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Venezuela offsets US sanctions via ship-to-ship network off Malta

VENEZUELA has established a ship-to-ship transfer logistics network off Malta to receive supplies of refined products, diluents and other feedstock needed to boost dwindling oil exports and offset crippling gasoline shortages in the country.

The US expanded unilateral sanctions against Venezuela's crude and petroleum industry on June 6 by banning companies from exporting or re-exporting diluent to the country. Diluent, usually light crude or heavy naphtha, is used to dilute the thick and heavy crude produced by Venezuela, for export.

Since June, at least 10 chemical or product tankers, ranging from 37,000 dwt to 74,000 dwt were tracked undertaking ship-to-ship transfers in waters off Malta, according to data from Lloyd's List Intelligence.
The cargoes then sailed to Venezuela, in some cases with the vessel's Automatic Identification System transponder turned off once it sailed through the Strait of Gibraltar for the transatlantic voyage. In total, about 400,000 tonnes of refined products have been shipped since June 1, analysis showed.

The origin and type of refined products transferred on to the tankers to supply Venezuela could not be determined in most cases. The supplying vessel often did not transit AIS signals during the transfer, further obfuscating tracking.

The US supplied nearly 50,000 barrels per day of refined petroleum

products to Venezuela before the January imposition of sanctions to try to force the government of Nicolas Maduro from power. Crude exports ceased to the US, once its biggest customer at nearly 500,000 bpd in 2018, according to the US Energy Information Administration.
The sanctions, along with chronic mismanagement and poor maintenance of national oil company assets, has pushed crude exports from Venezuela to the lowest in data going back to 2007. Some 700,000 bpd was shipped in July, mostly to China and India, according to Lloyd's List Intelligence data.

That is half the volumes seen last December, and lower than the 1.6m bpd seen when Mr Maduro took over power from Hugo Chavez in 2013.

The sanctions only apply to government-owned national oil company PDVSA exporting to the US, cutting off the Venezuelan government from its biggest export earner.

Countries that are still trading with Venezuela are financing deals in oil-for-loan deals. This circumvents using the US currency and thus avoids falling foul of US Treasury rules.

On April 12, the US Office of Foreign Assets Control expanded sanctions for a second time to include companies and vessels transporting crude to Cuba. With President Maduro still remaining in power, Ofac further expanded penalties to incorporate diluents in June.

Some 39 tankers have shipped crude to India so far in 2019, and 48 tankers have sailed to China, data showed. In total, 198 tankers have departed from Venezuela in the first seven months, although this tally includes short-haul voyages to Caribbean islands, where storage facilities and ship-to-ship transfers are sometimes undertaken.

WHAT TO WATCH

Greek shipowners say maritime policy makers must do better

GREEK shipowners have challenged maritime legislators to up their game to produce the stable environment global shipping requires to sustain business and meet new environmental standards.

Reflecting on a challenging 12-month period for shipping, Union of Greek Shipowners president Theodore Veniamis said that the industry needed "a stable, level playing field internationally" in terms of both commercial competition and environmental regulations.

Introducing the UGS 2018-2019 annual report, that circulated on Tuesday, Mr Veniamis said that shipping had been confronted with trade wars and increasing protectionist tendencies, limited sources of ship financing, and — above all — "great political pressure on the environmental performance of ships".

The political pressure had been "disproportionate, in fact, in comparison to the environmental footprint of the industry".

According to Mr Veniamis, "the aim should be the achievement of better regulation and this is a prime and major challenge for maritime policy makers".

As well as being the world's largest national shipowners' association, the UGS is traditionally among the strongest supporters of the International Maritime Organization and the Greek view that the industry deserves better regulation will resonate all the more in coming from a staunch backer.
"Although 2020 is very close, the international shipping industry and international trade are entering a new era without any assurance that safe compliant fuels will be available in the required quantities worldwide," said Mr Veniamis.

"It is encouraging, at least, that commercial interests have not over-ridden the urgent and genuine concerns about the safety and liability issues related to 0.5% sulphur marine fuels and that the UN IMO has finally fully recognised that the responsibility for providing safe compliant fuels lies with the bunker fuel supply chain," he added.

The UGS was among the first to highlight challenges in applying the global 0.5% sulphur limit on marine fuels as well as special issues pertaining to providing the new fuels to the bulk and tramp shipping sectors.

Mr Veniamis pledged that the UGS "will continue to constructively contribute to the important ongoing work at the IMO and elsewhere."

According to the UGS, in dwt terms Greek shipping now accounts for 53% of the EU fleet and about 21% of the world fleet.

At a national level, said the UGS president, shipping continued to be recognised as a national asset, above political party differences.

"Maintaining its close ties with the country remains a common goal of both the state and shipowners," he said. "The prerequisite is that it must continue to be internationally competitive and therefore sustainable."

Greek owners wanted to enhance Greece's position as an international maritime hub to boost the value of the sector for the economy.

Last year, Greece's receipts from maritime transport increased by about 14.9% to an estimated E 16.6bn but the industry's contribution went beyond the numbers in the balance of payments, the UGS said, citing indirect investments, employment and enhancing Greece's profile as a strategic trade partner.

Mr Veniamis said that revitalising Greek seamanship was another priority, in order to retain national maritime capability and make the maritime profession "a substantial vehicle for employment for the youth of our country."

OPINION

Strikes show Hong Kong's mettle

IF anything, the strikes in Hong Kong illustrate the city's unique characteristics, *writes Vincent Wee*.

While the passenger transport system was practically shut down by a general strike on Monday, the freight and commercial transport infrastructure was not affected and for all intents and purposes business in the shipping community continued largely as normal.

And while the international media flashed multiple stories of chaos, most people in Hong Kong barely batted an eyelid at the day's events. Certainly within the shipping community, queries about business disruptions were met with some puzzlement and replies that suggested a non-issue.

"People outside Hong Kong seem to be more worried than those of us here," quipped one shipping executive, adding that the protests had not been overly disruptive to his business.

"I have every confidence that Hong Kong will continue to thrive and it will remain one of the greatest cities in Asia," said Mandarin Shipping chairman Tim Huxley.

"Hong Kong people are very resilient and they will get on with their lives," he added, noting that the city had been through many previous crises and had always bounced back.

These anecdotes highlight the key elements of the capitalist, pragmatic and fiercely independent nature of the city and its dwellers. The protesters wanted to achieve their ends of highlighting their grievances to as broad an audience as possible, and by media accounts at least, it looks like this was achieved.

However, the rest of the city had a work day to get on with and business to do and they were, by most accounts, able to do that. Since the intended actions were widely broadcasted, it was possible to make alternative and contingency work arrangements and none of the organisations contacted reported serious disruption.

Meanwhile, container shipping, a key part of the city's maritime sector, saw business as usual. The container lines saw no disruption to schedules and the terminal operators were not affected by the troubles on the roads, as much of Hong Kong's throughput consists of transhipment volumes. Boxes going to ports across the border in Shenzhen are mainly barged up nowadays.

Some of the protesters' concerns are, however, relevant for the maritime services segment. The initial spark for the protests was the government's attempt to pass a bill that would have made extradition to the mainland possible.

Although seemingly innocuous and purely procedural, the move strikes at the heart of the difference between the city and the mainland that is so highly valued. Any perceived loss of independence in the judiciary and legal system will have direct ramifications on many of the ancillary services hosted in Hong Kong.

The city benefits from its reputation for rule of law and an internationally recognised legal system, which many believe sets it apart from the mainland, yet is in close enough proximity to benefit from the commercial opportunities it offers.

How to reach a balance that will be acceptable to all parties, while maintaining the principles that facilitate commercial enterprise, will be crucial for the future.

With Hong Kong's track record of resilience and adaptability, the maritime industry has every confidence that a solution will be found.

MARKETS

ULCs go for scrubber refits

FOUR ultra-large containerships of more than 19,000 teu are thought to have been taken out of service by their operators to have exhaust gas scrubbers fitted ahead of the introduction of IMO 2020 regulations.

Data from Lloyd's List Intelligence shows that CMA CGM's 20,600 teu vessels *CMA CGM Antoine de Saint Exupery* and *CMA CGM Jean Mermoz* are out of service, along with Mediterranean Shipping Co's 19,472 teu *MSC Leanne* and 19,200 teu *MSC Diana*.

CMA CGM has confirmed to Lloyd's List that its two vessels are having scrubbers retrofitted.

Location data for the vessels places the two MSC vessels at Nansha in China and the CMA CGM ships at Mazhou Island and Majishan.

CMA CGM said the *CMA CGM Antoine de Saint Exupery* is at the Yiulian Shekou shipyard and the *CMA CGM Jean Mermoz* is at the Yiulian Zhoushan shipyard.

Both are vessels are having hybrid scrubbers fitted.

According to Automatic Identification System data, the vessels arrived at their current locations between June 16 and July 21.

Given that the oldest of the ships was delivered in 2016, it is unlikely the vessels are undergoing scheduled maintenance or surveys owing to their relatively young age.

Both MSC and CMA CGM have committed to using exhaust gas scrubbers at least in part as a means of mitigating sulphur emissions under IMO 2020 rules.

Containership operators are increasingly considering installing scrubbers to allow them to continue to use lower cost heavy fuel oil after January 1 next year, when the regulations come into effect.

According to figures from Alphaliner, about 50 boxships have already had scrubbers installed. While this is a tiny percentage of the more than 5,000 container vessels in service, the four ULCs currently out of service make up more than 4% of the capacity of vessels in the 18,000 teu and larger category.

Alphaliner estimates that a further 30 containerships were taken out of service during July for scrubber retrofits, with a total of 550 likely to have scrubbers retrofitted eventually.

Last month, Taiwanese carrier Evergreen became the latest boxship operator to confirm that it would be installing scrubbers on 139 of its vessels in order to meet the sulphur cap.

Meanwhile, Cosco will also take a further five ULCs out of service later this year when it installs scrubber systems of five of its 19,000 teu containerships.

MSC did not respond to requests for confirmation of the reasons for its ships being out of service.

Pacific Basin chief bullish on market prospects for the second half of the year

PACIFIC Basin, the Hong Kong-based dry bulk shipping operator, has a positive view about the prospects for the market from the second half of the year with demand growing significantly more than supply for the handysize and supramax segments.

"We are cautiously optimistic about the second half of the year," chief executive Mats Berglund told

Lloyd's List in an interview. Easing of export disruptions in Brazil, sound minor bulk demand growth and IMO 2020 effects on the global fleet bode well for the freight market, he said. Combined with that is lower net fleet growth, of below 1.3% for the next year, in the smaller-sized segments in which Pacific Basin operates.

As for the trade spat between Beijing and Washington, Mr Berglund said that the major impact of the trade war on the dry bulk sector has already happened.

The tariffs have put the brakes on US soyabean exports to China, halting shipments primarily during the fourth quarter of 2018 and early this year, he noted, adding that the latest round of tariffs does not have any significant impact on the bulker trade.

"An additional reduction of soyabean trade as a result of swine fever has also hit the market in the first half of the year."

This in addition to the flooding in the Mississippi River, which impeded grain exports from the US, and the damage to mining infrastructure that disrupted Brazilian iron ore exports thereby undermining the dry bulk market in the first half of the year.

But he hopes that minor bulks will drive demand in the coming years with Clarksons estimating global minor bulk demand growth of 4.5% for the full year and 4.8% in 2020.

"We see growth particularly in Chinese imports of minor bulk such as bauxite, nickel and manganese ores."

While importing coal into China is highly unpredictable as it is driven by price arbitrage and political decisions, Mr Berglund said, "trade is growing in other Asian countries where coal-fired power plants are coming online."

With ships taken out of service for scrubber and ballast water treatment system installations and slow steaming incentives for the majority of ships as they start to burn the more expensive low-sulphur fuel oil, bulkers are unlikely to face difficulties in finding good employment.

Meanwhile, he expects vessel supply growth to stay constrained by limited newbuilding orders.

Strategy for 2020

Mr Berglund, who arguably emerged as the most outspoken critic of scrubbers, said that the company will not be installing exhaust gas cleaning systems on the 82 handysize vessels it owns.

However, it has installed open-loop, hybrid-ready scrubber systems on 10 of its supramaxes and has arrangements in place with repair yards and scrubber manufacturers to equip another 15 with exhaust gas cleaning systems.

"Between 85%-90% of fleet will comply by burning low-sulphur fuel but having some of our vessels fitted with scrubbers does give us some flexibility and optionality in the way we comply with the new regulation," he said.

"This gives us a little bit of a balanced approach."

"We think that both grades of fuel will be available in all major ports and that heavy fuel will be available in enough quantities to make our trading of supramaxes possible."

Mr Berglund confirmed that the company has secured contracts "to some degree" for compliant fuels.

Highlighting that the company performed well in the first half of the year despite a weak market, he said that it continues to look for acquisitions following its recent purchases.

IN OTHER NEWS

US Navy's 'lack of operational oversight' behind 2017's Singapore Strait collision

THE US National Transportation Safety Board has released a report citing the US Navy's lack of operational oversight of *USS John S McCain* as the cause of the collision between the warship and Stealth Maritime-owned chemical tanker *Alnic MC* in the Singapore Strait in 2017.

The "probable cause" was a lack of effective operational oversight, which resulted in insufficient training and inadequate bridge operating procedures, the report said, while also essentially exonerating the tanker.

Ten sailors on board the US Navy destroyer died in the accident and

48 were injured when the ships collided in the Middle Channel passage of the Singapore Strait Traffic Separation Scheme in August 2017. The collision resulted in damage exceeding $1.2m.

S&P revises outlook on London P&I Club to BBB negative

RATINGS agency Standard & Poor's has revised its outlook on the London P&I Club from BBB stable to BBB negative following the recent introduction of a new methodology, the marine mutual's manager has confirmed in a letter to members and assureds.

Management company A Bilbrough & Co attributed the development to the club's financial performance in 2018-19, which resulted in a deficit of $26m and a combined ratio of 140%, the highest level recorded by any International Group affiliate for some years.
Despite being mutuals, and therefore not directly dependent on ratings agencies in the manner of companies seeking to raise funds on capital markets, P&I clubs have traditionally been sensitive to market perceptions of financial strength.

Danaos eyes strong charter market due to 2020 supply hit

CONTAINERSHIP owner Danaos has shared its positive outlook for the charter market after cost cutting enabled the US-listed company to overcome a slight dip in operating revenues to post higher second-quarter profits.

"We anticipate that the implementation of IMO 2020 sulphur emissions regulations will result in a healthy charter market for the larger vessels through 2020 due to downtime related to scrubber retrofits and reduced sailing speeds," said chief executive John Coustas.

Persistent trade tensions between the US and China and the resulting uncertainty have dampened industry interest in placing newbuilding orders.

This too, though, was expected to contribute to the "positive vessel supply side effects, which should support the strengthening of the charter market going forward," Mr Coustas said.

MOL joins domestic trio to develop fully electric vessels

JAPAN'S Mitsui OSK Lines has joined forces with three local companies to develop and promote zero-emission fully electric vessels.

MOL, Asahi Tanker, Mitsubishi Corporation and Exeno Yamamizu Corp have set up a company, e5 Lab Inc, that will consolidate the expertise, technologies and network of the four major shareholders.

The first objective for e5 Lab will be to build the world's first zero-emission tanker by mid-2021. The tanker, to be powered by large-capacity batteries, will be deployed on coastal trades and will operate in Tokyo Bay.

Samudera sells two bulkers for $20.3m

INDONESIA'S Samudera Shipping has disposed of two supramaxes for $20.25m to refocus on the domestic market. The buyers were not disclosed.

In a stock market announcement, the company said the sister vessels, 2011-built, 57,334 dwt *Sinar Kutai* and *Sinar Kapuas*, have been sold as they have been loss-making for the past few years and do not fit into the planned future operations of the group. The disposal of the vessels will enable the group to redeploy its capital for more suitable ships and other commercial activities, it added.

DB Schenker launches 'connect 4.0' freight booking portal in US

GLOBAL logistics provider DB Schenker has launched its Connect 4.0 freight booking portal in the US, giving customers "a more user-friendly interface for booking and managing shipments" of air or ocean, including quotations and end-to-end tracking.

Launched in Europe last year, DB Schenker said Connect 4.0 had "met with excellent customer acceptance, offering shipping professionals throughout Europe, online access to competitive pricing, instant booking and shipment transparency".

Grangemouth-Tilbury container rail service made permanent

FORTH Ports, in partnership with Direct Rail Services and Eddie Stobart, has said that a trial rail freight service between the ports of Tilbury in southeast England and Grangemouth, Scotland's largest port, is to be made permanent from Friday.

For classified notices please view the next page.

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NOTICE FOR "POSTPONEMENT OF CLOSING DATE" FOR TECHNCICAL BIDS SUBMISSION

INTERNATIONAL RESTRICTED CALL OF TENDER N°01/HYPROC S.C/MO/2019 "DESIGN, MANUFACTURING, DELIVERY and COMMISSIONING of BALLAST WATER TREATMENT SYSTEMS –UV Type" for 06 vessels of HYPROC.S.C

Batch n°01 – Sister ships: RHOURD EL ADRA & RHO URD EL HAMRA
Batch n°02 – Sister ships: AIN ZEFT & RAS TOMB
Batch n°03 – sister ships: BERGA II & RHOURD EL FA RES

HYPROC Shipping Company S.P.A, ZHUN USTO, BP 7200 Es-Seddikia 31025 -Oran- Algeria, inform the qualified makers interested to participate in up mentioned "International Restricted Call of Tender", that the ***closing date for the submission of the "TECHNICAL BIDS"*** was postponed until: ***September 15th, 2019 at 09:30 am.***

Interested Bidders are invited to get a copy of the "Tender documents", at the address shown here below from "HYPROC S.C. Cellule Centrale des marches" against the payment of 50 EURO, free of any charges, at the following Bank account:

BANQUE EXTERIEURE D'ALGERIE,
Agence El Djamel -Oran,
HYPROC S.C. account N°002 00081 0812200036 49
Swift: BEXA DZ AL081

Copy of tender documents can be sent by email if requested by Bidder who settled the above payment.

Bidder's application has to be transmitted or handed in double sealed envelope to:

Cellule Centrale des Marches de l'Entreprise (CCME)
HYPROC SHIPPING COMPANY S.P.A - Zhun USTO
B.P 7200 Es-Seddikia - ORAN 31025 – ALGERIA
Email: ccme@hyproc.dz

The external envelope shall be anonymous and contain only the following indications:

INTERNATIONAL RESTRICTED CALL OF TENDER
N°01/HYPROC S.C/MO/2019

Do Not Open- A NE PAS OUVRIR

Received bids, will be opened in a public session, on the same date above at 10:00 am. The Bidders or their duly empowered representatives are invited.

Bids reception dates will be considered according to the date of HYPROC's "B.O.G. (Bureau d'Ordre Général)" stamped date.

Any offer received after the closing date will be rejected.