Euronav

Third Quarter 2021 Earnings Conference Call

November 4, 2021 at 8:00 a.m. Eastern

CORPORATE PARTICIPANTS

Hugo De Stoop – *Chief Executive Officer*

Brian Gallagher – *Head of Investor Relations*

PRESENTATION

Operator
Good day and welcome to the Euronav Third Quarter 2021 Earnings Conference call. All participants will be in listen-only mode. Should you need assistance, please signal conference specialist by pressing star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Brian Gallagher, head of Investor Relations. Please go ahead.

Brian Gallagher
Thank you. Good morning and afternoon to everyone and thanks for joining Euronav's Q3 2021 earnings call. Before I start, I would like to say a few words.

The information discussed on this call is based on information as of today, Thursday, the 4th of November 2021, 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 statements of historical facts. 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 our own company website awww.euronav.com.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement and the company undertakes no obligation to publicly update or revise 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 slide presentation.

I'll now pass over to our Chief Executive Hugo De Stoop to start with the agenda slide. Hugo, over to you.

Hugo De Stoop
Thank you, Brian. Welcome to our call today wherever you are.

In terms of the agenda, I will firstly run through the Q3 highlights and make some comments about what we believe will be seen as the trough of this tanker cycle. Brian, our head of Investor Relation, will then look at the current themes and catalysts in the tanker market before I return to discuss more details on our strategy and outlook for the tanker sector.

So, turning to slide 4 and the highlights page, there were more lowlights than highlights during Q3 which was arguably the most challenging freight market in the last 20 years. This was driven by two key factors: lack of commercially available barrels. Even though OPEC plus stated their cuts, it didn't translate into enough barriers available for the independent lead such as Euronav. Furthermore, the illicit trade around sanction uranium barrels took away what would have been otherwise barrels required to be transported by the regulated fleet.

The market also suffered from an oversupply of vessels, although this started to be eroded as we exited Q3.

We have continued to use the low freight rate environment to accelerate dry dockings and now completed 23 year to date while another 4 will be done by yearend. That's around 40% of our underlying fleet.

However, the market has improved strongly since early September. The improvement in rates has come from a low level of freight rates, but this sustained improvement has sequentially improved each week over the past six to eight weeks. This has been driven by a number of factors and catalysts, such as a greater number of barrels available for export in both the Arabian Gulf and the Gulf of Mexico. An improved demand for oil in particular fuel oil as some additional demand come from came from customers able to switch between various fossil fuels and willing to do so because of the elevated gas prices. And finally an increase recycling activity in order tonnage. This gave a better balance between fleet supply and supply of available barrels for exports.

In recent earning calls and presentations, we've consistently stressed the constructive factors for the tanker market in the medium term, factors such as fleet age, order book ratio and incoming emissions regulations. It is encouraging as we move into season and stronger trading period to see that the market is gaining traction and rates moving higher. All of this is good and goes in the right direction, but a return to profitability will require continued improvement on the oil demand side as the winter progresses.

Turning to financial, our leverage stands at 48.7% and is supported at the end of September with 791 million of available liquidity. We were pleased to refinance our 200 million Nordic bonds at an improved coupon in early September, allowing us to make sure we continue to have access to alternative source of capital such as the Nordic bond market. Our timing looks positive already as yields have risen steadily since.

Despite the loss during the Q3, we will distribute a 0.03 cent dividend per share as per previous loss making quarters.

With that, I will pass over to our head of Investor Relations, Brian Gallagher, to walk you through some market highlights. Brian, over to you.

Brian Gallagher
Thank you, Hugo. I'm now going to run through some of the catalysts we've been seeing over recent weeks and months that Hugo alluded to earlier. The encouraging elements of this feature is the fact that this has not been an exhaustive list. Other factors are also at play beyond the list that we highlight on slide 5.

Recycling, for instance, September alone saw four VLCC and four Suez Max that were removed from the global fleet. That's a 1% reduction in the fleet size alone, and has been followed up in October with another three VLCC equivalents, which have exited the fleet. The huge squeeze in fuel prices in things like natural gas during Q3 has also driven some switching both for economic and security of supply reasons. Estimates vary, but this winter there's a consensus of between half a million and a million barrels per day of additional crude demand coming from this fuel switching source. That one-off factor is a very strong benefit to our marketplace.

Thirdly, it's been frustrating in recent months the production rises in global crude have not always translated into a like-for-like increase in export barrels, but this feature has also started to change starting in late Q3. For instance, we saw in September that 550,000 barrels a day alone were exported from the

Persian Gulf, and that's been followed up with nearly 700,000 barrels from the same region during October alone. Hopefully, further recovery of oil demand is expected to continue beyond this winter seasonality, as we see increases in areas like jet fuel continue their trajectory towards pre-COVID levels of consumption.

Finally, and as a fifth point, at some point the EIA argue that inventory build will have to begin. They themselves forecast that stocks will start to rebuild starting in January, as global inventory in terms of oil and crude around the world is way below the five year average to the end of 2019. Inventory build historically had been very positive for tanker markets and provide further encouragement to our view that the market has now reached the trough.

Moving on to slide 6, the short term catalysts are supporting a more general improvement in both the crude demand picture and also the supply dynamics. Slide 6 combines the trajectory of the IEA forecast for oil demand over the coming five quarters with that of the proposed OPEC Plus tapering projections. Unlike other industrial and shipping sectors, the late cycle nature of tanker shipping means that we have yet to regain the pre-COVID levels of consumption that other sectors have enjoyed already. But this slide illustrates clearly that the anticipated progression in the market recovery in both supply of oil and the demand for oil should continue to drive tanker markets going forward.

Euronav, as the largest platform available to investors, is ideally placed to benefit from this recovery, as slide 7 illustrates. This slide highlights the robust and yet diversified platform that we have built to navigate what we believe is the upcoming and next stage of the tanker cycle. Our large fleet has a core focus of 37 VLCC's, which are amongst the youngest amongst our competitive group, at 6.7 years of age on average. We're supported by multiple contractor revenue streams, which for 2021 will drive our cash breakeven rates to a very low and highly competitive level.

Our strong balance sheet has allowed us to simultaneously invest in the future. We're expanding our core fleet, for instance, by 15% with 8 new acre [ph] vessels, which will start delivery in January next year. And yet, we retain a very conservative leverage ratio.

Our fully integrated platform has been supportive of shareholders as well. We've returned over $1.2 billion of cash dividends since we listed in 2004. And alone in the past 21 months, we've returned $2.4 per share by dividends and buybacks. Our platform will provide investors with a very strong exposure to the future development of the tanker market as we now show in a bit more detail on slide 8.

Slide 8 focuses on the free cash flow generation per share from Euronav, and when we compare ourselves with our multiple peers, it's clear that returns would be very competitive for the up cycle metrics, particularly our $50,000 and $75,000 per day. Euronav, with that on that basis, then provides the highest potential return from the platform that we've built over many years, and which we looked at in a bit more detail earlier.

That concludes a very quick run through of our market view Euronav's positioning. I'll now pass it back to Hugo for a summary.

Hugo De Stoop
Thank you, Brian. While traffic on slide 11 shows a double upgrade of oil demand and oil supply, demand has continued to grow, albeit remaining below the pre-COVID levels of consumption. Production growth of crude continues steadily and now importantly converting to increase in exports. This is more than probably due to the fact that all inventories across the globe are now below the five year average.

Our other variables, [indiscernible] and investment supplies are unchanged. But here too, there are some positive signals. For instance, Q3 was the lowest quarter for tanker orders in 25 years. With a yard full of orders from auto shipping sectors and incoming environmental regulations, that came with no surprise. The medium term picture for vessels supply is particularly encouraging.

As I said in my introductory remarks, we're not out of the woods yet. But given how low the freight rates were over the summer, we welcome the rebounding and hope to reach profitability levels in the not too distant future. We are of the view that Q3 will represent the trough of the cycle, and our platform is very well positioned to benefit over the coming quarters of improved tanker fundamentals, and the short term catalyst as they gain traction.

That concludes our remarks. Thank you for your attention, and I now pass it back to the operator to take your questions. Thank you very much.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press stars then two. In the interest of time, please also limit yourself to one question and one follow up. At this time, we will pause momentarily to assemble our roster

The first question comes from John Chappelle with Evercore ISI. Please go ahead.

John Chappelle
Thank you. Good afternoon, Hugo and Brian.

Hugo, as the tone has shifted from maybe cautiousness to a consensus optimism that things can only get better from here, it seems like some arbitrage opportunities have opened, meaning the time charter market seems to be moving up, while spot [ph] continues to kind of ebb and flow around pretty weak levels, and also secondhand values have lifted as well. So when you think about your strategy for the next 12 months, understanding your backdrop of being optimistic, but we don't have 100% line of sight, have you thought about creating or taking advantage of some of those arbs [ph] by getting rid of some of the older ships as the new vintage come on next year and/or putting some more ships on charter just to raise your breakeven at the beginning of the cycle?

Hugo De Stoop
Well, I mean, thank you very much for this very nice summary of where we are, because that's exactly where we are and where we feel we are.

I think that fleet rejuvenation is always the agenda. Now remember, that towards the end of the year, we will potentially lose four VLCC’s because they were on the sale and leaseback. With no purchase obligation at the end of the charter, they will reach 15 years, we will have the opportunity to redeliver them just prior to their 15 year survey which was by design. So at the end of the day, the ships that we get at similar times then those who will be redelivered compensate for it. So if we don't do anything else, we are almost one for one in terms of fleet rejuvenation.

Now, in this market you have to be optimistic. So you have to look at whatever you can do to create value for the shareholders all the time. That's hopefully what we do. And there is an opportunity to extract more value of the market, and as you said, to take advantage or an arbitrage. We will certainly do that.

I will end by saying that in terms of time charter market, we have seen, indeed, increased activity. But I believe that that's only because the charters are looking at a market which is on the rise and they want to lock still what they believe is great value. And obviously, being on the opposite side, what we believe is probably too low compared to what we could expect.

John Chappelle
Okay, that makes sense. And then Brian, one for you. You know, the slide that lays out the short term factors that are gaining traction, I mean, listen, I'm in the same boat as you guys but I've been continually disappointed in the pace of this recovery. COVID setbacks aside, what are some of the risks that can continue either to derail or delay the recovery that you've laid out here with all these other catalysts?

Brian Gallagher
Yes, it's a fair point, Jonathan, as always, I think there's probably, outside of COVID, maybe three risks is that firstly, I think the recovery, I think everyone's sort of frustration has been a bit patchy. So we see some really strong numbers the last three months now in terms of exports from the Arabian Gulf. But clearly, that's not been followed by other parts of the OPEC Plus fakery [ph]. And that's probably down to productions just not simply able to be raised in certain parts of the OPEC consortium, as it were. So I think that is probably one risk that we don't get this sort of uniform rise.

I think a second risk is clearly going to be from OPEC Plus itself in terms of how it behaves and where it wants to see things develop.

And I think the last risk is obviously one thing that we've all forgotten about, is the Euro price. We are reaching pretty elevated levels, seven year highs, lots of headlines about how high the price is. And the difficulty that we could always encounter as we, if you remember back few years ago, we used to have a slide showing where we've thought demand destruction kicked in, and it's at the start at these sorts of levels in the mid-80s. So yes, if we continue to see a higher oil price that could also sort of choke off some of that reasonably fragile demand recovery.

So nothing's guaranteed, as you say. But I think the point we wanted to make is that, pushing against that, those caveats is we do expect that the seasonality will be slightly driven out of our business as we get through the winter simply on the basis of we've got that recovery. And we also believe, as we said in the last couple of calls, that we think tonne miles [ph] will be a story for 2022.

So you're absolutely right, based on the fact that it is very taxing, but also, there are some very strong, as Hugo said, very strong fundamentals that we're trying to bridge to, from ‘22 to ‘23 onwards. The encouraging thing is that we didn't have to think very hard to come up with those catalysts because we're seeing them every day over the last eight to ten weeks. But you're right to highlight it. Nothing is guaranteed and some of these are a bit patchy. But we'll continue to be very focused, and will continue to be very, very driven, because we're seeing as a run rate today there are a single voyage and round voyages being delivered at $20,000 a day plus as a live number over the last few days. But you know, the trajectory has continued since we were putting these numbers together.

John Chappelle
Okay, that's great. Thanks so much, Brian. Thank you, Hugo.

Operator
The next question comes from Randy Giveans with Jefferies. Please go ahead.

Randy Giveans
How’s it going?

Hugo De Stoop
Hey, very well.

Randy Giveans
Good. Good. All right. I guess, Brian, I know you've historically included some commentary regarding the Iranian fleet and maybe potential impact of additional Iranian barrels coming to the market there. It wasn't in the presentation this time, but any updated commentary on that situation, and maybe the market impact of a new deal there?

Brian Gallagher
Yes, I mean, we've obviously been very keen to keep that in people's sightlines and we're taking some of the data from some very good sources, including UNAII in terms of some of the data sources. Yes, I think the potential benefit would be both structural, because we look at the data we've lately seen. We've got around about 45 to 55 VLCC's we think in [indiscernible], and they're all aged over 18 years of age. We've got a very high scrap price. We've obviously had the news overnight that the Iranians are going to engage with the Europeans 20th of November. And if that does lead open to a deal, we think that structural benefit of that older tonnage leaving the fleet, which has not been engaged clearly in commercial trades, but we're very positive for sentiment, because we're talking about 5% of the world fleet potentially leaving in a short space of time. But also operationally, I think it's pretty consensus now, there's 700,000 to a million barrels per day that's been, if you like, kept out of the commercial world. Those barrels should logically return to commercial players like ourselves and our competitors. And the Iranian fleet took nine months to come back into full operational mode from when President Obama lifted the sanctions in 2015 16.

So there's some good data points there. Nothing has really changed. If anything, the latest data we've seen is the Iranian to China trade has actually dropped off a little bit. And Hugo's been making the point in recent presentations, we don't see this trade growing. In a world when we've had barrels deprived from us from OPEC Plus, when we've had a world in sort of delayed recovery from COVID, COVID related issues over the last 18 months, a million barrels a day potentially is a very big number in our world. So that's the benefit, both structural in terms of a sentiment as older ships leave the fleet, and operational benefit as those barrels return to the commercial fleet.

So no real change in the numbers, Randy. But clearly, that does seem, and again with President Biden also pushing for additional barrels to try and hold the oil price down, but there's some very strong tailwinds now, potentially, that could bring this back into play into 2022.

Randy Giveans
Sure, yes. That makes sense. Thanks for the color on that.

And I guess, secondly, Hugo, a big investor has taken a pretty big position in a year and a half. Right. So there's been some rumors about Euronav possibly being acquired. So first, any comments on that possibility? And now on the other hand, have there been any maybe internal discussions about Euronav actually being an acquirer of a smaller player at this low point in the cycle?

Hugo De Stoop
Yes, I knew this one would call in.

Randy Giveans
Come on, it's the elephant in the room. Go ahead.

Hugo De Stoop
No, I was going to say, I was surprised it wasn't the first question. But that's probably because we had a one-on-one conversation with some of you prior to the call.

I think that you are absolutely right. I mean, this is an investment. John Ferguson has used a vehicle that he used to make investments, and it's not frontline acquiring shares of Euronav like we've seen them in the past with other companies. So, you know, the tanker shipping market is a small market, we come across each other all the time, we talk a lot to each other and there is nothing unusual there.

What people need to understand is that for John, it's very difficult to add more to what he has into Frontline. And so we are very happy that he has chosen our platform to invest whatever would be a great investment because he's super bullish on tankers in general. I would say to all the investors on this call, if you have this kind of charismatic person and knowledgeable person about the tanker market investing, I know, a lot of people told us [indiscernible].

As far as consolidation is concerned, I think that 15 years ago, 17 years ago, we set up this platform in order to try to help the consolidation on markets and that strategy has not changed dramatically. Now, we were on a panel with Frontline the other night and we both said that what needs to be consolidated in priority are the small players. That's really the people that are sort of hurting the market, simply because they don't have the capacity to gather the information that we do being present in the market all the time, and that should be the priority.

So we think that the market will consolidate further. We would like to be in that consolidation, and the priorities will be to consolidate smaller players. But, you know, if you look at what we have done in the past, it's more a question of opportunities rather than really deciding who you acquire, and at which point in time.

Randy Giveans
Got it. No, that all make sense. Thanks for the additional color there.

Hugo De Stoop
Thank you.

Operator
Next question comes from Chris Tsung with Weber Research. Please go ahead.

Chris Tsung
Good afternoon. How are you?

Hugo De Stoop
Very well. Thank you. And you?

Chris Tsung
Good. Thanks. I wanted to just ask a bit about slide number 6. In the IEA [indiscernible], it looks like it’s going to dip down a little bit in Q1 before recovering. So I wanted to just get your view, do you think the tanker market recovery would follow this albeit at a slight lag? Or do you think it could possibly come sooner?

Brian Gallagher
Okay, maybe, Chris, you're a bit muffled on that. But, yes, we're just taking your data points. And the reason we're trying to sort of just with that slide in mind, is that we want to just try and show that the

catalyst we're seeing, clearly there's going to be a one-off, as Hugo said earlier, with regard to some of the fuel switching. That's not going to be sustainable for more than this winter period. But, of course, these are the official sort of agencies that are giving the diverse demand numbers from the IEA. And they're expecting to see less seasonality as we go through to 2022, as we get that sort of demand recovery. Because we're looking for the last final, if you like, building blocks, in particular. The world is going back to normal, more transportation, which is about 55% of the end use of crude oil, and that being reflected in high demand for jet fuel, and therefore, the refiners are using more crude as a real product.

So yes, what we're just trying to show is that there is this trajectory through the next four or five quarters, which if it's followed, obviously, with the caveat that COVID doesn't return, that there is this trajectory. Because we have to remember that the real underlying point we're trying to make is that the crude tanker market is very late cycle. We're not like other shipping sectors or other industrial sectors where they've already recovered to where they were in Q4 2019. We haven't got to that stage yet in terms of crude consumption. So that's the point we're trying to make is that we're still in a recovery phase and that should, as we get into the final stages of that with the marginal supply as we're seeing with the tension in the markets, reflected in higher freight rates, that that's a trajectory we can see, all things being equal, both in both of increasing supply of barrels, as OPEC Plus continues to taper, their production cuts, but also demand continues to come through. So just to show that that background of both supply and demand is very supportive, and it's underlined by some of the shorts and catalysts that we've got.

Chris Tsung
Alright, thanks. Thanks, Brian. And just maybe one more for me. On the successful B30 biofuel trial, [indiscernible] other vessels or is limited to just the one?

Hugo De Stoop
Well, I can probably take that one. So we've done several trials and we continue to do so. The reason why we are able to do it is because we have access to buy fuel that is priced at or at a very, very thin margin above the LSFO that you can find in the market. That's because of specific subsidies available for European companies in the Port of Rotterdam.

Now, the reason why we we're interested in testing those fuels is because we believe that they will be part of the fuel mix in the future. And as we all are looking to the globalization, if they could be priced at similar price, then the choice is obvious.

Now every time we are shifting, and almost, by the way, the case when we shifted from HSFO to LSFO, every time we're shifting from the fuel to a different fuel, we need to be very cautious and we need to test it gradually over a short period of time, initially; over longer periods of time. But maybe when we are near a port, maybe waiting to enter a port. And then finally, the final stage is to test them over the full duration of the voyage. And that's exactly what we're doing and we're very happy to be at the forefront of those trials. And we do that in cooperation with the fuel producers, obviously, and we share the results with them. But that's very much how we're thinking about it.

Chris Tsung
Thank you. Thank you.

Operator
As a reminder, if you have a question, please press star then one to be joined to the queue. The next question comes from Ben Nolan with Stifel. Please go ahead.

Ben Nolan
Good morning, guys. I wanted to start with something that, Brian, you, and I have talked a little bit about,

but it relates to sort of the dividend policy. And appreciating that at the moment there's not a lot of free cash flow, but hopefully, as you guys lay out, that will improve over the course of next year. You guys are at a little bit of a tax disadvantage on the dividends given the dual listing, but the share price is now a little bit higher. So maybe the relative incentive to maybe do share repurchases versus dividends is not quite as obvious as it was.

So just thinking about how do you address sort of what you would anticipate doing with your dividends once the cash flows a little bit higher as we move forward?

Hugo De Stoop
Well, thank you for that question, because it's very important for people on the call to understand that indeed, in Belgium, we may be at a disadvantage, but there's a lot of mechanisms to avoid or to claim it back when you're a foreigner. So we don't believe we are disadvantaged compared to the others, it's just a question of filling the form and making sure that either you avoid paying it upfront, or you can go back and then it's relatively straightforward.

We have improved the page on the website to show you how you can do that, and so that should be very, very helpful. Obviously for the Belgian citizen, then obviously, there has to be a withholding tax, but that's the same if you're a US citizen, you have to pay withholding tax in the US, etc., etc. So I think it's more of an administration problem than anything else, and maybe the difference is in Belgium, if you don't fill that form, then the company is deducting it automatically but it's certainly not something that you have to do if you wish or decided to fill in the form.

The balance between share buyback and dividends will indeed be driven by where the sharp share price sits compared to any of you. There will always be a sort of a balance between the two because we don't want to go full speed on only one of the two instruments to return capital to the shareholders. And I think what we have done in 2020 was very useful for us in terms of understanding what one sort of return does to the share price and what the other sort of return does to the share price, as well as reinvesting some of that capital into renewing the fleet. We are coming closer and closer to the time where the first measures taken by DI and Modi, Xi, the CIA will take place, and we are also hearing quite a lot of positive comments from our clients that they are more and more interested in chartering in vessels that can consume as little as possible, and therefore, emits as little as possible. So we also need to be careful or need to be mindful about how we renew the fleet and whether we should accelerate this fleet renewal or not.

So as always, there’s a slide in the deck that we are use in road shows which shows how we allocate capital. It’s something that is very dynamic. We're at the point of taking the decision, we're looking at everything possible, including debt reduction, but as you know our leverage is at the moment relatively conservative. But included that, if we were to exceed 50%, for instance, and it's at that point in time that we take the decision. So it's very difficult to make a better policy than that, because we are in a volatile market, we are in a cyclical market, and there's a lot of dynamic around the company itself.

Ben Nolan
Okay, that's very helpful, Hugo. And then for my follow up, just hopefully pretty straightforward. You said that I think 27 vessels were being dry-docked this year. That’s 40% of fleet, and some of that's brought forward. So for next year, what's the bogey here? How much less would we assume that it should be?

Hugo De Stoop
It's about – Yes, [indiscernible].

W

Yes, I can help here. Indeed. So we had a planning, we are currently making the budget. So we are planning to have about 16 dry docks shuttled in for 2022.

Ben Nolan
Perfect, thank you.

Hugo De Stoop
And by the way, similarly to what we've done this year, if it turns out to be a fantastic year, you can delay because basically you have a window of 6 to 18 months if you push to dry dock your vessels, especially the ones that are less than 15 years of age. So again, this is our plan, our budgets foresee that number of vessel, but we will be very dynamic when we think about it.

Ben Nolan
Yes, your mouth to god's ear there, Hugo. I hear you. So thanks.

Operator
The next question comes from Quirjin Mulder with ING. Please go ahead.

Quirjin Mulder
Good afternoon. Can you hear me?

Brian Gallagher
Yes, we can.

Quirjin Mulder
Perfect. My question is about scrapping. You have seen nice numbers in this September, I think, [indiscernible] 4. Can you give an update on what you think is happening in the LMC in the last quarter of 2021? And maybe in the first months of 2022? Given the fact that, for example, that there's always a delay between, let me say, low price and the scrapping?

Hugo De Stoop
Yes, so you're hitting the nail on the head there, Quirjin. There are a couple of factors. I mean, 2020 was a fantastic year in terms of earnings. It was people to directly go from a booming year to a very bad year where they believed that they should scrap their vessels is very difficult. So you always have a time delay, or a time lag between a good year and the decision to scrap a vessel. That's the first point.

The second point is that obviously those decisions have been polluted by the fact that some people were willing to pay a premium for very old tonnage that they would use until their end of life in an illicit trade. And they were paying 1 or 2 or 3 million over the scrap price for those vintage, and then trading the ships in what was very lucrative, but obviously legal or certainly not available for companies such as Euronav, which was to transport Iranian oil.

We believe that, first of all, the US is looking at it a little bit more closely than what they've done in the past. And secondly, and maybe more importantly, that there has been so much tonnage, both for that trade that now is over supplied. So that trade has too many ships compared to the number of barrels that are being transported from Iran, mostly to China, via Malaysia.

So the last couple of ships that we have seen being presented for sale, presented either for scrapping or for sale, there was no bid, which we're beating scrap price, and therefore, they went for scrap, which is a signal that the appetite for these ships, for these illustrators has vanished. The fleet that is currently doing it will probably continue to do that until something is happening in the country, but normal ships will be there.

So everybody who now looks at what you can currently earn, but more importantly, what he has to spend in order to pass a survey and be certified to operate in the market, compared to the amount of money that he can get from the scrap price, because scrap is very, very elevated at the moment, will probably choose scrapping. And that's why we believe that Q4 and Q1 or the rest of ‘22, should be very interesting in terms of number of units that will be eliminated from the world fleet.

Quirjin Mulder
Okay, and what was [indiscernible] the number of tankers, say, used for storage, because I think there are some, as long as they're used for storage, there's nobody who’s caring about them, say the age of the vessel.

Hugo De Stoop
That's, that's totally correct, and on top of that, they can get another type of certificate, which is a lot lighter so you don't need to spend that amount of money. But there are very, very few tankers which are being used as storage unit at the moment, we're talking about the 15 or 20 year average, so you always have a number of vessels. And in that number, you see a lot of the Iranian fleet itself, because they cannot use their ships to trade. And anyway, they need those ships as a buffer for their oil production before it’s being export through the illicit channel.

So as Brian commented earlier on, the minute we see sanctions being lifted or another policy be being applied to Iran, or more strategy being put on what they do with the oil, all of that should have a positive impact to our market. And it remains to be seen what it will be and what impact it will have, but we are very hopeful that something is likely to happen.

Quirjin Mulder
Thank you.

Hugo De Stoop
Thank you.

CONCLUSION

Operator
This concludes our question and answer session. I would like to turn the conference back over to Hugo De Stoop for any closing remarks.

Hugo De Stoop
Well, thank you, everyone, for attending this earnings call and we hope that the next one will be with hopefully improved market and better news as we commented earlier on. So thank you very much and talk to you next time.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.