

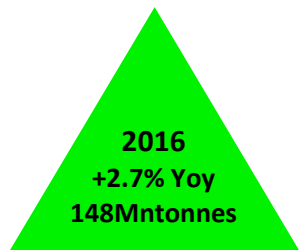
Weber US Product Trade Report



Q2 2016

In this month's Charles R Weber US product trade report we provide readers with the latest developments in the US seaborne products trade, *based on trade data up to the end of the first quarter 2016*. This includes identifying the fastest growing trades by commodity and country. The primary focus of the report is to allow market participants to keep up to date with changes in a rapidly developing, "oil and gas shale revolution" fuelled, export market.

Exports



- It is difficult to get sense of the eventual market direction in 2016. Trade grew strongly (+10% Yoy) in 1Q16. However, high stock levels (now extended to gasoline) coupled with the slowdown in US crude oil production will degrade average 2016 trade growth to a much less impressive 2.7% Yoy, down from 8.1% in 2015.

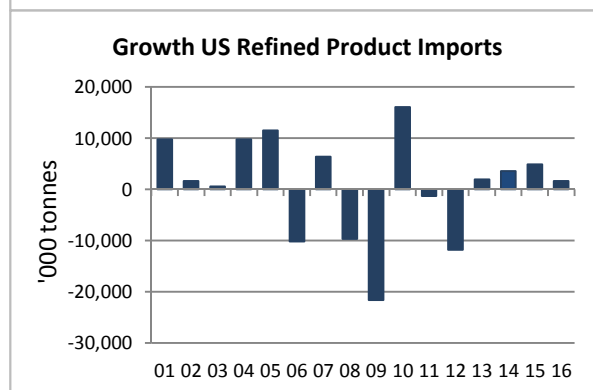
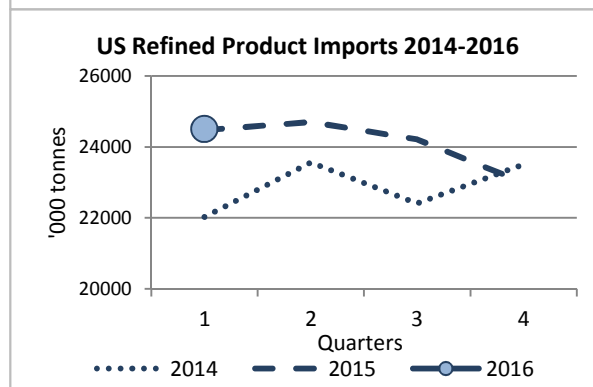
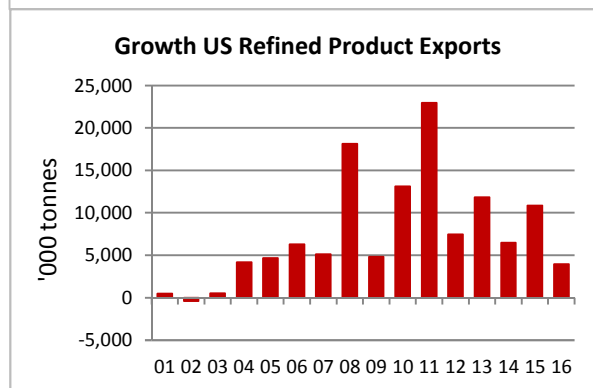
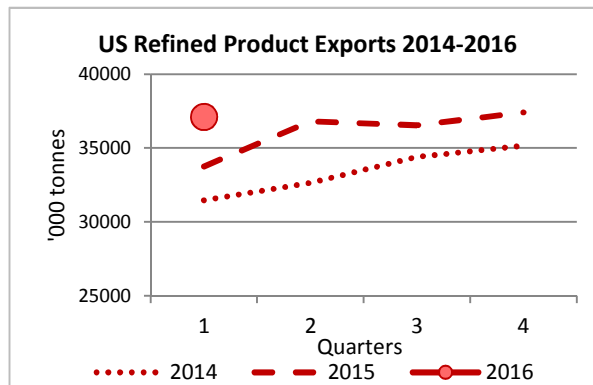
- Following the Brexit result (23rd June) oil prices, which had been hovering around USD50 bbl have slipped to around USD45 bbl. However, while the increase in economic uncertainty is undoubtedly an influence behind the slide, there is evidence that oversupply in the product sector has also played a part by triggering global refinery run cuts, which have also put downward pressure on prices.

- The problems of oversupply in the oil sector are well documented with global stocks climbing by around 1Mnbd in each of the last three years. While product stocks, particularly in the gasoil/diesel segment, have been under upward pressure for many months, the strength of gasoline demand meant that stocks in this segment were underweight in 2015. However, gasoline stocks are now also above average levels giving credence to the notion that the problem of supply glut has now moved downstream.

- Ballooning gasoline stocks do not bode well for US product exporters, as gasoline (+22% Yoy) was a star performer in 1Q16. We expect gasoline exports to slow significantly in 2H16. On a brighter note, naphtha and other feedstocks may defy the overall slowdown in trade growth.

- Although exports to South East Asia grew strongly in 1Q16 with gains for fuel oil, gasoil/diesel and gasoline, trade with Asia remains relatively small (total emerging markets account for just 10% market share), and US exporters are unlikely to be able to compete with closer export-orientated Middle Eastern and Asian rivals. The strength of these exporters is revealed by the latest trade stats for 1Q16 e.g. China 9.7Mtonnes +49% Yoy, UAE 8.1Mtonnes +37% Yoy, Saudi Arabia 7.9Mtonnes +27% Yoy. It should be noted that rising domestic demand has muted India's export potential with 1Q16 exports 14.9Mtonnes unchanged Yoy.

- It is likely that Latin America will remain the key export market. In 2016, US exporters will benefit from low Latin America refinery additions (+110Kbd).



Source: USITC

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Fastest growing export commodities

3. Naphtha

e2016 9.7Mntonnes, +7% Yoy

Largely displaced by cheaper feedstocks

- Up to 1H15, Naphtha was a star growth trade, but it has been displaced in large measure by abundant cheap ethane as a petrochemical feedstock.
- Viability of new condensate crackers threatened by a two stage process that first permitted the export of unprocessed condensate, and then unfettered crude oil exports.
- Venezuela (-36% Yoy) and Colombia (-16% Yoy) are the main destinations. Canada (+500Ktonnes Yoy) has emerged as a new growth market.

Propane & Butane

e2016 31.9Mntonnes, +48% Yoy

Competing with naphtha in the petrochemical feedstock export market

- Exports increased for the 7th consecutive quarter in 1Q16.
- LPG included here as its story overlaps with export growth in the product sector - both driven by shale.
- Propane exports to Japan (+300% 1Q16 Yoy, 1.2Mntonnes) was the star performing seaborne trade in 1Q16. Chinese imports are another key growth market.

1. Other Products

e2016 19.0Mntonnes, +54% Yoy

Exports growing fast against the odds

- Exports fell sharply in 4Q15, but rebounded to a new record level in 1Q16.
- Dominated by natural gasoline (plant condensate as diluent) exports to Canada for blending with heavy Canadian bitumen crude to facilitate pipeline flow.
- In Dec 2014, a US Gov't rule clarification meant the reclassification of processed lease condensate as a product, rather than a type of crude oil, and opened up the prospect of a new export stream.
- The subsequent rule to allow the unfettered export of crude threatened the trade, but it has continued to grow in part because dedicated export terminals had by then been built. Apart from Canada, key markets are Brazil, France, Venezuela.

5. Gasoil/diesel

e2016 58.5Mntonnes, +1.7% Yoy

Trade growth undermined by high stocks

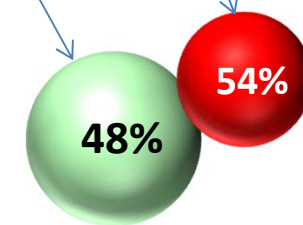
- The largest US refined product export with 40% of the market, it returned to growth (+7.4%) in 2015 after posting a 1% full year decline in 2014.
- Trade growth during 1Q16 - as in other sectors - has been hampered by record stock levels.
- Latin America accounts for 7 countries in the top 10 list. A failure to deliver refinery plans continues to underpin its import requirements.
- Netherlands, Colombia and Ecuador performed strongly in 1Q16.

2. Gasoline

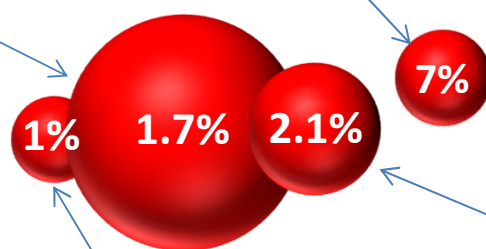
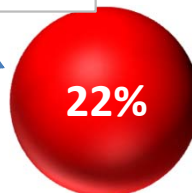
e2016 37.6Mntonnes, +22% Yoy

Trade boosted by stocks that are less saturated than for other products

- Exports reached a new record high in 1Q16 (9.7Mntonnes).
- However, the 2 largest markets - Mexico (47% market share) and Canada (10%) are primarily non-seaborne trades.
- Exports to Singapore (+100Kbd 1Q16 Qoq) was a highlight in 1Q16.
- Rising stocks during 1H16 are likely to undermine further growth in 2H16.



Figures based on US exports for first quarters 2016



4. Fuel Oil

e2016 18.4Mntonnes, +2.1% Yoy

Key Singapore trade shows signs of life in 1Q16

- Having fallen to their lowest level in a decade in 4Q15 (3.8Mntonnes from a peak of 6.1Mntonnes in 3Q11), exports bounced back in 1Q16 (4.5Mntonnes) led by a resurgence in exports to Singapore.
- Nevertheless, this is still considered a declining trade. Despite the revival, fuel oil accounted for just 12% of total US exports in 1Q16 from 15% in 2014.

7. Kerosene/jet fuel

e2016 8.0Mntonnes, -12% Yoy

- It had been one of the fastest growing export trades up until 1Q15, but trade lost ground during the rest of the year compared to 2014.
- The poor performance of this sector in 2015 can be traced to the sharp decline in exports to Nigeria (0.9Mntonnes, -36%).
- Of the top 4 trades, only UK showed strength during 1Q16.



6. Lubricating Oil

e2016 7.8Mntonnes, +1% Yoy

The fastest growing trade last year, it stuttered in 1Q16

- More usually considered as part of the chemical rather than product family in terms of seaborne transportation.
- Having been the no.1 fastest growing trade in 2015, and second fastest in 2014, it slipped to 6th at the start of 2016.
- Worth noting that it accounts for just 5% of the US refined product export trade.

How to read the chart:
Size of sphere for each commodity indicates total export volume Ytd, while percentage number within sphere indicates % change yoy

Fastest growing export regional destinations

Established regional markets (NAMr, LAmr, Europe), **90%** Mkt Share, **+1.6%** Yoy (1Q16)

South America

86Mntonnes, +2% Yoy (1Q16), down from +11% 2015 Yoy

South America accounted for 58% of total US product exports in 1Q16. This is in line with 2015 and up from 53% in 2013.

Gasoline was the overall US star performing product export in 1Q16. South America exports (+6%, 1Q16) was part of the reason behind this success. This regional trade now accounts for 19% of total US product exports - up from 16% in 2014.

Gasoil/diesel exports were disappointing overall for the US in 1Q16 (+1.7%), but not so for South America (+6%).

Europe

OECD Europe: 22Mntonnes, -7% Yoy

Non-OECD Europe: 3.5Mntonnes, -2% Yoy

OECD Europe's share of total US product exports increased to 16% in 2015 from 14% in 2014.

Gasoil/diesel (60% mkt share 1Q16, down from 68% in 2015) - High European storage contributed to a sharp decline in gasoil/diesel exports to this region in 1Q16. Netherlands provided one bright spot, but other key trades to UK, France and Belgium performed poorly.

Fuel oil trade (11% mkt share) was a surprisingly strong performer in 1Q16.

US Exports by Region and Commodity e2016

Figures in '000 tonnes

Figures based on US exports for first quarter 2016

region_code	Fuel oil	Gasoil/diesel	Gasoline	Kerosene /jet fuel	Lubricating oil	Naphtha	Other Products	Total
Australasia	34	0	30	0	26	0	5	94
East/South Africa	0	0	4	3	65	0	0	73
Former Soviet Union	0	0	0	0	5	0	3	8
South America	6005	38368	28306	3715	2556	4620	2838	86407
Middle East	945	157	86	316	57	4	31	1605
North Africa	684	1004	180	0	12	0	1	1882
North America	1365	1374	4120	2449	515	805	10811	21439
North East Asia	44	16	52	1	526	1312	686	2636
OECD Europe	2313	13148	332	1149	3982	233	724	21880
South Asia	43	0	0	0	105	9	36	192
South East Asia	6191	213	721	0	133	252	28	7537
West Africa	54	0	371	721	59	0	1	1207
Other Europe	636	2790	0	90	1	0	0	3517
Other	0	1	16	2	0	0	0	19
Total	18313	57071	34228	8446	8041	7234	15163	148496

Colour key:

>=30% >=15,<30% >=10,<15% >=5,<10% >=0,<5% <0%

How to read the table: The colours show growth rates 2014/e2015 for trades >=1Mntonnes

Emerging regional markets

10% Mkt Share, **+14%** Yoy (1Q16)

South East Asia

7.5Mntonnes, +34% Yoy (1Q16)

South East Asia reversed a downtrend in terms of its importance as a destination for US product exports with market share up to 5.1% in 1Q16 (3.9%, 2014).

Fuel oil - There was a resurgence of fuel oil exports to Singapore in 1Q16. Time will tell if this improvement can be sustained. There were also strong showings for gasoline and gasoil/diesel exports to the region, but both trades are relatively small. In the long term, US exporters are unlikely to be able to compete with closer export orientated Middle Eastern and Asian rivals.

North East Asia

2.6Mntonnes, +4% Yoy (1Q16)

North East Asia remains a fledgling market for US exporters

Naphtha - US exports of naphtha into the region contracted in 1Q16. However, other light-end products/feedstocks grew strongly led by China and Japan. It should be noted that this trade remains small, but it could be one to watch.

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Fastest growing export country destinations

1. Singapore +91%

Trade 1Q16: 1.8Mntonnes

Fuel oil (1.3Mntonnes, +41% Yoy)
Gasoline (0.3Mntonnes, +>100%)

US fuel oil exports had seemed in relentless decline, but a 1Q16 resurgence in trade to Singapore, which is its largest market, halted the decline. The emergence of a sizeable gasoline trade also helped put Singapore in top spot.

2. Netherlands +46%

Trade 1Q16: 2.3Mntonnes

Gasoil/diesel (1.1Mntonnes, +55% Yoy)
Fuel oil (0.7Mntonnes, +98% Yoy)

The revival in fuel oil exports was also at the heart of a strong growth in trade with the Netherlands in 1Q16. However, the Netherlands also bucked a region-wide slowdown in the Gasoil/diesel trade.

3. Guatemala +37%

Trade 1Q16: 1.0Mntonnes

Gasoil/diesel (0.5Mntonnes, +116% Yoy)
Gasoline (0.4Mntonnes, +36% Yoy)

Guatemala's economy is expected to grow by 4% in 2016, and this has helped underpin a surge in both gasoil/diesel and gasoline imports. Growth has continued to gather pace in 2Q16 (+70% Yoy as at May 2016).

4. Peru +34%

Trade 1Q16: 1.0Mntonnes

Gasoil/diesel (0.8Mntonnes, +54% Yoy)
Gasoline (0.2Mntonnes, -12% Yoy)

A key US partner in South America and a founder member along with the US of the TPP free trade agreement. It is now the 10th largest export destination for the US - up from 12th in 2015 - after a strong start to 2016.



How to read the map: The map highlights the eight best performing US export trades 1Q16 Yoy based on the top 17 countries

5. Ecuador +14%

Trade 1Q16: 1.2Mntonnes

Gasoil/diesel (0.5Mntonnes, +161% Yoy)

Another founder member of the TPP. Gasoil/diesel imports struggled in 2015, but bounced back in 1Q16. However, the temporary closure of the Esmeraldas refinery in mid-April contributed to a slow down in the import growth rate to 8% Yoy as at May 2016.

6. Canada +14%

Trade 1Q16: 5.5Mntonnes

Gasoline (1.0Mntonnes, +52% Yoy)
Naphtha (0.6Mntonnes +>100%)

Gasoline and naphtha emerged as a key new growth trades in 1Q16. Trade growth momentum was maintained in 2Q16, in part due to the wild fires around Edmonton - which started in May and caused crude production to be shut in.

7. Brazil +12%

Trade 1Q16: 1.7Mntonnes

Gasoline (0.2Mntonnes, +24% Yoy)
Other products (0.2Mntonnes, +>100% Yoy)

A very mixed performance with the important gasoil/diesel trade (0.9Mntonnes) down 4% in 1Q16 Yoy. However, as of May 2016, import growth had accelerated to 23% Yoy.

8. Mexico +10%

Trade 1Q16: 7.1Mntonnes

Gasoline (4.5Mntonnes, +16% Yoy)
Fuel oil (0.3Mntonnes, +24% Yoy)

Oil exploration budget cuts coupled with a 21% fall in oil and gas reserves suggest that US exports have room to grow. As of May 2016, import growth had accelerated to 20% Yoy. Also a TPP founder member (Oct 2015).

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