Euronav

Q2 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

Brian Gallagher – *Head of Investor Relations, Market Relations and Communications*

Hugo De Stoop – *Chief Executive Officer*

Lieve Logghe – *Chief Financial Officer*

PRESENTATION

Operator
Good morning, everyone, and welcome to the Euronav Q2 2020 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. Please also note today's event is being recorded.

At this time, I'd like to turn the conference call over to Mr. Brian Gallagher, Head of IR. Sir, you may begin.

Brian Gallagher
Thank you. Good morning and afternoon to everyone, and thanks for joining Euronav's Q2 2020 Earnings Call. Before I start, I would like to say a few words.

The information discussed on this call is based on the information as of today, Thursday, 6th of August 2020, and may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements reflect current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events, performance, underlying assumptions, and other statements which are not historical facts or statements. All forward-looking statements attributable to the company or to persons acting on its behalf are expressly qualified in their entirety by reference to the risks, uncertainties, and other factors discussed in the company's filings with the SEC, which are available free of charge on the SEC's website at www.SEC.gov, and on our own company website at www.Euronav.com.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of its particular statement, and the company undertakes no obligation to publicly abate or advise any forward-looking statements. Actual results may differ materially from these forward-looking statements. Please take a moment to read our Safe Harbor statement on page 2 of the presentation.

I will now pass to our Chief Executive, Hugo De Stoop, to start with the main presentation. Hugo, over to you.

Hugo De Stoop
Thank you, Brian. Welcome to our call today. In terms of the agenda, I will firstly run through the Q1 highlights before passing on to Lieve Logghe, our CFO, who will provide a full financial review of the income statement and the balance sheet. Then, Brian, our Head of Investor Relations, Market Research, and Communication, will look at the current themes in the tanker market and Euronav's outlook before we take questions.

So, turning to slide 4 and the highlights page, tanker markets continued to be very strong during Q2, even stronger than in Q1, which is surprising, as usually the second and third quarter are seasonably weaker. What is remarkable is that we have already enjoyed three consecutive quarters of VLCC rates over $60,000 a day in the stock market, and this, for the first time since 2008. This robust freight market has continued into Q3, with nearly half of our VLCC covered at rates just over $60,000 a day. The Suezmax also performed very well, was just under $40,000 per day so far in Q3. This is a solid foundation to enter the second half, but admittedly with far less visibility than usual.

We thought earlier in the year that Q2 would bring a strong and sustained storage market opportunity.

This was not really the case. Yes, a number of VLCC were and are still being used as storage units, but far less than what many analysts and ourselves had predicted. Nevertheless, as the figures illustrate, this has been one of the strongest markets for over a decade. With the super strong cash generation, Euronav has been able, and very keen to return a lot of cash to our shareholders. We started to distribute a total of $1.57 per share in cash dividends since lately, and more recently, we have executed $75 million in share buybacks over the past two months, and we will do more.

This brings me to slide 5 and capital allocation at Euronav, which remains an important and key focus for the board and management. Indeed, Euronav remains committed to returning capital and creating value for our stakeholders, and obviously a strong freight market has given us the opportunity to demonstrate this.

Given the lower equity valuation, as illustrated by our share price in the last few months, we have started to buy back our own shares. So far, we have used $75 million from the Q2 earnings to buy our shares at an average value which is very accretive to existing shareholders. In addition, today we announced that we will use a third of $25 million to buy our shares using proceeds from the earnings of Q2, and we will do this by the end of September.

At Euronav, we always try to be balanced and consistent in our allocation. We do have some mandatory debt repayment, as well as some revolving credit facilities reductions which are non-cash, but given where our current leverage is, we do not need to repay more debt for the time being. We have designed our return to shareholders policy taking many aspects of the business into account, and indeed, we are very pleased to be in a position to pay a cash dividend of $0.47 per share related to the second quarter in addition to the $100 million I just spoke about on the share buyback program that will be a return also to our shareholders.

Overall, the shareholders will receive $196 million in cash from Euronav as they relate to the Q2 earnings, roughly half of it in cash dividends, and half of it in share repurchase. At the same time, Euronav's balance sheet is improved by $60 million cash to reduce our net debt position. When repurchasing shares, we will always try to create long-term shareholder value, rather than giving support to a share price which, indeed has been very, very volatile during the quarter.

This concludes my remarks, and I will now pass on to CFO, Lieve Logghe, to run through the financials. Lieve, over to you.

Lieve Logghe
Thanks, Hugo. As you mentioned, the first half-year of 2020, and more specifically the second quarter, was very strong in terms of performance, reflecting the strong tanker markets. Revenues generated are $535 million, while EBITDA generated was $355 million, resulting in a net income of more or less $260 million. Whilst navigating the COVID-19 crisis, the company's clear priority has been the safety and well-being of our employees, and to provide support to the extent required in the communities in which we operate. Despite the extra costs to support our crew, combined with masks and other surgical material, strong cost control of the full scope more than offset the impact in the G&A line.

Whereas the first quarter was including a positive impact of strategic fuel stock in 2019 compared to the market, we noticed a negative impact in Q2. We want to mention, however, that this fuel stock was actively managed, as more than 85,000 metric tons were bought for an amount of $22.1 million for the *Oceania*. This represents more or less the consumption of the second quarter. Due to the strong cash management resulting in a reduced debt level, and due to a beneficial interest rate environment, also interest cost reduced significantly in the first semester compared to last year.

Moving now on to slide 7 and the balance sheet. The company remains in a solid position, with a strong financial balance sheet. I refer to the leverage ratio of 38.3%, as well as the liquidity in excess of $1.1 billion. We have kept a strong level of cash at our disposal for an amount of $280 million, which is more or less in line with last year.

Even though we were active during the first semester in purchasing four VLCC resales requiring a down payment of more than $100 million, this cash out was partially offset by the proceeds of the sale of the vessels the Finesse, Cap Diamant, and the TI Hellas. Moreover, the business required more working capital because of increased outstanding cash to be received from the customers due to the high market rates. Also, clear focus has been put on the cash collection in order to create value for our stakeholders. The good performance, combined with the cash focus, allows Euronav to keep 20% of the net income to further deleverage, with high cash returns to the shareholders.

I will now hand over to our Head of Investor Relations, Brian Gallagher, for the market slides. Brian, over to you.

Brian Gallagher
Thank you, Lieve. We now look at four broad themes in the presentation before moving on to our outlook commentary. On slide 9, you can see how the contracting of VLCCs has actually been a positive for the wider tanker market. This provides a medium- and long-term positive backdrop for the tanker sector and for investors, which Euronav believes is structural in nature.

The light blue areas show the order book to fleet ratio, which has steadily reduced over the past decade, and now stands at 20-year lows. The blue bars indicate per quarter new VLCC orders, and it is clear that there is a strong correlation with the green line, which is VLCC earnings. The interesting feature, therefore, is the development over the past three quarters. As Hugo said earlier, this has been the best three quarters for an earnings perspective for VLCCs since 2008, and yet this has not triggered a rush to the shipyards and ordering of new vessels. This is very encouraging, and reflects, in our view, that there's a potent mix of structural, regulatory, financial, and environmental factors which will continue to keep new ordering at low levels going forward.

Moving to slide 10 and the global fleet itself, which is also providing positive messages, both the VLCC and Suezmax global fleet average age are now back to levels not seen in 18 years. Having an aging fleet is one thing, but digging a little deeper, we see around 20% of the VLCC fleet alone, which is now not only over 15 years of age but crucially will have to undergo a special survey in the next seven quarters.

This is critical. Having a vessel over 15 years of age means a lower addressable market for that tanker, as most charters will not take such vintages for their cargoes. But, equally, there's no incentive for a vessel to leave the market either.

A special survey, costing upwards of $4 million, depending on the age and ship condition at that age, therefore, provides an important catalyst for an owner to effectively stick or twist . Should the sector have a period of lower freight rates, as we saw in 2018, for instance, when 50 VLCC equivalents were scrapped, then we will see pressure with this catalyst for owners to take their ships out. Slide 10 almost certainly underestimates the amount of VLCCs in this situation, as it's unclear how many undertook special surveys during the first half of 2020 due to the COVID-19 restrictions.

On to slide 11. Disruption during this first half of the year, and in particular in Q2, has actually been a positive development for the VLCC market. Slide 11 illustrates the positive level of disruption we have seen, with around 150, or 18% of the global fleet of VLCCs having some form of disruption. But only part of this is related to the contango and related storage trade. Sixty VLCCs will remain permanently on the sidelines, covering Iranian sanctions vessels and also those in longer-term storage unrelated to contango. Around 40 or so will find trading difficult, as we highlight in lime green, because they have been engaged in Venezuelan trade over the past 12 months. That takes about 100 VLCCs out of the marketplace. This leaves a number of categories—in blue, as we show on slide 11—which have also helped underpin freight rates because they've also been largely missing from trading.

The three categories, most notably the 35 or so which remain on what we would term, "market storage," driven by the contango or a need to store oil; 18 from a suspected floor casing [ph] in Singapore, which has seen that fleet more or less idled during most of Q2; and another 20 or so which have been held up over the last three months via congestion at the Chinese ports. We would expect this congestion at Chinese ports to remain for another couple of months, so we will see some of these categories coming in the blue returning to the world trading fleet, totaling around 60 to 80 VLCCs. But, this will be progressive, will not happen immediately and will take some time, but nonetheless, does provide a headwind for owners as we move towards the latter part of this financial and calendar year.

Moving on to the final market slide on slide 12, and what actually happened in Q2; Q2, as Hugo said earlier, was a story of the oil market, and in particular oil supply substantially reducing the potential storage opportunity for the tanker sector that we envisaged at the start of May. The rapid reduction in the oil demand during March and April, as restrictions for COVID-19 kicked in, prompted an increase in inventory in both onshore and floating storage. On slide 12, this reached a peak of around about 200 million barrels of floating storage during May.

During our last earnings call in early May for Q1, it was anticipated by ourselves and most commentators that this figure would be substantially higher, thus driving a very considerable, but positive disruption for the tanker market, as this requirement for storage would be acute. This didn't materialize to the scale we envisaged, as we saw OPEC Plus cuts kicking in very quickly, Saudi and her partners also reducing voluntarily another level of supply cuts towards the end of May, and US production switching off quicker than expected as well.

The tanker market only benefitted from an additional 200 million barrels of storage requirement, around half of which went on Suezmax and Aframax. This is important because these ships were taken because VLCC rates during April were especially high. And, this helps to explain some of the rate differential between the tanker categories during Q2.

Looking forward, the EIA forecast continued recovery of demand towards 97 million barrels per day in September before the rate of recovery eases off in Q4. But, crude supply is expected to remain below these levels, implying further inventory drawdowns. Taking the EIA assumptions that chart 12 shows, most of the inventory will then have been drawn by Q3 of next year towards the five-year average, with floating storage also needing to be reduced on VLCC and other tanker categories.

These will provide headwinds for the tanker sector into 2021, along with the demand uncertainty with regard to COVID-19. Chart 12 does not assume deliberately any floating storage forecast beyond July, but as you can see floating storage has already come off the peak, but remains high in terms of the definition. There is no doubt that some congested barrels we spoke about earlier off the Chinese coast are included in this definition of storage.

I'll now move to slide 13, and the return of our traffic lights, giving our outlook view for the tanker market. We didn't use the traffic light system, given the extreme volatility in the oil and tanker markets during March and April when we last spoke in early May. Hence, there is more change than usual. Supply of and demand for oil moves from green/green-amber, to both being red. This reflects not only

the OPEC Plus production cuts, but also OPEC's move to monthly meetings, suggesting they will be flexible in managing supply.
Demand is clearly going to take some time to return to previous levels, as recent spikes in COVID-19 cases globally and accompanying lockdowns have made clear. [Indiscernible] moves from green to green to amber, reflecting the lower US crude export potential, as US shale production is lower than before.

But it's not all bad news. Vessel supply is moving in a positive direction, and moves to a full green on our traffic lights, reflecting, as we spoke about earlier, the lack of ordering despite very, very high freight rates over the last three quarters. As we mentioned before, we continue to believe this is a positive structural feature which provides a strong medium-term support for the tanker market. Our balance sheet, with liquidity over $1 billion, remains one of the strongest in the sector, and this remains on the full green.

In conclusion, there are clearly more negative moves than positive, reflecting the more challenging outlook for tanker markets, and as Hugo said earlier, a lack of visibility that we haven't had for quite a period of time. But the key drivers of demand, oil supply, and ton-miles will continue to be subject to uncertainty on how quickly GDP growth will return to more normalized levels, and in the meantime, how crude inventory both onshore and offshore is drawn down to match that returning demand. However, Euronav has very little control over these macro drivers, but what we can control is our own balance sheet and our positioning, which is what we will continue to do on a proactive basis.

As we mentioned before, we have $1 billion-plus of liquidity to manage our business should we enter a period of sustained challenge with freight rates. Our leverage remains amongst the lowest in the sector, and we have acted proactively over the summer months in our capital allocation by already repurchasing $75 million of the cheapest asset that's available to us, namely, our own shares. We've also added today the capacity to buy another $25 million of share buybacks derived from Q2's earnings.

With that, I'll pass back to the operator and prepare for questions. Thank you for your attention.

QUESTIONS AND ANSWERS

Operator
Ladies and gentlemen, with that, we'll begin today's question and answer session. To ask a question, you may press star and then one on your touchtone telephones. If you are using a speakerphone, we do ask that you please pick up your handset before pressing the keys. To withdraw your question, you may press star and then two. In the interest of time, we do ask that you please limit yourselves to one question and a single follow-up. At this time, we will pause momentarily to assemble the roster.

And, our first question today comes from Amit Mehotra from Deutsche Bank. Please go ahead with your question.

Amit Mehotra
Thanks, operator. Hi, Hugo. Hi, team. I appreciate the fair and balanced approach in the presentation. The fact of the matter is a weak market could actually be quite good for a shipping company with a good balance sheet, and Euronav obviously has built the fleet through counter-cyclical investing, re-immersed and generate kind of earlier several years ago.

With the balance sheet obviously getting better and better every quarter, even despite the big payouts, are there any opportunities for end block transactions, Hugo? There are obviously many private tanker fleets out there that maybe there's not as much transparency or visibility on in terms of what's for sale and what's not, or the bid/ask spreads maybe are still wide. But, if you can just comment on opportunities for growth in a market that's uncertain and a little bit weaker, given the legacy of the company and how they've built the fleet.

Hugo De Stoop

Yes. Hi, Amit. Well, very good question. You know that when you talk about the two transactions that you mentioned, the Maersk one and the Gener8 one, if you remember, it's something that came up and we act upon it very quickly. In the case of Maersk, I think we did it over a Christmas holiday in literally two weeks. And in the case of Gener8, if we really are talking about the agreement that we made with the board and the shareholders, it was certainly something like less than a month of negotiation.

I guess what I'm trying to say here is that we don't have a shopping list. We don't have a target, a fleet because that's not how the market works. It seems that some people suddenly change their position, and then decide to sell their fleet, and then it comes onto your desk. And when you have the capacity, and that is, obviously, balance sheet and liquidity, but also the management time to act upon those opportunities promptly, then you can see those opportunities. And so we're not going to change that recipe, and I think that's really how it's going to happen.

When it relates to your question, are there already small deals to be done? I don't think so, or at least I haven't heard any. And I think that the reason is that we are on the back of three super-strong quarters, Q4, Q1, Q2, and what we have booked, and I believe the others have also booked fairly good numbers in Q3, is very, very healthy. I mean, no matter what environment we are in right now, the quarter will end up to be a very good quarter.

And then there is a big question mark, and as I mentioned, and Brian did too, there is probably more uncertainty about what comes in the future than in other periods of time than we have seen in the past. But I just think that it's too early for people sort of to throw the towel, or decide to sell their fleet, or do something like that because the cash that they have generated very, very recently and up until today is phenomenal.

Amit Mehotra

Right. Okay, so I guess as you accrue cash flows or reduce net debt, obviously the capital allocation is just keeping it on the balance sheet, paying the dividend, or buying back stock. On the stock buyback, do you just keep on buying back stock as long as the equity is below NAV? There's obviously some float and liquidity concerns, and I think the AGM gave you the ability to purchase 10% of the stock every year, if I understand that correctly. Can you just talk about one, your limitations, how you think about the buyback in terms of balancing the financial positiveness of buying it below NAV, but also the limitations that that gives you in terms of any liquidity inflow?

Hugo De Stoop

Yes. It's two very critical points. Yes, we believe that we are buying at a significant discount below NAV, but that's not how we measure, and that's certainly not how we trigger it.

The way we trigger it is by translating the current share price into a price of a VLCC or Suezmax for that matter, and at price we are buying the cheaper vessel that we can buy in the market. Because if you only look at the NAV and the discount to NAV, then obviously you are taking a picture of something that is a moving target. If the market continues to be like it is today at 25 or—let's say between $20,000 and $30,000 a day, I have no doubt that the values are going to come off. And if the value comes off, then the NAV comes off, and then potentially you are improving your share price with the NAV decreasing, and you go back to NAV.

Fundamentally, we prefer to have a long-term perspective, and we say okay, today at the current share price, we are buying a ship at probably $72 million, $73 million. Is that good value or not? Yes, it is. If we were to go back to a maybe 80 or 85, that may become the NAV of tomorrow, and there would be less reason, we would be less keen to buy back our shares.

Amit Mehotra
Right.

Hugo De Stoop
On the second point that you touched, which was the liquidity, honestly, I think that we are very, very, very far from decreasing the liquidity, that it took us many years to build by the way, over the two exchange. You have seen it, we are buying over the two exchange, they are fairly balanced. One has 60% of the trade flows; the other one has 40%, the European one. And, I think if we are adding to the current volume of liquidity that we see in the share exchange, and it's not [ph] because you hold 5% of your capital that suddenly you don't enjoy very strong liquidity, which many investors cherish, because that's the only way for them to make sure that they can buy in and sell out at a time of their choosing without moving the share price.

That's maybe the last point, which we have said already in the remarks earlier, we're not buying to improve the share price. We are buying because it makes a lot of sense if we want to create long-term value for our shareholders. So, we're not buying in order to push the share price higher in order to make the transaction the day after, and we have done that program. We are buying because it makes sense; that's it.

Amit Mehotra
Got it. Okay, that's very clear. Thanks. Those are my two. Appreciate it.

Hugo De Stoop
Thank you.

Operator
Our next question comes from the John Chappell from Evercore ISI. Please go ahead with your question.

Hugo De Stoop
Hi, John.

John Chappell
Thank you. Good afternoon, everybody. Hi, Hugo. Hugo, so the first question, kind of shorter-term, the numbers you've put up for the third quarter in both fleets, but especially the Suezmax fleet, are substantially above what I would say have been market value since the start of the third quarter, so kind of a two-parter here. First of all, is there any legacy carryover from the strength of the second quarter, whether it was short-term charters or just extended voyages that got you that elevated level? And, as we think about the rest of the quarter, should we think about benchmarks, or do you have an elevated starting point for the back half of the quarter as well?

Hugo De Stoop
No, there's no legacy, that's for sure. But, it is true that when you take the Q1, the Q2, and now half of the Q3, and certainly if you compare to classes or even to some of our peers, who I know have yet to announce their results, but at least in some trading updates, you can see that the fluctuations among us

are larger than usual. I think that we were way ahead of our peers in Q1. This quarter, we may be slightly below, and then in Q3 it seems that we are again a little bit ahead of them. But on average, it seems that we are all playing the same territories.

That explains a little bit maybe the surprise of the market that we've booked very good numbers for Q3. It's simply because that voyages for VLCCs, we've been talking about positive ton miles for the last five or even ten years, but an average voyage seems to increase in number of days, and very often we are very close to 90 days—and 90 days is a quarter. So, depending on the position of your fleet, you may pick up some bad voyage, but they are very, very good for your positioning. And then, you will enjoy better rates the following quarters, but you have to endure maybe lower rates in the current quarter. That's a little bit what we believe is happening here. So it's no legacy, but it's definitely part of the positioning of, I would say a majority of the fleet in order to benefit from rates that are higher in some part of the geographies than others.

John Chappell
Understood. And then for the follow-up, the liquidity situation is obviously incredibly robust and is something that really helps you stand apart. However, you've shifted two of your stoplights to red, there's a ton of uncertainty, your inventory chart, if we just follow that, to the eye looks like mid-'21 before things get better. With the revolving credit facility rolling off, with the new bank financing coming on for the fleet renewal or growth, are there any other measures you foresee taking to establish a greater war chest, given the cheap levels of debt right now?

Hugo De Stoop
No. It's true that we are obviously refinancing some of the facilities that may expire next year because we believe that today is a better time to do that than next year. But I wouldn't say that's a major program.
That's probably decisions that we have to take anyway, and whether we do it now or in six months doesn't matter. So we prefer to do it now. There will probably be some additional stuff that we can announce next quarter.

But it's true that when you are buying back your own shares and you are not destroying them, you are also adding a little bit of ammunitions into your toolbox. And so rather than a dividend which is a one-off event, and then when the cash is out the cash is out, here, we are buying some sort of an asset—I mean that's our own liquidity—and we are parking it on the balance sheet.

John Chappell
Okay. Thank you very much, Hugo.

Hugo De Stoop
Thank you, John.

Operator
Our next question comes from Ben Nolan from Stifel. Please go ahead with your question.

Ben Nolan
Thanks, and good morning or afternoon. So, I want to circle back to the question that Amit had, or really I guess the answer that you gave, Hugo, about sort of the state of the market, and asset values, and how people are perhaps a little bit more insulated now than in previous downcycles, given three really, really good quarters.

Actually, though, less cash flows probably do mean [ph] more sellers. How are you thinking about the cadence? Do you think that ultimately this downcycle will be substantially less-severe from an asset value perspective, even if it does stretch, or what would you think about as sort of the tipping point? If you have any color there.

Hugo De Stoop
Well, it's a little bit the same as when you guys ask us to predict the market freight rates. It's very, very difficult because at the end of the day it's a supply and demand mechanism. And then I guess people can drop their price, or whatever they want to sell their vessels at, depending on how desperate they are.
Obviously, after a strong period of cash generation, people tend not to be desperate, but at the same time they don't want to see all of this accumulated cash being used to compensate for potential loss, and if not loss, certainly, as Brian mentioned, for further capital investment into very expensive dry docks. And let's all remember, those are already expensive when the vessel is old, but they are even more expensive this time around because most of the ships that we are talking about, which are more than 15 years of age, don't have a ballast bottom [ph] treatment system yet, and that's something that costs $1.2 million to $1.5 million.

So, it's going to be a very expensive deal, and people facing that sort of decision will think about it, and will say okay, I've generated a lot of cash in the last three quarters. Do I want to sort of waste it reinvesting in my vessel? That's for the older part of the fleet.

For the younger part of the fleet, I think that there are a number of challenges coming in the way of smaller ship owners, and you know how fragmented the market is, and that is related to many regulations, and primarily regulations around CO_2 emissions. But not only, it's also access to capital, and banks today, they prefer to lend to a public company with good corporate governance and a lot of transparency than to small players.

So, I think the small players are facing severe challenges which, to my mind, to our mind, can only be addressed with size, size of a big company like Euronav, or like some of the other public companies. And so that gives us real hope that when the market will soften, and the value will come off, people will realize that it might be a very good opportunity to exit the market and either becoming shareholders or a bigger entity, or simply take the cash and then reinvest in something else.

I think that again, the reason why we like the structure at Euronav, we are very flexible. We can do mergers like we did with Gener8. We can do acquisitions like we did Maersk by paying in cash and raising some of that money in the equity markets and the rest in debt. We are very, very flexible, and we are ready to seize those opportunities when they arrive. But we are certainly not desperate to pay too much money for assets that we believe are going to become cheaper in the future, when the market is not as strong as we've seen in the last three or four quarters.

Ben Nolan
All right. To that end and to the—well, actually, I'll leave that one for somebody else. I'm limited on my questions. I'm curious on something that probably is not very topical at the moment, but something that you guys had hinted that you might be interested in, specifically scrubbers. Obviously, right now scrubber investments made at the beginning of the year last year have not paid off very well. But I imagine that the prices are coming down and you guys said maybe we would look at it in the future.

Have you changed at all where you're thinking on that, or thinking about longer-term as the spreads widen, where do you want to be? Or, is that just not a path that you would want to go down?

Hugo De Stoop
Well, so I will only repeat what I said in the past. We are absolutely not dogmatic about, so we have, we may have an opinion about whether a scrubber is good or bad for the environment, but I think that's for the regulator's job. As far as the economics are concerned, which is very much what we are trying to study, at the moment, if you look at the forward curve, it is still not a very good investment if you are looking at a retrofit.

When you are looking at a new building, then it's relatively less expensive. It's what I would call cheap. And that's also the reason why the four vessels that we took earlier this year in resales, we're very happy about the fact that they are equipped with scrubbers because it means that we can enjoy the spread.

But when you look at the forward curve and the spread, you may find good reason to have the option of a scrubber on a new building, but as I mentioned earlier, we are not really keen to order ships at the moment. But certainly not to retrofit. To retrofit, you re still talking about north of $3 million, and I know that a lot of those equipment now are cheaper, but that is not the very expensive part.

The very expensive part is the yard bill, and you have to make sure that it's properly installed. We have seen enough now horror stories on whether those kits function or not. And the [indiscernible] time, and that will, obviously, depend on whether the market is good or bad, but with uncertainty in the market means that the market can be good as much as it can be bad. So, once you have committed to something you have to take an average rate of loss of hire, and you have to take that into account when you make your computation on the economics of whether it's a good investment or not.

So, for the time being, we continue to believe that it's not a good investment, and therefore, we're not going to retrofit any vessel. But, if we were to buy a new building, it's certainly an option that we would take.

Ben Nolan
All right, very helpful. I appreciate it. Thanks, Hugo.

Hugo De Stoop
Thank you.

Operator
Our next question comes from Mike Webber from Webber Research. Please go ahead with your question.

Mike Webber
Hi. Good morning, guys. How are you?

Hugo De Stoop
Hi, great. And you, Mike?

Mike Webber
Good. I think most of the near-term market stuff has already been handled, but Hugo, I wanted just to touch base on the [indiscernible] last quarter just in terms of propulsion and some of the shifts we're seeing, and some trepidation in terms of building out the order book for lack of—out of fear of

obsolescence risk. We've seen a handful of LNG-powered VLCCs get ordered year-to-date, usually it's coming back [ph] like from long-term business [ph], but it kind of begs the question of what you think the right mix is for the future.

When we think about Euronav longer-term, if maybe we fast-forward five years, what do you think the fleet looks like? And are we getting closer to the point where you guys could realistically pull the trigger on some sort of differentiated propulsion that might closely fit with some of those ESG mandates on renewables such as we're seeing over the next couple of years?

Hugo de Stoop
Yes, well, it's a very complicated question because there is a lot of moving parts and certainly a lot of uncertainty. So, we have seen so far only, to my mind, one contract for two vessels, a dual-fuel LNG, and that was done indeed on the back of a tank charter contract with one of the other major [indiscernible]. And we bid for that contract and we didn't get it because when we offer our service, we also want to have some sort of a return, and the return that the owner got was not something that we can push [ph], or we can tolerate in Euronav.

So, what we had said last quarter is still very valid this quarter. We believe that the premium that you have to pay in order to get a dual fuel vessel still requires a contract to be compensated from because otherwise, you are getting the same freight in the market, and you may pay your LNG a little bit cheaper, but that's again a moving part, I mean cheaper than NSFO. That's again, a moving part. And we are trying, by the way, to find ways to lock that discount in order to justify the premium, but so far we are not managing, or we are not seeing a good return on investment. And, the premium that is being asked is roughly speaking, $15 million compared to a conventional vessel.

Having said that, we also monitor the yard and we see that the yards are becoming a little bit more desperate by the day on getting orders, and they understand very well that they are not getting orders for two reasons. I mean, first of all, which is the market is has its own uncertainties, but secondly, and more importantly, it's because there is a lack of certainty on the owner's side of what technology will be the one to adopt for the long-term future. Because, if we are only looking at a transition period—five years, potentially ten years—that's only half of the life of a ship.

Mike Webber
Yes.

Hugo De Stoop
So, are you going to buy a technology for half of the life? Then, it's at a premium of $15 million that you are paying [background noise] premium of $50 million. So, that becomes very [overlapping voices].

Mike Webber
Right.

Hugo De Stoop
We can see that there is a lot of things moving. There is a lot of announcement being made recently around hydrogen. People thought that this was a good fuel for the future, but it would only arrive 15 or 20 years down the road. But, it seemed that as we are moving, people are making this—well, theoretical fuel more accessible, maybe within the next five years. So, once we project ourselves to the next five years, I think that we will continue to have a little bit of uncertainty which will not trigger a lot of new building orders.

We will see whether this hydrogen potential is a real—I mean can materialize into real life.

Mike Webber
Yes.

Hugo De Stoop
I think that if that's the case, then people will start ordering hydrogen vessels. I understand that in other markets it's already the case. And then we will see whether the LNG-fueled vessel has a future because of course, the LNG can also be produced synthetically. And, in that case, then it's not a fossil fuel and then the technology is regulated [ph].

So, we are watching absolutely everything. I think a lot of owners are doing the same. The benefits, obviously, that we may have is because of our large fleet, if we were to order two vessels with a specific technology, we are not betting the farm doing that, whereas—

Mike Webber
Yes.

Hugo De Stoop
--another fleet again will bet more of the farm if they order two ships out of a fleet of ten ships, I'd say.

Mike Webber
Gotcha. Well, there's a good corollary there to take offline in terms of blending hydrogen and natural gas, and some of the bunkering infrastructure needed. But I guess it's interesting to hear that you've participated in that tender. Maybe kind of thinking about it more specifically, and to your point, there's a lack of bunkering infrastructure to support LNG and blue water propulsion for merchant ships. You can even really fuel in the US Gulf right now if you wanted to. But in a sense, that could provide an opportunity, and, you guys have always—well, not always, but you're certainly not averse to taking interesting angles on bunkers, and some of your supply needs.

I'm wondering, is there a realistic scenario that you guys could look to vertically integrate to maybe provide some of the infrastructure that might be needed to facilitate that trade? Or, is that too far afield?

Hugo De Stoop
It's not too far, but it's never going to become a business line.

Mike Webber
Yes.

Hugo De Stoop
I think that we are to bridge something, then we might do so, preferably work in joint venture with people. Of course if you order, if you go back on a contract, it's not really your problem, so why would you solve it? The bunkers are being paid by your customer, and so the customer will be responsible to find a place where it can bunker it. It might also be the reason why we are still talking about dual fuel and not single fuel LNG.

Mike Webber
Yes.

Hugo De Stoop
Because I know that the yards are also now turning their heads towards ships that would be single fuel LNG. Today that would be way too risky, indeed because of the infrastructure not being there for the moment.

If we were to order a [indiscernible] ship or two—usually you do it in pair—and they would be dual fuel energy vessels, and [indiscernible], there wouldn't be a contract attached. That's because we would have been able to secure the LNG at a discount to dealers in order to justify that premium. There again, if you can do that, it's probably with a physical delivery. And, again, it's no longer your problem; it's more the problem of the bunker provider, which [overlapping voices] to be an oil major [ph].

Mike Webber
Yes.

Hugo De Stoop
So, I don't really see that happening on the LNG. On the hydrogen, it's a very different picture because obviously, the hydrogen is only as good as its production. So, brown hydrogen is produced and the amount of CO2 is up more, but we need green hydrogen. And on green hydrogen, I don't see a lot of initiative being taken, even though in Europe some of those are being supported by the EU. So, if we get government money to do something, then it becomes very attractive, including for our shareholders, because we are building an asset, we are building knowledge; we are potentially using it for our own purpose. And, all of that is being subsidized by the state, which is always very interesting.

So, you can see that as a business line, probably not, but there are a lot of things that could be interesting for us to do and that could be beneficial for our shareholders.

Mike Webber
Gotcha. And just to be clear, you're talking about hydrogen as a propulsion, as a fuel, as opposed to moving hydrogen on bulk with a specialized carrier? [Overlapping voices].

Hugo De Stoop
[Overlapping voices]—yes, I would say both. I mean, you cannot open a European newspaper or at least an economic newspaper that doesn't talk about a hydrogen project, or at least a government pushing for hydrogen, or the EU pushing for hydrogen. So, it's absolutely everything. It's about the position of it; it's about the transportation of it, and it's about the delivery of that project.

Mike Webber
Yes.

Hugo De Stoop
And most of the time we are talking about ammonia rather than hydrogen.

Mike Webber
Yes, yes.

Hugo De Stoop
It's just easier to handle. We want to see how it develops. But, again, some of those programs are very, very generous, so—yes, and I don't think it would be a deviation because then it would mean that it becomes the fuel of the future.

Mike Webber
Sure. Okay, great. I appreciate the time, guys. Thanks.

Hugo De Stoop
Thank you.

Operator
Our next question comes from Randy Giveans from Jefferies LLC. Please go ahead with your question.

Randy Giveans
Howdy, gentlemen. How's it going?

Hugo De Stoop
Hi. Hi, Randy.

Randy Giveans
Good, good. Yes, obviously, congrats on the strong second quarter and the impressive 3Q rates here, obviously, above all break-even levels in this seasonal trough period. With that, how has time charter rates, how has that market responded in terms of rates, and also liquidity? And, has Euronav signed any time charters over the past couple of weeks here in the summer?

Hugo De Stoop
No, we haven't signed anything new in the last couple of weeks. I think that there was a frenzy for time charter which were more related to storage activities, or at least a combination of trading and storage, but that's for a story of for the month of May, rather than June or July. I think that currently we have seen the rates running off. They came back relatively strong in for a few weeks. They are off again, and so on the back of that, I don't think that you can hope for very strong rates in any time charter.

So, even if they were there, I'm not sure that we would be interested to sign a long-term time charter, more than a year at a rate that would not be very interesting unless it would have a profit element mixed into it or something like that. So, clearly, we haven't done anything. We are not seeing a loss of liquidity in the market, and even if we were seeing something in the market, I think that even where the stock market is, those rates may not be interesting enough for us to clear [ph] and put some ships in it.

Randy Giveans
Got it. All right, that makes sense. And then currently, your VLSFO prices are well below the, I guess $440 a ton of your VLSFO inventory that you're storing. So, with that, what's happening to the fuel on the Oceania? Have you been drawing from it or maybe taking advantage of the weak VLSFO market, and restocking that inventory?

Hugo De Stoop
Yes, so in the proprietary remarks that Lieve mentioned, so yes, indeed, we—well, in fact, we can talk about phases. So, at the beginning of the year when what we had in stock was cheaper than the market, we obviously used only that, even using swapping—you know, delivering in Singapore and getting it back in the US Gulf. So, that was Phase 1.

And, Phase 2 was oil price collapsing, and with that, fuel oil price collapsed as well. And, we completely stopped using the fuel that we had on board the Oceania, and we only bought from the market. Same the oil price, and with it the fuel oil started to recover. And, we are now at $45, and we are probably around $350 for the fuel oil for VLSFO, and that is still cheaper than what we have on board the Oceania, but it's not as big of a difference as we once had, and certainly what we announced at the end of Q1.

The other thing that we have done—so that was Phase 2. The other thing that we have done now, in what we call Phase 3 is using the volume discount that we can benefit from, you now use that if you have a place to store the oil like on board the Oceania, and, buying some tons in the market, I mean lots of 30,000 tons or 40,000 tons, and mixing them. Mixing them—I don't mean physical mixing, but placing them into the Oceania, and having averaging down your cost of inventory.

So, we had announced our cost of inventory to be around 450, if I remember well, in Q4, or even in Q1. And today, we would be below 400 thanks to this policy of buying more, mixing down, or averaging down the cost. But, we are doing that meticulously and not in one go. So, we are not buying another 200,000 tons.

We are really buying, I would say 20% more of our own needs in terms of consumption in order to mix down the inventory cost. And, that explains why the mark-to-market has significantly decreased from the last time we reported on it. And, we will continue doing that, and we believe that by the end of the year, the Oceania will either be empty or will be full of fuel oil at a price that is identical to the market.

Randy Giveans
Got it. All right, well that makes sense. And, nice job again, on the share repurchases. Thanks.

Hugo De Stoop
Thank you.

Operator
Our next question comes from Greg Lewis from BTIG. Please go ahead with your question.

Greg Lewis
Yes, thank you, and good afternoon, good morning, everybody. Hugo, I guess just going back to the slides, in the slide—what was that—13, where you talk about ton-miles, and the downgrading of ton-miles, it's interesting; it seems like ton-miles had been expanding for at least a few years. So, I guess what I I'm wondering is what drove this downgrade, and really how should we think about—what's it going to take to get ton-miles growing again in the tanker market?

Hugo De Stoop
Well, obviously, the reason why it has been growing in the past was very much on the back of the US production. I think that this crisis, to a certain extent, similar to the crisis that we saw in '14-'15, took part of the production down, but the minute you go over $40 for—and we are now at $45—you see that some of those fuels are being exported again. And, I think if you wait towards $50, you would see even more.

So, it's a little bit difficult to predict what the production is going to be in the US, and that is a big driver of ton miles. But, it's also true that people tend to forget that in the meantime, the Brazilian production has gone up tremendously, certainly more discretely, but year-on-year, adding more barrels to be delivered, and that is also a provider of ton-mile, which is much more stable, and certainly or systematically destined to the Far East because there are far less political tensions.

And, that leads me to the second point about well, it's very hard to predict where ton-miles are going to go because it seems that political decisions, trade wars, election—I mean you name it—have a big influence on where the Far East in general, and China, in particular, is sourcing its oil. And so at some point, they were the largest buyer from US oil. Then, there was a period where they didn't buy anything, and they became the largest buyer of Brazilian oil. And I think it was Korea and Japan who took the balance coming from the US, so it was same destination, which was good. But, again, there are so many political factors going in that it's difficult to predict where ton-miles are going to go.

Trade is the big word and is the name of the game. And, as long as people continue to trade oil, to send it to different destinations, I think that we are going to continue to have good ton-miles. I don't think that we will see a massive increase of it, but I believe that it's going to stabilize at the levels where we are.

Greg Lewis
Okay, great. And then just one more from me. You talked a lot about the potential for vessel retirements. Just, obviously, you guys have a modern, efficient fleet, but you do have a couple Suezmaxes that are plus-15 years old. As you think about what's going—and maybe it's for Euronav, but maybe it's broader fleet—is it going to be kind of that five year special survey, or do you see in-term surveys for 15-plus year-old vessels, I guess one in there is 17, 18 year, potentially being a catalyst to retire vessels where we are? Or, do you think it's more once a vessel get its five-year survey, it's pretty much good until it's 20? I'm just kind of curious if you have any—and maybe [overlapping voices].

Hugo De Stoop
Yes, yes, and I think we—well, we need to differentiate Euronav and maybe some of the other players with the rest of the world fleet. And the reason is, if you build a ship, and you trade the ship for the better part of its 20-year life, 25-year life, those service are not going to be as expensive as the ones who have been buying those ships, or when the ships have changed hands many times. But also, and very importantly, vessels in the hands of, let's say second tier owners who don't maintain their vessels at the same levels as a Euronav or maybe another public company would do.

That's why you need to differentiate Euronav with the others because when we are facing those builds and those decisions, first of all, as you have seen, we tend to service the vessels when they are around 15, and we don't wait until they are 20. And, that's due to the fact that we try to market our services to the type of clients that don't want to trade vessels that are more than 15 years. But from time to time, we do have, in the last five years, I think as we kept ships until they were 20 years old or nearly 20 years, old, so 19, and that was because again, the demand then was so good that they were all the time chartered, mainly to Valero, and there was no reason for us to sell them.

So, Euronav, usually we sell at 15. On exceptions, we keep them at 20, but that's more on time charter spots. Then if it seems they are in very good conditions, we are able to sell them---and you have seen what we have done this year—at a premium. And, usually, those people try to trade them again, so not send them to the recycle yard for at least another two-and-a-half years from their anniversary, be it 17-and-a-half, or B20 [ph].

When you look at the market, which is obviously a much bigger population of ships, most of those ships have not been in the hands of the same owner since the beginning, and their aging is very much in relation to the way they have been maintained. And one can clearly see, because you can see the bill that they are facing when they pass the survey that they will have to spend more money.

And, that is really the question and the dilemma that those owners will have. Do you want to spend $3.5 million or $4 million, including the vast water treatment system for only another two-and-a-half years, because at that point in time, it's every two-and-a-half years that you have to go to the dry dock? Or, do you throw the towel, and say okay, I prefer to receive money. I prefer to receive between $7 million and $10 million for a Suezmax, and maybe $15 million to $20 million for a VLCC, depending on where the scrap is—the scrap price are.

We have seen no later than in 2018 that most of the times, people facing those dilemma will take their ships to the scrap yards because they believe there is not a good investment to pass the survey, and then to hope for the best in the freight environment that is, at the time of that decision, not very attractive. That's the reason why we insist so much on this age profile because we didn't have that feature for nearly ten years. And, since we swapped single hull to double hull, we have artificially rejuvenated the fleet, and so when your vessel is 12 years old or even 15 years old, that's not really an easy decision. When it's 17-and-a-half, when it's 20—there are even vessels of 22-and-a-half or so—it's much easier to take, but you need a low freight market.

Greg Lewis
Okay, perfect. All right. Thank you, everybody, for the time.

Hugo De Stoop
Thank you.

Operator
Our next question comes from Chris Wetherbee from Citi. Please go ahead with your question.

Chris Wetherbee
Yes, hi. Thanks for taking the question. I'll leave it at one; it's been a long call. I wanted to talk a little bit about the vessel supply slide, and understand maybe how the 60 to 80 vessels that are tied up and have the potential to come back into the market factor into that thought process. It would seem that while the order book has come in a bit, those vessels do present somewhat of an overhang. So, I know the crystal ball is particularly cloudy at this point, but if you could help us maybe better understand how you would anticipate those vessels re-entering the market; maybe the timing of that over the next several quarters, that would be very helpful.

Hugo De Stoop
Maybe I will start, but then I would like for Brian to jump in. And, the start will be indeed, it's not an exact science. There was a lot of, about 50 VLCCs contracted for storage, and that was for six months, so one should believe that those vessels are going to come back in October or November of this year. And, that's certainly not going to be good for the market. It should put pressure onto the market.

But, then when you look at previous contango situations and how the fleet that was or had been used in storage was re-delivered to the trading fleet, it's true that it happened over a much longer period of time. And the reason why it happened over a much longer period of time is simply because at the end of the contract, you usually have a month or maybe more of options. The guys who have taken those ships are traders, so they may want to deliver the oil in a place that is very different from where the ship is at the end of the contract.

You can have a situation where you have a contango again. And it's interesting, I saw a report this morning talking about a contango situation very much in China because a lot of those vessels are either storing or in congestion around China. But when you look at the forward curve of this new oil index called Shanghai Oil Index, there is nearly $11 of contango over the next 12 months, and so that, just for that matter, it would incentivize a lot of people to store oil outside China just for that matter.

So, you can see that it's not an exact science. And, you don't know when those vessels are going to return. But, it is true that if they would return to the market, it's not good, and we would prefer them not to return to the market. And, the more concentration there will be around those returns, the more pressure there will be on the market. If it's over a long period of time or longer period of time, then it seems to create less problems.

Brian, do you have anything to add to that? You may be on mute.

Brian Gallagher
Oh, can you unmute me? No?

Hugo De Stoop
Yes.

Brian Gallagher
Can you hear me now?

Hugo De Stoop
Yes. Yes, yes.

Brian Gallagher
Okay. Yes, two things. The contango we had in 15/16 it's been peaked, or we didn't get the peak in the amount of ships that were held on contango for another nine months after that, as Hugo said, so there is a bit of a lag and a delay. There may be some lumpiness around October or November when we get these contracts coming back. But, it's also very difficult to see say, the ocean tanker situation, or the ships being rolled into the one [ph], so we expect them to going in piecemeal [ph].

So, look, it is a headwind. There will be some lumpiness, we believe, around October/November, but we do believe this will be over a reasonably prolonged period. It's not going to be dozens of ships all appearing at the same time.

Chris Weatherbee
Okay, that's very helpful. I appreciate the commentary.

Brian Gallagher
Thanks, Chris.

Hugo De Stoop
Thank you.

Operator
And, our next question comes from Omar Nachte [ph], from Clarkston's. Please go ahead with your question.

Omar Nachte
Oh, hi there. Hi, Hugo, Brian. You guys get a fairly realistic overview of what's happening in the oil markets today, and what's beyond the come. It's kind of hopeful and sobering at the same time, with the red traffic lights in your presentation for both oil supply and demand. The market, as you say, is in transition with destocking now in play. Last week the US reported a 10+ million barrel drop in crude stocks and yesterday it reported another 7 million barrel drop. So clearly we're in this heavy portion of the de-stock, at least state side, and potentially we can extrapolate that the same may be happening

globally. Are you encouraged with these recent declines in stockpiles and that perhaps maybe this tells us that the market or at least the oil market may be getting into balance much earlier than we might otherwise think?

Hugo De Stoop
I think that's almost a fact. I think a lot of [indiscernible] have been taken by surprise, and certainly we were also taken by surprise of how much oil has been drawn from the storage. Yes, we believe that it's the future of certainly the [indiscernible] countries, but probably also in the Middle East. The quicker it goes back to the five-year sort of average the better it will be to rebalance the oil market and therefore the need for oil transportation services.

So yes, it's quite good that it's happening at the moment because at the moment we have a number of ships that are not part of the trading fleet, as we just discussed. So the more the world can draw on these stocks while we have those efforts outside of trading fleet, the better it will be for the recovery. That is the hope. That is the wish. That is not something that we can control, but at the moment we are very pleased to see the rate at which it's taking place.

Omar Nachte
Okay. Yes, that's fair. And Brian addressed this just in the last question, but with respect to what we're seeing in China, clearly congestion has been significant and it's really made the floating storage figures even larger. But that congestion's been ongoing now I think basically since March/April, if not earlier. From your perspective, I know you addressed it a bit in the opening remarks and throughout the Q&A, what really has been driving that congestion? Because it has been going for a long time. It's the strategic reserve building and also, when does that start to thin out? Because it seems to have gone on a bit longer than we had anticipated.

Hugo De Stoop
Brian, do you want to take that one?

Brian Gallagher
Sure. Yes. Sorry, apologies. Yes, obviously it has been—obviously some of their recent congestion and [indiscernible] manufacturer of weather, but I think you also have to remember in the last certainly ten weeks there's been one very, very good reason for that congestion. There's been a huge amount of heavy lifting, i.e., buying accrued by China. We've simultaneously through the course of the presentation today put an updated investor deck of 50 slides up there and we look at the Chinese who have been very incentivized by their own government from the private sector to buy below $40 for oil which is the price to barrel and they've made a lot of orders. Their preferred mechanism or methodology of deliver is via VLCCs and it tends to go to one or two ports and that adds the congestion so the funnel is very thin at that end.

So that's why again in the prepared remarks we said we do believe that there's a bit more to come. This is going to take some more time for this to unwind. It's just simply a question of a lot of volume going through a relatively small delivery channel. And of course as we've seen from the data, they've reached record imports over the last three months or so.

So yes, I think there are one or two specific factors, but that really just explains it. It's been a largely VLCC trade which is added to that congested angle. As Hugo said earlier, if this does continue for the next two to three months and we do get inventory taken away from both other floating storage and from onshore, then that adds a quicker equilibrium for the tanker markets. But that's the short answer on the Chinese. It's just been simply a big volume player over the last two or three months.

Omar Nachte
Got it, okay. Thanks, Brian and Hugo. Thanks for that. I will leave it there.

Brian Gallagher
Thanks, Omar.

Omar Nachte
Thank you.

Operator
And our next question comes from Luc Van der Elst from Delen Private Bank. Please go ahead with your question.

Luc Van der Elst
Yes. Hello, everybody. Hugo, in the press release you mentioned again the difficulties that you are facing to move the crews from the ships and to bring in the new crews. Is that actually taking part of the capacity out of the market for yourself and for the whole sector?

Hugo De Stoop
No, not at all, in the sense that people that are onboard continue to work and therefore there is no ship out there that stands still due to a lack of crew. The problem is really changing the crew to get new people onboard. But obviously if we can't get new people onboard then the people who are currently onboard do not disembark and we've had many difficulties disembarking people as we have difficulties sending new crews to places where the place is going to call the port where the location will take place.

But I mean, I thank you for your question because this is a real problem and it's a growing problem. [Indiscernible] the statistics started to go down in July and that was because some of the big hubs, the big ports like Singapore and Hong Kong were opening up and we were able to change some of our people and certainly the ones that have been very lengthy months onboard. But at the moment, unfortunately it seems that there's a second wave hitting a lot of those countries and so the numbers are growing again. When I see the [indiscernible] now I would say that it is the case for the rest of the world, the rest of the shipping world.

People don't realize that at some point something will happen and it will create a big disruption. We certainly don't want to arrive there. We need to think about our colleagues onboard the ships. That's our primary focus, but very quickly after that we also need to realize that we are talking about human beings and everybody has its own limits. So today it's not creating any disruption, but I'm afraid if we continue not to recognize them as key workers, it will create severe disruptions.

Luc Van der Elst
So it does not create any legal problems for the moment?

Hugo De Stoop
What do you mean by legal problems?

Luc Van der Elst
Well how long can you keep a crew on a vessel? Do you need an agreement of the crew to stay onboard?

Hugo De Stoop
Oh, of course. I mean, stay onboard if they cannot be embarked, it's not in the hands of Euronav. You

know, you arrive to a port and in today's world it's very different than 50 or 100 years ago where seafarers were disembarking and visiting the bars of the cities. Today it's heavily restricted, heavily controlled. You need to be in the right place [ph]. You will be escorted to a nearby airport and at the moment that is exactly what is not happening.

People cannot leave the ship. I mean, if they try to leave the ship they will be arrested. That's how bad the situation is. So how long can you keep people onboard? We keep those people onboard because they have nowhere else to go and then they continue to work because that's a very good way to earn a living and send that money to their families, wherever the families are. So how long can it be? It can be a lot longer, but then you have the mental health and that is even more important than the physical health because quite frankly we all work all year round. Onboard a ship you work six months and then you go off six months and you work three months and then you go off three months. But if you are being asked to work longer then you work longer.

So the physical fatigue is not really the problem. It's the mental fatigue. And what is really creating a problem is not to be able to tell those people you will be rotated on or off by this date. We have to tell those people and we are very, very transparent with them also with the success that we had because that's important, that we don't know. We don't know when we arrive to Singapore, for instance, that the rule that was the rule two weeks ago will still be in place, because when they changed the rule they changed overnight and that's because the number of COVID cases are increasing and so they locked down the city or the port or the country and people are no longer able to be rotated on and off.

So it's a very, very complex situation and the only solution as far as we are concerned is to give the seafarers a status and a status is the key workers because there's a lot of people that are continuing to travel all over the world as they have this status. We believe that the shipping world is providing an essential service to the world, and for that reason we should treat those human beings with consideration and give them the status of key workers.

Luc Van der Elst
Okay. That's good. Thank you.

Hugo De Stoop
Thank you.

CONCLUSION

Operator
Ladies and gentlemen, with that we will conclude today's question-and-answer session and today's conference call. We do thank you for joining today's presentation. You may now disconnect your lines.

Hugo De Stoop
Thank you.