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LEAD STORY:
Manufacturing shift in Asia poses a conundrum for carriers and ports

WHAT TO WATCH:
Will good times ever return for VLCCs after the mid-October madness?

Cyber attack on Asia Pacific ports could cost $110bn

Maritime industry urged to collaborate to meet challenges

OPINION:
Breaking the barriers to digital collaboration

Dimitri Capaitzis, former president of Femas, dies at 88

ANALYSIS:
Fortunes vary for boxship size segments

MARKETS:
Euronav expects IMO 2020 to be positive as geopolitics boosts bottom line

IN OTHER NEWS:
CMA CGM takes stake in delivery firm

Global Energy Ventures eyeing CNG exports from US Gulf coast

Port of Charleston gets backing for container transfer facility

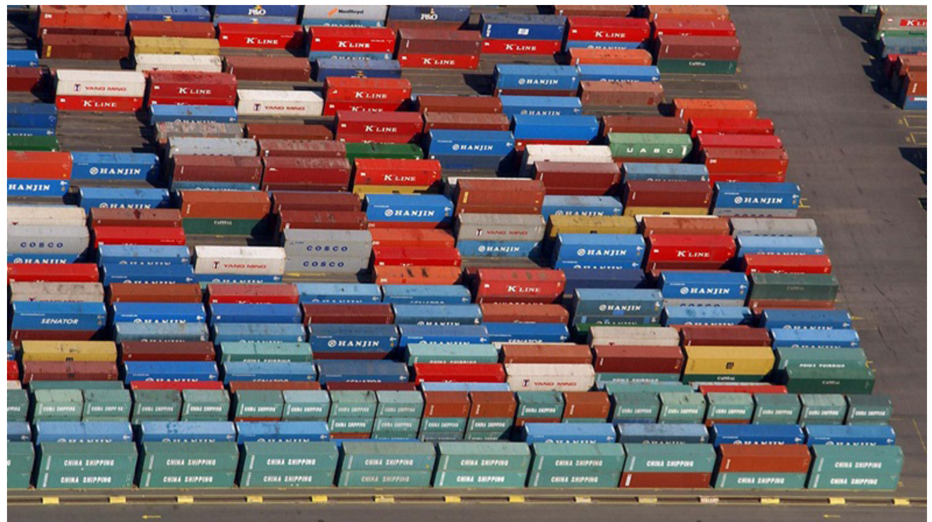
Sempra Energy signs agreement with Mitsui for LNG export projects

SembMarine gains DNV GL certification for 3D printing use

One dead after gas explosion on capsize

Maersk joins shippers to develop greener fuel

Manufacturing shift in Asia poses a conundrum for carriers and ports



IT'S EASIER SAID than done for shipping and port companies to capture the cargo flows being shifted by China's manufacturing migration and the predicted Southeast Asia boom.

Liner shipping carriers have been trying hard to redesign services to adapt to the changing trade pattern. Ocean Network Express has revised 10 of its intra-Asia deployments in the past six months, according to its global head of sales and customer services Richard Hiller. Many competitors have acted similarly.

However, the complexity in the supply chain and unpredictable trade policies may compromise these efforts and even lead to more revisions.

For instance, exports to the US from Vietnam have expanded substantially — 34% in value terms — for the first eight months this year, while there was a decline in relation to China, data from the Census Bureau shows.

But it is not yet clear how much of that increase was permanent (the result of relocating factories) and how much temporary (the product of relabelling Chinese goods to dodge US tariffs).

Silk Road Associates chief executive Ben Simpfendorfer, a former chief China economist at RBS, expected the production shift into Vietnam to calm down in the next several years.

First, cost was rising in the Southeast Asia country, he argued. Second, there was little spare capacity, so ramping up output will require new plants. It would take time to build the facilities with the investment

and land that need to be acquired. The same was true for other emerging exporting nations, he said.

“It may take a number of years for the [trade] data to really move significantly.” He added that China will likely remain as the main manufacturing base, with a scale that few can match in the region.

Carriers have also beefed up their intra-Asia networks on the expectation that the shift of the manufacturing base from China will boost the regional trade. This is partly because other Asian countries, including Vietnam and Bangladesh, still rely on the current world factory for lots of raw materials and components as a result of an incomplete supply chain locally.

So far this year, the tepid growth in intra-Asia liftings and revenue posted by some Asian carriers, such as OOCL and SITC, have failed to impress. And the intensifying competition can even knock out smaller players and trigger consolidation of the feeder sector in this region.

Part of that demand is probably captured by the rising use of road transportation, a sector in which some carriers with end-to-end ambitions certainly want to tap a new source of revenue.

Logistics companies in China can now truck goods from Dongguan, a major manufacturing city in Guangdong province, to an industrial park in northern Vietnam in 28 hours, to an industrial park in Bangkok in four days and Northern Malaysia in five days, the Hong Kong-based South China Morning Post has reported.

The shifting trade has also attracted port operators seeking growth opportunities. But the approach appears more cautious as ports, unlike ships, are not moving assets.

A senior executive from a Chinese port company told Lloyd’s List that his company had been scouting new projects in Southeast Asia, including Vietnam, for years but had yet to make a move.

One big reason behind the hesitation is the lack of scale in this region. There, countries are relatively small in size and the type of economic integration and single market seen in European Union has not been formed.

Spending four to five years on the development of a port and the surrounding intermodal system largely for the export cargo of one country is simply unworthy, while spreading the investment in multiple locations costs too much, according to the executive.

Washington’s trade policy is adding another layer of uncertainties. “You know the US has threatened other countries like Vietnam and India with tariffs as well,” he said. “That could strangle any new port projects in those countries.”

Now President Donald Trump is giving the impression that a “phase one” trade deal with China is real and near at hand.

If the trade war between the world’s two largest economies is speeding up this factory migration and the resulting shift of cargo traffic, as many believe, a truce may well slow that process down. Perhaps the US president may go on Twitter and change his mind again, though, so who knows what the outlook really is?

WHAT TO WATCH

Will good times ever return for VLCCs after the mid-October madness?

TANKER market veterans are still shaking their heads at the unprecedented spike in spot rates that ushered in the fourth quarter.

Over a fevered, five-day period in mid-October, very large crude carrier rates exploded. “It was like going back to the crazy days back in 2007, of: ‘Get me a ship, any ship, at any price!’,” one shipowner said.

In the space of two weeks, average VLCC time charter rates gained by an incredible 17-fold, then lost two thirds of that in three days.

Overall, by late October average assessed rates were 84% higher than at the start of the month, although still falling.

Any extension of current numbers into the first quarter — traditionally the seasonally poorest for crude and refined tankers — is now under question.

On October 11, three VLCCs were chartered at crazy rates exceeding $300,000 daily on Middle East Gulf to Asia routes — the highest in more than 15 years. These deals all ultimately failed on subjects within 72 hours, sparking the crash.

Nobody foresaw such panic-induced chartering.

On September 25, the US Treasury Department sanctioned two subsidiaries of government-owned Chinese shipowning giant Cosco for transporting Iranian crude and liquefied petroleum gas in defiance of unilateral sanctions.

That led to oil companies', traders' and refiners' risk assessments to recommend avoiding all Cosco tankers, not just those associated with the blacklisted entities.

Days later, the world's largest charterers, including Unipec, and SeaRiver (ExxonMobil), also inserted clauses in charterparties to exclude any tankers carrying Venezuelan crude over the past year. That country is also subject to US sanctions on its crude exports.

Seemingly overnight, the pool of "safe" tankers shrank, and a two-tier market evolved, at the same time as many larger tankers were off-market having scrubbers retrofitted.

One in every six VLCCs and one in seven suezmaxes is now excluded from that "safe" chartering pool because it is either linked to Cosco or carried Venezuelan crude in the past year, analysis of Lloyd's List Intelligence data shows.

Of the 795 VLCCs currently trading, 88 called Venezuela, and a further 41 are linked to Cosco. The global fleet of 566 suezmaxes includes 76 that have called Venezuela and another three owned by Cosco.

Equilibrium returned

It was these numbers that unleashed the week-long madness of early October.

With equilibrium returned, a more circumspect examination of the fourth-quarter fundamentals driving crude tanker rates suggests the good times may be over before they even started.

The overheated, tumultuous speculation seen in larger sizes eluded aframaxes, but trickle-down benefits were seen.

Since September 25, the Baltic Exchange average time charter equivalent rate for 80,000-90,000-tonne cargoes increased by 84% (through to October 22), to $45,000 daily.

This compared to VLCCs, which began at $18,000 daily and were at nearly $70,000 over the same time period, after a peak of $241,000 (based on Baltic indices). Suezmaxes showed greatest strength, from $25,000 daily to nearly $80,000 by October 22, Baltic indices show.

Weakening crude demand growth is depressing oil prices, despite geopolitical turmoil in the Middle East Gulf. Lower prices frequently lift Chinese buying, providing support for tankers, especially bigger sizes, that may counter any apparent demand falls.

Oil demand growth for 2019 is estimated at 1m barrels per day — the weakest since 2016 — while 2020 demand growth is forecast at 1.2m bpd, to reach 101m bpd, according to the latest International Energy Agency estimates.

The trade dispute between the US and China, as Brexit headwinds weigh on Europe, has dented global crude demand.

The evolving two-tier tanker market, along with the IMO 2020 switch to lower-sulphur marine fuels have — for the moment — augmented crude flows and shrunk vessel availability. This has offset any negative impact of slowing global economic growth and unfavourable fleet supply and demand fundamentals.

As a result, rates direction in the first quarter will be largely determined by geopolitics, how charterers further react to US sanctions on Venezuela and Iran, and whether the US Department of Justice blacklisting of Cosco subsidiaries remains in place.

This in turn is linked to China-US trade negotiations, led by a mercurial US president whose foreign policy actions are impossible to predict.

Vessel tracking shows how the two-tier market has evolved on the water. There are 41 Cosco-related VLCCs and 15 suezmaxes, according to Lloyd's List Intelligence data.

Tracking shows there were no Cosco Shipping Energy Tanker Co vessels positioned in the Atlantic basin by October 22 — an extraordinary development.

This suggests that US and European refiners, oil companies and traders within that region are

unwilling to risk using any Cosco tonnage, even if it is not directly linked to entities named by Office of Foreign Assets Control.

Within Cosco Shipping Tanker (Dalian) Co and Cosco Shipping (Dalian) Seaman and Ship Management — the two sanctioned entities — 16 VLCCs and three suezmaxes are managed or owned.

Tracking reveals that by October 23, none appeared to have lifted cargoes since the announcement. Many of these ships could be seen turning mid-voyage to the Middle East Gulf or the US Gulf after September 25. Others were still completing voyages by the end of October, with cargoes loaded before the Ofac listing.

Six VLCCs subsequently required US waivers to discharge in China and Singapore as the month ended. The remaining 25 VLCCs from Cosco shunned from the Atlantic basin are now working Middle East Gulf-East trades. This pattern is likely to hold for the Cosco fleet, with any change determined by the progress — or lack thereof — of trade talks between the US and China.

Charterers' treatment of vessels that have called at Venezuela in the past 12 months is more ambiguous and less restrictive. Of the 120 spot fixtures reported to the market for VLCCs in the first three weeks of October, 13 had called Venezuela, data compiled by Lloyd's List Intelligence shows.

The charterers of these tankers were Vitol, Glasford, SPC, Equinor, IOC, Reliance, CNOCC, Rongsheng and MRPL. Those known to have a Venezuelan exclusion clause are Unipec and ExxonMobil, with unverified reports naming Trafigura.

Fewer vessels are calling at the South American country. Crude shipments from Venezuela are at fresh multi-decade lows, with September exports at 510,000 bpd, half the levels seen just six months ago, Lloyd's List Intelligence figures show. Driving exports are largely crude-for-fuel deals with India's Nayara Energy — in which Rosneft has stake.

Rosneft is also acting as intermediary for other crude trades, as sanctions prevent any cash transactions in US dollars.

Hype over Iran and Venezuelan exports alongside IMO 2020 regulations overshadowed a critical but equally important change in crude flows that has reshaped tonne-mile demand, cargo sizes and tanker demand in 2019 and will continue in the new year.

The US Gulf is poised to become a net exporter of crude over some or all of the fourth quarter after additional pipelines from the Permian Basin boosted exports to further record weekly levels, US Energy Information Administration data indicate.

In July, Saudi Arabian imports into the US Gulf were at 82,000 bpd, the lowest in EIA records going back to 1983 and below a quarter of where they were a year ago. July figures show US Gulf exports to China, the UK and Netherlands, South Korea were the biggest markets, largely surpassing Canada.

Geopolitical events have also masked drags on fleet supply, with demolition rates for crude tankers at two-decade lows, amid strong deliveries of new tonnage.

This signalled "fundamental oversupply in coming years", BIMCO said in a recent report.

Instability in the Middle East Gulf injected left-field uncertainty in oil and shipping markets in 2019 that defies forecasting. Expectations for an IMO 2020 shipping boom are now tempered by the cooling economy and higher-than-expected refiner and trader preparedness.

In fairness, despite how forensically this market is analysed, all could be thrown into disarray by a single tweet from the US president.

Such unprecedented times may well be staying with us.

Cyber attack on Asia Pacific ports could cost $110bn

A SINGLE cyber attack on major Asia Pacific ports could cost $110bn, roughly equivalent to half of all losses from natural catastrophes globally in 2018, according to research.

The estimate is based on an extreme scenario, in which a computer virus carried by ships scrambles cargo databases at 15 key ports across Japan, Malaysia, Singapore, South Korea and China, leading to severe disruption.

Although the direct impact could be contained regionally, economic losses would be felt around the world due to the global interconnectivity of the maritime supply chain.

But despite the high potential costs to business and international trade, the global economy is underprepared for such an eventuality, with 92% of the total economic costs uninsured, leaving an insurance gap of $101bn.

The report by the University of Cambridge Centre for Risk Studies — entitled Shen attack: cyber risk in Asia Pacific ports — was undertaken on behalf of the Cyber Risk Management project, in partnership with (re)insurance market Lloyd's.

"With the increasing application of technology and automation, these risks will become even more acute," said John Neal, Lloyd's chief executive. ``High levels of underinsurance in Asia, which is also home to nine out of ten of the world's busiest ports, means that these exposures must be urgently addressed."

According to the report, the transport, aviation and aerospace sectors would be the most affected ($28.2bn of economic losses in total), followed by manufacturing ($23.6bn) and retail ($18.5bn).

Productivity losses would affect each country that has bilateral trade with the attacked ports. Asia would be the worst affected region, losing up to $27bn in indirect economic losses, followed by $623m in Europe and $266m in North America.

The transport sector in Singapore would take the biggest economic hit, followed by the same sector in South Korea.

Business interruption and contingent business interruption insurance cover would be the main drivers of the insured losses, which could reach 60% of the loss in the most extreme version of the scenario.

Non-affirmative cyber, meaning cyber risk that is not explicitly mentioned in an insurance policy, would account for up to 57% of the total insured losses.

Insurance claims would arise from port operators (50% of insured losses), companies along the supply chain (21% of insured losses), and logistics and cargo handling companies (16% of insured losses).

A number of maritime businesses — most notably Danish shipping giant Maersk and prominent broker Clarksons — have been victims of cyber attack in recent years.

However, a number of voices have expressed concern that the industry is treating the issue of cyber attacks such as distributed denial of service attacks with complacency.

Earlier this year, classification society Bureau Veritas argued that many victims — especially ports subject to ransomware attacks — were keeping quiet about such incidents, for fear of reputational damage.

By failing to go public, they deprive others of the chance to learn from their experiences, BV contended.

Maritime industry urged to collaborate to meet challenges

COLLABORATION can help address challenges in the maritime industry and turn them into opportunities, Singapore's Senior Minister of State for Transport and Health Lam Pin Min said.

Geopolitical tensions, shifts in trade patterns, safety and security threats, as well as an increasing focus on sustainability and technology trends such as digitalisation and additive manufacturing will change the face of the maritime industry as we know it, he told delegates at the Global Maritime Forum in Singapore.

However, these developments could be a boon or a bane, depending on how we respond to it collectively, he suggested.

Mr Lam noted that in order to mitigate these challenges and capture opportunities, to disrupt, rather than to be disrupted, it is important for stakeholders in the maritime industry to commit to collaboration.

Therefore, Singapore places importance on having long-term, constructive collaborations with stakeholders from the maritime industry, unions and government agencies, Mr Lam said.

"Together, we develop plans to support the maritime industry in overcoming vulnerabilities, leveraging opportunities and staying ahead of the curve."

The Global Maritime Forum, a not-for-profit

organisation dedicated to shaping the future of global seaborne trade, will focus on safety, skills, climate change, and sustainability at its two-day meeting.

GLOBAL MARITIME FORUM | Unleashing the potential of the global maritime industry

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OPINION

Breaking the barriers to digital collaboration

AT a recent conference for freight forwarders there was agreement on one point: if you're the fastest to quote, you win the customer, *writes Christian Roeloffs, founder of container repositioning service Container xChange.*

What astonished me was what I heard in a conversation afterwards: "We are working in shifts now, 16 hours per day, to make sure we can quote fast and win new deals," said one of the forwarders.

I was surprised that putting in more hours to send emails back and forth is a better solution for shipping companies than digitalising collaboration and automating tasks.

The banking system solved this issue years ago with the introduction of the SWIFT system, a standardised banking system that enables companies that have never worked together to transfer money on a global scale at no risk.

In shipping, we're still way behind the curve. The newly formed Digital Container Shipping Association has taken the first timid steps to promote data standards in shipping because it believes in close collaboration between the different stakeholders.

The underlying rationale for this collaboration is typically two-fold: first, margins are still depressed due to overcapacity and, second, customers demand more and more streamlined services.

Although costs for technology are consistently decreasing, our industry is generally considered to have been slow to adopt digital approaches.

Of course, companies collaborate across company borders, mostly through emails and networks; but isn't it extremely inefficient and unscalable, especially in times where this could be automated to be done within seconds instead of days?

We have noticed that especially small- and medium-sized companies are either stuck in their traditional mindset or simply don't know how to start with digital collaboration. Why is that so and how do companies overcome this conundrum?

Companies are afraid to share their data. People have to overcome their traditional industry mindset first, as a highly competitive attitude makes collaboration with competitors exceedingly difficult.

Most companies don't want to share their data because they think it's their secret and crucial for their business but most "data" is non-sensitive.

Consider container movements, position updates forecasts and contact information of local agents. Of course, crucial information about, for example, commercial terms with a vendors should not be openly shared.

However, sharing operational data means exchanging information that you can leverage to increase service offerings, internal processes and ultimately create quotations in less time.

Nevertheless, even if companies are willing to collaborate, they often don't know how to get started.

Lack of existing data standards, limited capacity or scary data security questions — the list of potential challenges of data sharing is long (as for every new project) and only a limited number of people in logistics have "been there, done that".

In the end, however, it comes down to what you want to achieve/solve in the first place. How do you get your customers love working with you? How do you create quotations in less time to win more business? We suggest defining your most important targets and metrics first, and reverse engineer a good solution from there.

To get started with data sharing, finding out what you want in the first place is only the beginning of a long journey. To make it easier, try to answer the questions below for your own business:

What are my main pain points?

What is particularly crucial for my customers?

What data describes the problem the best?

How well is my data organised?

What data is non-sensitive?

What additional data do I need?

Who has it? How can I get that data?

Who (of my partners) would need my data to become better?

Does it make sense to work with them?

What integrations and/or technology would that require?

There is no one-size-fits all solution as you can see. It is about you and your specific business model. Only after you're able to answer these questions you can think about the next steps: design use-cases/ Minimum Viable Products, and test setups and data integrations.

With missing IT capabilities or resources, building integrations can often be hard because you need to manage numerous data standards and interfaces. In most cases, a third-party technology provider can help you as a connector in the industry.

Such technology companies can not only translate different data formats into one language, but they also anonymise data to increase trust and reduce perceived risks for you: You still own your data and it is 100% up to you what part of your data you want to share to reach a certain goal. Moreover, working with third-party technology providers has another advantage for you: they help you develop a proof of concept at low costs.

Of course, it requires a certain level of commitment, but working with a connector lets you test with a well-defined problem and a limited group of stakeholders to develop a workable solution.

For freight forwarders, it could be the integration with a selected list of carriers to enable instant online quotes/ bookings for their customers. For equipment managers it could be integrating their equipment management system with a tracking provider to automatically receive container status updates such as pickups, drop-offs, delay warnings and ETAs.

Once the proof of concept has been demonstrated, the collaboration could then be expanded by bringing in additional stakeholders or addressing related problems with similar approaches

Being able to create quotations faster is only one challenge. Several other topics, including internal organisation, equipment management or communication with external stakeholders can also be targeted with an open mindset and the courage to test new things. We encourage you to start right now.

Dimitri Capaitzis, former president of Femas, dies at 88

DIMITRI Capaitzis, a technical legend of the Greek shipping industry, has died in Athens, his office has announced. He was 88.

Known to many as 'Micky', his early career coincided with the dynamic rise of Greek shipping, mostly based in London, during the years after the Second World War.

This was the foundation for an unsurpassed knowledge of the design and operational developments of modern tramp shipping that Mr Capaitzis was always delighted to share, through regular scholarly papers, speeches, conference interventions and personal conversation that was always enlivened by his sparkling humour.

Born into the resident Greek community in Alexandria, Egypt, he graduated as a mechanical engineer from Imperial College, London, and was the first Greek alumnus of the college to go into shipping, initially as an apprentice at Newcastle Shipyards and at sea.

Between 1958 and 1975 he served as superintendent engineer with two of the leading London Greek shipping firms of their era Rethymnis & Kulukundis and subsequently C. M. Lemos.

As a consultant in London and Piraeus, he acted for various clients in a wide range of shipping, technical and legal work. But contracting, planning and supervision of newbuildings remained a key focus.

By 2009 he could look back on being involved with more than 150 newbuildings and seven conversions as a consultant, spanning shipyards in 13 different countries.

Mr Capaitzis was a former president of the Hellenic Marine Technical Consultants Association and from 2011 to 2013 he served as president of the Federation of European Maritime Associations of Surveyors and Consultants (Femas).

In later years, he retained his zest for passing on his experience to others.

Letters to leading reputable Greek newspapers showed his concern that historic personalities of the industry and essential chapters in its history should not go forgotten.

These and his industry papers showed a vivid interest in history and culture that went beyond shipping, but the maritime industry remained his passion.

Mr Capaitzis was a strong supporter of developing an organised marine cluster in Greece and in addition to being a fellow and member of many engineering and technological institutes he was a member of the Piraeus Association of Maritime Arbitrators.

ANALYSIS

Fortunes vary for boxship size segments

THE boxship market has been showing significant gains in both earnings and values, but those gains have been largely concentrated in the large ship sector, according to analysis by VesselsValue.

Demand growth in terms of total teu capacity of the large containership fleet being utilised has been strong.

"Over the past three months demand has grown by 2.3% versus a growth in vessel supply by total teu capacity of 1.7%," VesselsValue chief operating officer Adrian Economakis said. "This has certainly been one of the drivers for the significant rise in charter rates over that period."

He said that, on an annual basis, supply growth at 4.9% has outpaced demand growth at 3.3%. "Over a five-year period, demand and supply have been pretty well balanced with demand growing at 33.5% and supply at 33.1%."

The increase in charter rates in the neo-panamax and ultra-large containership sector has come despite the impact of the trade dispute between China and the US, which has dampened demand on the transpacific trade.

While the trade war had caused a significant downward effect in teu-mile demand across the Pacific, other routes had shown significant increases across the same period.

For the larger ship sizes, data showed that demand on Southeast Asia to northwest Europe trade had grown by 11% over the past three months.

Other routes, such as the backhaul trade from North Africa to Southeast Asia, have increased by 91% over the same period due to change in routing and stoppages of those backhaul journeys, as well as the increase in use of larger vessels for the trade.

"Recent demand growth for large container vessels is strong even with the negative effects of the China-US Trade war," Mr Economakis said.

Further down the size scale, panamax vessels had seen a 2.1% increase in demand over the past quarter at the same time as supply fell by 0.1%.

But this masked a longer-term fall in demand for the former workhorses of the box trades. Over a five-year time scale, demand for panamaxes has fallen by 36.6% while supply of the ships has only decreased by 22.1%.

"Data shows that most of the recent rise in demand for panamax vessels has been on the intra-Asia trades increasing by 4% over last three months," Mr Economakis said. "This is even more significant over the last five years, where panamax demand has increased 34% for the intra-Asia trade."

The worst performance, however, has been in the feeder and handysize classes, where demand has been flat over the past three months despite supply increasing by 3%.

"From a supply-demand perspective this is not great for the smaller sectors," Mr Economakis said.

In terms of containership values, the trend also favoured larger ship classes.

Prices for a five-year-old neo-panamax or ULC had increased by nearly one third in the past year, while panamaxes had risen just 17%. For handy and feedermax ships, prices were down 4% and 6%, respectively.

But while demand for larger ships had been priced in, Mr Economakis said that when compared to long-term median values, panamax vessels still had a significant growth potential.

"The best demand and supply fundamentals in the containership market are found at post-panamax and above sizes," he said. "However, this has already been baked into the market for these vessels with their values having risen significantly to near long-term median levels.

"The panamax sector is somewhat of a mixed bag. Historically, demand and supply fundamentals have been poor, with demand falling at faster rates than the shrinking supply of this vessel type. However, most recent data points to a reversal of this that if sustained could result in some significant gains in values and rates from the current distressed levels."

But he warned that any investment in panamaxes would be a "distressed play" as the market for these vessel types was shrinking as a whole.

"The question is, will supply shrink at a faster rate than demand, leading to opportunity for some short- to medium-term gains?"

MARKETS

Euronav expects IMO 2020 to be positive as geopolitics boosts bottom line

EURONAV, the crude oil tanker giant company, has posted a lower loss in the third quarter and said it sees "robust underlying fundamentals", which are likely to boost the end of the year performance.

The company reported a net loss of $22.9m in the third quarter compared with a net loss of $58.7m in the same period last year.

"The current quarter has started very strongly with some trading routes recording nearly all-time high freight rates," it said in a trading statement. "While some short-term factors have undoubtedly assisted in driving rates to such levels, robust underlying fundamentals of vessel supply and demand are supportive to a stronger freight market of some duration. The effects of IMO 2020 should be a positive overlay during the current and subsequent quarters."

During the third quarter, tanker rate development was lower than anticipated as the refinery maintenance programme was longer and more pronounced than had been forecast, according to Euronav.

"However, some counter seasonal strength in the large tanker markets reflected that the supply and demand balance were tighter than the average rate printed in the quarter," it said.

Very large crude carrier rates recently increased to above $200,000 and in some broker estimates even above $300,000 for some routes. This has been attributed to the US issuing sanctions against Cosco-controlled companies and major energy charterers shunning tonnage that has had dealings with Venezuela over the past year.

Rates have since declined significantly, to below $100,000.

"Fundamentals have been supportive for the freight market for VLCCs during 2019, reflected in the counter seasonal rallies seen in earlier this calendar year in February and July. The recent rally in freight

prices has been driven by a number of events — some are permanent and some are temporary," it said.

Chief executive Hugo De Stoop said: "Catalysts such as sanctions and geopolitical events may be temporary factors; the market fundamentals and IMO 2020 implications, however, have gradually rebalanced the supply and demand and those factors form a good base for a sustainable cyclical upturn."

Despite this year's losses, the company takes a sunny view of the end of the year, citing robust tanker market fundamentals and a positive impact from the 2020 sulphur cap.

So far in the fourth quarter, the Euronav VLCC fleet that is operated in the Tankers International Pool, which is run by Euronav and other shipping companies, has earned about $60,900 per day, with 60% of the available days fixed, while the company's suezmaxes have earned a $27,300 daily average with 48% of the fleet fixed.

Euronav is not using any scrubbers on its vessels going into the 2020 sulphur cap and will instead burn the new and more expensive 0.5% compliant fuels.

That means that unlike a lot of its competitors, which have to pause vessel operations to install scrubbers, Euronav will have just one ship that will require drydocking in 2019, leaving 90% of its tonnage open to take advantage of the high spot charter rates.

The company said it has "prepared for the introduction of IMO 2020 and retains a high degree of optionality with a strong balance sheet and operational capacity" and has "purchased sufficient fuel to cover more than half of our compliant fuel requirements for calendar 2020".

Euronav had announced it was storing 2020 compliant fuel on one of its two ultra-large crude carriers, off Singapore.

Mr De Stoop said during the conference call that some of its vessels have already begun bunkering some of the fuel there, but said they would not begin using the fuel until as late as possible this year.

He argued that Euronav's strategy in procuring and storing fuel is to protect the price fuel hikes and potential quality issues that could emerge during the first half and even the third quarter of 2020.

"We have learned a lot about bunker procurement. We want to complete the circle. We bought it in one place, we transported it to another place, we are bunkering the fleet," he said.

Euronav also announced the appointment of Lieve Logghe as chief financial officer.

Ms Logghe joins Euronav from steel giant ArcelorMittal, where she was vice-president, head of energy for the company's Europe business and global head for energy procurement co-ordinator.

Ms Logghe succeeds Mr De Stoop, who has held both chief executive and chief financial officer roles since earlier this year, when former chief executive Paddy Rodgers departed.

Euronav also announced that thanks to a change in Belgian regulations it will begin issuing quarterly dividends on earnings in 2020.

Mr De Stoop said during the conference call that the company does not want to set a specific percentage for the dividend share, as it wants to have the flexibility to choose between dividends and buying back shares. He vowed, however, that in any case payments to shareholders would be "generous".

Euronav bought back $4m worth of shares during the third quarter.

IN OTHER NEWS

CMA CGM takes stake in delivery firm

CMA CGM, the French container transportation and shipping company, is extending its vertical integration of the logistics supply chain with Wing, an online platform that links couriers to online retailers.

CMA CGM has taken an unspecified stake in the company through its investment fund. CEVA Logistics, which was acquired by the carrier this year, has entered a commercial partnership with Wing to implement cross-selling initiatives.

CEVA chief executive Nicolas Sartini said the move illustrated the synergies between CEVA and CMA CGM.

Global Energy Ventures eyeing CNG exports from US Gulf coast

INTEGRATED marine compressed

natural gas projects developer Global Energy Ventures is moving into the US Gulf coast next after launching a similar project in Brazil earlier this year.

The CNG company sees the region as a good fit for its pioneering CNG Optimum supply chain concept to develop a CNG export terminal located in the Gulf of Mexico.

GEV has begun due diligence with operators of numerous offshore platforms connected to existing offshore and onshore gas pipelines serving producers in and near the US Gulf of Mexico and has started negotiations with an operator of an offshore platform with capacity to transport GEV's initial requirement of 220m standard cu ft per day.

Port of Charleston gets backing for container transfer facility

PLANS to increase container throughput via a new near-dock rail system at the port of Charleston, South Carolina, have received support from a senior executive of the Norfolk Southern Railroad.

Jeff Heller, Norfolk Southern vice-president of intermodal and automotive, told a conference of his optimism for the proposed near-dock intermodal container transfer facility at the former Charleston Naval Complex.

"We've got to get on-dock rail up and moving," Mr Heller said of the projected $300m cargo hub. "It will take us from being a big success to being a really big success."

Sempra Energy signs agreement with Mitsui for LNG export projects

SEMPRA ENERGY and Mitsui & Co have signed a memorandum of understanding for development of the Cameron LNG Phase 2 project in Louisiana, and a future expansion of the Energía Costa Azul LNG project in Baja California, Mexico.

The non-binding MOU envisions the continued mutual support for the development of Cameron LNG Phase 2, including Mitsui's purchase of up to one third of the project's available capacity.

It also includes the potential offtake of 1m tonnes a year of LNG and equity participation in a future expansion of Energía Costa Azul LNG.

SembMarine gains DNV GL certification for 3D printing use

SEMBCORP Marine will gain a significant boost in efficiency while also reducing supply chain risks after receiving certifications from DNV GL qualifying its 3D printing procedures and specifications for components used in its construction and repair projects.

The certifications endorse SembMarine's use of 3D printing technology for repairing non-critical parts such as worn-out metal sleeves used in pumps, and for fabricating bevel gear sets for machinery applications.

This development in the use of additive manufacturing technologies paves the way for the offshore and marine group to prepare for the validation and use of more 3D-printed components in its projects, which will in turn reduce its reliance on external procurement.

One dead after gas explosion on capsize

A GAS explosion on a U-Ming Marine capesize bulk carrier has claimed one life, according to reports.

The Singapore-flagged, 2014-built *Cape India* (IMO number 9654804) was headed to Port Walcott in Western Australia from Tangshan in China when the incident occurred off Balikpapan in East Kalimantan, Indonesia, on Monday, according to Lloyd's List Intelligence.

The seafarer sustained severe injuries during a routine gas charging operation, the spokesman said, adding that the vessel immediately deviated to Balikpapan, where the crew member was taken to hospital. However, he died from his injuries on Tuesday. The company will launch a full investigation, the spokesman said.

Maersk joins shippers to develop greener fuel

MAERSK and automotive logistics specialist Wallenius Wilhelmsen have joined an initiative to explore the environmental and commercial viability for shipping of lignin ethanol oil, a blend of lignin and ethanol also known as LEO fuel.

Lignin is a structural bio-polymer that contributes to the rigidity of plants and is isolated in large quantities as a by-product of lignocellulosic ethanol and pulp and paper mills, Maersk said. It is currently often incinerated to produce steam and electricity.

"Shipping accounts for 2%-3% of global CO2 emissions, a proportion that is set to increase as global trade continues to grow at a sluggish but steady pace," Maersk said. "As such, this industry has an urgent need to reduce its environmental impact."

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