

# Understanding the Customer

**Tanker Operator Conference  
Athens April 2016**

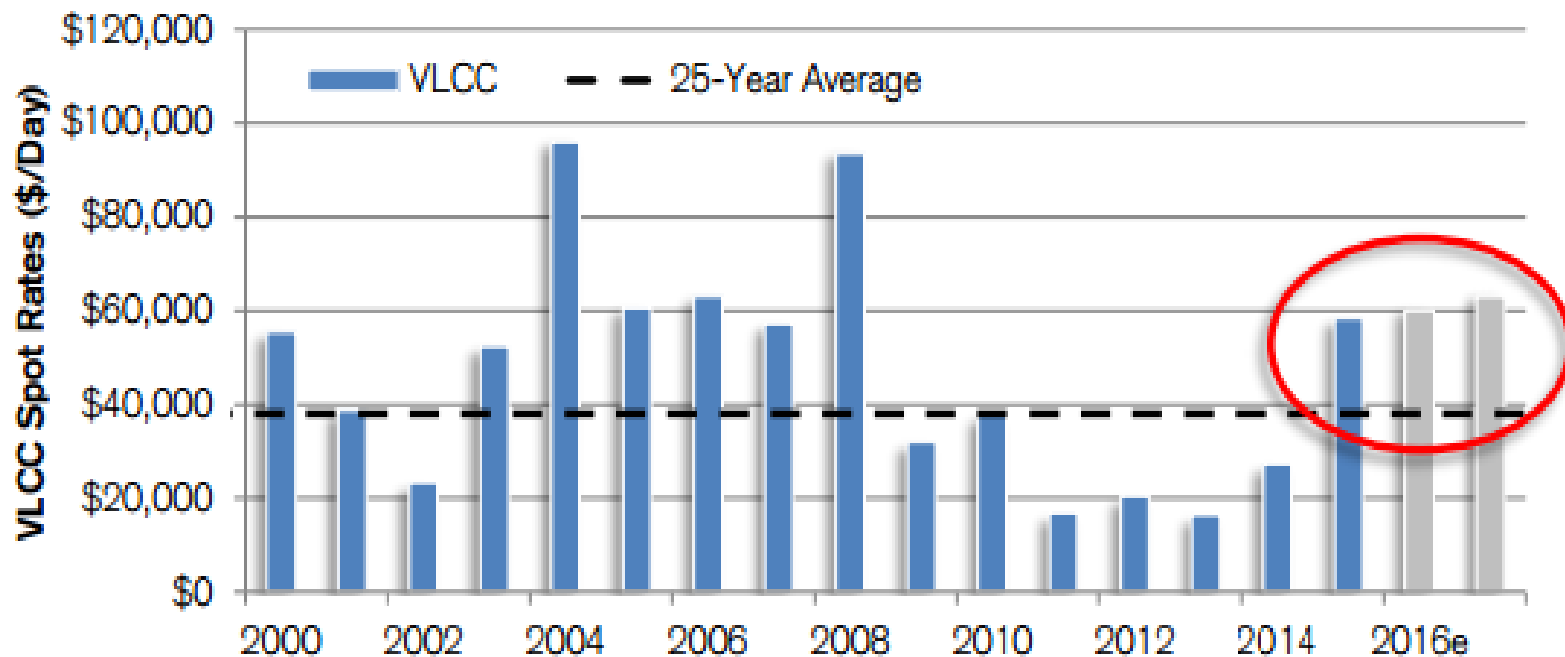
**Martin L Shaw** *MBA C Eng C Mar Eng FI Mar EST AFNI*  
*Managing Director*  
*Marine Operations and Assurance Management Solutions Ltd*

- The tanker industry-a health check
- The oil companies
  - Who are they?
  - How have they changed?
- Dynamics
  - How are oil companies affected by world events
  - Demand
  - Oil price
  - Climate
- What do they want of the shipowner?
  - Requirements
  - Who is involved in making decision
  - Vetting

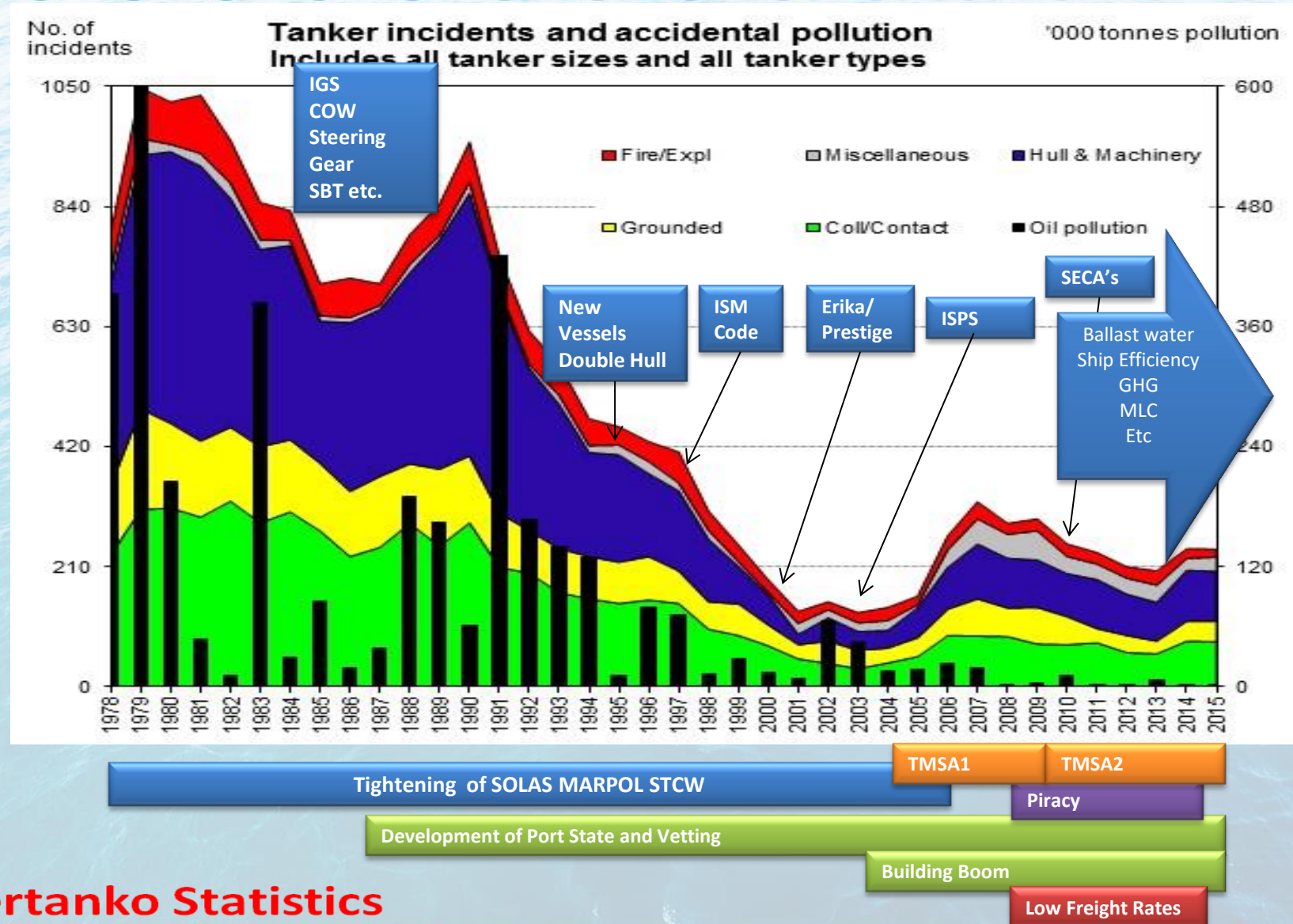
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# **Tanker industry-health check**

**Exhibit 1: VLCC Spot Rates: 2000-2017E**



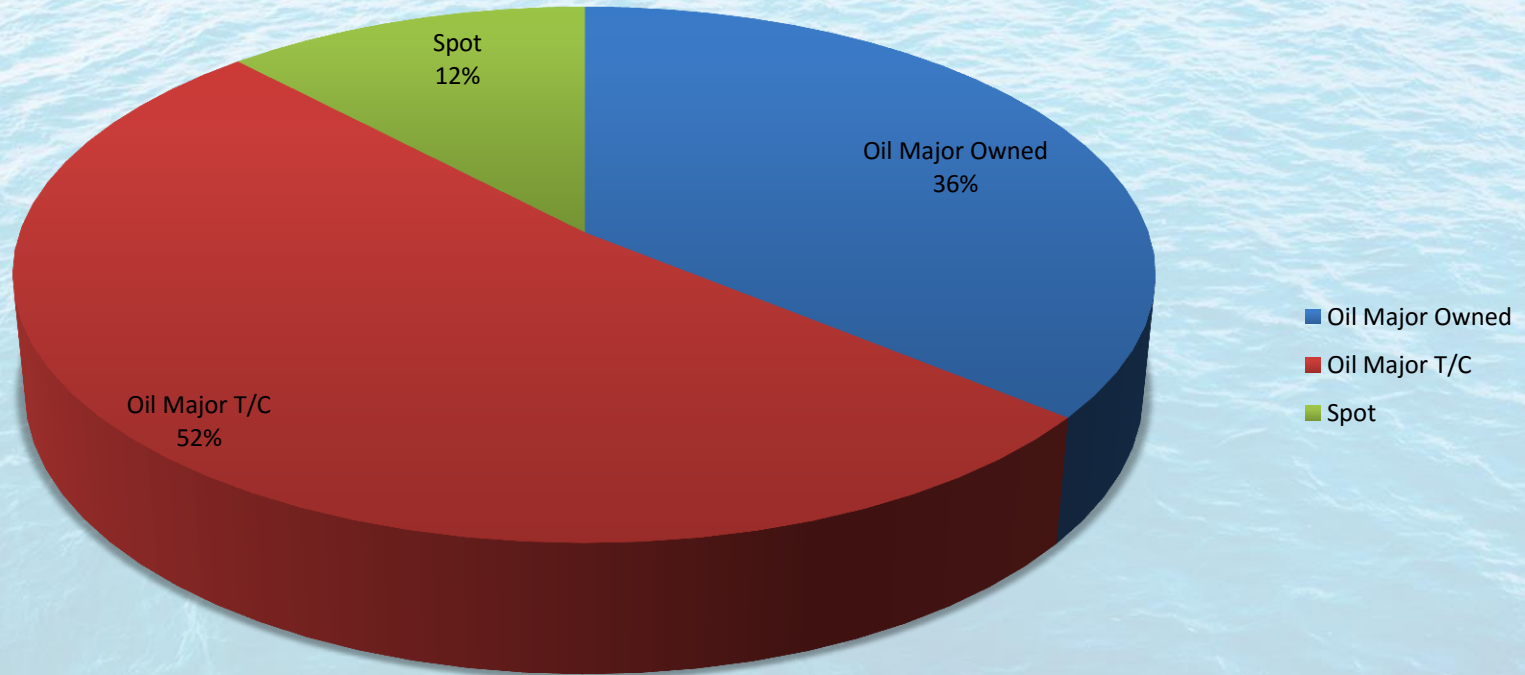
Source: *Baltic Exchange, Clarksons, Marex, Credit Suisse Estimates*



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# The Oil Companies

## Oil Major share of tanker tonnage 1970



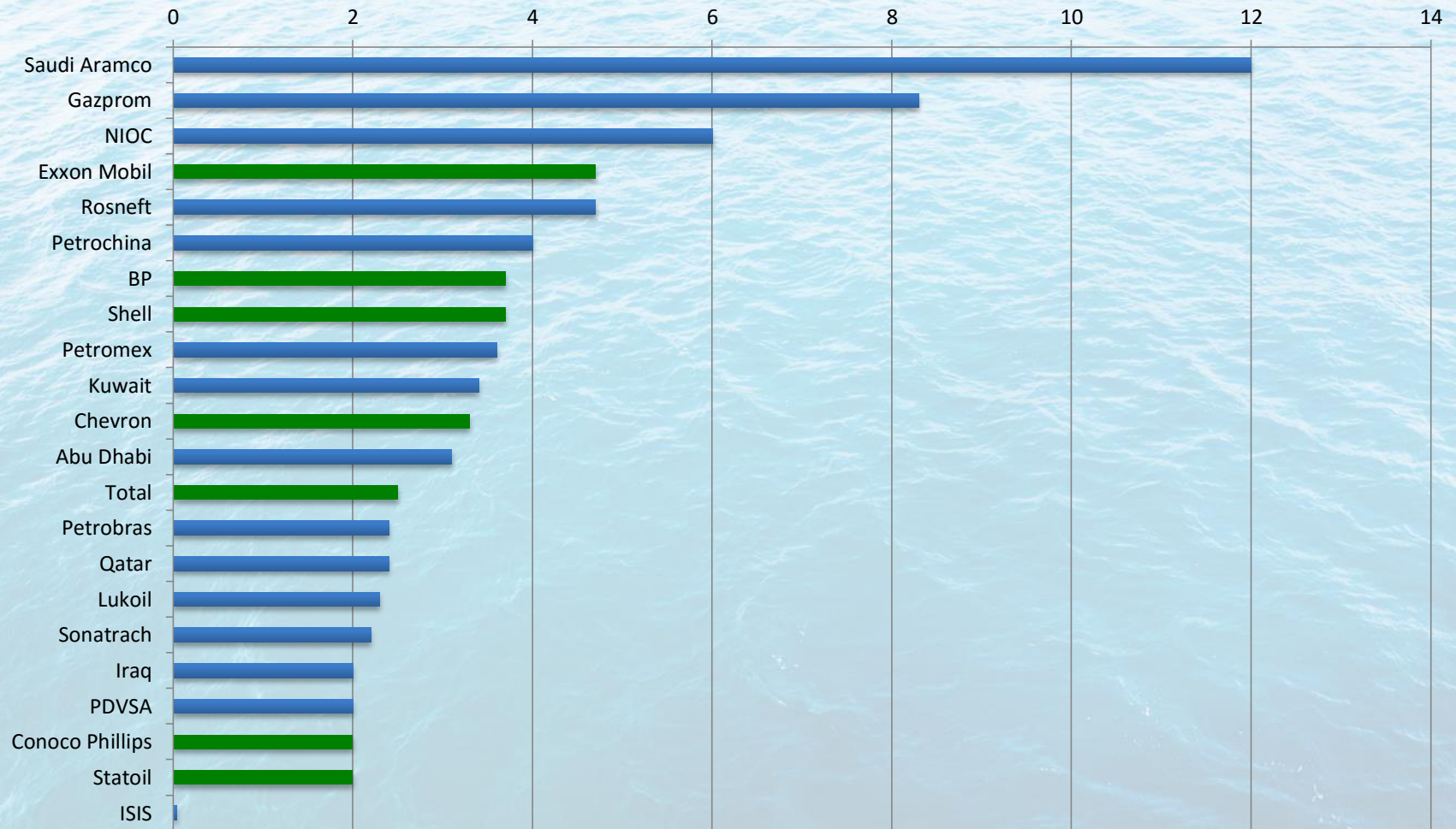
*Data Source Martin Stopford Maritime Economics*



- Oil super major .. XOM, Shell, BP
- Oil major + Chevron, Total, Statoil. Conoco Phillips
- E&P's ..... Premier, Talisman etc
- Refiners ..... Inios, Valero etc
- Traders.....Glencore, Trafigura etc
- Integrated / sector specific
- **IOC or NOC?!!!**

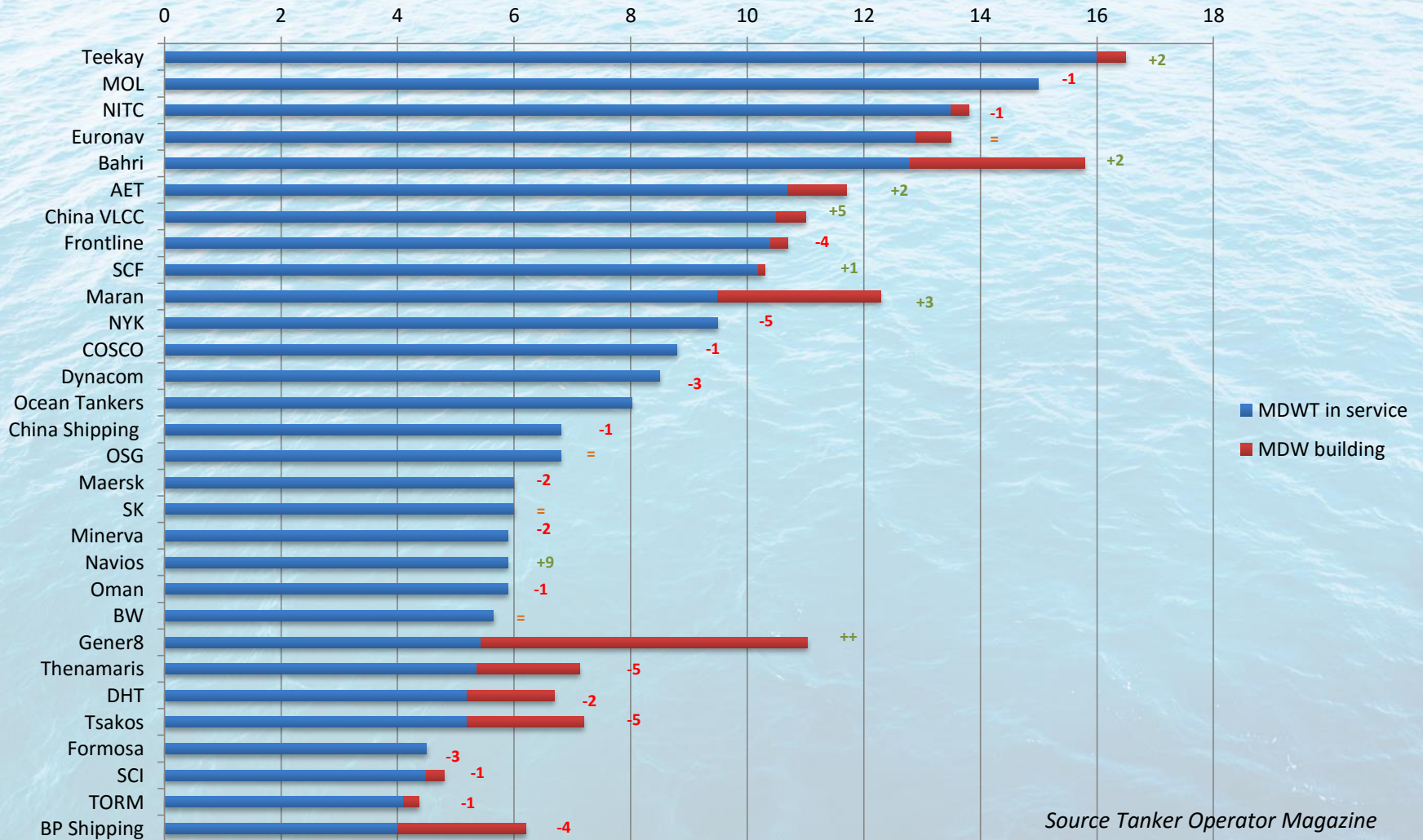


## Oil Majors? 2015 Top Producers



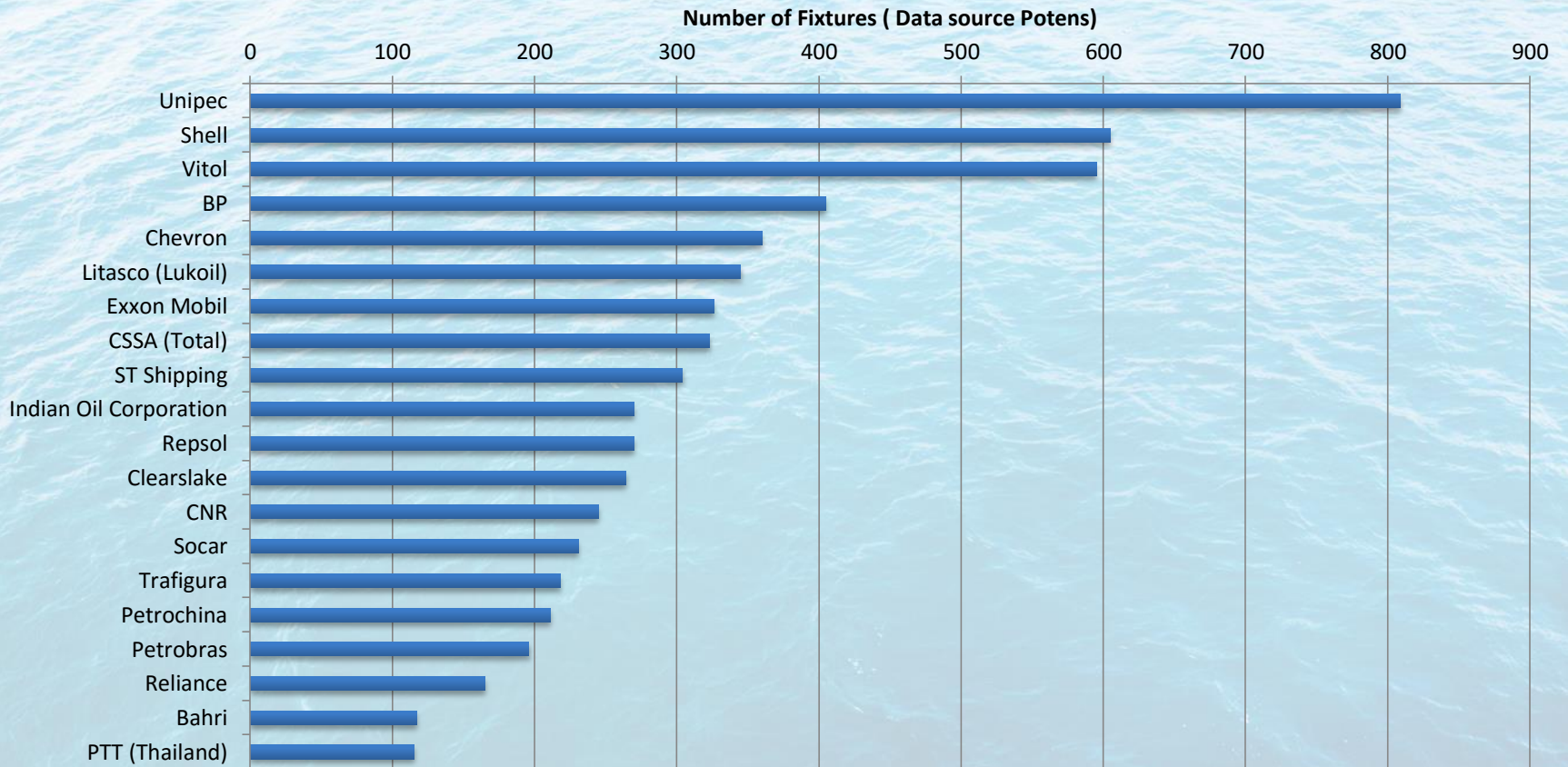
Data source Forbes

## Tanker Owners Top 30 2015



Source Tanker Operator Magazine

## 2015 Dirty Fixtures



# **Dynamics**

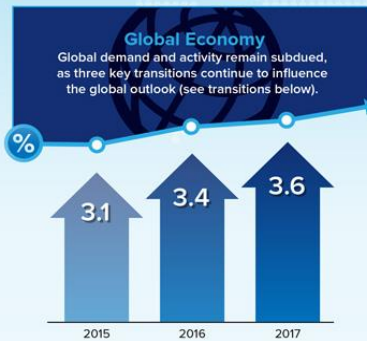
**How oil companies are affected  
by world events**

# moams World growth, oil growth

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## FUTURE GROWTH RATES

Growth will pick up more gradually than projected in fall 2015, especially in emerging market and developing economies.



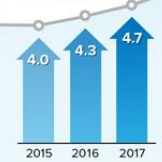
### Advanced Economies

A continued modest recovery should gradually close the output gap between real vs. potential GDP.



### Emerging Market & Developing Economies

China's slowdown and rebalancing, lower commodity prices, and other strains in some larger emerging market economies are likely to weigh down growth prospects.



## TRANSITIONS AND RISKS



**Transition:** The slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services

**Risk:** A sharper-than-expected slowdown could take a toll on trading partners and have global financial market repercussions (including declines in confidence).

**Transition:** Lower prices for energy and other commodities

**Risk:** Further price drops will worsen the growth outlook for already-strained commodity producers.

**Transition:** The gradual tightening in U.S. monetary policy

**Risk:** Further dollar appreciation would put additional pressures on firms in emerging market economies.

### Other Risks

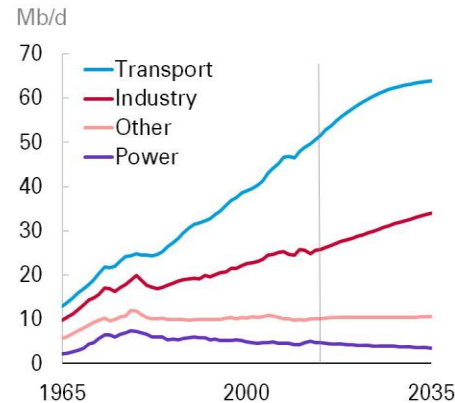
New economic or geopolitical shocks could further delay a pickup in activity in countries currently in economic distress.

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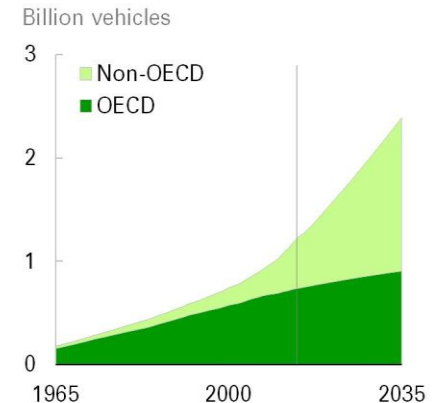
## Oil demand



### Liquids fuel demand by sector



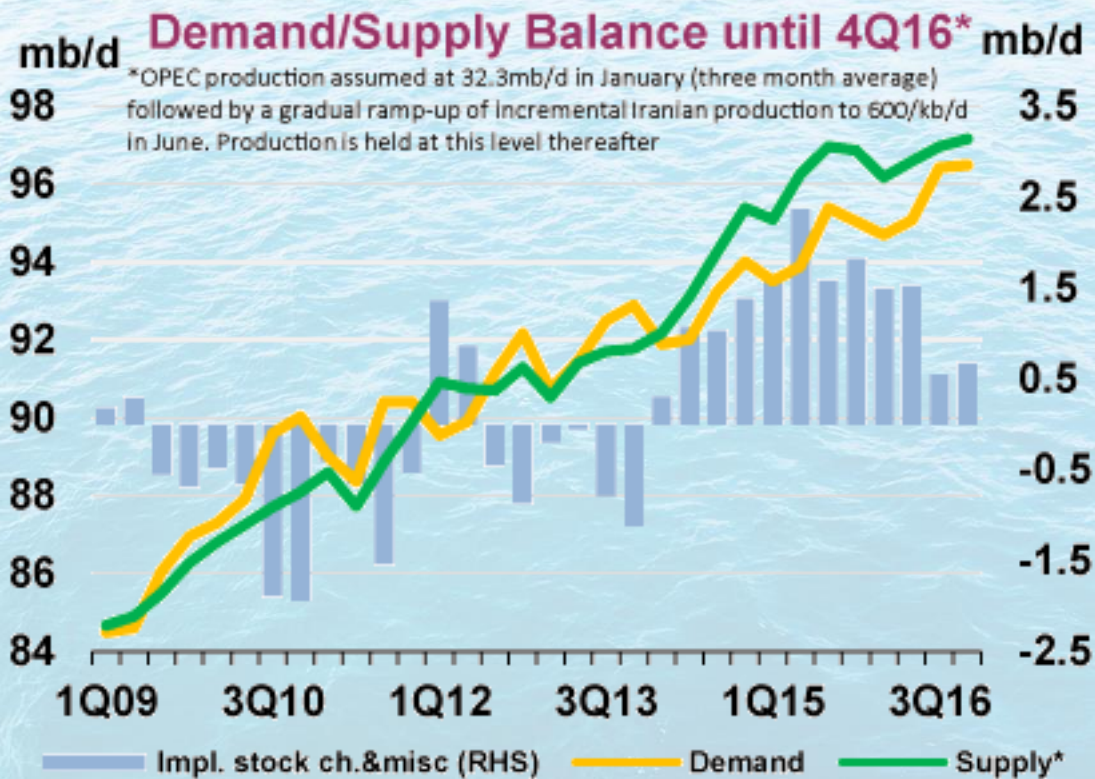
### Vehicle fleet



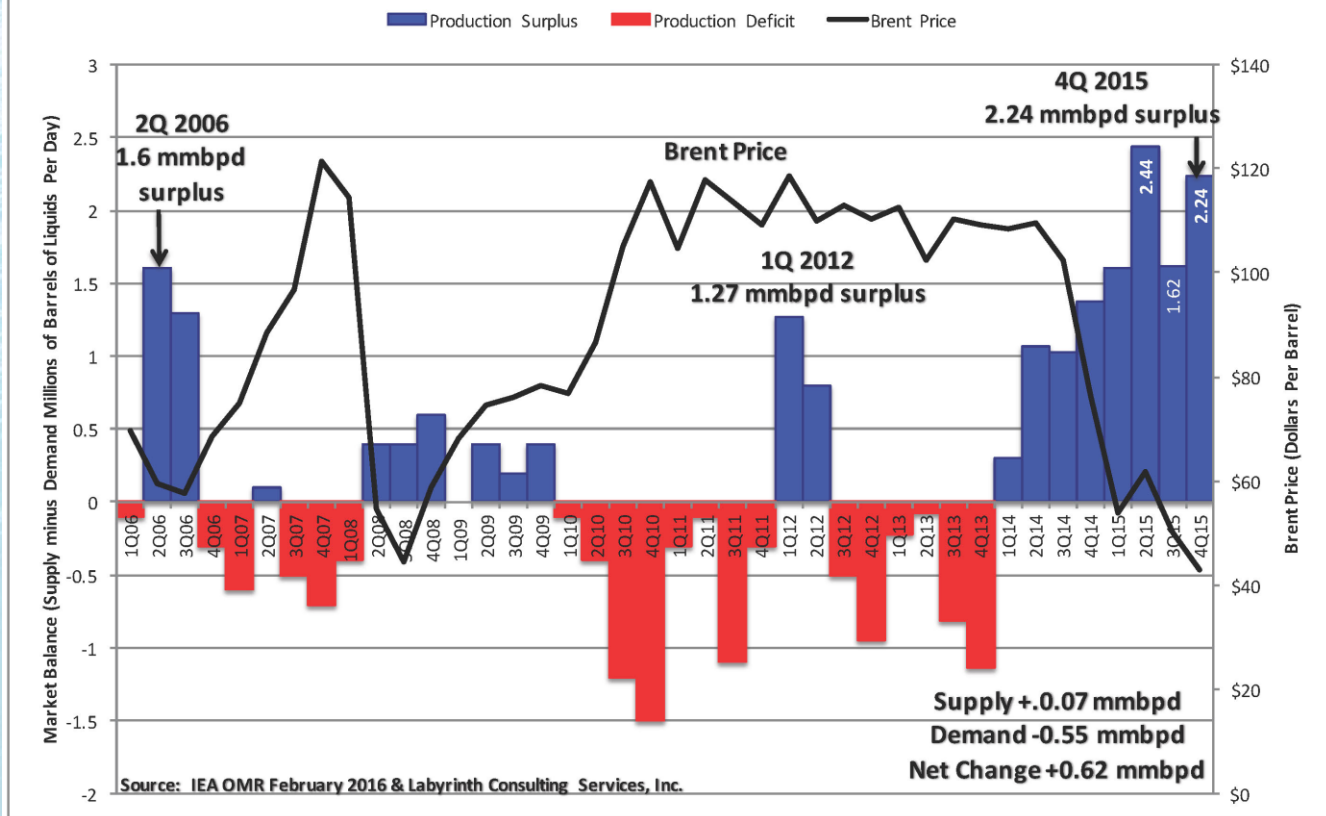
2016 Energy Outlook

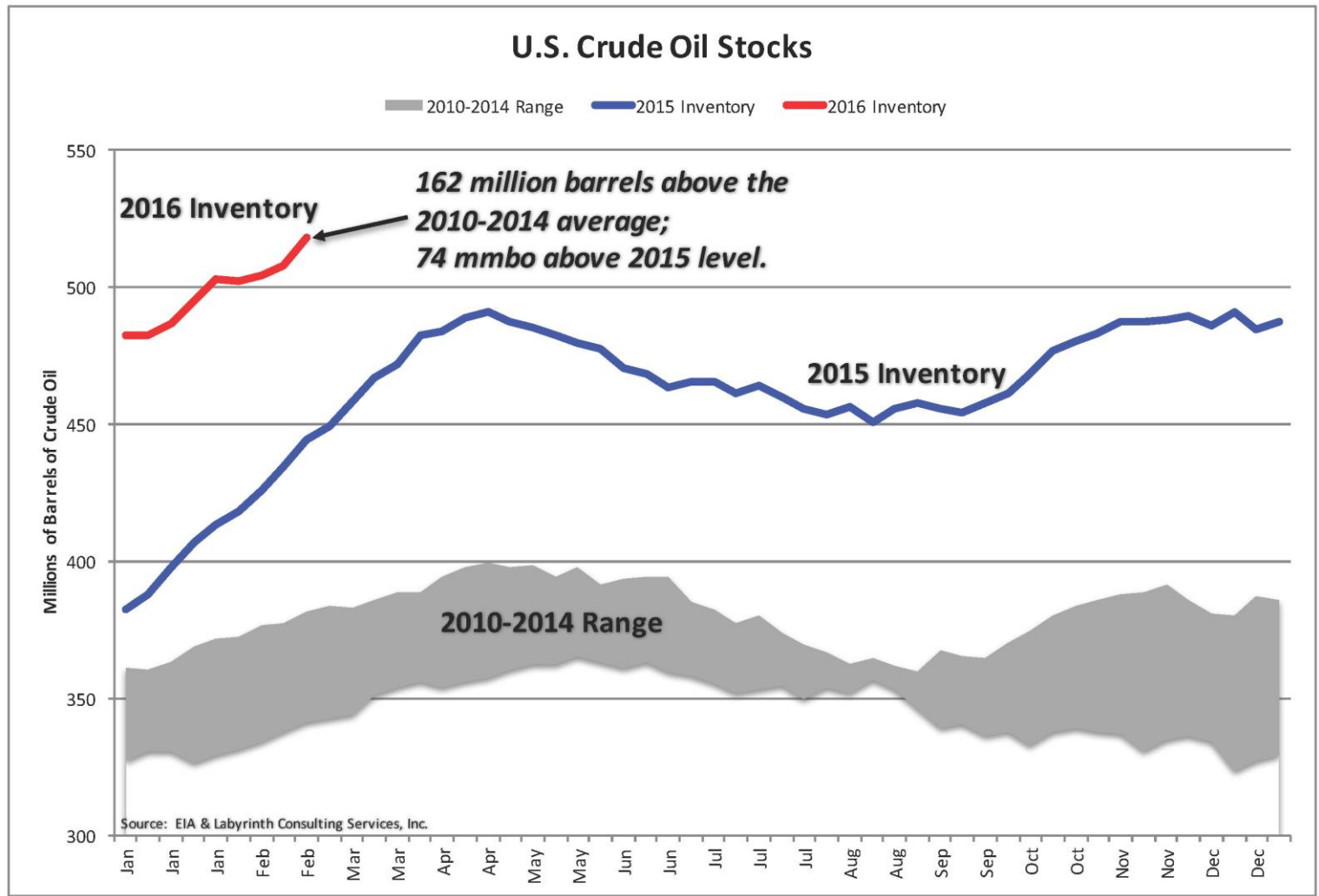
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## IEA World Liquids Market Balance (Supply minus Demand)







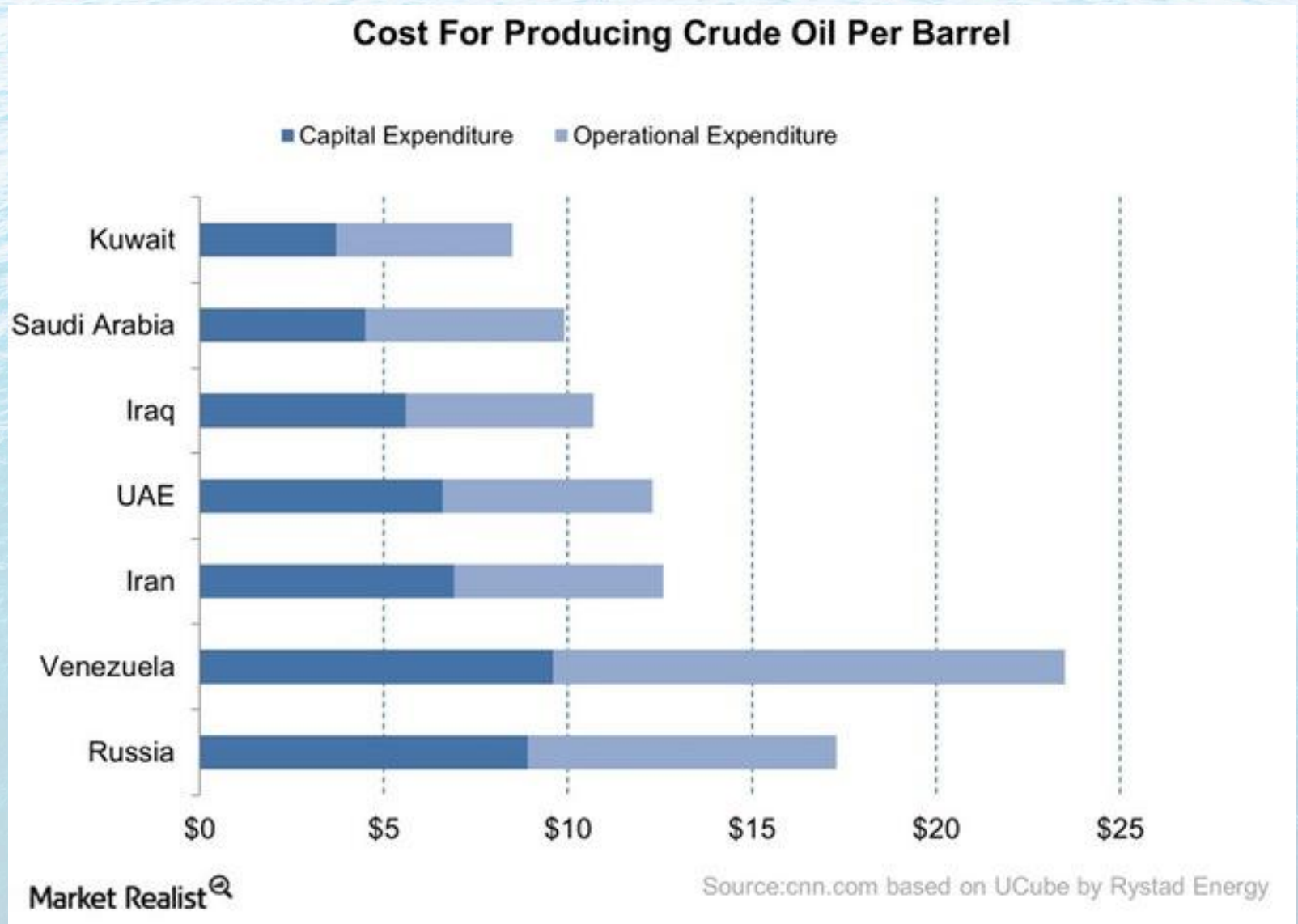
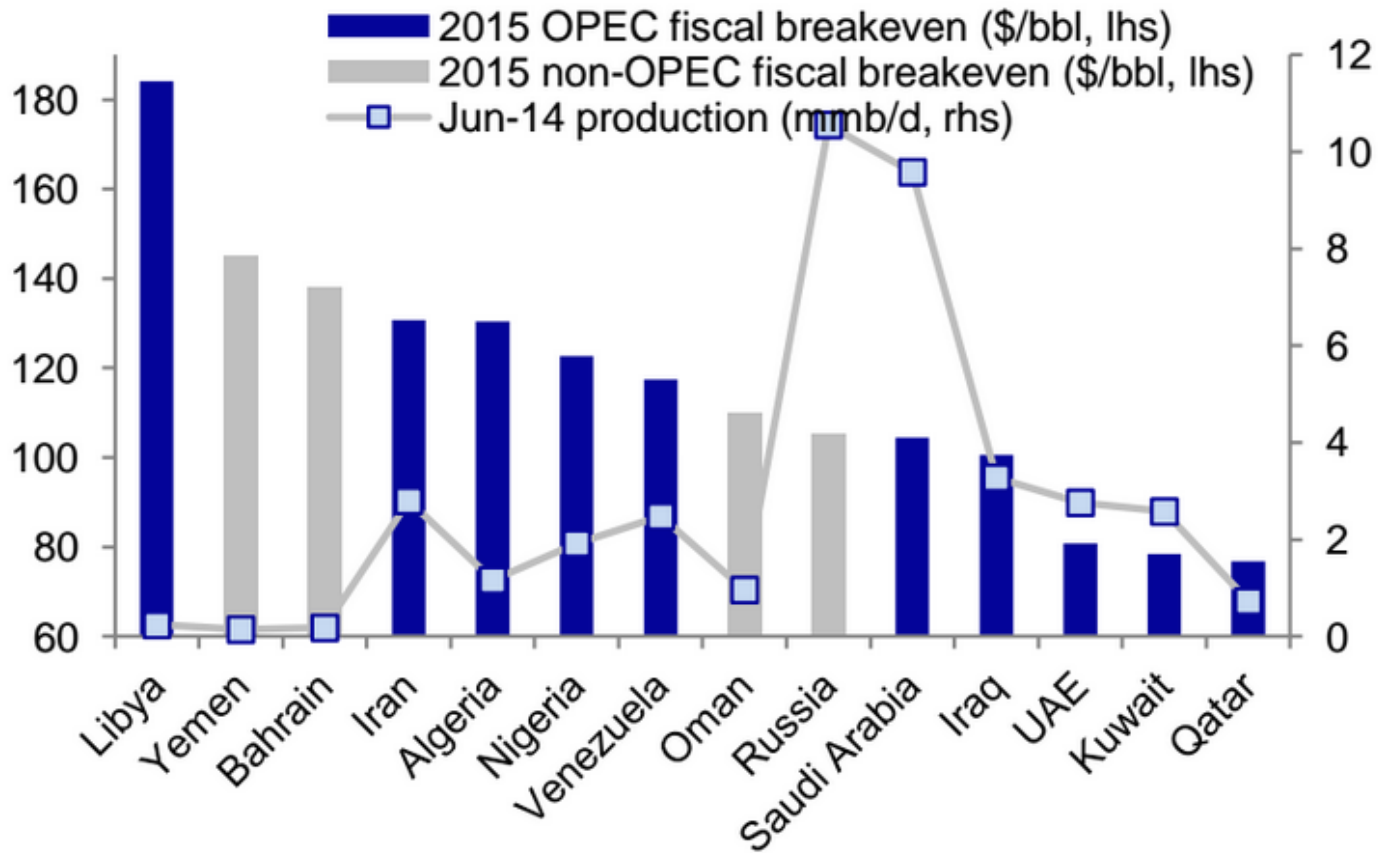
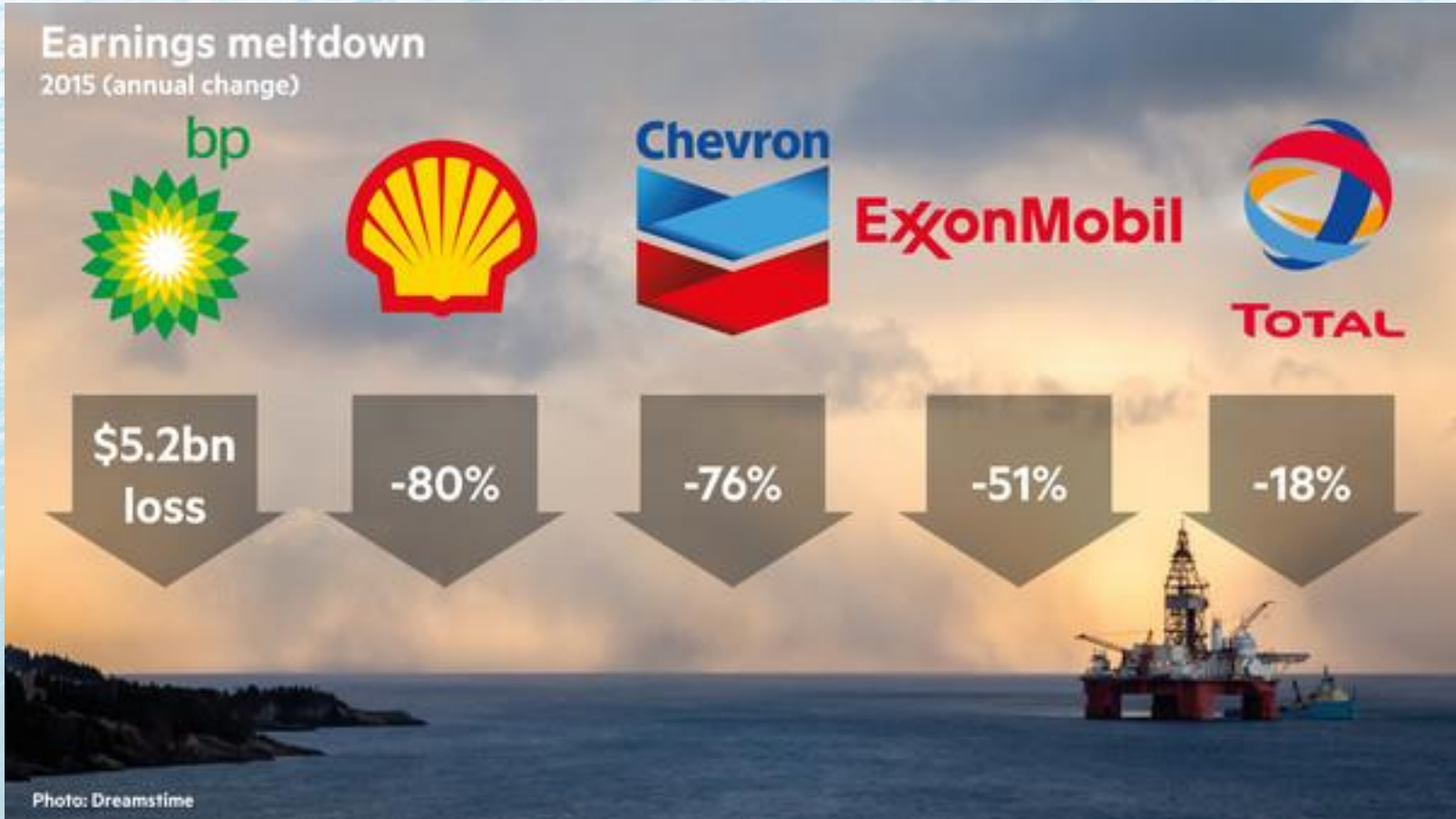


Figure 6: Producer country fiscal breakeven (\$/bbl)



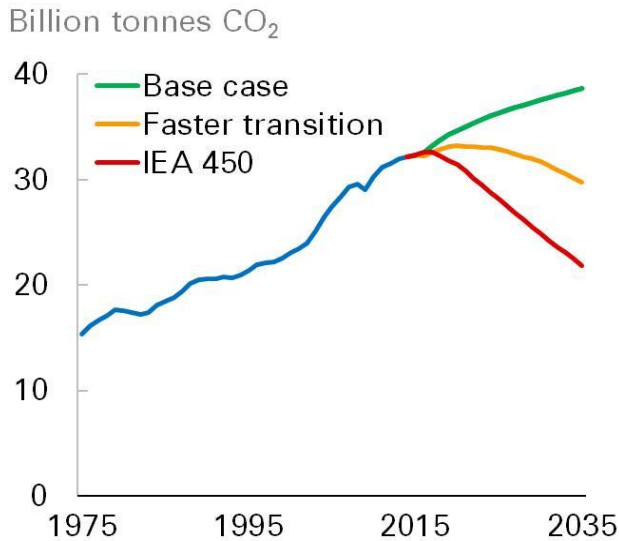
Source: IMF, Deutsche Bank



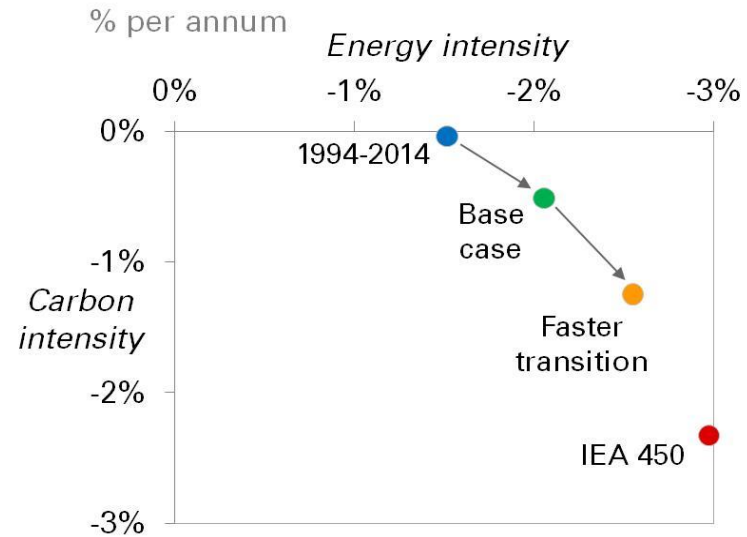
## Outlook for carbon emissions



### Carbon emissions

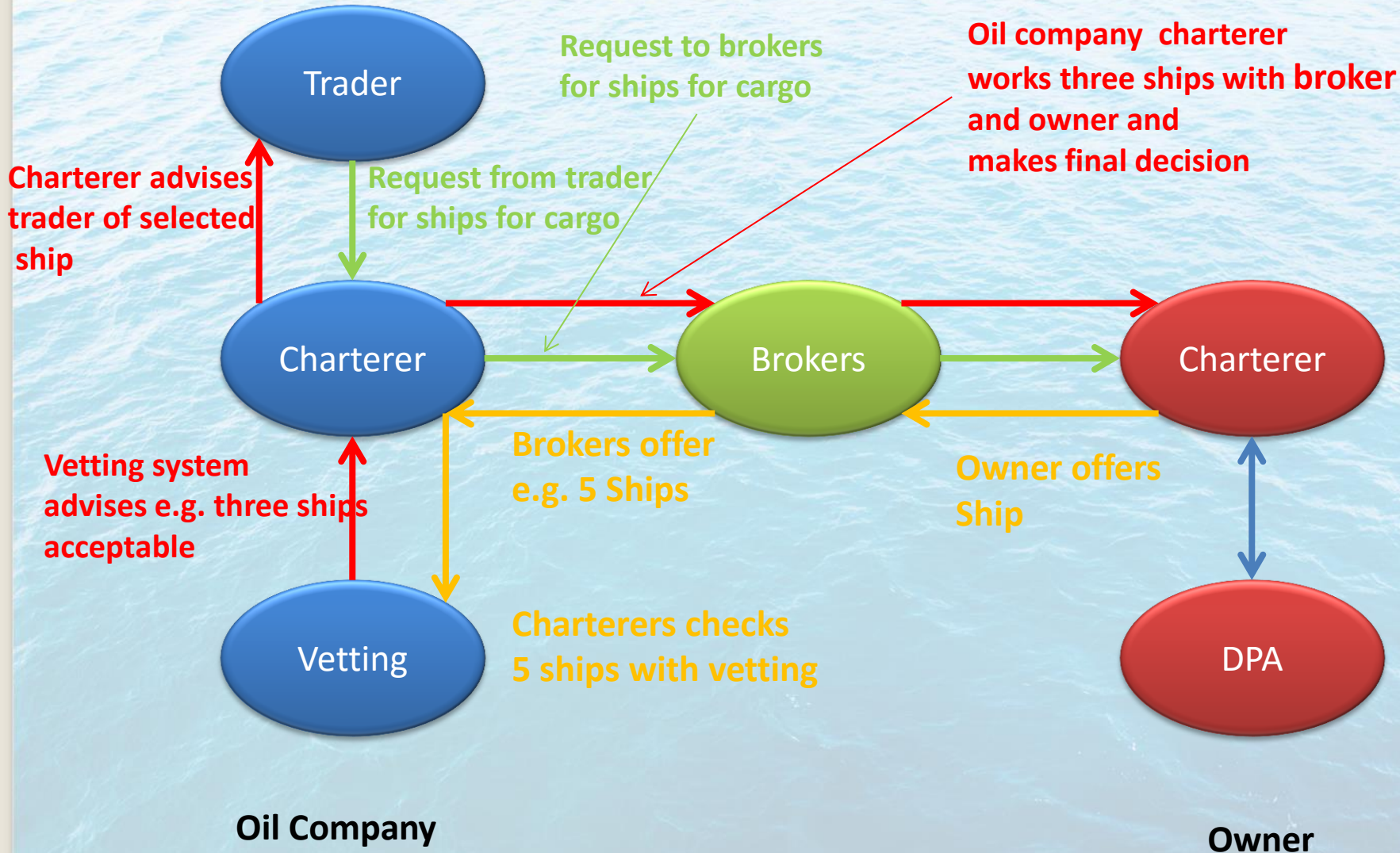


### Changes in intensity



# **What the customer wants**

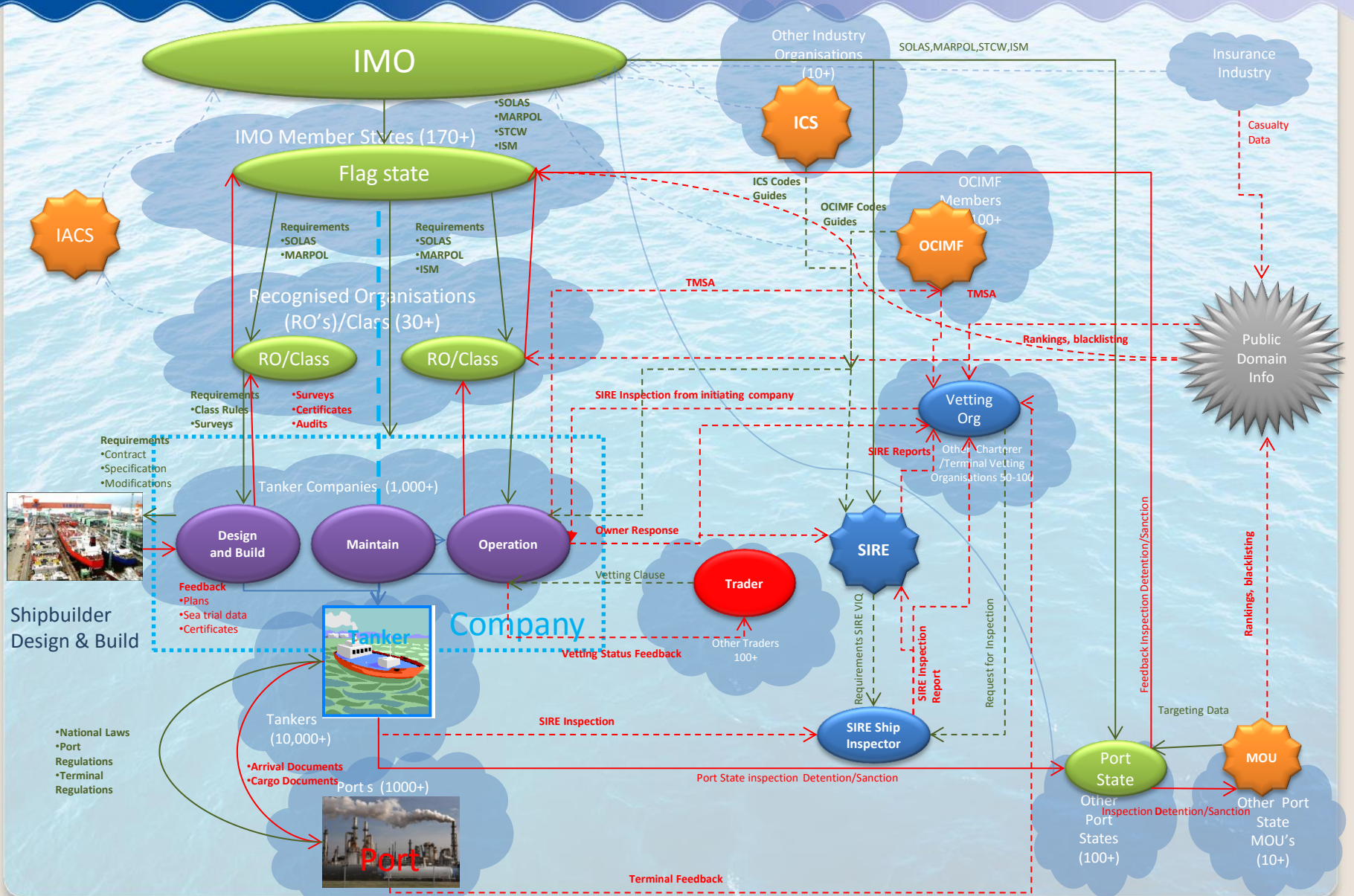
- Safe
- Reliable
  - On time-no stock outs or field shutdowns
  - No breakdowns
  - No contamination
- Efficient
  - Good rate
  - Load and discharge full stem
  - Good communications

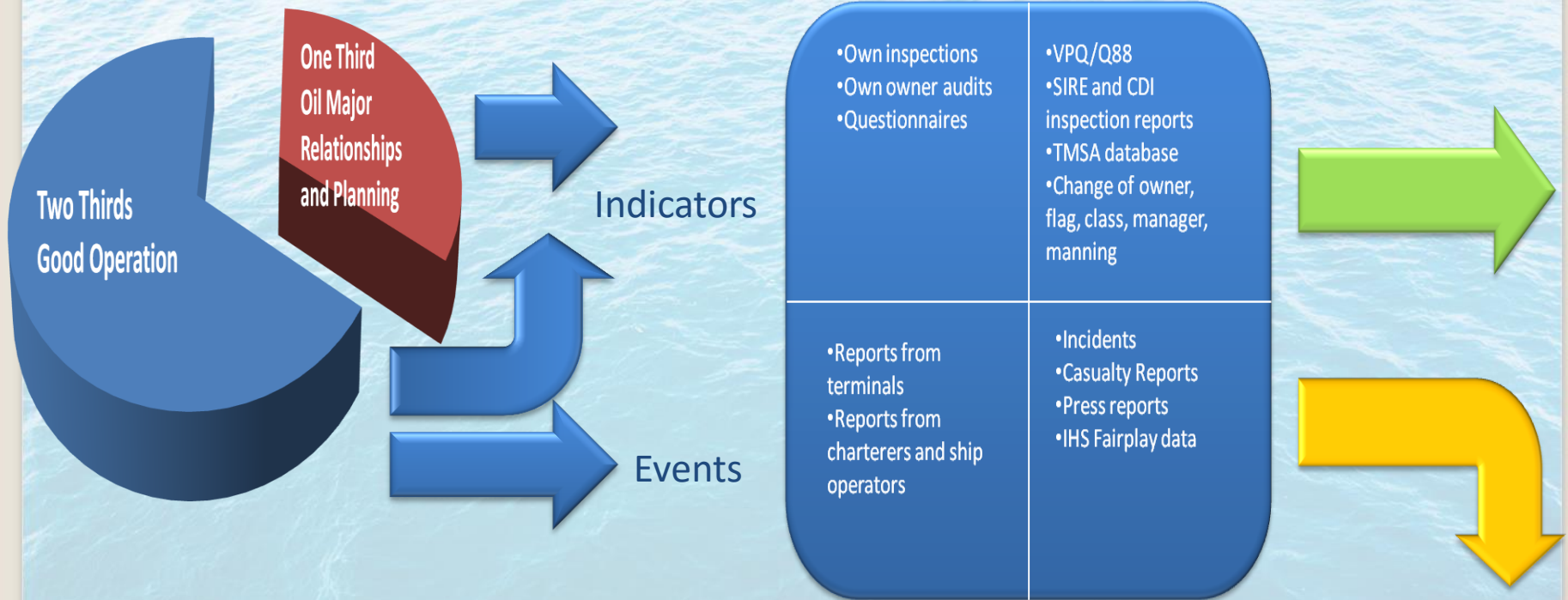


- Risk Management
  - Protection of life
  - Protection of assets
  - Protection of environment
- Reputation Management
  - Corporate Social Responsibility
  - Stock price
  - Consumer markets
  - Licence to operate
- Litigation Management
  - Oil pollution clean up costs
  - Government sanctions
  - Civil claims --real and imagined



# moams Tanker Regulatory System





- Healthy tanker industry?
- There are many customers
  - National oil companies
  - IOC's
    - Super majors, majors
    - Traders
    - E&P's
- The balance has changed over 50 years
- Outlook is uncertain with price, demand and climate change
- Many involved in chartering and vetting
- Incident rates and pollutions are low but the consequence of getting it wrong is even higher than it was
- Its about good operations not marketing