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Scrubber corrosion repairs required less than six months after installation

SCRUBBER PIPEWORK IS having to be replaced less than six months after installation because of corrosion problems that experts have told Lloyd's List is almost impossible to predict, and not widely understood by either shipowners or installation teams.

Several major classification societies are tracking an uptick in scrubber-related issues and while no class society is prepared to reveal hard numbers, experts within societies have confirmed there have been several instances of corrosion related to quality issues traced back to the installation.

Scrubber manufacturers and owners who have installed systems have told Lloyd's List there are no issues with systems, many of which have operational experience dating back almost a decade.

However, the recent acceleration of scrubber installations to meet the 2020 sulphur cap deadline has resulted in a significant increase in corroded pipework repairs handled by companies being called in to fix problems.

"Corroded scrubber pipework and discharge outlets is a serious problem that is not widely understood by people installing these systems, and we're seeing more of it," said Boud Van Rompay, chief executive of Hydrex, an underwater repair and corrosion specialist.

"Piping is being eaten by corrosion because it is handling acidic residue… the problems we are seeing are quite astonishing and the speed of the corrosion is like nothing I've seen before," he told Lloyd's List.

According to Gary Rawlings, a marine engineering expert at the Bureau Veritas consultancy TMC Marine, corrosion occurs because of the acidic nature of the residue being processed, but the problem is not with the manufacturing of the scrubber itself, rather it is the ancillary piping and pump mechanisms that can cause issues.

Corrosion can happen if pipes are not cleaned properly prior to coating, or if the coating has not been properly applied, or if damage occurred, for example the equipment was bumped during the installation, he said at a conference during London International Shipping Week.

"Materials and coating choices are critical to avoid issues," he said, but pointed out that expensive corrosive-resistant materials are becoming harder to source and some manufacturers have stopped taking new orders as lead times can be four months or longer.

"One of the key problems is that there is no reliable way to predict the speed of the corrosion and that can result in safety issues," said Mr Van Rompay.

Mounting delays at shipyards to retrofit scrubbers on vessels are already causing costly delays for owners racing to hit the January 1, 2020 deadline for sulphur emission compliance. The average time for installation is currently running at around 40 days depending on the type of ship.

Despite the concern from corrosion experts, owners who have already installed systems report no significant downtime due to repairs and one major shipowner has cautioned that much of the anti-scrubber rhetoric being widely disseminated around the industry can be pinned on stakeholders with a vested interested in discrediting scrubber systems.

Following an engine failure aboard the 2016-built, 209,200 dwt bulk carrier *Helena Oldendorff* earlier this month in the Singapore Strait, industry rumours were rife that the incident was related to the scrubber installation.

A spokesman for owners Oldendorf has denied that is the case but also pointed out that "unscrupulous people have made false claims about the incident", pointing to the political agenda that still colours much of the industry debate around scrubbers.

When Lloyd's List approached the Clean Shipping Alliance, a lobby group formed last year by major shipping companies that have invested in scrubber technology ahead of the 0.5% sulphur cap, for a comment, a spokesman pointed Lloyd's List to DFDS — a company that reports almost no downtime due to its scrubbers.

"As one of the first commercial operators of marine scrubber systems, ferry operator DFDS has just celebrated 10 years of continued operation of its first scrubber installation, on *Ficaria Seaways*. During this period the scrubber exceeded 55,000 working hours. DFDS also looked at scrubber off-hire for its fleet for the 12 months ending June 30, 2019. Results show a downtime of 0.0012%," DFDS's environment and sustainability director Poul Woodall told Lloyd's List in a statement.

Approximately 3,000 scrubbers are forecast to be installed by the end of the year as a means of complying with the International Maritime Organization's low-sulphur rules and the International Energy Agency has estimated that up to 30% of the world fleet will ultimately install a scrubber.

WHAT TO WATCH

UK Flag shakes off 'Brexodus' with new vision to become top performer

THE UK Ship Register has come out fighting in the wake of its pre-Brexit volume slump with a new vision to become "the world's best performing international flag".

The strategy, which focuses on quality metrics and a significantly reduced growth target, was launched amid a slew of new government targets and supports for UK shipping throughout London International Shipping Week.

The political uncertainties of the UK's exit from the European Union has seen over 30% of vessels flagged to the UK leave in the past 12 months, including heavy hitters such as CMA CGM, which pulled 49 of its ships from the UK "in light of Brexit and to avoid any uncertainty in the period with our fleet status and regulations". That in turn resulted in a government U-turn on the UK policy that had previously targeted a doubling of the flag size to 30m gt.

However, flag officials are confident that the Brexit impact has now stabilised and, having conducted a root and branch review of the flag and its remaining customer base, are confident that underlying quality of operations will support a recalibrated growth strategy of 12.5% over the next 12 months.

“We’ve listened and we’ve identified what we need to do to build a truly excellent UK Flag,” said Katy Ware, director of maritime safety and standards at the UKSR as she addressed a London International Shipping Week reception at the House of Lords on Wednesday evening.

Behind the scenes Ms Ware and her team have been interviewing customers, potential customers and those who have left citing commercial Brexit pressures, amid what she describes as a “period of inward reflection. The feedback offered specific areas for development which have been addressed or are underway, however the quality of flag operations was never questioned.

By focusing on a series of internal metrics around consistency of delivery and external benchmarks including QualShip21 and positioning on the Paris and Tokyo Memorandum of Understanding port state control league tables, Ms Ware is confident that the new vision to become the world’s best-performing flag can be measured and delivered.

In terms of tangible changes to flag operations, a new digitalisation strategy is already underway with an online registration portal currently being tested. Surveyor training programmes are being reviewed.

The real focus, however, according to Ms Ware is on the customer focus that the UKSR’s strategy will deliver.

“Customer focus has to date been tactical and in some cases short sighted... my goal is long-term strategic partnerships,” she told Lloyd’s List.

In terms of what that means for the recalibrated growth targets, UKSR officials are casting their net wider than ever in search of owners to flag in the UK.

The UKSR expanded its ownership eligibility criteria earlier this year, allowing Commonwealth countries to join the flag.

The UK is the ninth-largest shipowning nation by value, according to VesselsValue, which puts the flag’s current fleet value $30.7bn. By way of comparison, the top two nations, Japan and Greece, boast values of $107.3bn and $105.6bn respectively.

However, the ratio of that ownership does not necessarily translate into flag value. The UK is currently the 20th-largest flag state by value, with a total value of just $5.34bn, compared to the top two flag states, Panama and Marshall Islands, with values of £117.3bn and $99.73bn respectively.

Yellowhammer blow to UK ports may bring new opportunities

THE release of the UK government’s Operation Yellowhammer report, which describes the possible outcome of a no-deal Brexit, has brought attention back on to the UK’s ports and shipping sector and the role it will play in the UK’s departure from the European Union.

Congestion at ports and on the roads as trucks were forced to face customs checks in Europe could lead to shortages of food and medicine, the report says.

The report’s findings come as little surprise to anyone working in the UK’s ports sector, which has warned that a no-deal scenario will cause disruption at some ports and that the best Brexit scenario is a comprehensive deal that supports frictionless trade.

“The scenarios set out in the Operation Yellowhammer document are not surprising for British ports, which have been working on a range of scenarios with government for three years,” said British Ports Association chief executive Richard Ballantyne.

“The industry is as ready as it can be for a ‘no deal’ although it is clear that this is about mitigating disruption at certain ports, not avoiding it.”

Speaking at seminar on UK coastal shipping as part of London International Shipping Week, Mr Ballantyne warned that while ports and shortsea operators were doing all they could, the government itself remained poorly resourced to deal with Brexit.

“HMRC and the Border Force grant approval for ports to facilitate international trade, which has certain conditions about linking in with the HMRC systems and having inspection regimes and facilities, and they are heavily under-resourced," he said.

This contrasted with experience in Europe, where authorities had been much more helpful, according to Port of Antwerp UK representative Justin Atkin.

Belgian customs had been "really proactive" in both the UK and Belgium meeting shippers, he said.

"The referendum was held on June 23, 2016," Mr Atkin said. "By July 1, Antwerp had established a taskforce with the brief of preparing for a worst-case scenario."

That had allowed three years of planning.

"We have invested in our inspection facilities so there is a one-stop shop. We can't stop the inspections taking place, but we can make it much easier."

But despite the potential fallout described in the Operation Yellowhammer report, the ports and shipping sectors could stand to benefit from Brexit as trading patterns were realigned and some of the unforeseen consequences worked their way through.

"There are some real opportunities in UK ports, particularly around Brexit, and this is one area we see opportunity for the port of Antwerp," Mr Atkin said.

"We have already seen some consistent emerging patterns. Organisations are starting to reengineer their supply chains and we are seeing re-routing of cargo flows. One of the big changes we're seeing is the move away from accompanied to unaccompanied transport."

That was perhaps a consequence of 'Project Fear', in terms of delays, but one of the things driving that was not Brexit, which would be a catalyst, but a shortage of drivers.

"There is a shortage of 50,000 truck drivers serving the UK industry and that figure is going to get worse, as the haulage industry is heavily dependent on eastern European drivers and the UK is no longer attractive to them," Mr Atkin said.

DP World head of commercial James Leeson also said the company was seeing more interest from customers in shortsea services to Europe.

"I think the time when we've got something from London Gateway to the near continent to the east coast of Scandinavia is not that far away," he said. "We've had more than a few enquiries.

The Dubai-based company, which also owns P&O Ferries and European feeder operator Unifeeder, recognised that Dover was seen as a pinch-point for UK cargo flows.

"We are taking action with P&O Ferries to address that, and the market is there," he said.

"The conversion to lo-lo is happening, and the driver situation will get worse when trade picks up again."

But Moffat & Nichol analyst John Fossey warned that not all ports would be suitable for increased container volumes.

"Shipping lines are continuing to deploy larger vessels that would have access problems with some of these smaller ports," he said.

"Without the beneficial cargo owners being engaged and the supply solution being put in place, they are unlikely to maintain that sort of business. Developing a value-added logistics solution will be absolutely critical."

Many smaller ports lacked the infrastructure to take on container volumes," he added.

"For large ports, perhaps, there is an opportunity with Brexit for those ports to become more engaged in the transhipment business around the UK."

ANALYSIS

IUMI 2019: Not exactly good, but definitely less bad

THE marine insurance sector convenes in the commercial capital of Canada for its major annual worldwide gathering from Sunday through Wednesday, but writing a curtain-raiser for IUMI conference this time round has proved a harder task than previously.

Delegates assembled in Toronto will no doubt be presented with litanies of the well-known negatives that have dogged the niche for some time, and which are all too evidently still there.

But on the other hand, there is anecdotal evidence — now tentatively backed up by broker research — that that recent months have seen capacity contracting and rates firming across all marine classes.

For instance, a quarterly report from Aon last month spoke of double-digit rate hikes in marine cargo, ports and terminals and logistics. That is pretty much in line with what Lloyd's underwriters were earlier predicting had to happen.

And while the collective combined ratio of the marine market at Lloyd's last year was 116% points to ongoing hefty losses, that nevertheless represents a 6.4% improvement on 2017. Not exactly good, I guess, but definitely less bad.

However, it would be foolhardy to call a turning point on the basis of the limited and localised evidence that is in so far, especially when things are broken down a little more.

In hull, any hardening has been occasioned at least in part the withdrawal of many providers from one or more marine lines.

This is most obviously the case in London, where the Corporation of Lloyd's has for more than a year been engaged in some none-too-subtle behind the scenes arm-twisting.

ArgoGlobal's Syndicate 1200 last month became the latest of about a dozen to beat the retreat, citing unsustainable hull underwriting results.

The key here is the response from continental and Asian markets, which must decide whether or not they are tempted to pick up the slack. Should they elect to do so, the problem could be displaced rather than resolved.

From a big picture viewpoint, the number of major losses remains broadly stable. While the global fleet grew by around 3% in 2018, the number of total losses for vessels of 500 gt and above stood at a two-decade low, at just 21. The trend has been downward since 2010, and is consistent across all vessel types.

The rub is that the increased size, scale and complexity of modern tonnage — notably in the boxship category — makes for major casualties that can be more complicated and costly than in the past.

For chapter and verse on that line of thought, read Allianz Global Corporate & Specialty's annual Global Claims Review.

On the other hand, serious casualties excluding total losses remain stubbornly higher, and more numerous than they were five years ago.

Some 900 incidents were recorded in 2018, representing 1.6% of the global fleet, and a spike is expected when the numbers for the first quarter of 2019 are announced. Increased machinery claims are anticipated next year as a by-product of the 2020 sulphur cap.

The global marine insurance premium base continues to be eroded by reduced vessel values and reduced activity in some segments, with day-to-day attritional losses at the knocks and scrapes level accordingly becoming a greater concern than in the past.

Some market sources claim that shipowners are assuming higher deductibles or looking at larger aggregated deductibles across their fleets, to pare premiums.

One market source told Lloyd's List sister publication Insurance Day: "The hope is that the market will improve, but there are few signs of a significant upturn. As such, underwriters are under pressure from their clients to lower rates to reflect the shipping industry's continued doldrums."

Nor is the macroeconomic backdrop particularly propitious. World trade is still growing, although the rate of growth is down on 2018. Increased tariffs and fuel costs could conspicuously rain on the parade.

Trade relations between the US and China have deteriorated markedly since IUMI last met in Cape Town last year, and the UK's departure from the European Union now looks all but inevitable.

Cargo insurance — historically one of the most profitable marine lines — has not been making money for several years. Even if Aon is right that premiums are on the up just now, they remain just too low to cover losses and expenses.

To add to the headaches, natural catastrophes and vessel and port accumulations are making the risks harder to price, as loss experience offers less of guide than previously.

The recent spate of shipboard fires — including *Sincerity Ace*, *Yantian Express*, *APL Vancouver*, *ER Kobe* and *Grimaldi Grande America* — have also seen cargo insurers take a beating.

Indeed, the fire on *Maersk Honam* in March 2018 is likely to result in the largest general average loss in history.

Things look better in energy, where increased rates have seen increased capital expenditure and exploration activity, which has had an accretive effect, simply because there are now more projects to insure.

However, much of the capex has been directed at US shale projects, where insured values are considerably lower than those seen offshore.

With many fixed platforms operating well beyond their original design life, few data are available to help underwriters assess the level of risk.

That said, 2018 saw the lowest level of large losses in recent times, with nine serious incidents involving mobile offshore drilling units. There were 61 reported outages in offshore fields, the majority in the North Sea.

The common theme of IUMI conference this year is "Confronting the chaos for a sustainable future", was deliberated chosen to encourage and provoke a healthy debate, said the organisation's secretary general in an email exchange.

"Markets are challenged. Business hasn't been profitable. Underwriters lose their jobs. Marine business is closed for certain or for all lines of business, and not only in London.

"Changing business models represent challenges as well: How will we digitalise? Are we going to be disrupted? What is the future of the underwriter's job? Where do we get the data from and who owns it? "

IUMI president Richard Turner has been in post for a year, and will report on the progress he has made in the aims he set out in a major interview with Lloyd's List earlier this year.

His stated priorities include providing the best possible service to the 40 national associations that make up its membership; establishing IUMI as the leading provider of marine insurance educational material; data and digitalisation; and advocacy on issues ranging from low-sulphur fuels through to Arctic shipping, cyber risk, unmanned vessels and the recent run of fires on boxships.

The facts and figures committee report on Monday — presented by Astrid Seltmann of Cefor — will almost certainly provide one of the highlights of the week, as it does every year, when it provides the hard facts on premium development.

Ms Seltmann will be followed by Michelle Bockmann of Lloyd's List, who will detail how tension between the US and Iran is affecting shipping and insurance risk.

Canadian Coast Guard commissioner Jeffery Hutchinson will present on Arctic shipping from a Canadian perspective, while two senior lawyers will discuss cyber clause coverage.

On Tuesday, attention turns to legal and liability issues, with HFW's Richard Neylon addressing war risk in the Middle East Gulf and John Nicoletti of Nicoletti Hornig Sweeney on the shipment of dangerous goods. Jason Reeves of Zelle will explore the questions raised by climate legislation.

Helle Hammer of Cefor will lead the policy forum, with topics up for debate including the geopolitics of trade, while Rama Chandran will lead the ocean hull workshop, which includes the environment and the coming sulphur cap.

Wednesday's topics will include fires on container vessels, shipbreaking, the implications of 3D printing and digitalisation, the latter under the rubric of Mr Turner's president's workshop.

Definitely one of the best reasons to attend IUMI is the networking opportunities, and first-time attendee Nick Shaw, former Reed Smith lawyer who took over as general secretary of the International Group of P&I Clubs, will be among those taking full advantage.

"I am relatively new to the IG, so for me it's about meeting the insurance industry and key reinsurers," he said.

"I'll be there as part of the legal committee, to participate there and bring that back, and to answer questions raised to me about what the clubs are doing and how the P&I side is engaged with the industry."

So if you are showing up in Toronto, see you there. But if you can't make it, Lloyd's List will as ever bring you the best coverage available anywhere, including on-the-day summaries of key presentations and interviews with some of the many key industry figures who will be in town.

Futurist: Digitalise or die

SHIPPING companies that fail to embrace digitalisation will be the architects of their own downfall.

This is the view of Gerd Leonhard, a self-proclaimed futurist, chief executive of The Futures Agency and author of Technology vs. Humanity, who says failure to respond will undoubtedly lead to some paying the ultimate price.

Mr Leonhard, who was speaking at the Inmarsat conference during London International Shipping Week, sees the music industry as a poignant reminder of the fate of digital laggards.

He recounted how record stores have all but disappeared from the music scene having failed to recognise its own digital revolution. Record labels also face a similar reality having failed to take the next step of this technological journey taken by digital innovators.

Today the music market is dominated by Spotify and Apple, which moved on from paid for downloads to offer subscription-based streaming services.

"You don't want to be a record store," said Mr Leonhard.

This, he said, was an example of cutting out the middleman, and for shipping and logistics he fears history will repeat itself.

For the freight forwarders this spells particularly bad news where there is often as many as 15 players involved in the supply chain.

"How many of those are we going to cut out? A lot. Because technology makes it possible. It makes it fast, cheap, transparent and affordable, and the middleman goes."

Although he admitted music's journey was extreme, shipping must take note as it begins its own digital transformation.

"Anything that can be digitalised, automated or virtualised will be," added Mr Leonhard.

However, where there is risk there is also opportunity.

The rise of 3D printing has been singled-out as a threat to the container shipping business, where finished goods can be manufactured closer to market with only the raw materials required.

Mr Leonhard says that he expects one of the major container shipping lines to "seriously invest" in 3D printing in the very near future.

In the case of shipping's other big transformational journey, decarbonisation, he had equally strong advice for slow movers.

He said as the world wakes up to the issue of global warming, regulations will become increasingly tight and stringent.

Mr Leonhard said shipping and other sectors will be forced to react, so there is little time to waste. The advice is to act now.

"You will be the winner in the next five to 10 years," he said.

"So, if you are smart, you will decarbonise now".

OPINION

Viewpoint: The geopolitical seafarer

IT WOULD be a nasty surprise if, on your way to join a ship in a US port, or even taking your family for a holiday at Disneyland, you find yourself taken aside at immigration to discover your visa had been revoked, *writes Michael Grey*.

Worse still, the unsmiling agent reveals that you are being banned for life under anti-terrorism charges. And when you have recovered from the shock, imagining confinement in Guantanamo Bay, it is explained that as you have sailed on a merchant ship which had carried a cargo of Iranian oil, you are not welcome within US borders.

This, of course is a distinct possibility for those who have served aboard the very large crude carrier formerly known as *Grace 1*, which became *Adrian Darya 1* after its sojourn under arrest off Gibraltar and, by the time this article is printed, may well have changed its identity yet again.

The threatening message from the US State Department to anybody who may have served on board a ship carrying Libyan oil is equally worrying for seafarers in general, as it seems both unjust and stupid.

The International Transport Workers' Federation has pointed out this in commendable detail. Seafarers, it notes, "are being used as patsies by governments".

The US, anxious to present the greatest amount of muscle in its wide-ranging sanctions against the Iranian regime seems to be unaware that even the best-informed senior personnel on board very many ships have no clue about the beneficial ownership of the cargo they are carrying, let alone the ship itself.

You might have thought that in the country in which the modern system of "open registration" of shipping was invented, the opacity of the global shipping industry would be well understood.

There again, with US merchant seafarers mostly operating under the comfortable cushion of the Jones Act and its protection, they seem to have isolated themselves from many of the practicalities of modern international shipping.

The seafarer is concerned with whoever pays their wages and probably does not trouble to dig any deeper into the antecedents of the shipping company, while the owners/operators/managers (the terms are immaterial in this context) will be interested only in the payment of the agreed freight.

The actual ownership of the cargo, although it becomes important if sanctions are involved, may change several times on a voyage carrying oil, which makes the responsibilities of those on board even less relevant.

As the ITF points out, the final destination of a ship may be revealed to its master, only at a late stage of the voyage. "Land's End for orders" had certain ambiguities in sailing ship days and it is not much more precise in these days of instant communications.

What does the US State Department expect seafarers to do if the ship they are serving on board is deemed to be "sanctions busting"?

Their contracts, which they can hardly break mid-voyage, will be with ship or crew managers and if they wish to remain in gainful employment, they will be ill-advised to walk off.

It is in times of such crisis that the comfortable systems the modern shipping industry has constructed to keep the owners of its practitioners a confidential matter start to fall apart.

You may suggest that it goes far beyond shipping and with companies and corporations being bought and sold like lumps of cheese, most of us do not have a clue whether the companies we deal with are owned by the Turkish army pension fund, or a hedge fund. The chances are, these days, it will have Chinese ownership somewhere along the line.

But when hostilities threaten, when trade sanctions and disputes between major powers arise, those sailing under flags of convenience find themselves quite lonely.

The "international" nature of modern seafaring, with the nationality of the crew having no connection with the registration of the ship also make international laws and conventions seem almost irrelevant.

What is the point of a government getting seriously engaged diplomatically (even militarily) about the seizure of a ship in which its only connection to that government is a bit of paper indicating its registration?

The registration of a ship is of no real consequence until bad things happen, and then it can matter a great deal, when the capabilities of the flag flown to exert diplomatic pressure or offer actual protection in a hazardous area will be tested. And in most cases, it will be found wanting.

It would make a lot more sense if governments were rather more concerned with any of their nationals on board a ship that is in a diplomatic fix, rather than the ship itself.

While they can get very exercised about their tourists, merchant mariners invariably seem to come off second best. Seafarers, it is said "don't make waves".

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Indonesia's nickel ore export ban to hit supramaxes

JAKARTA's ban on nickel ore exports will have a negative impact on dry bulk shipping markets in the medium and long term, especially for the supramax and handysize sector, although its short-term effect could be positive.

Indonesia's Ministry of Energy and Mineral Resources announced that the Southeast Asian nation would stop nickel ore exports from January 1, 2020, two years earlier than initially indicated, to promote domestic processing.

The zigzags on Indonesia's raw export ban began more than six years ago as part of a long-term government plan. The intent is to capture the processing value of upgrading raw commodities domestically rather than exporting low-value, unprocessed ore.

The ban imposed in 2014 was relaxed in late 2017 to allow some exports to continue and these are running at around 2m tonnes a month, according to Braemar ACM. These volumes are set to come to an abrupt halt at the end of the year.

When Indonesia first instigated a ban on raw material exports in 2014 there was no nickel processing capacity in the country.

But currently, there are 11 working nickel smelters, with 25 new smelters under construction that will require 94m tonnes of nickel ore annually to operate. At present, there are only proven reserves of 698m tonnes in the country, which will only provide sufficient ore to last for another 7.3 years.

Moreover, the government is also pursuing the use of low-grade nickel as a raw material for batteries with the rising production of battery-operated electric motor vehicles.

Near term

Indonesia accounts for 27% of the nickel ore market and China heavily relies on imported nickel ore. The trade is usually carried out in supramax and handysize vessels.

In the first eight months of 2019, Chinese imports of nickel ore increased by 13.4% year on year to 26.2m tonnes, according to customs data, from 23.1m tonnes in the same period last year.

This is also more than twice the 11.9m tonnes China imported in January 2017 to August 2017 when the previous Indonesian export ban was still in place.

Nickel ore imports are the highest since 2013 before the previous ban was introduced, Banchero Costa's head of research Ralph Leszczynski estimates.

This means that owners engaged in these trades in Asia could feel a negative influence from the ban.

But while any restriction in trade is generally bad news for the freight market, there may be some short-term good news, if history is any guide, Braemar ACM noted in its weekly report.

Mostly because the nickel miners in Indonesia will increase their exports of ore for the rest of the year which will boost near-term nickel supply.

In late 2013, as producers faced up to the reality of the first export ban there was a surge in trade as stocks were liquidated and sellers rushed to fulfil contractual commitments.

This saw exports spike to over 8m tonnes in November 2013 and the regional supramax market climbed to over $13,000 per day as a result.

Except for a few days in 2017 it has not touched such levels ever since, until it reached those same levels again last week, when the Baltic Exchange S10 route for South China trip via Indonesia to South China hit $13,400 a day.

Longer term

With Indonesia's withdrawal from the market, China will have to look to its other suppliers for additional stocks.

The Philippines is the second-largest producer of nickel ore after Indonesia — they were the second-largest exporter to China in 2018 and rose to become the top exporter to China this year.

BMI research expects nickel miners in the Philippines "to enjoy a significant boost as nickel supply from the Philippines will move to replace Indonesian ore exports to China, as was the case during the prior Indonesian ore export ban in 2014-2016".

However, the Philippines, where many mines were also closed by the government for environmental protection reasons, most likely cannot increase export capacity to more than 25m-30m tonnes per year, so there will certainly be a shortage on the market which will result in fewer ore shipments, Mr Leszczynski argued.

If no other sources of nickel ore can be found, Chinese steelmakers will have to rely more on imports of refined nickel, from sources such as Russia or Indonesia itself.

From a shipping point of view this is certainly bad news, as processed nickel has a much smaller physical volume and weight than unprocessed ore, so shipping requirements will be reduced, Mr Leszczynski said.

"The problem for shipping is that the nickel metal content in the ore is normally very low, just 2%-3%, so when we talk about exports of refined nickel, we mean kilograms of the stuff shipping in containers in place of millions of tonnes of ore shipping in supramax bulk carriers."

Still, the better news is that the Indonesian government has said the 2022 date remains in place for the ban of bauxite and copper ore exports, so it is not a total end to Indonesian raw material exports.

However, the combined volumes of these commodities are only over half that of nickel ore.

IN OTHER NEWS

Wan Hai wary of escalating Asian 'skirmishes' on trade

SHIPPING has proven resilient amid the US-China trade war but greater political friction in Asia is a genuine concern, according to a senior official from Taiwan-based carrier Wan Hai Lines.

Speaking during a panel discussion at London International Shipping Week, Wan Hai Lines vice-president Randy Chen said: "There are some short-term effects that can distort trade flows. But there is some resilience in the system, where if there are established options for different industries you do not see that flow go away overnight."

But Mr Chen appeared more concerned by the potential escalation of what he labelled as "skirmishes" among Asian countries, and the implications. "The troubling thing that is going on is [if] the skirmishes are just something that is a short-term problem or if it is really a long-term politically-based trend that may result in more barriers to trade."

Stopford champions LNG road to decarbonisation

SHIPPING'S path to decarbonisation has been discussed at length at London International Shipping Week, but for one of the industry's most forthright thinkers, the journey starts with liquefied natural gas.

Speaking at the Hill Dickinson seminar on Wednesday morning, Clarkson Research Services non-executive president Dr Martin Stopford said the industry is stuck with diesel ships until at least the middle of the next decade.

With questions lingering regarding the technology on the market and availability of green fuels, Mr Stopford said LNG-fuelled ships with eco-design were "the next best thing", adding: "We should go down that road as soon as we can."

Baltic Exchange launches new index

THE Baltic Exchange has launched a new index to track the cost of operating vessels.

The Baltic Operating Expense Index, which will be published quarterly, will initially cover dry bulk vessels, with plans to expand the offering to tankers and other sectors, the London-based exchange said in a statement. Assessments will be provided by panel members Anglo-Eastern, Columbia Shipmanagement and Fleet Management, which collectively manage a fleet of more than 1,800 vessels.

Shell's Henderson aims for zero-incident future

SHELL'S vice-president for shipping and maritime has set out his vision for a future with zero incidents.

"A zero-incident industry is achievable, but it won't happen overnight, and it needs a lot of focused work," Grahaeme Henderson told a London International Shipping Week event focusing on crew welfare. "We are making good progress."

The oil major works with 400 companies in charge of 2,800 vessels on the water in its Partners in Safety programme, which, over a seven-year period, has seen improved serious incidents by a factor of four, he said.

Training around incidents is also important, he said, adding that Shell was developing eight wellbeing programmes for seafarers. Human error was the cause of more than 75% of accidents in commercial shipping. Looking at seafarers' mental health and wellbeing was becoming more of a global focus.

Hong Kong-flagged vessel detained in Australia for MLC contravention

THE pressure is building for negligent shipowners as Australian authorities moved to detain a second vessel in a week at a Queensland port, after crew members reported being owed more than $100,000 in unpaid wages.

Hong Kong-flagged, 2015-built. 34,443 dwt bulk carrier *Xing Jing Hai*, owned by Dalian-based Fortune Ocean Shipping and managed by Dalian Ocean Prosperity International Ship Management, was delivering clinker to the Port of Brisbane when it was detained by the Australian Maritime Safety Authority.

The International Transport Workers' Federation has also written to AMSA seeking an audit of sister vessel, *Xing Ning* Hai, in Port Kembla for similar failings under the Maritime Labour Convention.

US authorities allow two ships to leave Brunswick port as a trial

US COAST GUARD officials allowed two ships to depart from the port of Brunswick, Georgia, in an effort to obtain information useful to their work on the capsized ro-ro vessel *Golden Ray*.

The vessels are the 18,334 dwt car carrier *Emerald Ace* and the 38,890 dwt bulk carrier *Kujawy*. The newly opened Golden Ray Joint Information Centre said in a statement: "A decision was made to use two vessels that were docked at the port to allow a monitored transit so that we could evaluate how those vessels passing affected *Golden Ray*."

The centre said the data from the two ships was needed "as we continue to devise a plan to open the port". USCG officials previously announced that the port could be open to limited traffic as early as Thursday. However, yesterday Lieutenant Kit Pace from the centre said: "It is not necessarily the case that Thursday will stand."

Edward Liu appointed principal representative at ICS Hong Kong office

THE International Chamber of Shipping has appointed Hill Dickinson's counsel and legal director at its Hong Kong marine team as the principal representative of the ICS (China) Liaison Office.

He will take up the new post in early November when the office is officially opened. Mr Liu will also remain an active member of the Hill Dickinson Hong Kong marine disputes team.

To pursue its long-term strategic plans, the ICS decided early in 2019 to establish an office in Hong Kong in November. The secretariat and administrative affairs of the office will be provided and supported by the Hong Kong Shipowners Association.

Classified notices

Haikou Maritime Court (the "Court")
Notice

The dispute in respect of vessel mortgage and loan agreement between BNP Paribas as plaintiff and Brightoil Gem Tanker Ltd. (the "Defendant") as defendant was accepted by the Court on 28 January 2019. The Court has legally taken maritime preservation to arrest the mortgaged vessel, M.T. "BRIGHTOIL GEM", owned by the Defendant (the "Vessel") at Yangpu Port, Hainan Province. As the Defendant has failed to provide any security or guarantee and the arrest period has expired, and considering that it is no longer appropriate for the Vessel to continue to be under arrest, the Court made a civil ruling numbered (2019) Qiong 72 Minchu No.22 on 6 August 2019, ruling that the Vessel shall be placed into public auction. Therefore, online judicial auction will be held by the Court via Taobao Judicial Auction Online Platform (http://sf.taobao.com/0898/05, account holder: Haikou Maritime Court) from 10:00 am, 19 November, 2019 to 10:00 am, 20 November, 2019 (except for Bid Extension, defined below). For detailed information of the Vessel, please see the attachment to this Notice. All interested bidders are welcome to participate in the auction within the prescribed period as abovementioned via Taobao Judicial Auction Online Platform. Creditors shall register their claims relating to the Vessel to the Court within the 60 days commencing from the date of this Notice. Those who fail to register within this public notice period will be deemed to have renounced their rights to receive payments from the auction proceeds.

It is hereby notified.
Haikou Maritime Court
2 September 2019

Attachment:

Subject vessel of the auction: M.T. "BRIGHTOIL GEM";
Flag: Hong Kong;
Type of Ship: Double Hull Oil Tanker
IMO No.: 9602655
Classification: Lloyd's Register
Material of Hull: Steel
Navigation Areas: Unlimited
Length Overall: 333.14 m
Breadth: 60 m
Death Moulded: 30.4 m
Gross Tonnage: 161296
Net Tonnage: 110773
Deadweight: 299999
Draught Max: 22.625 m
Engine: HYUNDAI MAN-B&W 6S90ME-C8.2
The Total Engine Power: 30423KW
Date of Build: 18 March 2013
Builder: Hyundai Heavy Industries Co., Ltd
Registered Owner: Brightoil Gem Tanker Ltd.
Current location: At Anchor, Quarantine Anchorage no.1 of Yangpu Port, Hainan Province

2. The basis of this auction: A civil ruling numbered (2019) Qiong 72 Minchu No.22.

3. Time and method of auction: From 10:00 am, 19 November, 2019 to 10:00 am, 20 November, 2019. For this auction, a reserve price is set. If the reserve price fails to be matched or exceeded, the auction will cease and the Vessel will be deemed unsold. Bid extension is allowed for this auction. The auction period will be extended for another 5-minute period automatically ("Bid Extension") each time a bid is received within the last 5 minutes before the auction period ends. This extension mechanism will continue until no competing bid is received within the subsequent Bid Extension period.

4. Bidder's requirements: The bidder shall bear full responsibility for civil conduct. Where the laws, administrative regulations and judicial interpretations set out special requirements on the qualifications or conditions of the purchaser, such qualifications or conditions shall prevail with which the concerned bidder shall comply. Interested bidders shall firstly get registered on the judicial auction online platform and complete the real-name authentication process (those bidders who already hold a registered account should also complete the real-name authentication process). Bidders entrusting others to bid on their behalf shall confirm with the Court prior to the auction, and inform the online auction service provider. For foreign bidders, Hongkong, Macao or Taiwan bidders entrusting others to bid on their behalf, their certification of identification and entrusting procedures shall comply with the foreign-related procedural regulations set out in the PRC Civil Procedure Law. The bidders shall be responsible for their bids if they are disqualified from participating in the auction.

5. Auction rules: The auction is denominated in Renminbi. Starting bid: RMB390,000,000, deposit: RMB30,000,000, bid increment is RMB100,000.

6. Payment and currency: The payment and the deposit of the auction shall be made in Renminbi. In order to facilitate foreign, Hongkong, Macao and Taiwan bidders to participate in the auction, such bidders are allowed to make payment and deposit in US dollars. If they decide to effect a US dollar payment, they shall convert the relevant amount into US dollars at the prevailing exchange rate of RMB against USD on the date of payment, and make such payment into the Court's US dollars account. The gain or loss of the settlement shall be borne by the bidders.

The details of Court's designated USD bank account are as follows:
Acct name: HAIKOU MARITIME COURT OF THE P.R.CHINA
Acct No: 1010854200000118
Bank: HAIKOU RURAL COMMERCIAL BANK CO LTD
SWIFT code: HAIKCNBH
Bank address: No.37 Binhai Road, Haikou Hainan P.R. CHINA

7. Time limits on payment time and method of payment: Upon being named as the winner of the auction, the successful purchaser shall transfer no less than 20% of the purchase price of the Vessel to the designated account of the Court (the deposit paid for the Vessel auction can be used to set off part of such payment) on the same day of being named as winner of the bidding. Within 7 days after the successful auction, the successful purchaser shall pay the balance amount.

8. Confirmation and delivery of Vessel: Upon the completed payment made by the successful purchaser, it/he/she shall submit its/his/her ID to the Court for the Court's confirmation and to execute the auction confirmation. After the Court's confirmation, the Court will arrange and supervise the delivery of Vessel, and will execute a confirmation with purchaser after completing the Vessel delivery.
9. Enquiry and inspection: From the date of this Notice, enquiries are welcomed and on-site inspection can be arranged. Interested bidders are kindly advised to contact the Court first and proceed to the location of the Vessel as arranged for inspection.

10. The condition of the subject Vessel: The condition of the subject Vessel is on "as is" basis. The Court makes no guarantee on any defects of the subject Vessel. Reminder: (1) Bunker, whether MGO or MDO, in the Vessel is not included this auction, and Bunker quantity is subject to actual storage at the time of handover as there might be bunker consumption during the auction period, and bunker will be calculated separately as per the market price; (2) Interested bidders are welcome to inspect on-site; (3) The Vessel's certificates are not preserved by the Court, which can be available for inspection in the course of on-board inspection of the Vessel. As to other information related to the Vessel's registration, bidders can make enquiries to the Registrar of Ships according to relevant laws and regulations of Hong Kong Special Administrative Region; (4) Bidders whom have not completed on-site examination shall be deemed as having accepted the actual conditions of the subject vessel, whether known or unknown to the bidders.

11. With respect to the issues relating to the procedures of the Vessel's registration and change of flag and processing time, bidders are reminded to provide the relevant authorities the necessary details by themselves before participation. The purchaser is responsible for processing the necessary ownership transfer and registration. The purchaser is also responsible for any failure or delay in processing the relevant procedures, including due to actual conditions or defects of the subject vessel.

12. In order to complete the ownership transfer and registration procedure with the relevant vessel registration authority, the purchaser will be provided with the court enforcement civil ruling issued by this Court. All the related tax, expenses and fees which accrue or may accrue will be for the account of the purchaser.

13. All parties involved or related to the subject Vessel (including the parties of case, the pledgees (the security holders), the persons with preemption right) are eligible to participate in the auction. Those who did not participate are welcome to follow and observe the auction process.

14. Creditors shall register their claims relating to the Vessel to this Court within the 60 days commencing from the last day of this Notice being published in newspapers. Those who fail to register within the public notice period will be deemed to have renounced their rights to receive payments from the auction proceeds.
15. Relevant contact details of this auction (if foreign bidders would like to contact with the Court, please follow the international dialing guideline at your location when making phone calls to mainland China at the following numbers)

For credit registration, please contact LIU Lin at 0898-31297881, 16639633550.

For supervision, please contract LIN Tiancai at 0898-66253909.

For case details, Vessel conditions and inspection, please contact LIU Lin at 0898-31297881,16639633550.

For enquiries on the auction procedure, please first contact Taobao technical service hotline at 400 822 2870. If Taobao's customer service is unable to respond to queries which are better addressed by the Court to deal with, please contact GAO Jingwei of external entrustment and management department at 0898-66264315,15203037252.

Address of Haikou Maritime Court: No.74, Renmin Avenue, Meilan District, Haikou, Hainan Province
Address of Yangpu Detached Court of Haikou Maritime Court: No.8, Shadi Road, Yangpu Economic Development Zone, Hainan Province.

Website: www.hkhsfy.gov.cn

For further assistance and guidance in relation to the auction procedures, please contact BNP Paribas – William Poole (William.poole@asia.bnpparibas.com / +852 2909 8752) or Terrence Tan (terrence.tan@asia.bnpparibas.com / +65 6210 1935).

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**