

Opening Remarks

As businesses and communities are adapting and re-opening, the “hits just keep coming.” Many of us just want to focus on the future and relegate the last few months to the history bin. For sure, the current events will be long remembered, but as much as it would be nice to forget and move on, there seems to invariably be a reminder that history is still being made. The Seattle-based factory trawler American Dynasty outbreak was one of those events this week where 85 of the 126-crew tested positive for COVID. Our continued vigilance is going to be required. Our unity in moving through this together as a Polar team is being seen and recognized broadly.

ConocoPhillips and Polar Tanker News

State and Business Re-openings: June 15th marks the date for the ConocoPhillips facilities in Houston to move into Phase 2 of the re-opening. Phase 2 consists of fifty percent occupancy at the Houston offices. To accomplish this, people have been divided into blue and red teams where they alternate working from home and the office.

Polar management is wanting to ease some of the restrictions on the vessels and it is closely monitoring the state specific requirements in the areas we operate. As an example, Washington State has a four-phase reopening plan titled “Safe Start” and it varies county by county. Whatcom (Bellingham/Ferndale area) and Skagit (Anacortes area) counties in which Polar operates are still in the Phase 1 part of re-opening process. The official state “Stay-at-Home” orders have been lifted but under Phase 1, most businesses remained closed. Clallum county (Port Angeles area) is presently in Phase 2 where businesses, including restaurants can re-open with capacity restrictions. Phase 3 is where capacity restrictions increase to 75 percent. Each county needs to apply to the state for a progression in the phased process. The approval of these advancements is being driven by statistics including COVID activity, healthcare system readiness, testing, etc.

2020 VCIP Calculation: As stated in a recent announcement by Ryan Lance, the 2020 VCIP will be calculated based on the corporate metrics only. This move is meant as a unifying measure for the company in that we are all facing the present challenges together. The change in VCIP calculation takes into consideration that many business units have been adversely affected by the production curtailments and budget cuts. The overall target for fleet employees is still 7.5 percent and there will still be uplifts. The 2020 business unit goals are still being actively pursued.

Production Curtailments: The production curtailment decisions are to be made on a month-to-month basis. There is no official word on when the 100,000-barrel ANS curtailment will end, but it is widely believed that the curtailment will not last as long as originally thought, based on the quicker than expected market recovery.

Quality Department News: Mariners are increasingly having to manage credential and training requirements in this challenging environment. Joy just forwarded information that the US Coast Guard will further extend Merchant Mariner Credentials and Medical Certificate requirements. Specifically, the USCG stated Merchant Mariner Credentials (MMC) and Medical Certificates (National Endorsements only) that expire between March 1, 2020 and September 30, 2020 are extended until December 31, 2020.

Unfortunately, passports do not have any extensions. The Quality department is sensitive to this and is working with mariners to mitigate the impact.

If you have any training and or credentials coming due, starting as early in the renewal process as possible and actively engaging training and staffing is recommended.

Polar Endeavour and Singapore: The upcoming shipyard on the Polar Endeavour is receiving a lot of attention in the office. Several scenarios and contingencies are being discussed that range from anchoring in Singapore to commencing the shipyard period early. There are still too many unknowns, but the situation is being actively managed.

Industry News

Qatar Petroleum's (QP) LNG Shipbuilding Program: QP has placed orders for approximately 100 LNG ships with the three major Korean shipyards. The shipbuilding program is valued at approximately \$20 billion dollars with ship deliveries through 2027. ConocoPhillips is a stakeholder with Qatar Gas, but it is still to be worked out on how large of a role our company is to play in this project. Based on these decisions, some job opportunities may become available in 2021, Q1 and Q2.

China's Oil Demand: A recent gCaptain article reported that China's oil demand is almost back to pre-COVID levels. The refiners in China are benefiting from both a low cost of supply and a Chinese government policy that established a floor on retail fuel prices. These two factors are boosting refinery margins. A consequence of this reality is that VLCC tankers are lining up at China's busiest oil ports. Polar is actively monitoring this situation for its potential impact on the Endeavour's schedule.

Oil Prices and Markets: Where will oil prices be at the end of the year? OPEC+ countries are about 74% compliant with the production cuts. Nigeria, Venezuela, and Iraq are among the OPEC countries that did not fully comply with their agreed curtailments. One interesting statistic reported from an OilPrice.com article was that oil shale production has about a 60-70% decline rate from initial production. In order to offset this decline rate, it requires at least 500 active rigs to deliver positive incremental production. The current rig count is about 300. Some shut-in oil shale production is restarting, but how the market forces work out toward year end is one of the big questions and will likely determine the fate of some of the more vulnerable oil shale companies. OPEC+ countries will be meeting again soon which will be a major factor.

History Notes - The North Slope and the Trans Alaska Pipeline System

Richfield Oil Corporation, in partnership with Exxon, made the first major discovery of oil in Alaska's Prudhoe Bay in 1968. Richfield Oil Corporation merged with Atlantic Refining Company to become Atlantic Richfield Company, ARCO.

Following the discovery of oil in Prudhoe Bay in 1968, a massive effort started to construct the Trans Alaska Pipeline System (TAPS). The Alyeska Pipeline Service Company was established in 1970 to design, construct, operate, and maintain the pipeline system. ARCO held a 21.3% interest in TAPS. Concurrently, ARCO Marine was actively preparing for the new supply of oil on the west coast by building more ships designed to specifically carry crude oil. Historically, the Atlantic Refining/ARCO fleet and its crews were an East Coast operation and carried clean products, not crude oil. A huge transition for the fleet was underway. Some milestones in the process were:

- The Trans-Alaska Pipeline Authorization Act was passed by the U.S. Senate in 1973. The passage of the bill was made possible by the 1973 oil crisis but getting it through Congress still required Vice President Spiro Agnew to cast the tie breaking vote.
- Arco Marine had a large new ship construction program in progress in anticipation of the additional oil transportation requirements. Five Bethlehem Steel ships were added to the fleet between 1971 and 1975. The Arco Prudhoe Bay and Sag River, both 70,000 deadweight-ton vessels were delivered in 1971 and 72 respectively. Three larger 120,000 deadweight-ton vessels were then constructed between 1973 and 1975: the Arco Anchorage, Juneau, and Fairbanks.
- A right-of-way agreement was signed with the state of Alaska on May 3, 1974.
- The first section of pipeline for the Trans Alaska Pipeline was laid on March 27, 1975.
- In preparation for the oil to be delivered, ARCO built the Cherry Point refinery in Ferndale, WA and retrofitted its Los Angeles refinery in anticipation of the new supply.
- Oil began moving down the 800-mile pipeline on June 20, 1977.
- The ARCO Juneau was the first tanker to lift a load of crude oil from the Valdez Marine Terminal on August 1, 1977.

Fleet Council News

AMOA Web Site Going Live: The web address of the new AMOA web site is www.amoa-cp.org. There is a public domain section of the web site as well as a member only section. AMOA members will be receiving an email shortly from WordPress which will contain your username (same as network and NS5) and a password. Once you log on, you can change your password. Your feedback on the web site would be greatly appreciated.

AMOA Shipboard Meeting: Recently, one of our vessels held an AMOA meeting that I joined via phone conference. That seemed to work well from my perspective and it's a good

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)

alternative to ship visits based on the present situation. I may not be able to provide answers to all the questions, but if not, I will do the research and follow up with the ship's officers. The crew documented the meeting and forwarded meeting minutes. The issues raised during the meeting have been discussed in brief with Chris. The monthly MMT meeting will be held next week and he plans to discuss these issues at the meeting. To help gauge the majority opinion of the officers on these issues and provide the MMT with a fleetwide response, a Survey Monkey survey covering these issues will be coming out shortly. This will be a quick survey and your prompt response will be appreciated. I will close the survey by Monday and report the results I have collected. Typically, these surveys only take a few minutes to complete.

Closing Remarks

Congratulations to Chandler Nelson and Brian Ross for their promotions to Chief Mate. Additionally, congratulations are in order for Sarah Knott, Andrea West, and Michele Handtmann for their promotions to second mate. Chief Mate Ben Ajax also now has his master's license. An updated seniority list will be sent to members soon to reflect these advancements.

As our country sometimes seems to be coming apart at the seams, the ships continue to cut through the waves and the cargo continues to flow. It is during chaotic times like this that the daily shipboard routines can be a nice reprieve from the world around us. It's sometimes best just to tune out all the noise, take care of the ship and each other.

Best regards,

Pete