Marcon International, Inc.

Vessels and Barges for Sale or Charter Worldwide

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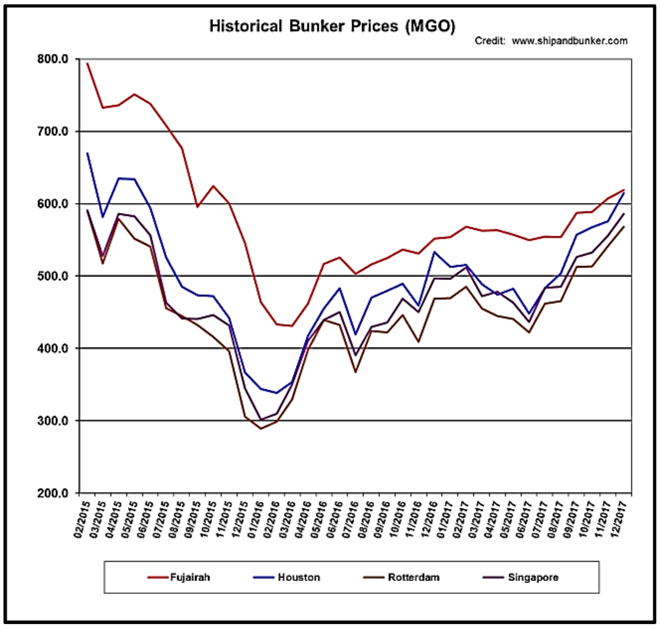
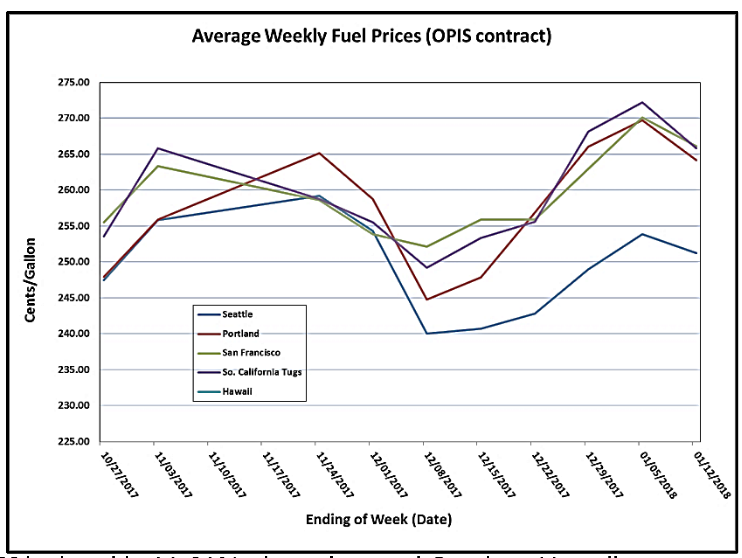
19 January 2018

Bunker Price History – December 2017



December 2017's month-end prices were higher than October's, our last reported, with prices 12.14% to 21.11% higher compared to December 2016. Fujairah increased 5.18% by end December, closing at US$ 619.0/mt from October's US$ 588.5/mt. Year-over-year increase is 12.14%. In the US, Houston ended December at US$ 615.0/mt, up 8.37% from October's US$ 567.5/mt, which is 15.28% above last year's US$ 533.5/mt. Rotterdam's increase from October was the highest of the four locations at 10.61% to US$ 568.0/mt from US$ 513.5/mt, and is above last December's US$ 469.0/mt by 21.11%. Rounding out the regions we regularly monitor is Singapore which had a 10.05% increase from October, closing at US$ 586.0/mt from US$ 532.5/mt, and is up by 17.91% or US$ 89.0/mt from December 2016. As of 16 January 2018, MGO prices have trended up in all locations tracked since the end of January, from 2.20% in Houston to 6.79% in Fujairah. To date in January, prices have continued to trend higher. How long this continues is dependent upon many factors which affect either supply or demand. We are seeing a slight increase in demand for vessels and barges. However E & P spending continues to be slow to resume even with the general uptick in prices since the bottom lows experienced beginning of 2016. Companies need to accept that E & P projects must continue because existing resource pools are finite. Acceptable price, return and payback levels need to be decided based upon today's reality and then incorporated into parameters for evaluating E & P projects. Failure to move forward soon will cause more damage in the future, overshadowing short-term losses being avoided now by doing nothing.

We follow the Pacific OPIS contract average weekly prices of ultra-low sulphur diesel as these prices directly impact vessel operators on the West Coast. End of December prices all, except Hawaii, West Coast locations we track were higher than our last report, the end of October. End December 2017 was higher by at least 10.13% in every location over end December 2016. For the week ending 29th December 2017 compared to the week ending 27th October 2017, Seattle increased 0.62%, to US$ 2.49 per gallon from US$ 2.4747/gal. This is 10.13% higher than one year ago. Portland, OR experienced a rise of 7.31% to US$ 2.6607/gal (US$ 2.4794/gal), which is 11.87% more than one year ago. San Francisco reported a gain of 2.91% to US$ 2.6299/gal from US$ 2.5555/gal and is higher than same time last year by 10.82%. "So. California", comprised of Los Angeles / Long Beach, rose 5.76% to US$ 2.6819/gal from US$ 2.5359/gal and is 11.61% above last end October. Hawaii decreased 2.97% to US$ 2.61/gal from US$ 2.69/gal but is 16.00% above last year. As of the week ended 12 January 2018, while Hawaii's prices were not reported, prices in all other regions fluctuated between a decrease of 0.87% in "So. California" to an increase of 1.19% in San Francisco.



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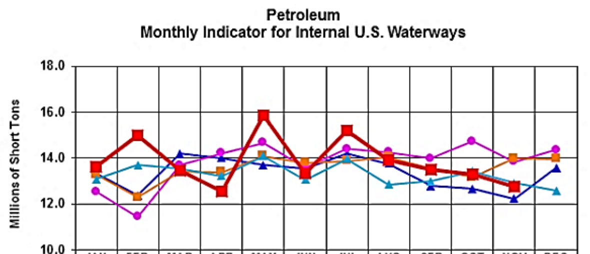
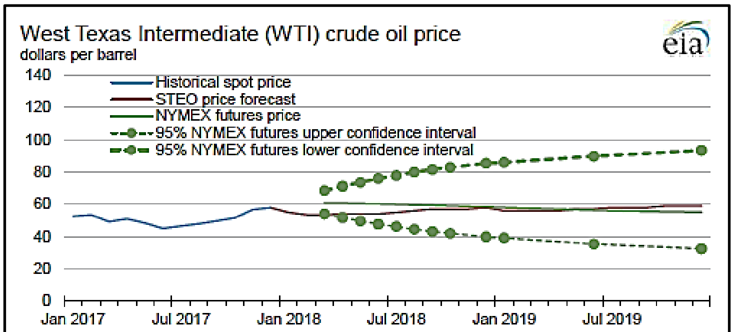


	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2013	13.3	12.4	14.2	14.0	13.7	13.5	14.2	13.8	12.8	12.7	12.2	13.6
2014	12.5	11.4	13.7	14.2	14.7	13.6	14.4	14.3	14.0	14.7	13.8	14.4
2015	13.3	12.3	13.4	13.4	14.1	13.8	13.9	14.0	13.5	13.2	14.0	14.0
2016	13.1	13.7	13.5	13.2	14.1	13.1	14.0	12.9	13.0	13.4	12.9	12.6
2017	13.6	15.0	13.5	12.5	15.8	13.3	15.2	13.9	13.5	13.3	12.8	

For the Internal U.S. Waterway Monthly Indicators, estimates for the most recent month are based on lock performance management data. The estimates will be superseded by actual data as it becomes available.

Under U.S. law, vessel operators must report domestic waterborne commercial movements to the **U.S. Army Corps of Engineers' Waterborne Commerce Statistics Center.** This data, along with lock performance monitoring system data provides commodity specific indicators for monthly tonnage moving along the inland waterway system. November 2017's **(bold red line)** 12.8 million short tons of petroleum and heating oil carried on internal U.S. Waterways was the second lowest month year-to-date 2017. It was the lowest November movement in four years and was 0.1m tons less than last November. Year-to-date 2017 has seen a total of 152.4 short tons moved compared to 146.9 short tons moved during this same time period in 2016.



Note: Confidence interval derived from options market information for the 5 trading days ending Jan 4, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.
Source: Short-Term Energy Outlook, January 2018, and CME Group.

Per the latest **U.S. Energy Information Administration's *"Short-Term Energy Outlook"***, Brent crude oil averaged $54/barrel (b) in 2017, an increase of $10/b from 2016 levels. Prices increased fairly steadily through the second half of the year, with year-end prices higher than the annual average. Daily Brent spot prices ended 2017 near $67/b, which was the highest level since December 2014. The monthly average spot price of Brent crude oil increased by $2/b in December to $64/b, marking only the fourth time that monthly Brent crude oil prices averaged more than $60/b in the past 36 months. Most of the upward price movement in recent months reflects continuing draws in global oil inventory levels. EIA estimates that global petroleum and other liquid fuels inventories fell by an average of 0.4 million b/d in 2017, which was the first year of annual average draws since 2013. In addition, oil prices were supported by OPEC's November 30, 2017, announcement to extend its crude oil supply reduction agreement through the end of 2018. Also, Brent prices increased in December because of a disruption to the North Sea's Forties crude oil pipeline system early in the month. The Forties pipeline system is one of the primary distribution networks for Brent crude oil delivery in the North Sea, and its outage curtailed available supply in the near term. Trade press reports indicate the Forties pipeline system restarted operations in late December 2017.

EIA forecasts the Brent crude oil spot price will average $60/b in 2018 and $61/b in 2019. After falling in 2017, EIA expects global oil inventories to rise by 0.2 million b/d in 2018 and by 0.3 million b/d in 2019. EIA forecasts the expectation of inventory builds in 2018 and 2019 will contribute to crude oil prices declining from current levels to an average of $60/b during the first quarter of 2018. Prices are then expected to remain relatively flat through 2019. Daily and monthly average crude oil prices could vary significantly from annual average forecasts, because global economic developments and geopolitical events in the coming months have the potential to push oil prices higher or lower than the current STEO price forecast. Uncertainty remains regarding the duration of, and adherence to, the current OPEC production cuts, which could influence prices in either direction. Also, the U.S. tight oil sector continues to be dynamic, and quickly evolving trends in this sector could affect both current crude oil prices and expectations for future prices.

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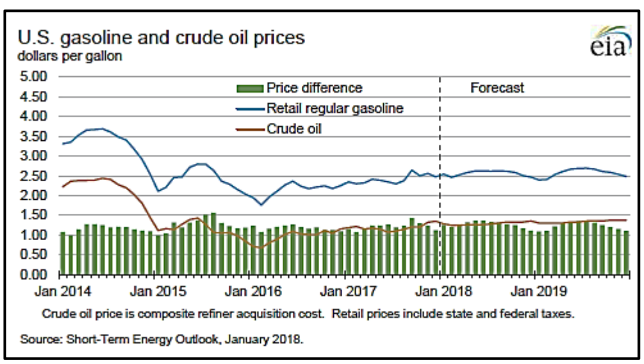
Average West Texas Intermediate (WTI) crude oil prices are forecast to be $4/b lower than Brent prices in 2018 and in 2019, falling from the $6/b average price difference seen in the fourth quarter of 2017. The falling price discount of WTI to Brent in the forecast is based on the assumption that current constraints on the capacity to transport crude oil from the Cushing, Oklahoma, storage hub to the U.S. Gulf Coast will gradually lessen. EIA estimates that the price difference between Brent and WTI reflects the competition of the two crude oils in global export markets. Thus, there are two components of the price difference, the cost of delivering WTI crude oil from its pricing point at Cushing to the U.S. Gulf Coast for export and the additional transportation costs U.S. crude oil exports incur on their way to Asia compared with costs to deliver Brent from the North Sea to Asia. EIA estimates that, without pipeline constraints, moving crude oil from Cushing to the U.S. Gulf Coast typically costs about $3.50/b. EIA estimates that it costs approximately $0.50/b more to transport WTI from the United States to Asia than it costs to ship Brent from the North Sea to Asia. Although more infrastructure to export crude oil has been built recently, U.S. exporters must still use smaller, less-economic vessels or complex shipping arrangements, which add to costs.

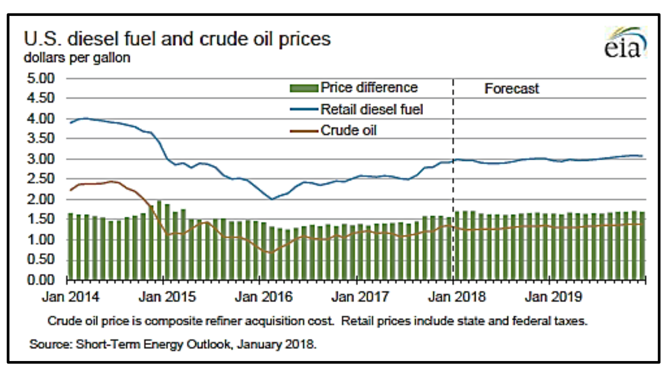
U.S. crude oil production averaged an estimated 9.3 million barrels per day (b/d) in 2017 and is estimated to have averaged 9.9 million b/d in December. EIA forecasts total U.S. crude oil production to average 10.3 million b/d in 2018, up 1.0 million b/d from 2017. If achieved, forecast 2018 production would be the highest annual average on record, surpassing the previous record of 9.6 million b/d set in 1970. In 2019, crude oil production is forecast to rise to an average of 10.8 million b/d. Increased production from tight rock formations within the Permian region in Texas and New Mexico accounts for 0.8 million b/d of the expected 1.2 million b/d of crude oil production growth from December 2017 to December 2019. EIA expects most of the remaining 0.3 million b/d of growth to come from the Federal Gulf of Mexico, as seven new projects are expected to come online by the end of 2019.



Crude oil price is composite refiner acquisition cost. Retail prices include state and federal taxes.
Source: Short-Term Energy Outlook, January 2018.

U.S. regular gasoline retail prices averaged $2.48 per gallon (gal) in December, down almost 9 cents/gal from the average in November but 22 cents/gal higher than at the same time last year. U.S. regular gasoline retail prices averaged $2.42/gal in 2017. EIA expects the retail price of regular gasoline to average $2.51/gal during the first quarter of 2018, 19 cents/gal higher than at the same time last year, primarily reflecting higher crude oil prices. EIA expects that the U.S. monthly retail price of regular gasoline will increase from an average of $2.54/gal in January to a 2018 peak of $2.63/gal in August before falling to $2.47/gal in December 2018. The U.S. regular gasoline retail price, which averaged $2.42/gal in 2017, is forecast to average $2.57/gal in 2018 and $2.58 /gal in 2019. Regional annual average forecast prices for 2018 range from a low of $2.29/gal in the Gulf Coast—Petroleum Administration for Defense District (PADD) 3—to a high of $3.03/gal in the West Coast (PADD 5).

The diesel fuel retail price averaged $2.65/gal in 2017, which was 34 cents/gal higher than the average in 2016. The diesel price is forecast to average $2.95/gal in 2018 and $3.01/gal in 2019, driven higher primarily by higher crude oil prices and growing global diesel demand. Rising diesel consumption is expected to contribute to gradually increasing diesel refinery margins. Diesel refinery margins based on Brent crude oil are expected to average 47 cents/gal in 2018 and 46 cents/gal in 2019, compared with an average of 40 cents/gal in 2017.



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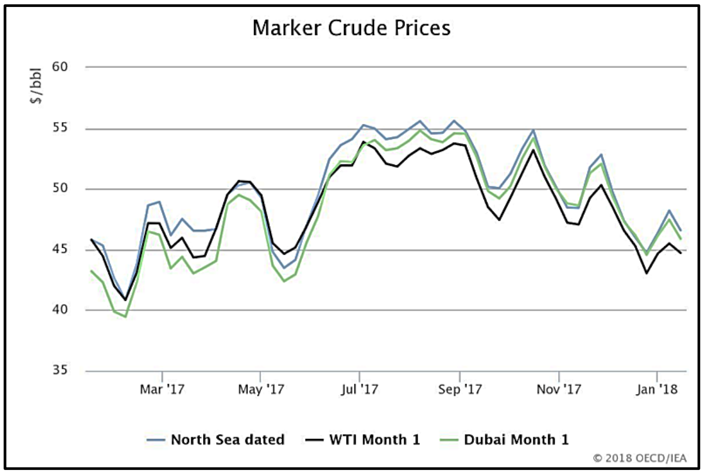

According to the Paris-based, **International Energy Agency's *"Oil Market Report"***, demand estimates in 2017 and 2018 are roughly unchanged at 97.8 mb/d and 99.1 mb/d respectively. A 40 kb/d downward revision to 2016 demand, however, pushed up the 2017 growth to 1.6 mb/d, while IEA's growth estimate for 2018 remains unchanged at 1.3 mb/d. The slowdown in 2018 demand growth is mainly due to the impact of higher oil prices, changing patterns of oil use in China, recent weakness in OECD demand and the switch to natural gas in several non-OECD countries. Global oil supply in December eased by 405 kb/d to 97.7 mb/d due mostly to lower North Sea and Venezuelan output. Production was steady on a year ago as non-OPEC gains of nearly 1 mb/d offset declines in OPEC. A plunge in Venezuelan supply cut OPEC crude output to 32.23 mb/d in December, boosting compliance to 129%. Declines are accelerating in Venezuela, which posted the world's biggest unplanned output fall in 2017. Rapid US growth and gains in Canada and Brazil will drive up non-OPEC supply by 1.7 mb/d in 2018, versus last year's 0.7 mb/d increase. US crude supply will push past 10 mb/d, overtaking Saudi Arabia and rivalling Russia. OECD commercial stocks declined for the fourth consecutive month in November, by 17.9 mb, with a large fall in middle distillates. Preliminary data for December suggest a further fall of 42.7 mb. Global crude oil markets saw an exceptionally tight 4Q17 as the large draw in OECD crude stocks coincided with a decline in Chinese implied crude balances. The combined draw is estimated at 1 mb/d. Benchmark crude prices climbed to a three-year high in early January, reflecting falling stocks, supply issues in the North Sea and Libya, and geopolitical tensions. However, physical markets were softer and oil products failed to match the increases. Global refining throughput hit a record in 4Q17 at 81.5 mb/d, instead of falling seasonally. The US returned to pre-hurricane highs in December and China's refiners ran at their highest ever quarterly level. Margins suffered further from both product stock builds and the rally in crude oil prices.