



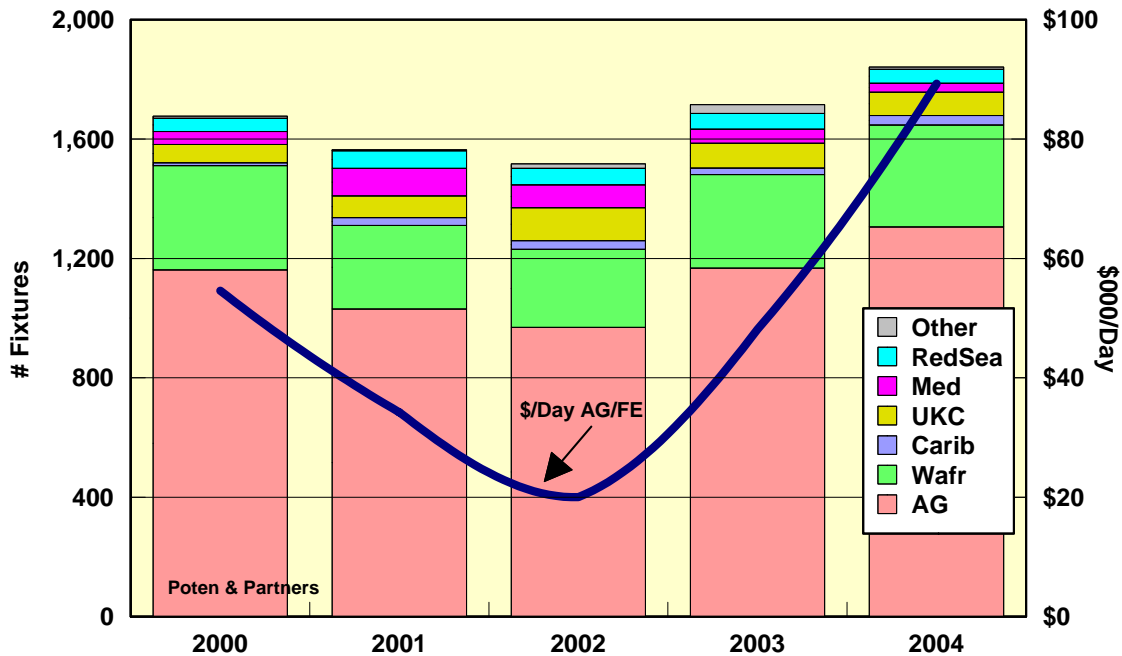
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Shifting Sands of VLCC Employment

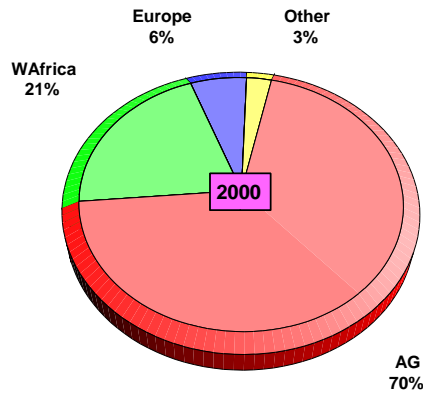
May 20, 2005

We tend to think that VLCC demand is a one-way street up or down. The chart shows that this market has its ups and down. Spot fixture activity fell between 2000 and 2002, recuperating thereafter dragging rates along with it.

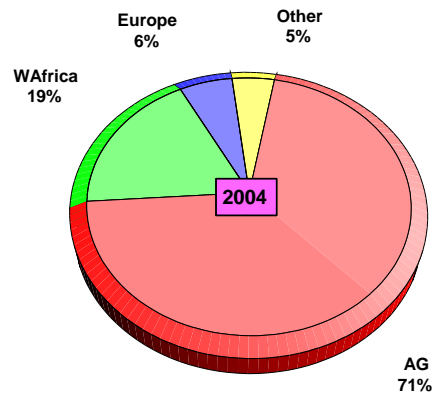
VLCC Spot Fixture Activity
by Load Area



Clearly VLCC trading is concentrated in two loading areas: Arabian Gulf and West Africa. The rest is frosting on the cake. The percentage shares for the principal load areas are on the next page.



VLCC Spot Fixtures by Load Areas



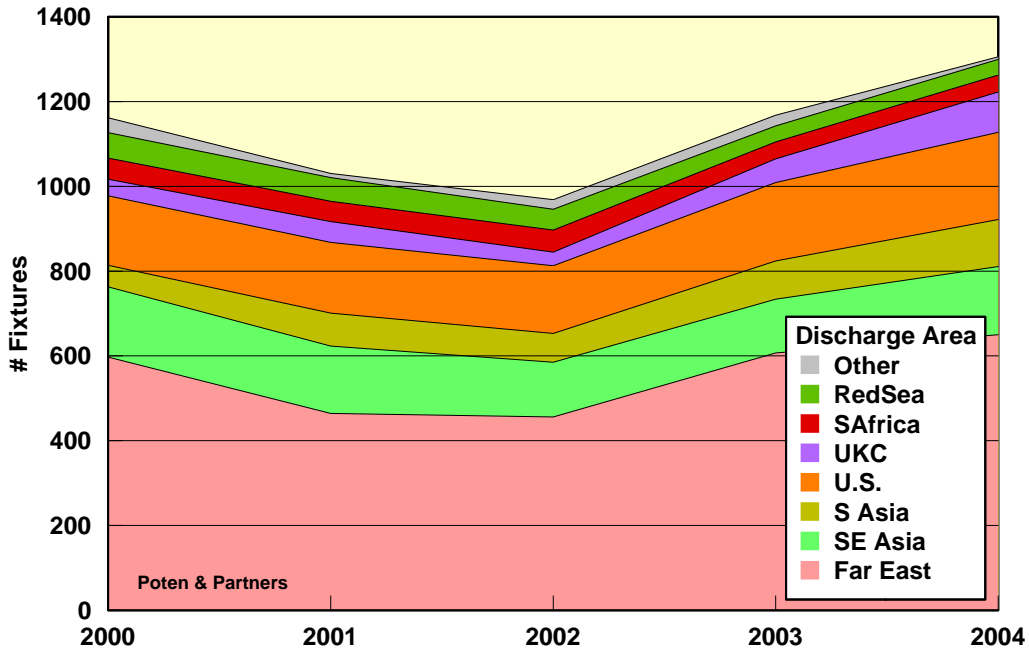
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While the number of fixtures has changed, the shifting sands of VLCC employment by load area have not shifted much. Some erosion of the share of West Africa loadings has been compensated primarily by Carib loadings incorporated in Other. These liftings have been primarily fuel oil cargoes to Singapore and the Far East.

Arabian Gulf Load Area

While it is normal to “blame” crude exports from the Arabian Gulf to China for high VLCC rates over the last two years, the chart on the next page shows that there have been marked growth in the number of cargo liftings to India from 51 spot fixtures in 2000 to 111 in 2004, the United States from 164 spot fixtures in 2000 to 206 in 2004, and Europe from 39 spot fixtures in 2000 to 95 in 2005, probably as compensation for falling North Sea production. The number of liftings to the Red Sea (Sumed pipeline) and to South Africa has remained fairly constant.

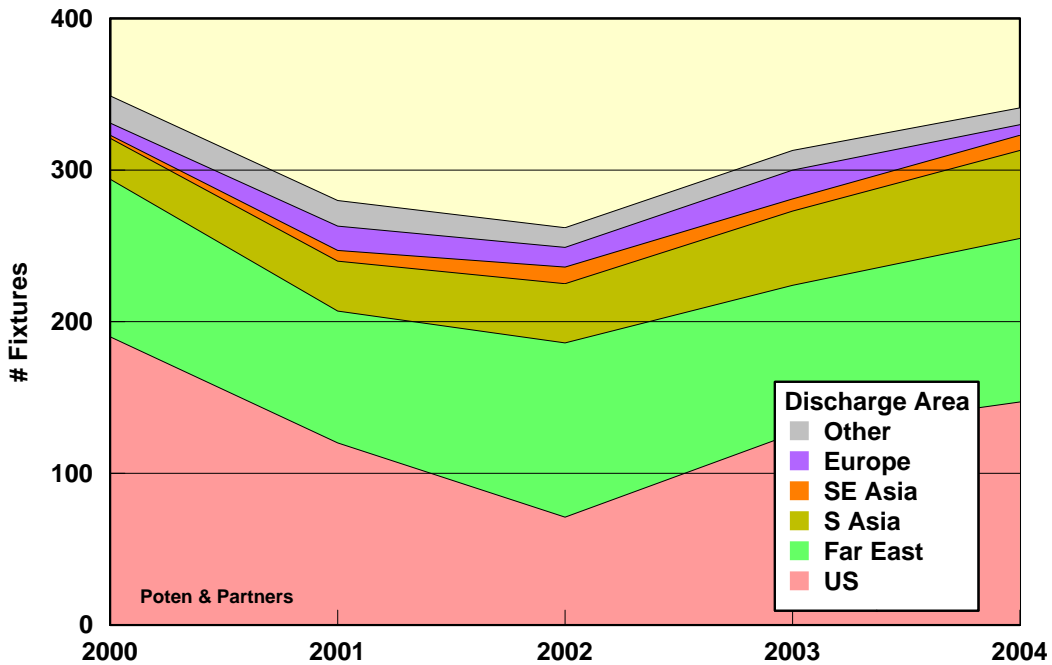
Arabian Gulf Load Area



West Africa Load Area

There was a significant falloff in VLCC West African liftings between 2000 and 2002 destined to the United States, which was largely recouped by 2004.

West Africa Load Area



In comparing the chart for 2000 and 2004, the percentage of liftings heading to India and the Far East has gained in relation to the number of liftings to the United States. In 2000, 54% of spot VLCC fixtures from West Africa discharged in the U.S., in 2004 the share dropped to 43%. This shifting of VLCC cargoes of West African crude from the United States to India and the Far East has a significant impact on VLCC demand.

If one compares the total distance of a fronthaul loaded voyage AG/USG, a ballast voyage to West Africa, a backhaul loaded voyage to China, and a ballast voyage back to the AG with a straightforward AG/USG round trip voyage, the additional distance is about 9,000 miles. This is essentially the same as a round trip voyage from West Africa to the U.S. Gulf. On the surface, it may appear that whether a VLCC is employed moving West Africa crude to the U.S. Gulf as a fronthaul cargo or to the Pacific basin as a backhaul cargo is immaterial.

That's on the surface. Every cargo of West African cargo to the Pacific basin is one less cargo available for the Atlantic basin. The West African cargo has to be replaced and the replacement cargo is not to be found in the Atlantic basin. Lucky for tanker owners, the replacement cargo is another AG cargo to the Atlantic basin. The greater the number of cargoes of West African crude to the Pacific basin, the greater the number of replacement AG cargoes to the Atlantic basin.

Shifting Sands

On the surface, the shifting sands don't seem to be shifting that much; but that is not true. Trade routes are becoming more diverse, which adds to ton-mile demand. China's announced intention to diversify oil sources means fewer cargoes from the Middle East and more cargoes from elsewhere. When one examines "elsewhere", West Africa sits high on the sand pile as may Venezuela. What's nice about China replacing Middle East oil with Atlantic basin oil is that every additional cargo going to China will have to be replaced by an AG cargo to the Atlantic basin.