

Europe's shift from Russian oil creating 'massive stimulus' for tankers



Tankers generally, but VLCCs in particular, will benefit spectacularly as Europe's energy trades transform and the ban on Russian crude oil imports comes into effect in December.

Paul Bartlett | Sep 12, 2022

According to New York broker, Poten & Partners, the tonne-mile demand generated by European imports rose by 32% as a result of reducing Russian imports from 2.5m barrels per day (bpd) to 2m. "Finding alternative sources of supply for another 2m bpd will provide another massive stimulus to tonne-mile demand and tanker rates," the broker declared.

Over the five-year period from January 2017 to January 2022, Europe imported an average of 2.7m bpd of Russian crude oil by sea, 26% of the seaborne total but only 14% in terms of tonne-miles.

Most of the oil imported into Europe was carried on smaller tankers running short-haul trades across the Baltic and Black Seas. Between March and August, however, crude oil imported by sea from Russia fell to 19% and, in tonne-mile terms, shed two percentage points to 12%.

Since the start of the war, Europe has pivoted away from Russian crude, replacing supplies with imports from the US Gulf, South America (Brazil, Guyana), West Africa, and the Middle East. Imports from the US Gulf have doubled from 6% to 12%. This has led to a significant increase in tonne-mile demand, and is a welcome shot in the arm for the recently weak large tanker sector.

The broker also noted that Russia will look for other customers for its displaced two million barrels of crude, most likely in Asia, China and India in particular. The will provide a further boost for tonne-mile demand. “The tanker market is in for a wild ride,” Poten predicted.