



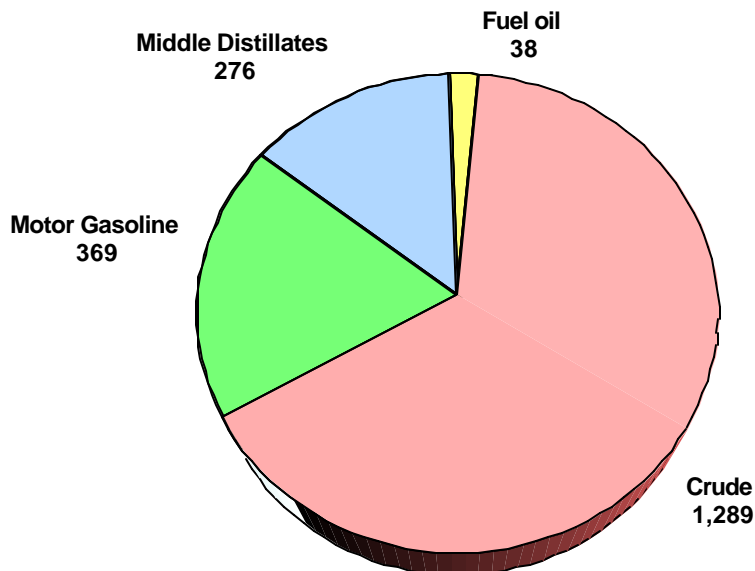
POTEN & PARTNERS

## Shipping's "Katrina" Effect

September 9, 2005

Among many generous displays of solidarity since the tragedy of Hurricane Katrina began to unfold on August 29th, the 26 International Energy Agency (IEA) member nations have collectively agreed to supply the United States with 60 million additional barrels of crude and crude products over the next 30 days. This week we examine the specifics behind these additional supplies, as well as the shipping impact of these generous contributions. How might 2 million incremental barrels per day of crude and products affect tanker demand in the short term?

**Distribution of IEA Contributions  
by Type and Volume (000 Bpd)**



## Product Breakdown

On the previous page one can see the breakdown by product type of the additional supplies offered by IEA member nations. Nearly two-thirds of the product relief offered will come as unrefined crude, with nearly 17% motor gasoline, 14% middle distillates, and the remaining portion as fuel oil.

## Country Detail

The United States will release the most additional supplies: 44.2% of all additional volumes. Japan will provide 12.2% of incremental resources, and Germany 6.0%. The country-by-country breakdown is shown below:

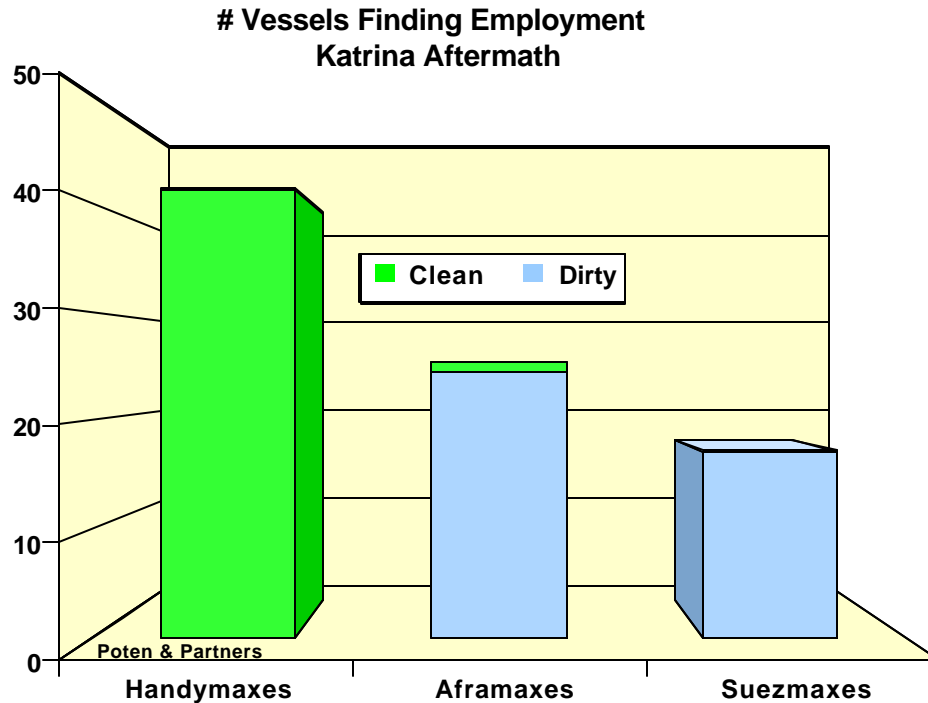
	Official Share	Restated Share	Bpd Contribution
Australia	1.8%	3.5%	37,800
Austria	0.7%	1.4%	14,700
Belgium	1.0%	2.0%	21,000
Canada	4.6%	-	92,000
Czech Republic	0.5%	1.0%	10,500
Denmark	0.4%	0.8%	8,400
Finland	0.5%	1.0%	10,500
France	4.6%	9.0%	96,600
Germany	6.0%	11.7%	126,000
Greece	0.9%	1.8%	18,900
Hungary	0.3%	0.6%	6,300
Ireland	0.4%	0.8%	8,400
Italy	4.1%	8.0%	86,100
Japan	12.2%	23.8%	256,200
Korea	4.8%	9.4%	100,800
Luxembourg	0.2%	0.4%	4,200
Netherlands	1.4%	2.7%	29,400
New Zealand	0.3%	0.6%	6,300
Norway	0.4%	0.8%	8,400
Portugal	0.8%	1.6%	16,800
Spain	3.5%	6.8%	73,500
Sweden	0.7%	1.4%	14,700
Switzerland	0.6%	1.2%	12,600
Turkey	1.4%	2.7%	29,400
United Kingdom	3.6%	7.0%	75,600
United States	44.2%	-	884,000

Almost half of the additional supplies will come from the United States and Canada, whose additional supplies will most likely move via pipeline. We have therefore, for our analysis of shipping demand impact, restated the other nations'

shares in the table on the previous page's third column. The fourth column shows each countries' barrel volumes in terms of barrel per day volumes.

One can see that of total contributions, 1,075,000 bpd are from non-North America sources with IEA Europe accounting for close to 672,000 bpd and IEA Pacific for 403,000 bpd.

## What Will the Shipping Consequences Be?



Using our assumptions<sup>1</sup>, it would appear that IEA supply increases would increase Handymax demand by 5.1% of the current fleet, Aframax by 3.8%, and Suezmaxes by 6.0%.

One can also factor in the 960,000 barrels of gasoline that Venezuela has promised to export to the United States. Assuming immediate loading, this increase would require a further 4 Handymax tankers for single voyages to the U.S.

Tankers demand increases in times of distress, and this occasion is no exception. In a somewhat acrimonious world, perhaps this show of solidarity by the IEA and others can help to firm up inter-national relationships and maybe even mend old wounds. Perhaps there is a silver lining to this tragedy.

<sup>1</sup> In assessing tanker demand, we have made two assumptions. First, we assume that each country moves two-thirds of volumes on dirty tonnage, and one-third on clean tonnage. Second, we assume that each nation puts all of its clean or dirty cargoes onto the vessel size it uses most frequently.