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Scrubber payback seen within a year as fuel oil spreads stay wide



THE LARGEST SHIPS with scrubbers installed could see their costs recouped by the end of 2020 based on the difference in price between higher-sulphur and lower sulphur marine fuel, latest assessments show.

A very large crude carrier using the sulphur abatement technology will save \$3.3m a year in lower fuel costs, almost equal to the \$3.2m outlay for a scrubber, Cleaves Securities claimed in its latest oil tanker sector report.

That assessment was based on a fuel oil spread of \$193 per tonne. However, that spread is nearly \$100 below the current levels seen in the futures market, making scrubber economics even more favourable with a faster payback.

The Oslo-based investment fund analysed scrubber payback times based on fuel oil spreads of \$100, \$200 and \$300 per tonne. The fuel oil spread is the difference in price between cheaper, 3.5% sulphur bunkers that can be used by ships fitted with scrubbers and more expensive 0.5% very low sulphur fuel oil. The lower-sulphur fuel is mandatory for the 50,000-strong commercial fleet after January 1 to comply with new international regulations.

With a fuel oil spread of around \$200 per tonne, calculations showed the scrubber investment for a VLCC was recouped after one year. It took 1.4 years for a suezmax tanker and just under two years for an aframax, according to the report.

For bulk carriers calculated using the same spread, a scrubber on board a capesize bulk carrier would be paid off in 1.6 years. A kamsarmax would take 3.2 years and a supramax 3.8 years, Cleaves Securities said.

However, at \$300 per tonne, which more closely mirrors today's levels, scrubbers installed on VLCC, suezmax and aframax tankers would all be paid off within 13 months. The numbers were not so compelling for dry bulk carriers. With the fuel oil spread at \$300 per tonne, the outlay for a scrubber-fitted capesize would take a year to recoup, while a kamsarmax would take just under two years.

"Owners are now enjoying peak-level earnings based mainly on strong fundamentals, which we believe will be even more profound in the coming years," Cleaves said of the crude tanker sector in the report.

The report forecast "even higher earnings ahead", citing the positive impact of the IMO 2020 sulphur regulations and a tanker orderbook at the lowest levels since 1997.

Many owners without scrubbers are already cleaning tanks and beginning to use either marine gasoil or 0.5% VLSFO, with less than 30 days to go before the regulatory change, which affects a 4m bpd marine fuel market.

Shipbroker Braemar ACM last week provided estimates of how higher fuel costs will curb earnings for those vessels without scrubbers. A so-called eco-VLCC will see earnings that are \$10,200 per day lower on the benchmark Middle East Gulf-to-China

route, the London-based shipbroker said in a weekly report on the tanker sector. A non-eco VLCC would see earnings dip by \$14,200 on the same route, according to Braemar ACM. The term 'eco' is largely used to delineate younger, more energy-efficient tankers.

Suezmax earnings on the West Africa-northwest Europe route would fall between \$9,400 and \$7,200 daily, according to Braemar ACM. Earnings for long range 2 tankers on the Middle East Gulf-Japan route were assessed \$11,800 lower each day for non-eco vessels and \$9,400 for those defined as more economical.

Scrubber economics inject further uncertainty to the tanker sector outlook. Between 2,500 and 3,000 of the largest tankers, bulk carriers and containerships are estimated to have scrubbers installed by January 1. The remainder of ships will be subject to the higher price of VLSFO or marine gasoil. However, there is little visibility about fuel oil spreads or how they will evolve in coming months as demand, availability and compatibility of alternatives to higher-sulphur marine fuel remains untested.

The current fuel oil spread between 3.5% fuel oil and 0.5% VLSFO in Rotterdam is currently \$292 per tonne for January, based on futures trading on London's ICE Futures Europe exchange. The futures are not very liquid, with open interest for VLSFO at 106,000 tonnes in the month of December and 217,000 tonnes for January. Given bunker throughput in Rotterdam is just over 10m tonnes, this represents a very small fraction of the physical market.

WHAT TO WATCH

Biofuels approaching commercial use

THE introduction of sulphur limits from January 1 is likely to provide a boost for biofuels as the cost differential between the two falls.

GoodShipping chief executive Dirk Kronemeijer said biofuel trials conducted this year with CMA CGM and Ikea had been to see if the technology worked and to iron out any final technical issues. He expects to see full commercial use of biofuel by next year.

"It will become a lot simpler in terms of the business case from 2020 due to the sulphur cap," he told Lloyd's List. "This year we still had to compete with heavy fuel oil. We're beyond doing trials now. We are

at the point of scaling and it is going a lot faster at the moment than everyone thinks."

The GoodShipping programme was launched by biofuels developer GoodFuels in 2017 to stimulate and demonstrate the use of biofuels as the best option to make the shipping industry more sustainable.

Mr Kronemeijer said that biofuels were becoming more competitive for the group's shipper and beneficial cargo owner clients.

"We are getting into the ballpark where we can compete head-on with carbon offset credits," he

said. “Also, our clients typically need the CO2 offset element but also want to help accelerate the energy transition within shipping. They would rather do it this way that by buying offsets outside the industry.”

GoodFuels now is looking to scale up its production of bio-fuels, which it makes from recycled cooking oils and waste forest products.

“If we had the capacity we could do the entire volumes of a number of our clients,” said Mr Kronemeijer. “We already have some that want to go only via bio-fuel. The problem is on the supply side; our challenge is more to provide enough.”

GoodFuels has already announced it will develop a new refinery in Rotterdam, which will be able to provide 300,000 tonnes per year when it goes live in 2025.

“We want to be able to scale up to the volumes the lines require,” Mr Kronemeijer said.

Mr Kronemeijer hopes to be able to supply around 100,000 tonnes of biofuel by next year. That would give GoodFuels around 90% of the market for bio-fuel.

He points out that the biofuels market, while a tiny slice of the market for conventional fuel, has grown from nothing in a short time frame.

Top 10 technology leaders

AS PART of our annual Lloyd’s List Top 100 most influential people in shipping on December 13, we look at the movers and shakers in maritime next-gen tech.

01 / Uwe Lauber, MAN Energy Solutions

MAN Energy Solutions has pushed deeply into the digital transition this year, making it a core element of its corporate strategy.

It created a new digital platform, MAN CEON, to intelligently collect and evaluate operating and sensor data, while enabling the real-time monitoring of marine and power-plant engines, turbines and compressors.

To further this initiative, the company has formed partnerships with Kongsberg and the South Korean shipbuilders Samsung Heavy Industries and DSME. In September, it joined the Getting to Zero coalition.

Chairman Uwe Lauber is working to decarbonise fuel — especially in container shipping — as a path to decarbonising the maritime economy.

“It is a big step in biofuels, and our plan is to scale to 1m tonnes in three years from now,” he said. “That is just us, and there will definitely be competition from others.”

GoodFuels believes that biofuels will become disproportionately more important in the next decade, as they are easy to scale and can provide a “drop-in” solution to lowering sulphur and carbon emissions.

The move towards electric cars should also help increase availability, as cars currently absorb 90% of the world’s biofuels.

“Policy-wise, we are pushing governments towards to re-look at their biofuel blending mandates as more electric cars emerge,” Mr Kronemeijer said. “It should go where it is really needed.”

Mr Kronemeijer said that as the quest for zero-carbon shipping progresses, biofuels should account for around a quarter of shipping fuels by 2050.

“Other options like ammonia, methanol and hydrogen will also emerge,” he said. “We are not saying biofuel is a solution for the entire industry but we need everything to decarbonise shipping.”

02 / Klaus Heim, WinGD

WINGD (rebranded from Winterthur Gas & Diesel) this year introduced three new low-speed, two-stroke engines capable of operating on low-emission fuels. Chief executive Klaus Heim said this was in response to owners’ calls for sustainability and improved efficiency from marine propulsion.

In September, the company announced the development, with ETH Zürich, a technical university, of an advanced algorithm to enhance predictive maintenance for two-stroke engines.

The diagnostic system has been made available for all new WinGD engines ordered since early 2018 and, it is claimed, will increase the capability to predict and prevent engine failures far beyond what can now be done.

03 / Jaakko Eskola, Wärtsilä

WARTISLA’S acquisition spree continued in 2019 with the takeover of the small UK-based navigation and comms specialist Ships Electronic Services.

This followed, among others, Burriel Navaro and Transas in 2018, Trident and Puregas Solutions in 2017, and Eniram in 2016.

The company has embraced the concept of 'Smart Marine', driving towards positive disruptive development.

Finances were boosted in 2018 by a hike in orders for scrubbers but this year Wärtsilä suffered from reduced newbuilding business and fewer scrubber orders.

President and chief executive Jaakko Eskola cautioned that competition is intensifying and "price pressure remains a headwind." Even so, forward planning is market-leading.

04 / Juha Koskela, ABB marine and ports division

AT the beginning of the year, ABB restructured around four businesses: electrification, industrial automation, motion, and robotics and discrete automation. The marine and ports portfolio fits into industrial automation, focusing on industry-specific, differentiated automation solutions.

Macro-economic weakness has hit maritime as well as other markets. However, ABB's long-term strategy continues.

A contract has been won from Keppel Offshore & Marine, a Singapore shipyard, to provide the technology for autonomous tug operation at Port of Singapore.

Juha Koskela, managing director of ABB's marine and ports division, described the project as "a key marker on our digital journey."

05 / Sameer Kalra, Alfa Laval

MARINE hardware encompasses pumping systems, boilers, heat transfer equipment, high-speed separators, ballast water and exhaust gas treatment systems.

Mid-year reports revealed orders for PureSOx scrubbers showed significant decline — caused by uncertainty regarding availability and price of alternative fuels, whereas orders for PreBallast systems was very strong — the result of implementation of legislation on ballast water treatment systems.

As shipping turns its attention to liquefied natural gas as a fuel, Alfa Laval's boiler technology is

reported to be well positioned to enable vessels to deal with boil-off gas, a critical step in the transition.

Sameer Kalra took over as head of the marine division in January 2019.

06 / Geir Håøy, Kongsberg

HAVING acquired Rolls-Royce Commercial Marine in April this year, it is now unified and combined as Kongsberg Maritime, with cost synergies through co-location, reduction in workforce (about 450) and support functions, streamlining of IT, and product optimisation.

The company claims to have marine technology on 30,000 vessels.

President and chief executive Geir Håøy reported a good order intake within marine robotics and the after-sales market, although somewhat weaker for the newbuilding market.

An agreement with Shell on the digitalisation of Nyhamna gas plant has placed Kongsberg Digital at the forefront in the market for dynamic digital twins, which could boost twinning for shipping.

07 / Ronald Spithout, Inmarsat Maritime

THE mobile satellite communications company launched its Fleet Xpress platform in 2016, with faster speeds and improved bandwidth compared with its earlier FleetBroadband.

Fleet Xpress is now installed on 7,500 ships and will increasingly form the foundation of a data analytics ecosystem.

Ronald Spithout, president of Inmarsat Maritime, said containerships are doing a terabyte of data (1000 gigabytes) a month.

"We are now seeing the first signs of the connected vessel," he said.

The company has eight new satellites on order, ready to be launched, stationed, tested, and tuned in by 2023. By then, the connected vessel will be a reality.

08 / Henrik Uhd Christensen, Viking Life-Saving Equipment

VIKING'S acquisition of Norsafe, the Norwegian lifeboat manufacturer, was completed late in 2018.

The two Scandinavian family-owned businesses were able to extend their global footprint. This was

especially the case for training, where newly-branded Viking Norsafe's specialised centres in Norway and Greece offered both product and STCW courses.

The move follows the earlier acquisition of Danish marine fire service business Skandinavisk Brandteknik.

Chief executive Henrik Uhd Christensen says the next stage is to target operators who are looking to entrust safety-related matters to a single provider.

The Shipowner Agreement umbrella has been significantly extended, making Viking a leader in the marine safety field.

09 / Matt Desch, Iridium

THE Virginia-headquartered communications business led by chief executive Matt Desch is in the process of replacing its satellite constellation with 75 new satellites — 66 of them to be used, the rest for spares in the new Iridium Network.

This will enable the company to end Inmarsat's 20-year monopoly on the provision of safety comms services.

In June 2019, the first piece of equipment designed for the Iridium GMDSS system was launched by Lars Thrane, a partner with Iridium.

The LT-3100S GMDSS system is designed for all IMO vessels and will be an alternative to the Inmarsat C. It also offers SSAS (ship security and alert systems) and LRIT (long range identification and tracking) functionalities.

10 Marius Johansen, Wilhelmsen Ships Agency

AFTER a long period of planning, this year an Airbus drone navigated autonomously along a pre-determined aerial corridor between Wilhelmsen Ships Service base at Marina Pier South in Singapore and a Swire Pacific Offshore AHTS vessel.

When it had deposited its 1.5kg cargo, which included items from Wilhelmsen's 3D printing micro-factory, the drone returned to its base.

Marius Johansen, vice-president commercial at Wilhelmsen Ships Agency, said stakeholders' faith in the concept of Agency by Air drone delivery had not been misplaced. It is hoped the coming year will see the delivery of spares, medical supplies, and cash to Master transferred from sea to air.

The Top 10 technology leaders list is compiled by the Lloyd's List editorial team and considers people and companies that are driving real digital change across the maritime industries.

OPINION

It's time to ignore the ideologues and begin dredging in San Francisco Bay

ENVIRONMENTALISTS are seeking to block the dredging of important shipping channels in the San Francisco Bay area on ideological grounds, *writes Eric Watson.*

They see the dredging effort as supporting the fossil fuel industry at just the time when it should be phased out. They need to think again and think things through.

Jason Pfeifle, a climate campaigner for the Center for Biological Diversity, told a recent meeting that "there is no reason we should be dredging" and that "when we need to be phasing out fossil fuels, this dredging project does just the opposite".

The Center for Biological Diversity made the full extent of its views on fossil fuels known earlier this year.

"Beating the climate crisis means both keeping oil in the ground and weening ourselves off the dirty petrol fuelling cars, buses, trucks, airplanes and ships," said Jean Su, the centre's energy director. "The world's addiction to oil must stop, and the first step is giving the public transportation that's oil-free."

Keep oil in the ground? That's called stranding assets and it is a tough sell to the millions of people around the globe who depend on steady supplies of easily transported, affordable oil to heat their homes and power their industries.

When people propose to strand vital assets, there is little opportunity to find common ground when common ground is most needed — along with common sense.

Just consider what the US Army Corps of Engineers is proposing to do and — most of all — why it is proposing it.

The USACE unveiled its dredging plan in April with the aim of deepening two stretches of water along a route that currently serves nine oil-receiving terminals and four refineries in Contra Costa and Solano counties.

Under its proposal, the corps would deepen about 10 miles near Richmond in the northern part of San Francisco Bay, also known as San Pablo Bay, and around three miles inside the Carquinez Strait beneath the Benicia Martinez Bridge.

It is quite clear in the purpose of the dredging along what it calls these “regionally significant” channels that provide navigation access to “ports, harbours, refineries, and military terminals” all the way from San Francisco Bay to the port of Stockton, some 60 miles away.

It says crude oil is “the most important commodity” that moves through these channels — and with good reason: “Californians consume nearly 44m gallons of gasoline and 10m gallons of diesel every day.”

As California produces little or no oil of its own any more, the state must import virtually all of the supplies needed for its refineries. And that means shiploads of crude every day along these very channels.

But as the USACE points out, modern vessels crossing the channels can require up to 55 feet of draft when fully loaded. As the channels are maintained at just 35 feet, most vessels have to be “light-loaded” to navigate the channels with sufficient under-keel clearance.

“Light-loading increases the cost of transportation and, in turn, the cost of the shipped products because more trips must be made to carry the same volume of cargo,” USACE says. “Within the study area, tankers carrying crude oil to California oil refineries and exporting petroleum are most impacted by light-loading practices.”

In a word, dredging will keep supplies coming and will keep the costs of products lower.

If environmentalists were to have their way 100%, however, petroleum assets would be stranded and Californians would have no oil to run their industries or their vehicles. Californians would also be paying much higher fuel bills to run their industries or their vehicles — and no one knows how much higher the bills would go.

If the green lobby can come up with sustainable, affordable alternative fuels to power California’s economy and run its vehicles, let them do so. In the meantime, let the dredging proceed along San Francisco Bay. Deepen the channels and let the tankers ply their trade.

ANALYSIS

Nam Cheong enters chartering and offshore engineering segments

NAM CHEONG, the Malaysian offshore supply vessel ship builder and charterer, is making inroads into the chartering market and is considering moving into offshore engineering next.

From previously representing just a small proportion of Nam Cheong’s business, ship chartering now makes up about 98% of revenue and the company is now moving into the area of offshore fabrication and engineering, procurement and construction work.

Chief executive Leong Seng Keat said that while the shipbuilding market continues to foresee weakness, he is much more upbeat about the chartering

segment and the potential for work from offshore platforms.

He said that the anaemic condition of the market has not allowed owners to either borrow or to put up new assets because debt coverage ratios are still quite low, remaining below the investment value of new assets.

Meanwhile, in relation to ship chartering, many operators in the offshore supply vessel space have been stifled by debt.

“With the operating expenses of these vessels not being really low if the debt coverage ratio doesn’t

reach a certain level, they will eventually run out of money and die a slow death,” he told Lloyd’s List.

However, there are some sweet spots in the market such as the domestic Malaysian market, Mr Leong said.

“Since 2017, we have experienced a 30% rise in charter rates.” He added that this was due to the tightening of the market and insufficient supply of vessels for the requirements of the oil companies. “So there are some signs of a turnaround on that account.”

Next year, he foresees the oil companies continuing with a similar or even higher activity level to this year for Malaysian waters.

Both the international oil companies and Malaysian national oil company Petronas operating in Malaysian waters have had an equal increase in their capital expenditure for 2019 and Nam Cheong hopes it will be similar next year. This has led to chartering orderbook visibility extending out to two years ahead, Mr Leong said.

Nam Cheong, which added 10 new vessels last year, maintains an upbeat but cautious view on fleet strategy.

“In terms of fleet strategy, we have seen that — regardless of the market conditions — vessels used

for production and maintenance work have continued to do well,” said Mr Leong.

He is equally upbeat about drilling support vessels. While demand for these is dependent on the level of drilling activities, Nam Cheong has seen a good amount of these this year coming from both Petronas and international oil majors and expects next year to be similar, with an increase in drilling programmes.

Having been one of the few operators to have added new vessels to its fleet last year, Nam Cheong is being careful with future expansion and will charter in assets as required if more work floods in.

On the rationale for its latest investment in a yard in Labuan, Mr Leong says it is a strategic location for oil and gas in Malaysian with literally a couple of hundred platforms right at its doorstep and the yard will be able to serve all these quite easily.

“If you were to support any kind of fabrication or engineering, procurement and construction work, Labuan is the most strategic location,” he said, with one eye firmly on the future.

The number of engineering, procurement and construction players has significantly reduced worldwide and with many ageing offshore platforms going to need more maintenance, Mr Leong foresees more capital expenditure in this segment in the next five years. “This why we are positioning ourselves to capture this business,” he concluded.

Inmarsat Fleet Data gains greater acceptance with ABB tie-up

INMARSAT’S Fleet Data platform is gaining wider acceptance, sealing perhaps its biggest deal yet with an agreement with ABB Marine & Ports.

Fleet Data, which Inmarsat claims helps to tackle an obstacle identified by shipowners as hindering the application of Internet of Things technology, already has other maritime IT brand names such as Napa and Hyundai Global Service signed up.

“There is an increasing momentum for these kinds of solutions in the market and we can name different use cases, some more complex and some lower hanging fruits as well,” Inmarsat Maritime vice-president for Business Development Stefano Poli told Lloyd’s List.

Mr Poli was coy on adoption projections for the service but pointed to the rapid adoption of its new

Fleet Express service, which gained 8,000 subscribers within three years as a model it hoped to emulate.

He noted Inmarsat’s key customer base among shipowners and managers is “highly differentiated in terms of digital readiness”. For those that are either not ready to commit fully to one system or simply just want to try as many options as possible before committing, the Fleet Data solution, which was announced through a tie-up with Danelec Marine last year and launched earlier this year, helps to meet some of these challenges.

It bridges the gap with the community of applications providers that neither have core competencies nor much interest in handling the hardware side of the equation. These range from those that provide analytics on the back of data and

currently provide a mish mash of systems for shipowners who may be interested, none of which are simple or cost-effective.

Typically, these are all proprietary and come with their own unique hardware and data packages. The rub is that some of the more advanced adopters of digitalisation look at this plethora of providers of essentially Software as a Solution applications and find it difficult to do comparative testing, as might be reasonably expected, before deciding on one that they will universally adopt. This frustrates both parties.

“We have come up with a solution to this conundrum by using an enabler that goes along with our communications system which is fundamentally automation infrastructure,” said Mr Poli. Inmarsat’s Fleet Data Internet of Things platform collects information from onboard sensors, pre-processes it, and uploads it to a secure cloud-based database.

Countries considering Mediterranean SECA plan

A PLAN that could lead to a 0.1% sulphur emissions limit in the Mediterranean Sea will be considered at a meeting of ministers from the 21 Mediterranean states and the European Union.

A proposed roadmap, seen by Lloyd’s List, lays out the steps countries would have to take over the next few years before making an official proposal to the International Maritime Organization. The potential sulphur emission control area, which will be discussed in Naples next week, has been publicly championed by France, Italy and Spain.

With the suggested timeline, and based on the way IMO rules on ECAs work, the Mediterranean Sea SECA would not take full effect until March 2025 at the earliest.

Countries would make an official proposal calling for the designation of a SECA in early 2022, subject to future approvals, according to the timeline.

The region’s governments want to take this issue through the IMO route to ensure there is global support for this measure, rather than having individual states unilaterally declaring new emissions limits in their waters.

Provided the organisation’s member states approve and adopt that proposal, in the proposed time frame, the new rules would take effect from March

For example with ABB, analytics, monitoring and decision-support software, developed by ABB Marine & Ports to benchmark fleet performance as well as enhance ship efficiency and safety, can seamlessly integrate with a database via the Fleet Data Application Programming Interface.

“As respective leaders in the field of mobile satellite communications and marine power, control and automation technologies, Inmarsat and ABB combine connectivity and enabling applications at a scale that can be truly transformative,” said Mr Poli.

“As a digital enabler, Fleet Data can support a myriad of applications so it is no coincidence that Inmarsat has signed agreements with digital technology majors as well as start-ups intending to shake up the industry,” he concluded.

2024. However, the rules stipulate that ships are exempt from meeting SECA limits for the first 12 months after they enter into force. This would mean March 2025 would be the earliest date when compliance would become mandatory.

Beyond that, governments could choose to propose an even later date for the beginning of the application of the new SECA, even if it enters into force in March 2024.

While the world will shift to a global 0.5% sulphur limit on January 1, 2020 there are currently four IMO-designated areas where the limit is 0.1% — the Baltic Sea, the North Sea, the North American Sea and the US Caribbean Sea.

The North American Sea and the US Caribbean Sea ECAs also have nitrogen oxide limits. Those will come into effect in the Baltic Sea and the North Sea as well, on January 1, 2021.

The proposal for the Mediterranean Sea, which has been developed by the UN Environment Programme-Mediterranean Action Plan, following months of deliberations, does not refer to NOx limits making it unclear if and at what stage the potential for a NOx area will be discussed.

And while the roadmap lays out certain milestone targets, it is not a binding commitment by states to propose a Mediterranean SECA.

Its potential approval next week does not guarantee that the countries will make an official proposal to the IMO in 2022 or at any other point. Governments could endorse the roadmap but decline later to make the proposal to the IMO or decide to submit it at some other date.

The roadmap envisages further studies next year on the impact of an ECA in the Mediterranean Sea.

Thus far there have been health and cost impact studies done on behalf of the EU, the IMO and France on a potential Mediterranean ECA.

An EU-backed study published earlier this year found that a full ECA would reduce sulphur dioxide emissions by 80% and nitrogen oxide by 20% by 2030 compared with what the current rules would.

“These additional emission reductions could avoid up to 4,200 cases of premature deaths in 2030

and up to 11,000 annual premature deaths in 2050,” claimed the International Institute for Applied Systems Analysis, which conducted the study.

During next week’s meeting in Naples several non-governmental organisations will argue that the Mediterranean should have a full ECA, according to a document seen by Lloyd’s List.

The NGOs, which include NABU, France Nature Environment and others, also want this ECA to come in effect by 2023.

“Adoption of a combined Sox and Nox ECA in the Mediterranean will boost further reduction of fuel consumption by the shipping sector in the EU, thus achieving relevant climate and environmental benefit both for the population and the biodiversity of the Mediterranean States,” the NGOs said in their proposal.

MARKETS

Drop in grains exports from the Black Sea bearish for bulkers

GRAINS exports from the Ukraine and Russia have slumped earlier than expected, according to grains specialist BullPositions.

That is a somewhat bearish sign for bulker demand in the region, especially supramaxes and panamaxes.

“With Ukraine running dry on supplies following a strong and front-loaded export campaign, and winter starting to hinder any sharp return in export activity from Russian shallow ports, the potential for significant volume increase from the Black Sea is pushed into early spring 2020,” said BullPositions’ managing director Jesper Buhl.

Despite availability of Russian export supplies, low water levels are limiting river barges and coasters delivering to oceangoing vessels, resulting in low activity also from the Black Sea’s deepwater ports, he said.

While there is a seasonal restriction in Russia’s supply chain during winter, the slowdown has started about a month and a half earlier than usual, he noted, adding that Ukraine’s large crop availability boosted exports over the summer, meaning supplies have now been exhausted.

Since July, strong grains activity from the Black Sea has been supportive of demand for bulkers.

Wheat, barley and corn exports are expected at 28m tonnes in the fourth quarter of this year, Mr Buhl’s estimates show. That is 6.5m tonnes lower than in the third quarter, and 1.5m tonnes below the same period last year.

Volumes in the first quarter of next year are meanwhile expected at 26m tonnes, or 500,000 tonnes higher than the first three months of this year.

China says shipbuilding mega merger faces fewer antitrust hurdles

THE merger of two of China’s largest state-owned shipbuilders faces fewer regulatory hurdles when

compared with a South Korean counterpart, a senior Chinese shipbuilding official has claimed.

The need to get the deal sanctioned by a number of foreign competition authorities, especially the ones in Japan and Europe, has been the key impediment to the proposed marriage between Hyundai Heavy Industries and Daewoo Shipbuilding & Marine Engineering.

Beijing has not yet touched upon the issue since it formally set up the new China State Shipbuilding Corp by combining the former CSSC with China Shipbuilding Industry Corp.

“The [antitrust approval] issue is under our consideration, but we will have less trouble to deal with it,” said Li Yanqing, director of international department at the newly established CSSC group.

The Korean builders were under stricter scrutiny as many of their products are have a bigger market share in some regions, especially in Europe Union, Mr Li told Lloyd’s List on the sidelines of the Marintec China, an Informa event that is celebrating its 40-year anniversary in Shanghai.

HHI and DSME, for example, have a combined orderbook of liquefied natural gas carriers that made up about 55% of the global total as of end-October, according to Clarkson’s data.

Mr Li said his company would respect the regulatory requirements in certain shipbuilding jurisdictions, such as EU and Japan. “But I don’t think we’ll have problems [with getting the permissions],” he added.

His remarks come as shipyards in Asia, which produce about 90% of the world’s merchant fleet, are being plagued by prolonged market weakness since the latest peak in 2011. That has increased the pressure for consolidation in the sector.

Two Japanese major shipbuilders, Imabari Shipbuilding and Japan Marine United, announced a tie-up plan on Friday that involves a share acquisition scheme and a ship-design joint venture.

“We are seeing an extremely distressed market,” Mr Li told reporters at a Martinec press conference. “In a circumstance like this, a merger is a good means for shipyards to address the difficulties.”

Martin Stopford, president of Clarkson Research, said the shipbuilding industry was experiencing yet another market trough, in which global orderbook volume had hit a 30-year low.

Newbuilding contracts were only running at half the level of deliveries for the first 10 months this year in dwt terms, he estimated.

“This is very worrying for shipbuilders, because if you don’t get orders quite quickly, you’ll start to get gaps in your orderbook and make big losses,” Dr Stopford said.

To alleviate the concerns, Mr Li said CSSC was to sign Yuan30bn (\$4.3bn) worth of contracts for new vessel and marine equipment, including floating production storage and offloading units, during the Marintec gathering this week.

He added the Chinese giant would also unveil new products with edge-cutting technologies, foremost among which are a zero-emission large containership and an electronic ferry that can carry 300 passengers.

“The orderbook-to-fleet ratio stands at about 10% now versus an average level of 15% in the past,” said Mr Li. “I believe it is at the bottom now. We will soon see the light at the end of the tunnel.”

Dr Stopford said CSSC’s upcoming mega orders underlined a great advantage of China’s economy — which boasts massive imports — “is that you have control over the orders for new ships”.

He added that China was the world’s largest shipbuilding nation by almost any measure — except for the value of the orderbook — while the creation of the new CSSC offered a good opportunity for the leading player to climb up the value chain.

Mr Li declined to disclose more details about the company’s next moves to integrate the legacy firms’ businesses, including various subsidiary shipyards and listed arms on the Shanghai and Hong Kong bourse.

“We’ll make progress as the current market conditions require proactive moves,” he told Lloyd’s List.

IN OTHER NEWS

Imabari to tie up with JMU amid shipbuilding mega mergers

TWO Japanese major shipbuilders, Imabari

Shipbuilding and Japan Marine United, are close to reaching a tie-up deal as rivals in South Korea and China consolidate.

The partnership will see Imabari, the larger of the two, hold a 30% stake in JMU via acquiring new shares, according to statements released on Friday.

Additionally, the pair plan to form a "business alliance", in which they will establish a joint venture to design various types of ships, excluding liquefied natural gas carriers, and improve efficiency in their vessel-construction systems.

Industry welcomes India's accession to Hong Kong Convention

INDUSTRY groups say India's accession to the Hong Kong Convention on ship recycling marks the final step toward enactment of the regulation.

The International Maritime Organization HKC for the Safe and Environmentally-Sound Recycling of Ships was designed to set out environmental and safety standards for ship recycling and was adopted 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.

Singapore regulator baulks at HHI DSME merger

THE Competition and Consumer Commission of Singapore has made known its concerns about the proposed merger of the two South Korean shipbuilders.

After the first phase of the CCCS' review process, the authority noted that Hyundai Heavy Industries holding company Korea Shipbuilding & Offshore Engineering and Daewoo Shipbuilding & Marine Engineering are close competitors.

They are both big yards that operate in Singapore as foreign-registered companies and supply commercial vessels, including oil

tankers, containerships, liquefied natural gas and liquefied petroleum gas carriers. Both companies operate in Singapore as foreign companies registered in Singapore.

West of England P&I raises rates 2.5%

WEST of England Shipowners Mutual Assurance Association has raised P&I premiums by 2.5% for 2020, a third of the increase seen by other International Group affiliates.

"Premium levels have been steadily eroded to a point where they are no longer sustainable and do not cover expected claims costs," the club said in a notice to members. A standard surcharge of 2.5% will apply to the mutual call rate, West of England said.

At least four of the 11 Clubs have announced they will increase premiums by 7.5% over the past month.

Classified notices follow on the next pages



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ADMIRALTY COURT AUCTION SALE BY TENDER Drillship 'Sertão'



The drillship Sertão was delivered from Samsung Heavy Industries in 2012 and worked in Brazil for Petrobras until May 2015. It has been adapted for operating in High Pressure, High Temperature wells, and is capable of drilling wells up to 11,400 meters deep in depths of water of up to 3000 meters in pre-salt layer fields.

GENERAL DATA		MAIN DRILLING EQUIPMENT	
Design	Samsung 10000	Derrick	Double Derrick (base foot print: 80x60ft/ top: 60x20ft/ free internal lifting height: 200 ft)
Builder	Samsung Heavy Industries Co Ltd	Drawworks	5,750 hp, Regenerative Braking + park disk brake + emergency stop disk brake
Year Built	2012	Top Drive	Drilling Torque: 94,000 lbs-ft Continuous
Classification	+AI (E), "Drilling Unit", +AMS, +FSO, +ACCU, +DPS-3, SH-DLA, EWT-READY	Drilling Torque (Intermittent)	110,500 lbs-ft
Flag	Marshall Islands	Rating Capacities	2,000,000 lbs
Accommodation	200 berths	Mud Pumps	4 triplex pumps, 2,200 HP each with 7,500 psi fluid end
Helideck	Rated for S-92 and S-61 helicopter	BOP+LMRP	Rams: Lower triple NXT 18 3/4" 15,000 psi Upper Extended Triple NXT 18 3/4" 15,000 psi
Moon Pool	25.6 m x 12.48 m (length x breadth)	Riser	2 Annular Preventer 10,000 psi. Drillquip DX profile Wellhead and LMRP Connectors 3,000 m w.d. Type FT-H 21" OD x 90 ft-long
Station Keeping	DPS-3		
Max Water Depth	3,000 m		
Max Drill Depth	11,400 m		

Sertão is currently warm stacked at Port Talbot, United Kingdom, where it is under the arrest of the Admiralty Marshal of the Courts of Justice of England & Wales. It is to be sold by sealed tender, 'as is where is' at the time of sale, on the Admiralty Marshal's Conditions of Sale, and is **exclusively in the hands of CW Kellock & Co Ltd, in consultation with Pareto Offshore AS +47-2255-4455 theis.hauerberg@pareto.no** through whom inspection can be arranged.

Offers may be submitted in sealed envelopes marked 'Sertão' or by email, and should be received by CW Kellock & Co Ltd latest by 1200 hours midday on

Tuesday 14th January 2020

CW Kellock & Co Ltd

5th Floor, 2 London Wall Buildings, London EC2M 5PP, UK

Phone +44-20-7448-1395 kellock@eggarforrester.com

A member of the Eggar Forrester Group

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