

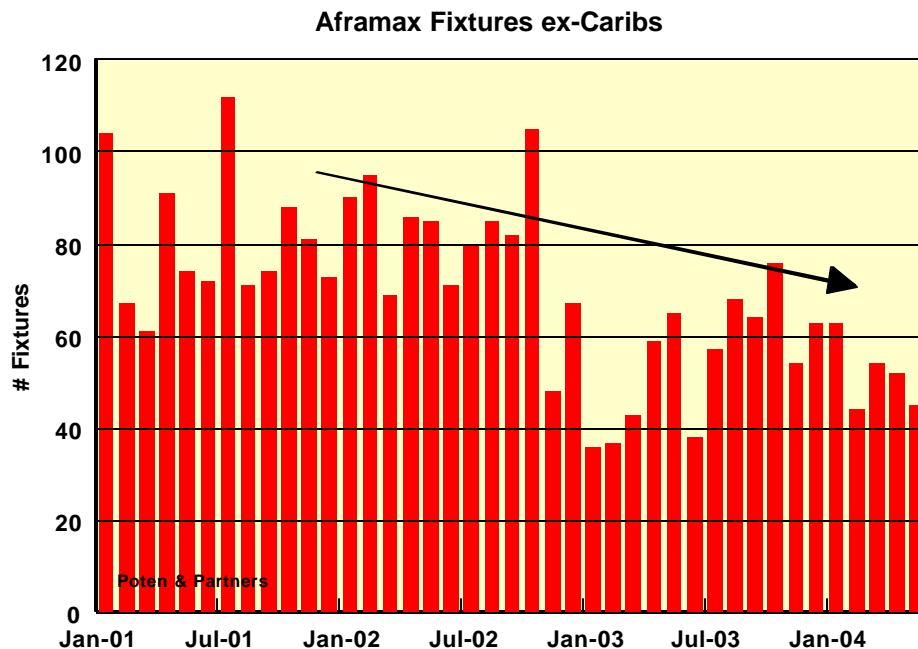


POTEN & PARTNERS

The Case of the Missing Aframaxes

May 28, 2004

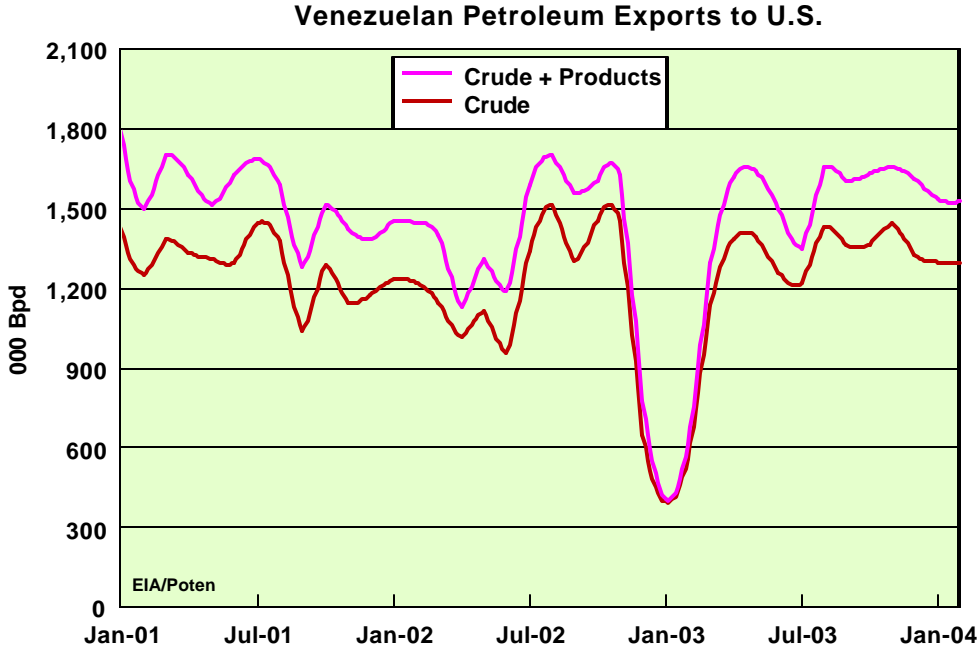
With the availability of Venezuelan crude sporadic at best, and ships under contract for the Caribbean - US trade route, Aframaxes disappeared off the spot market chart during the past two weeks for what is traditionally their most popular voyage. The number of vessels open during the next 20 days has nearly doubled in just two weeks - from 19.6 during the first week of May to 37 this past week. World scale rates dropped from over 200 during the first week of May to WS 140 last week. Though rates are heading back up now, what happened to the dear old Aframax last week?



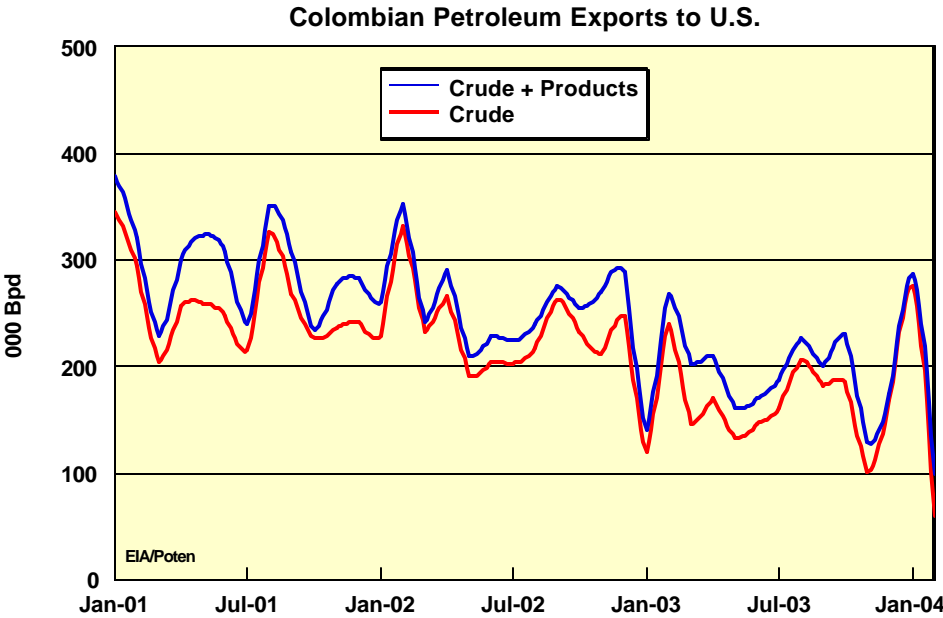
People’s Exhibit A: VLCCs Lightered

The Aframax market is generally strong even with this brief lack of available vessels. Some of the reasons behind the falloff in Aframax fixture activity include increased lightering activity, a decrease in cargoes from Venezuela and Mexico, ships on contract that are not showing up in the spot market and a shift in Aframax voyages away from the Caribbean to Trans-Atlantic routes. During the month of May, Aframaxes were being used for at least 44 voyages into the Gulf (since there were 11 fixtures between May 18 and 19 with four Aframax voyages needed to lighter each VLCC).

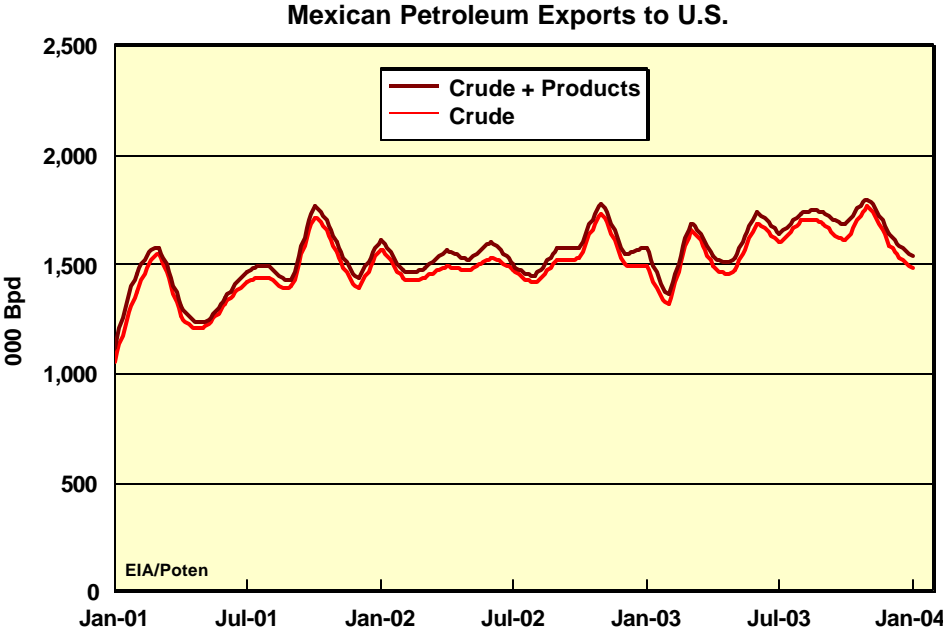
The graph below shows Venezuelan crude and crude products in a slight decline. While this may not make a huge dent in the transport of crude, it becomes one when coupled with declining exports from Colombia and Mexico (see following graphs). In addition, Suezmaxes replaced some of the Aframaxes making voyages from Mexico to the US Gulf.



Colombian Exports to U.S. Diving

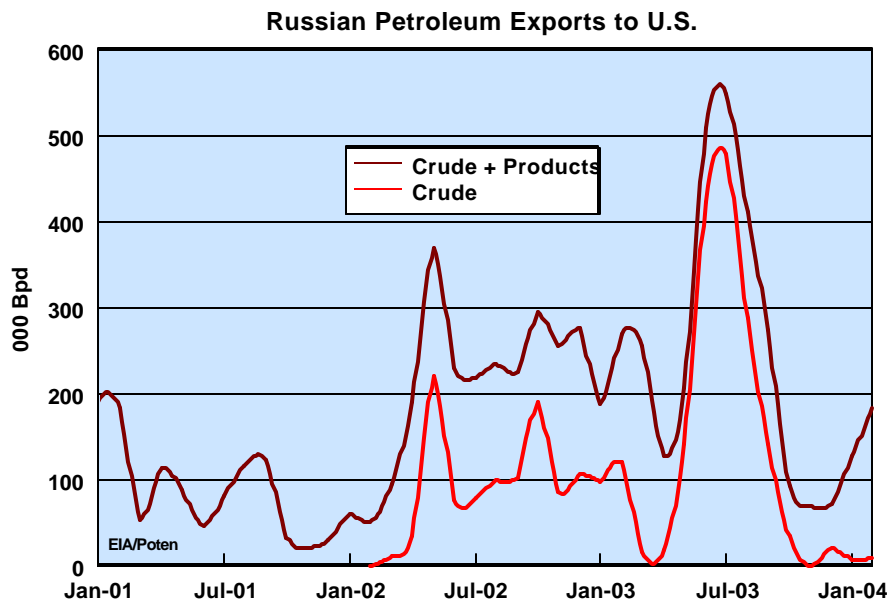


Mexican Exports to United States Also Taking a Dip



People's Exhibit B: Dropoff in Russian Exports to US

Aframaxes are busy moving Black Sea cargoes into the Mediterranean, not into the United States since Russian crude exports to the U.S. have essentially ceased to exist. In 2003, more than 500 Aframaxes were fixed from the Black Sea to the Mediterranean, up from about 400 in 2002 and less than 200 in 2001.



Verdict

The falloff in Caribbean exporters probably is a statistical fluke. Wait a month or two for exports to get back to normal and you'll see Aframaxes back in the Caribbean and rates back up to where they were at the beginning of May for this popular vessel. Today, in fact, rates moved back up to WS 162.5.