A Premium Service Featuring a Monthly Forecast and Online Data "Portal"

FREIGHT MARKET OUTLOOK

Overview

The recent recession could not have happened at a worse time for the tanker sector. The contraction in both oil demand and tonnage demand in 2008 and 2009 has driven tanker rates to decade lows. Lack of demand has been exacerbated by the boom in new tanker construction and deliveries prompted in part by the need to replace single-hulled tankers. For PIRA FMO clients, the downturn was not a surprise as the excessive scale of the tanker order book and limited fleet rationalization measures had been highlighted as market threats since well before the economic downturn.

Further uncertainty looms ahead as the complexity of the freight markets will be compounded in the next several years by the economic and oil demand recovery, by still strong tanker construction, by the impending phase-out of single-hulled tankers in 2010 and by conversion of tankers to dry bulk and other services. Operational issues such as the use of tankers for floating storage service and the proliferation of Atlantic Basin movements to the Far East and other non-tributary oil flows add further uncertainty.

FREIGHT MARKET OUTLOOK (FMO), a premium service, which features an in-depth monthly report and innovative online data "portal," translates the key assumptions and oil flows in PIRA's *World Oil Market Forecast* into an up-to-date oil transportation balance and freight rate forecasting tool. Tracking and projecting freight movements and rates allows FMO clients to anticipate changes in the availability and cost of tonnage for different vessel size classes and trades.

The FMO data portal, launched in October 2007, provides first-of-its-kind tools for an in-depth view of short- and long-term freight rate information. In addition to fast data retrieval and manipulation at the individual user's discretion, the portal provides convenient access to the monthly FMO report.


Freight Market Outlook

May 14, 2007 GLOBAL OIL

Freight Market Outlook

Summary

The freight markets received an unexpected lift in May from refining margins that are hitting 12-month highs in all major regions and collectively are at the highest levels since Hurricane Katrina struck in 2005. Strong product markets generally coincide with strong freight markets. Product markets are being supported by exceptionally strong mogas and naphtha markets due to lean inventories. Even the bottom of the barrel looks relatively strong with high bunker and fuel oil prices resulting in positive hydroskimming margins in all regions. Bunker prices on the U.S. West Coast hit an all-time high, surging past $385/ton. This is prompting refiners to bid aggressively for both crude and freight and to increase near-term nominations. However, at the same time, sharply higher bunker prices are eroding some of the benefit of higher market freight rates for owners of spot chartered tonnage. Looking past the second quarter, in PIRA's view, OPEC will need to produce substantially more oil to balance 2007 demand growth, which should provide the impetus for higher freight markets in the second half of the year. This will occur despite the continued rapid growth in fleet capacity.

VLCC rates bounced back again in early May after hitting a soft patch in April, supported by strong refining margins in all regions. After rising to nearly 90 vessels in mid-April, the queue of available tonnage has declined to just over 50 vessels after four successive weeks of above-average fixture activity as well as a number of vessels ballasting to West Africa. We have adjusted rates upward along the entire forward curve to reflect the improved environment.

Freight Market Outlook Scorecard

Bearish Neutral Bullish

VLCCs	Next 30 Days	Beyond 30 Days
Fleet Capacity Increases		
Fleet Utilization		
Atlantic Basin to Asia		
Economic Outlook		
Seasonality		
Refinery Maintenance		
Hurricane Activity		
MSTs	**Next 30 Days**	**Beyond 30 Days**
Fleet Capacity Increases		
Fleet Utilization		
Atlantic Basin to Asia		
Economic Outlook		
Seasonality		
Refinery Maintenance		
North Sea Platform Maint.		
Hurricane Activity		

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The FMO monthly report, with the Scorecard

The FMO Deliverables

1. The *Freight Market Outlook* monthly report.

Each FMO report contains:

- An overview of changes in the oil markets, especially those with a significant impact on transportation requirements.
- A summary of fleet capacity assumptions, including the impact of tanker construction, conversions, and demolition and changes in pipeline flows.

- A month-by-month supply-demand table for each class, summarizing historic and projected utilization rates.
- Commentary on recent trends and anticipated changes in the freight markets.
- Commentary on transportation issues of special interest, such as the current debate on tanker fuel quality. The subject will change depending on market developments and client feedback.
- A freight outlook, with historic and forecast rates for indicative trades in each size class as follows:

VLCC:	AG/East and AG/West
Suezmax:	West Africa to U.S.
Aframax:	North Sea to Continental Europe; Caribbean to USGC
Panamax:	Caribbean to USGC
Product Tankers:	Continental Europe to U.S.

2. The Freight Market Outlook Portal

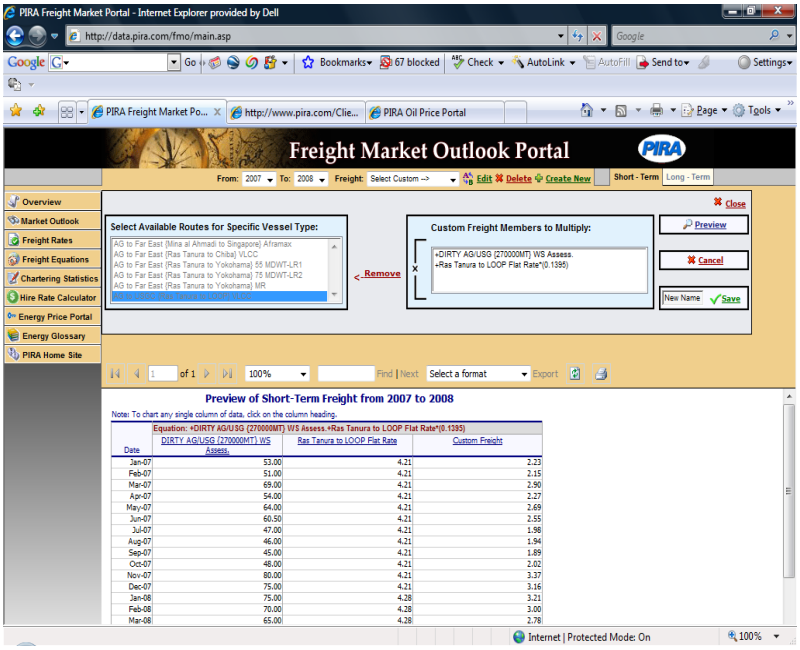
The Freight Market Outlook Portal provides interactive tools for an in-depth view of short- and long-term freight rate information. Data include PIRA's proprietary freight cost projections, including a breakdown of market rates (in Worldscale) and Flat Rate components. Near-term forecasts and history for these items are monthly, while long-term forecasts and history are annual averages. The portal provides the flexibility to download, graph and store transportation rates for key trades and size classes for years as far back as 1996 and as far forward as 2020.

A key feature of Freight Market Outlook Portal is the ability to integrate transportation costs with data in PIRA's Energy Price Portal, making the Energy Price Portal that much more powerful. Now authorized users can incorporate transportation economics with global price forecast scenarios for advanced computation of crude and product netbacks. Only FMO clients have this capability.

FMO Portal Home Page

The FMO Portal utilizes its proprietary database of historic and projected oil movements, along with a customized transportation model to forecast freight rates for key trades and routes. **The FMO Portal currently covers the following 18 key crude and product trade worldwide routes:**

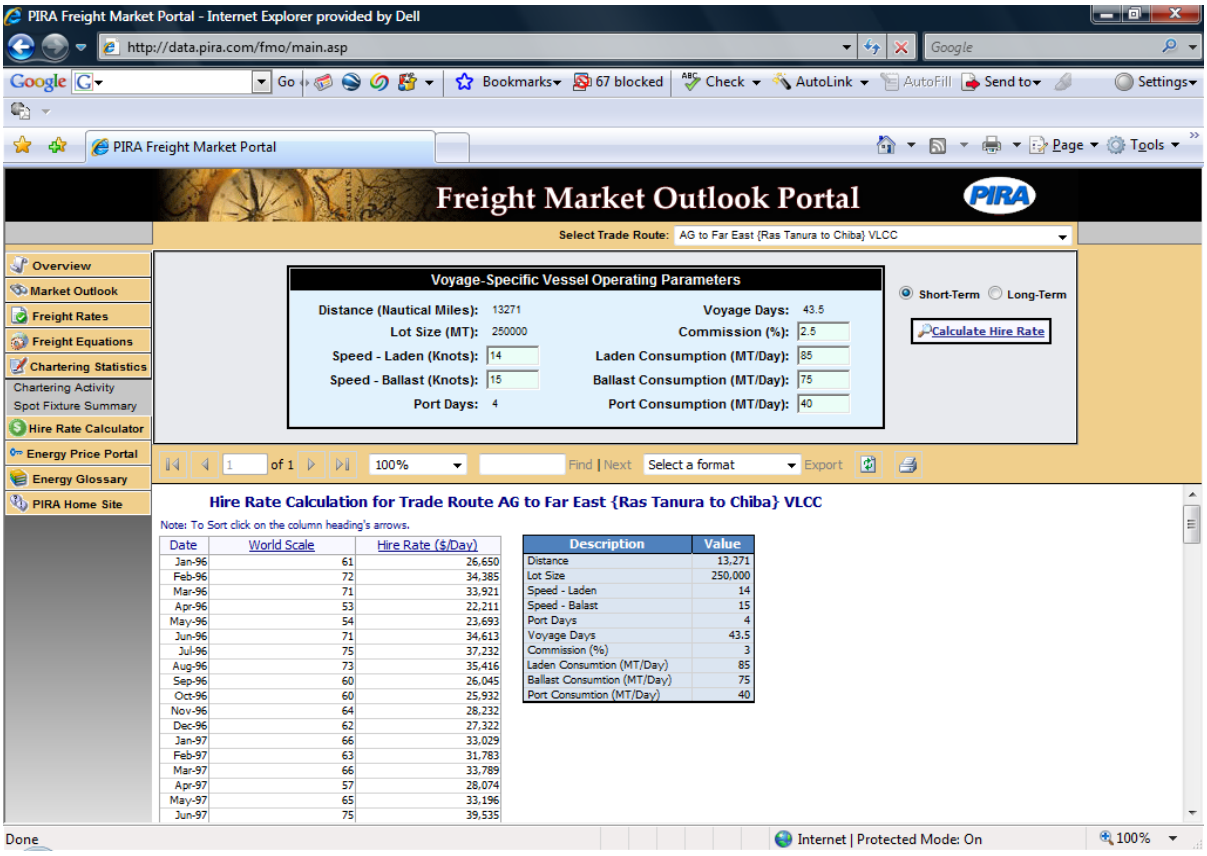
Routes	Load Port	Discharge Port	Vessel Sizes	Description
AG to Far East	Ras Tanura	Chiba	VLCC	Very large crude carrier
AG to USGC	Ras Tanura	LOOP	VLCC	Very large crude carrier
West Africa to USEC	Bonny	Philadelphia	Suezmax	Suezmax
West Africa to USGC	Bonny	LOOP	VLCC	Very large crude carrier
Caribbean to USG	PLC (Venezuela)	Corpus Christi	Aframax	Aframax
North Sea to North Europe	Sullom Voe	Wilhemshaven	Aframax	Aframax
North Sea to USEC	Sullom Voe	New York	Aframax	Aframax
Black Sea to Med	Novorossisk	Augusta (Italy)	Suezmax	Suezmax
North Africa to Med	Arzew (Algeria)	Lavera (France)	Suezmax	Suezmax
AG to Far East	Mina al Ahmadi	Singapore	Aframax	Aframax
Caribbean to USEC	PLC (Venezuela)	New York	Panamax	Panamax
North Europe to USGC	Antwerp	Houston	Panamax	Panamax
North Europe to USEC	Antwerp	New York	38 MDWT	Product tanker
Med to USEC	Lavera (France)	New York	38 MDWT	Product tanker
AG to Far East	Ras Tanura	Yokohama	MR	Product tanker
AG to Far East	Ras Tanura	Yokohama	55 MDWT-LR1	55 MDWT-LR1
AG to Far East	Ras Tanura	Yokohama	75 MDWT-LR2	75 MDWT-LR2
Caribbean to USEC	PLC (Venezuela)	New York	38 MDWT	Product tanker



A freight rate query result from the FMO Portal

In addition to freight rate forecasts, users will have the flexibility to access the FMO database of over 38,000 spot fixtures for worldwide trade routes, using customized searches or pre-designed reports. The Portal's chartering database allows users to analyze spot chartering activity for key trade routes and examine trends with respect to both volumes and the mix of vessel sizes for designated routes.

The FMO Portal also contains the Hire Rate Calculator, which converts historic and forecast Worldscale rates to a term hire equivalent for key worldwide crude and product trade routes. Term hire equivalent calculations are based on prevailing bunker prices and vessel performance characteristics.



The FMO Portal Hire Rate Calculator

The FMO Portal Benefits

Users of the FMO Portal benefit from:

- Up-to-date short- and long-term freight estimates including historical data back to 1996.
- Ability to define, analyze and store custom freight routes using the Freight Equation Manager (up to 100 custom relationships composed of essentially an unlimited number of terms).
- Ability to integrate transportation costs and economics with data in PIRA's Oil Price Portal for advanced computation of crude and product netbacks.
- Ability to analyze spot chartering activity for key trade routes and examine trends with respect to both volumes and the mix of vessel sizes for designated routes.
- Advanced charting capabilities.
- Exporting utility into Excel, CSV, and PDF formats

Methodology Behind the Creation of FMO

The FMO relies on detailed inter-regional crude and product flows prepared in conjunction with the monthly *World Oil Market Forecast*. Using these flows, we then overlay a transportation model that translates each individual trade flow into a corresponding tonnage requirement. For example, for crude exports from the Middle East to India, the model splits this stream into separate requirements for VLCC, Suezmax, and Aframax vessels. The calculation of transportation requirements also includes intra-regional flows of crude and products, such as the movement of North Sea crude within Europe and the distribution of Indonesian and Malaysian crudes within Southeast Asia.

Repeating this calculation for all crude and product trade flows allows us to compute the collective requirements for all vessels in a given size class. Requirements in each class are compared to an updated vessel count to determine the relative utilization rate. This metric allows us to quantify the supply-demand relationship at a given point in time, to explain historic rates, and to project rates in the outlook period. Seasonality and weather are also important and are thus factored in when assessing vessel requirements.

The various vessel size classes compete in certain trades (inter-class competition), so we use reported spot fixtures to test, and modify if necessary, our assumptions regarding the mix of vessel sizes in a given trade. The freight rate forecast also draws upon PIRA's database of tanker rates, transportation economics, freight futures, and our knowledge of arbitrage economics — all of which, in addition to the models calculations, help develop a story of what is happening in the freight markets.

The Freight Market Group

Kenneth M. Bogden (Director, Freight Markets) develops PIRA's monthly Freight Market Outlook and participates in special projects. Prior to joining PIRA in 2005, he worked for ExxonMobil for 27 years, primarily in its oil supply and trading and planning functions. He also served as Coordinator of Transportation Planning for Exxon International, where he acted as plans coordinator and advisor to senior management on oil transportation markets. Mr. Bogden has a B.S. in chemical engineering from Lafayette College and an M.B.A. from Columbia University.

Richard (Rick) Joswick (Managing Director) develops PIRA's outlook for crude and products pricing, refinery margins, and inter-regional supply balances. He authors PIRA's monthly *European Oil Market Forecast* and participates in special projects, including the recently released multi-client study, *Bottom of the Barrel: The Future for Residual Fuel Oil*. He joined PIRA in 2004 after a 20-year stint with ExxonMobil in supply logistics, planning, refining, and research roles. Most recently, he was responsible for Exxon's near-term oil market forecast. Prior to this position, he focused on trading and logistics, refining economics, and heavy oil upgrading and, as part of his work, developed information systems in these areas. Rick has M.S. and B.S. degrees in chemical engineering from Rutgers University.

Alan Struth (Director) has over 20 years of energy industry experience focusing on financial and industry market analysis, economics, policy analysis, forecasting and planning. Mr. Struth is a member of the International Association of Energy Economists and National Association for Business Economics. He is a board member and Vice President of the National Literacy Project. He holds a Bachelor of Arts degree in Economics from Rice University and a Master of Science degree in Energy Management and Policy Analysis from the University of Pennsylvania.

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Su Hyung Ryu, (Senior Analyst) focuses on crude and product price forecasts. Ms. Ryu maintains and develops integrated oil demand and pricing models and information systems. Since joining PIRA in 1998, she has participated in numerous benchmarking and competitive analysis projects, crude and product marketing assessments, and asset valuations. Prior to joining PIRA, Ms. Ryu worked at Citibank Global Banking, where she analyzed and developed investment database applications. She holds M.S. in business computer information systems from Baruch College in New York.

ACCEPTANCE FORM

(Company Name) _____ wishes to become a client to PIRA's **FREIGHT MARKET OUTLOOK** and understands and agrees that:

- The annual fee is $11,000.
- The annual fee for **clients to PIRA's Global Oil Retainer** is $8,000.

The fee paid entitles the client company to have up to 10 unique users located at one site. Clients requiring usage beyond that profile should contact PIRA for licensing terms and pricing.

Company:_____

Name/Title of Primary Contact: _____

Address: _____

_____

Phone/Fax:_____

E-mail: _____

Fee_____

Signature:_____

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