

Opening Remarks

As I talk to people both on the ships and in the office, one thought often comes to mind—resiliency. The expression of “when life hands you lemons, make lemonade” is a fitting phrase. It is impressive on how everyone is adjusting and persevering in the face of our present reality.

ConocoPhillips and Polar Tanker News

ELT Updates: Ryan Lance recently produced another video to keep employees informed. There was not a lot of new information presented in this video, but it was done following this week’s price volatility. In this segment, he stated that our company came into this crisis with an advantaged position, but we are not exempt from the market forces. That is why the company had to take some additional measures last week. He mentioned that this was the seventh market downturn that he has experienced in his career and that he is confident that we will all get through this together.

HSE News: During the last SEMT meeting, the use of Ecolox Tech Sanitation Devices on our vessels received some interest. This was a learning team’s suggestion from one of the vessels. It is a piece of shipboard equipment that works on the same theory of operation as our chloropac units and the new ballast water treatment system. Rather than use industrial cleaning chemicals, the equipment generates a hypochlorous acid solution by electrolyzing seawater. The suggestion is undergoing further evaluation.

Operations News: The Operations group is having to deal with unique situations as a result of the COVID pandemic and present oil market conditions. They evaluated multiple transportation options for an export cargo to an oil terminal in Zhoushan, China. After evaluating all the options, lifting the cargo using our own tonnage was determined to be the best option. The aptly named Polar Adventure is the ship presently designated to go with a delivery window in the first half of June. This long trip combined with COVID precautions will result in some crew members doing extended tours. For these mariners, their willingness and flexibility in this situation is helping all of us collectively. In this present climate, many of us have in the back of mind the cost of our operation. However, it’s unique circumstances like this one that underscore our value of providing the company with added transportation options and doing so with a combination of safety, reliability, and flexibility.

The ConocoPhillips allotted inventory at Aleyeska is thirty-four percent of the available space. If our inventory exceeds this while the overall system inventory exceeds seventy percent, then a fine gets levied by Aleyeska. This applies to the other participating parties as well based on their allotted percentages. Fines and proration often accompany one another but the terminology is sometimes misleading. Proration means that the production or throughput in the pipeline is having to be reduced. Aleyeska initially instituted a five percent shallow proration based on the oil inventory but has now increased it to ten percent.

The state of Alaska announced some re-opening measures, but travel restrictions will remain in place for international and out-of-state travel until May 19th.

Purchasing News: The procurement group is not surprisingly also facing some challenges in placing orders, especially for personal protective and safety equipment. In some cases, there are back orders for the most basic items for out to several months. The other difficulty is that many of the normal vendors are either temporarily shut down or employees are furloughed. The purchasing team is working hard for alternative solutions, but they wanted to provide an explanation behind the delays for some requisitions. Janet Latiolais also wants to make sure that everyone knows, from messmen to master, that you can reach out to her for questions and training on any element of the procurement process.

Human Resources Info: There is still no date set to re-open the office in Houston. Measures and plans are being put into place for when that date is determined. From the latest information, it sounds like the opening the office will be done gradually with social distancing measures instituted.

HR had the procurement group arrange for surgical masks to be delivered to the vessels (this was misreported as N95 masks in the last update). The masks have been received on the west coast and each vessel should be getting their allotment soon.

Meledie has been on maternity leave so Janice is doing double duty by handling both deck and engine staffing for the interim. Expense reports should continue to be submitted to staffing, but Carla Brooks has been processing these while Meledie is away.

Industry News

Sembawang Closure - The Sembawang Shipyard shut down until May 4th. This action affirms that delaying the Polar Endeavour shipyard was a wise decision.

Refinery Shutdowns - Marathon Martinez and Chevron El Segundo refineries have been idled. We have not been serving El Segundo in recent years but the oil that we typically take to the Marathon Martinez facility is being diverted to Marathon's Long Beach refinery.

Oil Industry Projections – It's a bit of an understatement to say the oil industry is presently going through a rough patch. There is no shortage of opinions in the news regarding predictions of the lasting impacts from this crisis. One recent article by David Messler from OilPrice.com was an example of this. The author is an oil field veteran with thirty-eight years of experience. There were three main tenets in his article. His first main point was the present price shocks will create an accelerated correction to the supply side of the market which will hasten the stability of prices. The second point was that even though this is a crisis, it will pass. The world's population is growing by eighty million people per year and the global middle-class is estimated to increase by forty percent over the next ten years. Even with more energy being produced from alternative sources, the oil and gas industry consumption will increase to meet

this growing demand. The third main point in his article was he predicted that this crisis will be an inflection point for the oil shale industry. He cited a Federal Reserve Bank of Dallas survey of oil executives (see graph) for their break-even price for shale drilling projects. As the chart shows, there is quite a range of the break-even costs which underscores our company's focus on reducing the cost of supply. Mr. Messler's thinks that the high break-even costs will keep a lot of this production shut in.



History Notes - Early Innovators in the Tanker and Shipping Industry

In the 1930s, the original Atlantic Refining fleet was aging and required replacement. J.W. Van Dyke, the company's president, viewed the tanker fleet as an integral part of the company and was willing to try some daring innovations. Lester Goldsmith, a consulting engineer who later became the Manager of Engineering and Construction was hired to work on the fleet replacement. He advanced the concept of constructing an all-welded hull. At the time, tankers were still being constructed using rivets. In 1938, the SS. J.W. Van Dyke and the SS. Robert H. Colley were the first two of seven ships to be constructed at Sun Shipbuilding in Chester, Pennsylvania that were of all welded construction. Another first for these ships were that they were turbo-electric and fitted with centrifugal cargo pumps versus steam-driven reciprocating pumps. The new pumping arrangements dramatically decreased turnaround times at discharge terminals. These two innovations were important steps forward for tankers. The all welded construction made the T-2 tankers and other naval vessels of World War II possible to build in compressed timeframes.

Fleet Council News

The fleet council will be having another conference call next week. If there is anything you would like us to put on the agenda, please contact myself or one of the council members.

As an educational note for members, our Association is required to submit annual reports to the Office of Labor-Management Standards. The form (LM-3, Labor Management Annual Report) is submitted electronically by a CPA firm employed by the Association. The form includes financial statements and a series of disclosures to ensure that the Association is operating in accordance with federal laws.

Closing Remarks

The AMOA Update is going to start including a “Ship of The Week” section. In the past, that phrase has not always been used in a flattering manner. However, in this context, it is being given a positive spin where stories will be shared directly from the ships. If you would like to be a “field reporter” and share a short story about life on board through this update, please shoot me an email. The editorial staff is on thin ice here at the publication’s headquarters so please bear that in mind when you submit any stories. There probably is not going to be any Pulitzer Prizes awarded for your journalistic efforts, but your contribution would be greatly appreciated.

With the office working remotely, increased attention is being paid to employees forwarding company email to personal accounts. In order to keep people informed while on paid leave, the chairman has routinely done this over the years. However, based on this increased scrutiny, alternative options are being evaluated that will be in adherence with the I.T. policy while also providing members with necessary information.

Best regards,

Pete Feeney

Cell: (360) 201-4113

Office: (207) 666-1316

E-mail: amoachairman@gmail.com