Tanker shipping keeps the balance in restless waters

We still see a fairly comfortable outlook for tanker shipping. Demand has risen slightly, and ordered capacity isn't overwhelming. The sector remains heavily exposed to geopolitics, with inefficiencies due to sanctions and longer journeys supporting charter rates

We're expecting to see another solid year for the tanker shipping segment

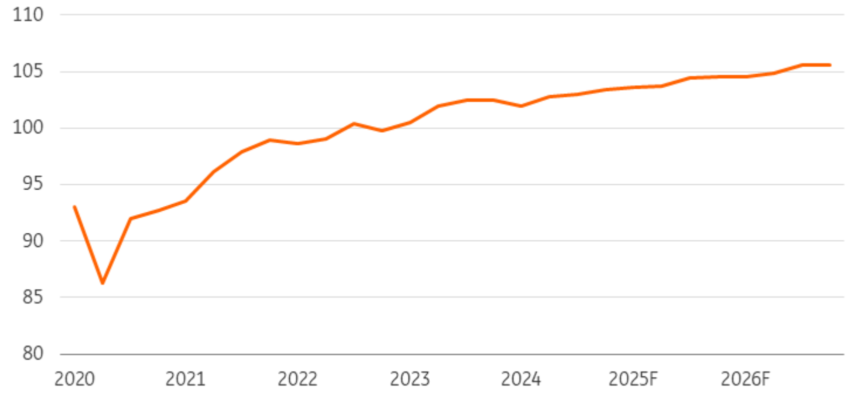
Tanker demand keeps up and diversifies

We're expecting to see another solid year for the tanker shipping segment. General global oil demand continues a mild growth trajectory of 1% year-on-year, with the mix of refined products – shipped in product tankers – gradually changing, with less gasoline, more jet fuel, and more LPG. Additionally, biofuel flows are expanding as blending steps up in aviation, road transport, and shipping. This means the product mix is widening, which may require more (dedicated) vessels. Generally, the global oil demand balance is slowly shifting from the West to fast-growing economies in the East, such as India. In China, oil consumption is decelerating after strong growth, a key reason being the rapidly increasing electric vehicle (EV) fleet.

The tanker segment could see some headwinds in terms of ton-miles in 2025 if the Red Sea fully reopens, but also because some cargo owners opt for shorter distances. But in general, ton-mileage volume is are set to remain higher than before Russia's invasion of Ukraine and the associated shift in trade (Russia exporting to the East, Europe importing from elsewhere).

Tanker trading flows expected to see ongoing moderate growth

Worldwide consumption volume of oil based fuels (mln. bbls per day)



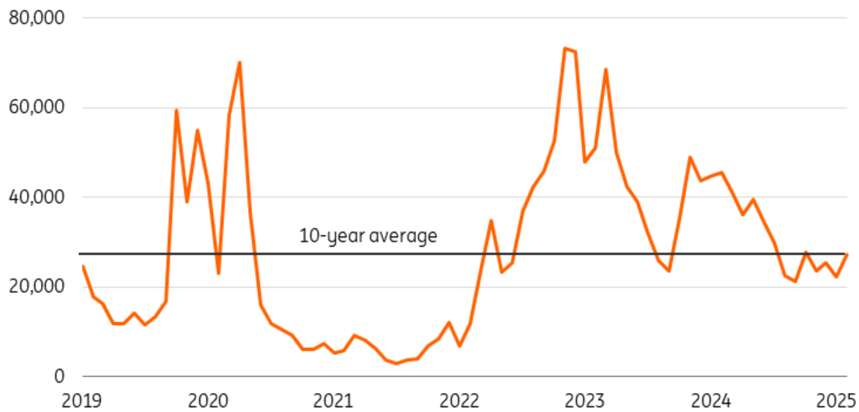
Source: EIA, forecast EIA

Tanker rates left highly elevated levels

In the run-up to the Russian invasion of Ukraine and subsequent sanctions, tanker rates started to rise rapidly. Average overall earnings spiked above $60,000 per day in 2022 and 2023 but dropped to around $25,000 in early 2025. This was also reflected in the Baltic tanker indices, and volatility isn't uncommon in this sector. However, one, three and five-year time charters held up quite well, and most vessels are sailing under contracts. We also see that charterers prefer shorter tenors because of geopolitical uncertainty. The trades to Russia (within the oil price cap) still generate substantial premiums for shipowners.

The past months have shown relative calm for rates in a world experiencing turmoil. But new policy interventions and more volatility in oil prices could lead to more or less floating storage, which proved to have a significant impact on tanker market rates in 2020 when a strong contango led to a surge in demand.

Tanker earnings aren't highly elevated anymore, but haven't sunk either



Source: Clarksons, ING Research

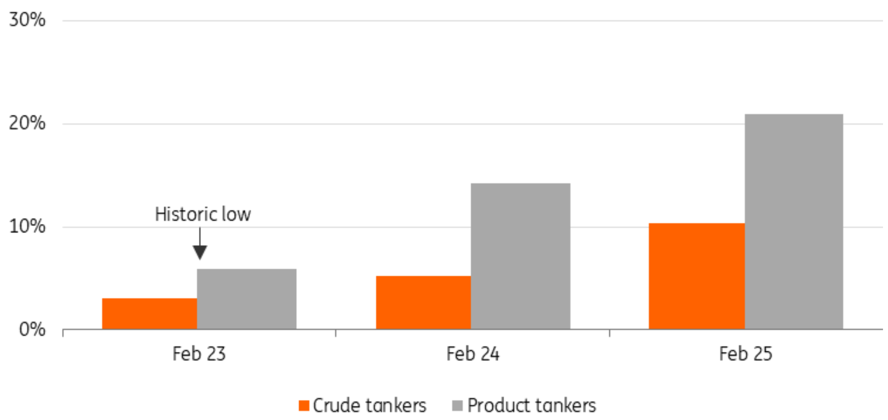
Days of record low tanker orderbooks are over

Since peaking in early 2016, order books for new crude and refined product tankers have declined for seven years, hitting record lows of 3% and 6% by early 2023. Fleet expansion has been limited, with VLCCs even contracting in 2024. The 20+ year investment horizons make investors cautious about future oil demand, while the war in Ukraine, sanctions, and longer shipping routes have led to a boom in tanker shipping.

Companies like Hafnia, Frontline, and Euronav saw soaring freight rates and margins due to capacity shortages, while global oil demand remained high and the energy transition faced challenges. The order book for product and crude tankers has more than tripled from early 2023 lows, now exceeding long-term averages.

Historic low orderbooks in tanker shipping are over

Orderbook crude and product tankers in % of the fleet



Source: Clarksons ING Research

Tanker market to turn less tight with expected new tonnage, product tankers still scarce

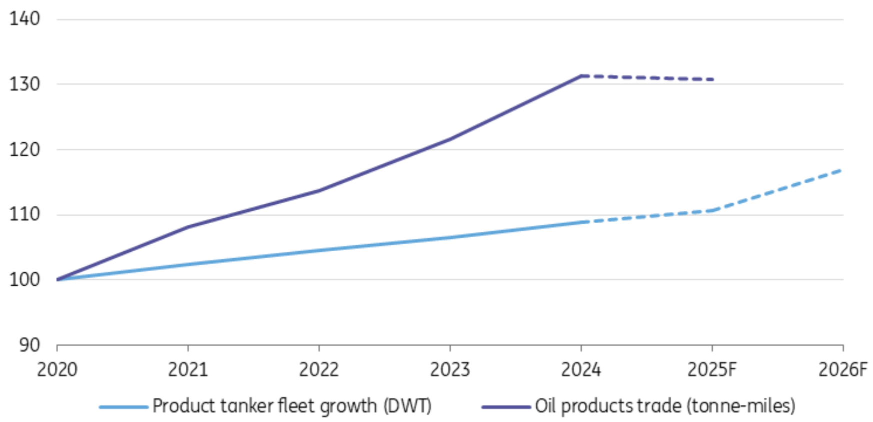
The new capacity on the horizon won't shift the balance too much in 2025, but it may lead to more pressure on prices over the coming years. On the product tanker side, significant new capacity of over 5% is expected to come online in 2026, but demand has outpaced supply in recent years, so this won't weigh heavily on the market in 2025. The tense geopolitical reality – also with Iran and the vital strait of Hormuz – could also easily lead to oil market turmoil, which could spark extra trades and more floating storage, consequently pushing up rates.

As soon as excess capacity starts to drag rates down, we could expect more scrapping. However, the growing Russian 'shadow fleet' of old acquired tanker vessels shipping Russian oil – and circumventing sanctions – has complicated this in previous years. Reportedly, this fleet counts over 650 relatively old tanker vessels. Altogether this makes up some 16-17% of the total tanker fleet capacity early 2025.

As part of the EU's 16th sanction package, published in February 2025, the EU has sanctioned 153 vessels, excluded from European ports. The usage of these vessels is therefore limited and these tankers are not expected to return to the regular fleet after the war. In total, the global tanker fleet is comprised of around 7,700 tankers.

Product tanker capacity still lags demand, even after correction

Index growth tanker fleet (DWT*) vs. oil products trade growth, 2020 = 100



Source: Clarksons, ING Research
*dead weight tonnage

Record and climbing average tanker age should also push tankers out of the fleet

While orders for new tankers have seen a strong pick-up, years of hardly any inflow have aged the tanker fleet, with average ages standing close to 14 years by early 2025 – the highest level in over 20 years. For VLCCs and Suezmax tankers, it takes us back to the 90s. After years of ultra-low scrapping, this should push more aged tankers out of the fleet in the next few years. At the same time, we have seen Russia acquiring old tankers.

LNG tanker market unbalanced on delayed terminal capacity and new carriers coming online

The LNG-tanker market is challenging at the moment as spot rates declined through 2024, reaching new lows early 2025. One and three-year contracts dropped as well. Longer-term contracts for five, seven and 10 years tend to be more stable, signalling confidence in significant volume growth for LNG as a replacement and transition fuel, with infrastructure already in place. While global LNG demand shows continued growth, driven especially by China, India, and the rest of Asia – and tops the freight segments for 2025 – near double-digit annual fleet expansion weighs heavily on rates.

New LNG terminals (such as those in the Gulf of Mexico) ran into delays after a pause on export licenses, but the Trump administration aims to ramp up LNG exports, and Saudi Arabia wants to shift focus to LNG as well. At the same time, the LNG carrier order book in cubic metres still accounts for close to 50% of the current installed base of over 800 vessels (some 340, mostly larger carriers by early 2025) after heavy ordering during the high tide in 2021-2022. A significant number of these vessels are coming online in 2025-2026. Most of them are being delivered by a few specialised shipyards, which has pushed prices for new 170,000 m³ tankers up from around

$200 million to $260 million, but prices have eased. This means there's not much support yet for a strong recovery of short-term market rates.

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