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UK's revised Brexit plan calls for intra-customs clearance on Irish Sea

CARGOES across the Irish Sea could have to complete customs formalities as early as next month, even where both the port of loading and the port of discharge are part of the United Kingdom, under Boris Johnson's plan to deliver Brexit.

The revision to the Brexit withdrawal agreement has met with concern from the ports sector, which stressed the practical difficulties involving in implementing the measure.

And while it is difficult to be 100% certain on the point, lawyers who spoke to Lloyd's List were aware of no other country in the world that requires customs clearance on goods moving internally.

The basic principles of the scheme were hinted at in a speech by the British prime minister at his Conservative Party's conference, in which he described it as "a fair and reasonable compromise".

Under the proposal, Northern Ireland would essentially remain in a special relationship with the European Union from the date of Britain's departure until 2025.

This will entail both customs checks on the border between Northern Ireland and the Republic of Ireland, and an artificial 'border' between Northern Ireland and Great Britain, both legally speaking part of the same country, namely the UK.

Northern Ireland will formally leave the EU customs union and the single market, but will be in so-called regulatory alignment with the latter, effectively accepting single market rules.

In 2025, the Northern Irish Assembly will decide whether to continue with regulatory alignment, or to adopt the mainland UK regulatory framework then in place.

Early indications are that the tweaked withdrawal agreement will not be well-received by other EU members, with the Irish government in particular contending that it could put the Good Friday Agreement in jeopardy.

What is more, several maritime industries organisations have expressed apprehension about how things will work out in practice.

Tim Morris, chief executive of the UK Major Ports Group, said: It is important to remember that around four times as much trade flows across the sea between Northern Ireland and mainland Great Britain as across the land border between Northern Ireland and the Republic."

Indeed, two-thirds of the trade handled by Northern Ireland's ports flows to and from mainland Great Britain, he said.

"Additionally, we will potentially need to create border infrastructure and complexity at even more UK ports than we're currently anticipating. None of this, sadly, should be treated lightly," said Mr Morris.

The British Ports Association said the UK proposal would be a challenge.

"The majority of Northern Ireland's trade is with Great Britain and a border in the Irish Sea would be extremely challenging for the ports in Northern Ireland and those in England and Scotland who have freight routes," the association said in a statement. "Ironically also in a 'no deal' situation there could be displacement issues for Welsh ports."

The BPA added that it recognised the sensitivities and issues around the land border. It believes the best way to maintain frictionless trade is a deal that avoids customs or regulatory checks entirely.

A representative of Stena Line — which stands to be affected both as a major player in Irish Sea ferries and as the operator of the Port of Holyhead — did not immediately respond to a request for comment.

A spokesman for the UK Chamber of Shipping said: "We cautiously welcome the proposals put forward by the prime minister today, as long as it is confirmed that there will be no customs checks on board ferries in the Irish Sea. The industry should not take on the role of conducting border checks, which are the responsibility of the government and its agencies."

Meanwhile, Manufacturing NI, an umbrella organisation for manufacturers in Northern Ireland, was dismissive of the scheme on Twitter, saying: "Frankly, the proposals are worse than no deal for Northern Ireland businesses."

WHAT TO WATCH

Novatek ramping up LNG shipments via NSR to Asia

RUSSIA'S leading private liquefied natural gas producer, Novatek, expects to more than quadruple its shipments of the supercooled fuel via the northern sea route to Asia-Pacific this year.

The NSR is touted as slashing shipping distances and time between northwestern Europe and northeast Asia by about one third.

Novatek's Yamal LNG export project has already shipped 15 LNG cargoes to Asia-Pacific — the region accounting for most LNG imports — via the NSR in the September quarter.

These eastbound shipments represented about 25% of all LNG dispatched from Yamal during the same quarter.

Planned 2019 volumes of LNG delivered to Asia-Pacific via the NSR will increase by more than four times compared to last year once all 15 Arc7 ice-class newbuild tankers come online, Novatek said in a statement.

The Russian LNG producer is deploying 13 such ice-class carriers along with other tankers to transport cargoes from Yamal LNG.

Lev Feodosyev, Novatek's first deputy chairman, said: "The increase of LNG delivered eastbound via the NSR confirms the commercial priority of the Asia-Pacific region as a strategic direction for future deliveries of Novatek's LNG.

"Developing further the navigational efficiency via the NSR combined with the construction of LNG transhipment complexes in Kamchatka and Murmansk will optimise the company's logistics chain."

Novatek unveiled last week a partnership with Mitsui OSK Lines and Japan Bank for International Corporation to bolster LNG transhipment in the Arctic region.

The project envisaged the construction of floating storage units to tranship LNG cargoes from ice-breaking LNG ships to conventional LNG carriers.

The Russian government had signaled earlier this year, its intent to tighten access to the NSR, which runs along the Russian Arctic coast from the Kara Sea along Siberia to the Bering Strait.

Maersk said to be considering sale of Rotterdam terminal

MAERSK group is leaning toward shifting all its box business to a new site while disposing of an 'old' terminal, according to Alphaliner.

It cited unidentified musings from within the industry about the possible sale of APM Terminals' straddle carrier-operated facility at Rotterdam's Maasvlakte I.

With Maasvlakte I's concession due to expire in 2025, the company will soon have to make a decision whether to apply for a renewal or forgo operations at the terminal, it said.

A Maersk spokesperson told Alphaliner that a sale is one option, however, so too is investing to modernise Maasvlakte I upon renewing its lease.

Maersk told Lloyd's List that it is discussing its future in Rotterdam as part of a "strategic commission". It added that employees were informed that talks were under way last month. However, as yet, no decision has been made and no deal is in sight.

"The unions have been informed that they will, of course, be informed well in time and that all agreements naturally will be respected, whatever the future scenario will be," said Maersk.

Maasvlakte I is situated close to the fully automated Maasvlakte II, with the pair forming what is largely regarded as Maersk's flagship terminal operation in the hotly contested north European market.

As highlighted by Alphaliner, however, they operate as separate entities, with different technical layouts — while Maasvlakte II is highly automated the conventional Maasvlakte I is a manual straddle carrier operation — and run under separate trade union agreements.

Maersk has made no secret of plans to revaluate its terminal assets.

As the company works towards to using existing facilities to fit into the Maersk group's wider end-to-end logistics mantra, greenfield sites and acquisition ideas have taken a backseat.

Last year, it was widely reported that Maersk's European facilities too would be under the spotlight, with underperforming terminals up for divestment consideration.

Maersk had already moved to get rid of one ailing terminal, selling its stake in Zeebrugge in 2017 to China's Cosco Shipping Ports before selling its stake in the Turkey's Izmir Aliağa Terminal.

With regard to Rotterdam, shipping consultancy Alphaliner said that competitive pressure might lead Maersk to favour a solution to further expand Maasvlakte II before 2025 in a bid to consolidate all of its volumes at the port.

This decision must be made sooner rather than later, though, if APM Terminals is to have the capacity in place when Maasvlakte I's concession ends.

Data from Drewry suggests that Maersk is already shifting significant volumes across to the 'newer' site. Maasvlakte II, with a capacity of approximately 2.3m teu, had a utilisation level of about 92% in 2018, while Maasvlakte I was 58% utilised last year, according to Drewry. Maasvlakte I operates with an annual capacity of about 3m teu.

Commenting on the potential switchover to Maasvlakte II, Drewry senior analyst for ports and terminals, Neil Davidson, said that consolidating business at one terminal rather than splitting between the two is logical, even if the sale of Maasvlakte I is "surprising".

"But Maasvlakte II is APM Terminals' future in Rotterdam," he said.

Mr Davidson also commented on how other terminal operators in Rotterdam could see Maasvlakte I as a means of fulfilling expansionist goals at the port.

Indeed, Alphaliner too noted how ECT could be interested in acquiring the site, integrating Maasvlakte I into its "massive" ECT Delta Terminal.

But it questioned whether another operator would be willing to take over the old terminal and make it work without any volumes from Maersk Line.

"Since many major players are also invested into Rotterdam terminals with minority shares or though alliance commitments, such a takeover would require substantial 'organic' growth of ECT's customer base at Rotterdam," said Alphaliner. "Whether there is a business case for such an investment is questionable."

ANALYSIS

Athens — the hub that never had to try too hard

THREE years ago, a small group of men sat down at the offices of a leading shipowner in Piraeus to discuss the possible formation of Greece's maritime cluster.

This was a slightly incongruous conversation to be having well into the 21st century, as Athens and its port have long been automatically pencilled-in by most shipping people as one of the world's top maritime capitals.

However, in 2016, Maritime Hellas, the organisation charged with officially promoting Greece's maritime cluster, was born. It launched its 'Navigate the Greek cluster' website soon afterwards.

The group, comprising Hellenic Chamber of Shipping president George D Pateras, Union of Greek Shipowners president Theodore Veniamis and Vassilis Korkidis, president of the Piraeus Chamber of Commerce and Industry, "all wanted it to work".

According to Mr Pateras — who, as shipping chamber president, has also taken on the mantle of chairman of Maritime Hellas — the impulse to officially launch the national cluster finally came to the organisations about eight years ago.

However, once the current heads of the three bodies sat down together, it was pulled together quickly.

"The problem that we are facing is that the maritime cluster has existed for 2,000 years, but it has not been officially recognised," Mr Pateras says. "We decided it was time to give it a body and bones."

Ranking of leading maritime centres often heavily relies on semantics.

Earlier this year, Athens "objectively" came first for "shipping" but was placed 13th overall in the Leading Maritime Capitals report for 2019 by Norwegian consultancy Menon Economics and DNV GL.

This seems to underrate the depth and breadth of Greek maritime services, although the cluster has been guilty of under-promoting itself.

Athens' perennial advantages over maritime capitals elsewhere are well-known. Greeks are collectively the owners of the world's largest merchant fleet and, after once favouring London or New York over Greece, the head offices of virtually all leading Greek companies are nowadays located there.

Even allowing for the latter-day drift of Greek management companies and brokers out of Piraeus to the centre, north and southern coast of Athens, the vast majority of the nation's maritime activities are concentrated in the capital in a way that is not so true in many other countries.

"Other centres don't have shipowners, but they have everything else and they want to take advantage of all the facilities they can," notes Mr Pateras. "What we have is shipowners. One of the main reasons that Greek shipowners are so successful is that there is a cluster. But they never needed it to be put down on paper because they have been using it for so long anyway.

"It's like being in a kafenio [coffee shop]. You can always find someone who will know what you need to find out. Most shipowners and managers have their own micro-network of cousins, friends and peers and they are regularly exchanging advice and assistance. Everyone wants to help each other, which is one of the points of a cluster."

Adding to the more ad hoc cluster habits, Maritime Hellas can offer value in a number of tangible ways, Mr Pateras says.

One is to help sell Greek products and services abroad. It is estimated that about $1m of equipment included on board every newbuilding constructed by Asian yards for Greek owners could be sourced from Greek manufacturers.

Talks with manufacturers

Significant progress in this respect has been made in the past few years under the Hellenic Marine Equipment Manufacturers and Exporters (Hemexpo) organisation, with which Maritime Hellas is in discussions.

"We would like to bring on board all the manufacturers," says Mr Pateras. "Believe me, we manufacture a phenomenal amount of excellent equipment — for example coolers, wires and ropes, energy-efficient external lighting and ballast water treatment systems. The list is endless."

It increasingly includes digital products and applications for shipmanagement, a segment that can only burnish a maritime centre's future credentials.

As a cluster, Maritime Hellas will be able to negotiate more competitive prices for a Greek presence at international events. "We can provide that service as we may be taking 25 stands rather than one or two that individual companies or other organisations might want," says Mr Pateras.

With an estimated 100,000 people active in shipping and ancillary services, he also sees "huge strength as a lobby".

"That may seem more opaque as an advantage than the ability to negotiate cheaper bunkers tomorrow morning, but it will be very important in the longer term," he says.

The great, 'hidden in plain sight' advantage of the Greek cluster is its human resources, according to Mr Pateras. He illustrates it with a story of a London-based owner who, for weeks, struggled to find a superintendent engineer experienced with full electronic engines. Eventually, he came to Greece to advertise the post — and received 15 applications the next day.

The expertise has spread well beyond the shipping companies to service organisations. "The knowledge and ability here is very impressive. I am often surprised by the quality of the professionals in Piraeus," says Mr Pateras.

Over the years, numerous international service providers — including shipping banks, classification societies, P&I Clubs, ship registries and marine law firms, to name a few — have established branches in Piraeus to be closer to the strong Greek shipping community.

In many instances, these have grown into an important base of expertise and business second only to the headquarters office. While some first arrived in Greece with entirely expatriate staff, over the years, such organisations have been able to draw on local talent and frequently the offices are now managed by Greeks.

"This is how clusters are created — by foreign companies establishing themselves and employing locals, who later set up their own businesses," says Costas Constantinou, managing partner in Greece and global shipping leader for accountants and advisers Moore Stephens.

However, the cluster could expand if it had more major international brokers as well as traders and charterers, he says. "Even if they are here, these giants of shipping are mostly present with only a local representative or a skeleton office. They are not creating wealth here.

"The cluster is something that we have been discussing forever. But it has been almost wishful thinking — like a holy grail," Mr Constantinou says.

"Yes, we could be like Singapore, but we are not. We have this massive purchasing power here, but owners can't subsidise buying from Greece just because they are Greek."

The key reasons are that "the Greek state has been completely unreliable and the cost of doing business here is too high". According to Mr Constantinou, it is not just about the headline tax rate, but about the overall value proposition and the ability to retain the best personnel.

He credits the last government, led by Alexis Tsipras'

Syriza party, for clarifying the tax status of shipowners and shipmanagement companies.

"The status of the core shipping community is better than ever," he says. "But for a healthy cluster, it has to make sense for everyone. The service providers and suppliers are outside this bubble and our competition is international."

Vulnerable to competition

According to Mr Constantinou, Greek services are often high on quality but vulnerable to competition from supposedly more developed markets because Greek costs — of tax, social security and capital — sometimes stack up higher.

"You can't expect to have a cluster in a high-value industry and expect people to pay 50%-60%," he remarks. "Shipping is very international; you have to be able to be cost-effective on an international scale."

The country's labour laws, long considered unfriendly to business, became more onerous under Syriza. New restrictions on overtime, in particular, were "almost impossible to comply with" and especially ill-suited to the shipping sector.

"All this means it is difficult to hire people and grow, and ultimately to compete with firms in Hamburg or Singapore. With these conditions, is a US company going to come here? Any accountant would advise not to get involved in such a labyrinth of bureaucracy."

Ilias Tsakiris, managing director of American Hellenic Hull Insurance Company, is another to highlight the high taxation on service companies as a barrier, describing some of the rules as "insane".

He adds that the sector — and the wider question of investment in Greece's shipping cluster — has also been held back by the capital controls introduced to shore up the Greek banking system amid the country's financial meltdown.

Such complaints may be met — at least in part — by the programme of the New Democracy administration of prime minister Kyriakos Mitsotakis that came to power at recent elections.

Corporate tax rate

A flurry of early moves has seen the new government cut the corporate tax rate from 28% to 24%, with a goal of reducing it to 20%. Capital controls were lifted in August and more liberal labour laws have also been introduced.

"If they keep their promises, it will work as an incentive to bring business to Greece," Mr Tsakiris says.

All agree, though, that stability is a key to growing a strong cluster and it will take time for a country that has been a serial offender on this score to gain market trust.

George Paleokrassas, partner at law firm Watson Farley Williams in Athens, agrees that trust and stability are key issues.

"The issue is not only that the law changes; a lot of the time they have a retroactive effect, which is what spooks a lot of people. There are many cases where laws are changed to encourage investment from the tax perspective and, once companies jump in, the tax laws change again, so that [the companies] are punished for investing.

"On the other hand, one of the elements of the success of Greek shipping is also that Greeks, whether they come from a shipping background or not, are attracted to the shipping industry myth of Greeks succeeding at shipping.

"Their ability to hire people is unparalleled," Mr Paleokrassas says.

"People talk about other clusters, but only in Greece do you have so many people interested in the industry and encouraged by this industry. Many people may end up in shipping, even though they have no prior connection with it and it was not necessarily part of their dream."

Although he remarks that shipowners in recent years were so engaged on preserving their own status and surviving the shipping markets to dedicate themselves to the wider cluster, Dimitris Koukas, managing director of Optima Shipbrokers, says he is confident that the recent preparations are now on the right path.

He also says many of "the major weak points have been handled and generally the cluster is very strong".

Mr Koukas identifies marine insurance and ship finance — especially for smaller owners — as gaps that it would be good to cover. Currently providers of alternative financing, such as funds and new platforms, cannot base themselves in Greece due to legislation requiring a banking licence.

"In view of the gap left by the traditional banking sector, this must change rapidly," he says. "Our major competitive advantage is our DNA, the deep love and passion for the sea.

"Throughout the centuries, there has been an accumulated vast knowledge on how to own, manage and operate ships. Greeks have shown a great adaptability to changes and their ability to take advantage of such changes.

"This historical fact has been passed as a relay from generation to generation, so as before, we rely heavily on having the human resources available."

That is a prime concern of Mr Pateras, who admits the possibility of attracting international companies to the Greek cluster is not a priority compared with ensuring the country has the human resources to man its huge fleet — something that will, secondarily, have an impact on the expertise available to the cluster in years to come.

"What we are focused on is increasing the number of seafarers," he says. "At the maritime academies, there are now 1,800 a year taking third officer and engineer courses. That number needs to double in the near future. It is going in the right direction. A few years ago, it was down at 1,100."

Greater recruitment among young Greeks would also be a positive step to helping the national youth unemployment problem.

Even if, for the foreseeable future, the Greek cluster continues to be Greek shipowner-centric, this remains a powerful driver.

"The great advantage of being here is you are in the heart of one of the biggest fleets in the world," says Mr Pateras.

"Anyone who wants to be an ancillary part of the shipping business would be foolish not to have a presence. If you want to be a player, you really need to be here."

Others, too, are optimistic.

"If our dysfunctions are overcome, then Greece can become a paradise for everyone," says Mr Constantinou of Moore Stephens.

"Greater Piraeus could be for shipping what Milan is for design, London for theatre or Paris for fashion. As a young Greek who wants to make it big in films has to go to LA, a young Dutch person wanting a career in shipping would come to Piraeus."

Says Mr Koukas at Optima: "If the cluster grows, as it should, in the years to come, non-Greek maritime companies will realise the competitive advantages of establishing themselves in Greece."

Greek-owned fleet continues to dominate

WITH the shipping industry about to pass through a door to the new low-sulphur era — some would say a door to the unknown — this ought to be a time of respite for the Greek shipping industry.

The past few years have required the industry to grapple with generally difficult freight markets, tighter finance and some existential insecurity over perceived threats to the framework in which Greek owners operate.

Sabre-rattling towards shipping by the incoming Syriza government in 2015 — and, simultaneously, worries about a European Commission probe into Greece's application of the European Union's state aid guidelines for maritime transport — had the Greek shipping world in a prolonged state of agitation.

However, all that now feels as if it belonged to a different time.

Earlier this year, the Alexis Tsipras-led administration signed off on a new deal with shipowners that arguably leaves them better off.

At the same time, the new arrangements — which include a dividend tax on repatriated earnings from shipping — appear to have calmed the European Commission's competition concerns.

The new Greek government, headed by Kyriakos Mitsotakis, was formed in July but already appears to be the most ardently pro-shipping new administration in memory.

It has already begun enacting business-oriented tax and labour reforms that will be welcomed by the country's wider maritime sector.

The Greek-owned fleet's expansion in recent years has been near-constant.

Yet according to Lloyd's List Intelligence data, between April 2018 and August 2019, it fell by 5% in number and by 5.6% in capacity. That represents a 15% share of the world fleet in service and on order, down from 16% 17 months earlier.

The fleet now stands at 5,107 vessels, aggregating 336m dwt. This includes 142 ships on order. Much of the dip can be explained by fleet renewal, with companies shedding some of their older tonnage as newbuildings joined the fleet.

The new orderbook has shrunk since April 2018, indicating Greek owners have been relatively cautious about contracting at yards recently. The only category of ship that shows an increase in the Greek orderbook is gas carriers, amid continuing expansion by Greeks — particularly in the liquefied natural gas carrier segment.

It may also be a case of some owners getting their orders in early so that deliveries were on the water in time for rising tanker and dry bulk markets.

In terms of the operational fleet, Greek-owned dry bulk capacity dipped over this period by only 1.5%, to 2,013 bulkers of 160.8m dwt, while the tanker fleet actually increased by 0.8% to 1,418 tankers of 137.3m dwt, amid rising hopes of a tanker market recovery.

According to Lloyd's List Intelligence data, Greeks currently control more than 18.8% of the world dry bulk fleet and 19.8% of the world tanker fleet, with an even higher share of crude oil tanker ownership.

Increasing usage of the Greek flag is one of the goals of the recently installed New Democracy government. However, with one of the issues being a shortage of qualified officers to cover the vast Greek-owned fleet, no quick fix is in sight.

The long-term shrinkage of the home-flagged fleet continues, with another 5.7m dwt wiped off the Greek registry, which now represents just 22.4% of the Greek-owned armada.

While Greek shipping is a globally-active business, the continuing strength looks even more impressive in a European context.

The Union of Greek Shipowners cites independent data indicating Greek owners account for 53% of all EU-controlled shipping capacity and 51.3% of all tonnage under the various EU member state flags. The dominance is even greater in the dry bulk and tanker sectors.

"We are the only taxi drivers in Europe," UGS president Theodore Veniamis said.

Management club underlines loyalty to Cyprus

CYPRUS earned more than €1bn ($1.1bn) in revenue last year from the shipmanagement sector, according to the Central Bank of Cyprus.

The second half of the year was particularly strong, yielding €528m, or 5% of the country's gross domestic product. That is the lion's share of the maritime sector's overall contribution of 7% to the economy.

The local shipping community was once heavily dominated by management outfits originating in Germany. And, while Germany-linked companies are still a leading presence — accounting for 44% of the revenue — the community has been diversifying, with companies linked with Singapore, Switzerland, Greece and Scandinavia all growing.

Cyprus' taxation of shipmanagement companies under the tonnage tax system instead of corporation tax is often cited as an asset for shipmanagers.

However, the shipmanagement community has been more generally effusive in its praise over the years for the helpful and organised support the island has provided for the sector.

Last year, a continuing commitment to Cyprus was underlined by Heinrich Schulte, who first came to Cyprus in 1972, establishing the country's first international shipmanager, Hanseatic Shipping.

The company has been known as Bernhard Schulte Shipmanagement since 2008, when the Schulte group decided to integrate it with three other later-established management outfits it owned.

Yet the Hanseatic name has not entirely disappeared. A new investment was made in Cyprus in 2018 with the launch of Hanseatic Capital Management, a specialised fund manager for maritime real assets.

"We recognise the success of BSM in Cyprus would not be possible without the strong support from the country in the past 46 years. We are grateful," said Dr Schulte in a meeting with the president of the republic, Nicos Anastasiades.

Columbia Shipmanagement, which last year celebrated the 40th anniversary of its founding in Cyprus by Heinrich Schoeller in 1978, is another industry leader that has been able to grow internationally with the island as its launchpad.

Columbia recently merged with Marlow Navigation, creating an entity with 13 management offices and 35 manning agencies across the world.

The two companies were a complementary fit, with Columbia being predominantly a full management company and Marlow's strength lying first in crew management, although it, too, has expanded into full management services.

So far, they have operated independently as two brands under a holding company, Columbia Marlow.

Columbia has put great emphasis on digitalisation in many aspects of its operation. Recent developments have included opening of a first performance control room, aimed at supporting faster decision-making and using technology to optimise vessel safety, security, crew, commercial operations, voyage control, fuel consumption and other aspects of its operation.

It has launched its own eLearning Management System, known as LMS, in partnership with Adobe Systems, claiming it to be the first global LMS solution of its kind in which a shipmanager has partnered with a multinational software company.

Columbia now offers 50% of its courses through eLearning, giving employees the flexibility to study anywhere, any time and over any device.

"I think Cyprus has everything going for it. I think it has the human capital, it has the companies already here that are growing, it has the political support," said Columbia chief executive Mark O'Neil in a recent interview.

Marlow has been another longstanding leader on the Cyprus scene to expand since its launch in 1982.

Today, it has about 1,000 shore-based staff and 14,000 crew on board managed vessels and is continuously enhancing its student training programmes in countries around the world.

At the head office in Limassol, Marlow regularly takes on students from the Cyprus University of Technology, Frederick University Cyprus and the Heritage school.

It has been constantly diversifying into new niches, one of the latest being a joint venture between Marlow Offshore and SeaZip Offshore Service to provide ad hoc services in offshore wind sector recruitment.

Norway-based OSM Ship Management has had a presence in Cyprus for 12 years but earlier this year expanded its OSM Cyprus office to full shipmanagement status.

The Limassol office has already taken a number of bulkers and tankers under its wing and will also serve as the central, European hub for the company's supply chain and procurement services.

"By targeting Cypriot, Greek and Middle East owners from Limassol, the expanded OSM Cyprus office will be able to offer the high level of quality expected of the company," said founder and chief executive Bjørn Tore Larsen.

MARKETS

Carriers caught between higher costs and lower earnings

CONTAINER lines chartering in ships are finding their costs rising as the number of vessels being removed from the fleet for scrubber retrofits pushes up charter rates.

But at the same time, the reduction in the number of available vessels has done little to boost freight rates, according to analysis by Alphaliner.

Of the 51 containerships currently undergoing scrubber retrofits, 39 units are larger than 6,000 teu, accounting for 484,000 teu out of the total of 517,000 teu of capacity that are presently removed from the market, according to Alphaliner.

"However, 41 units of between 6,000 teu and 20,000 teu have already completed their retrofits since the beginning of this year and are now back in service, providing some relief for ships in this sector," it said.

In smaller ship classes, classic panamax vessels of 4,000 teu-5,100 teu were also coming under pressure, according to the research.

Latest figures from Lloyd's List Intelligence show that 501,321 teu of containership capacity is idle, representing 2.3% of total capacity.

The figures include 114,000 teu of that capacity comes from larger ships of over 10,000 teu that have been removed from service for scrubber installations.

"While availability of 6,000+ teu ships remains tight, charter rates could once again weaken in the coming months," Alphaliner said. "In addition to faltering tonnage demand, this is due to the fact that vessels are starting to return to the market after their scrubber installation."

But the lack of available vessels had done nothing to raise freight rates.

"The two markets' sharply contrasting fortunes could put a lid on further charter rate gains, now that the container freight market enters its traditional winter slack season," Alphaliner said.

"Falling freight rates have forced carriers to withdraw additional sailings in the months of October and November, and prompted shipping lines to rationalise services on several routes. These capacity management initiatives could lead to a reduced demand for containerships in the fourth quarter."

Hapag-Lloyd rules out Arctic shipping

HAPAG-Lloyd, the world's fifth largest carrier, has said it does not intend to begin voyaging through either of the two main Arctic shipping routes that connect the Atlantic to the Pacific Ocean.

Jörg Erdmann, senior director of sustainability at the German box carrier, said the decision had been taken primarily on environmental grounds.

"As long as there are no guarantees that these passages can be navigated without negatively impacting the environment, using them is out of the question for Hapag-Lloyd, as well," he said.

CMA CGM vowed last month not to use Arctic Shipping routes, also citing environmental concerns. Maersk, which trialled a boxship voyage through the Arctic, has said it does not intend to repeat the voyage.

A UN report has warned that increased shipping in the Arctic Sea poses considerable risks for the environment and the wider ecosystem of the region.

Melting of ice means companies are exploring the potential of the new trade lanes that could cut voyage times.

Cosco has said that it has ambitions for shipping in the region, declaring it last year a strategic new route.

The commercial benefits of sailing through the Arctic are still not apparent for box trades.

Arctic passage still requires icebreaking capabilities and that would be a strenuous demands for the ever-increasing size of boxships.

"The significance for container shipping is still very limited because the window of time in which this region can be navigated continues to be relatively narrow, which is why using it regularly would be rather difficult at present," Mr Erdmann said.

He said containers operate in liner services with fixed schedules, which means they need to explore if the Northwest Passage and Northeast Passage would be economically beneficial, considering the draughts of larger vessels or the fact that ships would likely need to have the appropriate ice classes.

"The desirability of using these passages much be very carefully weighed from both the ecological and economic perspectives — which is why we always intensely scrutinise such issues," he said.

Voyages across the Northern Sea Route, the Arctic shipping route within the Northeast passage and stretches from the Barents Sea to the Bering Strait, is predominantly favored by general cargo vessels.

IN OTHER NEWS

Iran will build two oil refineries in Sea of Oman port

IRAN plans to build two refineries and petrochemical facilities in the port Jask in the Gulf of Oman.

Iranian Oil Minister Bijan Zangeneh said the projects would come following the completion part of a $1.8bn, 1,000 km oil pipeline from Goreh in the west to Jask Port.

"The project would transform the region as various oil storage facilities, export jetties, wave breakers and single buoy mooring systems would be built in Jask," the Oil Ministry said in a tweet.

Sempra Energy agrees to supply LNG to China Three Gorges Corp

SEMPRA Energy has announced a memorandum of understanding with China Three Gorges Corp for the supply of liquefied natural gas. The Memorandum of Understanding, which marks the first US-China LNG agreement in 12 months, builds on Sempra's plans for exports to Asia.

"This initial agreement with CTG represents an opportunity to support strong growth in natural gas demand in Asia, with future expansions of our LNG projects right here in North America," Sempra chief executive Jeff Martin said in a statement. Terms of the MOU were not made public.

Sempra is partnered with Mitsui & Co, Mitsubishi Corp, Total and NYK Line in the Louisiana-based Cameron LNG which currently has an authorised export capacity of 14.95m tons per year from three liquefaction trains.

GTT ties up with DSEC for LNG hybrid vessel

GTT, a liquefied natural gas containment system provider, has enlisted South Korea's DSEC for the construction of two LNG fuel tanks on a landmark polar exploration newbuild vessel.

The two tanks, with 4,500 cu m of storage capacity, are being fitted on Le *Commandant Charcot*, a hybrid electric ship propelled by liquefied natural gas.

The vessel, being built at Vard's shipyard in Norway for cruise operator Ponant, is touted as the world's first.

Avenir joint venture wins $28m LNG bunker tanker contract from Petronas LNG

A MISC-AVENIR joint venture has won a $28m three-year contract for a liquefied natural gas bunker tanker.

Future Horizon (L) Pte Ltd was awarded the time charter for the vessel, which will operate primarily in Malaysian and Singapore waters, by Petronas' LNG shipmanagement and chartering subsidiary Petronas LNG, MISC said in an exchange announcement.

The charter is scheduled to begin by the first quarter of 2020. The vessel will be managed by MISC shipmanagement unit Eaglestar Shipmanagement.

CSSC Shipping seals four ice class post-panamax bulker deal with Pangaea

NASDAQ-listed Pangaea Logistics Solutions has sealed a sale-and-leaseback deal with Chinese shipyard-linked leasing company CSSC (Hong Kong) Shipping Company for four high ice class post-panamax dry bulkers at Guangzhou Shipyard International worth $152m.

Two of the 95,000 dwt vessels will be delivered in April and May 2021 and the other two in November 2021. They will be used to service Pangaea's Arctic customer base, Pangaea said in press release. The latest two ships are additional orders exercising options from two originally ordered in May in support of a contract with Baffinland Iron Mines Corporation.

The two earlier ships were contracted at about $38m each and were Pangaea's first shipbuilding contracts in China. The additional ships, also designed with Ice Class 1A specifications, will cost $37.7m each.

Trading platform could improve box booking

AN ONLINE booking system to align supply with demand could benefit both carriers and shippers, according to a white paper released by consultants at Drewry.

"In today's liner shipping market, many pain points could be addressed through a capability to flexibly buy or sell ocean freight services in advance, using a neutral, global platform," the report says.

"Volume commitments and capacity guarantees would provide an early visualisation of demand to the market, reducing the supply-demand mismatch and rate volatility, to the benefit of all market participants."

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