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Energy and Tankers | Asia Pacific

Tanker & Fuel: A Golden Age

The tanker shipping bull cycle and Golden Age in refining are feeding into each other. Durability could surprise positively, with up to 40% upside seen to Street estimates, as capacity tightness persists for the two segments even beyond 2027.

Key Takeaways

- Tanker freight have risen 3x (4.7x above mid-cycle) and diesel cracks have increased 4x YTD.
- We expect a 35% higher new mid-cycle in refinery margins and see 20-30% upside to current VLCC 2-year timecharter (TC) rates.
- We think bottlenecks of limited spare capacity and permanent scrappage/ shutdowns are key to durability of the upcycle in both tanker freight and refining.
- Disciplined capital allocation by and outside China for refiners; tanker new orders delivering in 2027-28 may not be enough to meet shipment demand growth.
- We recommend CSE H/A and CMES to play tankers; S-Oil, Thai Oil, Idemitsu Kosan and Cosmo to play refiners.

The bottlenecks and Energy Security: Energy Security (Energy Security and AI: Supercycle Recharges) and capacity scarcity is key to pricing power for both fuel refiners and tanker shipping. In refining, two new refineries need to be built annually, but only one has been getting built. Similarly in tanker shipping, effective capacity adds could be short by nearly a fifth below tanker capacity needs, though new orders are rising. Fuel refiners captured US$10-12/bbl of additional margins in 1H26, while tanker owners captured US$3-3.5/bbl in upside as energy supply chains tighten.

Exhibit 1: Global Refining: The Golden Age in perspective



Source: Morgan Stanley Research estimates

Exhibit 2: Tankers Supply bottleneck: Operators' bargaining power and scrapping candidates



Source: Morgan Stanley Research

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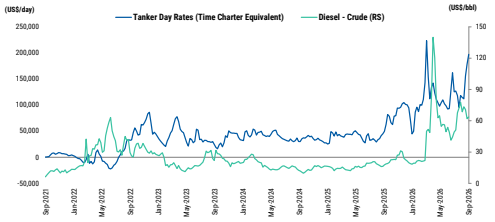
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Exhibit 3 : Strong fuel demand and dislocations have tightened an aging fleet of clean-product trade flows, boosting tanker earnings



Source: Bloomberg, Morgan Stanley Research

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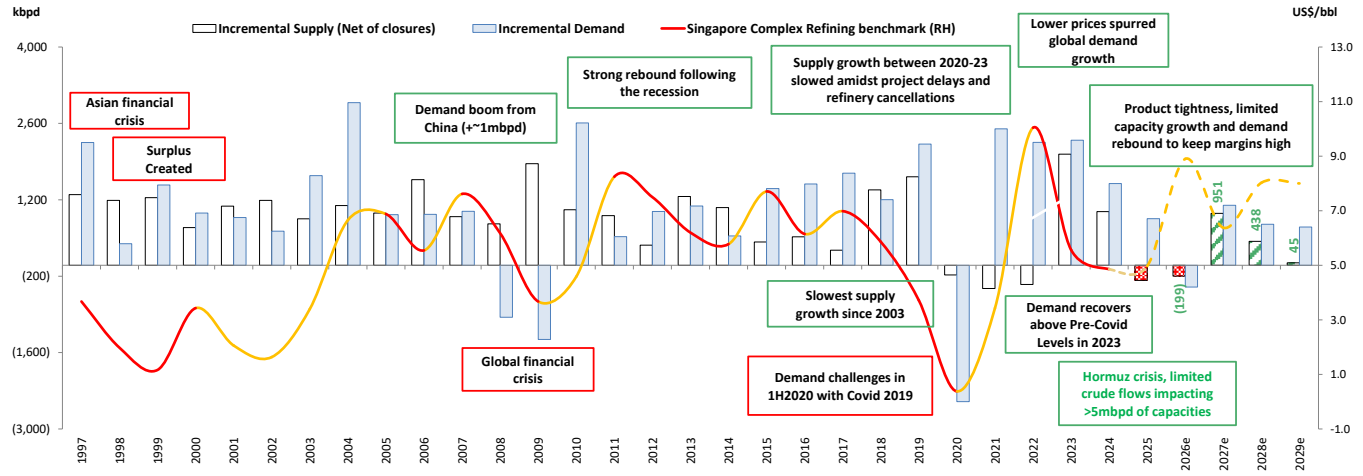
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Golden Age in Refining and Tanker Tightness

Tanker Shipping Bull Cycle: Energy security is driving restocking, strategic stockpiling and diversification of crude and fuel imports away from the Middle East, increasing both seaborne volumes and voyage distances. Meanwhile, effective tanker supply remains constrained as longer routes, geopolitical disruptions, floating storage demand, an aging fleet and tighter environmental regulations reduce vessel availability. Tanker damages during conflicts (CNA, 9 Sep 2026) are rapidly eroding effective capacity. About 6% of VLCCs are already more than 25 years old and another 10% are approaching retirement age, scrapping is running well below historical norms and effective capacity growth is likely to lag tonne-mile demand growth. As tonne-mile demand grows faster than fleet capacity, tanker markets are likely to remain structurally tight, supporting elevated freight rates beyond 2027 (see also **Tanker Shipping; Bull Cycle to Extend Beyond 2027** 17 Aug 2026).

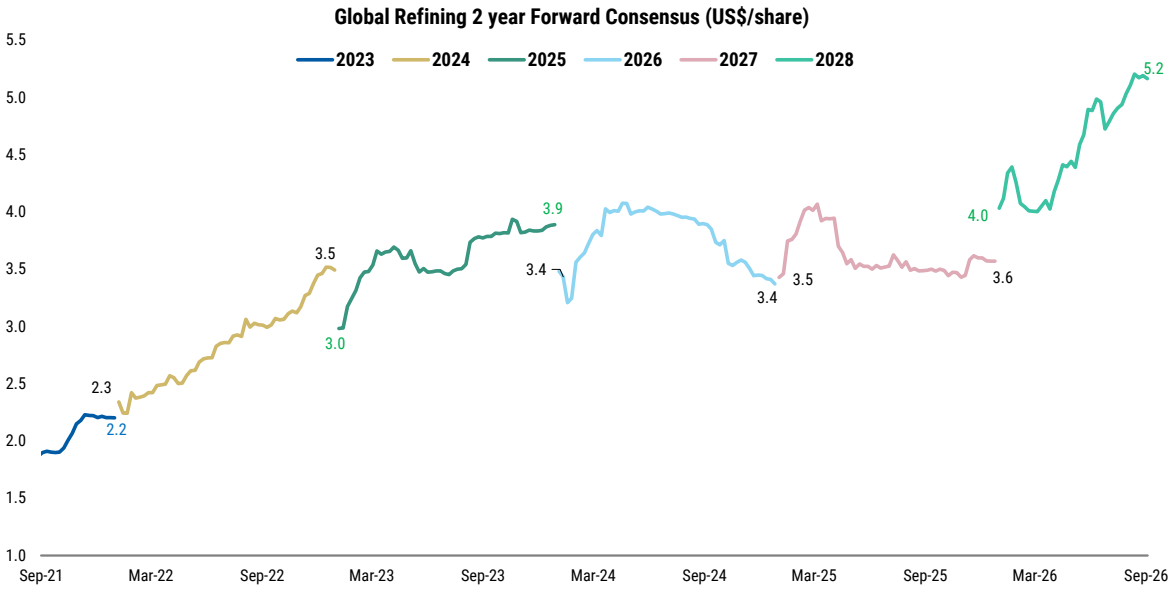
Refining Golden Age: Fuel consumption has surprised over the past five years while meaningful new capacity remains limited even until 2029. With spare processing capacity largely absorbed, supply disruptions are translating into increasingly sharper spikes in fuel cracks and product spreads. We believe the market overestimates the impact of announced capacity additions and underestimates the combined effect of resilient fuel demand, energy security-driven stockbuilding and tightening global product balances. We believe the result is a structurally tighter refining system, supporting stronger margins and a higher mid-cycle than investors currently expect (**Global Refining: The 'Golden Age' goes Global,** 5 Aug 2026).

Exhibit 4: Incremental demand of ~2.5mbpd over the next three years compared to ~1.2mnbpd capacity growth highlights the tightening supply dynamics for the industry



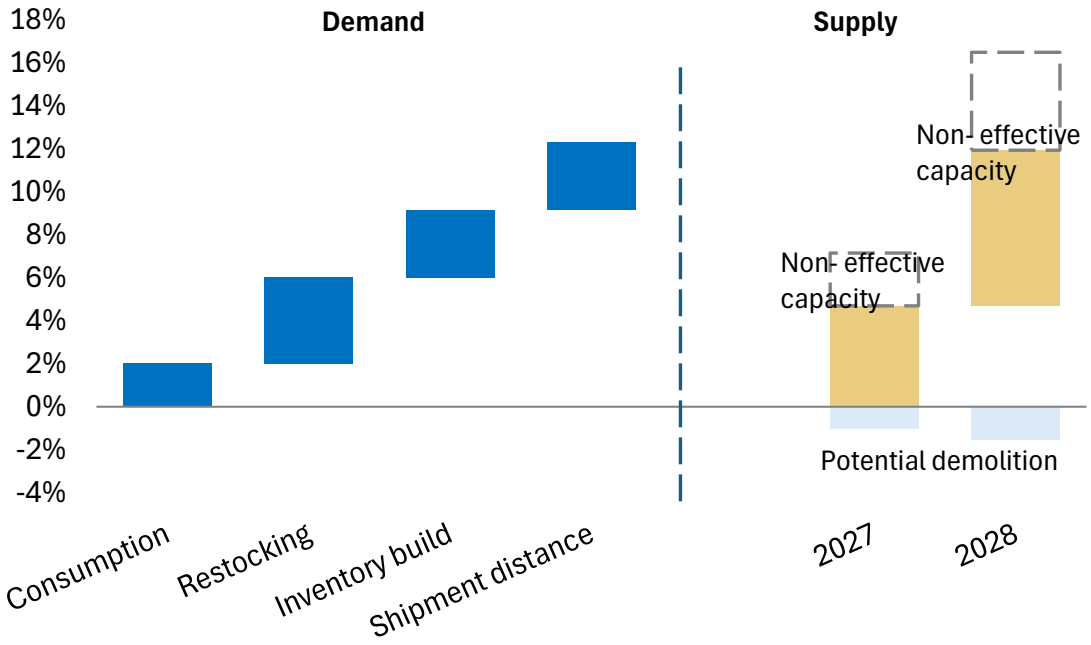
Source: Company data, BP, EIA, CIEC, Morgan Stanley Research (e) estimates

Exhibit 9:
Forward consensus estimates have risen ~34% on average across global refiners and we see further upgrade cycle as margin settle at new higher levels



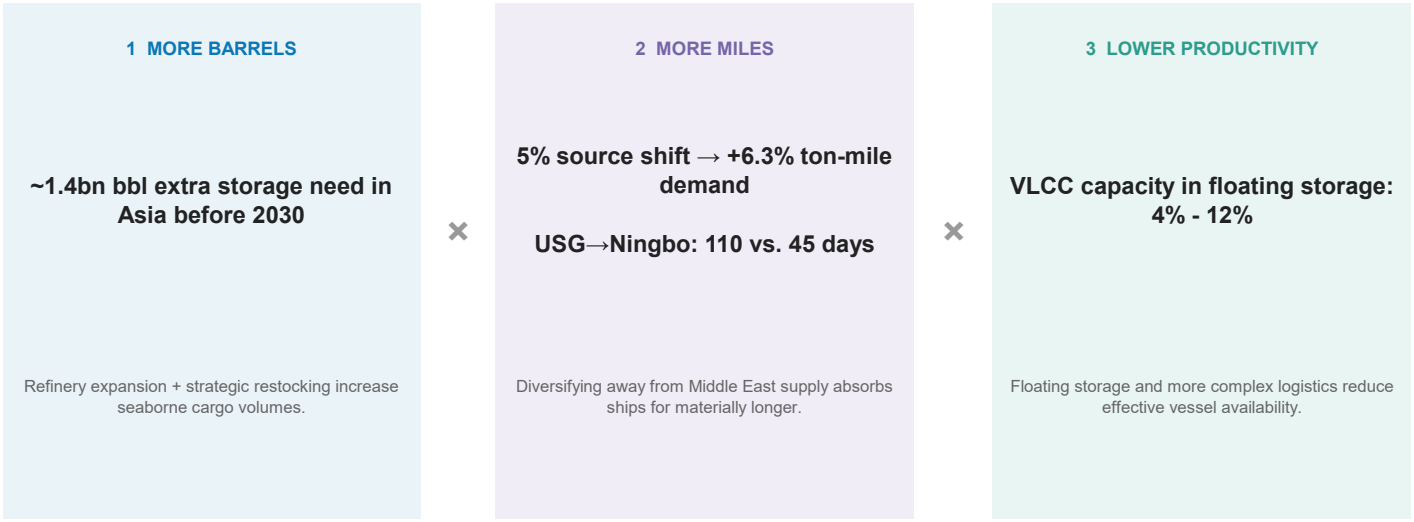
Source: Refinitiv, Morgan Stanley Research

Exhibit 10: Tanker shipping: crude shipment demand vs. VLCC supply in 2027-2028



Source: Clarksons, Morgan Stanley Research estimates. Note: Supply: growth of VLCCs.

Exhibit 11: We see strong demand tailwinds in the next 3-5 years



RESULT → Tonne-mile demand can rise faster than headline oil consumption

Source: Morgan Stanley Research estimates

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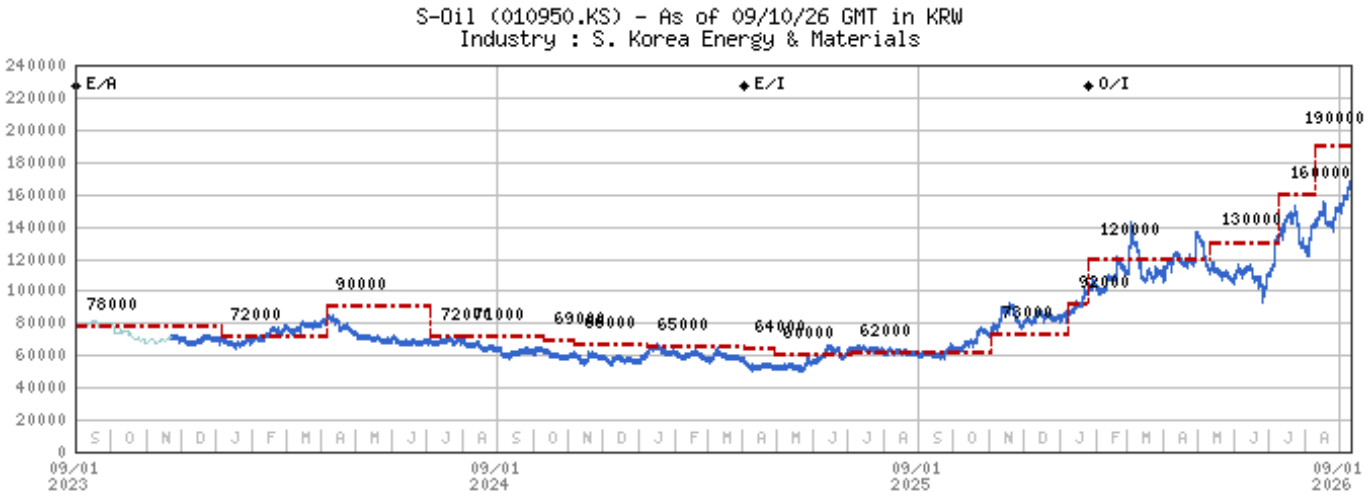
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INDUSTRY COVERAGE: India Oil & Gas

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/09/2026)
Mayank Maheshwari		
Bharat Petroleum Corp. (BPCL.NS)	O (10/02/2019)	Rs303.55
GAIL (India) (GAIL.NS)	E (03/23/2026)	Rs174.90
Gujarat Energy Ltd (GJAA.NS)	U (08/26/2026)	Rs258.97
Gujarat State Petronet Ltd (GSPT.NS)	U (09/12/2025)	Rs268.35
Hindustan Petroleum (HPCL.NS)	O (11/08/2023)	Rs348.90
Indian Oil Corp (IOC.NS)	O (12/10/2018)	Rs135.60
Indraprastha Gas Ltd. (IGAS.NS)	E (01/30/2025)	Rs152.92
Mahanagar Gas Ltd (MGAS.NS)	O (01/13/2025)	Rs1,084.30
Oil & Natural Gas Corp. (ONGC.NS)	O (09/20/2021)	Rs234.02
Oil India Limited (OILI.NS)	E (08/12/2026)	Rs498.95
Petronet LNG (PLNG.NS)	E (03/23/2026)	Rs285.90
Reliance Industries (RELI.NS)	++	Rs1,279.00
Vivek Rajamani		
Aarti Industries Limited (ARTI.NS)	U (09/03/2024)	Rs496.20
Deepak Nitrite Ltd (DPNT.NS)	O (05/03/2024)	Rs1,641.90
Navin Fluorine International Ltd. (NAFL.NS)	U (11/05/2025)	Rs8,775.50
PI Industries Ltd. (PIIL.NS)	O (06/16/2025)	Rs2,394.00
SRF Limited (SRFL.NS)	U (10/24/2024)	Rs2,520.00
Tata Chemicals Limited (TTCH.NS)	U (03/23/2026)	Rs603.05

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: ASEAN Energy and Materials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/09/2026)

Mayank Maheshwari		
Alamtri Resources Indonesia (ADRO.JK)	U (01/18/2024)	Rp2,690
Bangchak Corporation Public Company (BCP.BK)	O (01/04/2026)	Bt58.00
Indocement Tunggal Prakarsa Tbk PT (INTP.JK)	E (06/18/2026)	Rp5,425
Indorama Ventures PCL (IVL.BK)	U (07/30/2026)	Bt29.25
Keppel Ltd (KPLM.SI)	O (02/15/2024)	S$11.80
Petronas Chemicals Group Berhad (PCGB.KL)	O (07/29/2025)	RM4.55
PTT Exploration & Production (PTTEP.BK)	O (02/11/2026)	Bt154.50
PTT Global Chemicals (PTTGC.BK)	O (07/29/2025)	Bt50.75
PTT Oil and Retail Business PCL (OR.BK)	E (08/09/2024)	Bt12.50
PTT Public Company (PTT.BK)	E (04/07/2026)	Bt42.25
Seatrium Limited (SEAT.SI)	U (01/16/2026)	S$2.17
Semen Indonesia (Persero) Tbk PT (SMGR.JK)	U (11/18/2024)	Rp1,730
Siam Cement (SCC.BK)	O (09/06/2025)	Bt269.00
Star Petroleum Refining (SPRC.BK)	O (12/19/2018)	Bt13.90
Thai Oil Public Company (TOP.BK)	O (04/07/2026)	Bt70.00
United Tractors Tbk PT (UNTR.JK)	O (01/20/2026)	Rp26,000

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INDUSTRY COVERAGE: Hong Kong/China Transportation & Infrastructure

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/09/2026)
Qianlei Fan, CFA		
Air China Limited (601111.SS)	E (07/07/2026)	Rmb5.90
Air China Limited (0753.HK)	O (01/13/2025)	HK$3.82
Beijing Capital Int'l Airport (0694.HK)	U (09/23/2025)	HK$1.54
Beijing-Shanghai High-Speed Railway (601816.SS)	O (07/03/2020)	Rmb4.80
BOC Aviation (2588.HK)	O (03/21/2022)	HK$74.45
Cathay Pacific Airways (0293.HK)	O (06/10/2026)	HK$14.57
China Eastern Airlines (600115.SS)	E (07/07/2026)	Rmb3.51
China Eastern Airlines (0670.HK)	O (01/13/2025)	HK$2.74
China Merchants Energy Shipping Co. Ltd. (601872.SS)	O (03/10/2020)	Rmb20.99
China Southern Airlines (600029.SS)	E (07/07/2026)	Rmb5.03
China Southern Airlines (1055.HK)	O (01/13/2025)	HK$3.08
COSCO SHIPPING Energy Transportation (1138.HK)	O (01/12/2023)	HK$18.91
COSCO SHIPPING Energy Transportation (600026.SS)	O (11/25/2025)	Rmb21.43
COSCO Shipping Holdings Ltd (601919.SS)	U (07/15/2024)	Rmb16.54
COSCO Shipping Holdings Ltd (1919.HK)	U (07/15/2024)	HK$16.89
Guangzhou Baiyun Int'l Airport (600004.SS)	U (06/10/2026)	Rmb7.82
J&T Global Express Ltd (1519.HK)	O (07/06/2026)	HK$9.62
JD Logistics, Inc. (2618.HK)	O (03/09/2026)	HK$10.88
Orient Overseas (International) Ltd (0316.HK)	U (07/15/2024)	HK$152.90
Pacific Basin Shipping (2343.HK)	E (07/04/2025)	HK$4.43
S.F. Holding Co Ltd (002352.SZ)	E (09/01/2025)	Rmb31.62
Shanghai International Airport (600009.SS)	E (09/23/2025)	Rmb23.78
SITC International Holdings Company (1308.HK)	U (09/08/2026)	HK$45.10
Spring Airlines (601021.SS)	O (08/31/2015)	Rmb43.52
STO Express Co Ltd (002468.SZ)	E (10/22/2024)	Rmb14.21
TravelSky Technology (0696.HK)	U (01/13/2025)	HK$8.79
YTO Express Group Co Ltd (600233.SS)	O (09/11/2025)	Rmb16.80
YUNDA Holding Co Ltd (002120.SZ)	U (07/29/2020)	Rmb6.85
ZTO Express (ZTO.N)	O (11/21/2016)	US$20.72

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: S. Korea Energy & Materials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/09/2026)
Chan Park		
Ecopro BM (247540.KQ)	U (03/20/2023)	W114,900
L&F Co Ltd (066970.KS)	O (08/04/2026)	W127,000
POSCO FUTURE M (003670.KS)	U (04/03/2025)	W192,100
Young Suk Shin		
Korea Electric Power (015760.KS)	U (05/19/2026)	W33,750
LG Chem (051910.KS)	E (04/03/2025)	W285,000
LG Energy Solution (373220.KS)	E (04/03/2025)	W371,000
Lotte Chemical Corp (011170.KS)	U (01/08/2025)	W67,800
POSCO (005490.KS)	E (01/29/2026)	W337,000
Samsung SDI (006400.KS)	O (04/28/2026)	W574,000
SK Innovation Co Ltd (096770.KS)	O (07/31/2026)	W153,500
S-Oil (010950.KS)	O (01/26/2026)	W165,900
Sung Kwang Bend Co Ltd (014620.KQ)	O (03/04/2025)	W34,250
TK Corp (023160.KQ)	E (04/23/2026)	W28,100

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