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Cosco VLCCs wait for US waivers to discharge cargoes

SEVEN VERY LARGE crude carriers owned by the sanctioned tanker unit of state conglomerate China Cosco Shipping Corporation will need waivers from the US to discharge their cargos, according to vessel tracking data.

Cosco Shipping Tankers (Dalian) was among several Chinese individuals and companies sanctioned by Washington last month in connection with the transportation of Iranian oil.

The company and its subsidiaries owned 43 oil tankers, including 26 VLCCs, as of end-June, according to documents released by its Shanghai- and Hong Kong-listed parent Cosco Shipping Energy Transportation.

Lloyd's List Intelligence data shows that seven of the VLCCs are still loaded with cargoes. This information is based on the latest AIS-signalled draught levels.

China-flagged *Yuan Yang Hu* was 40 nautical miles away from the Bien Dong Port in Ho Chi Minh City, Vietnam, on October 17. It is expected to arrive at China's Daxie terminal on October 22.

Hong Kong-flagged *Cosdignity Lake* was passing through the South China Sea, expected to get to Qingdao on October 23. Its sister vessel, *Cosrising Lake*, was off Yantai Port in China.

Cospearl Lake and *Cosjade Lake*, both Hong Kong-flagged, were approaching the west coast of the Cape of Good Hope in South Africa. The former is expected to arrive in Yosu South Korea on November 13, while the latter is due to arrive at Lanshan, China, on the next day.

Panama-flagged *Cosbright Lake* last appeared on Lloyd's List Intelligence's map on October 16.

It was 26 nm northwest of Taipei and heading to China's Dalian with the date of arrival estimated as October 20. On the same day, *Cosgreat Lake*, last seen on October 15 in between Malaysia and the Riau Islands, was scheduled for arrival at Huizhou.

Another Dalian Tanker-owned VLCC, *Coswisdom Lake*, received a temporary waiver from the US to discharge its cargo in Singapore last week and at Brunei on Wednesday, according to Reuters news agency.

The sanctions are expected to resume after the cargoes are discharged.

Sanction waivers were also being sought for a VLCC carrying US oil to South Korea, according to the report.

Lloyd's List has sought comments from the company.

WHAT TO WATCH

Tanker rates retreat as eastbound routes cool

DIRTY tanker earnings retreated for a fifth consecutive day and are now around one third of the levels achieved in last week's 15-year peak, although owners and brokers remain confident that the long-awaited recovery in rates will hold.

Fresh cargoes emerged mid-week that resulted in significantly lower deals being agreed between owners and charterers, returning sanity to key routes and arresting the dramatic plunges of prior days when vessels that secured stratospheric earnings last week subsequently failed on subjects.

Spot rates agreed for several very large crude carriers last week soared five-fold in 10 days to the highest since 2004, with assessments from the Middle East Gulf and West Africa averaging more than $300,000 daily.

But the overheated market corrected sharply on Monday and Tuesday as many of these provisional deals failed if they were fixed above a $225,000 per day ceiling.

Thursday's falls were between 32% and 10% on key VLCC and suezmax dirty tanker routes. Time charter earnings for VLCCs averaged $115,000 per day on the benchmark Saudi Arabia-China VLCC route, one third of the levels seen last Friday. The greatest falls were seen for VLCCs from West Africa to China, now around $107,000 per day, from $278,000 on October 11.

Despite these significant falls, owners remain confident that a long-awaited tanker rates recovery will continue, albeit at more sustainable levels. Rates overheated after charterers avoided tonnage connected with sanctioned entities of China's Cosco, imposed by the US on September 25 for shipping Iranian crude in defiance of unilateral sanctions.

Larger charterers were then reluctant to use tonnage that has called at Venezuela, also subject to US sanctions, removing as much as 15%-20% of VLCC and suezmax tonnage from the market.

Stena Bulk chief executive Erik Hannell told Lloyd's List the market had been anticipating a recovery in rates by the third quarter, and the late-September rebound courtesy of Donald Trump provided a helping hand.

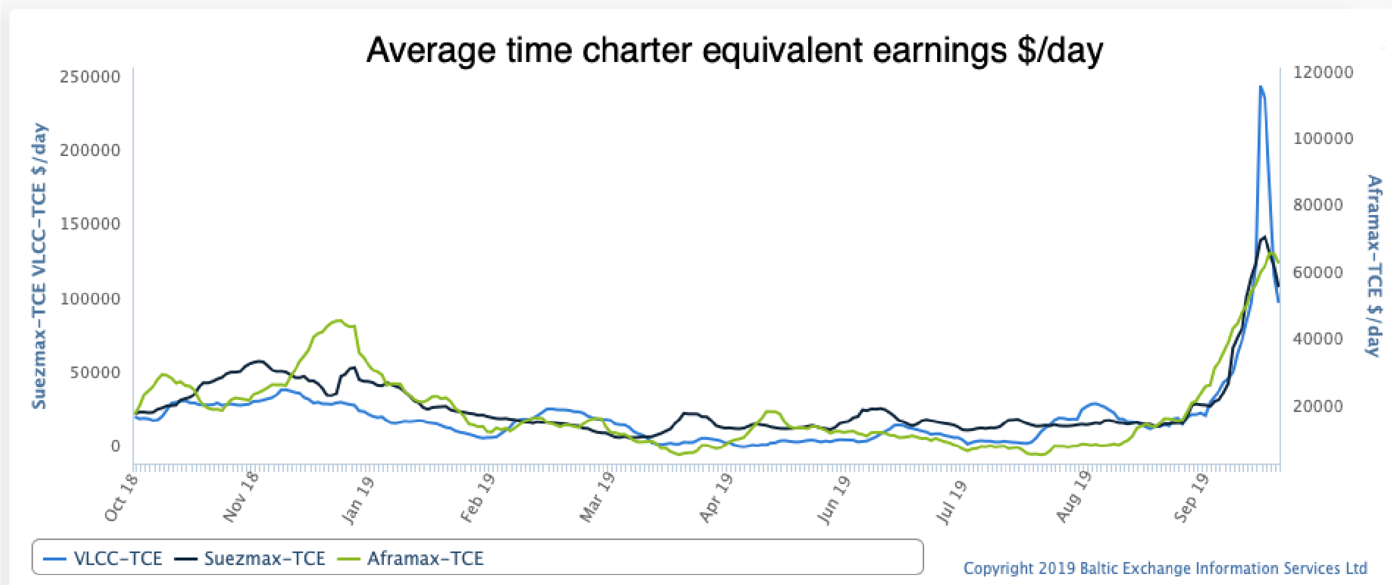
Average VLCC rates were barely above breakeven levels for most of the second quarter and had barely broken $20,00 per day by mid-September, Baltic Exchange data show.

"The basic fundamentals are there," Mr Hannell said, noting that most of Stena Bulk's fleet, which includes 23 suezmaxes and 55 medium range product tankers, were trading in the spot market and therefore had cleaned up in past weeks.

"Rates will hold, probably not to this level, but they will be stronger — a lot stronger — than before… and think we will have an 18-months-long good time now."

Shipbrokers are making similar upbeat assessments. "The underlying fundamentals remain strong, which will support a much higher floor for the balance of the year," Oslo-based shipbroker Fearnleys said in a weekly report on Wednesday.

The report noted that many oil companies were now



placing tonnage in the market to be chartered, with these additional vessels, known as relets, also helping alleviate the tonnage shortage that sanctions exclusion clauses had generated.

In clean markets, gains have been arrested by the collapse in the dirty market, except for larger aframax or long range two tonnage.

That reflects the option for many of those in the fleet to switch to carrying crude, where rates are higher, reducing available clean tonnage, and lifting rates.

Declines were seen in the benchmark medium range tanker Atlantic route to New York from Rotterdam, now at just over $18,000 per day, a $7,400 fall, according to the Baltic Exchange.

On the route to Japan from the Middle East Gulf, LR2 vessel earnings are averaging $73,650 per day. Rates were barely above $5,000 in mid-September.

Ships will be fined for non-compliance with IMO 2020

SHIPS, or rather those responsible for them, will be fined if found to be non-compliant after the implementation of the International Maritime Organization's low-sulphur rules on January 1, attendees at a fuels symposium were told.

Denmark, which has issued fines for those not complying with the emission control areas, has yet to decide what the penalty for flaunting IMO 2020 rules should be, but it has called for a level playing field.

Its existing fines range from DKr20,000 to DKr200,000 ($3,000 to $30,000), with fines increasing for repeat offenders, which could lead to a blacklist or ban, said Clea Henrichsen, a special adviser in the Ministry of Environment and Food of Denmark.

It publishes the names of shipowners who breach 0.5% sulphur in the 0.1% ECA zones, and any breaches of 1% will be dealt with by the police.

In April, Denmark started to use sulphur-sniffing drones, or sniffers, to detect sulphur compliance.

The fuels symposium held at the IMO in London were told that sufficient quantities of compliant fuels will be available at major bunkering ports, with a supply squeeze expected in early January.

Demand was expected to materialise in the fourth quarter, according to the International Bunker Industry Association, but uptake has been low, with consumption at 5% currently versus 1% in mid-September.

IMO 2020 has been disruptive and "pains are being felt," said Unni Einemo, the group's director.

While availability of both compliant fuels and high sulphur fuel oil will be "unpredictable for a while," the market will eventually adapt.

Intercargo, the dry bulk shipowner association, said that it regrets how the fuel industry did not provide the fuels early enough to be tested, which has potential safety implications.

“It is unacceptable that ships lose power in high seas,” it said.

Japan’s Ministry of Land, Infrastructure, Transport and Tourism,said that the country’s refineries shared samples of fuel and no compatibility issues were identified. It was ready for IMO 2020.

It trialled 12 ships and found normal combustion, with no sludge build-up, said Shin Imai, a maritime bureau director at the ministry.

Supply of compliant fuels had started this month, he said, adding that those who comply should be rewarded, while those who do not should be penalised.

The increased costs of bunkers will be shared by the whole society, with fuel surcharges imposed on the domestic coastal industry.

Singapore has an approved list of bunker suppliers, said Capt. M Segar, assistant chief executive of the country’s Maritime and Port Authority. Those suppliers found to be in breach will be removed from the list, he said.

Singapore is offering compliant fuels, and has been testing compatibility, he said, adding that there are port reception facilities for collection of scrubber residue, especially from closed-loop and hybrid systems. Shipboard incineration has been banned.

Ships will need to demonstrate how they are complying before arrival, he said, with inspectors carrying portable sulphur test kits.

Brexit deal proposes ‘border in the Irish Sea’ arrangement

SHIPPING companies could face a so-called ‘border in the Irish Sea’ arrangement under the Brexit agreement reached between the UK and European Union negotiators today, with the additional prospect of many EU maritime regulations continuing to apply in respect of Northern Ireland.

Under the proposals, goods moving between Northern Ireland and mainland UK will be subject to customs formalities, even though they are being traded between ports that are in the same country.

The upside is that there would be no return to a hard border on the island of Ireland.

But even at this late stage — with the UK government still officially aiming to complete Brexit by the end of this month — the maritime industries still have no certainty on these issues.

The draft deal has yet to be agreed by both the European Commission and the UK parliament, with the latter by no means a certainty given the current state of British political power.

Depending on a vote in the House of Commons on Saturday, the Brexit deadline could yet be extended, with all main opposition parties committed to a confirmatory referendum.

Clause 5(4) of the draft specifies: “The provisions of Union law listed in Annex 2 to this Protocol shall also apply, under the conditions set out in that Annex, to and in the United Kingdom in respect of Northern Ireland.”

Crucially, these include EC guidelines on state aid to maritime transport and ship management companies, and regulations on shipments of waste, animal transportation, ship recycling and marine equipment.

In addition, a joint committee “shall adopt appropriate recommendations with a view to avoiding controls at the ports… of Northern Ireland to the extent possible”.

Tim Morris, chief executive of the UK Major Ports Group, said that a mutually agreed departure from the EU is preferable to the sudden dislocation entailed by a Brexit on World Trade Organisation terms, although UK ports could handle that scenario.

“There are no easy solutions. A sea border between Northern Ireland and Great Britain brings its own challenges,” he went on.

Four times as much trade moves across the potential sea border as over the land border with the Republic of Ireland, and two-thirds of the trade handled by Northern Irish ports is with Great Britain.

"We will need to create new processes and potentially infrastructure on ports in both Northern Ireland and Great Britain to accommodate a sea border.

"Preparations on addressing these issues and the long-term border arrangements with the EU must start as soon as a deal is ratified, if that is to be the case."

Richard Ballantyne, chief executive of the British Ports Association, said that his organisation is still digesting the details and awaiting formal discussions with the government.

However, even at this stage, it seems that the new arrangements would create new operational challenges.

"This is not only for traffic transiting the Irish Sea, where there are no recent experiences of requirements for regulatory measures," he said.

"This deal does deviate substantially from the previous administration's withdrawal agreement. This will mean that in longer term the UK and EU's customs systems could be dealigned.

"This is of particular relevance for the ro-ro ferry ports that facilitate tens of thousands of lorries each day and billions of pounds of trade between Britain and Europe each year."

Bob Sanguinetti, chief executive of the UK Chamber of shipping, broadly welcomed the agreement as the basis for a negotiated settlement with a transition period, something for which the CoS has long argued.

"However, we recognise that much still needs to be agreed as part of any future trade deal," he added.

OPINION

Viewpoint: Ferries to the fore

INTERFERRY was in London recently for its annual conference, remote from the travails caused by Climate Extinction nuisances, in a hotel at the tip of the Greenwich Peninsular, *writes Michael Grey.*

You couldn't have a better spot for a ferry meeting, with the London Clippers swishing up and down the river and as good an advertisement for water transport as you could imagine.

The Clippers were a visible tribute to the retiring Interferry president Sean Collins, a waterman who started the Thames ferry service 20 years ago driving his first boat, and now operates 20 of the fast river buses, employing more than 400 people and which carried 4.2m passengers last year.

It is a curious sectoral organisation, covering an industry that ranges from very small craft operating in rivers and creeks, to vessels upwards of 60,000 tonnes, that can swallow up 10 kms of freight at a sitting. But it is a force for good, spreading best practice and higher standards and promoting safety, notably in its programmes to assist ferry safety in the developing world.

Ferries, big or small, need a champion, as their special needs are often overlooked by politicians listening to developers and environmental interests and tending to focus their regulations on tankers, bulkers and deepsea ships. Interferry has its own man in Brussels and the International Maritime Organization, and that's just as well, with the plethora of rules emerging from its regulation factories.

It has managed to persuade IMO to move outside its international remit and help do something about the appalling toll of needless deaths in domestic, developing world ferry operations.

The theme for Interferry London was "innovation" and one might suggest that there were good ideas here a-plenty, whatever size of ferry you were involved with.

You might argue that it is the ferry sector that has seen the most spectacular developments in the reduction of harmful emissions, with a whole range of developments in hybrid ships, battery developments and the use of new fuels. Of course, with ships that don't go far from land, and with local governments demanding clean air, that is natural, but many of these ideas will exported into other shipping sectors.

There were discussions on innovations in shipbuilding technology and operating systems;

technical innovations in customer services and even some ferry operators were persuaded to reveal how they were innovating for organisational changes in their companies.

There was a session on autonomous ferries, which always gets attention these days, although there was a lot more about clever equipment that will make operations safer and more efficient, than anything that does away with the need for people. I guess there is still a major issue over perception. As with aircraft, the passengers like to hear the reassuring voice of the captain, even though the plane may be pretty well flying itself.

We heard about the savings that can be made with autonomous docking and undocking systems, using a lot of sensors on ship and berth to speed up the process. If you can get the traffic flowing within minutes of docking, you will have the possibility of extra revenue earning from additional trips.

I can recall the first installation of a system that did away with ropes and wires on a ferry berth in New Zealand.

That was more than 20 years ago and there are now more than 80 of these pneumatic mooring systems in operation around the world, handling all sorts of ships in every tidal range.

It takes 30 seconds to moor a ship, 15 to let go, and if you think of the increase in safety from not having to wrestle with ropes and wires, and people no longer being injured by ropes parting, you have to ask why this sort of equipment is not more generally used.

I suppose the fact that it costs more than bollards is against it.

There are some very clever developments in the improvement of situational awareness, with marine cameras and optical assistance and the integration of a whole range of sensors that will prevent those in charge of a ship becoming overloaded by the information flooding into their brains from a plethora of screens.

If you can bring together the information from cameras, radar, lidar, sensor fusion, decision support into an intelligent and comprehensible whole, you reduce the risks due to the reliance on human perception. And after dark, there are huge improvements in high definition equipment, using such techniques as thermal imaging, initially for helping people drive high-speed craft, but with obvious other applications.

We heard about innovations in the insurance world, using the internet of things, with real time risk assessment moving this from a system which Edward Lloyd would have been familiar with, to provide a rather more 21st-century approach.

Even the regulators are into innovation, with the European Maritime Safety Agency changing from a rather reactive sort of organisation to one employing all sorts of modern sensors, including drones, to track shipping in its waters.

So there is a lot of innovation around in the "conservative" maritime world, a good deal of it concentrated in the ferry sector, which forms an admirable and practical test bed. There was something for everyone here.

The Interview: Hing Chao

NEW Wah Kwong Maritime Transport chairman Hing Chao has come to the leadership of the old traditional family-owned ship owner through not the most conventional of routes but yet emanates a quiet confidence and composure that gives credence to the adage that shipping is in the blood.

Bookending a fascinating conversation about the shipping industry and his vision to take Wah Kwong into the future, Mr Chao talks about his "ecological view of the world" gained from the time he's spent in China among the nomadic peoples of Inner Mongolia in northern China.

He elaborates that this means looking at the world in terms of cycles and the flow of relationships and this eventually segues into the shipping cycles and his vision for the business in the future. "Evolution, not revolution" is the mantra that his sister Sabrina Chao, who was chairman of the 70-year-old company before him, instilled in Mr Chao before he took over.

With this in mind, he has combined the grounding in shipping his father, legendary Wah Kwong chairman George Chao, gave him by placing him in various shipping companies such as Pacific Basin Shipping, Bocimar and Bureau Veritas soon after he finished university, with the experiences gained from working and living among the nomadic hunters of northern China which he pursued from 2003 onwards.

Looking at things in terms of cycles has meant an understanding of the cyclical nature of the industry and seeing where value can be created. "As a traditional ship owner I started to look at ourselves as a company and our position in this entire value proposition," he says.

The traditional ship owner's role of ordering newbuildings, chartering them out and then selling them off is a relatively small part of a much bigger value chain, Mr Chao says and the depth of knowledge and expertise can also be used to become a service provider. So as he came back into the business, he tried to extract more value from the competencies and expertise the company has built up over the years.

The concept of creating "economic capital value" is one that has evolved into the creation of what Mr Chao calls the "Wah Kwong Lite" model, which he describes as the opposite side of Wah Kwong's traditional role as an investment-heavy ship owner.

This has come out of a recognition that there are better ways of making use of the institutionalized knowledge within the organization as leasing companies start entering the shipping market with huge amounts of capital.

"Traditional ship owners need to adjust our positioning; we need to be smarter and think of new ways of working with other partners and we need to be more intelligent... and there is so much more that can be done here," he says.

One of the key initiatives Mr Chao has driven since taking over has been the division of the company into two discrete business units – the investment or ship owning side, and the asset management side, where Wah Kwong ties up with asset owners to manage their shipping assets for them.

There are many synergies between the two sides of the business, he explains. One of the reasons why the company is valued is that they are seen approaching the ship management business from the perspective of owners as well and thus are more commercially savvy.

Mr Chao's holistic view of the industry also encompasses his views on the direction shipping must take as it moves towards a low-carbon future. "Ship owners will have to work much more closely with charterers and the shipyards to come up with a solution," he says.

"We have to be proactive but at the same time we need to balance that with prudence because our own funds are at stake," Mr Chao reiterates. In this way they are a critical part of the conversation on shipping playing its part in conserving the environment, he adds.

This fine balance filters into Wah Kwong's newbuilding plans. While Mr Chao says that the company is not retrofitting scrubbers, a select few of its recent deliveries and upcoming newbuildings will have them installed. This is purely a commercial opportunity to establish a hedging position to exploit a short window where they will be profitable. However this window will rapidly close beyond 2021, he believes.

He notes that the two recent kamsarmax deliveries have scrubbers fitted while the first few of a series of very large crude carriers to be delivered in 2021 will also have them partially due to the wishes of its joint venture partner in the project.

Other opportunities also exist in the gas trades that Mr Chao does not rule out exploring. Among these he sees liquefied natural gas as holding more potential than some of the other new fuels.

Giving a glimpse into his thinking Mr Chao says in one breath "as a ship owner we are very conservative and we can only do things which are proven" but yet also notes that "at Wah Kwong, we like to be opportunistic".

Asked about the way in which the company might get involved in the LNG market, he points to Wah Kwong's history in which it has operated gas vessels in the past and says: "Never say never... we are at an interesting moment in time where the global order is being shaken with a lot of uncertainty but also a lot of opportunities".

This however comes with the proviso that for whatever project it embarks on there must be a viable counterparty. "We are not going to speculate," he emphasizes.

Turning next to the future of the company at a time where the city it is based in is in turmoil, Mr Chao says "the potential of Hong Kong is so much greater".

"For a lot of people the mindset has become insular whereas the genes in Hong Kong have always been global and international," he says, pointing to the city's long established role as the connector between the world and mainland China.

The Greater Bay Area presents a once in a lifetime opportunity to bring Hong Kong to reach its true potential and overcome the constraints that stifle its development as a global maritime city.

"If Hong Kong fails to deliver on its destiny, it has no future," he says emphatically.

In this respect, Wah Kwong is making sure it is a part of that brighter future. It has begun by investing in an office in one of Shenzhen's newer special economic zones in Qianhai which will initially focus on building up manpower resources. He has a vision to eventually develop this into a key centre for the company, bringing together industry, research and education.

The weight of a long legacy in shipping weighs on his shoulders but yet Mr Chao brings innovation and a new vigour to the company as he takes it into the future.

"We feel ready and primed for the future," he concludes.

ANALYSIS

Lines must change as quickly as supply-chain customers

CONTAINER industry players will need to react much more quickly to market changes amid a dynamic market environment and gaining good market intelligence is key to that, a panel at the Lloyd's List Asia Trade Outlook Forum in Singapore has heard.

Citing a range of challenges from trade disputes to geopolitical issues, Ocean Network Express senior vice-president Richard Hiller said: "You need to have airtight current market intelligence so that you are on top of things."

He noted that while ONE has only been running as the combined container line company of the top three Japanese shipping lines for about 18 months, it has a lot of experience behind it that the new company can draw upon.

This helps it to react more quickly to move capacity to meet market needs. The two main elements of this are network efficiency and the digitalisation of externally facing internal processes.

The other key theme that came across in the panel was the changing patterns in Asian trade. Oxford Economics head of Asia macroeconomics Tom Rogers said the shifting of the supply chain out of China is a long-term trend, not just a short-term phenomenon due to the trade war.

This in turn will feed into the changes that the lines and freight forwarders such as CEVA Logistics, which is now a unit of CMA CGM. ONE's Mr Hiller emphasised how the line's intra-Asia services would change according to the shifts in the supply chain.

Elsewhere, CEVA Singapore director for freight management Steven Lee noted that the company is looking at the total supply chain and needs to customise its solutions more than ever to meet customers' needs. These included moving entire production lines for its China-based customers to other production centres in Southeast Asia as they deal with the effects of the tariff war — something he notes they can do within a week.

However, the underlying theme behind the discussion was the fact that the global trade environment is rapidly changing and the participants in the market must also adapt to these changes in order to best meet the needs of their clients while maximising market opportunities.

Shipping looks to data to guard against exogenous shocks

INTERNATIONAL shipping is becoming more adept at using data to mitigate its exposure to an increasingly volatile macro environment.

The shipping sector has already grasped the reality that "totally random events" can tip over the supply-demand balance in an industry with the most international outlook, according to Ralph Leszczynski.

Speaking on a panel at the Lloyd's List Asia Trade Outlook Forum, the global head of research at Banchero Costa cited the fatal dam disaster that shut down a massive volume of iron ore production in Brazil and causing capesize bulker rates to slump earlier this year as one example.

These events may not necessarily affect all shipping operators and their clients in one ago.

Rhodium Resources' chief executive Ojas Doshi noted that many events — the lingering US-China trade spat included — generally affect larger ships vastly more than smaller ships.

Referring to President Donald Trump, who has made trade on a level playing field with China one of his centrepiece policies, Mr Doshi joked that "bigger ships" are more inclined these days to move with "each and every tweet that Donald makes these days".

Whatever the exogenous shock they may be vulnerable to, shipping industry players can still count on one means within their control to protect themselves against risks in the macro environment.

BHP head of maritime Fergus Elev argued for businesses to deploy data to build connectivity with their partners and capture efficiencies that can be passed on in the supply chain.

To begin with, the industry can draw lessons in a more objective manner now — made possible with availability of and access to data — from events of similar nature in the recent past.

Klaveness Asia general manager Punit Oza suggested that trade diversion is one likely outcome from Indonesia's recent nickel ban.

Malaysia's ban on bauxite mining three years ago has pushed aluminum producers to source alternative supplies from Guinea, he noted.

MARKETS

MSC rules out using northern sea route

MEDITERRANEAN Shipping Co has followed moves by CMA CGM and Hapag-Lloyd in announcing it will not use the northern sea route between Asia and Europe for container services.

"MSC finds the disappearance of Arctic ice to be profoundly disturbing," chief executive Diego Aponte said in a statement. "Every drop in the oceans is precious and our industry should focus its efforts on limiting environmental emissions and protecting the marine environment across existing trade routes."

The NSR, which takes advantage of reduced ice coverage in the Arctic Ocean to provide shorter transits between northern Asia and northern Europe, has been seen as an option for carriers wishing to increase delivery speeds.

Concerns have been raised over the potential environmental impact of sailing in a delicate environment where there is little in the way of support services in case of casualties.

MSC said a surge in container shipping traffic in the Arctic could damage air quality and endanger the biodiversity of untouched marine habitats, a risk it was not willing to take.

To date there have only been trial voyages across the route.

Maersk conducted a trial run with the 3,600 teu ice-class Venta Maersk from Vladivostok to Bremerhaven last year, but said that the passage was only to test the operational viability of the route. It added that it had no plans to commercialise the northern sea route.

In August this year, French carrier CMA CGM said it would not be utilising the route for fear of the environmental damage that may be caused and the risk of accidents, pollution and injury to marine life.

This month Hapag-Lloyd made a similar statement that the use of the NSR was "out of the question" due to environmental risks.

But the German container line conceded that as well as environmental concerns, there was little economic advantage for container lines in using the NSR. Liner services use fixed sailing schedules, and the limited period during the year when the route is navigable meant these would be bespoke voyages.

MSC said the 21m containers it carries each year could transported without using the Arctic corridor, and it was instead focusing its attention on improving the environmental footprint of its existing fleet and newbuildings.

LNG carrier owners bullish for near future

LIQUEFIED natural gas carrier owners and analysts at a conference in Greece have sounded a bullish note about the immediate future of the LNG shipping market.

"I think we are in for a good market for the next two or three years, for sure," said Jerry Kalogiratos of Greece-based Capital Maritime & Trading, which launched Capital Gas about one and a half years ago.

Addressing the Marine Money Ship Finance Forum in Athens, he said that the projection was "almost irrespective" of the outcome of US-China trade disputes that are frequently cited as a possible dampener for LNG trades.

Among factors contributing to a strong chartering environment were European LNG demand, storage facilities nearing capacity and a seasonal uptick in rates.

"It feels like we have a tight market at the moment and charterers will want to cover their options," said Mr Kalogiratos.

Capital Gas has seven confirmed LNG carriers on order at Hyundai Heavy Industries, of which three have so far been chartered. "The specification of the ships is meant to be attractive to charterers but we are not in a hurry [to charter the remaining units]," he said.

Capital Gas was not alone in its optimism about market prospects.

"No-one wants to be stuck without ships and there are only maybe 70 ships out there in the spot market. So we do think it's going to be a good market for the next few years," said Robert Perri, chief financial officer for TMS Cardiff Gas.

"Charterers know they have these projects. They are trying to hold off [fixing] because of high rates, but they can't hold off forever," he said.

The company operates five LNG carriers on the water and has another 11 on order in South Korean yards, all of which have been chartered out long-term.

"We think the market fundamentals are strong but we take a risk-averse view," Mr Perri said. "We like the certainty of charters as well."

GasLog, which owns a fleet of 28 LNG carriers in service and seven more on order, agreed that the market was "tight".

The company's chief risk officer, Achilleas Tasioulas, said: "Demand is growing and we expect it is going to continue growing." This was driven especially by Asia, on the cusp of becoming the largest importing region.

However, Mr Tasioulas warned: "If there is too much speculative ordering, 2023 and afterwards could be more difficult. What we see is that ships always deliver on time and projects don't, so we could see a mismatch as we did in 2014," he said. " We need to be cautious."

According to Harrys Kosmatos, corporate development officer at Tsakos Energy Navigation, US sanctions had so far had little impact on the LNG market, compared with the tanker market, which is TEN's "bread and butter".

The company, which has so far only built two LNG vessels with one more firm ship on order, is conservative by nature but was also mindful of the technological changes undergone by the LNG carrier fleet, particularly.

While TEN sought a degree of surety on that front, it still hoped to expand its footprint in the LNG sector with an optimum fleet size of six to eight ships "over the next few years".

Hauke Kite-Powell, head of Marsoft's Gas Tanker Market Research team, believed that owners' optimism was on the whole justified.

"We believe that the most likely scenario is that we will have a sustained strong market for LNG for the next couple of years or so," he told delegates.

However, he added that there were "no guarantees" and that the relatively sunny outlook was subject to resolving the US-China trade dispute in the medium term and on "reasonable" global economic conditions.

So far this year LNG carrier ordering was slower than Marsoft had expected. "The order book is sizeable but not unreasonable," said Dr Kite-Powell. "It is likely that we will see an increase in ordering in the next two years and much stronger fleet growth."

New ordering and more efficient engines could adversely affect the market value of older LNG carriers, he observed.

But that could create an opportunity for newcomers to "get involved in the LNG space with older vessels," he said.

IN OTHER NEWS

All-Greek merger to develop green digital solutions for shipping

TWO of Greece's leading technology companies in the shipping sector have merged with the aim of speeding up development of green digital solutions for the industry.

Erma First, a maritime-focused environmental engineering group that is best-known as manufacturer and supplier of a US Coast Guard-approved ballast water treatment system, has acquired Metis Cyberspace Technology from the Olympia Group of Greek technology entrepreneur Panos Germanos.

Metis offers a shipping-specific platform that enables companies to acquire and analyse data to improve a ship's performance over a wide range of operational aspects. It is believed that Metis' management retains a stake in the company, which will be 80% owned by Erma. No purchase price has been disclosed for the

Perils of 'obscure' shipping regulations flagged

UK BUSINESSES could face export delays if the country leaves the European Union on World Trade Organisation terms due to obscure shipping regulations, according to a representative of a UK manufacturing lobby.

Seamus Nevin, chief economist at manufacturing organisation Make UK, rejected criticism that UK businesses have had since mid-2016 to prepare for a WTO Brexit and the exporting requirements that would come with it.

"Part of the challenge here is that we have an awful lot of small firms in the UK who have never had to deal with this stuff before," he said at the British Ports Association conference in Belfast.

Modec agrees FPSO deal with Petrobras

FRESH on the heels of a floating production, storage and offloading vessel charter and operations deal with Yinson Holdings, Petrobras has sealed another supply, charter, and operations deal with Japan's Modec, also for a 25-year project in the Marlim field.

The FPSO vessel for the Marlim revitalisation project will be Modec's 16th project for the Brazilian market. The deal value was not disclosed. However, Yinson's deal was valued at $5.4bn.

Production is scheduled to start in 2022 and its operation is part of the Marlim cluster revitalisation project in the Campos Basin offshore Brazil.

Bank lending to shipping plunges further

CHINA Exim Bank is the world's largest bank lender to shipping, according to the latest edition of an annual survey that also shows a sharp further plunge in bank lending to the industry.
The Petrofin Global Index drop from 75 points to 65, or 13%, the steepest annual fall in the decade since the research house introduced the index monitoring global bank ship finance.

The Export-Import Bank of China took over the number one spot with global shipping lending of $17.5bn, replacing Bank of China, which dropped to fourth in the rankings of largest portfolios.

Southern California ports' growth rate criticised

THE San Pedro Bay ports of Los Angeles and Long Beach have been criticised for the low growth rate of their container throughput in 2006-2018.

The growth over the past 12 years is at a rate far below that of the competition, said John McLaurin, president of the Pacific Merchant Shipping Association.

Citing Association of American Port Authorities figures, Mr McLaurin said the growth rate of the two San Pedro Bay ports had been the lowest among their competitors in Canada and the US, reaching just 11% compared with the high of 101% at Georgia's port of Savannah.

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