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London calling: Forget the Brexit bluster, let's focus on the international itinerary



FEW OF THE myriad challenges facing shipping right now are geographically specific. Indeed, most are not shipping specific at all, such is the macro nature of our industry. So when the shipping week tour bus pulls up in London on Monday amid a Brexit brouhaha currently dominating the domestic debate, arriving international executives could be forgiven a small sigh of apprehension.

Such anxieties, we hope, will be misplaced.

The international element of London International Shipping Week's agenda thankfully looks set to trump any inward meltdown that the UK sector may currently be working through with their therapists.

While it will be impossible to promise that visitors will be able to completely escape the gravitational pull of Brexit, as democracy crumbles around us and we hurtle towards a no deal, with metaphors of large difficult to manoeuvre tankers that much more pertinent to the maritime crowd than most, there is at least a sense that bigger issues must be tackled.

The busy agenda seems to be determined to look beyond the Brexit chaos and work on the assumption that global trade will not grind to halt on October 31 and the shipping industry will do what the shipping industry does best and find solutions amid uncertainty.

And for that we should be thankful. The rise of domestic lobby groups and proliferation of "shipping week" events promising to stage an international showcase for their respective clusters have subtly

changed focus over recent years and London should be leading the way. Frankly, it has little choice to do otherwise.

The disruptive headwinds of digitalisation, decarbonisation, regulatory and financially enforced transparency, shifting macro-economic demand and good old-fashioned outside competition, all promise to challenge the status quo for everyone. There are significant questions to be answered and if these shipping weeks have a value it lies in the collective wisdom and willingness of participants to get down to the business of answering them.

While there will be ample opportunity for the Maritime UK contingent to make a valid pitch for business and the political speeches to offer a nervous domestic lobby some reassurances, the real focus should be outwards at the international issues not inwards at the UK.

The programme of events, debates and round tables looks promisingly challenging in that regard. In between the alcohol-fuelled canapé senates there will be substantive discussion on everything from Artificial Intelligence to free trade zones.

As the host for the week's centre piece conference, Paddy Rodgers, told Lloyd's List in this week's podcast, LISW will not answer the unanswerable but it can offer a creative environment for developing ideas and opinions that are taken on to workable solutions for some if not all ills.

He suggests that guests leave their pre-prepared positions and 'statements from the floor' at home and come prepared to engage in genuine open debate — advice we can only wholeheartedly support and encourage here at Lloyd's List.

The packed and over-lapping schedule means that nobody will be able to attend everything, but there is at least something there for everyone (and Lloyd's List will be there to cover anything you've missed).

If we could be so bold as to offer up a few highlights not to be missed we would, of course, start with our own Transparency in Shipping Forum that will set the agenda first thing Monday. Full details and the opportunity for a last-minute registration here, but if you are at all interested in risk mitigation around sanctions, data confidentiality and standardisation

(with views from the industry's leading law, insurance and security experts), then this is the breakfast briefing for you! If you're not, we would question whether you have fully understood the problem.

The Lloyd's List editorial team will be up on-stage moderating panels, in the audience taking notes and at the receptions reporting, and eating canapes, throughout the week. And we are particularly looking forward to the International Chamber of Shipping's conference on Wednesday where we will be present behind the scenes recording exclusive interviews with various speakers.

And get ready for a series of London International Shipping Week special editions of the Lloyd's List Podcast. The Lloyd's List team will be out and about armed with microphones next week and we will be producing a daily edition of the podcast from the sidelines of the events, offering you exclusive access to the most important discussions of the week.

You can listen to all our podcasts for free on [Lloydslist.com](https://lloydslist.com), or better still, subscribe to the Lloyd's List Podcast via iTunes and Spotify, as well as most other podcast providers. And while you're there make sure you are registered for a free account on [Lloydslist.com](https://lloydslist.com) so you can receive our Daily Briefing e-mail.

All our coverage from the week's events will be going up on a special LISW page where content will be free to read.

As a final plug — if anyone would like to talk to us about editorial issues in general, or would like to engage our colleagues from Lloyd's List Intelligence about how to get the right shipping and vessel information to support your teams, we would love to buy you a coffee or set up a quick demonstration of our data capabilities.

First port of call should be to register for our Forum on Monday, where the entire team will be on hand to talk, but if you have a specific question, feel free to contact me direct on Richard.meade@informa.com and I will be sure to connect you with the right person.

We wish you a productive week and hope to talk to as many of you as possible over the coming days.

WHAT TO WATCH

Hunter agrees deal with Fredriksen's Ship Finance for VLCCs

OSLO-BASED Hunter Group's tanker unit has agreed a sale and leaseback deal with John Fredriksen's Ship Finance International for an initial three new very large crude carriers being built at the DSME yard in South Korea.

The deal, worth \$180m, is for the *Hunter Atla* (yard number 5455), *Hunter Saga* (yard number 5456), and *Hunter Laga* (yard number 5460), Hunter said in a statement. The vessels will be bareboat chartered back under a five-year contract, with purchase options during the charter period.

"This transaction reflects our ongoing efforts to continuously optimise our financing and drive out unnecessary costs wherever possible, while maintaining a high level of flexibility, in order to create value for our shareholders," said Hunter's chief executive Erik Frydendal.

Earlier in the year, Hunter sold one of its newbuildings for \$98m. Following the transaction, it will have four tankers in its fleet due for delivery in March, May and July next year. The yard price for each vessel has been in the \$82m range.

Capital lines up orders for 10 LNG-fuelled VLCCs

CAPITAL Maritime & Trading has inked a preliminary agreement with South Korean shipbuilder Hyundai Heavy Industries for 10 very large crude carriers fuelled by liquefied natural gas.

The prospective \$1bn play would double the Evangelos Marinakis-led company's existing presence in the VLCC sector, recently strengthened by four big tanker arrivals from HHI in 2019, as well as establish it as a leader in dual-fuel VLCC investments.

Recent speculation had put Greece-based Capital in the frame alongside tanker giants Euronav and Frontline to place the first new orders with a view to serving Shell charters for gas-driven VLCCs.

But Lloyd's List understands that no charters have yet been agreed for any of the 320,000 dwt ships and instead the order will likely follow the speculative model of Capital's recent foray into LNG carriers that

Ship Finance said the three 300,000 dwt vessels are expected to be delivered within the next two months.

"The agreed purchase price is significantly below current broker estimates for VLCC resales, effectively providing SFL with a very attractive risk profile," Ship Finance said, adding that the transaction will add more than \$100m to its fixed-rate charter backlog.

The company will initially fund the acquisition from its cash position, but expects to finance a significant portion of the purchase price through the commercial bank market, it said, adding that it has already received a term sheet on bank financing "at very attractive terms" which is expected to "significantly" enhance the return on invested equity.

"In an environment where traditional bank financing for maritime companies is becoming increasingly scarce, this transaction highlights SFL's unique position as a specialty financing company," said its chief executive Ole Hjertaker.

has gradually increased to seven firm vessels, three of which have since been chartered by BP.

It is believed that the owner has been discussing the vessels with several possible charterers although Shell and Total are regarded as currently having the most interest in dual-fuel VLCCs.

The letter of intent signed with the yard foresees 10 vessels with no further options, at a price of about \$110m apiece.

If the final contract proceeds, deliveries will be in 2021 and 2022.

The vessels have been designed with a pair of tanks on deck with capacity for 7,500 cu m of LNG bunkers.

An industry source said that this would be sufficient, for example, to load in the US Gulf and discharge in China, with bunkering in Singapore.

ANALYSIS

Sale and leaseback deals proving popular

SALE and leaseback deals are proving a popular choice for raising capital, with at least a dozen such deals taking place in the shipping industry so far this year.

Most of the transactions have been in the tanker space amid weak markets that have seen liquidity dry up.

According to New York-based AMA Capital Partners' Peter Shaerf, access to capital is the biggest reason behind these deals taking place.

With public stocks trading below net asset value, banks significantly more cautious as regards to their exposure to shipping, and a general lack of fresh equity, owners were being forced to seek alternative sources of capital, he said.

Sale and leaseback transactions allow owners to keep operating tonnage, potentially retain some additional cash, and hopefully manage through the cycle, he added.

Oslo-based Hunter Group agreed to sell three new very large crude carriers to John Fredriksen's Ship Finance International and bareboat charter them back for five years, with purchase options. The vessels, being built at the DSME yard in South

Korea, are expected to be delivered in the next two months.

Although the tanker markets have been weak over the first half of the year, owners and operators are bullish about prospects for the rest of 2019 into 2020 as exports of crude oil from the US increase, creating tonne-mile demand, coupled with increased demand to transport low-sulphur fuels ahead of the International Maritime Organization's new rules, and low fleet growth.

Recent deals have included Navios Acquisitions, with regard to 10 product tankers, while Hoegh LNG has also inked a sale and leaseback deal for a floating storage regasification unit. D'Amico International Shipping and Scorpio Bulkers have also been active in the space this year.

A US-based equity analyst noted that these types of transactions help smooth out debt amortisation and any company with cash or liquidity concerns would likely be looking to engage in such deals.

Another industry source echoed the views, saying that sale and leaseback deals were an easy first step to raising additional liquidity to offset deteriorating cashflow.

Antwerp forecasts a radical shift in shortsea shipping after Brexit

PORT of Antwerp is predicting a radical shift in UK-European Union shortsea shipping from ferry to container transport, along with a massive rise in customs declarations.

Management at the Belgian port — Europe's second largest by volume — believe that goods entering or leaving the EU by ferry ports will "face more checks and red tape" once the UK leaves the EU.

In a paper published recently, Antwerp warns that Brexit will mean more inspections of people, goods and documents, resulting in "higher costs, congestion and longer transit times for ferry transport".

The port anticipates that accompanied trucks will increasingly be replaced by shortsea container transport, with unaccompanied goods loaded on

board by crane, and it is "gearing up" for further expansion of shortsea links with the UK, offering "at least part of the solution for the consequences of Brexit".

With nearly 17m tonnes of freight, the UK was the second-largest trading partner for Antwerp in 2018. The main freight categories are chemicals, oil products and fast-moving consumer goods such as foodstuffs, toiletries and cosmetics.

"Existing and new shortsea services between Antwerp and the British Isles will undoubtedly gain in importance in the run-up to Brexit and after October 31, building on the present links with nine UK and Irish ports," the port said.

Port of Antwerp said it has had a task force working with stakeholders, including Belgian Customs, the

Belgian Food Safety Agency and major port community and business representatives, to mitigate any negative consequences of Brexit.

“Brexit creates not only challenges but also opportunities for trade between the UK and Ireland on the one hand and the European continent on the other,” said Justin Atkin, the port’s representative in the UK and Ireland.

“Having more shortsea solutions in the logistics chain will not only mean greater reliability, it will also diminish our dependence on trucks for ‘last mile’ transport, as well as reducing costs and CO₂ emissions.”

Kristian Vanderwaeren, director general of Belgian Customs & Excise, said the country’s customs authorities are also getting ready.

“We have already hired an additional 386 full-time employees in order to deal with Brexit,” he said. “With 930,000 more import declarations and 4.5m more export declarations, the challenge facing us is enormous.”

The Antwerp white paper is aimed at “jolting companies” into taking a hard look at their logistics chain. It contains practical information on ways of using shortsea to reduce future uncertainties or delays or avoid them altogether.

GetLink, the Eurotunnel operator, also declared last week that it was ready for Brexit, outlining its infrastructure investments to handle the 5,000 trucks that pass daily through the Folkestone-Coquelles fixed link.

MARKETS

Fuel additives can help with some bunker blending issues

BUNKER suppliers have had enough time to adjust to the new stricter quality specifications and will put in extra efforts to keep their supplies within the new industry standards come 2020.

However, there are concerns over stability and compatibility stemming from the universal switch to low-sulphur marine fuels from January 1, 2020. Ignition and combustion quality have been another point of debate in the IBC Asia’s 9th Biennial Bunker Conference in Singapore this week.

One of the ways to meet the regulations is to switch to very low sulphur fuel oil but this fuel has a lot of issues with stability and compatibility, said Innospec regional sales manager marine Asia-Pacific Martin Chew. Innospec is a global specialty chemicals company focused solely on fuel additives.

“The blending components of VLSFO are mostly those that can create contamination, which opens the door to more chances of bad bunkers as well.”

Although shipowners are advised to address the fuel quality concerns through adoption of ISO/PAS 23263:2019, the upcoming document, which is expected to be released by the end of September, makes specific reference only to the ISO 8217:2017 specification.

The ISO 8217 specification restricts the chemical content, density and viscosity of bunkers, giving suppliers less leeway to blending in changes to their supplies. The specification covers metal content, particulates, levels of harmful hydrogen sulphides, sulphur content and other quality constraints that will take time for suppliers to match.

Mr Chew said that it is in the process of developing new products specifically to treat VLSFO stability and compatibility.

“Even if a shipowner has cleaned the tanks before using the LSFO, there will be potential issues with blend components later and such problems would require proper bunker additives.”

“Over the past one year we have collected close to 100 samples from various sources- major shipping companies and bunker suppliers, to study the fuels in detail, understanding the potential issues and getting a product that is able to ensure stability and compatibility of these fuels,” he added.

The product is likely to be available in the final quarter of 2019 and would be easily available in all major ports across the globe.

US ports brace as Dorian continues threatening path up Atlantic coast

HURRICANE Dorian, which left a trail of devastation across the Bahamas, is battering the US south east coast, where ports on South and North Carolina are braced for one of the biggest storms in recent years.

The weather system has been downgraded to category 2, but still poses a threat and was reported to be producing hurricane-force sustained winds over eastern North Carolina. The National Hurricane Center also issued a storm surge warning, which means there is a danger of life-threatening inundation.

“The centre of Dorian will move near or over the coast of North Carolina during the next several hours,” the NHC said in its latest advisory. “The centre should move to the southeast of extreme south eastern New England tonight and Saturday morning, and then across Nova Scotia late Saturday or Saturday night.”

It said maximum sustained winds are currently near 90mph (150 km/h) with higher gusts.

“Dorian should remain a powerful hurricane as it moves near or along the coast of North Carolina during the next several hours,” it said.

As Dorian closed in on the Eastern Seaboard, US naval vessels were ordered to ride out the storm at sea, while military aircraft were moved inland.

Some 60 container ships, riding out the storm at sea, were waiting to call at ports in the US southeast and the Caribbean. Some ships were expected to call over the weekend, while others were being diverted to other ports.

Major transshipment hub Freeport Container Port escaped major damage but its gantry cranes are expected to remain out of action until mains electricity is restored.

The Canadian Hurricane Centre issued a Hurricane Watch for all of Nova Scotia, a Tropical Storm Watch for Prince Edward Island and for the Magdalen Islands, and for New Brunswick from Fundy National Park to Shediac. What is more, a Tropical Storm Watch was issued for Newfoundland from Francois to Boat Harbour.

US Coast Guard Port Condition Zulu is in effect for the ports of Savannah and Brunswick, Georgia and Charleston, South Carolina. The designation means that port facilities are effectively closed for marine traffic and cargo operations

Port officials said that based on current forecasts, the ports of Wilmington and Morehead City would be closed to commercial operations and employees on Thursday and Friday.

In South Carolina, port officials expected Charleston’s terminals to reopen at 0700 on Friday, as the storm passed, with vessel operations due to begin at 1900 on Friday evening.

In the Bahamas, where Dorian made landfall earlier this week as a category 5 storm, the extent of the devastation is beginning to become apparent.

While the official number of fatalities stands at 30, the final death toll will be “staggering”, Health Minister Duane Sands has warned.

“The public needs to prepare for unimaginable information about the death toll and the human suffering,” he told local radio.

Freeport Container Port on the island of Grand Bahama remains without power.

Cruise line Royal Caribbean has pledged to provide 20,000 meals a day to islanders.

Mediterranean Shipping Co said it will provide aid, including prefabricated housing, as Hong Kong’s Hutchison races to re-open both the container terminal and airport that it manages.

“As a family company and one that has lived off the sea for over 300 years, we are fully committed to supporting both immediate and longer-term relief and recovery efforts in the Bahamas,” said MSC Group chairman Gianluigi Aponte.

He said his company would support efforts to “rebuild and recover” from the damage.

Officials say hundreds, possibly thousands, are still missing in the Abacos and Grand Bahama.

Officials are sending morticians and 200 body bags to the Abaco Islands, which was the worst-hit part of the region.

Insured damage from Dorian's catastrophic passage over the Bahamas will total \$7bn, according to one preliminary estimate.

IN OTHER NEWS

Australia detains bulker for MLC violations

THE Australian Maritime Safety Authority is stepping up its fight against exploitative and illegal practices in the maritime industry, following the detention of a bulk carrier.

AMSA detained 74,363 dwt, Panama-flagged bulk carrier *Fortune Genius* on Thursday at the port of Gladstone in Queensland after crew members reported they were owed tens of thousands of dollars in unpaid wages.

An International Transport Workers' Federation inspection found eight Myanmar seafarers had been underpaid by \$8,000 each during the past six months.

Skuld sees sharp fall in net income, as half-year combined ratio hits 116%
MARINE insurer Skuld has seen a sharp fall in financial performance for the first six months of the 2019/20 policy year, with bottom-line net income

of just \$2m, down from \$14m at the same stage last year.

The club is blaming pool claims from both its own members and from other International Group affiliates as one of the major factors behind the outcome.

The half-year combined ratio was 112%, compared with 95% for the same period of 2018/19. Gross written premiums showed an increase of \$10m.

Ports America joins Maersk Growth in Loadsmart investment

DIGITAL freight broker Loadsmart has received a further round of funding from Maersk's investment wing Maersk Growth, along with commitments from US terminal operator Ports America.

The \$19m investment follows Loadsmart's series A funding round in 2018, in which Maersk Growth, Connor Capital and Chromo Invest invested \$21.6m. Loadsmart said its total funding had now reached \$53.4m.

The latest investment would be used to roll out Loadsmart's new Smart Drayage initiative, which is designed to improve the flow of containers through terminals and accelerate goods transit through ports.

Shipowners' Club cuts deficit at half-way mark

THE P&I club that specialises in smaller vessels has seen an underwriting deficit of \$5.7m for the first six months of the current policy year, resulting in a combined ratio of 106%, which is unchanged after rounding.

The result for the Shipowners' Club is actually an improvement on the loss of \$20.1m last time round, although still a long way short of the surplus of \$25m clocked up at the half-way stage in 2017.

Free reserves stand at \$330.2m, up from \$303.8m at the beginning of the year. Earned premiums were \$108.2m.

Classified notices

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Pakistan National Shipping Corporation (PNSC) invites bids from interested/well established Shipyards/Dockyards for Dry docking and repairs of Bulk Carrier "M.V. MALAKAND" as per rule, 36 (a) of the Public Procurement of Rules, 2004 (PPRA 2004).

This advertisement is available on PNSC website www.pnsc.com.pk and PPRA website www.ppra.org.pk. The tender documents can be downloaded from PNSC website www.pnsc.com.pk on the link <http://www.pnsc.com.pk/tenders/Malakand-Drydock-2019.zip>
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The Next Generation Lloyd's List Intelligence

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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
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- ▶ Enhanced visibility of port, terminal and berth activity including new alerting and filtering tools
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