

LEAD STORY:

Temasek's Keppel Corp offer renews yard merger speculation

WHAT TO WATCH:

LNG carrier spot rates poised for surge as market tightens

Maersk raises earnings expectation

Opinion split on green bonds for tanker companies

ANALYSIS:

Brussels battles Beijing's Belt and Road

MARKETS:

Atlantic grains offer dim prospect for bulker demand

CMA CGM launches trade finance platform

IN OTHER NEWS:

Total enters marine fuels venture with Zhejiang Energy

Keppel O&M, ABB teams up on autonomous tug pilot project

Epic Gas completes refinancing of 20 ships

Chimbusco secures 4m tonnes of LSFO

Smoke seen from capsized vessel near US port

US authorises Plaquemines LNG for exports

Belgian port majors in merger talks

Temasek's Keppel Corp offer renews yard merger speculation



SINGAPORE'S sovereign wealth fund Temasek Holdings' move to take control of Keppel Corporation has spurred renewed speculation about a merger between the country's two leading yard groups.

Shares in Sembcorp Marine surged after the lunch hour during which Temasek unveiled its S\$4.1bn (\$3bn) bid for Keppel Corp.

SembMarine hit an intra-day high of S\$1.36 but closed at S\$1.34 at the end of the Singapore Exchange's Monday trading day, up 11.67% from the previous week's close.

Rumours about a merger between Sembcorp Marine and the yard operating arm of Keppel Corp, Keppel O&M, have been circulating in Singapore's financial circles and its industrial sector for over a year now.

On Monday, a unit of Temasek announced that it would offer S\$7.35 per share for 30.55% more equity interest in Keppel Corp that it does not own.

Temasek directly owns 20.5% of Keppel Corp.

KGI Securities analyst Joel Ng said that with this offer, Temasek will gain control over Keppel Corp, which will pave the way for the merger of Singapore's two largest yard groups to proceed.

SembMarine's share price soaring on Monday is testament that Mr Ng is but reflecting a consensus shared within the investor community.

Both Keppel Corp and SembMarine's share prices have previously jumped whenever talk pertaining to the rumoured merger resurfaced or resurfaced since the start of a protracted downturn in the offshore and marine industry.

Keppel Corp and SembMarine are two of the Singapore-listed large cap counters most exposed to industry downturn.

SembMarine has pressed on with a massive investment in a mega yard in seeking to level up against larger rivals amid intensifying competition for fewer available significant contracts.

The management of Keppel Corp took a completely different approach to mitigating the group's exposure to the O&M depression.

Keppel Corp's management, led by group chief executive Loh Chin Hua, has sought to diversify the conglomerate's revenue streams, though these have

fallen short of fully matching up to the group's topline and bottomline numbers at the height of the last O&M cycle.

Most recently, Keppel Corp posted a 30% decline in its third-quarter profit after tax and minority interests to S\$159m on absence in divestment gains from its property business.

Noting that Keppel Corp's latest earnings missed KGI's projection, Mr Ng argued that the conglomerate would benefit — alongside SembMarine and SembMarine's parent group — from Temasek's announced equity injection.

Keppel Corp entered into a trading halt on Monday morning ahead of Temasek's announcement.

Sembcorp Marine is a subsidiary of Sembcorp Industries, another Temasek-invested conglomerate listed on the Singapore Exchange.

WHAT TO WATCH

LNG carrier spot rates poised for surge as market tightens

SPOT rates for liquefied natural gas carriers are poised for an upsurge in the coming weeks on the back of strong gas trading volumes and general tightness of tonnage as the market heads toward the peak demand season.

Norwegian Brokerage Fearnleys assessed the rate for 155,000 cu m - 165,000 cu m vessels at \$130,000 per day in the east-of-Suez market last week, up \$10,000 from the previous week, while that in the west-of-Suez market edged down to \$10,000 on week to \$120,000 per day.

Shipbrokers are reporting that most LNG carriers on the spot market have been mopped up by charterers as pre-winter trading activity in northeast Asia.

With global LNG prices rising leading to open Atlantic-Pacific trading windows and increased seasonal demand for floating storage, the excess supply of ships has quickly evaporated, Stifel said in its recent report.

According to Webber Research, spot availability of tonnage is virtually non-existent with only one vessel available in the Pacific after at least five

spot and six term fixtures booked last week.

The sharp decline in tonnage availability could see rates spike if charterers continue to seek more spot vessels.

In addition, owners will need to clean their fuel tanks for the switch to IMO compliant fuels. In a market as tight as this one, Stifel noted that it is likely this cost could fairly easily be passed onto charterers and this could help sustain higher rates.

Meanwhile, LNG tanker owners may take the opportunity to use the current uplift to lock in term contracts on existing spot assets.

Locking in firm rates may be important because the northern section Power of Siberia pipeline between Russia and China has been completed and is scheduled to deliver gas from December 1, this year.

The initial impact is likely to account for just 1.5% of Chinese gas consumption, Stifel estimates, but this is forecast to rise to nearly 10% in 2023. Consequently, Chinese LNG demand growth is expected to slow, although now off a very large base.

Painting a rosy outlook for LNG shipping markets despite larger newbuilding tonnage hitting the waters, Stifel predicts rates to remain firm throughout the final quarter of the year.

Maersk raises earnings expectation

MAERSK, the world's largest container carrier, has revised up its earnings expectations for the year, despite slowing global demand and lower freight rates.

“Based on the financials for the third quarter and the updated outlook for freight rates, volumes and bunker fuel prices for the rest of the year, Mærsk upgrades its expectation for the 2019 result,” the company said in a statement.

The company now expects earnings before interest, taxes, depreciation and amortisation in the range of \$5.4bn-\$5.8bn, up from the previous ebitda expectation of about \$5bn.

Opinion split on green bonds for tanker companies

TEEKAY Shuttle Tankers' undersubscribed high-yield green bond float last week has divided opinion in the ship finance community, leaving the outlook for high yield debt from tanker operators in the Greta Thunberg era far from clear.

Some sources told Lloyd's List that investors have become so environmentally conscious that companies involved in the transport of fossil fuel will find it increasingly difficult to raise funds.

Others offered the opinion that deals of this nature will gradually become more common once the market gets its head around the idea that transporting fossil fuel in as green a manner as possible is in fact beneficial to the planet.

Teekay Shuttle Tankers was seeking to raise \$150m to pay for four fuel-efficient newbuilding tankers, with SEB co-ordinating the deal and Danske Bank, Nordea, and DNB Markets also acting as joint lead managers.

With a coupon of 6.5% over the three-month London Interbank Offered Rate, the returns were in the junk bond ballpark, and should have proved attractive, given Teekay's solid reputation.

There was even a “light green” rating from Cicero, a prominent provider of second opinions on green

“Although similar to 2019, we do expect them (freight rates) to roll over in the first or second quarter with timing being relative to the magnitude of winter demand in Asia,” it added.

“Maersk has in the third quarter, despite slower global demand growth and lower freight rates, recognised better than expected performance in Ocean driven by strong reliability and capacity management combined with lower fuel prices and continued margin improvements in Terminal & Towage, which has resulted in stronger than expected financial performance in the quarter,” it said.

Revenue in the third quarter was \$10.1bn and ebitda \$1.7bn. For the first nine months of the year, revenue stood at \$29.2bn and ebitda at \$4.2bn.

The company will present a revised full-year outlook in its third-quarter results report on November 15.

bond issues. But in the event, just \$125m was forthcoming on the five-year tenor issue.

One source who has worked on many ship finance deals argued: “The appetite for people like Teekay has gone down quite a lot.”

“The tanker market is going through a really good uplift at the moment, but is that going to be sustainable?” the source said. “In a world where we have to look after the planet a bit better, do you really believe that using green bonds to move oil around is the right thing? Oil is one thing we're trying to stop moving.”

The source pointed to the Poseidon Principles, the recently introduced guidelines that tie ship lending decisions to environmental criteria, as a pointer to which way the wind is blowing.

The whole point of the Poseidon Principles is to reduce shipping's carbon footprint, not to shift oil around the world.

“It just seems anathema to use green finance to shift the thing we're trying to stop using.”

The head of shipping at a European bank added: “The general consensus is that borrowers who transport fossil fuels for a living cannot be regarded

as eco-friendly, irrespective that the project being financed may have eco positive factors.”

However, another prominent banker took a more upbeat stance, insisting that investors will come round over time. Tanker shipping automatically gets a bad rap, but actually liner shipping is a larger overall source of greenhouse gas emissions.

“But what investors are saying here is that use of proceeds is just as important as the underlying ethical improvement.

“Tanker shipping may not be the place to start. It might be more interesting to start in the logistics space, with electrified vehicles, or the terminal space, where we can do a lot more in moving from diesel to electric. I think we have work to do, but that’s all it is.”

Even if every transport vehicle in the world was converted to renewables, oil still has to be shipping to meet the demand for it in the manufacture of fertiliser, paint and plastics.

“We’ll still need hydrocarbons. Can you see the tanker market being entirely struck from green bonds forever? That wouldn’t make any sense. We must encourage people to do the right thing.”

Teekay Shuttle Tankers now operates a fleet of 24 tankers with seven newbuildings on order at Samsung Heavy Industries.

The company did not immediately respond to requests for comment.

ANALYSIS

Brussels battles Beijing’s Belt and Road

ITALY’S decision to sign a memorandum of understanding with China on the Belt and Road Initiative indicates Beijing is determined to extend its model into Europe, but it may yet face challenges.

At the end of September, outgoing European Commission chief Jean-Claude Juncker and Japanese prime minister Shinzo Abe signed an infrastructure deal aimed at connecting Europe and Asia, in what was seen as a thinly veiled attempt to thwart the controversial BRI promoted by China.

The agreement, which involves infrastructure, digital and transport projects, explicitly underlines the importance of environmental and fiscal sustainability in the implementation of common projects.

While not directly mentioning China, the European Union has highlighted the importance of a connection between the various countries that does not depend on a single promoter.

“Connectivity must be sustainable in financial terms. We must leave the next generation with a more interconnected world, a cleaner environment and not mountains of debt,” Mr Juncker said. “It is also a matter of creating interconnections between all the countries in the world and not simply the dependence on a single country.”

Among the major criticisms of the Beijing project are the lack of clarity in the methods of financing, the risk of incurring unsustainable debts by the host countries and the failure to comply with environmental standards.

In response to these criticisms, the agreement between the EU and Japan provides for “transparent procurement practices, the guarantee of debt sustainability and high standards of economic, fiscal, financial, social and environmental sustainability”.

Mr Abe pointed to the growing co-operation between Brussels and Tokyo as a “resounding declaration” at a time when “the values and principles that are dear to us could waver or drift”.

In a white paper on defence published simultaneously, Tokyo accused Beijing’s ambitions of being “incompatible with the existing international order”.

Mr Abe also added that whether it was a single road or a single port, “when the EU and Japan undertakes something, we are able to build sustainable connectivity based on respect for rules”.

The EU-Japan collaboration could include EU funding for Japanese companies interested in testing

new drone technologies to capture real-time high-definition mapping data in Africa to allow policy makers, public agencies and farmers to make informed, data-driven decisions.

The agreement could also see Japanese funding for European companies supporting renewable energy on the Asian market.

From a geopolitical point of view, the agreement

puts the EU in a more central position, moving from observer to participant. Europe will place itself in a more central role both in terms of trade, investment and strategic definition in international politics.

Incoming commissioner Ursula von der Leyen will have the important task starting from November to follow up these intentions and restore a more significant geopolitical role to the EU.

MARKETS

Atlantic grains offer dim prospect for bulker demand

LOWER US corn exports combined with a drop in Argentina's wheat production may provide a dim prospect for bulker demand active in the trades.

Owing to weather-related disruptions during US planting, the US Department of Agriculture cut the forecast for the 2019/20 harvesting season, which runs from September to August, to a four-year low.

Robust local demand has meant lower volume is available for export, according to shipbrokers Simpson Spence Young, with the USDA revising down its export figures for the 2019/20 marketing year, which runs from October to September, by a further 3.5m tonnes to 51.5m tonnes from its previous forecast.

Due to the supply tightness, US corn has been at a premium to South American and Ukrainian corn, making it less competitive in the international market, SSY said in a recent report.

Exports have been lower than year-ago levels for much of the year, impacting major trading partners, it said.

Saudi Arabia for example is projected to cut imports

by 1.5m tonnes to 4m tonnes, while Mexico's imports are also expected to decline by 1m tonnes to 17.5m tonnes.

But there is light at the end of the tunnel, with opportunities for Brazil to plug some of the gap left by the US.

Brazilian corn exports have been revised up by 1m tonnes to 35m tonnes, with growth seen in exports to Mexico and Colombia.

Meanwhile, hopes for higher wheat production in Argentina have been dashed as rains in the north delayed harvesting and drought in the south and central regions will likely drag down yields, according to BullPositions.

Production is now estimated at below 20m tonnes versus initial expectations of 21m to 22m tonnes, the Denmark-based grains consultancy said in a note, which may affect its export volumes.

While the USDA forecasts exports at 14.5m tonnes, which is 2m tonnes higher than the 2018/19 season, the consultancy expects to see downside risks "to this optimistic estimate".

CMA CGM launches trade finance platform

CMA CGM has teamed up with finance platform Incomelend to offer an online trade finance platform for its customers.

Shipfin Trade Finance is designed to provide importers and exporters with a range of financial services to support trading. Two initial products are being released via CMA CGM and its ANL, APL and

CNC subsidiaries to customers in India, Dubai, Singapore, Hong Kong, Malaysia, Indonesia and the Philippines before gradually being deployed to other countries.

The Supply Chain Financing module allows importers to free up working capital through extended payment deadlines of up to 120 days. CMA

CGM claims additional benefits will include optimising payment tracking and managing compliance risk.

Exporters are catered to with the Cargo Financing module, which allows exporters to manage their cash by receiving payment for up to 90% of an invoice on loading goods. Credit insurance coverage will reduce customer risk and users will be able to optimise invoice tracking and customer receivables in one place, CMA CGM said.

The move follows similar efforts by a number of lines

to reduce trade frictions among smaller importers and exporters. By providing some security of payment, trade finance programmes are designed to increase trading and boost containerised cargo volumes.

Maersk introduced a similar platform in India two years ago, and has recently invested in German online trade finance start up Modifi.

Earlier this year, PSA also launched a blockchain-based platform designed to help reduce red tape and streamline trade finance.

IN OTHER NEWS

Total enters marine fuels venture with Zhejiang Energy

FRENCH and Chinese energy interests are partnering to supply some of the world's busiest ports with low sulphur fuels ahead of the 2020 sulphur cap.

Total announced it has agreed to set up a joint venture with Zhejiang Energy Group to provide marine fuels to Zhoushan region, following up on a memorandum of understanding signed in April this year.

Zhoushan includes the ports of Shanghai and Ningbo, home to the world's largest and third largest boxports, respectively.

Keppel O&M and ABB team up on autonomous tug pilot project

SINGAPORE-BASED yard group Keppel Offshore & Marine has roped in Swedish engineering and technology giant ABB for the pilot operation of what might turn out to be Southeast Asia's first autonomous harbour tug.

The pilot project involves the retrofit of a 32 m harbour tugboat with digital solutions and to bring the vessel into operation in Singapore's port waters at the end of 2020, ABB said in a statement.

The project calls for the retrofitted tugboat – steered from an onshore control centre

– to complete a series of navigational tasks in a designated test area.

Epic Gas completes refinancing of 20 ships

OSLO-listed liquefied petroleum gas vessel owner Epic Gas has secured a new \$201m credit facility to refinance 20 of its vessels.

The move obviates any further financing needs until after 2023 and leaves four of the company's vessels unencumbered, Epic said.

Chimbusco secures 4m tonnes of LSFO

CHINA Marine Bunker, known as Chimbusco, has secured at least 4m tonnes of low-sulphur fuel oil for the next three quarters to help ships comply with the 2020 emission rules, according to a company official.

General manager Sun Hougang was quoted by Reuters as saying at a recent oil conference in Zhoushan that his company, a joint venture between state-owned PetroChina and Cosco Shipping, had already had more than 10,000 tonnes of LSFO placed into its bonded storage in China and had started to supply major domestic ports.

Mr Sun said he expected demand for LSFO to pick up from mid-late

November ahead of the January 1, 2020, the first day when the International Maritime Organization will implement its 0.5% sulphur cap.

Smoke seen from capsized vessel near US port

SMOKE was spotted coming from the wreck of the car carrier *Golden Ray* which capsized off Georgia last month.

The authorities said they were trying to locate the source of the smoke, which was seen on Sunday.

Response crews said that air monitoring around the vessel and in the community showed no signs of impact. They stabilised the source of smoke by spraying water over the vessel throughout the day.

US authorises Plaquemines LNG for exports

THE US Department of Energy has authorised Venture Global Plaquemines LNG, LLC to export domestically produced liquefied natural gas from the firm's Plaquemines LNG project located on the Mississippi River, south of New Orleans.

Under the order signed on October 16, Plaquemines LNG may export up to 3.4bn cu ft per day of natural gas as LNG from its

proposed Plaquemines LNG project.

The Department of Energy authorised Plaquemines LNG to export its LNG by ocean-going vessel to “any country with which the US does not have a free trade agreement requiring national treatment for trade in natural gas, and with which trade is not prohibited by US law or policy”.

Belgian port majors in merger talks

THE Belgian ports of Zeebrugge and Antwerp have entered negotiations over a potential merger of respective port authorities.

Talks between the two parties began after an external report into the mutual benefits of such a move – conducted by consultancy firm Deloitte and Laga

– concluded the co-operation “only yields win-win for both ports”.

It has been revealed the port authorities of Antwerp and Zeebrugge have been exploring the idea of joining forces since the beginning of 2018. Discussions led to the awarding of a joint economic complementarity and robustness study to Deloitte.

Classified notices continue on the next pages



Looking to publish a judicial sale, public notice, court orders and recruitment?

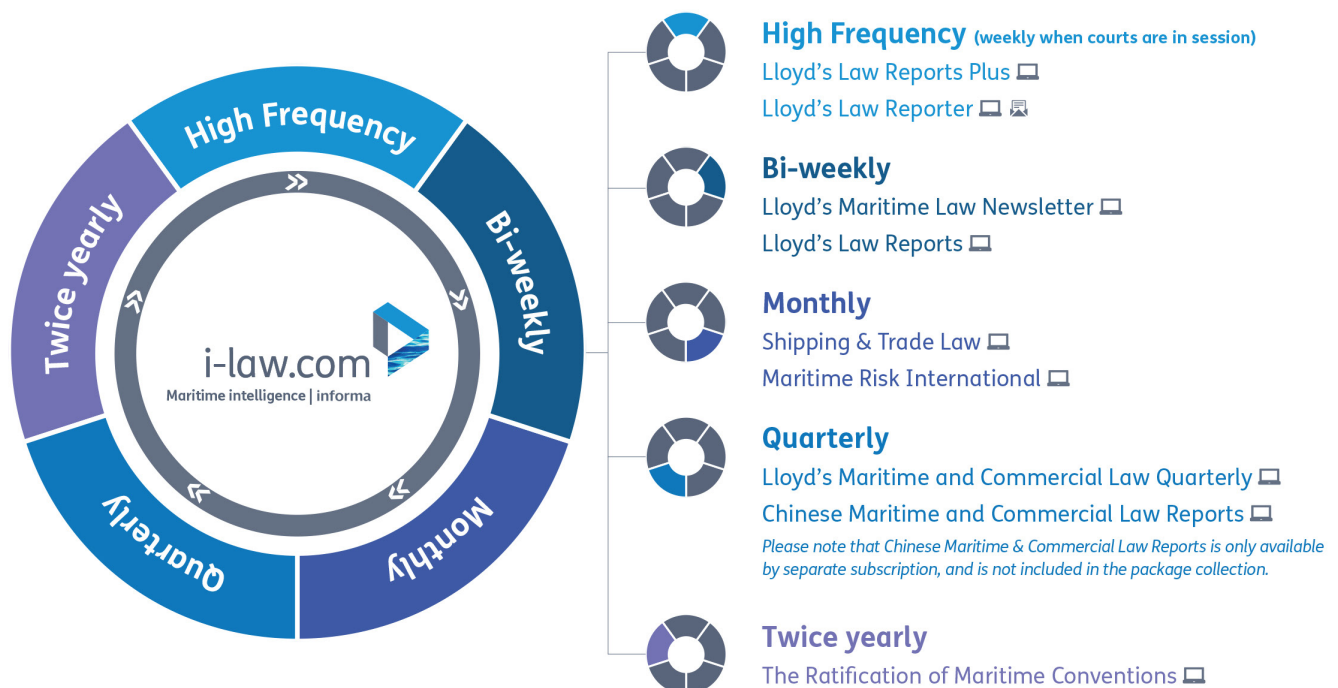
Please contact **Maxwell Harvey** on **+44 (0) 20 7017 5752**
or E-mail: maxwell.harvey@informa.com

Lloyd's Law Reports and our i-law service are the essential resource for lawyers in shipping companies

With Lloyd's Law Reports archive going back to 1919, essential books like **Time Charters** and **Voyage Charters**, the ability to create folders, track your research, print and store documents in personal folders, **Maritime & Commercial** on i-law.com is the leader in maritime law research for in-house legal teams.

Our online service includes:

Key:  Online  Email



Our annual subscription service includes the full range of periodical publications listed above, and is complemented by a digitised selection of leading maritime and commercial book titles.

Find out more

about.i-law.com | +44 20 7017 7565 (EMEA) / +65 6508 2428 (APAC) | lawsales@informa.com

The Next Generation Lloyd's List Intelligence

Uniquely powerful vessel tracking, characteristics, ownership and incidents data.

At the centre of Lloyd's List Intelligence is our online vessel tracking system, Seasearcher. This gives you access to the transactional and analytical data required to make a measured difference to your business, whether you are trying to increase operational efficiencies, manage risk, or develop new business opportunities.

The new Next Generation platform was launched earlier this year to offer our customers a greatly improved service and some fantastic new features including:

- ▶ A modern, simplified search and mapping interface
- ▶ Streamlined operational workflows and geospatial tools
- ▶ Enhanced visibility of port, terminal and berth activity including new alerting and filtering tools
- ▶ Increased vessel tracking data granularity with improved AIS capabilities
- ▶ Raw data manipulation through Excel downloads

To find out more about Lloyd's List Intelligence services, please email info@lloydslistintelligence.com, call **+44 (0)207 7017 5392** or visit info.lloydslistintelligence.com