

April 2021

Tanker Freight TCEs

What is a TCE?

Platts Time Charter Equivalent (TCE) assessments for tanker freight reflect the net daily revenue of vessels operating on key dirty tanker routes in the European shipping market.

TCE are based on, and supplement, current Platts spot market freight assessments. They provide additional transparency by reflecting earnings volatility, including movements in marine bunker costs. Marine fuel prices have become even more critical since the IMO 2020 legislation and will continue to play a substantial role as new regulations regarding emissions take hold.

The assessments appear in the **Dirty Tankerwire** and in the Platts pricing database. Platts assesses TCEs on four Aframax routes.

Primary features

- Daily assessments, expressed in \$/day
- Dual TCEs: reflecting scrubber and non-scrubber tonnage
- Platts reflects bunkering patterns by publishing three assessments for each TCE:
 - One assessment using daily bunker costs
 - A second assessment based on bunker costs one week prior
 - A third assessment using the bunker costs of two weeks prior
- Using Platts bunker prices in representative ports: HSFO, LSMGO, MGO
- Fully transparent formulas and assumptions, derived from extensive market survey

- Produced by an independent, regulated price reporting agency
- Level the playing field, providing clear benchmarks for both physical and paper contracts

What are the benefits?

Benchmark to shipowners based on assumptions derived from extensive market research.

Benefit charterers having to weigh taking a ship on the spot market or chartering a vessel for longer periods, the latter being quoted in \$/day.

How are they calculated?

Formula: $TCE = \text{Net Revenue} / \text{Days of Voyage}$

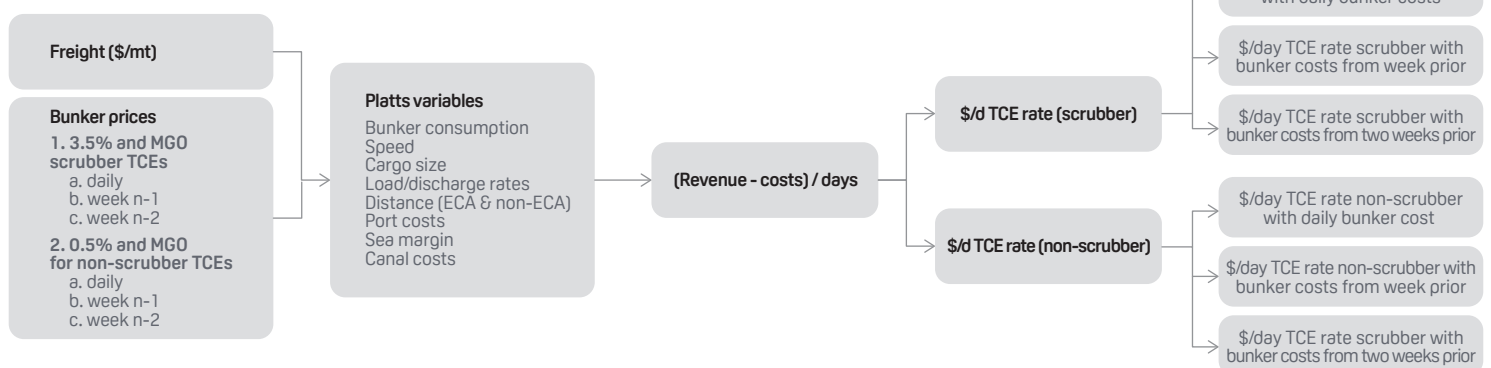
- Net Revenue = Gross Income - Total Expenses
- Gross Income = \$/mt assessments * cargo quantity
- Total Expenses = bunker costs + port costs + 2.5% broker commission + canal costs (if applicable)

Variables including load and discharge rates, speed, fuel consumption, and port costs are based on extensive market survey and can be adjusted according to feedback from industry participants.

Any changes are communicated to the market in advance and published on the Platts website.

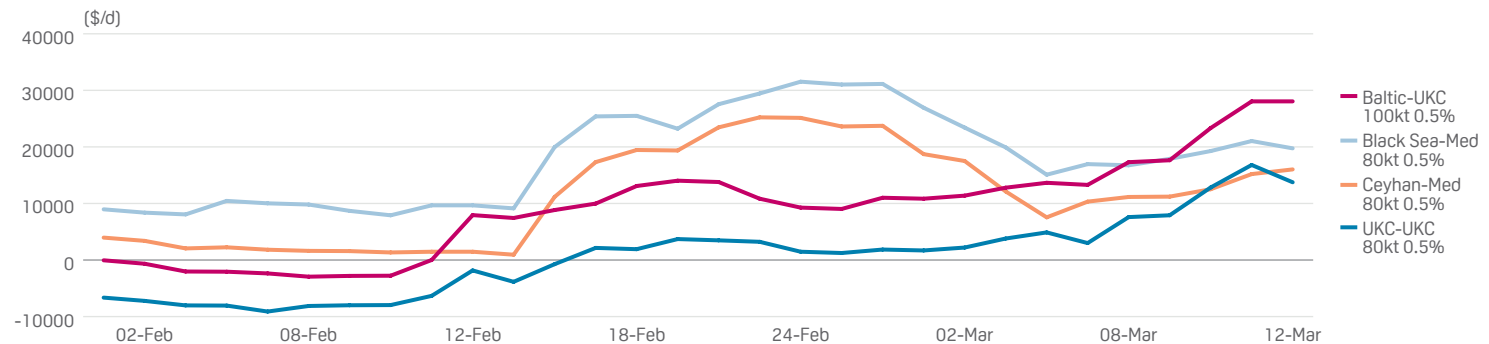
For more information about assumptions used, please refer to the Global Freight Specifications Guide.

PLATTS TCE CALCULATION



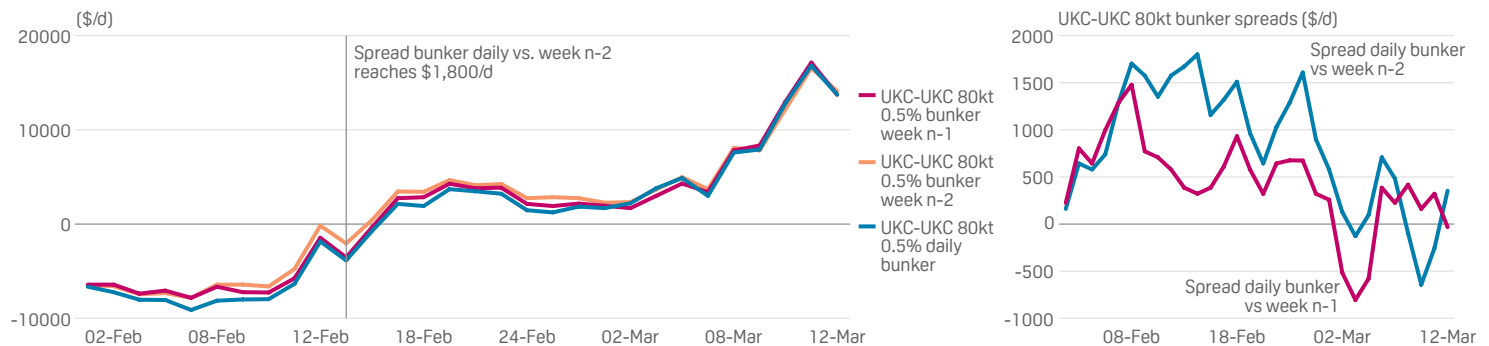
Given the Worldscale premium applied to Sullom Voe and Flotta loadings, a normalization factor is applied to port costs in the weighted average of port costs. Exchange Rates for port costs are based on daily FOREX assessments by Platts.

DIRTY TANKERS TCEs



Source: S&P Global Platts

REFLECTING BUNKERING PATTERNS IN TCE CALCULATIONS



Source: S&P Global Platts

Why is Platts assessing bunkering on different dates?

Following market consultation, Platts has decided to reflect bunkering on different dates by providing six daily assessments for each route. Platts assesses TCEs for scrubber-fitted and non-scrubber-fitted ships and provides an additional breakdown for each of these assessments based on daily bunker costs, bunker costs from one week prior, and bunker costs from two weeks prior. Platts understands ships load bunkers before being traded on the spot market and that TCEs should reflect the prior bunker costs to better reflect daily vessel earnings.

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