Tuesday September 17, 2019

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

LEAD STORY:
Shipping shakes off short-term Saudi disruption but awaits detail on energy trade outlook

WHAT TO WATCH:
Between Abqaiq and a hard place

Cut in Saudi output to hit tanker rates, but prospects may brighten

2020 sulphur cap complicating bunker effect of Saudi oil output cut

Aramco pleads for flexibility on crude grades and delivery schedules

Asian importers confident of Saudi supply but cast wary eye on outage duration

OPINION:
How to future-proof shipping

ANALYSIS:
Between the lines: Blank sailing into the void

MARKETS:
IUMI president reports expansion over past year

IN OTHER NEWS:
Equinor cleans up hurricane-damaged oil terminal in Bahamas

Golden Ocean invests more with Singapore Marine

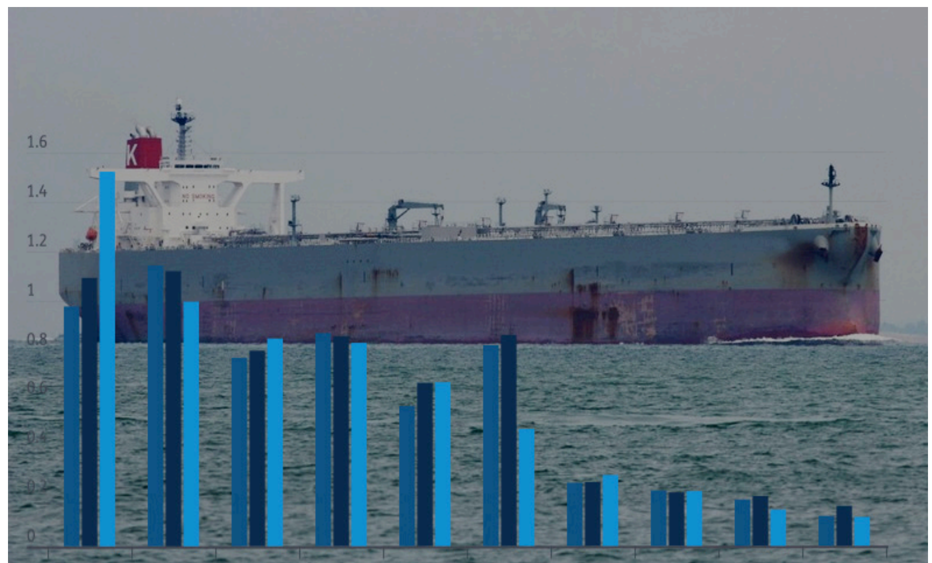
Cargill and Maersk Tankers to run joint pool

Cosco Shipping names Feng as ports chairman

M/Maritime adds two Japanese-built bulkers

Stena Impero to be released by Iran 'in days'

Shipping shakes off short-term Saudi disruption but awaits detail on energy trade outlook



THE SHIPPING INDUSTRY has been left dividing its attention between the immediate fallout of a 20% hike in the oil price — the biggest spike in almost 30 years — and the potential mid-term implications of Saudi Arabian production potentially not being back up to full production for months rather than weeks as had been initially assumed.

Saturday's attack on Saudi Arabia's pivotal Abqaiq processing facility and Khurais oil field shut off 5% of global crude output, triggering the biggest surge in oil prices since 1991.

Prices eased after the US confirmed the release of emergency supplies and oil producers reassured markets with details of well stocked inventories that will more than make up for the shortfall immediately, but the fallout for shipping markets is still far from clear.

Lloyd's List Intelligence vessel tracking data showed very large crude carriers stacking up outside the country's largest oil export terminals in the port of Ras Tanura, which can normally handle about 6.5m barrels a day. While any immediate congestion is likely to quickly dissipate once operators redirect vessels around the immediate shutdown, the attack has cut Saudi exports by about three VLCCs per day, most of which are intended for the Far East, in particular for China.

Saudi Aramco has sought flexibility from its major crude buyers in Asia to take heavier grades and switch or delay loading dates following

supply disruptions from its two key plants that pump out light sweet crude. But so far the mood from importers does not seem panicked and Asian importers of Saudi oil have expressed confidence that they will still have access to supplies even if the market turns to a slight premium from the discount previously forecast due to a slowing global economy.

Oil reserves are well stocked in Saudi Arabia and internationally, where most countries chose to build up inventories during 2014-16 when oil prices were lower, but the prospect of alternative sourcing of oil by Asian importers in the event of mid-term disruption could dramatically redraw the current energy trade routes and offer significant opportunity for tanker tonne-mile extensions.

The key to the long-term picture remains how long it will take Saudi Arabia to get production back up to speed in the wake of the drone attack. Estimates and reports at this stage remain a matter of speculation. However, the current consensus view appears to be that the time frame will be measured in months rather than weeks.

"I think we will be surprised how long it takes to get Saudi production back online fully," said Peter Sand, BIMCO's chief shipping analyst. "Coming so soon after the fire that shut down Philadelphia Energy Solutions refinery complex in late June, we know how difficult it is to get refineries back online quickly. Anything as damaging as attacks like this — I think it's wishful thinking to suggest a refinery like [Abqaiq] can be rebuilt in weeks."

While the timing of Saudi's production resurrection is key to calculations, Mr Sands urged perspective when taking the long view. "Even with this significant disruption we could see countries draw down on stocks and cover the shortfall for the next year and a half if necessary — we can remain cool for some time yet and don't forget it's still very early days," he told Lloyd's List.

A more immediate concern for shipping will be the mid-term implications for bunker prices. While the attack has not yet had a significant impact on the bunker supply market, higher costs for marine gasoil, which is heavily linked to oil future pricing, will inevitably see a hike in anticipated pricing.

"Going into 2020 and the challenge of passing on these higher costs of already more expensive fuels will be increasing, and this attack is only going to add pressure on the industry as it readies itself for the January 1 [sulphur emissions] deadline."

WHAT TO WATCH

Between Abqaiq and a hard place

SAUDI Arabia spends billions of dollars on defence, but not enough to prevent the weekend attacks on Abqaiq. Half of Saudi oil production, around 5m barrels per day, has been taken offline for an indeterminate period. Oil prices jumped by over 20% on Monday morning, before falling back a bit to add around $8 per barrel, which traders seem to accept as an appropriate geopolitical risk premium. How will the attack and its consequences bear upon the shipping markets?

1. War risk in the region will rise. The problem is not that this attack happened, it's that it could presumably happen again and again. The US is pointing its finger at Iran for the attacks and will use them to ratchet up pressure on the country. However, with John Bolton invited to pick a window conveniently just before the attack, there is one less hawk in the White House to advise immediate bombing raids on Iran.

Knocking out Iranian oil production would make little difference to its exports, which have practically fallen to zero. Setting off a full-scale regional war between Saudi Arabia, backed by Israel and the US on one hand and Iran, backed by Russia and China on the other, would be Bad News.

2. Variable effects on inflation and GDP. The rise in oil prices is probably baked-in now. There is no viable alternative producer, though a combined effort by the Organisation of the Petroleum Exporting Countries plus Russia could go some way to plugging the gap in oil supplies.

Higher oil prices will filter through to consumer inflation figures. How will central banks react, given that recessionary signals have pressured them to cut interest rates? Higher oil prices might drive a spike in inflation, but they may also undermine economic growth rates, increasing recessionary risk and reducing oil consumption growth rates which are already below 1% for this year.

3. Variable effects on Forex. Higher oil prices will impact negatively on importer-consumer nations but

positively on exporter-producer nations. There will be opposing pressures on growth and consumption and therefore on foreign investment and on forex rates. Variable reactions by governments and central banks will follow.

Indebted, energy import dependent, developing economies face the biggest challenges. India, we're looking at you.

4. Bunker prices will rise. Just what we need, with IMO 2020 looming... If higher oil prices are now baked-in, then higher bunker prices will follow. That may lead to an increase in demand for scrubbers, as shipowners seek the cheapest fuel, assuming it is available.

If Saudi exports are replaced by heavier crudes produced elsewhere, then more fuel oil grades might be produced. Conversely, if Saudi crudes are replaced by more US shale and other light sweet crudes, then more light ends will come out of refineries. Whether ship operators will be able to pass through higher bunker costs in total or in part remains to be seen.

5. Tanker trades will alter. In the short term, Saudi exports have been cut by about three very large crude carriers per day, most of which are intended for the Far East, in particular for China. Assuming that China decides not to go for sanctions-busting purchases of Iranian oil, its most likely alternative supplier is Russia. China may also draw on the strategic petroleum reserve it built up in 2014-16 when oil prices were lower.

Alternative Opec suppliers may add exports from the Middle East. West Africa faces logistical impediments to export growth. US exporters may find China links additional purchases to its trade discussions with the Trump administration. In previous moments of supply constraint, China has bought spot cargoes from Europe, in particular the North Sea, which may happen again. If half of Saudi production remains off-line for months, we may well see some buyers such as Japan and China switching from oil to natural gas imports to make up some of the shortfall in crude availability.

The out-turn for the shipping markets depends on the balance of these five consequences. Tanker markets will be most directly affected. If the loss of three Saudi VLCC exports per day cannot be replaced by other Gulf nations, then crude oil tanker tonne-miles will grow unless higher oil prices choke off demand by three VLCC cargoes per day.

A 5% reduction in global oil demand seems unlikely. It didn't happen in the maelstrom of the global financial crisis, so expect a short-term scramble for cargoes to drive crude oil tanker freight prices. Spot gas tanker markets may benefit if there is any fuel switching or if petrochemical buyers find gas feedstock cheaper than oil feedstock.

Liner companies will press customers for bunker adjustment factors in the midst of what has been rather a damp peak season. Good luck with that! Bulk carrier markets are being driven by other fundamentals and should not be derailed in the short term. All ship operators will have to find a way to pass through higher fuel costs beyond what was expected under the new emissions regime.

Finally, the situation is extremely fluid, and all of these conclusions could change in short order.

Cut in Saudi output to hit tanker rates, but prospects may brighten

TANKER rates will likely be damped by the recent attack on Saudi Arabia's key oil plants — including the Abqaiq processing facility and the Khurais field — in the short run, but the longer-term prospects remain upbeat.

The drone strikes on Saturday have taken 5.7m barrels per day of the country's oil production capacity offline, although energy minister Prince Abdulaziz bin Salman later indicated that "part of the decrease will be compensated for its customers through stocks".

This level of disruption has been unseen since the 1990 Gulf War, which had caused 4m bpd of crude production to be suspended in Kuwait, said Yan Hai, an analyst at China-based Shenwan Hongyuan Securities.

"The odds are high that freight rates for crude tankers will drop in the short run," he said.

While Saudi Arabia's output halt and the resulting spike in pump prices were expected to hit oil demand, vessels in the Gulf region were unlikely to

move elsewhere anytime soon, argued Mr Yan, a former Clarksons analyst.

"It is on the eve of the traditional peak season for tanker shipping now, so ships in the Middle East are reluctant to travel far for cargo in the Americas or West Africa," he explained. "They want to pick up the crude here and take a round trip to Asia then come back in a month at the right time."

Looking ahead, the market direction will depend on how much and how quickly the Saudis can restore the production.

Most of the production was initially expected to come back online by Monday, then this was later pushed out to Tuesday. Reuters quoted a source close to the matter as saying on Sunday that Saudi's return to its full oil supply capacity after Saturday's attacks could take "weeks not days".

Amin Nasser, chief executive officer at Aramco, the kingdom's state oil company, said that it would provide an update on Tuesday.

"Saudi Arabia will do what it can to calm the market. That means drawing on (considerable) domestic inventories to maintain exports." Arctic Securities said in a note.

Saudi Arabia reportedly has almost 188m barrels of crude inventory as of the end of June, according to the Joint Organization Data initiative. Assuming zero production, the available stockpile can help cover between 26.8 days and 32 days of supplies from the leading Opec producer, analysts' estimates showed.

Mr Yan reckoned that if Saudi Arabia can narrow the volume reduction to 2m bpd, the extra long-haul crude from the US and West Africa should then be able to support tonne-mile demand and shore up rates.

"Shipping distance from the Gulf Coast or West Africa to Asia is about 2-3 times of that from Middle East, so even an increase in exports of 1m bpd from the former is enough to offset the negative impact of the Saudis' production cuts," he said.

Global spare capacity currently stands at 2.3m bpd, although more than 1.6m bpd of this is in Saudi Arabia, according to Platts estimates.

"Going further, the attitude of the other major oil producers, especially the US, is going to be very important to determine the market," said a China-based very large crude carrier owner. "And there's already positive signs from Washington."

US president Donald Trump said on Sunday in a Twitter message that he had authorized the release of oil from the US strategic petroleum reserve following the day-ago attack. It will be "in a to-be-determined amount sufficient to keep the markets well-supplied," Mr Trump added.

The US could offer as much as 2.12m bpd of SPR crude to global markets, while as much as 1.74m bpd of additional marine distribution capacity would likely be needed in the event of an Abqaiq attack, according to a 2016 report by the Department of Energy.

As of last Friday, the SPR held 644.8m barrels of crude in four sites in Texas and Louisiana, including 250.3m of sweet crude and 394.5m of sour crude, according to the DOE.

"I don't think Trump wants to see oil prices soar, which overall is going to add pressure to the US economy," said the owner. "They will increase imports and we believe more and more VLCCs will be heading to the Gulf Coast."

Arctic Securities expected that refinery purchasing managers were now considering inventory building and security of supply.

"Oil will be harder to come by and will have to travel farther from US, Brazil, Russia. In such a scenario, the opportunity cost of being uncovered on transport is bound to rise, hence pushing rates higher and available tonnage lower," the brokerage house said.

Any removal or relaxation of sanctions on Venezuela and Iran can also be key factors, with speculation arising after Mr Trump dismissed his national security advisor John Bolton last week.

A softer stance against Venezuela would help alleviate the crude supply shortage and bolster freight rates, Mr Yan said, as the country owned little shipping capacity.

Iran, with a large tanker fleet, was a different story, he added.

But the fact that the US Secretary of State Mike Pompeo earlier blamed Tehran for the drone strikes against the Saudis has made that less likely to happen.

"Given Pompeo's stance, we will unwind the about $5 [per barrel] move lower last week that was largely driven by fear that Trump was planning to roll back sanctions on Iran," Goldman Sachs said in a note.

Mr Yan said that if Riyadh could recover the production around November this year, the peak-season effect, together with demand for building crude stockpiles -might even give VLCC rates a "larger-than-expected" push.

Signs of improving relations with Iran also seemed to emerge earlier in the day, with Foreign Ministry spokesman Abbas Mousavi reportedly saying Tehran may release UK-flagged tanker *Stena Impero* in a few days, with only several formalities remaining.

"The court hearing on this is almost finished, there are several small formalities that will be solved in the next few days and the ship will be released," Mousavi was quoted as saying.

There has been a steady escalation in tensions in the Middle East Gulf since May when the US's re-instating of sanctions on Iran took full effect. Within weeks, a spate of attacks hit four tankers, two of them Saudi-owned, which were blamed on Iran, were carried out. In June, another two vessels were attacked, also in the region of the Strait of Hormuz.

In July, British Royal Marines seized Iranian-owned very large crude carrier *Grace 1* off Gibraltar on suspicion of violating European Union sanctions on exports to Syria.

Within a week, Iranian Revolutionary Guards started threatening UK-flagged shipping in the straits, and British warship *HMS Montrose* had to come to the assistance of Isle of Man-flagged, BP-operated tanker *British Heritage*, issuing verbal warnings and aiming weapons at boats believed to be from the IRG.

Iran seized British-operated oil tankers *Stena Impero* and *Mesdar* on July 19, but the latter vessel was released after receiving a warning from Iranian authorities. *Stena Impero* remains under detention in Iran.

2020 sulphur cap complicating bunker effect of Saudi oil output cut

THE abrupt drop in Saudi oil production and exports has not had a significant impact on the bunker supply market despite price hikes, according to Danish bunker supplier Monjasa.

Bunker prices spiked for heavy sulphur fuel oil in all main bunkering hubs on Monday after an attack on Saudi Aramco facilities removed 5% of global crude oil supply from the market and sent Brent crude price soaring by around 20% to almost $72 before falling to around $66.4 later during the day.

Saudi Aramco has not confirmed how long it will take for it to restore the damaged pipeline, but latest media reports on Monday suggested the firm was not optimistic about a speedy recovery.

So far however, there does not appear to be direct operational implications for bunker suppliers, according to Monjasa chief operating officer Svend Stenberg Mølholt.

He told Lloyd's List that there are no significant impacts on the supply chain now and they are not suffering on the supply side.

"There may be some buyers who will take a wait-and-see approach, due to price hikes, so there may be a few people taking a couple of days before they buy bunkers," he said.

But Mr Stenberg Mølholt, whose Monjasa supplied 4.1m tonnes of fuels to ships in 2018, believes that with the 2020 sulphur cap ushering in the production of very-low sulphur fuel oils in refineries and procurement from bunker suppliers, there is already a lot of balancing being done in different products in different regions.

"So, I think the overall effect will be in price rather than supply," he said.

This volatility and sudden price spike can prepare the sector for what to expect when it transitions to the more expensive VLSFO on January 1, 2020, he said.

If the oil base price continues at a higher level, the price of all products correlated to Brent, will also increase, namely VLSFO which is just being introduced in all markets, Mr Stenberg Mølholt added.

John Papaioannou, chief financial officer of Okeanis Eco Tankers, the Oslo-listed firm that controls suezmaxes and very large crude carriers, expects that even though it is still early days, the attack on the Saudi facility will mean bunkering activity will increase in Singapore at the expense of Fujairah.

"In terms of adjustments to our operations, we may look to increase our presence in the US Gulf Coast and seek to procure bunkers in safer, more stable markets (for example Rotterdam, Singapore) where possible," he told Lloyd's List.

Mr Papaioannou expects attacks on Saudi Aramco will adversely impact VLCC liftings in the short term.

However, these will be offset somewhat by increased volumes from the US Gulf Coast, which will be further supported by a widening Brent — WTI spread and release of inventories from the US Strategic Petroleum Reserve, whose use US President Donald Trump authorised over the weekend.

"Higher bunker prices will adversely impact time charter equivalent earnings in the absence of an increase in the per tonne rate. Inventories close to demand centres (for example Rotterdam, Okinawa) will be drawn down," said Mr Papaioannou.

While the medium-term outlook depends on how quickly Saudi Aramco is able to restore output, Mr Papaioannou said, he added that longer term, this can potentially be positive for tonne-mile demand, driven by an increase in long-haul exports from west of Suez markets.

Aramco pleads for flexibility on crude grades and delivery schedules

SAUDI Aramco has sought flexibility from its major crude buyers in Asia to take heavier grades and switch or delay loading dates following supply disruptions from its two key plants that pump out light sweet crude, Argus Media reported.

The pricing agency, in citing a senior official at India's state-controlled refiner, Bharat Petroleum, said that Saudi Arabian officials have said crude supplies to India will be maintained.

But they also called on buyers to be flexible on what grades they take, the BPCL official said.

The drone attacks on Saturday targeted the Abqaiq crude processing facility and a second plant at the Khurais field that pump out Saudi Arabia's flagship export grades, Arab Light and Arab Extra Light.

All in, the attacks forced a cut of 5.7m barrels per day in crude production capacity.

Grade switching can present "desulphurisation unit problems" for refineries, Argus Media reported citing another official at a northeast Asian refiner.

Asian importers confident of Saudi supply but cast wary eye on outage duration

ASIAN importers of Saudi oil expressed confidence that they will still have access to supplies but the market may turn to a slight premium from the discount previously forecast due to a slowing global economy.

An attack on Saudi Arabia's main Abqaiq crude processing facility and the kingdom's second biggest oilfield, Khurais, on Saturday, sounded alarm bells over potential supply disruptions from the world's top oil producer.

India's Hindustan Petroleum Corp downplayed the prospect of a supply disruption, noting that the Saudis have not declared force majeure and planned to draw on their stockpiles to meet supply commitments to their clients.

South Korean refiner S-Oil, which relies on Saudi Aramco for most of its crude supplies, said that supply disruption was "unlikely" given the available reserves Aramco can draw on.

Saudi crude, which is generally a mix of heavy to medium sour oil, is popular with complex refineries in Asia, the US and Europe.

Platts estimated that about 10% of Saudi's overall crude exports get shipped to Europe through the Red Sea.

South Korea imported 323m barrels of crude from Saudi Arabia last year, accounting for nearly 30% of the Northeast Asian country's total crude imports.

India imported about 19% of its crude from Saudi Arabia during the last fiscal year.

Platts analytics projected that the attacks would add a potential $5 to $10 per barrel premium to oil prices, factoring in higher risks to Middle Eastern supply and the sudden elimination of spare capacity from the region.

The attacks were also expected to reverse a previously projected $5 to $10 per barrel discount on oil prices on the back of bearish macroeconomic influences.

Argus Media's chief economist David Fyfe suggested that even if trade flows are restored within weeks, crude prices would transition to a higher level for the balance of 2019.

"Medium sour grades including Urals, Forties and Murban will be bid higher, notwithstanding a market that will soon be seeking out sweeter barrels as part of the international shipping's mandatory low sulphur transition next year; the medium-term risk is that higher crude import costs now and into the first half of 2020, exacerbating an already weakening macroeconomic environment."

Brent crude oil for front-month loading traded at $66.17, up $5.9,5 or 9.88%, as at 1220 hrs Singapore time. In a knee-jerk reaction, Brent futures saw a nearly 20% spike in prices when trading first opened.

However, looking ahead, any further impact will depend on the duration of the outage.

Noting that Abqaiq and Khurais are main processing centres for Saudi Arabia's Arab Extra Light and Arab Light crude oil, Wood Mackenzie research director Vima Jayabalan said:

"Saudi Arabia has enough reserves to cover the shortfall over the next week, but if the outage extends, then filling the gap with the right type of crude quality could be a challenge. Moreover, OPEC+ output cut predominantly consists of medium and heavy sour crudes."

She added: "China, South Korea, Japan and India are the biggest takers in Asia, with China and Japan leading the pack at an average of 900 – 1,100 kilo barrels per day each."

Estimates from Argus Media came in at higher end of the band, with Mr Fyfe suggesting that China, Japan and India each now taking about 1-1.5 m barrels per day of crude from Saudi Arabia.

Ms Jayabalan also highlighted the fact India has the smallest reserves and could thus be the most exposed. On the opposite side of the spectrum, China is in a better position, with strategic petroleum reserves as well as commercial crude storage, while Korea and Japan have IEA reserves to fall back on.

"Collectively, Asian demand for Saudi Arabian crude is around 5m barrels per day; accounting for almost 72% of Saudi Arabia's crude exports," Ms Jayabalan noted. She reckoned Asian consumption of Arab Extra Light and Arab Light grades alone from the affected facilities varies between 2.5m and 2.7m barrels per day seasonally, with the region's dependence on Saudi Arabian supplies increasing significantly over the last 1.5 years.

Meanwhile, turning to the downstream segment, Ms Jayabalan said: "In terms of refining and petrochemicals, the spike in crude oil prices will dent margins further."

WoodMac also highlighted a possible impact on the bunkering market as the latest development further complicates the imminent IMO 2020 transition. While noting it is still premature to make a full assessment, she also pointed out that "a prolonged outage and/or further upside above-ground risks in the near term could have an impact on the preparation ahead of the IMO marine bunker specifications change".

Saudi Arabia reportedly has almost 188m barrels of crude inventory as of the end of June, according to the Joint Organization Data initiative.

Assuming zero production from Saudi Arabia, the available stockpile can help cover between 26.8 days and 32 days of supplies from the leading Opec producer, analysts estimated.

Saudi Arabia holds crude in domestic tanks as well as sites in Egypt, Japan and the Netherlands, according to Platts, a leading crude pricing agency.

The drone attacks, which the US government has blamed on Iran-backed rebel groups, have hit 5.7m bpd of crude production capacity in Saudi Arabia, or nearly half of the kingdom's output.

Meanwhile, as a side effect, tanker rates in the Middle East Gulf may see some support from a possible rush from importers of Saudi crude to front-load cargoes. An analyst, citing the availability of Saudi crude stockpiles to tide over any supply disruptions to key consuming countries in Europe and Asia, flagged the front-loading of cargoes as one possible outcome.

OPINION

How to future-proof shipping

BEFORE London International Shipping Week, the maritime headlines were dominated by possible consequences of the trade spat between the US and China. Momentarily the spotlight was on the outlook for the UK after the divorce from the European Union; now all eyes are on rising tension between Saudi Arabia and Iran, *writes Richard Clayton*.

Latest news on each of these issues can be found elsewhere in Lloyd's List. Shipping's leaders must be feeling punch-drunk as each week brings further headaches.

Add in protests in Hong Kong, which have paralysed one of the world's great maritime hubs each weekend since March; the endless conflict in Yemen; and the devastating Hurricane Dorian, for which estimated insured losses are given as between $4bn and $8.5bn covering damage in the Caribbean and US.

Meanwhile, there is an undercurrent of populism and protectionism eating away at globalisation, which has been shipping's meal ticket for several decades. Most significant of all is the growing crisis of climate change, which is forcing shipping to respond. This emergency is hitting hard: drought is driving migrants over borders; altered weather patterns bring devastating storms; crops are devastated.

Then there is the push for shipping to join the digital economy, to embrace artificial intelligence, to collaborate in blockchain, to work with additive manufacturing rather than against it.

It is looking an impossible task for shipping's leaders to "future-proof investment", as they were urged to do in London last week. Spending huge sums on digital analysis may reduce emissions by a few percentage points but it would not stop an attack in the Gulf of Guinea; preparing for a revolution in nearshoring — a transferring manufacturing to a location nearer the customer — would not solve Brexit.

Shipping must have leaders who are audacious, collaborative and innovative, London was told. Ah, well! The benefits of being timid, isolated and backward-looking have always been overrated.

But how innovative do they want shipping to be? An owner who has invested $90m in a very large crude carrier has a limited range of options for its employment. A third-generation owner who operates a fleet of inland waterways vessels in Europe will not invest in anything else.

There is little mobility between sectors, types and sizes: you stick with what you know, and you know what you grew up with. Shipping is not an industry willing to take bold risks because the stakes are already high. Further, it has been slow to take on new ideas or new ways of thinking. It is not without good reason that containerisation was the last great game changer.

But shipping's leaders can be a lot more collaborative. Working more closely with companies that operate the same ships, run the same type of terminals and employ the same seafarers makes sense. Combining with companies that can offer access to different markets, strengthen areas of weakness, and provide much-needed funding seems eminently reasonable.

In a world battered by repeated external blows, the traditional ways no longer cut it. But taking reckless risks will led inevitably to bankruptcy sooner or later.

When all the seemingly reasonable factors have been eliminated, the only option left — working together to defeat external challenges — must be the answer.

ANALYSIS

Between the lines: Blank sailing into the void

THE issue of blank sailings — the intentional voiding of a sailing in order balance supply to the available demand — has received considerable attention from industry stakeholders in recent years, not least from cargo owners and freight forwarders, who have to deal with the supply chain disruptions caused by the unavailability of a planned sailing, *writes the Sea-Intel chief executive Alan Murphy*.

We have covered the topic of blank sailings extensively in our weekly analytical report, the Sea-Intelligence Sunday Spotlight, usually focusing on trade-specific levels of blank sailings in the past or expectations of future blank sailings or criticising the inability — or unwillingness due to tactical considerations — of shipping lines to announce their blank sailings well enough in advance.

In recent issues of the Sunday Spotlight we added another level of analytical perspective, investigating the prevalence of blank sailings on a carrier alliance and individual service/loop level, on the Asia-Europe and transpacific trades.

Before we delve into the detailed analysis, it is important to understand what exactly we are measuring here.

We wanted to determine if there are certain services that alliances preferred to blank sailings on, and conversely, if there were services that have very rarely seen a sailing blanked.

Since not all services have been in operation for the same amount of time, we aimed to have a similar basis of comparison for the amount of sailings that have been blanked on each service.

To that end, we introduced a new measure called average time between blank sailings, which is calculated in months.

In simpler terms, if a service has been active for 40 months, and it has only seen 4 blank sailings, then, on average, there has been one blank sailing for every 10 months, i.e. an ATBBS of 10.0. The higher the ATBBS, the better it is from a service disruption point of view.

The service with the lowest ATBBS, and thus the highest relative level of blank sailings, is Ocean Alliance's AEU9 service, but it should be noted that the service was only launched in April 2019 and may reach a more "average" level once it has been in deployment for a full year. After that, the Alliance's FE2, 2M's AE2/Swan and Ocean Alliance's AEU7 are the services with the highest ratio of blank sailings to operational months, with a blank sailing occurring every two-three months, on average.

The AE2/Swan has been blanked a total of 23 times; however, it (along with the 2M-alliance), has been operational for two years longer than the Ocean Alliance and the Alliance services.

The biggest take-away, however, is Ocean Alliance's AEU3, which has never been blanked in its operational life of 32 months.

While this would technically give it an ATBBS score of infinite, we have assigned it a value of 32.0 for visual representation, which is the maximum time period that it has been active for, but we have removed the value so as not to confuse it with services that have also been running for 32 months, but have seen a single blank sailing. 2M's AE1/Shogun and AE10/Silk have very high ATBBS scores of 19.7 and 14.8 respectively, while Ocean Alliance's AEU5 has an ATBBS of 16.0.

It is also interesting to note that none of the Alliance's services have an ATBBS higher than 7, while none except FE2 have an ATBBS lower than 4.0. This means that with the exception of the FE2, shippers should expect a blank sailing every 4-7 months on any The Alliance service, on average.

Only two sailings have ever been blanked on the AE12/Phoenix, with both coming in 2015. The AE11/Jade and AE15/Tiger have a similar ATBBS of 7.4 and 8.4, respectively, which means that shippers should expect a blank sailing every 7-9 months on these services.

The last 2M service, AE20/Dragon, has an ATBBS of 3.1, due to 19 blank sailings across its operational life, with most of them coming after the fourth quarter of 2017.

For Ocean Alliance, their AEM2 service has the highest ATBBS of 8.0, with AEM3 having an ATBBS of 4.6. All of the remaining three Ocean Alliance services have an ATBBS between 2.0 and 2.5, meaning that, on average, there is a blank sailing on the service every 2-3 months.

The Alliance's Asia-Mediterranean services are also similar, with all three services having comparable ATBBS between 3.6 and 4.0. This means that, all else equal, shippers moving cargo with The Alliance have a similar blank sailings disruption risk, regardless of which service their cargo is on.

Ocean Alliance have the three least-disrupted services on the trade lane. The CJX (Columbus JAX) service has never been blanked since its inception, while both the JDX (Jade Express) and SCS (South China Sea) have only seen a solitary blank sailing in 2019-Q1.

Furthermore, the HBB (Hangzhou Bay Bridge) has an ATBBS of 16.0, making it the fourth Ocean Alliance service with an ATBBS higher than 15.0. Given that only one 2M service crosses the 15.0 mark (TP7/Lotus), and none of The Alliance services do, Ocean Alliance offers the largest selection of services that have rarely been disrupted by blank sailings. The Alliance's PN4 has an ATBBS of 8.0, which may be a little misleading as it has only been active for 8 months and has seen just 1 blank sailing.

Most of Ocean Alliance's services are at either end of the extremes: rarely disrupted by blank sailings, or very frequently disrupted by blank sailings.

The only two services that are in the 'middle ground', so to speak are, the Bohai and the NWX (Northwest Express) services. The CPNW (CIMEX PNW) service has the lowest ATBBS of 1.5 among all services on the trade lane. However, it must be noted that the CPNW has only been active since 2019-Q1.

For the Alliance, only the PS3-service has an ATBBS higher than 10.0, with all of their other services scoring quite low on the metric. Their PS4-service has one of the lowest ATBBS of 2.7, having been blanked 12 times since 2017-Q4.

MARKETS

IUMI president reports expansion over past year

THE International Union of Marine Insurance has won additional affiliations from national trades associations in Russia and Myanmar during the past year and was to formally accept ALSUM — the Latin American marine underwriters' association — into membership yesterday, according to its president.

Richard Turner was speaking to journalists in Toronto on Sunday night, ahead of the formal opening of the IUMI conference in the Canadian city.

Assembled delegates seemed to be in an upbeat mood, with many confirming in private conversation that recent months have seen a hardening of rates in several key sectors, including crucial classes as hull and cargo.

However, the consensus opinion is that rates need to move higher still if profitability is to be restored.

Mr Turner gave a run-down of achievements since he took office at IUMI's conference in Cape Town a year ago, highlighting educational efforts such as the launch of online educational material on hull insurance.

He also pledges to speed up delivery of statistical information, with IUMI's 2019 statistical report expected within the next few weeks, far more rapidly than in previous years.

This year's president's workshop will focus on digitalisation and its impact on the future of underwriting.

He also commended IUMI's advocacy efforts, particularly at the International Maritime Organization, especially on issues such as boxship fires.

"The organisation benefits greatly from having a settled headquarters in Hamburg with three members of staff," he added. "That means IUMI can be responsive and noisy when we want to be."

But the big picture for the sector also has evident downsides, he added.

In many respects, the world is in political disarray, and this applies particularly to Britain, he quipped. Protectionist measures are even more commonplace

than at the previous IUMI gathering, and this has a direct impact on the sector.

This will necessitate a potentially painful period of adjustment, with sometimes centuries-old ways of doing things likely to be overturned.

IN OTHER NEWS

Equinor cleans up hurricane-damaged oil terminal in Bahamas

EQUINOR continues cleaning up an onshore oil spill at its South Riding Point terminal in the Bahamas, which was damaged by Hurricane Dorian, saying a team has started to recover oil and move it into tank storage.

"A response team continues to assess the damage and plan the recovery work," the firm said in a statement. "Initial recovery assets have been deployed and additional machinery and equipment is being added."

Equinor said its group working at South Riding Point terminal Bahamas includes an advanced onshore response team with oil spill technical specialist.

Golden Ocean invests more with Singapore Marine

JOHN Fredriksen-invested Golden Ocean Group is adding another $10.2m to back dry bulk-focused Singapore Marine's acquisition of most of the assets and operations of Swiss Marine.

Swiss Marine is a privately owned freight operator founded in 2001 that had transported more than 120m tonnes of cargo by the end of 2018.

Golden Ocean's latest investments in Singapore Marine, which will operate independently of the former, comprise $9.5m of equity and a shareholder loan of $700,000.

Cargill and Maersk Tankers to run joint pool

CARGILL and Maersk Tankers have teamed up to create a new joint pool for medium-range tankers.

As part of the deal, Cargill will enter its fleet of up to 20 MR tankers into the existing Maersk Tankers' pool, which operates 44 vessels for 10 partners, Cargill said in a statement.

The aim of the new pool, which combines Maersk's digital expertise with Cargill's experience in trading, is to provide improved flexibility for customers and reduce fuel consumption and emissions, while having a positive impact on time charter equivalent earnings for partners, it said.

Cosco Shipping names Feng as ports chairman

COSCO Shipping Ports, the port arm of state conglomerate China Cosco Shipping, has named Feng Boming as its new chairman as part of management changes seen at the parent company.

Mr Feng, aged 49, has been a non-executive director of Hong Kong-listed CSP since October 2016. He still holds the same role at several of CSP's sister companies, including Cosco Shipping Development, which focuses on financing services and Cosco Shipping Energy Transportation, which specialises in oil and gas shipping. Both companies' shares also are also traded on the city's bourse.

He is also a director at Cosco Shipping Bulk, the parent's unlisted dry bulker arm and Greece's Piraeus Port Authority, in which Cosco Shipping has a 67% stake.

M/Maritime adds two Japanese-built bulkers

GREECE-based M/Maritime has taken delivery of two more bulkers including its largest-ever vessel.

The expanding dry bulk owner, which has focused specifically on Japanese-built tonnage, took delivery of a rare second-hand purchase, the five-year-old kamsarmax *Puppis Ocean*, built by Japan Marine United in 2014.

The vessel, the Greek owner's first kamsarmax, was delivered at Tomakomai Port in Hokkaido Prefecture, Japan.

Stena Impero to be released by Iran 'in days'

IRAN has given its strongest indication yet that it will release a British-flagged tanker it has detained for nearly two months.

Stena Impero will be released "in days", said Abbas Mousavi, spokesman at the foreign ministry in Tehran.

He said the legal process for the release of the vessel is almost finalised. Once completed, it will be allowed to leave Iran, he said.

For classified notices please view the next page

POOMPUHAR SHIPPING CORPORATION LIMITED

692, Anna Salai, IV Floor, Nandanam, Chennai - 600 035, India

Telephone No: 044-24330505 / 807 Fax: 91-44-24344593, E-mail : pscship@dataone.in / pscship@gmail.com

GLOBAL TENDER

NOTICE INVITING TENDER FOR SPOT TIME CHARTERING OF ONE SELF-TRIMMING PANAMAX GEARED VESSEL WITH ABOUT DEAD WEIGHT CAPACITY OF 68000 TO 75000 DWT (OR) SUPRAMAX GEARED VESSEL WITH ABOUT DEAD WEIGHT CAPACITY OF 50000 TO 60000 DWT.

Sealed tenders are invited from the owners / disponent owners of Indian / Foreign flag vessels or through their authorized brokers for Spot time chartering of one Self- trimming Panamax geared vessel (or) Supramax geared Bulk carrier for coastal transportation of thermal coal, on account of TANGEDCO are as follows:

Self Trimming one Panamax geared (or) Supramax geared vessel with the lay days from 11.10.2019 to 25.10.2019

TENDER NO.H/OP/SPXX/116/001/19-20 (or) H/OP/SPPG/182/001/19-20 (Spot Time Charter)

Period	-	3 months + 3 months choption
Tender box to be closed at	-	on 03.10.2019 at 15:00 hours
Tender box to be opened at	-	on 03.10.2019 at 15:30 hours
EMD	-	Rs.10 Lakhs – For Indian flag vessels
	-	USD 17,000 - For Foreign flag vessels
Cost of tender document	-	Rs.5,000/- each (Indian Flag)
	-	USD 100 each (Foreign Flag)

Separate Tender documents for spot time chartering are available in our website from 17.09.2019 & the same may be downloaded from our website: www.tamilship.com / www.tntenders.gov.in at free of cost.

For more details visit our website www.tamilship.com. / www.tntenders.gov.in

DIPR/ 3200 /TENDER/2019

GENERAL MANAGER (OPS)

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

Lloyd's List
Maritime intelligence | informa

A front row seat for your entire team

Corporate subscriptions customised to your business.

We validate and filter information from hundreds of sources, providing your team with trusted insight.

To find out about tailored subscription packages, speak to one of our representatives

+44 (0) 20 3377 3792 | subscription.enquiry@lloydslist.com

Lloyd's List Intelligence
Maritime intelligence | informa

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**