ODIN-RVB EUROPE

Storage Market Report

June 2020

General
Can you still remember the time the markets were worried about the implementation of IMO 2020 at the end of 2019? No surprise that the surge of COVID-19 has made sure those days are long forgotten. With the effects of the corona virus still being the talk of the town, we endeavor to look towards the period ahead: is the slow economic recovery enough to allow storage markets to breathe, or will the ever present fear for a potential 'second wave' ensure that capacity remains tight?

It needs no further explanation that the 'supercontango' has ensured that any available capacity on global hub locations has been committed over the last few months. In effect, storage markets have become more silent than we have seen in a long time. With the holidays around the corner, things are noticeably slowing down across the board. Be that as it may, with this newsletter we hope to bring you some insight on our expectations for the currently **slow-moving storage markets**.

Crude & refined products
As crude prices dropped and land storage was virtually unavailable, the whole market was greatly dependent by the availability and freight rates of tankers. The 'supercontango' on the forward curve on most of the product ranges has by now disappeared and subsequently **the outlook for Q4 and the first half of 2021 were not particularly interesting for hedging anymore.** With many storage contracts running out at the end of this year,**capacities are expected to return and be available again**.

Floating storage peaked in May with 170 mln barrels of crude, partly caused by new flows of heavy sweet crudes from West Africa coming to Europe rather than sailing all the way to Asia, due to the high freight rates and obviously a more interesting crude for refineries to use for the increased demand in VLSFO. Some 90 mln barrels of clean products were counted in the floating storage peak that since June has been decreasing. As a side effect of the Corona virus and the lack of shipping capacity and floating storage, **new trade lanes emerged such as large volumes of jet from Korea and reformate from China to North West Europe**. This last flow for example started newly as Chinese parties were able to import blending components cheaply and could produce reformate for export purposes.

Chemicals
With demand slowing down in Q2, chemical producers and traders with supply contracts were forced to stockpile product and take additional tankage where needed. With the first positive signs of economic recovery, the **tank levels are dropping again**. Although this is the case, this is not yet noticeable in the market as capacities remain committed even though tanks are being depleted further in the process. Following the economic developments,**we notice more interest in new storage enquiries for late 2020 and 2021**, where in previous months we saw many tank storage enquiries being put on hold or cancelled altogether. This interest is particularly noticeable in the ARA, as market players dare to look towards the future again. **The American outlook is more negative**. The forecast of an economic recovery is not as bright as for Europe. **On the spot market it remains relatively silent, as the opportunities to make money diminish with more (stockpiled) supply than demand.**
Opportunities still exist in ARA (and the US Gulf), though for hazardous and/or specialized chemicals vapor treatment remains a bottleneck.

Vegoils / biofuels
Biofuel storage capacity still exist, though more aimed at long term commitments for parties entering the market or looking to change and/or expand their tank storage set-up. With the contango being so strong, there are plenty of cases where typical chemical tanks have been put in use for biodiesel. In effect, **the likely trend is that the amount of biodiesel stored will reduce over the coming months.** This is not likely to reoccur until a

renewed period of contango is expected.
The vegoil market has seen a shortage of available capacity for about a year now. Particularly for heated grades. Interestingly, there is a surge in demand for UCO (used cooking oil). **UCO was for a long time driven by flexi tank (bag in a box) volumes from China, now we see more and more bulk shipments from Asia.**
Since cargo owners tend to hold on to their tanks in these uncertain times, newly built capacity is the likely liberation for the existing imbalance between supply and demand. **Opportunities are expected in Rotterdam and Antwerp late 2020, and into Q1 2021.**

US storage markets
Now contango is all but eliminated, we notice that available tankage for larger upstream commodities remain empty (crude, naphtha). In spite of that development, it does not mean that there is a lot capacity to be had:**most storage deals in the height of the contango were committed for periods longer than 1 year**, which means that we will notice the effects for some time to come. More downstream on the chemicals' side, we notice that a more long-term view is observed, with sufficient parties looking to start-up projects with a long-term horizon. However, with limited capacity availability, especially for the more complicated products, opting for newly built capacity seems to be only approach to ensure availability of suitable tankage in these uncertain times.
With prices currently on the rise, one can only wonder how long the committed tankage will truly be used. Therefore, **we foresee more sublease options becoming available towards the end of 2020.** However, with COVID-19 cases surging again some states, the question remains what effects a potential 'second wave' will have on the tank storage market. In case you have committed to long term tankage, but with less use for them as the economy (and prices) recover? Do not hesitate to reach out to us, we would gladly help you to find a suitable party willing to sublease!

Projects
As mentioned, a couple of times already, the release of newly built capacity is coming closer and closer. Although we expect that newly built projects planned for launching over the next 2 years will not immediately be aligned with the market requirements (under normal circumstances), it does provide **ample opportunities for cargo owners to compare different options for existing and future supply chain set-ups**. As such, interesting times are ahead!

In our availability list we have included some of the projects, but if you as cargo owner have a horizon of 3-5 years and you can commit to a terminal for a certain capacity, we can make the match with the right project / terminal. For more information about these projects, please dot hesitate to contact us throughsales@rvbtankstorage.nl. Enjoy the start of summer!

Please find a snapshot of opportunities
(available tanks at the terminals)

capacity (m3)	product	location	available from
Belgium/Netherlands			
100.000	diesel/biodiesel	ARA	Q3 2020
51.000	diesel/gasoil	ARA	Q2 2021
153.000	cpp/light ends	ARA	Q1 2022
125.000	dirty petroleum prods	ARA	Q4 2021
12.822	chems/various	ARA	now
25.060	chems	ARA	Q4 2020
8.000	chems	ARA	Q2 2021
17.000	vegoils (h)	ARA	Q1 2021
7.970	vegoils (h)	Netherlands	Q4 2020/Q1 2021
2.400	chems	Netherlands	now
5.000	bitumen	Netherlands	now
North Europe			
30.000	diesel/biodiesel	Germany (North)	Q1 2021
40.000	diesel/gasoil	Germany (North)	Q1 2022
700	chems/various	Germany, River Rhine	now
1.800	chems/vegoils	UK (West Coast)	now
9.900	diesel/gasoil	UK (West Coast)	Q4, 2020
100.000	chems/various	UK (West Coast)	Q1 2021
80.000	diesel/gasoil	UK (West Coast)	Q2 2021
100.000	light ends	UK (West Coast)	Q3 2021
105.000	Crude / FO	UK (West Coast)	Q4 2021
4.000	chems/various	UK (East Coast)	now
1.690	specialty chems	UK (East Coast)	now
44.000	diesel/gasoil	Denmark	Q4 2020
5.500	diesel/biodiesel	Norway	now
5.500	diesel/gasoil	Norway	Q1 2021
340.000	crude	Finland	Q3 2020

8.500	gas	Finland	now
6.850	chems/various	Estonia	now
10.000	vegoils/biofuels	Poland	Q4 2020
South Europe/Med/Black Sea			
4.000	diesel/gasoil	France (North)	now
20.000	light ends	France (South)	Q3 2020
1.600	chems	France (South)	now
360.000	crude/cpp	NW Spain	Q3 2021
15.000	chems/various	East Spain	Q2 2021
15.000	diesel/biodiesel	East Spain	Q4 2020
183.000	dpp/ccp	NE Italy	Q2 2021
16.000	biofuels/chems	Croatia	now
363.000	crude	Croatia	Q2 2021
51.500	chems/diesel	Turkey	now
10.000	dirty petroleum prods	Turkey	now
8.400	chems	Russia (SW)	now
Africa			
21.568	chems	Egypt	now
3.000	chems	Kenya	now
10.000	chems	Tanzania	now
20.000	dirty petroleum prods	Mozambique	now
Middle East			
9.900	dirty petroleum prods	India (Gujarat)	now
9.400	bitumen	India (Gujarat)	now
67.716	chems/cpp	India (Gujarat)	now
20.000	chems/cpp	UAE	now
11.000	specialty chems	UAE	now
30.000	chems/cpp	UAE	Q4 2020
Far East			
8.000	chems	China (North)	now
14.500	chems	China (South)	now
8.250	chems	China (Gr. Ningbo)	now
3.000	chems	China (Yangtze River)	now
8.000	chems	China (Shandong)	now
2.500	chems	Japan	now
615.000	crude/dpp	South Korea	Q1 2021
North America (bbls)			
40.000	chems	New Jersey	now
100.000	easy chems/base oils	Indiana	now
20.000	chems	South Carolina	now
800.000	Heavy crude/(bio)diesel	Louisiana	now
90.000	chems	Louisiana	now
65.000	diesel/biodiesel	Texas	now
150.000	Jetfuel	Texas	now
73.000	easy chems/base oils	Texas	now
15.000	chems	Texas	Q4 2020
500.000	chems/cpp	Texas	Q2/Q3 2021
110.000	heavy naphtha	Texas	now
150.000	black oil prods	Florida	Q4 2020
Central & South America			
60.000	chems/cpp	Puerto Rico	now
167.745	diesel/gasoil	Colombia (caribbean)	Q3 2020

36.836	dpp/cpp	Colombia (caribbean)	now
13.000	diesel/gasoil	Argentina	now

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