

LEAD STORY:

World boxship fleet update: A mood of caution

Cosco Shipping quashes speculation about 25,000 teu newbuildings

WHAT TO WATCH:

Capesizes experiencing 'fragile spike'

ANALYSIS:

Sulphur cap to drive up marine fuel market value by 30%

Fuel contamination risk mitigated in Singapore

MARKETS:

Insurers brace for Hurricane Dorian claims

Sovcomflot cautiously optimistic for the second half of 2019

IN OTHER NEWS:

Iranian oil tanker 'goes dark' off Syria

Japan will not join US-led Strait of Hormuz protection force

CSIC chairman retires amid state shipbuilding merger

Two workers die and 13 injured at Bangladeshi ship recycling yard

Veteran master among 19 awarded Merchant Navy medal

World boxship fleet update: A mood of caution



THE CONTAINER SHIPPING sector may well have breathed a collective sigh of relief at the news that Chinese box shipping giant Cosco has no plans to develop 25,000 teu containerships.

Reports earlier this year indicated that Cosco was investigating the viability of ships that would have record-breaking container capacity, and sparked concerns over the feasibility of adding even more capacity to the over-tonnaged container segment at a time of slowing growth.

But with ships of 23,000 teu already plying the mainlane trades, moves to utilise clever design to claim yet another 'world's largest boxship' bragging rights would not have been the main bone of contention for the industry.

Instead, it would have indicated a desire by Cosco to go for market share in an increasingly tight market.

Arguably, the most important comment from Cosco Shipping vice-president Wang Haimin was not that the company was not looking to develop 25,000 teu ships, but that Cosco would look to expand its fleet only in line with market growth.

Having not ordered any new ships since 2016, Cosco's focus would be on "organic growth", he said.

This is important, as the Chinese line has expanded rapidly over the past few years, through mergers and the acquisition of Orient Overseas Container Lines, to become the third-largest global container line by capacity.

Cosco's caution in ordering, like that of the world's largest player, Maersk, indicates that the container industry has learnt some of the lessons from the first half of this decade, when overordering was rife.

According to figures from Lloyd's List Intelligence, released this week, the world containership fleet remained almost static at 22.2m teu at the end of August.

The net gain for the month amounted to just four ships, comprising 52,630 teu, with deliveries of new tonnage muted.

Only one ultra large containership was reported entering service during August, the 23,656 teu *MSC Isabella*, part of Mediterranean Shipping Co's series of 24-row boxships that hold the current capacity record.

MSC Isabella joins the 23,756 teu *MSC Gülsün*, which last month completed its maiden voyage to Europe, along with *MSC Mina* and *MSC Samar*, on the 2M alliance's Asia-Europe AE-10/Silk service.

In total, there will be 11 ships in this series, with six coming from Samsung Heavy Industries and five from Daewoo Shipbuilding and Marine Engineering.

While the low level of deliveries will have helped keep supply in balance with demand, and there were no confirmed orders reported, more ships are on the way.

Last month Taiwan's Evergreen announced that it was seeking to expand its fleet by 11 ships with a \$1.8bn expansion plan.

Cosco Shipping quashes speculation about 25,000 teu newbuildings

CHINA Cosco Shipping Corp, which runs the world's third-largest boxship fleet, has quashed speculation that the state-owned conglomerate is interested in ordering super-sized containerships of 25,000 teu.

Building vessels of this size was never on the agenda, according to Cosco Shipping vice-president Wang Haimin.

"The rumour should stop," he told reporters on Monday. "We've never considered ordering a 25,000 teu ship nor will we order it at the current stage."

Mr Wang is also the vice-chairman at Cosco Shipping Holdings, a role to which he was just

The carrier said that it was seeking five to six 23,000 teu newbuildings via direct ordering at yards for a maximum of \$960m and another four to five units of the same type through chartering for \$800m in total.

Although contracts have yet to be signed, the plans have been signed off by Evergreen's board.

Despite these additions to the fleet, however, analysts at MSI believe that there will be a "gradual easing" of supply-side pressure over the next few months, with scrapping being the determining factor.

"As vessel earnings are the primary determinant of scrapping volumes, alongside one-for-one fleet renewal demolitions pursued by liner companies, the current hearth of the time charter market for larger scrap candidates, essentially the 4,000 teu-6,000 teu fleet, suggests limited potential for a surge in scrapping volumes," MSI said.

"In the three months to October we expect 55,000 teu of demolitions, followed by 90,000 teu in the three months to January."

Nevertheless, MSI still believes the prevailing attitude of liner companies towards newbuildings remains one of caution.

"While a forecast of 'limited newbuilding orders' is not the same as 'no newbuilding orders', we believe ordering will be restrained by historical standards."

promoted last Friday to lead the parent conglomerate's liner shipping and port business.

His remarks come after one of its research units, the Shanghai Ship and Shipping Research Institute, said in March this year that a technical study on developing the 25,000 teu ships was endorsed by the 708 Research Institute of China State Shipbuilding Corp, the designer for a set of 20,000 teu ships earlier delivered to the Chinese owner.

Although the launch of a real vessel could still be years away even with the completion of the study, the news sparked concerns over the commercial feasibility for this particular type of ultra large containership amid uncertainties over current

demand growth and constraints in land-side logistics capability.

Mr Wang said the company's boxship fleet expansion would keep pace with market growth. "Our growth over the past several years has mainly relied on mergers and acquisitions, including the takeover of Orient Overseas International Ltd."

He added that the company had not ordered new ships since 2016 after the tie-up between Cosco Group and China Shipping Group, "But we'll go for organic growth now."

He said the company may choose to order new vessels, which will mainly be used to replace expired chartered-in ships or retired self-owned vessels.

WHAT TO WATCH

Capesizes experiencing 'fragile spike'

THE capesize market has seen a dramatic increase in rates over the past week, fuelled by activity in the Atlantic, namely from Brazil, although the rise has been described as "fragile".

The average weighted time charter on the Baltic Exchange reached \$37,519 per day at the close on Tuesday, a rise of 32% from August 21 and a 43% surge from August 1. The Baltic Capesize Index hit 4,862 points, the highest in almost 10 years.

According to Arctic Securities, since last week "signals had been apparent that the Atlantic was coming to the boil as healthy demand struggled to find tonnage".

It said in a note that sentiment was on the up, with more liftings in store from the basin.

The C3 Brazil to China voyage jumped to \$29.06 per tonne as of Tuesday from \$21.97 on August 21, Baltic data shows, while the Australia to China route rose to \$11.42 per tonne from \$9.66 over the same period.

According to the London-based exchange, owners were diverting attention to the west, with the "hot Brazil" market forcing the premium over the Pacific basin to widen.

Maritime Strategies International, a London-based consultancy, noted that since iron ore supplies had improved from the loss of volume in first half of the year, the current rate rise may be attributed to restocking efforts.

With China's stockpiles dropping by more than 30m tonnes from March to July, and with iron ore prices also lower, the incentive was there to replenish stocks, said senior analyst Will Fray, even though underlying demand from Chinese steel producers was seen to be weakening.

China produced 85.2m tonnes in July, a gain of 5% from a year earlier, according to the latest figures from the World Steel Association. However, the country's growth rate has been in the region of 10% for much of this year.

BIMCO's chief shipping analyst Peter Sand said that the sector was seeing a "fragile spike" as there were not many underlying factors to support this rate increase continuing over the long term.

In the first seven months of this year, iron ore exports from Brazil were down 7% over the same period last year, while in July, shipments amounted to 34.3m tonnes versus 36m tonnes a year earlier.

There is certainly a recovery in Brazilian volumes, but they are behind last year's levels, he said, adding that weekly fixtures in early August for independent owners dropped to five, from seven in the previous month. That coincides with a lack of valemaxes in the region, he noted.

Jefferies analyst Randy Giveans echoed the views, saying he did not expect rates to "remain at these elevated levels for the rest of the year".

The second half will be better than the first six months of this year as Brazil's mining giant Vale "continues to ramp up its iron ore production and exports, and scrubber installations continue to limit fleet availability", he said in a note.

Separately, Jefferies has initiated coverage of US-based Eagle Bulk with a buy rating.

In other news, the 81,700 dwt bulk carrier *Cassiopeia Ocean* was refloated on August 31 after it reportedly ran aground four days earlier, blocking

navigation on the Parana river, according to Lloyd's List Intelligence.

The 2018-built vessel, which was carrying grains to Liverpool from Rosario, had to be assisted by

four tugs. It had affected the navigation of more than 100 vessels, and about 3m tonnes of goods, mostly grains, according to a Lloyd's list Intelligence report.

ANALYSIS

Sulphur cap to drive up marine fuel market value by 30%

THE global marine fuel market will expand almost 30% next year as higher-priced compliant bunkers enter the market.

The average per-tonne bunker price will jump to \$715 in 2020, up from \$550 currently, according to Glander International Bunkering, the marine fuel trading firm.

Carsten Ladekjaer, the company's chief executive told IBC Asia's 9th Biennial Bunkering that on annual basis, the value of the bunker market will reach \$214bn next year, up from \$165bn this year.

These projections are based on a \$65 oil price environment and some 300m tonnes of bunker traded in the market.

Fuel contamination risk mitigated in Singapore

SHIPOWNERS may count on one unique feature of the supply chain at the world's top bunkering hub to mitigate fuel contamination risk.

A survey conducted by Singapore Shipping Association revealed fuel contamination as one major concern of shipowners, with new and varied fuels complying with one green shipping regulation emerging in the marketplace going beyond 2020.

Sulphur in marine fuels carried on board ships, excepting those with exhaust gas cleaning systems, will be capped at 0.5% from January 1, 2020.

With more marine fuel options entering the market, the risk of different fuels co-mingling when one tanker switches from carrying one product to another increases.

But this risk may be negligible if the industry continues to observe one inclination as pointed out by a shipping veteran.

The International Maritime Organization in choosing to enforce a 0.5% cap on sulphur in marine fuel, has inadvertently encouraged shipowners to switch to compliant but more costly new fuels like marine gas oil and very low sulphur fuel oil, according to Mr Ladekjaer.

He further suggested that with most bunker transactions done on credit terms, demand for liquidity or financing in the marine fuel sector may hit as much as \$4bn a month in 2020.

The ability to access the required credit will differentiate winners from losers in the post-2020 marketplace.

SSA's president Caroline Yang pointed out that each bunker tanker in the fleet of over 200 active at the port now carry and deliver only one product.

This is partly motivated by bunker suppliers seeking to streamline capital expenditure in light of Singapore's mass flow meter bunkering system.

Bunker tankers will have to be equipped with two or more MFMs if they are to deliver more than one marine fuel product.

The cost of each MFM ranges in hundreds of thousands of US dollars.

Should bunker players keep to this trend of allocating tankers to specific products, fuel contamination risk would not be a relevant concern during bunker delivery.

Singapore first rolled out the MFM rule, which calls for the use of metered pipes to measure

bunkers transferred from suppliers to buyers, in January 2017.

This regulatory move has reportedly led to a significant reduction in disputes over volumes transacted and bolstered efficiency in bunkering operations.

Ms Yang also holds the view that Singapore can continue to bank on the competitive edge of its rules-based bunkering system to retain its crown as the world's number one marine fuel port as international shipping transitions to a low sulphur future.

“The MFM system gives transparency and assurance of the quantity of bunkers supply and any attempt to bypass this system does attract swift and firm enforcement,” she explained.

The SSA survey also flagged de-bunkering of non-compliant fuels, delays in supplies and poor fuel quality as among top shipowners' concerns beyond 2020.

The technical team at SSA projects that the spread between two compliant fuels, marine gasoil and low

sulphur fuel oil, may range between \$40 and \$135 going into 2020.

The team also views MGO as the fuel alternative for shipowners prioritising protection of assets when the MGO-LSFO spread is small.

Ms Yang, who is concurrently Hong Lam Marine's chief executive, said clients of the licensed bunker player had offered a different take.

“The bigger shipowners will want to lift LSFO if possible even if MGO-LSFO spread is small; the savings from large ships burning LSFO rather than MGO will work out to substantial amounts.

“Small shipowners may also choose to lift MGO earlier into 2020, but I expect them to gradually switch to LSFO,” she said during IBC Asia's 9th Biennial Bunker in Asia conference.

Hong Lam's view is the MGO-LSFO spread may trend between \$35 and \$70.

By Ms Yang's estimate, Hong Lam supplies 12%-15% of bunkers lifted in Singapore.

MARKETS

Insurers brace for Hurricane Dorian claims

INSURANCE payouts on Hurricane Dorian will likely run to tens of billions of dollars, but will likely be below the six-figure billion mark seen with Hurricane Katrina in 2005 and Hurricane Harvey in 2017, according to industry sources.

Brokers were today reluctant to comment on the record, given that Dorian is still raging.

The storm, which was a category five when it hit the Bahamas yesterday, has been downgraded to category three. At least five people are reported to have lost their lives.

It is hoped the hurricane will skirt up the eastern seaboard of the US, in line with the latest predictions from the National Oceanographic and Atmospheric Administration.

Even if that happens, there would still be significant flood damage. Flooding often represents 60% or so of storm damage.

In the best case, Dorian could even undergo a so-called 'recurve' and avoid making landfall in the US altogether.

In terms of marine classes, no-one was yet ready to venture a forecast for cargo insurance, as past experience indicates that this will be an aggregated stock throughput issue, and thus impossible to call.

As for hull and P&I claims, one leading broker said: “Hopefully most ships will be able to get out of the way, so I would hope that that would be OK. There may be some yacht damage for vessels laid up or moored that don't get moved.”

Analysts at UBS have predicted that the total bill for insurers with a range from \$5bn to \$40bn, with \$25bn as the base case, although most of that will rest with property casualty books.

In terms of broad impact on the market, this could erode excess capital and firm up pricing, UBS added.

Meanwhile, the Port of Miami remains closed until further notice, according to its website, after the US Coast Guard declared Port Condition Zulu on Sunday.

Under Port Condition Zulu, the highest possible state of emergency, all vessel movements and ship-to-shore operations banned unless explicitly authorised for safety purposes.

The island of Grand Bahama, home of Hutchison-owned Freeport Container Port, has sustained serious damage, although FCP itself has not lost any

crane, according to a source familiar with the situation.

This contrasts with the devastation after Hurricane Matthew in 2016, which caused the loss of gantry cranes.

Full capacity was only restored in 2018, with the installation of three super post-panamax quay cranes from China.

However, it is expected that the terminal will be out of action for many weeks.

Sovcomflot cautiously optimistic for the second half of 2019

SOVCOMFLOT, the Russian tanker giant specialising in petroleum and liquefied natural gas shipping, is adopting a cautiously optimistic stance on how far the recovery in freight rates could go this year.

Chief financial officer Nikolay Kolesnikov notes that the aframax and LNG markets would see slight improvements in conditions in the light of better supply and demand fundamentals.

Last year was one of the worst for the tanker industry with spot freight rates dropping to their historic lows.

“The market started recovery from the fourth quarter last year supported by favourable supply-demand dynamics and a very manageable orderbook across most tanker segments,” Mr Kolesnikov said in an interview with Lloyd’s List.

“We had a strong start of the year, as demonstrated by Sovcomflot’s first quarter and half year 2019 results and are indeed cautiously optimistic for the upward trend of the tanker cycle to continue, especially as we move out of the summer doldrums.”

He said that preparations for the International Maritime Organization’s 2020 sulphur cap regulations are also likely to have a positive effect on demand for tankers, thus creating more tailwinds in the final quarter of the year.

However, Sovcomflot does not operate as a pure tanker player and has most of their ships fixed on lucrative long-term charters, which to a large extent insulate it from fluctuations in the tanker market, he argued.

The state-owned company, which has been an early adopter of LNG as primary fuel on large capacity oil tankers, believes that LNG as a marine fuel best addresses the tightening emissions regulations.

Compared with engines burning standard marine fuels, LNG-powered engines not only help in the reduction of sulphur oxide and particulate matter emissions to zero, but also reduces nitrogen oxide emissions by about 80% and carbon dioxide emissions by about 30% as compared to similar vessels powered by traditional heavy fuel, he added.

Still, Mr Kolesnikov said that the company does not have plans to retrofit existing vessels with new engines, so the existing fleet will switch to burning compliant low sulphur fuel come 2020.

“We have a healthy pipeline of potential new business that we are currently pursuing and developing,” he said, adding that the company will continuously invest in fleet renewal and expansion of Sovcomflot’s business.

Sovcomflot’s total fleet consists of 146 vessels, making it one of the world’s largest tanker and gas carrier companies.

“Our investment activities are focused on specialist high tech vessels employed under longer-term contracts with our core clients.”

Over the past year, the company took delivery of one ice-breaking platform standby vessel for the Sakhalin 2 project and six LNG-powered ice-class Aframax tankers.

“Our contracted newbuilding programme for the rest of the current and next year totals \$640.3m and includes one Arctic shuttle tanker, and three

new-generation 174,000 cu m Atlanticmax LNG carriers, all backed by long-term employment with energy majors.”

IN OTHER NEWS

Iranian oil tanker 'goes dark' off Syria

THE Iranian tanker *Adrian Darya 7* has not emitted an Automatic Identification System signal since yesterday, when it was in the Mediterranean with a direction towards Syria.

The very large crude carrier, which is carrying 2m barrels of oil, last transmitted an AIS signal at 15:54:39 GMT on September 2, according to tracking data from Lloyd's List Intelligence. The vessel at that time was located between Cyprus, Lebanon and Syria, heading north east towards Syria.

The move follows two weeks of twists and turns in the Mediterranean Sea, that saw the vessel change direction several times, particularly around Cyprus, before heading towards Lebanon and then turning again towards Syria on Monday morning.

Japan will not join US-led Strait of Hormuz protection force

JAPAN has signalled that it would not join the US-led joint protection force in the Middle East Gulf and instead may deploy its own naval force independently.

Reuters cited Japanese media as saying that Japan was

considering a plan to send its Maritime Self-Defence Force (SDF) on information-gathering missions in the areas around the Strait of Hormuz and Bab al-Mandab shipping lane between Yemen, Djibouti and Eritrea. The waterway is a vital link for the oil trade.

Japan would also consider including the Strait of Hormuz in the SDF's sphere of activity if Iran agrees, it added. The country has close economic ties with Iran and Japanese oil companies had been big buyers of Iranian crude before US sanctions forced to look for alternative sources.

CSIC chairman retires amid state shipbuilding merger

CHINA Shipbuilding Industry Corp said its chairman Hu Wenmin has retired as the state giant is merging with a domestic rival.

Mr Hu, 62, had been at the helm of CSIC since March 2015, before which he was the chairman of China State Shipbuilding Corp.

The pair, whose combined orderbook accounts for about 15% of the global total in cgt terms, is working on a restructuring plan that will see them become one company.

Two workers die and 13 injured at Bangladeshi ship recycling yard

TWO workers died and 13 more were “severely” injured following a collapse of a heavy cable at a shipbreaking yard in Chattogram, Bangladesh.

The NGO Shipbreaking Platform reported the incident happened on August 31 at the Ziri Subedar shipbreaking yard during work on the 5,018 teu containership *CSL Virginia*, now known as *Virgin Star*.

The workers were all hit when a heavy cable collapsed during scrapping operations.

Veteran master among 19 awarded Merchant Navy medal

A MASTER who began his nautical career in 1943 is among 19 seafarers to have been awarded Merchant Navy medals, the UK Department for Transport has announced.

The awards were presented on September 3 to mark the annual Merchant Navy Day.

Capt Angus McDonald, 93, was cited for meritorious service to the UK's maritime industry. He signed up in World War II, sailing in international waters for more than 20 years and also worked as a pilot in Ghana.

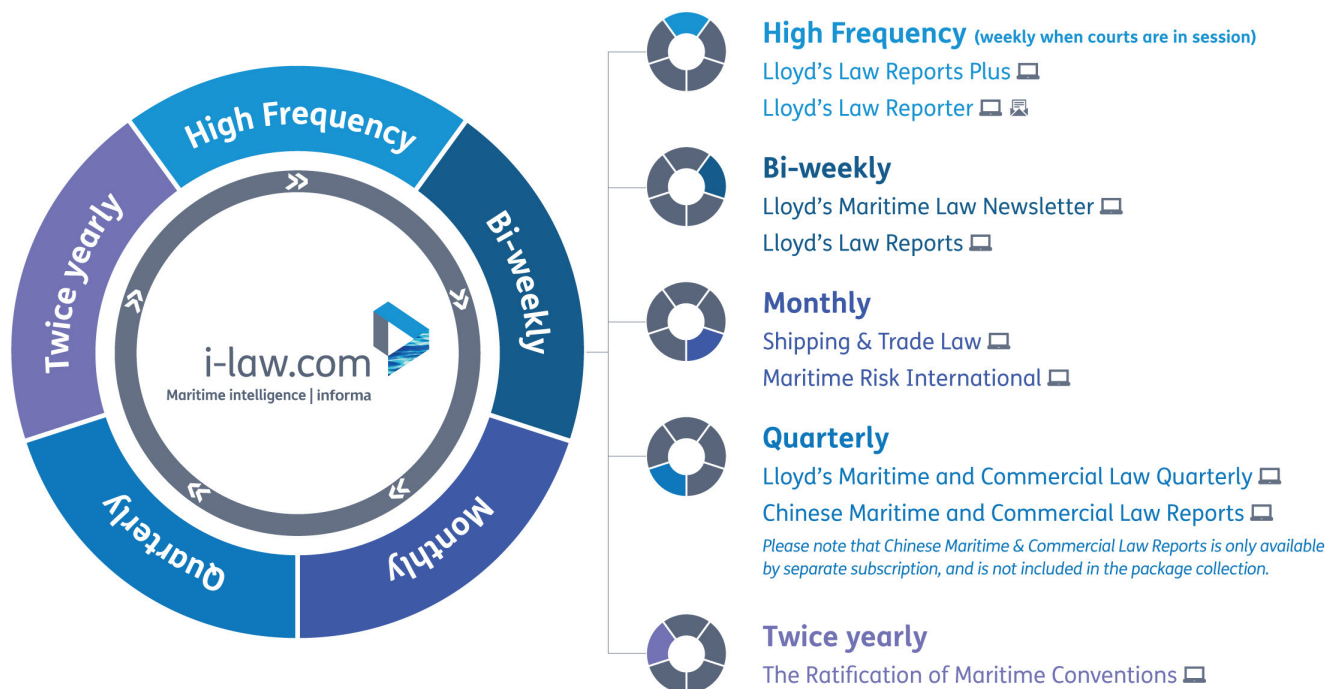
For classified notices please view the next page.

Lloyd's Law Reports and our i-law service are the essential resource for lawyers in shipping companies

With Lloyd's Law Reports archive going back to 1919, essential books like **Time Charters** and **Voyage Charters**, the ability to create folders, track your research, print and store documents in personal folders, **Maritime & Commercial** on i-law.com is the leader in maritime law research for in-house legal teams.

Our online service includes:

Key:  Online  Email



Our annual subscription service includes the full range of periodical publications listed above, and is complemented by a digitised selection of leading maritime and commercial book titles.

Find out more

about.i-law.com | +44 20 7017 7565 (EMEA) / +65 6508 2428 (APAC) | lawsales@informa.com

The Next Generation Lloyd's List Intelligence

Uniquely powerful vessel tracking, characteristics, ownership and incidents data.

At the centre of Lloyd's List Intelligence is our online vessel tracking system, Seasearcher. This gives you access to the transactional and analytical data required to make a measured difference to your business, whether you are trying to increase operational efficiencies, manage risk, or develop new business opportunities.

The new Next Generation platform was launched earlier this year to offer our customers a greatly improved service and some fantastic new features including:

- ▶ A modern, simplified search and mapping interface
- ▶ Streamlined operational workflows and geospatial tools
- ▶ Enhanced visibility of port, terminal and berth activity including new alerting and filtering tools
- ▶ Increased vessel tracking data granularity with improved AIS capabilities
- ▶ Raw data manipulation through Excel downloads

To find out more about Lloyd's List Intelligence services, please email info@lloydslistintelligence.com, call **+44 (0)207 7017 5392** or visit info.lloydslistintelligence.com



**Looking to publish a judicial sale, public notice,
court orders and recruitment?**

Please contact **Maxwell Harvey** on **+44 (0) 20 7017 5752**
or E-mail: maxwell.harvey@informa.com