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# Scorpio Tankers buys 19 product tankers from Trafigura

SCORPIO TANKERS IS BUYING 19 product tankers from commodity trader Trafigura in a deal valued at $803m.

The Emanuele Lauro-led product tanker specialist explained the timing of the move by saying mile-demand for product tankers continues to grow, the orderbook remains at a very low level and the 2020 sulphur cap is expected to be a boon for product tanker demand.

As part of the deal Trafigura will buy $135m worth of shares in the company. Scorpio Tankers will take on $668m finance leasing agreement that covers the vessels, according to a statement.

The 19 scrubber-fitted tankers comprise 15 medium range tankers that were delivered from shipyards earlier this year and four long range 2 tankers scheduled for delivery from Hyundai Vinashin in 2020.

Following this acquisition, Scorpio Tankers will have 128 vessels.

Rasmus Bach Nielsen, global head of wet freight at Trafigura, told Lloyd's List that the oil trading giant was not cashing out by selling vessels in its fleet, rather changing to a different kind of exposure by going into equities. Trafigura now has a stake of about 10% in Scorpio Tankers, joining the 8.48% position in John Fredriksen's Frontline after executing a similar cash and shares deal that was announced in late August for 10 suezmax tankers.

"It's about where we believe we can get the most value, and right now we believe that transferring these long-term leasing obligations into more liquid shipping entities carries more upside potential," Mr Nielsen said of the shift to shares from ships.

The product tankers that Scorpio purchased were ordered by Trafigura in 2016 and 2017 under a leaseback deal with China's Bank of Communications Financial Leasing Co Ltd. The present $668m value of these finance leasing arrangements for the 19 product tankers are removed from Trafigura's books when the sale is completed, on top of the $500m already removed via the Frontline deal.

Mr Nielsen said these and the other tankers recently sold to Frontline were ordered and taken on back then "as we thought it was a very low entry point giving us manageable forward risks".

"We very much appreciated the financing structure, and we very much believed in the optionality we were able to agree and that, combined, made us go ahead on the scale we did," he said. The Scorpio tankers were part of a $1.35bn, 35-tanker shipbuilding order, of which five remain on Trafigura's books following the Frontline and Scorpio deals.

Mr Nielsen added that product tanker fundamentals are looking healthier than they have in years due to minimal supply growth and an expected demand spike through oil market disruption and bunkering inefficiencies.

The financing agreement that Scorpio Tankers is inheriting includes a bareboat chartering agreement for the vessels. It comes with an eight-year tenor and an effective interest rate of London Interbank Offered Rate plus 3.5%.

The charterer also has the option to declare options on up to eight vessels during the second and third years of the agreement and options on all of the vessels during the fourth, fifth and sixth years.

During the eighth year, there are no purchase options until a final option comes in effect when the bareboat charter expires.

Aside from this tanker deal, Scorpio Tankers also agreed a $35m private placement with Trafigura and with one of its affiliate, Scorpio Services Holding, for another $15m.

In a separate move, Scorpio Tankers said that it planned to launch a share offer programme that could see it sell up to $100m worth of common shares at a par value of $0.01 per share. The company added that a sales agent would likely be tasked with selling its shares, potentially at market price or other negotiated prices.

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## WHAT TO WATCH

# Leasing companies poised to grow tonnage with BSM China

CARGO owners, along with the likes of Shell and BHP, have spawned new shipmanagement opportunities by opening up tenders for long-term ship charters to non-traditional shipowners.

Leading Chinese leasing companies wanting to own new tonnage to be offered for these tenders are looking to partner Bernhard Schulte Shipmanagement, BSM China managing director Liu Mingfa told Lloyd's List on the sidelines of the Marine Money Week Asia conference in Singapore.

Such new opportunities are likewise supporting BSM China's foray into tanker management, Mr Liu added.

BSM China now manages 18 containerships and 26 bulk carriers.

Of its 44-strong managed fleet, just 11 are owned by leasing companies. These include two vessels possessed from distressed shipowners.

But BSM China's tonnage is well-placed to expand as leasing companies seeking new growth engines to counter the threat from reviving conventional ship financing look set to invest in more tonnage.

This concern stemmed from signs of more bank loans seen as backing shipping projects these days.

BSM China is a beneficiary of such defensive moves by leasing companies, having already penned contracts with these clients for management of five or more further vessels, most of which are bulk carriers.

Lloyd's List also understands BSM China is supervising the construction of a series of kamsarmax bulkers commissioned by the leasing arm of the Bank of Communication Financial Leasing Co (Bocomm Leasing).

Mr Liu considered BHP's recent move to publicly float a tender for long-term charters on bulk carriers as bolstering interest among leasing companies to invest in more tonnage.

BHP's tender is intended for the charter of LNG-fuelled bulk carriers to transport 27 m tonnes of iron ore from Australia to China.

The resource giant has opened this tender to shipowners, banks and LNG fuel network providers.

It is not just tendering for the supply of LNG-fuelled units, but also for new ways to lower greenhouse gas emissions and ways of raising productivity in freight delivery.

This open-ended tender that went public in July extends leasing companies an avenue to make inroads with BHP, which is a leading resource giant comprising a huge chunk of demand in the bulk carrier market.

BHP has set a high bar on shipmanagement. In response, leasing companies keen on the tender are, in turn, teaming up with seasoned shipmanagers such as BSM China to satisfy the charterer's requirements.

Mr Liu pointed to similar opportunities arising from Shell's now concluded tender for LNG dual fuel tankers.

In August, Shell announced the award of long-term charters to Sinokor Petrochemical Co for 10 LNG dual fuel aframax crude oil tankers. Shell also penned charters with institutional investors advised by JP Morgan Asset Management pertaining to the supply of four new LNG dual fuel product tankers.

Mr Liu suggested that more of such tenders may surface in the tanker market — one segment in which charterers tend to impose more stringent demand on shipmanagement, as compared with those in the bulk carrier market.

In relying on its larger group's vast experience in managing and operating tankers elsewhere, BSM China would thus be well-placed to help its clients position for similar tenders in the future.

Mr Liu shied away from pegging a number to such new demand, but noted interest from leasing companies "for management of large fleet of tankers".

Aside from its track record with running oil tankers, the BSM group also owns and operates LNG carriers.

Managing gas carriers and LNG-fuelled ships would be the next natural move for BSM China.

China has a need for medium-sized LNG carriers of above 80,000 cu m in capacity to transport cargoes to certain terminals.

This spells another opportunity for BSM China.

# Stena Impero still in Iran, says owner

THE UK-flagged tanker detained by Iran in July is still in the country, despite Iranian officials saying it was free to leave, the vessel's owner has said.

Stena Bulk chief executive Erik Hanell said in a statement on Tuesday that *Stena Impero* is still in Bandar Abbas.

"Despite public statements by Iranian authorities over the past three days that judicial proceedings have concluded, and the *Stena Impero* is free to leave Iran, the vessel remains detained at anchor in Bandar Abbas," said Mr Hanell.

"We continue to work hard to secure the release of the crew and vessel."

Iran's ambassador to the United Kingdom, Hamid Baeidinejad, said on Twitter yesterday the tanker was free to leave following the conclusion of legal processes.

The seizure of *Stena Impero* on July 19, two weeks after British Royal Marines abseiled onto an Iranian tanker off Gibraltar, raised tensions in the region.

"The legal work and administrative procedures for the release of the English tanker have been completed but I have no information on the time of the release," Iran spokesman Ali Rabiei was cited by the semi-official news agency ILNA as saying on Monday.

OPINION

# Hafnia bets on spot market as rates soar

PRODUCT tanker spot rates and earnings are soaring, encouraging Hafnia to keep its ships working in the spot market, rather than chartering them out for longer periods of time.

Chief executive Mikael Skov acknowledged that almost the entire fleet of Hafnia is trading in the spot market as the company looks to build on the tanker industry's reversal of fortunes.

Mr Skov explained that the percentage of vessels in the spot market versus that on time charter depends on how the future looks. Given the perceived market recovery, nearly all the vessels have been put on the spot trade.

"We believe there will be extra demand for product tankers due to the International Maritime Organization 2020 [sulphur cap regulations] and consequently there will be increased low sulphur products that need to be moved around," he said in an interview with Lloyd's List.

He said that the demand for product tankers would improve in the final quarter of the year.

The International Energy Agency estimates global refinery throughput in the third quarter of this year will increase by more than 3m barrels per day compared with the previous quarter.

The expected increase reflects increased efforts by refiners to produce sufficient low sulphur fuel ahead of the looming IMO 2020 regulations.

Moreover, new trade patterns and arbitrage opportunities, as well as changes in demand for floating storage and reduced tanker fleet availability from port congestion, are anticipated to emerge as the market adapts to the new regulations.

Hafnia, the product tanker company formed by the merger of Hafnia Tankers and BW Tankers, currently operates 185 vessels including MR, LR1 and LR2 vessels in its pools.

"At the moment, the plan is to harvest from the synergies of the big fleet we have by optimising the triangulation of the fleet and having a global presence," Mr Skov said.

Combining a big fleet with a very strong data analysis of business tends to improve decision making, he pointed out. As evidence of this, Hafnia was able to secure better results, despite being in a transitional phase.

**IMO regulations**

Mr Skov said that Hafnia is fully prepared to meet the upcoming IMO 2020 regulations and aims to reduce greenhouse gas emissions in line with the IMO 2030 and IMO 2050 targets.

"Most of our ships will use compliant fuels to meet the upcoming targets," he said.

"We have been running trials, test cases and using different types of compliant fuels," Mr Skov said, adding that the entire year was in essence spent on preparing for 2020.

In addition to external bunker supply agreements, Hafnia has established an internal bunker supply desk, with the purpose of managing third party bunker purchases and consolidating the volume in order to have proper supply contracts entering 2020 as well, he said.

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ANALYSIS

# Trade forecast to continue to evolve despite disruptions

SHIPPING has proven resilient amid the US-China trade war, with trade disruptions ending up being positive for the shipping industry as new trade patterns are established, according to OOIL deputy chief financial officer Michael Fitzgerald.

Mr Fitzgerald is confident that new trade routes opening up in light of the trade tensions between the world's two largest economies will compensate for the slump in cargo volumes in the container market.

Even if those trade tensions with US and China ended tomorrow, there are other disruptions that might set in, he noted. However, there are plenty of growth pockets for trade to evolve.

As far as demand from China is concerned, he observed that almost 65%-66% of US containerised goods going into China cannot be suddenly replaced. However, there would be some erosion of market share in exports.

"The key drivers for demand are consumers and they are still alive," he said during a panel discussion at Marine Money Asia in Singapore. He added that as long as consumers are spending, there will be plenty of growth opportunities.

Mr Fitzgerald said that the container trade volumes so far this year have been steady.

Although there has been no major impact on transpacific trade volumes, he warned that the container industry must continue to watch the supply side carefully when new tariffs come in later this year.

In the longer term, the expected shifting of the supply chain from China into its less-expensive neighbouring countries such as Vietnam and Indonesia, accelerated by the Sino-US trade dispute, is expected to create new trade patterns.

"Trade has always evolved and will continue to evolve," he said, despite volatility and trade disruption.

However, the more immediate concern for the industry is the upcoming International Maritime Organization's sulphur regulations, he conceded.

Meanwhile, Drewry Group managing director Arjun Batra said that "trade disputes are the new normal".

# Truckers call for supply chain optimisation

WESTON LaBAR, chief executive of the Harbor Trucking Association, understands how to boost output through the San Pedro Bay Port Complex, also known as the ports of Los Angeles and Long Beach.

"Create supply chain optimisation," he tells Lloyd's List in a 10th floor office overlooking the fully automated Long Beach Container Terminal. He speaks of the different stakeholders in the two ports and the problems of getting them to work together.

There are "1,800 different motor carriers ranging from one truck to over 300". Then "you've got 12 container terminal operators" and "seven major shipping lines operating under three major alliances".

He also adds in "three major chassis providers in the pool and several others outside of the pool" as well as the "longshore union" and "other folks that are important stakeholders".

"Everybody's got their own business interests," he says. "And so that's one of the big things we need to continue to do, is move together as a stakeholder group, not as individuals".

Mr LaBar has considerable experience when it comes to understanding port productivity: the Harbor Trucking Association represents the majority of the drayage companies operating in the US, but especially along the west coast.

"Our members probably move about 80% or more of the cargo that comes into the ports of Los Angeles and Long Beach and probably about two-thirds of all the cargo that comes in the west coast, if not more," he says.

"We have a very diverse and wide array of membership," he says, citing marine terminal operators and shipping lines among them. "But at our core, we are a trucking association and our voting members must be licensed motor carriers."

Still, truckers interface with the entire supply chain: "We work directly with the marine terminals. We work directly with the shippers. We work directly with the ocean carriers."

As a result, he says, "what we've tried to do is really take an ecosystem approach. We've tried to use data and metrics to get the real story, not just the anecdotal story."

With the real story, "we try to figure out how we can work together across stake holders to put process improvements in place. Create supply chain optimisation".

"Everybody's going to have good days and bad days, but when we're part of the solution process, when we're helping the decision-makers make the decisions with the truckers' lens in mind, it helps everybody," he says.

Mr LaBar cites the Long Beach Container Terminal as a model of co-operation: "Every time they do something at LBCT, they reach out to the Harbor Trucking Association specifically, and other stakeholders, to say: 'Hey, this is what we're looking at. How can we build it?'"

He says LBCT, which has "done a lot of technological interfacing with the trucking community", now offers application programme interfacing to directly connect the truckers' dispatch system with their terminal operating system for appointments.

The result, he says, is a time-saving device called "pre-advise".

"The trucker puts the information in their dispatch system, it automatically goes into LBCT system if they have that connection. So you don't have to go to the terminal and re-enter the information a second time," he says. "That's really good for us from an administrative aspect."

Saving time is obvious, but his underlying point is that the system works well because LBCT and the truckers cooperated in developing it.

"When they rolled out that that pre-arrival system, we had already been working with them on pilot phases with some of our members," he says. That and two "large summit meetings" meant that "people were ready to go and then there were no issues when they turned it on".

Mr LaBar cannot speak highly enough of the progressive attitude shown by LBCT, and he would like to see that attitude shared across all 12 terminals at the two ports.

"Well, for us it would be great if we could do that with all the terminals because, now, I can just integrate, I can put information in my system once and then it would go to whatever terminal," he says.

That prospect contrasts with "even a couple of years ago" when confusion reigned.

"I might go to Terminal A and they need these five pieces of information and I go to Terminal B and then you need seven pieces," he says. "None of them are the same as these five over here. So one guy might want the driver's license plate and the other guy might want the driver's license number for the driver."

And if the information doesn't match up to the terminal's needs, that means a trouble ticket and time spent sorting it out.

In a word, he says, "they're little things, but that's where we ended up with some of these trouble ticket window issues because the driver may show up with the information, but it's the information at the wrong terminal."

Mr LaBar believes that cooperation can be extended not only through all terminals but also through all segments of the port complex. He cites the arrival in 2016 of the 17,800-teu *CMA CGM Benjamin Franklin*, the largest ship ever to sail into the SBP complex.

"They set records," he says speaking of co-operation between the longshore union, the terminal operator and the shipping line. "They set records," he says "because they pre-planned, they co-ordinated, they made that a gold standard of how you should work a vessel and how you get it onto the docks".

"Communication is key and the more that we can try to stay ahead of it, then the narrative becomes: 'Wow, LA-Long Beach handled how much volume? And they had no issues or minimal issues?'"

"I think that's really where we want to get to because we want the beneficial cargo owners to be comfortable going to any one of the port authorities where any of our members are," he says.

"They know that they're going to get great service from a marine terminal operator and great service from the trucking company," he adds, concluding that "communication is key".

## IN OTHER NEWS

**Denmark expands Dan-Bunkering probe over Syria sanctions**

DAN-Bunkering, a Denmark-based international bunker supplier, is being probed by state prosecutors in connection with alleged breaches of European Union sanctions on Syria.

The company is being investigated along with an undisclosed company and two unidentified individuals.

Dan-Bunkering, a subsidiary of United Shipping & Trading Co and a key global bunker supplier, told Lloyd's List in May that it rejected media claims that it supplied jet fuel to Syria.

**Boutique finance firm FDX Offshore buys out Womar**

FDX OFFSHORE, the maritime boutique finance firm backed by the family office of former GE Capital chairman and chief executive officer Denis Nayden, has acquired tanker pool operator Womar Logistics Pte Ltd.

The acquisition, for an unspecified sum, aims to build the best independent pool operator in the shipping industry.

"Anchored in Womar's current chemical tanker pools, the partnership intends to both expand its chemical tanker pools as well as initiate and grow independent pools in other classes of ships," Womar Logistics said in a press release.

**'Illegal' Greek ferry strike goes ahead**

GREECE's ferry fleet has been idled in port and some cross-Adriatic Sea departures suspended due to a 24-hour strike.

The action, called by the Panhellenic Seamen's Federation (PNO), went ahead despite a court decision on Monday that ruled the strike to be illegal, although the court stopped short of branding it abusive.

Ferry firms told the public that services were cancelled until early Wednesday morning, while some unveiled additional sailings to cope with the extra demand.

**Kyklades agrees more suezmax newbuilds at Hyundai Samho**

KYKLADES Maritime, a Greece-based tanker company, has ordered another two suezmaxes at Hyundai Samho Heavy Industries.

The orders bring the Alafouzos family-controlled company's suezmax tally at the South Korean builder to six.

The company placed orders for four firm suezmaxes with the yard in April this year.


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