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Cosco parent begins marine insurance exit from London as sanctions bite

COSCO SHIPPING CORP appears to be shifting most of its tanker fleet to China-based marine insurers — even those vessels that are not directly owned by its two sanctioned entities — as the parent company attempts to manage fallout from last week's dramatic US blacklisting.

The Chinese government-owned shipping giant now has crude and product tankers entered with the China Shipowners Mutual Assurance Association that until last week were with the International Group of P&I clubs.

Checks show that many of the 49-strong fleet of very large crude carriers, suezmax and aframax tankers linked to the sanctioned Cosco subsidiaries are now entered with the Shanghai-based association.

The association is not one of the 13 clubs with the International Group, which insures some 90 percent of the world's tonnage.

The sanctions have raised questions about the wider risks of chartering or providing services to all tanker tonnage under the larger Cosco umbrella, even though the parent company was deliberately excluded from sanctions.

The shift to China from Europe comes amid intensifying contagion fears among banks, class societies, charterers and bunker suppliers about exposure to unilateral US sanctions on Iran because of Cosco's ambiguous and opaque ownership structure.

The US Office and Foreign Assets Control revealed the provocative sanctions on Cocso Shipping Tanker (Dalian), and Cosco Shipping

Tanker (Dalian) Seaman and Shipmanagement on September 25, claiming they had defied their ban on shipping Iranian oil and gas to China.

Together the subsidiaries control or manage some 49 ships, including 21 VLCCs and provide some 40% of income to Shanghai and Hong Kong-listed Cosco Shipping Energy Transportation.

CSET is the beneficial owner of 155 tankers and gas carriers, Lloyd's List Intelligence data shows.

Some of the Cosco vessels were involved in a subterfuge fleet of tankers and gas carriers that used ship-to-ship transfers, and other tactics such as switching off their AIS, to obfuscate the origin and destination of the under-the-radar cargoes of crude, condensate, liquefied petroleum gas and refined products.

Uncertainty about whether marine service providers could be ultimately be penalised saw charterers, oil companies, banks, and bunker suppliers begin to reassess exposure to the shipping giant last week.

Cosco has more than 1,000 vessels in its fleet totalling 75m dwt, including the world's largest dry bulk and containership fleet. That has led to VLCC rates soaring 65% on the key Middle East Gulf to China route as oil traders and companies shun Cosco tonnage, cancel loadings and charter alternative vessels.

Nick Shaw, from the International Group of P&I clubs, declined to comment when contacted by Lloyd's List.

"The differing approaches adopted by the US and EU towards the JCPOA obviously make it inappropriate for us to comment substantively on this evolving situation," he said.

The group's rules preclude coverage for any vessels that are carrying cargo in contravention of sanctions. This can be applied retrospectively. Effectively that means tankers directly linked to the subsidiaries were immediately without cover once the sanctions were announced. It is unknown whether Cosco removed other tankers that were not owned by the two units on its own initiative, or whether the International Group voided their coverage as well.

Kunlun Shipping, another Chinese company also blacklisted by OFAC is the commercial operator of 10 ships.

Checks on some of these tankers showed they are yet to be entered by the China Shipowner's Mutual Association, although were entered in clubs with the international group before September 25. Blacklisted Pegasus 88-owned VLCC *Tian Ma Zo*, which was with the London Steamship Owners Mutual Insurance Association since November 2018 is not showing on that club's website now, according to checks.

Among the Cosco tankers that have recently switched is the Hong Kong-flagged, 2018-built VLCC *Cosnew Lake*. The tanker is owned by Cosco Shipping Energy Transportation but is one of the 39 ships for whom one blacklisted subsidiary provides technical and ISM management.

The vessel had P&I coverage with UK Mutual Steam Ship Assurance Association (Bermuda) since September 2018, according to Lloyd's List Intelligence data. It is now with China P&I.

Not all Cosco vessels directly linked to the blacklisted subsidiaries are showing listed on the China Shipowner's Mutual Association website. The suggests the process is underway and only partially complete.

Overall 92 of the 129 crude tankers or product tankers beneficially owned by parent company China Shipping Corporation are listed as having coverage with the International Group of P&I clubs, Lloyd's List Intelligence data shows.

Their coverage status in coming days will shed new light on how Europe and London's marine insurance market will deal with the highly political reimposition of sanctions on Iran.

Likewise, the status of China Shipowner's Mutual Association coverage is likely to be closely watched now it has been placed in OFAC crosshairs for secondary sanctions. These allows the US Treasury to punish non-US citizens connected with sanctioned activity.

Secondary sanctions related to Iran can be imposed on anybody who is a non-US citizen who is "knowingly providing significant financial, material, technological, or other support" to activities or transactions that benefit the energy, shipping or shipbuilding sectors of Iran, according to section 1244 of the Iran Freedom and Proliferation Act of 2012.

WHAT TO WATCH

Cosco sanctions are not holding back Yamal exports, says Novatek

NOVATEK, Russia's leading private liquefied natural gas producer, says it is confident it can meet the export obligations of its Yamal LNG project despite uncertainty shrouding the fate of its chartered-in fleet from a Teekay LNG-China LNG Shipping joint venture that may now be one subject of the US sanctions on certain Cosco subsidiaries.

Novatek noted that Teekay LNG, through its affiliates and joint ventures, owns four Arc7 LNG tankers shipping cargoes from the Yamal LNG project.

This deviates from a Teekay LNG disclosure issued overnight, stating that its joint venture with China LNG Shipping controls six 172,000 cu m Arc7 ice-breaking LNG carriers on charter to the Yamal LNG project.

"These specific LNG shipments are not related to the sanctions imposed on Cosco Shipping Tanker (Dalian) and Cosco Shipping Tanker (Dalian) Seaman & Ship Management. The issue to resolve this situation is a business relations matter between Teekay LNG and China LNG Shipping (Holdings) Limited," Novatek said.

The US last week imposed sanctions on Cosco subsidiaries, including Cosco Dalian, for violating oil sanctions against Iran.

The sanctions also extend to China LNG Shipping as they are applicable on companies in which Cosco Dalian holds at least a 50% stake.

Veniamis: 'It's not too late to avoid anarchy on the oceans'

WHEN dry bulk shipowner Theodore Veniamis was first elected as president of the Union of Greek Shipowners, he was quick to put his own stamp on the job of leading the world's largest national shipowners' association.

Upfront about not being an avid participant in the social side of the shipping scene, Mr Veniamis' 'no frills' approach seemed in step with the bracing times.

First elected in 2009, he took over the presidency as shipping plunged into recession and the age of austerity descended on Greece.

From the start, he established that the UGS would make public statements only when there was something important to say. Regular press conferences were abolished.

Press releases were reserved for rare occasions, such as Mr Veniamis' swift, stinging riposte two years ago to criticism made of Greece's shipping tax regime by Germany's then finance minister Wolfgang Schäuble. Media interviews were simply unheard of.

Fast-forward to today: Mr Veniamis is now easily the longest-serving UGS president in nearly half a century and is, probably, on his last term in the job. He has been remarkably true to his word throughout this span.

So, accepting Lloyd's List's request for an interview is as clear a signal as any that he feels the industry has come to a critical juncture. The needle on the pressure gauge is pointing to maximum overload.

Collectively, Greeks are owners and operators of more shipping than any other nationality, so they tend to be leaders in terms of following the industry's brass-tack issues.

"We are almost the only ones left around the world so committed and so hands-on in this business," says Mr Veniamis.

Sulphur cap

Yet while the UGS closely follows the entire spectrum of technical, operational, legislative and legal issues pertaining to all sectors of shipping, the one that is clearly dominating its agenda — and causing the most sleepless nights — is the impending sulphur cap on marine fuels.

Greek owners were unhappy with the initial 2008 resolution of the International Maritime

Organization's Marine Environment Protection Committee to force a 0.5% limit on the sulphur content of marine fuel oil from the start of 2020, warning that the solutions should come from on shore and not target the ships.

The 2020 cut-off date was subject to global availability of compliant fuel that implied appropriate investments by oil companies. However, these have so far been inadequate, rendering the implementation date wrong, Mr Veniamis says.

As the IMO 2020 deadline has drawn nearer, the UGS has increasingly spoken up concerning glaring omissions in preparations for the new emissions curbs.

Initially a lone voice flagging up the practical problems of implementing the sulphur cap on time, the UGS was instrumental in co-ordinating submissions by several shipping bodies and major flag states that last year succeeded in getting the IMO to commit to new safety measures to complement the sulphur cap. However, the target date for these to be drafted is not until 2021.

Greek unease with the new regime has two main aspects.

On the safety front, there is a fear of unstable and unsafe fuels with lower flashpoints than the minimum required by the Safety of Life at Sea Convention; the incompatibility of different batches of blended fuels; inadequate safety margins for cat fines; and the possibility of extended ignition delays due to the weaker combustibility of lower-sulphur fuel that may be offered to the market.

Then there is the worry over the availability of safe fuel compatible with the new legislation. The tramp-bulk trades, in which Greek owners are primarily invested, will be more exposed to any shortage of supply due to their itinerant nature and far higher number of remote and diverse destinations than is true for the regular liner services.

This is by no means purely a Greek issue, the UGS underlines, saying the tramp-bulk sector — perhaps to the surprise of many regulators — represents 84% of world seaborne trade in terms of cargo tonne-miles.

"It is unthinkable that ships will be expected to run using untested and unsafe fuels," says Mr Veniamis.

"The low-sulphur fuel requirement may lead to catastrophes, to loss of life. What will happen if several hundred ships, if not thousands, suffer engine room blackouts? I hope not, but we may see anarchy on the oceans," he says.

"I am saying this from my heart, and I wonder how people responsible for pushing this are going to be able to sleep at night if our worst fears are realised."

Failing to play the expected role

Responsibility, though, has been a commodity in short supply along the sulphur cap's march towards implementation, he says.

In Mr Veniamis' telling, the list of those that have failed to play the role expected of them reads like a who's who of the maritime industry — including oil companies, bunkering firms, classification societies, 'most' P&I clubs, shipyards and engine manufacturers. "No one wants to take a position," he says.

He personally wrote on at least two occasions to all major shipbuilders and engine manufacturers, seeking their advice on the safety aspects of operating with low-sulphur fuels. Not one replied, except for one engine maker that has just agreed to talk the matter over with the UGS.

"No oil company or bunkering company is even ISO-certified to provide low-sulphur marine fuels," says Mr Veniamis.

"Nobody wants to guarantee anything. OCIMF [the Oil Companies Marine Forum] is not going to guarantee its members' products. The only guidance they offered last year was that crews need to be educated.

"But while fuel suppliers and engine manufacturers are not providing any guarantees, how can the crew possibly be made responsible if something happens?"

Until now, Mr Veniamis has avoided calling for any delay to the 2020 enforcement date, such has been the political pressure to be seen to support the IMO's global timetable for curbing emissions.

However, in the interim, there have been no answers to any of the questions that the UGS hoped would be addressed.

"We are talking about simple, basic questions," says Mr Veniamis.

"If you ask any bunkering company if they can guarantee the spec, the compatibility and the commingling of fuels, they do not answer. If you ask an oil company if you can bunker in Singapore — which is one of the most organised ports for 2020 — you may be told 'yes'.

"But if you ask the same company about being supplied with 0.5% [sulphur marine fuel], if you go to Brazil or South Africa, again no answer.

"And if there is no low-sulphur fuel available, and you have to bunker heavy fuel oil, any prudent owner or captain will want to carry at least 15% or more additional fuel on their ship than the voyage calculation requires. On arrival in the next port what do you do with this? Dump it into the sea? Clean the tanks?

"You should close your eyes and try to put yourself into the position of a shipowner, or a time-charterer," he says. The suggestion seems to come from a more general feeling that empathy for the shipowner's lot is rare.

Global needs

With only a few weeks to go before the regulation takes effect, the UGS estimates there could be less than 50% coverage of the industry's global needs. Many refineries have not made the substantial investments required to provide fuels with the required lower sulphur content.

"Worldwide availability of safe 0.5% sulphur marine fuels is our primary concern and the issue that needs to be urgently addressed at IMO level, even at this late stage," says Mr Veniamis.

"This should be delayed until the oil companies do the necessary investments and until a time that the market will be ready to actually meet these requirements."

Increasingly, the UGS's concerns have won support from other shipowners' associations, particularly in Asia, he says.

Agreement with the Greek arguments is often privately expressed in the corridors of the IMO on Victoria Embankment in London and at forums elsewhere, but this has not always been reflected in the public position taken by the several countries and organisations.

"Some countries need to raise their voices now, at the very next opportunity" Mr Veniamis says. "We need to wake up some of our colleagues and some other states before it is too late. The way we are headed, they are going to make the biggest mistake of their lives."

Mr Veniamis does not shrink from expressing what he considers hard truths. However, he says: "I don't like fighting, especially when you go against people that you like, love and respect."

This is a reference to the strong stand he has taken against exhaust gas-cleaning systems that, he argues, should have never been allowed by IMO as an alternative to low-sulphur fuel. However, the regretful tone could equally apply to his judgment on shipping legislators.

"We are a firm supporter of the IMO as the sole global regulator of the shipping industry," he says.

"Shipping requires universal international rules and regulations. Until now, the world has trusted this system under the auspices of the IMO.

"But it needs rules that guarantee a global level playing field and do not put at risk the safety of life at sea and the environment.

"Unfortunately, the development of recent legislation, possibly under the weight of political pressure, has failed to do this. I believe that safety has not always been given the consideration it should have been given by policy makers and other stakeholders.

"On the pretext of environmental protection, commercial interests creep into the process of regulation, with detrimental effects. Regulations increasingly appear to be affected by considerations and interests outside the core shipping industry," he says.

"But the environment cannot be kept safe without the safety of ships and their crews. The one is a precondition for the other.

"Business-friendly rules for shipping need to be developed taking into account the economics of world trade, actual operational parameters and the sustainability of shipping," he says.

"That way, regulations will be workable and enforceable rather than merely aspirational and avoid mandating equipment or specifications that are not guaranteed to be available to the industry."

Mr Veniamis believes the IMO has been "stubborn" about sticking to the timetable for the sulphur cap,

partly due to political pressure but also due to the rocky experience of the ballast water management convention, when deadlines had to be postponed.

"The IMO should not be afraid of admitting mistakes," he says.

Scrubbers were another mistake in the sulphur regulations, he has often said, prompting phone calls from members of the Clean Alliance of scrubber users that includes, among others, some prominent Greek owners, dismayed by the UGS' strong negative stance on the issue.

Mr Veniamis' main objection is that scrubber discharges are polluting. However, a secondary complaint is that the allowance of a minority of scrubber-equipped vessels effectively creates an unfair two-tier market in an industry that traditionally has been cited as a rare example of 'perfect competition'.

"The scrubber club has criticised me, but I am elected to fight for the majority of our members," he says.

"How can you be in favour of clean seas and clean air and then use something that pollutes? Are we interested in doing something tangible to save the planet, or are we only interested in making money, without bothering with ethics? Is that the message that we want to send to the young generation?" he asks.

Tide has turned

Mr Veniamis admits his was an isolated voice when he first started preaching against the regulatory loophole for scrubbers, but he now feels that the tide has turned. Several important coastal states and ports have introduced restrictions and the scrubber technology is now being re-evaluated at the IMO.

"In the next few weeks and months, I think you will see some other major countries declaring themselves against scrubbers," he says. "I believe that it is a matter of time before they are phased out."

Mr Veniamis is also appalled by some of the solutions being discussed for the longer-term decarbonisation of shipping. He rejects an emissions trading scheme for shipping, that seems again to be finding favour at the European Commission, as something that will do nothing to directly reduce CO_2 and will, in fact, delay achievement of the industry's environmental goals.

Meanwhile, operational efficiency indexing for individual ships is dismissed as "totally inappropriate and unworkable" for the tramp-bulk sector.

"Greek shipping is committed to the full decarbonisation of the shipping industry," he says.

"There is a lot of talk about zero emissions, but this eventually requires the development of alternative, carbon-free fuels, as well as propulsion technologies, to support the owners and the needs of the world fleet."

Until then, the UGS advocates "transparent and prescriptive" measures to operationally limit ships' power or speed as the most appropriate course for the industry. These would effectively supplement a mandatory Ship Energy Efficiency Management Plan.

In the past, the UGS has sometimes struggled to make its voice heard sufficiently when major industry changes are debated. However, Mr Veniamis now observes that it is accorded "huge respect" throughout the shipping world.

"We represent what we represent: more than 21% of the world fleet and more than 53% of the EU fleet. We have a voice and it's got to be strong. Some people may not like it, but I cannot help that," he says.

Is he optimistic about Greek shipping's future?

"Of course I am," Mr Veniamis says. "I can see the same flair for shipping in our younger generation." The bedrock of Greek shipping's success is "values and family", he says. "If we lose that we will lose everything."

Dover faces 60% drop in trade under no-deal Brexit, says minister

THE value of trade through the port of Dover will drop by around £1bn ($1.2bn) a week if Britain leaves the European Union without a withdrawal deal, chief executive Doug Bannister has said.

Speaking at a fringe meeting at the Conservative Party conference in Manchester, Mr Bannister said: "If there's a no-deal Brexit, it's not going to be OK. But people are doing all they can to ensure Britain keeps trading."

Also on the platform, transport minister George Freeman confirmed the government is working on the assumption that a no-deal Brexit would cut traffic through Britain's main port for trade with continental Europe by a likely range of 40% to 60% for the first three months.

Dover handles 17% of the UK's trade-in goods, representing £122bn by value, on what remains the shortest sea crossing between the UK and the trading bloc.

The port has 120 ferry movements a day with, 12 ferries carrying up to 110 miles of lorries between them, which it says represents more than all the other UK ports combined.

"Dover is a fast-paced operation unlike anywhere else and has been dubbed Britain's just-in-time trade conveyor belt, but it is Ireland's too with around 40% of Irish exports to the EU travelling via Dover," said Mr Bannister. "Business as usual means Dover as usual, and that is what we have been working on."

Another speaker, James Hookham, deputy chief executive of the Freight Transport Association, said that wholesale meltdown could be avoided, but there would be a reduced supply of fresh produce in the shops.

The FTA will hold 140 training sessions in the next few weeks to educate hauliers on new paperwork requirements, but many questions still remain unanswered.

"The biggest unknown in our book is what the French and EU will demand in terms of British goods imported into the EU," said Mr Hookham.

Hauliers undertaking return border crossings may experience delays of up to five days, and should take out additional insurance for cargo, especially perishable goods.

The gloomy prognoses come after a warning issued to MPs two years ago by Mr Bannister's predecessor Tim Waggott, who predicted serious congestion at the port unless frictionless trade could be maintained through a new customs agreement.

Last December, Phillip Hammond, then chancellor of the exchequer, suggested that Dover would need two years to put the necessary infrastructure for no-deal Brexit in place.

P&O Ferries unit P&O Ferrymasters has separately announced a strategic partnership with SGS Maco to offer customs declaration services to customers, a move that it claims will maintain easy and fluid import and export declaration in the event of no-deal Brexit.

Under the scheme, customs declarations will be able to be made at ports in the Netherlands and Belgium, and the partnership will offer fiscal representation services for companies transporting goods throughout the EU.

Meanwhile, Prime Minister Boris Johnson has dismissed claims that Britain has proposed customs checks away from the Irish border as part of a strategy to secure a Brexit deal that does not keep Northern Ireland inside EU customs arrangements.

The speculation was prompted by reports from Irish broadcaster RTE on Monday, which purported to have seen leaked documents outlining the plan.

According to RTE, Britain will suggest to Brussels that customs posts be built between five and 10 miles away from the border, rather than on the border itself.

Both British and Irish sources were reluctant to discuss the matter until firm proposals are officially published, which is expected to happen later this week.

For his part, the prime minister has insisted that the purported scheme represents "not what we are proposing at all", but would give no further details when pressed, insisting that this would weaken the UK's negotiating position.

The substance of the UK plan is believed to consist of treating all of Ireland as a single economic zone, so that agricultural and food products could continue to cross the border without checks.

Regulations on industrial goods could then be aligned, and there will be trusted trader scheme and exemptions for small businesses.

OPINION

Pacific Radiance's revamp tests Singapore's debt restructuring aims

RECENT months have seen one debt revamp gone awry and two others making more positive progress in Singapore's troubled offshore support vessel sub-sector, *writes Hwee Hwee Tan*.

Singapore-listed Pacific Radiance is said to be awaiting the final nod from its lenders for the proposed restructuring of more than $478m of bank debt using cash raised from an unidentified financier.

Privately-owned Miclyn Express Offshore chose to ditch four proposals from potential investors in favour of an equity swap and terming out of its outstanding debts that will see its sole lender emerge as its largest shareholder.

The white knight of a third offshore player listed on the Singapore Exchange, Ezion Holdings — Malaysia-based Yinson Holdings — however, has backed off after a rebuff from the former's lenders.

At the superficial level, the first two appeared to be moving on while the third looked set to return to the drawing board.

Still, Ezion's current gridlock is a stark reminder of the precarious situation confronting Singapore-based debt-laden OSV players.

Months before Yinson was officially named as Ezion's potential knight, the Singapore-listed player that was once touted as Southeast Asia's leading liftboat owner-operator won approval from bondholders and bank lenders to proceed with a refinancing plan calling for conversion of its liabilities to company shares and terming out of agreed balanced debts.

Back then, Ezion sold its first financing package on the proposition of "no haircuts" for its debt holders.

However, those bondholders opting to cash out even at steep discounts once Ezion resumed trading on the Singapore Exchange, clearly were not spared the pain.

Their calls to cash out ironically bolstered Ezion's financial performance — it turned to the black from a fair value gain from debt revamp and pared down its outstanding debts during the second quarter of the previous fiscal year.

Rescue financing

In March, Yinson officially entered into the picture and it subsequently announced a rescue financing deal aimed at absolving over $900m of Ezion's outstanding debts.

As it turned out, Yinson did not enter to the so-called debt assignment agreement, the terms of which, as Lloyd's List understands, still fell short of meeting expectations of certain Ezion's lenders.

In August, Ezion announced $364m of losses, which it blamed largely on further asset impairments.

What is apparent from Ezion's thwarted two-tiered corporate work-out is that creditors very much call the shots on debt revamps in Singapore.

To be clear, Ezion did not tap the clauses Singapore has incorporated into its Companies Act as the country seeks to emulate the pro-rehabilitative debt restructuring regime in the US.

Senior lenders' preference

But the case of MEO, in which DBS emerged as the sole banker — as with Ezion — is telling of the preference of most senior lenders in Singapore.

MEO also chose, as with Ezion, not to tap the pre-rehabilitative updates to Singapore's Companies Act.

Instead, MEO agreed to convert part of its outstanding bank loans and bonds to equity and set aside cash from its future operations to pay down those debts that will still sit on its books.

Some $217m of remaining bank loans — out of $341m owed before restructuring — are to be termed out for five years.

How MEO would emerge from its debt revamp — just as Ezion has had after its refinancing exercise last year — is a far cry from Tidewater's situation.

Leaning on the bankruptcy protection in the US, Tidewater wiped out $1.6bn of outstanding debt and went on to merge with Gulfmark to create a combined entity holding the largest OSV fleet.

The one overhang MEO faces, even if it is far less indebted, is whether and how long its crewboat

business may continue to hold above the water until the broader offshore market truly snaps out of depression.

Ezion, once riding on the relative strength of the liftboat market, was not spared, as some initially believed, from the now widespread damage of a protracted offshore downturn.

Middle East exposure

Take the Middle East region, which some hail as the one remaining, promising market for shallow-water OSVs from Asia.

Day rates there are still trending far lower compared to peak levels and the cutthroat competition for charters there has pushed owners of anchor handling tug supply vessels and platform supply vessels to accept charters at rates in negative cash levels, one industry player told Lloyd's List.

Unlike its two other Singapore-based counterparts, Pacific Radiance, as one owner with extensive exposure to the Middle East, has pursued a debt restructuring path closer to that of Tidewater's.

The Singapore-listed OSV play, which is owned by the family of industry veteran Pang Yoke Min, decided to pursue restructuring drawing on the provisions of Singapore's updated debt restructuring regime.

The firm has tabled haircuts even for its senior lenders, seeking forgiveness for $303m of bank loans.

It will draw down fresh cash from a financier to repay $175.8m of its senior debt.

While this is still some way off Tidewater's post-restructuring situation, Pacific Radiance may go down the history as among the first OSV players to significantly deleverage with the help of Singapore's updated debt restructuring regime.

The updated regime provides among others, a cram down of dissenting minority so that a firm can proceed with restructuring.

Whether Pacific Radiance's bank lenders, which hold the requisite clout, may back the firm's debt revamp and the bundled partnership with Dubai-based Allianz Marine, remains to be seen.

ANALYSIS

Cypriot banks aiming to run a tight ship

WITHIN the Cyprus shipping cluster, it is frequent to encounter a degree of excitement that lately, ship finance has been added to the aspects of the industry that can be offered from the island.

The irony is that the ship financiers themselves are working hard to keep any excitement to a minimum — especially as they are conscious of being lenders of relatively modest size in a great and risky industry.

"Since we started in 2016, we have had no restructurings, no problems. It has been rather uneventful," says Markus Wenker, head of ship finance for Nicosia-based Hellenic Bank. It is clear he wants to keep it that way.

The bank has kept its tight geographical focus on shipowners in Cyprus and, primarily Greece, despite having begun to attract the occasional inquiry from other markets.

Mr Wenker cites an example of a three-day itinerary that would be necessary if he were to have a meeting with a shipowner in, say, Norway, compared to the ability to schedule meetings with 15 or more companies on a visit to Greece in the same timespan.

"We want to keep our focus on this market and to continue doing the same thing, slowly, mindfully growing our portfolio," he says.

"We are very selective and we try to do the right transaction with the right counterparty."

What has changed somewhat from the original vision is that while Hellenic aimed to provide finance for good small and medium-sized shipowners — which have been abandoned by many large banks — it has found some appetite from larger owners as well.

The key to such deals is often that the larger banks are unwilling to do smaller-ticket deals below a certain size.

Earlier this year, Hellenic received a dose of publicity with the announcement of a $37m loan to containership owner Global Ship Lease, now headed

by George Youroukos. The loan is being made in three tranches and is for partially financing acquisition of three 7,849 teu boxships.

Generally, the bank does not provide details of its clients or portfolio size, but this is now widely believed to be in excess of $100m.

Mr Wenker says the bank is comfortable with the main three "liquid" markets, meaning that assets can be sold without too much trouble if the loan goes wrong. Niche markets, such as car carriers, cement carriers or offshore, are avoided.

However, with bulk carriers, tankers and containerships, there is scope to be flexible on age and Mr Wenker sees quality older ships as sometimes representing good business.

"We take an opinion on specific segments and sizes, and some we like more than others, which is more thinking like a shipowner," he says.

Cautious approach

A similar cautious approach is being taken by Bank of Cyprus, which followed Hellenic into ship finance two years ago.

The island's largest financial institution, Bank of Cyprus, has now completed about a dozen transactions and it, too, is sticking closely to the three main shipping sectors: bulkers, tankers and, to a lesser extent, containerships.

"We often can't compete with bigger banks and so we try to use the advantages of a smaller bank," says Nicholas Pavlidis, the ex-Royal Bank of Scotland banker recruited to head the shipping team.

This means aspects such as "quicker turnarounds, bespoke financing structures and sometimes better-quality service, keeping a closer relationship with the client — that is how we try to differentiate ourselves".

Mr Pavlidis says the bank's main target group is "Hellenic" shipping, which is to say Cypriot but predominantly Greek owners, and large to medium-sized shipping companies.

"Everyone prefers corporate structures and that gets you a better internal credit rating, but we do deals with smaller owners and non-corporate structures too, although even smaller owners are gradually becoming more corporate," he says.

"We are creating relationships, not just asset financing. I am cautiously optimistic that we will continue to expand."

However, Mr Pavlidis has observed an increase in competition recently — chiefly due to the reawakening appetites of Greek banks but also from an increased interest among Greek owners in Chinese leasing.

"I am happy that shipowners in our region are getting more choices for finance again. It's healthy," he comments.

Mr Pavlidis also sees a modest upsurge in financing from Cyprus, of which Bank of Cyprus is a part.

Added to it and to Hellenic Bank, which is the country's second-largest commercial lender, sources commonly mention activity from newcomer AstroBank, which completed the €40m ($44.3m) acquisition of USB Bank earlier this year, and the Cyprus operation of Greece's Eurobank.

"If there is a ship finance community developing in Cyprus, I'm happy for it," he says. "It completes the circle of an active and important shipping cluster here."

When it comes to marine insurance, take cover!

MARINE insurance was one of the sectors most commonly cited as a deficiency of the Cyprus maritime cluster. Yet that complaint may now be at thing of the past, as a small, nascent insurance community appears to be coming together.

Three years ago saw the establishment of American Hellenic Hull Insurance Company, a joint venture between the American Club, which owns the new entity, and Hellenic Hull Management, a Greek-led marine insurance specialist that successfully managed the Hellenic Hull Mutual for two decades.

The hull insurer has the distinction of being the first new marine insurer established under the Solvency II directive and has recently been described as the fastest-growing marine hull insurer in the world.

This year saw two other interesting arrivals, to one extent or another prompted by fears of Brexit. P&I

club Steamship Mutual plumped for Cyprus as the location for a new club entity to continue activities with European Union members. The club had earlier pointed to Rotterdam as its likely choice.

Also earlier this year, Lloyd's SSL Endeavour announced the opening of a new wholly owned subsidiary to be headquartered in Cyprus, which will also act as an umbrella to the existing branch office in Greece that has been a hub for the company's marine business.

While the group did not plainly say Brexit played a key role in the decision, it admitted a "Brexit benefit" from the move. The company is said to be targeting "significant expansion" in marine as well as non-marine business, with a new wholly-owned subsidiary to be headquartered in Cyprus.

The new structure will include the existing branch office in Greece that has been a hub for the company's marine business.

One effect of the move to establish the new company in Cyprus, an EU member, will be to address possible fallout from Brexit, but this was not the primary motivation, executives say.

"The formation of this new company [will] ensure continuity of service for our clients regardless of the outcome of Brexit," said SSL Endeavour Group chief executive David Lawrence.

"This is not for Brexit, although that is a benefit," he told Lloyd's List. "This is a recapitalisation of the Greek and Cypriot office in order to expand and grow further, including broker acquisitions in marine and also non-marine."

Management of the newly formed SSL Endeavour Cyprus & Greece will include as non-executive chairman George Tsavliris, who has considerable insurance, shipping and salvage experience; and, as chief executive, Manos Sofronis, who established the Greek office for SSL.

According to Mr Tsavliris, the company will be "one of the few true international" Lloyd's brokerage houses based in Greece and Cyprus specialising in both marine and non-marine classes of business.

American Hellenic Hull chief executive Ilias Tsakiris says he is not surprised by the attractions of Cyprus to insurers.

"Cyprus combines the British legal system with excellent services in a country that is fully committed to the EU," he says.

"It is well-placed to take advantage of the opportunity of Brexit, just as it was able to take advantage of the financial crisis in Greece."

Mr Tsakiris' personal view is that the flow may continue. "I think we will see more underwriters coming in," he says.

Despite its short history, AHHIC has beaten all growth predictions made for it at the outset.

It is currently insuring a fleet of 2,700 vessels, of which about 50% are Greek- or Cypriot-owned. The manager's long experience of the Greek and Cypriot markets with the now-defunct hull mutual gave it a flying start with owners in its backyard, but it has rapidly spread its appeal to owners in Asia, the US and elsewhere in Europe.

The company expects to close this year with profits, projecting gross income of close to $22m and a very sound loss ratio of close to 68%.

"We are a very successful and very solvent company," Mr Tsakiris says, pointing to the extremely co-operative compliance procedure with Solvency II standards as typical of the advantageous approach to be found throughout Cyprus.

"Even though we were the first firm in Europe to go through this in our sector, we worked hand in hand with the authorities. Cyprus is very investment-friendly and all government officials treat Cyprus as an investment hub.

"The taxation system is friendly, but the authorities want to make it clear that Cyprus is not a brass-plate jurisdiction. If you want to do business in Cyprus, you have to do proper business.

"Cyprus has a massive potential for growth," according to Mr Tsakiris.

"Once the Turkish issue is resolved, I believe it can be better than Singapore or Hong Kong.

"It's a fantastic location — the only problem is that flight connections to Europe, with exception of Athens and London, are not as easy as they ought to be."

LNG freight market spike spurs winter hope

A SURGE in spot rates for liquefied natural gas carriers after months of very little movement has raised expectation that the ground is being laid for a robust winter market.

According to Poten & Partners, average tri-fuel daily spot rates increased by 4% to $71,500 last week and have been rising since then after registering a drop in previous week.

The one-year tri-fuel time charter rate, however, was little changed at $82,000 per day compared with a week earlier.

The winter market for LNG ships is looming and is traditionally characterised by rising demand for the gas, port delays and congestion, all helping to tighten the market.

Shipbrokers said spot market availability of LNG vessels has tightened marginally this week as steady gains from northeast Asian stems reopened the inter-basin arbitrage for early winter loadings, which have seen a number of ships being rerouted to Asia.

Available vessels for prompt delivery stand at only three vessels compared with six last week, the Poten data shows, indicating that even relatively limited chartering would cause rates to surge further.

“Tonnage availability remains at a low level as vessels continue to be removed from the market,” it said, adding that the activity in the east has picked up significantly, with three vessels on subjects in the region.

US LNG shipments are likely to continue increasing as more capacity comes online, with the Corpus Christi facility and the Sabine Pass fifth train coming fully on stream, as well as the recent start-ups of the first trains at Cameron LNG and Freeport.

However, charterers are unsure of the destinations for these cargoes due to fluctuating demand levels.

Meanwhile, Chinese ports received a total of 56 ships from 12 countries in September, with the total volume of nearly 4.73m tonnes of LNG, according to the Xinhua E-gas information platform. The volume was down 9.6% from the previous month.

Australia, which remains China’s largest LNG exporter by trade volume, dispatched 26 ships to China with a total load at 2.27m tonnes of LNG. Qatar became China’s second-largest LNG exporter in the month, exporting nearly 70,000 tonnes of LNG through six ships, accounting for nearly 15% of the total.

“New firm requirements, single and multi-month during the final quarter, are driving the rate sentiment in the region,” Poten said.

These are primarily driven by structural needs, but also increasing interest to deliver cargoes during November following a jump in JKM on the back of the Saudi attacks, the brokerage noted.

“Spot rates will likely increase further in the coming weeks, as new requirements for loading in the Far East particularly come to the market,” it conceded.

Smart ports seen as critical to terminal operator strategies

CONTAINER terminal operators must face up to digitalisation if they are to prosper, no matter what strategic goal they are pursuing, according to Drewry analyst Neil Davidson.

But digitalisation was a “woolly” concept, with no single definition for any port, he said during a webinar presentation.

“There is a significant amount of jargon surrounding digitalisation and smart goals, and it is difficult to separate the hype from the reality,” said Mr Davidson. “But one thing is clear, it is not just about automation.”

Smart ports were best identified by their main features. These include connectivity to the outside world, using technologies like blockchain, and the focus on standards, cybersecurity and data integrity.

This was followed by connectivity inside the port, focussing on port community systems and the use of equipment connected via sensors that focusses on

real time information to enable optimised and efficient operations.

The use of data analysis for continuous performance improvement and an overall culture of innovation and forward thinking, focused on organisation and planning, also marked out a smart port, said Mr Davidson.

“These five big features are the means to achieve the objectives of safety and sustainability, efficiency and competitiveness and fluidity of communication.”

There is, however, no specific technology solution or port size that qualifies as a smart port. Rather, it is the disposition to embrace innovation and technology that matters.

“It is certainly clear ports cannot ignore the digital maritime revolution,” added Mr Davidson. “And it may be the case that some traditional ports do not survive digital disruption unless they adopt some form of digitalisation.”

Digitalisation also ties in with another important strategic trend by the global terminal operators, that is, the desire to become more involved in the wider supply chain and in doing so, get closer to customers.

“This is interesting because this aim reflects that of some of the major shipping lines,” Mr Davidson said. “Maersk is seeking to do much the same thing in becoming a global integrator of container logistics. For some shipping lines, the focus is on switching from hardware, essentially big ships, to software through a global supply chain integrator function.”

There were parallels in the terminal operator sector as well, where it could be argued that the port and terminal operator focus is switching from the hardware of terminals to cargo owner relationships, he added.

But opinions and strategies vary in the terminal sector, Mr Davidson said. DP World is at the extreme end of the spectrum with its well-publicised global trade enabler strategy, and PSA has a broadly similar approach.

The main Chinese players, Cosco and China Merchants Ports, are also active beyond the terminal gates. But their aim is perhaps less supply chain oriented and more focused on broad economic development, such as the One Belt, One Road initiative.

Hutchison, meanwhile is less active in the supply chain in terms of strategy, while APM Terminals’ role is subsumed in the wider Maersk strategy.

“One thing that has always been clear is that all the global terminal operators are quite different in their own way,” Mr Davidson said. “They different in scale and nature, with some being independent and others tied to container lines.”

In that sense, it should come as no surprise that they followed different strategies, he added.

“But I think there is also a fundamental question about supply chain approach and whether it will work, because it does bring you into a position where you may start competing with your customers,” said Mr Davidson.

That was certainly the case in the liner shipping sector, where carriers were competing with forwarders.

“It is true to the same extent for terminal operators as well if they start to get into the ground that is traditionally occupied by the likes of forwarders and carriers, he said.

“So, there is a very fundamental question as to whether it can succeed, and whether it is advisable. It is polarised in liner shipping, with Maersk absolutely committed to the idea and Hapag-Lloyd, for example, focussed on just the shipping line aspects. It remains to be seen yet to what extent that can be successful.”

IN OTHER NEWS

MS Amlin moves marine insurance in business reorganisation

MS AMLIN is to bundle marine insurance in with its international property and casualty business as part of a major restructuring exercise that will see it ditch nine classes deemed no longer to fit its strategy.

The changes at the London market insurer come in the wake of a £730m ($897m) loss in 2017, when the company was badly hit by natural catastrophes, including hurricanes Harvey, Irma and Maria.

MS Amlin concentrates on reinsurance and specialty business, regarded as lines in

which underwriting expertise is critical and products are not commoditised.

Hapag-Lloyd adopts Portchain fleet planner

HAPAG-Lloyd, the German container line, is to implement Portchain's advance fleet planning software as part of its efforts to raise its service levels.

The carrier will use the software, which uses predictive algorithms, to optimise and simplify workflows within voyage control and execution, the software vendor said in a statement.

The artificial intelligence features of the software will allow Hapag-Lloyd's operations teams to identify potential schedule issues earlier, which will allow additional time to mitigate problems, which in turn should improve schedule reliability and reduce bunker costs.

West Delta LNG seeks approval for Louisiana deepwater port

WEST Delta LNG has applied to the US Maritime Administration for construction of a fixed platform deepwater liquefied natural gas port offshore Louisiana in the Gulf of Mexico.

The port will be linked to onshore components including a pretreatment plant located in Plaquemines Parish, which in an existing 121-acre onshore natural gas processing facility known as the Venice Gas Complex.

The port and marine components are to include an LNG production and storage unit, a loading platform and marine berth unit as well as support facilities, the Maritime Administration said in a notice on the Federal Register.

US transport department defends Chao over Foremost claims

THE US Department of Transportation has defended its secretary Elaine Chao against claims that she has used her position to benefit her family shipping business.

The House of Representatives committee on oversight and reform wrote to Ms Chao last month informing her it had launched an investigation and was seeking records.

Ms Chao's father, Dr James Chao, and sisters own Foremost, the New York-based shipping company that carries goods between the US and China and which has received low-interest loans from the Chinese government to buy ships.

NYK completes world's first autonomous ship trial

A VEHICLE carrier operated by NYK has successfully completed an autonomous voyage in Asian waters, in what could be an important precursor for the development of autonomous shipping in Japan.

The Japanese company said the 20,853 dwt Iris Leader car and truck carrier sailed autonomously using navigation software last month between Xinsha in China to Nagoya in Japan, and from there to Yokohama.

The vessel used the Sherpa System for Real ship navigation system, which NYK said navigates a vessel by calculating optimal routes based on environmental conditions.

InfraStrata to buy Harland and Wolff

BELFAST-based shipbuilder and engineer Harland and Wolff has been bought by InfraStrata for £6m ($7.33m), less than two months after entering administration.

The London-listed energy infrastructure-focused company announced on Tuesday that it had agreed to buy the distressed company and its assets from administrator BDO Northern Ireland, with the deal expected to close later this year.

From InfraStrata's perspective the takeover helps reduce costs, construction time and bring in-house parts of the fabrication of its Islandmagee Gas Storage, an underground natural gas storage facility, and of a proposed floating storage regasification unit project.

Bodies from sunken Bourbon Rhode found as Shipowners' Club confirms cover

TWO seafarers from *Bourbon Rhode* are now known to have died and the fate of a further nine remains unclear, according to a statement from operator Groupe Bourbon.

The development comes after three crew members were found on a lifeboat and were taken on board a merchant vessel.

Meanwhile, a source at Shipowners' Club has confirmed that the London-based smaller craft specialist provided P&I cover on the vessel. While investigations have yet to begin, the casualty looks set to be declared at least a major claim.

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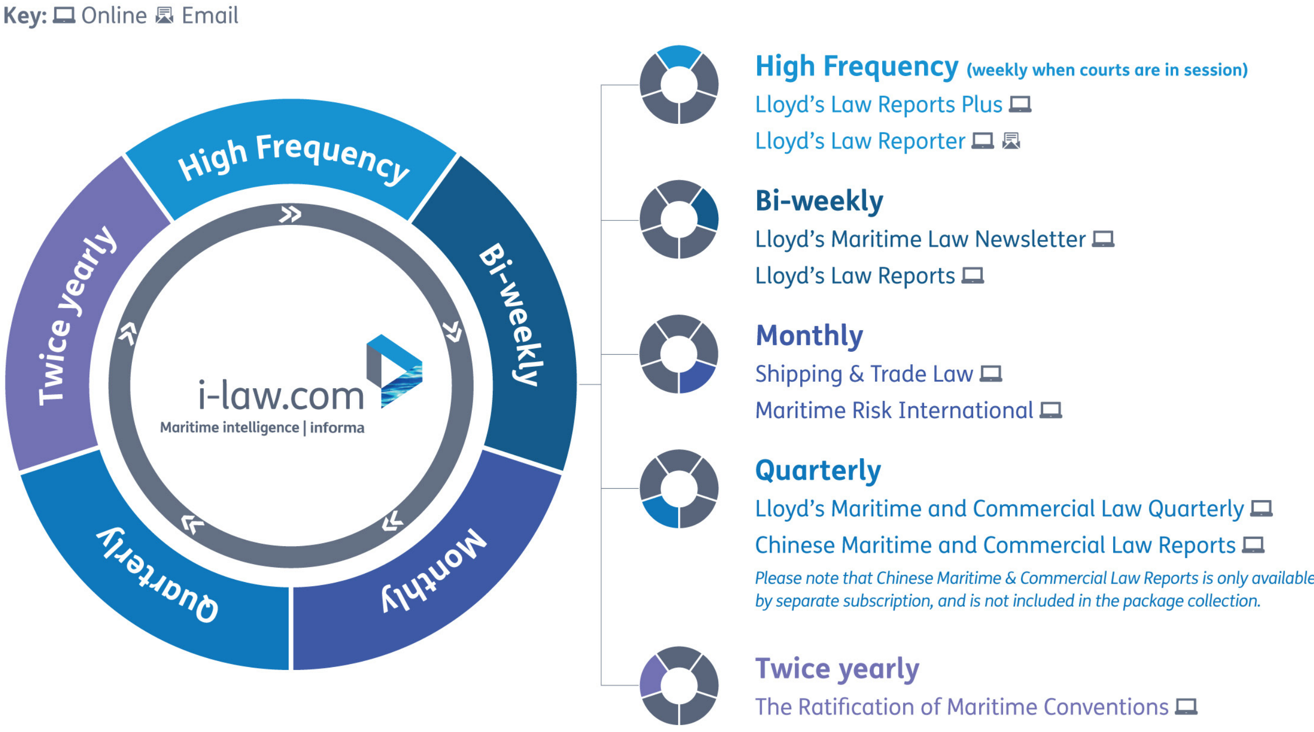

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