

Fellow Mariners:

### **Opening Remarks**

The last couple of weeks have been very challenging, especially for those individuals that are stuck on a vessel and cannot travel home. As your chairman, I am trying to advocate for individual needs while also taking the broader, longer term interests of the membership in mind. Your patience, perseverance, and willingness to make the short-term sacrifices is recognized. Many of you have come forward in show of support for the company and your shipmates. It has been greatly appreciated.

### **ConocoPhillips and Polar Tanker News**

As circulated in previous email communication, the company has delayed crew changes in order to reduce risk of spreading the corona virus to one or more of our vessels. Crew change out plans as well as vessel schedules were modified to minimize disruptions to the crew change out process. There will be some large crew changes coming starting with the Polar Discovery.

The company fully recognizes the impact and hardship that the crew change delays place on our members in the fleet and at home. As a way of helping mariners in this difficult situation, the company has paid to double the bandwidth of the satellite communications. In addition, Global Eagle, the present satellite communications provider, has been given a six-month extension to continue service to the ships. The process of changing out equipment and service has been delayed based on the present disruptions to the supply chain as well as the market downturn. The increase in bandwidth has been instituted so hopefully crewmembers are seeing a positive change in communication capabilities.

New shipyard dates have been arranged for both the Polar Endeavour and Polar Discovery. The Endeavour's new date is August 5th and the Discovery's shipyard is now scheduled to commence December 1<sup>st</sup>.

The Valdez Marine Terminal (VMT) has high inventory projections over the next few months. Having the Endeavour return to service will provide some immediate near-term flexibility, but it is unclear at this time on how the market conditions will affect our ability to sell the oil. For the near-term, it sounds like there is no issue.

Human resources recently forwarded an e-mail regarding the submission of receipts with expense reports. The expense report form still needs to be updated, but to clarify the corporation is requiring that all receipts submitted on expense reports shall be itemized receipts. This requirement for itemized receipts applies to both employees with P-cards and those without.

### **Industry News**

Wall Street will probably not be calling anytime soon with an analyst position offer. That said, I will try to give you my opinion based on what I have read and heard from a variety of information sources. There are two sides to this issue, the fall in demand and the overabundance of supply.

As far as decreased demand, it is not possible to put an exact number on projected drop in U.S. demand over the next few months, but some analysts are using the figure of a seven million barrel per day (mb/d) reduction. As one example, according to a contact in the Bay Area, the Chevron refinery is running out of storage space for jet fuel based on the sharp drop off in demand from the airline

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***Your Fleet Council – Kent Anderson (D), Drew Brown (D), Adam Estabrooks (Vice Chairman), Pete Feeney (Chairman), Mark Middleton (D), Brian Ross (Secretary/Treasurer), Leiden Tochtermann (D)***

industry. From a global perspective, China surpassed the U.S. in 2017 as the leading importer of crude oil with approximately 10.1 mb/day. In a global marketplace, China's demand will not immediately rebound to pre-COVID 19 figures, but all indications are they are on the back side of this crisis. Fifty-five percent of China's 2019 oil came from countries within OPEC. Russia and Brazil were the leading suppliers to China of non-OPEC oil. Some articles have indicated that some of China's oil refineries are shutting down for maintenance during the coming months. That said, my prediction is China will be building additional oil storage as quickly as they built emergency care hospitals to take advantage of the present oil prices.

The U.S Strategic Petroleum Reserve is in the process of buying seventy-seven million barrels of both sweet and sour crude over the coming months until it reaches its maximum capacity of 797 million barrels. The Petroleum Reserve has an intake capacity of approximately 650,000 barrels per day.

As far as the supply side of the issue, estimations that at the present rate, global surplus production could be anywhere from 13 to 20 mb/day. Saudi Arabia's attempt to flood the market with oil has driven tanker charter rates sky high. Due to both the high charter rates and drops in demand, G-Captain reported that some European refiners have been backing out of the contracts to purchase the oil.

Unless you are in the oil storage business, very few companies are benefitting from these combined major market disruptions. There are numerous articles and posts indicating high level talks between the U.S. and Saudi Arabia. As another indicator, the Texas Railway Commission (TRC) is responsible for regulating the oil production in Texas which has been approximately 5.3 mb/day. The TRC commissioner Ryan Sitton has been in discussions with the OPEC Secretary General. My prediction is that this is a defining moment for OPEC and this crisis could very likely end up in a realignment of stakeholders in the oil industry. There will likely be some strategic moves to bring back some stability to the industry. Regardless, the present situation is not going to turn around immediately and we will be navigating these uncertain waters for at least several months.

### **Fleet Council News**

Web site development continues, and content is being developed and submitted for the effort. If members would like to submit pictures for inclusion on the site, it would be greatly appreciated.

As soon as things normalize here a bit, the council will be moving forward with getting the membership's approval for an electronic balloting option within the bylaws.

It has been past practice to collect dues from members that are in an unpaid leave status while under FMLA. This does not happen very often because FMLA typically runs concurrently with the short-term disability benefits. The fleet council agreed that we can waive this requirement while still being in compliance with the bylaws. Consequently, any members that find themselves in an unpaid leave status while under FMLA will not be required to pay dues while in this situation.

**Closing Remarks**

I recently saw a great story posted on Facebook from a former shipmate and excellent human being. The story goes that he was a brand new third mate on the bridge while navigating through the congested Dover Straits portion of the English Channel. He was diligently watching his radar at a scale of 24 nautical miles (NM). The traffic started building, continuing well past the automatic plotting maximum of sixty vessels. He was overwhelmed and called the captain for assistance. The captain came up, assessed the situation and turned the scale down on the radar to 12 NM. The captain asked the mate if that was any better. He responded that it still seemed like a lot. The captain then turned the radar scale down to 3NM. The lower scale then gave the young third mate the feeling of comfort he needed. The captain returned to his room. I am not proposing anyone violate sections of the Bridge Management Manual, but the moral of the story is that when things seem overwhelming, dial down the scale on your own personal radar until it seems manageable. I thought that story was fitting to our present situation.

At the risk of repeating myself, the industry is in uncharted territory. That said, after talking to a variety of people within the company that have broad perspectives, we are going to get through this. The result will be a more resilient and stronger operation. Your continued dedication to safety, efficient operation, and professionalism is all we can ask for.

Best regards,

Pete Feeney

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