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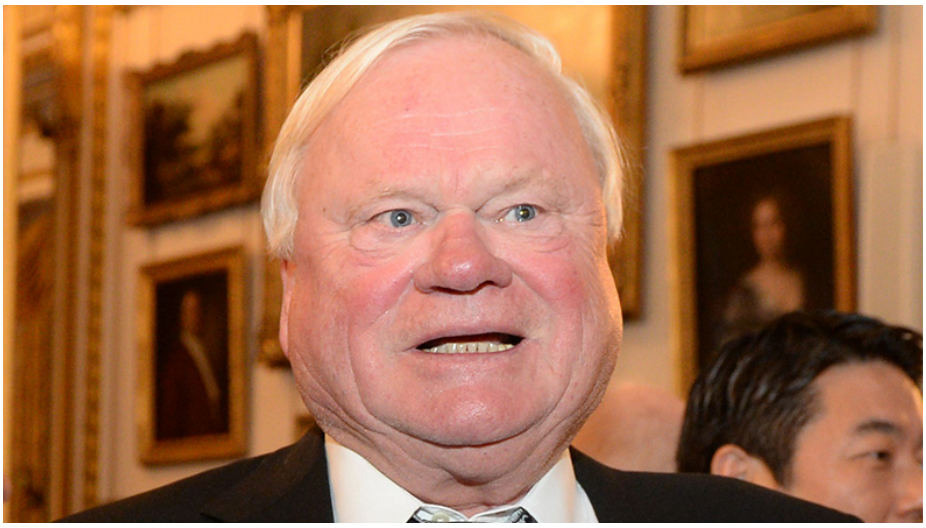
Fredriksen's Seadrill decision signals billionaire's exit strategy preparations in play



JOHN FREDRIKSEN'S DECISION to step down as chairman of rig owner Seadrill, coupled with the departure of key executive Birgitte Vartdal, further signals the 75-year-old shipping billionaire is preparing an exit strategy for his eventual departure from the maritime industry.

The announcement by Golden Ocean Group that chief executive Ms Vartdal was leaving came within hours of the news of the decision of Mr Fredriksen, who will remain a top shareholder at Seadrill.

Ms Vartdal will leave on November 30 after nine years the dry bulk company.

It is the third significant personnel change seen in 2019 for the Fredriksen group of companies. One of Cyprus' richest citizens is selling off stakes and wants to reduce his workload, according to interviews that Mr Fredriksen has given this year.

It is already well known that his 36-year-old twin daughters will not be taking over the day-to-day running of his shipping, offshore and fish farming empire, and he wants to reorganise his remaining holdings and leave a self-sustaining legacy for them, possibly in form of a trust.

Glen Ole Rodland will take over from Mr Fredriksen as chairman, who has held the role since 2005, and remains as the company's top shareholder with 20% held via Hemen Holdings.

"While I have decided to spend less time on board seats, my close involvement and strong support of Seadrill will remain unchanged," said Mr Fredriksen. “I will continue to push for business optimisation, strategic initiatives, such as the recent joint ventures with Sonangol and GDI, and consolidation in the sector.”

Harald Thorstein will step down as non-executive director of Seadrill from November 21. Mr Thorstein, once considered one of Mr Fredriksen’s most-trusted confidantes, is leaving the group of companies next May, after nearly 10 years. Marius Hermansen, a director of Seatankers Management, the empire’s investment engine house, was promoted to chief operating officer in September.

Mr Thorstein’s Seadrill role will be filled by Gunnar Winther Eliassen from the Seatankers Group, an affiliate of the company’s largest shareholder, Hemen Holding.

Staff and shareholding changes are being closely watched within Norwegian-born Mr Fredriksen’s extensive holdings that include tanker company Frontline, Golden Ocean Group, Ship Finance International, Flex LNG, Avance Gas, Seadrill, fish farmer Mowi, as well as Seatankers Management.

The entire fleet was valued at $13bn by mid-2019 according to VesselsValue, including 26 newbuilding orders worth $1.77bn. Mr Fredriksen’s net worth is estimated at $11.3bn by Forbes and $8.6bn by Bloomberg.

Longstanding client Trafigura has bought an 8.4% stake in tanker company Frontline this year in a ships for cash and shares deal. Along with Golden Ocean, Frontline also formed a bunkering joint venture with Trafigura.

WHAT TO WATCH

Choice of digitalisation routes open to shipping

THE shipping industry will inevitably see a digital transformation taking place but it may catch some companies by surprise, while others may be grudgingly forced to adopt it.

There are many commercial applications for technology in shipping but the key to making the best use of them is by collaborative efforts and making use of the technology available, panellists at the Lloyd’s List Hong Kong Innovation Forum said.

“When people are disrupted in any industry, it is usually the incumbents that are the last to see it coming,” said Wah Kwong managing director William Fairclough, kicking off the forum discussion on innovators and outsiders.

“I sense that in the way that data is processed in the industry on the commercial side, we are going to see a huge change in the next two years or so,” added Mr Fairclough. While still quite a long way from the fundamental business of shipping the industry is moving closer to a big data approach to the way information is processed and used to work out pricing, he said.

Mr Fairclough suggested however that in the dry bulk, and tanker chartering and sale and purchase markets that he is most involved in, the way this will happen will be less obvious than in the container shipping and logistics and supply chain sectors. Big data will come into play to some extent in the former, but will ultimately be more intensively used by the latter simply because of the nature of the business.

CargoSmart chief executive officer Steve Siu meanwhile touted the collaborative nature of the Global Business Shipping Network that it is spearheading.

“The lines have been in the position of system integrators all along,” said Mr Siu, noting that they have been able to leverage on their traditionally stronger position in the supply chain to do this.

The increasing digitalisation of the industry now means that they are starting to have to collaborate with the terminal operators more to become part of an integrated supply chain solution. To an extent, GSBN brings together all the players in the industry to take part in a collaborative platform to leverage the benefits of digitalisation.

The challenges of digitalisation for shipmanager Fleet Management’s chief technology officer Shah Irani were somewhat different. “One of the major challenges with any digital transformation is getting the change adopted,” he said. This involved convincing people who were used to doing things a certain way to do things differently by making use of the new systems that are being put in place.

Having the best new systems in place is no use until you get over the hurdle of resistance, Mr Irani added.

Shipping should shape its own path to decarbonisation

THE shipping industry has a desire need to ramp up its decarbonisation initiatives amid unsettling political imperatives from Europe, a Lloyd's List forum was told.

As the incoming European Commission president Ursula von der Leyen prepares to assume office next month, the maritime sector is under rising pressure to be included in the EU Emissions Trading System.

"Emissions trading is not a good idea for the maritime industry. It would be a very difficult thing for many of our smaller companies to deal with," said Arthur Bowring, former Hong Kong Shipowners Association managing director and president of the Hong Kong Maritime Arbitration Group.

To avoid such a problem, the shipping sector must demonstrate willingness and capability on its commitment to slash the sector's greenhouse gas emissions by at least 50% by 2050 compared with 2008, Mr Bowring told the Lloyd's List Hong Kong Innovation Forum.

"Otherwise, we are going to have something forced on us, which we really do not want," he said.

The pressing challenge for shipping to decarbonise is recognised by the industry, said Guy Platten, secretary-general of the International Chamber of Shipping. "Everywhere I go now, it is on the top of the agenda," he told the delegates.

The first priority was to agree on the short-term measures, on which member states' views appeared to be coalescing during the recent intersessional working meeting at the International Maritime Organization, Mr Platten added.

That situation has strengthened his confidence the industry will hit its 2030 target by reducing CO_2 emissions by 40%. "We'd like to get the short-term measures signed off and we have to be up and running by 2023, and then focus on the big challenges," he said.

Using liquefied natural gas as a transitional marine fuel to help reduce emissions was subsequently brought up by the panellists.

Joseph Law, senior director of planning and development at Hong Kong-based CLP Power said his company wanted to facilitate LNG bunkering.

Although Hong Kong has been left behind by other shipping hubs in this respect, Mr Law said the upcoming offshore LNG terminal, expected to enter operation in 2020, would provide an opportunity for the city to catch up.

"It's happening in Europe, it's happening in Japan, it's happening in Singapore, so to me it's a no-brainer," he said. "I think the two industries [energy and shipping] here need to work together as one." CLP Power is one of Hong Kong's two power companies and is building an offshore LNG import terminal.

But to reach the 2050 GHG emissions reduction goal, shipping will need even cleaner fuels, although none of the current options, including hydrogen and ammonia, provides a "silver bullet" that can be produced at scale and in a sustainable way yet, argued Mr Platten.

He said that the industry required a "concerted effort in research and development" of zero emissions technologies and fuels.

"We're working with other industry partners to come up with proposals to see how we can put together an R&D fund and how that could be potentially funded via a certain levy on fuel," he said.

Bjorn Hojgaard, chief executive officer of Anglo-Eastern Univan Group and deputy chairman of Hong Kong Shipowners Association, emphasised it was important the levy should put shipping firms on a level playing field.

He also said that governments worldwide should cut the massive subsidies to fossil fuel producers to prompt switching to a carbon-neutral energy.

The US and EU are estimated to give direct subsidies to the fossil fuel industry of about $20bn and $50bn each year, according to a recent study from Environmental and Energy Study Institute.

Mr Bowring said a shipping carbon levy may lead to an alternative market-based mechanism — other than the EU's Emissions Trading System — that could create an easier approach for the industry to adopt.

India ratifies Hong Kong Convention on ship recycling

INDIA has ratified the International Maritime Organization's Hong Kong Convention on ship recycling, becoming the first ship recycling country to do so and bringing the convention closer to ratification.

The IMO HKC was designed to set out environmental and safety standards for ship recycling and was adopted by the IMO in 2009.

The convention can only come into force after 24 months and once it has been ratified by 15 states representing no less than 40% of the world fleet's tonnage, as well as a combined maximum annual ship recycling volume of no less than 3% of their combined tonnage.

So far, 13 states have ratified the convention including Malta, Germany and Panama.

"By this accession, environment protection and workers' safety are going to get greater importance," the Indian cabinet committee on economic affairs said.

The Government of India has decided to enact a bill, called the Recycling of Ships Bill 2019, to regulate ship recycling by setting certain international standards and enforce these standards.

The bill includes restrictions against the installation and use of hazardous materials, the need to obtain authorisation to operate and import ships for recycling, and ship-specific ship recycling plans to be prepared for incoming vessels.

"When the Hong Kong International Convention for Safe and Environmentally Sound Recycling of Ships 2009 comes into force, its provisions will be implemented under the Recycling of Ships Bill 2019," the cabinet committee added.

Cash buyer GMS's chief executive Anil Sharma said: "I am delighted by the decision made by the Indian government and this is another hallmark moment towards the accession of the Hong Kong Convention by the largest ship recycling destination in the world."

"With this step, the Indian government has ensured that not only will the industry continue to operate while keeping workers' health and the environment at heart, but also a growing number of shipowners seeking statement of compliance-based recycling options can be certain that the authorities have added another layer of security for their incoming vessels."

As a result, this bill eases the restrictions on non-EU yards that are imposed by the EU regulation, Mr Sharma added.

"India being the world's largest ship recycling destination demonstrated its leadership by deciding to accede to Hong Kong International Convention for Safe and Environmentally Sound Recycling of Ships 2009 and thus, became first major ship recycling country to unlock the key to support quick ratification of HKC," said GMS' Alang-based lead co-ordinator for responsible ship recycling Anand Hiremath.

"This international recycling standard will boost the confidence of shipowners further to continue recycling their end-of-life vessels in India by ensuring the safety of workers and the environment. It is noteworthy that more than 77 (65%) ship recycling yards voluntarily upgraded their premises to comply with HKC standards and are certified with statement of compliance by many classification societies," he added.

Plan to extend Europe's block exemption regulation draws mixed reaction

AN INDICATION from the European Commission that it may grant a four-year extension of the European Union Consortia Block Exemption Regulation has gained support from the carrier industry, but disappointment and more questions from shipper interests.

Almost a year and a half after announcing plans to launch public consultations on the future of the exemption from EU competition rules, which expires on April 25, 2020, the commission has revealed it intends to approve an extension to April 2024.

"EU rules normally prevent companies from working together in a way that might restrict competition, but companies shipping cargo by sea have been granted an exemption from this ban as they often need to work together to make their operations more financially viable and efficient," the commission said.

"The EU is proposing to extend the regulation granting the exemption (the 'Consortia Block Exemption Regulation') by another four years from when it expires in April 2020," it said.

The commission will accept comments on its proposal for another four weeks, until December 18, and it will report back on those comments by January 3, 2020.

The BER effectively protects vessel sharing agreements, slot exchanges, and other partnerships between ocean carriers, allowing them to operate without violating EU antitrust laws. Price fixing, however, has been illegal since the conference system was banned in the European trades in 2008.

Brussels believes that alliances and consortia benefit customers by creating more efficient shipping services,

Nevertheless, the regulation's extension or total expiry has been a subject of dispute among container line, shipper and other interests for many years.

The World Shipping Council, the US-based association whose members account for 90% of international containerised trade, welcomed the commission's move, calling the Consortia BER a "safe harbour" for vessel-sharing arrangements that have market share of up to 30%.

"Vessel-sharing arrangements are an established and essential part of the liner shipping networks that carry the international trade of the EU and the rest of the world," said WSC president John Butler said in a statement.

"Consortia allow carriers to provide their customers with better services at lower cost, with improved environmental performance," he added.

Agreements with a market share above 30% are still permitted, but lines must conduct a selfassessment to ensure they are not abusing their dominant position.

Maersk head of competition law and policy Camilla Jain Holtse also welcomed the commission's intention, arguing that it will benefit customers through improved, cost-competitive products and reduced emissions from transporting of goods.

"An extension will continue to provide legal certainty around vessel-sharing agreements in the container shipping industry, ensuring the ability for liner operators to continue using VSAs to offer increased frequency and more port pairs, achieving economies of scale through operating larger, more energy efficient vessels," she told Lloyd's List.

Hapag-Lloyd said that it would welcome a decision by the commission to extend the BER, as carrier cooperation is purely operative and excludes commercial aspects.

"From our point of view both customers and shipping lines benefit from this regulation," a spokesperson for the company said.

CMA CGM declined to comment. Mediterranean Shipping Co did not respond to a request for comment by Lloyd's List.

Disappointment and disrespect

The commission's decision has disappointed shipper interests, including the European Shippers' Council, which last year called for the repeal or amendment of the Consortia BER.

Jordi Espin, maritime policy manager for maritime affairs at the European Shippers' Council told Lloyd's List the ESC was not happy with the decision.

The organisation was particularly vexed that it learned the news of the commission's intention through media reports rather than being notified directly by Brussels.

Mr Espin claimed that was not respectful on the commission's part, given that the ESC had stakeholders closely involved in the consultation.

"We are not happy, because they have not given an explanation on what the decision is [based] on," he added.

Mr Espin further questioned why it took so long for the commission to come to a conclusion, given that it does not plan on changing anything in the regulation.

Brussels was initially planning to issue its conclusions from consultations before this past summer, ultimately delaying that publication until now, he said.

The ESC will be responding to the commission but the association will divulge more details on its plan next, Mr Espin added.

Similarly, Global Shippers Forum secretary-general James Hookham said the GSF is disappointed the commission is taking this direction, noting that the GSF had accepted the BER may need to be replaced by another framework to allow VSAs among carriers to continue.

"Our view is the shipping industry needs to be winded off this historical privilege it has been allowed," he told Lloyd's List.

"We do not think there is anything special about container industry that warrants this special treatment," said Mr Hookham.

The GSF will now be asking the commission what its long-term game plan is when it comes to the BER, warning it is kicking the can down the road by simply extending it every few years.

Mr Hookham acknowledged the commission had a binary choice, to either extend or repeal the BER, despite suggestions from some corners that amendments were possible.

Confusion on the rules

The International Transport Forum, an intergovernmental organisation within the OECD, last year published a lengthy report urging the EU to end the BER for container carriers.

In that same report the ITF had claimed that the BER does not clarify which consortia and alliances are still covered, amid lacking data, complicated cross-membership between consortia and the formulation of the ceiling in the BER.

The ITF told Lloyd's List the commission itself appears to recognise it is unclear which consortia are covered by the regulation, by acknowledging the ITF's observation on the difficulty of estimating exact market shares of consortia in a staff working document.

"If this is the case, then the block exemption might actually not create legal certainty for carriers and other stakeholders in the maritime logistics chain," the ITF told Lloyd's List in an emailed statement.

Mr Espin also argued that the commission has not clarified which consortia are covered under the BER.

OPINION

Viewpoint: Water everywhere

THE floods that recently afflicted the north of England, we have been told, are of "biblical proportions", *writes Michael Grey.*

A climate scientist (my heart sinks when you read these words, which only describe a computer modeller with pretentions) was on hand to tell us that such inundations will be more regular occurrences, because of "climate change".

And because the floods arrived as campaigning for the UK general election was in full swing, they quickly became a political football, with the opposition parties promising ever-greater sums of money to mop up the water, as if that alone would do the trick.

On such occasions, it is always a good idea to ask what the Dutch would do to prevent or mitigate such flooding, as they have more experience than practically anyone on earth in the matter of water management.

It would make more sense than soliciting advice from the Environment Agency or British politicians. And the Dutch, for a start, would be a lot more creative about their interpretation of the dreaded EU Habitat Directive, which paralyses anyone in authority in the UK, when they see somebody walking meaningfully towards a ditch with a spade to deepen it.

It is no coincidence the Netherlands has become a world leader in dredging, which is also a word that terrifies officials watching the waters rise in the UK.

It never used to be so controversial; if you wanted to keep the land drier, you built up the banks and dredged out the drains, using the spoil from the latter to give a bit of height to the former.

Nowadays, the concept of dredging seizes the environmental lobbyists with dread, citing the destruction of underwater habitats and the risk of pollution. And the politicians go along with them, as dredging is more expensive, it seems at first sight, than doing nothing, crossing their fingers that the next floods will not occur on their watch.

On the other hand, if whole towns and cities are inundated, the costs of maintenance dredging become, in retrospect, comparably cheap. By then, of course, it is too late.

Water management in the UK has largely been dominated by environmental concerns, with what may be described as "green capture" of the many agencies who involve themselves with flood defences.

So, the idea of permitting vast areas of upriver land to flood, rather than protecting the towns and cities downriver, seems both cheap and attractive, although the villages on what have now become flood plains may have other thoughts about the efficacy of such a strategy, especially if the demand for housing has encouraged developers to double, or even treble the number of inhabitants in these rural settlements.

It is much the same situation on the coast, where for the first time in history, engineering and technology have made it practical and feasible to defend ourselves against coastal erosion and rising sea levels.

But the environmental interests, playing to cost-conscious Treasury officials, will invariably veto any such intervention, preferring that nature takes its course and the sea "finds its own level", no matter how many coastal settlements must be abandoned and fall into the sea.

It is, once again, hard to think of the clever engineers of the Dutch Directorate-General for Water Management, which has been defending its land since 1798, ever agreeing to such a policy of abject surrender. They are still strengthening the Netherlands' coastal defences, raising the flood barriers and installing batteries of amazing tidal turbines to generate power for the coastal communities.

It is a global phenomenon, this horror of dredging and reclamation, most notable in the richest and best-developed countries where both could be beneficial and affordable.

If you are looking for the more extreme green agenda nonsense, Queensland in Australia is worth a glance, where even maintenance dredging has been more or less banned, even though its biggest city suffered a disastrous flood some years ago, contributed to by this policy.

But all around the developed world there are people who would rather see the ports silt up rather than have their waters deepened a few feet to facilitate trade and help with the dispersal of flood waters.

Some say this horror of dredging started in California, with the environmental interests actively preventing the deepening of the port of Oakland in the 1970s, on account of the rights of the blue-nosed lugworms who dwelt in the rich silt in the harbour.

The situation mushroomed from there, out around the world as green activists homed in on marine activities that they were able to prohibit, or make so expensive that nobody would bother.

The irony is that in the 21st century we have all the technology we need to move mud and build defences at speed. It is just a pity that we can't use it, as the waters rise.

ANALYSIS

The Interview: Ricaurte Vásquez

RICAURTE Vásquez needs water. A lot of water.

The Panama Canal Administrator may be in charge of a waterway that links two of the world's greatest oceans, but that is the wrong sort of water.

Dr Vásquez needs brackish water, not sea water, in order to preserve water quality in the Gatun Lake, which forms part of the navigational channel that slices through Panama.

"Our predicament is that we are surrounded by water and we do not have enough," he says.

Climate change is having a very severe impact on the level of water in the 80-kilometres-long Panama Canal, with ships often having to sail through without a full payload because of draft restrictions.

That affects both shipowners' income levels and the revenues of the canal authority — the Autoridad del Canal de Panama, or ACP — while also presenting the rival Suez Canal with an advantage as the two waterways compete for traffic from Asia to the US.

"We are being hit not only by less rainfall, but also different rainfall patterns, while average temperatures are higher," says Dr Vásquez.

"This is the driest year on record," he continues. "This is a unique situation."

The new canal administrator took over in September from Jorge Quijano, who had overseen the construction of the new locks which greatly expanded capacity. This in turn opened up new trade opportunities, particularly for container lines.

The original locks could only handle vessels of up to around 4,500 teu, whereas containerships with three times that capacity can now go through the new locks.

But unless there is sufficient water depth, the Panama Canal will not be able to take full advantage of its expanded capacity.

Dr Vásquez admits his main concern right now is to make sure the canal has enough water to provide a reliable draft for ships.

Every one-foot reduction in draft is equivalent to about 350 loaded containers. In other words, containerships sailing from Asia to the US east coast via the Panama Canal, for example, will have to carry less cargo than normal in order to transit the waterway during times of drought.

The canal has had severe water limitations throughout 2019, according to Dr Vásquez, who is now fast-tracking research in to possible solutions.

A fully-laden 14,000 teu ship, the largest that can go through the new locks, needs up to 45 ft of water, "and we are trying to guarantee that draft", he says.

That means finding new sources of water in the next two or three years.

A number of options are being considered, including construction of a new reservoir, using recycled municipal water, or desalinisation, while at all times preserving the ecological balance of the lake through which the navigational channel goes.

But in the short term, the authority wants to make use of technology to provide shipowners with the very latest weather and draft conditions, along with projections for a few weeks ahead. That will enable customers to make the right decisions when loading ships in Asia, and avoid having to offload some cargo before transiting the canal when water levels are low.

Dr Vásquez says work on a new information platform will start almost straight away, and he is urging customers to make full use of the upgraded website at the voyage planning stage.

Trade tensions

A water shortage is not the only difficulty facing the Panama Canal Authority, with both international trade tensions and regional economic problems having a business impact.

The new locks were mainly designed with manufactured products in mind. Containerised traffic from Asia to the US represents the world's biggest trade. However, shipping lines have a choice of route, from Asia to the North American west coast and then by rail to the US heartlands; via the Suez Canal to the US east coast; or across the Pacific and through the Panama Canal to US Gulf and Atlantic seaboard ports, which are rapidly upgrading their facilities to be able to handle vessels of 14,000 teu or more.

By building a new set of locks, ACP hoped to encourage container lines to introduce more all-water services from Asia to the North and South American east coasts via the Panama Canal.

However, numerous Latin American countries are suffering from political unrest and economic stagnation, which is weakening the region's imports and exports, while the China-US trade war is hitting volumes on that all-important shipping route.

"The new lock system was essentially built to accommodate manufactured products, [in other words] aimed towards container traffic," says Dr Vásquez.

The master plan for the locks was based on predictions that containerised trade would continue to be the driver of economic growth, but since then, "the world has changed somewhat", he observes, with a resurgence of protectionism and more regional trade.

Some of these developments will not affect the Panama Canal, says Dr Vásquez, citing as an example of the revived Silk Road that covers trade between Asia and Europe.

"The relevant market for us will be the transoceanic trade that goes from one ocean to another, one way or another, and crosses the Panama Canal," and this is highly dependent on US purchasing power.

But the pattern of trade is changing.

While container traffic through the canal is still the most important element, currently accounting for 45% of transits through the new locks, this source of ACP income nevertheless faces numerous restraints.

In addition to regionalisation and the new composition of products going through the canal, technology could also have an impact on Panama Canal traffic if robotics shift where consumer goods are manufactured.

While these are "the headwinds we are facing", the increase in energy-related products "represent the tailwinds", says Dr Vásquez,

LNG and LPG tankers now represent close to 40% of transits as US energy exports to Asia grow, according to ACP data for the latest fiscal year that ended in September.

"Container traffic represents the largest share of our market but the fastest growing are energy related products," according to Dr Vásquez.

This has an impact on Panama Canal revenues since, as Dr Vásquez notes, "tolerance to transport costs is greater for manufactured goods than commodities".

That means higher tolls for containerships than other types of vessels. So as the composition of ship traffic alters, so the average charge per tonne is lower now than a couple of years ago.

At all times, the ACP keeps a close watch on the Suez Canal for both container and tanker traffic.

As manufacturing in Asia moves further south or west, the Suez Canal becomes more viable for US-bound containerised merchandise. At the same time, the Suez Canal can handle larger tankers than the Panama Canal with its draft constraints, including very large crude carriers.

But Dr Vásquez is confident that the Panama Canal will continue to handle a significant share of Asia-US shipments, since, whatever the comparative costs, voyage times, or maximum ship sizes, "I do not believe that from a transportation perspective, you will put all your eggs in the same basket".

Public and private sector experience

Dr Vásquez was was already very familiar with the Panama Canal Authority when he started his new job a few weeks ago, having been the first Panamanian finance director of the waterway, from 1996 to 2000, while he also served as deputy administrator between 2000 and 2004.

Next, Dr Vásquez was appointed minister for canal affairs and chairman of the board of directors from 2004 to 2006.

Earlier, he had held several relevant positions as Panama's minister of planning and economic policy; chief debt negotiator for the refinancing programme of the Republic of Panama, and minister of economy and finance.

Dr Vásquez also had long spells in the private sector, holding senior positions with General Electric from 2008 to 2015 including chief executive for Central America and the Caribbean.

Now, he holds one of the most high-profile positions in shipping, and spoke to Lloyd's List during the recent Global Maritime Forum meeting in Singapore attended by top-level executives from across the maritime industry who had come together to consider how to address burning issues of the moment such as safety, decarbonisation, and skills.

Infrastructure has also always been high on the shipping agenda, and three years after completion of one of the world's most ambitious construction projects that opened up new trade opportunities for countries in Asia, the Americas, and Europe, Dr Vásquez hopes Mother Nature will come to the rescue and help restore water levels.

But praying for rain is not enough, with Dr Vásquez now actively looking for new sources of water that will enable the ACP's customers to take full advantage of the new locks.

"Stay tuned," he says, "because it is going to be soon".

Winter slack season subdues box charter market

THE traditional winter slowdown has put the brakes on the relentless march of container charter rates, however, fixture prices continue to hold firm with recent activity showing only minor adjustments on last done deals.

Since the second quarter of 2019, scrubber retrofitting in the lead up to the International Maritime Organization's sulphur cap ruling has removed significant tonnage from the market, and for sustained periods.

This has led to a shortage of readily available tonnage to meet the demands of the market, boosting charter earnings particularly for mid-sized ships and those of post-panamax class.

The result has been 12-month highs nearly across the board for time charter equivalents, with scarcity of larger units forcing owners to venture deeper into the spot pool to fulfil fixture requirements. The knock-on effect here has even led to a dearth in accessible large feeder tonnage, prompting sporadic rate hikes in previously beleaguered sectors. Even the long-suffering classic-panamax has been revitalised with daily rates peaking at more than 30% higher against last year, while rising to their highest level since 2015.

With ultra-large tonnage in short supply, Alphaliner noted in September a 6,700 teu ship securing an 18-20 month charter at $27,000 per day. "A handsome rate", it stated at the time.

However, one London-based broker recently noted that Wan Hai and Korea Marine Transport Co (KMTC) were interested in a slightly smaller size ship on a much shorter 11-month charter for a still impressive $19,000 - $20,000 daily rate.

Classic panamaxes meanwhile have continued to achieve time charter equivalents upwards of $15,000 per day, with only slight weakening in recent weeks, according to broker indices.

Indeed, indices have reflected little change in rates over the past month.

The Hamburg and Bremen Shipbroker's Association's New Contex, which assesses daily charter rates from 1,100 teu up to and including the classic panamax, read 440 in mid-November against 445 a month prior. The index had also climbed two points on the previous week following gains in all sectors excluding 12-month rates for 3,500 teu vessels.

Similarly, Braemar's BOXi had risen slightly from 87.2 to 87.7 points, while the Howe Robinson Container Index dropped back from 799 to 788 points during the corresponding period. The BOXi and HRCI covers the scope from 700 teu to 8,500 teu ships.

Even as the box charter market prepares to enter the so-called winter slack season there is still limited tonnage available and with it a lack of any significant downward pressure on rates.

Indeed, one German ship broker relayed to Lloyd's List that with the market fairly well balanced and no alarm bells ringing when it comes to the idle fleet, there is a sense that the charter rates could go either way in the coming weeks.

Market is ripe for small-scale LNG uptick, says AG&P

SINGAPORE-BASED AG&P took a calculated bet that conditions are now ripe for small-scale liquefied natural gas developments to prosper when it purchased an equity stake in Norwegian player, Kanfer Shipping.

The two parties unveiled the equity deal last week but provided few details on the of the investment.

The deal came years after proponents first came out to tout the commercial potential of small-scale LNG solutions, which have yet to pick up significantly in most parts of Asia — the region seen as having the strongest LNG demand growth.

Acknowledging that this promising sector has seen "a lot of talk" with much less follow-through, AG&P president for LNG terminals and logistics, Karthik

Sathyamoorthy noted that there are signs of small-scale LNG developments building momentum particularly in the past 12 months.

To begin with, AG&P has already won two contracts to design and build LNG bunker vessels in Singapore and Japan.

In March, Japan Marine United unveiled a partnership with AG&P to deliver what has been billed as the first LNG bunker vessel in Asia that is also capable of carrying low-sulphur fuel oil.

Seven months later, AG&P announced its subsidiary Gas Entec had won another contract from Sembcorp Marine for the design and construction of the cargo handling system to go on board one of Singapore's first two LNG bunker vessels.

The average size of an LNG bunker vessel either on order or in operation is no more than 18,000 cu m, just over a tenth of the standard 170,000 cu m ocean-going LNG carrier.

These numbers highlight the struggle that small-scale LNG project owners have had in justifying the much higher unit cost of delivering cargoes for both marine and non-marine purposes.

Yet, this is exactly where AG&P and Kanfer want to make a difference by slashing the upfront capital expenditure linked to the infrastructure development.

One of their proposed approaches involves the deployment of two barge-shaped LNG carriers plus a tug that are built to Kanfer's designs to alternately store, transport and transfer the fuel to ships during bunker calls.

Kanfer's designs cater for typical LNG bunkering needs ranging from 1,000 cu m to 10,000 cu m.

By Mr Sathyamoorthy's estimate, this two-plus-one package can shave more than 25% off the development cost of the conventional market alternative, which typically calls for an $100m investment in two comparable small-scale LNG ships and onshore storage facilities.

Kanfer's concept is not new — the Norwegian player has been touting its designs to investors for several years now.

But AG&P has elected to invest in Kanfer when LNG bunker infrastructure developments have picked up worldwide, prompted by an imminent regulatory deadline.

LNG is seen as one potential marine fuel option for shipowners seeking to comply with the International Maritime Organization's 0.5% sulphur limit taking effect on January 1, 2020.

This pickup in marine demand for LNG also overlaps with a second positive development for small-scale LNG-to-power projects.

Prices for LNG spot cargoes have hit record lows this year even during the peak winter season in the northern hemisphere.

Platts JKM Marker LNG futures for front-month loading in January was at $5.95 per million British thermal unit yesterday, significantly lower than the double-digit peak seen in the winter season two years ago.

Some analysts have warned that LNG prices — tied to both spot trades and long-term offtake — may continue to languish in the coming years.

But this low LNG price environment — if it lasts — may provide the impetus long needed for small-scale LNG-to-power projects to seriously take off in Southeast Asia, one focus region for AG&P's gas-to-power business.

Mr Sathyamoorthy considered a delivered price of $6-$7 per mBtu for LNG cargoes under long-term contracts as supporting small-scale LNG demand, particularly for power generation and industrial purposes.

"Prices beyond this range are challenging due to other value chain costs," he explained.

With the recent positive change in conditions, he expected small-scale LNG demand tied to the industrial and power generation sectors to hit 10m tonnes per year and for the marine fuel sector to range between 8m and 10m tonnes per year by 2030.

"The next five years through to 2025 would see the bunker market coming to grasp with the adoption of LNG as a marine fuel," he added.

This being the case, a "signficiant delta change" in marine demand is more likely after 2025, he added.

IN OTHER NEWS

Fredriksen hands over reins as Seadrill posts deeper losses

JOHN Fredriksen has stepped down as chairman of Seadrill. He will remain the top shareholder as industry veteran Glen Ole Rødland takes over.

Mr Rødland has extensive experience working in shipping, and oil and gas for more than 25 years. He is currently chairman of Prosafe and AqualisBraemar and is a former partner of the Norwegian investment companies Ferncliff and HitecVision.

"While I have decided to spend less time on board seats, my close involvement and strong support of Seadrill will remain unchanged," said Mr Fredriksen. "I will continue to push for business optimisation, strategic initiatives, such as the recent joint ventures with Sonangol and GDI, and consolidation in the sector."

Methanol-fuelled MR tankers ordered at Guangzhou shipyard

PROMAN Stena Bulk, a joint venture formed last month, has confirmed it has placed an order for two methanol-fuelled medium range tankers at China's Guangzhou Shipyard International, with the first to be delivered in 2022

The 49,999 dwt tankers will have dual-fuel engines. They will be 50% owned by each company and go on long-term charter to Proman Shipping. Each will use 12,500 tonnes per year of methanol, the companies said in a statement.

With the simplest alcohol content and highest hydrogen content of any liquid fuel, methanol has attracted little investment in shipping.

BP Shipping cuts tanker leasing costs in bareboat deal with Maersk Tankers

MAERSK Tankers will bareboat charter eight product tankers and three suezmax tankers from BP Shipping, who will then time charter the vessels under a three-year deal at an unspecified rate. No transaction costs or bareboat charter periods were provided.

BP Shipping signed a 10-year leaseback deal for the 11 vessels with the ICBC Financial Leasing in 2015.

The tankers, including three medium range and five handysize product tankers, formed part of a $869m, 18-vessel fleet renewal programme announced by BP Shipping in 2012.

BW LPG remains bullish after posting record profit

SINGAPORE-based liquefied petroleum gas carrier owner BW LPG has presented a bullish view in the LPG sector, while posting the highest-ever quarterly net profits of $117m.

BW LPG remains optimistic for its business prospects, citing improved freight rates for the rest of the year and into 2020.

"Sustained US LPG production growth and no further newbuild orders remain key to a balanced very large gas carrier market," the company said in its third quarter of the year earnings statement.

Golden Ocean chief executive Vartdal steps down

GOLDEN Ocean, a bulk shipping company, said chief executive Birgitte Vartdal is leaving.

The announcement came as the company posted its best quarterly results in six years.

Ms Vartdal, who will step down on November 30, took the top job at John Fredriksen's Golden Ocean in April 2016 at the height of the dry bulk market's woes. She joined the company as chief financial officer in June 2010, after several roles at Torvald Klaveness.

Star Bulk unveils 'transparent' dividend policy

STAR Bulk Carriers returned to profit in the third quarter and announced the introduction of a "transparent dividend policy" with its first payment in seven years.

The Nasdaq- and Oslo-listed dry bulk owner will pay a cash dividend of $0.05 per share, payable in December and has pledged to make other payments "once our cash balance has reached set thresholds'', chief executive Petros Pappas said in a statement.

In an analyst note, Deutsche Bank said the dividend police announcement is "a big first step in what we view to be a clear and effective strategy to drive significant upside'' in Star Bulk shares.

Port Tampa Bay builds a growth strategy around demographics

THREE years ago, Port Tampa Bay won the prestigious Lloyd's List North American Port Operator of the Year award. That came even before the port installed two post-panamax cranes, readying it to receive the larger containerships expected through the newly expanded Panama Canal.

Purchase of the cranes was a gamble, but one that has paid off handsomely as three transpacific liner services now call in at Port

Tampa Bay and more are expected.

Credit for that achievement goes to the foresight of Paul Anderson, president and chief executive, and Raul Alfonso, executive vice-president and chief commercial officer.

IMO 2020 may see $15bn losses for JCC-linked LNG contracts

LIQUEFIED natural gas sellers with contracts linked to price movements of sour crudes may lose up to $15bn in unearned revenue once the International Maritime Organization's 0.5% sulphur limit on marine fuels takes effect.

Wood Mackenzie, the energy and commodity research agency, projected that producing LNG projects in Australia may account for more than half of these lost earnings.

As with others fixed on offtake prices tied to the Japan Crude Cocktail, these projects would potentially lose unearned revenues. JCC is a weighted average price index derived from trades of a basket of mostly sour Dubai and Oman grades imported by Japan.

For classified notices please view the following pages

ADMIRALTY COURT PUBLIC AUCTION SALE

Jack Up Rigs Decus, Fortius, Impetus, Laurus and Primus

All five jack up rigs were previously on long term contracts to PEMEX. The rigs have been configured for PEMEX requirements and are capable of drilling wells up to 30,000 feet

Decus

Fortius

Impetus

Laurus

Primus

	Decus	Fortius	Impetus	Laurus	Primus
Design	Pacific Class 400	Pacific Class 400	Pacific Class 400	KFELS MOD V-B	KFELS MOD V-B
Builder	PPL Shipyard Pte Ltd.	PPL Shipyard Pte Ltd.	PPL Shipyard Pte Ltd.	Keppel FELS	Keppel FELS
Year Built	2013	2013	2014	2013	2012
Classification	ABS	ABS	ABS	ABS	ABS
Flag	Panama	Panama	Panama	Panama	Panama
Water Depth (ft)	400	400	400	400	400
Drill Depth (ft)	30,000	30,000	30,000	30,000	30,000
BOP	1 x Hydrill 15,000 psi	1 x Hydrill 15,000 psi	1 x Hydrill 15,000 psi	1 x Cameron 15,000 psi	1 x Cameron 15,000 psi
Top Drive	NOV TDS-8A	NOV TDS-8A	NOV TDS-8A	NOV TDS-8A	NOV TDS-8A
Mud Pumps	3 x NOV 2,200 hp 7500 psi	3 x NOV 2,200 hp 7500 psi	3 x NOV 2,200 hp 7500 psi	3 x LEWCOW-2215, 2,200 hp, 7,500 psi	3 x LEWCOW-2215, 2,200 hp, 7,500 psi
Derrick	NOV 1,500 kips	NOV 1,500 kips	NOV 1,500 kips	Lee C Moore 1,500 kips	Lee C Moore 1,500 kips
Draw Works (HP)	3,000	3,000	3,000	3,000	3,000
Accommodation	150	150	150	150	150

All five jack up rigs are currently warm stacked at Freeport, Bahamas where they are under the control of the Admiralty Marshal of the Courts of the Bahamas. They are to be sold by open auction, "as is where is" at the time of sale. For more information, or to arrange inspection, please contact the Admiralty Marshal at the address below.

The auction is now open, and offers may be submitted by email at any time. The auction shall close at 1200 hrs midday on

9th December 2019

Admiralty Marshal
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Prince George Wharf
Nassau, N.P., The Bahamas
Phone: 1 (242) 322-8832 Email: bernewright@rbdf.gov.bs and bronyataylor@bahamas.gov.bs

For additional information on the rigs please contact AMA Capital Partners:

Paul Leand
Phone: 1 (212) 682 2310
Email: pleand@amausa.com

Ken Becker
Phone: 1 (212) 682 7549
Email: kbecker@amausa.com

Disclaimer: The above information and any further particulars provided by the Admiralty Marshal are provided in good faith but no responsibility is accepted for their accuracy. Purchasers must make their own independent enquires.