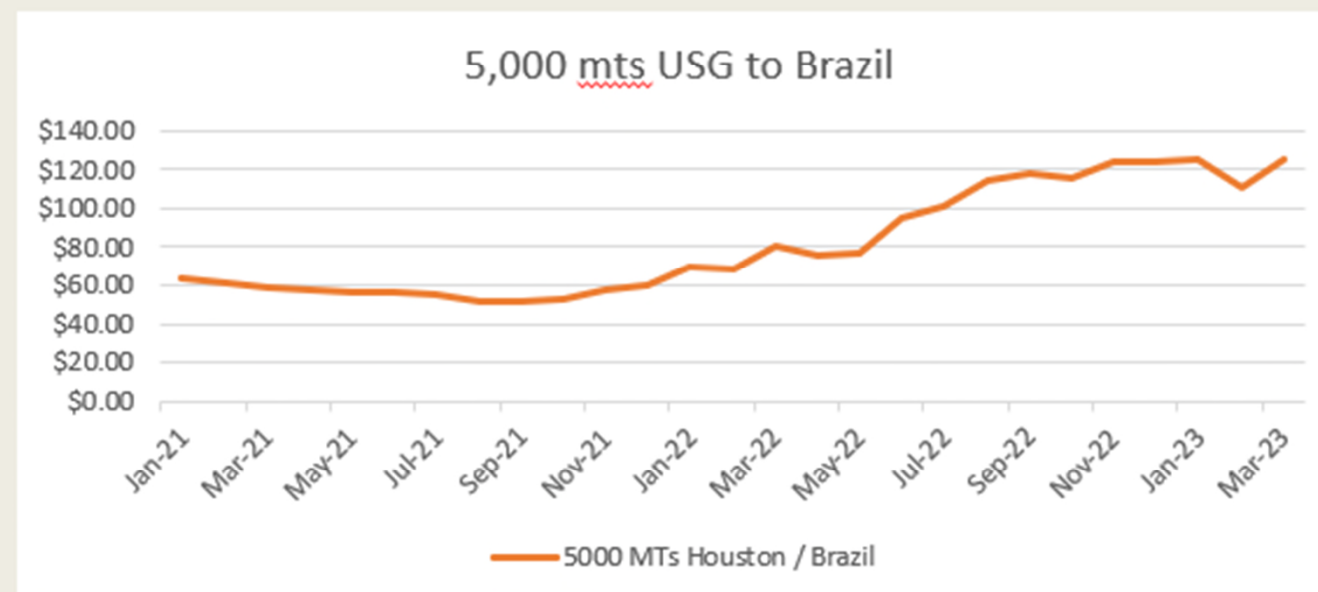
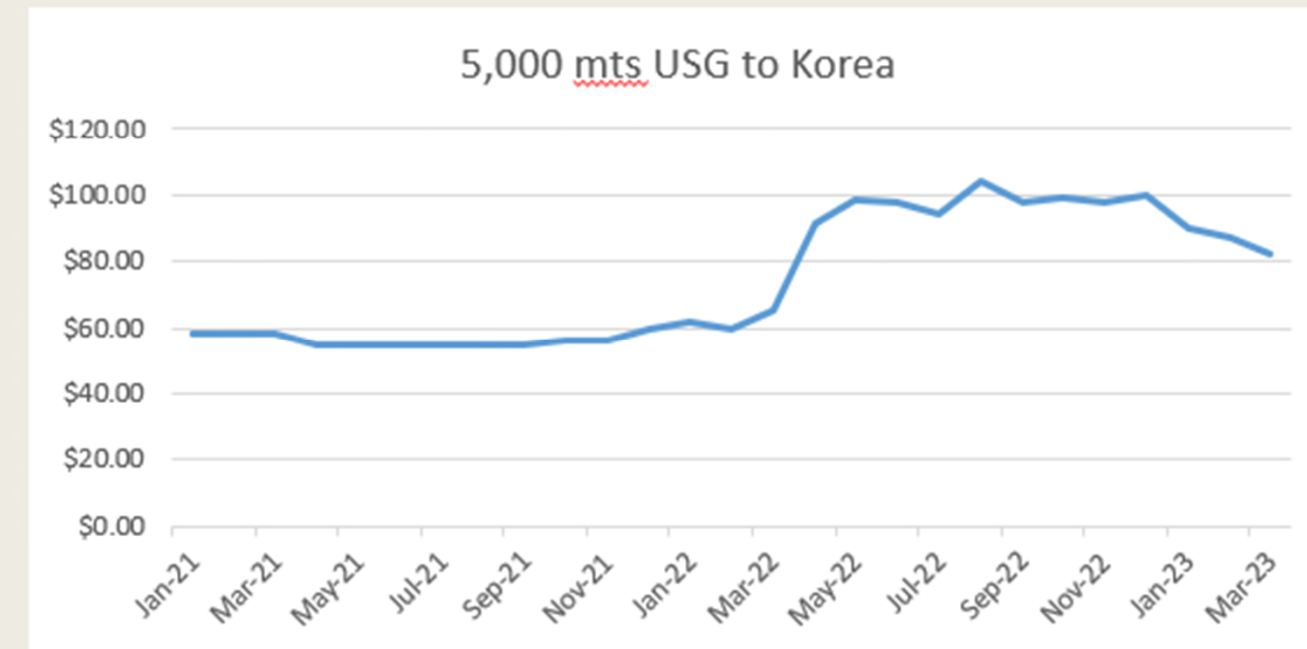
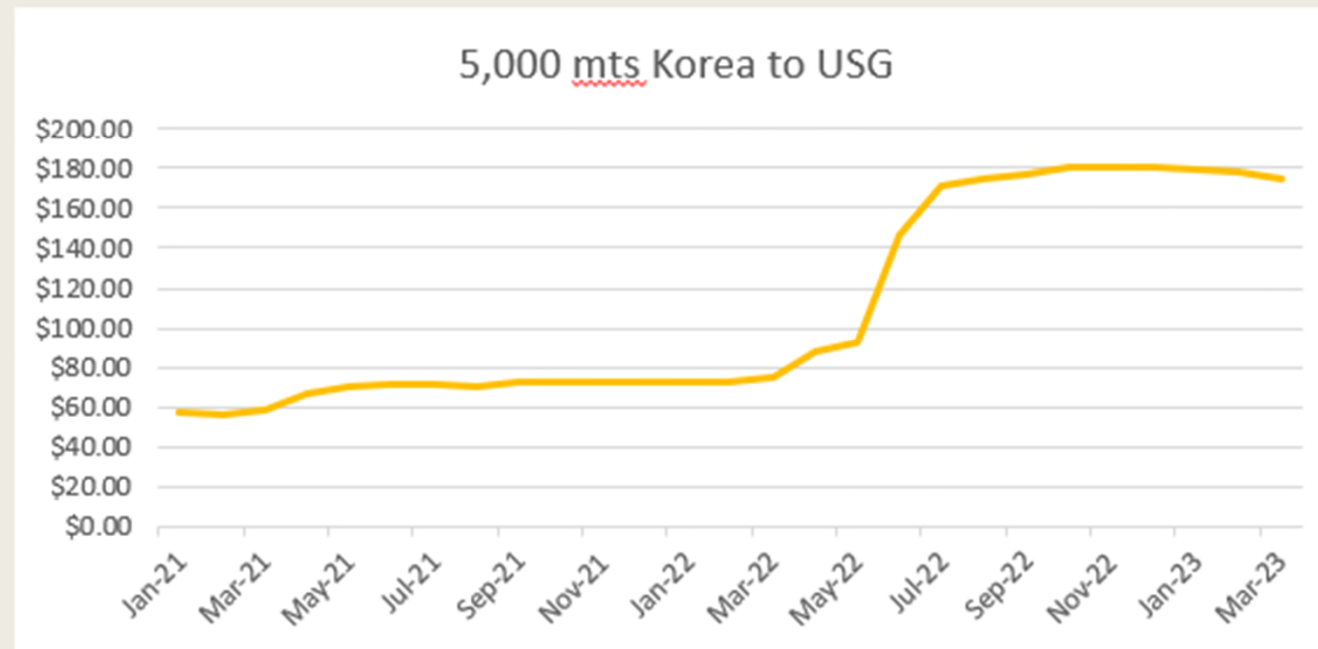


USG/FEAST CPP Year End Projection



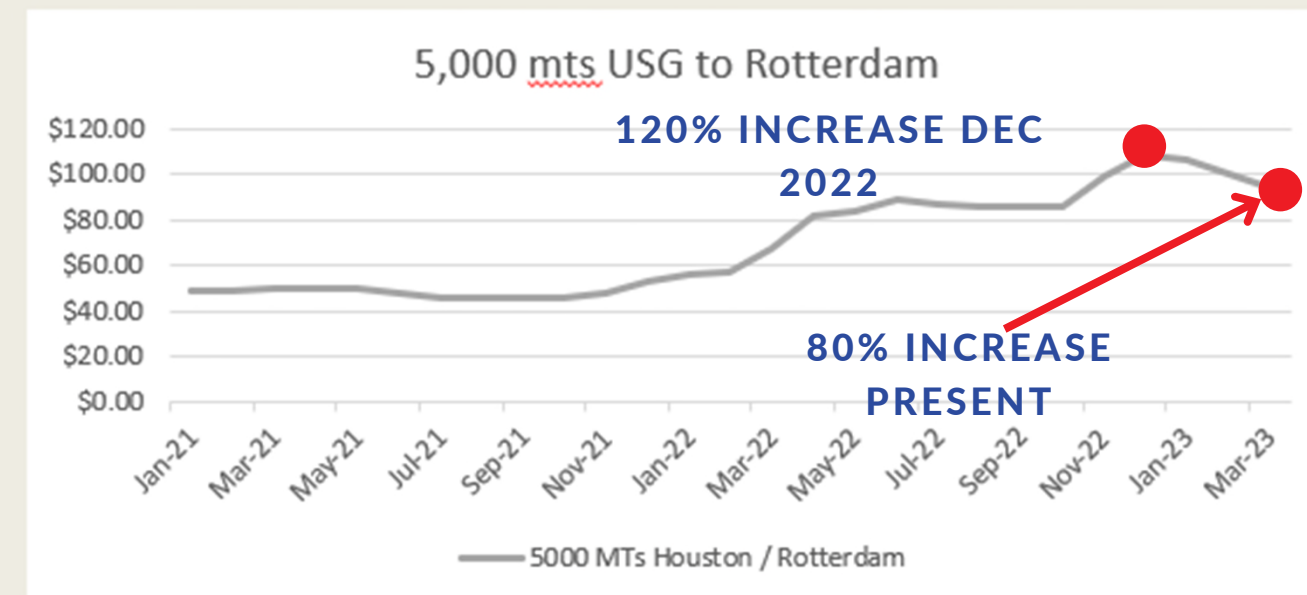
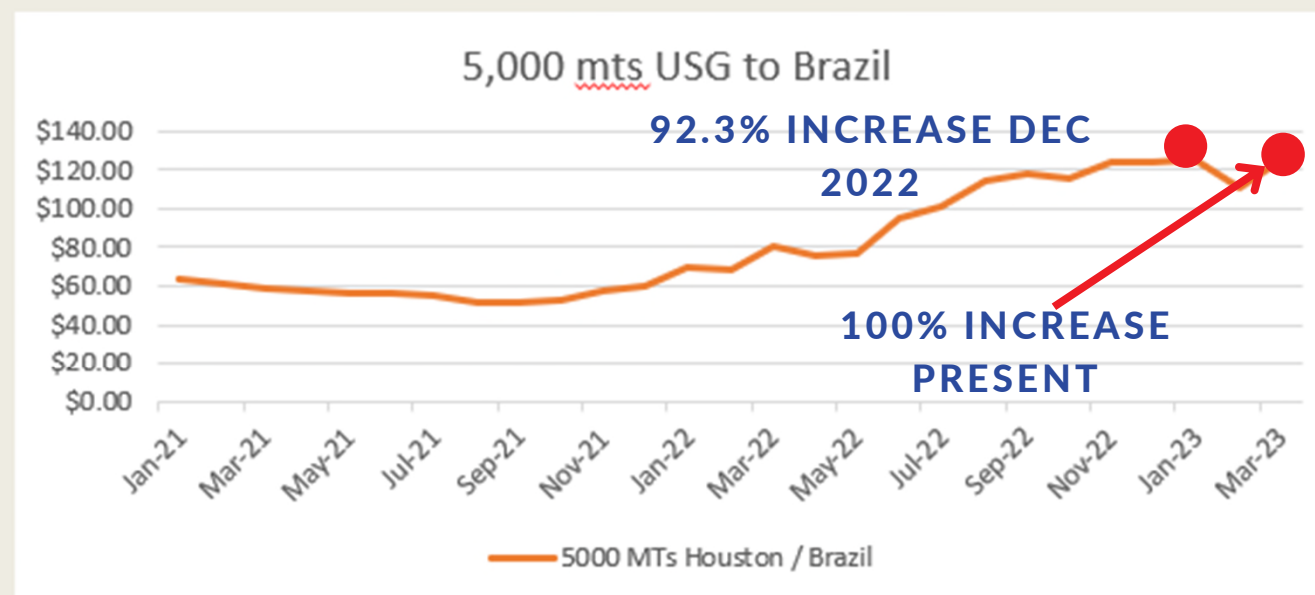
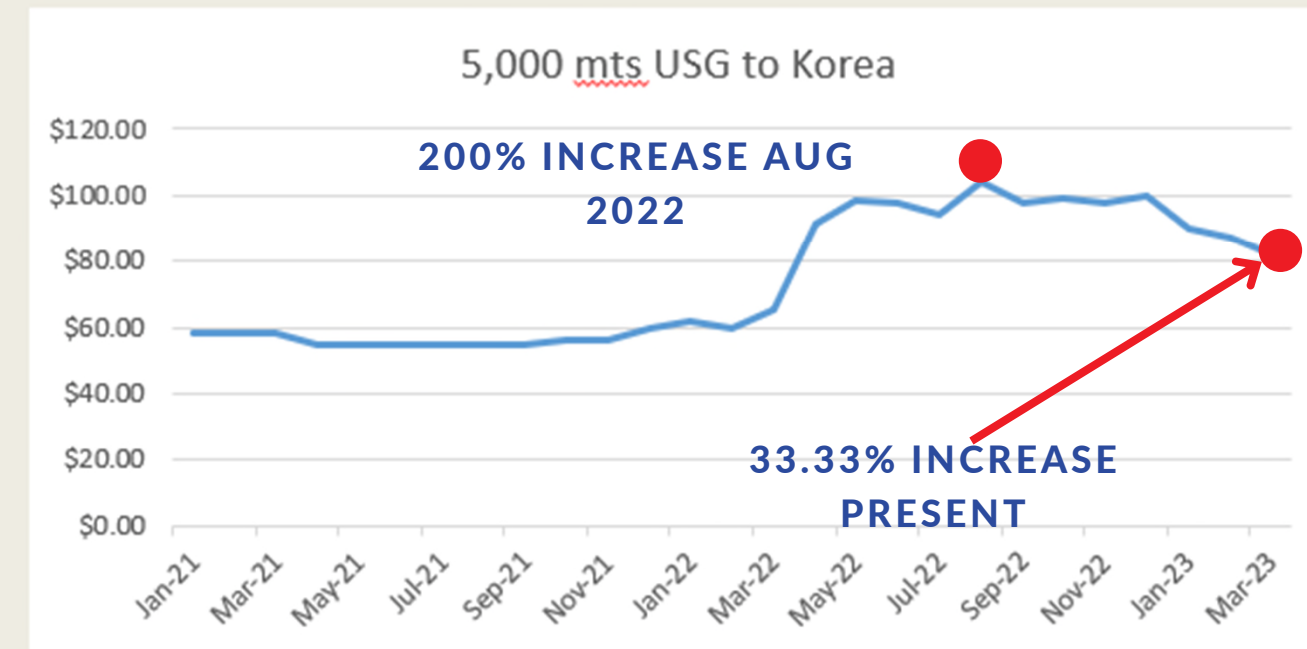
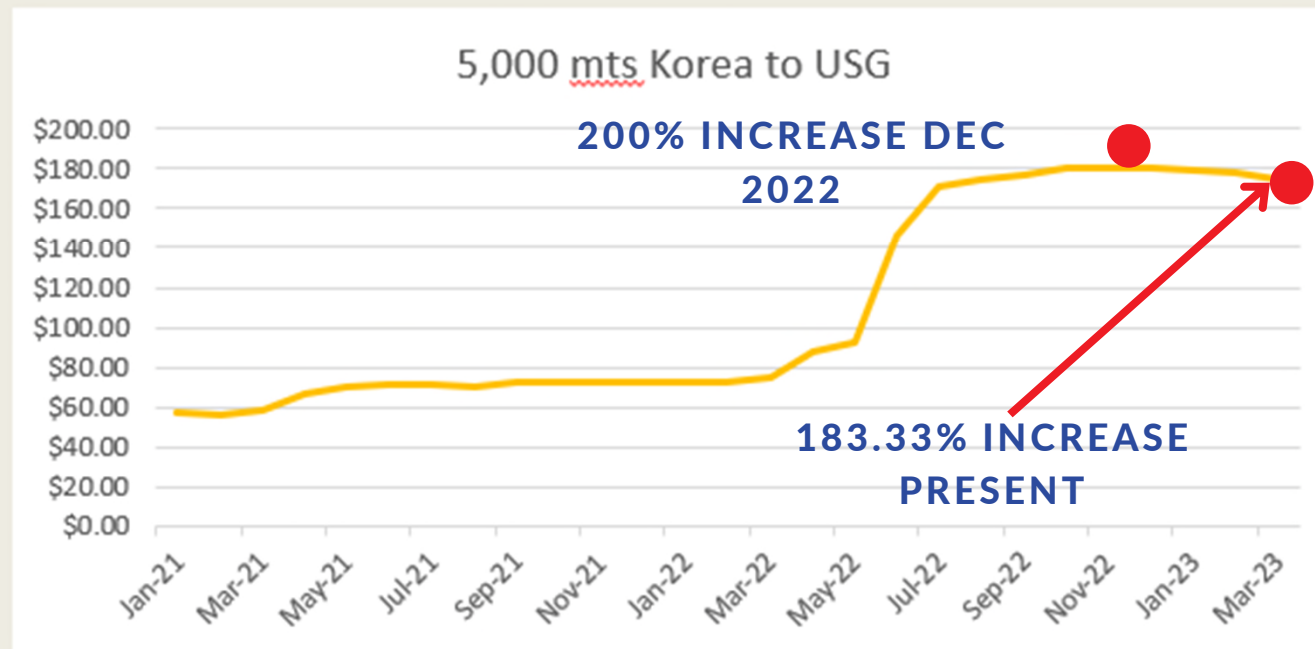
CHEMICALS

Chemical rates have come off highs but still historically strong



CHEMICALS

Drastic effect, but not as much as CPP



WHY ARE RATES STILL FIRM?

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SECONDHAND TONNAGE

J-19 and MR Swing Tonnage Secondhand Prices (Basis 10 years old)		
	IMO 2 J-19 STST (w/ 18+ segs)	IMO 2 MR Swing (ML, IL, or Zinc w/ 18+ segs)
Q4 - 2020	\$14.5 MIL	\$18.5 MIL
Q4 - 2021	\$16.5 MIL	\$20 MIL
Q4 - 2022	\$23 MIL	\$32.5 MIL
Q1 - 2023	\$25.5 MIL	\$35.5 MIL
Q2 - 2023	\$25.5 MIL	\$35.5 MIL

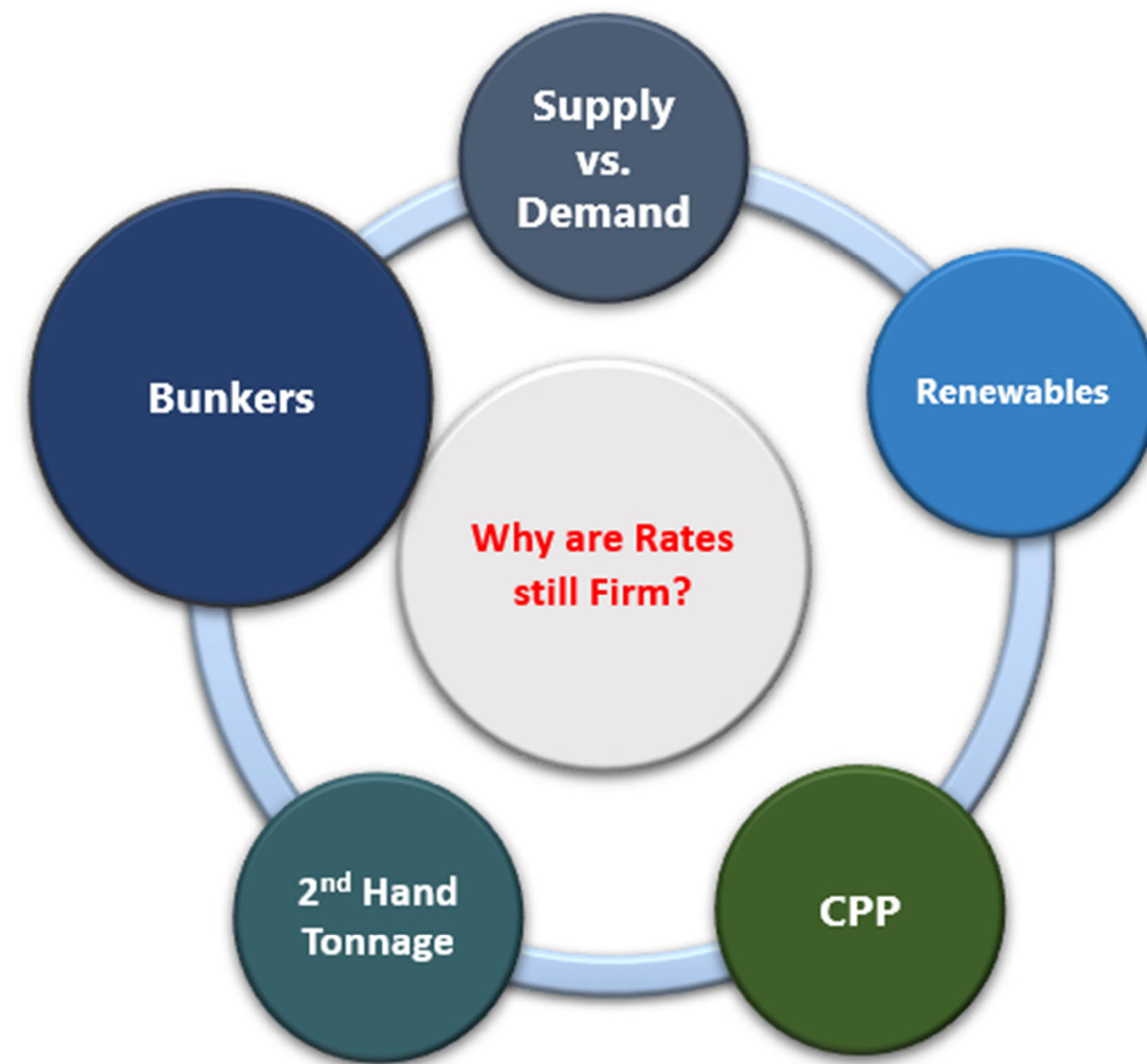
J-19 and MR Swing Tonnage New Build		
	IMO 2 J-19 STST (w/ 18+ segs)	IMO 2 MR Swing (ML, IL, or Zinc w/ 18+ segs)
Q4 - 2020	\$31 MIL	\$40 MIL
Q4 - 2021	\$36 MIL	\$42.5 MIL
Q4 - 2022	\$39.5 MIL	\$48.5 MIL
Q1 - 2023	\$39.5 MIL	\$48.5 MIL
Q2 - 2023	\$39.5 MIL	\$48.5 MIL

TC Rates		
J-19 and MR Swing Tonnage 1 Year Non-ECO TC Rates (Per Day)		
	IMO 2 J-19 STST (w/ 18+ segs)	IMO 2 MR Swing (ML, IL, or Zinc w/ 18+ segs)
Q4 - 2020	\$13,250	\$15,600
Q4 - 2021	\$13,000	\$16,500
Q4 - 2022	\$23,500	\$34,500
Q1 - 2023	\$25,000	\$36,000
Q2 - 2023	\$22,000	\$27,500

Premiums		
ECO	\$1,500	\$2000*
Scrubber	\$2,000	\$2,000**
**	Theoretical scrubber premiums which commercially end up lower or higher depending on expectations on HFO/VLSFO differential	

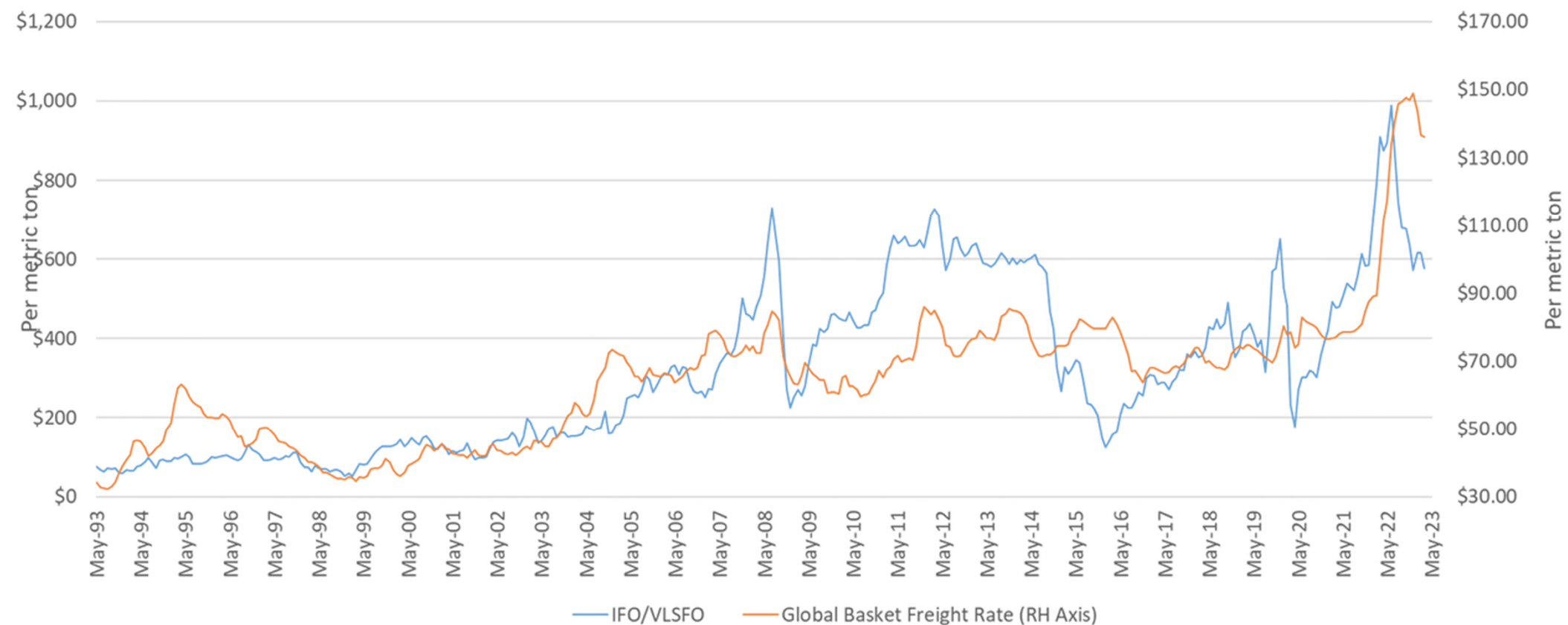
WHY ARE RATES STILL FIRM?

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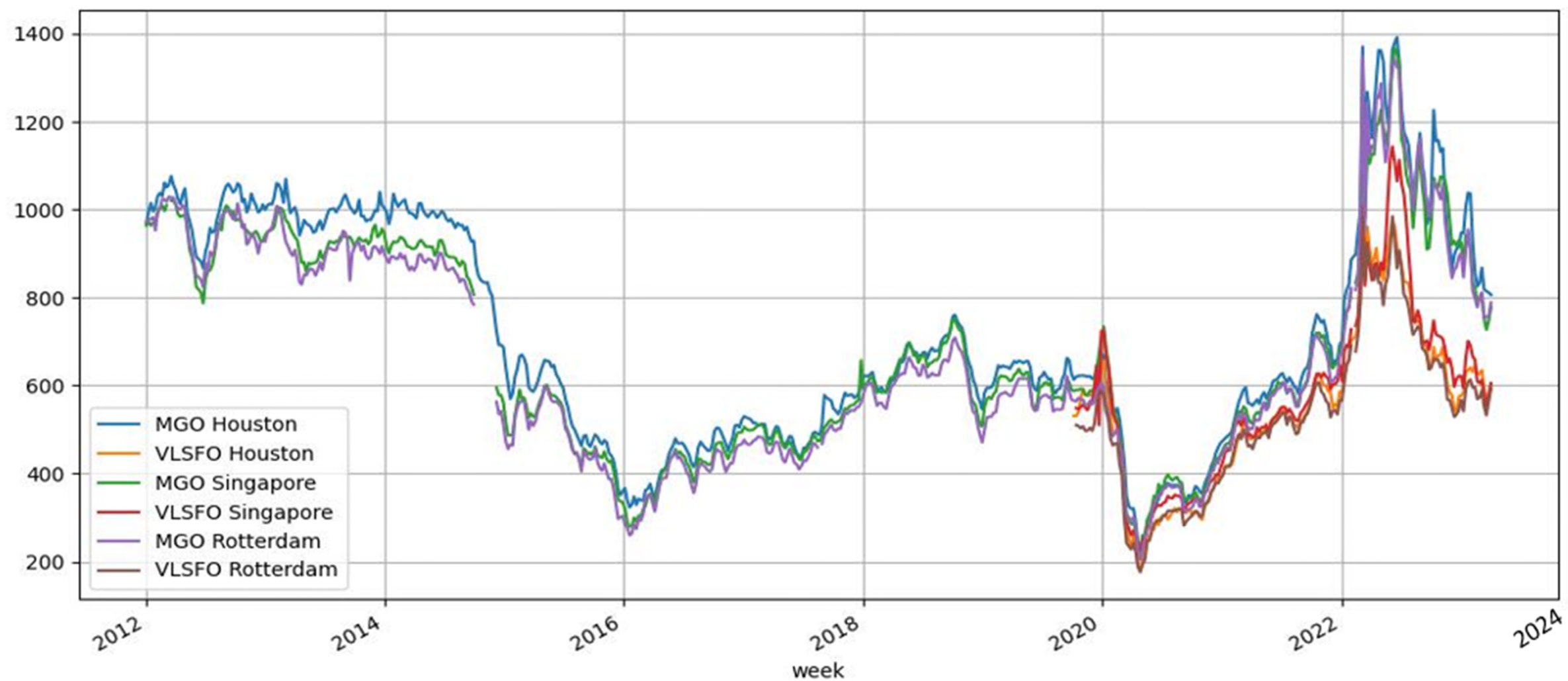
BUNKER CORRELATION WITH FREIGHT

*BUNKERS ONLY CORRELATE WHEN
SUPPLY/DEMAND IS TIGHT, I.E. A STRONG
MARKET*



BUNKERS

WHILE BUNKERS HAVE FALLEN, THE ABILITY TO BALLAST SHIPS MAINTAINS HIGH FREIGHT RATES.



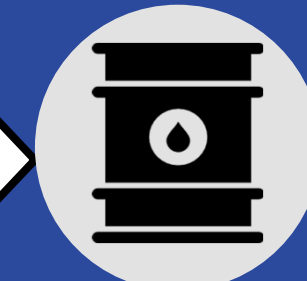
CURRENT OWNERS / CHARTERER LANDSCAPE

OWNERS

CHARTERERS



Still a spotlight on environmental regulation for the short and long term. How will meeting these demands be compensated?



With cost cutting measures in place, particularly from the Chemical Manufacturers and increases seen in COA rates on a global scale, many long-term relationships have been strained.



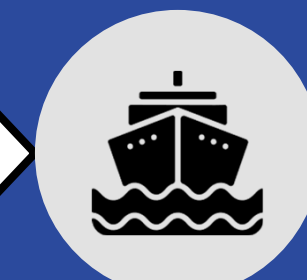
Management is maintaining its cost cutting strategies and hard negotiations.



Charterers are facing scrutiny on becoming more sustainable but questions remain on how this impacts businesses as well as supply chains and who will pay for it.



Owners have differing views on their COA to Spot ratios. Most have bet big on 2023, and willing to lose long term customers, increasing spot exposure. 2024 we see little change in attitude.



Charterers are struggling to pass costs down the line which has led to decreased demand. Older and uncompetitive plants need to be shuttered to boost margins once again.

SUMMARY/CONCLUSION

- BOTH THE CPP AND CHEMICAL FREIGHT MARKETS HAVE HAD A HUGE RUN UP IN 2022
- THIS IS DUE TO AN UNDERSUPPLY OF VESSELS AND AN INCREASE IN TON PER SEA MILES DUE TO THE RUSSIA - UKRAINE CONFLICT.
- WE ARE SEEING A SLIGHT SLOWDOWN BUT WE ARE ENTERING INTO A TIME OF DECLINING GLOBAL DEMAND, DE-GLOBALIZATION AND GEO-POLITICAL UNCERTAINTIES. HOWEVER, WE BELIEVE SHORTAGE OF TONNAGE IS GOING TO OUTWEIGH ALL OTHER FACTORS.

	2H 2023	2024	2025 & Beyond
Clean Tonnage	↔	↑	↑
Swing Tonnage	↔	↑	↑
Stainless Steel Tonnage	↑	↑	↑

Source: [NETCO](#)



○ ○ ○ ○

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