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Block exemption extension gives carriers clarity and confidence

THE EXTENSION OF the European Commission's Consortia Block Exemption Regulation will give clarity and certainty to carriers, not just within Europe but also globally, according to legal experts.

One of the advantages of extending the block exemption was that other jurisdictions around the world followed what was done by Europe, said Marjorie Holmes, a partner at law firm Reed Smith.

"The global aspect is important as foreign jurisdictions have the idea that if the block exemption goes, ship sharing cannot be done anymore," Ms Holmes said during a debate at the European Maritime Law Organisation.

"If the commission had proposed to abolish the block exemption, they would have had to issue guidelines to explain that they weren't saying: 'You can't have consortia, just that you have to do self-assessment in the future.' The exemption is influential and has been followed in other countries."

The block exemption, which allows carriers to operate vessel-sharing arrangements in circumstances where they have less than 30% market share without fear of breaching competition rules, was due to expire in April 2020. It is currently under review and the European Commission has indicated it is likely to extend it for a four-year period.

The commission's conclusions were based on a consultation exercise launched in 2018, which received responses from carriers, shippers and related parties.

Some shippers and their associations made the point that the quality of services had deteriorated in recent years and complained that there was a highly concentrated market.

“The commission found that the quality of services hadn’t declined since 2014, contrary to the perception of shippers,” Ms Holmes said. “Not only that, but the number of blankings had gone down as a proportion to the total number of sailings.”

The commission found that customers were benefiting from innovation and cost efficiencies brought about by vessel sharing.

“They conclude it is a market that works very well,” said Ms Holmes.

In relation to the under-utilisation of ships, the commission said there was no clear evidence to link the existence of ultra-large tonnage to the block exemption, particularly as two of the biggest alliances operating ultra-large ships, the 2M and Ocean Alliance, were outside the scope of the regulation.

But the commission did find evidence of overcapacity in the liner shipping industry, along with low prices and low profitability.

“There is a very close correlation between falling costs and falling freight rates,” Ms Holmes said. “What that indicates is that carriers are decreasing costs by having bigger ships and becoming more efficient, and that those savings are being shared with the customers.”

The commission’s decision to extend the block exemption would reduce costs and complexity for carriers, and given that prices came down with costs, there was no reason not to extend, she added.

“Current market conditions necessitate the extension as liner companies are operating in difficult trading environments,” she said. “Nobody wants shipping lines to be going bust. It is right to have a robust shipping industry.”

But arguing the shippers’ side of the case, Mishcon de Reya partner Rob Murray said the shippers’ major concern was not the 61 consortia agreements protected by the block exemption, but the two big alliances that fall outside it.

Moreover, the commission’s decision had been taken in an “asymmetric” environment that favoured carriers.

“It is a situation with a relatively small number of carriers whose business is shipping, and loads of shippers whose business is to move stuff around the world and for whom freight charges are not very high on their list of costs,” Mr Murray said. “On one side of the argument it is a matter of life and death, and on the other side, not really. There is a qualitative difference.”

There was also an asymmetry of information, he added, as the commission and carriers have more visibility of what is actually going on than shippers do.

“The argument on the shippers’ side boils down to various complaints about service and quality rather than costs,” he said.

Beyond complaining about various aspects that they don’t like, shippers had not taken any other steps that were open to them, he added. They had not sought to challenge the existence of self-assessment behind the alliances that lie outside the block exemption nor had they gone to a court seeking targeted disclosure of information.

“So either shippers have not managed to convince themselves of the damage that has been done to them or there are other reasons, or they may be concerned over the counterfactual of taking the block exemption away. It seems to me they may be on better ground than they think.”

Have Brussels and container lines called a truce?

AFTER decades of hostilities between the European Commission and container lines, has a truce finally been called?

Brussels has proposed extending the Consortia Block Exemption without any modifications, suggesting that the relationship between the two sides has changed.

But why?

The regulation date back to 1995 when European competition officials drew up the rules under which ocean carriers could cooperate with each other through, for example, vessel sharing or slot swapping arrangements.

The one activity that is not allowed is collective pricing, that has been outlawed in Europe since 2008 when the conference system was banned.

Brussels decided that these cooperative agreements brought greater efficiencies to liner shipping that would benefit both carriers and shippers.

Since then, the block exemption has been renewed four times, and now looks like being extended again from next April, albeit for only four years rather than five.

That decision appears to contradict European Commission policy of doing away with special treatment for particular industries, and bringing all sectors within the remit of the European Union's competition rules

Yet Brussels has always said it understands the need for lines to form consortia and alliances, despite underlying suspicions that the container shipping industry was intrinsically anti-competitive.

Reed Smith partner Marjorie Holmes, a long-time advocate of the block exemption, thinks that the European Commission has learned a lot about how the industry functions, from the late 1990s when conferences such as the Far Eastern Freight Conference and Trans-Atlantic Conference Agreement were being investigated, to the detailed look at numerous mergers and takeovers that have transformed the sector in recent years.

During those clearance procedures, Brussels regulators also spoke to customers and found that few were particularly concerned about the consolidations taking place.

Most recently, Brussels conducted a series of dawn raids on the European offices of many global carriers in search of evidence of price signalling.

After a lengthy and expensive investigation, Brussels eventually cleared the carriers involved of any wrong doing, but nevertheless imposed a new system of commitments to make pricing more transparent.

Incidentally, those three-year commitments have just expired, yet no one seems quite sure about what happens next.

But after so many in-depth probes to find out whether container lines were colluding, price fixing, or acting unlawfully in some other way, Brussels seems to have finally concluded that this is a highly competitive industry that is subject to the vagaries of the market place. Hence, the proposal was made last month to leave the BER alone, assuming the final round of consultations before the April 25, 2020 renewal date do not come up with anything new.

But is there also a sub-text here? Is the decision a nod to the fact that Europe's four major container lines not only face a multitude of legal and commercial challenges in the coming years, but also the constant threat of Cosco Shipping's global ambitions, and that any regulatory disruption could just add to their problems at this critical juncture?

Having said that, the BER covers 61 consortia but only one of the big three global alliances. With market shares above the 30% threshold set by rules which grant an exemption from EU competition law, both the 2M partnership and Ocean Alliance have to conduct self-assessments to ensure they are not abusing their dominant position.

There is, though, another side to this.

At a recent round table discussion on the Consortia Block Exemption organised by the European Maritime Law Organisation, Mishcon de Reya partner Rob Murray questioned whether the commission's decision would hold up in a court of law.

Both Brussels and the lines would have difficulty producing the proof that the consortia rules had been necessary to enable, for example, lines to share ships or invest in bigger and more efficient vessels. Both may well have happened regardless of the regulation, and indeed the two biggest alliances fall outside the block exemption, and yet still pool ships and have ordered vessels independently of each other.

More importantly, have the required benefits to shippers and forwarders of the consortia rules ever been quantified?

For most of the past decade or so, freight rates have been cheap, yet that is not because carriers have cut prices in response to lower operating costs resulting from co-operative agreements between lines. Prices are dictated by the laws of supply and demand, and for the most parts, carriers are price takers, not price makers.

Furthermore, as more vertical integration along to supply chain occurs, is it possible to work out whether customers are getting their fair share of

the benefits of these highly complex transport systems.

Cargo interests have, of course, raised objections to the extension of the BER, and were undoubtedly taken aback by the decision to extend it until 2024.

But they have also come in for criticism for not taking steps to challenge some of the apparent flaws in the decision through the courts where they could formally request to see disclosure documents that would show how the benefits are being distributed.

It is not just lawyers who have questioned why the customers of container lines have failed to be more vociferous in asking whether or not the consortia rules are actually working as they should be, and demanding some clear data-based evidence.

Some on the cargo side are also privately highly critical of the lacklustre response of shippers' councils, in contrast to the robust stance of the past.

For now, though, carriers finally seem to have convinced E

Consortia block exemption: The importance of being relevant

GLOBALISATION and digitalisation "have caused an earthquake in our markets", *writes Rotterdam-based lawyer August Braakman.*

EU competition commissioner Margrethe Vestager said this in a speech at the Chillin' Competition Conference on December 9 this year.

She added that this earthquake is causing the commission to revisit the definition of the relevant market as laid down in the 1997 Notice on Market Definition.

This announcement clashes with the commission's proposal in November to extend the Consortia Block Exemption Regulation, which expires next April, for another four years.

The definition of the relevant market and the combined market share of the consortium members in that market are the determining factors for applicability of the consortia regulation.

Prolongation in its current version demonstrates that the commission holds the view that the ever-increasing impact of Big Data and the ensuing business intelligence and analytics systems with their current and future state-of-the-art features have not altered the competitive structure of the container shipping services market from what it was in 2009.

In Brussels' view therefore, the precondition for extending the current definition of the relevant market until April 2024 is satisfied as well.

The December 9 announcement makes it impossible to maintain this position. It is now necessary for the commission to involve globalisation and digitalisation in its definition of the relevant market.

This would require a repeal or a fundamental revision of the Consortia Block Exemption Regulation. As a result, consortium members would be deprived of an important vehicle for tailoring their market strategies.

In view of the appointment of Maersk's chief operating officer SørenToft, as the chief executive of Mediterranean Shipping Co's container unit, and the absence or waiver of his non-compete clause, this would particularly apply to Maersk and MSC.

It may also affect the already dominant position of TradeLens as the unavoidable hurdle to be taken by companies that wish to implement part of the services offered by lines/alliances.

In her speech, Mrs Vestager pointed out that the commission was told that: "By taking firm action in defence of European consumers and businesses, we're stopping some companies in Europe from reaching the scale they need to be world leaders."

Therefore, the ever-increasing globalisation and digitalisation of the container shipping industry and the ensuing need for revisiting the tools of the European Commission for measuring, evaluating and neutralising the anti-competitive effects thereof should also be assessed from a global perspective.

In my view, one of the most important, if not the most important element in this global assessment is CMA CGM's acquisition of CEVA and the possible consequences for its medium-term financial position.

In the course of 2018 and 2019, CMA CGM paid about $1.6bn to acquire enough CEVA shares to take full control. Since the closure of the acquisition, CEVA has proven unprofitable: it lost $125m in the

last quarter of 2019, and CMA CGM says that it does not expect CEVA to return to profitability until 2023 at the earliest.

The CEVA deal had a serious impact on CMA CGM's current financial position. According to Alphaliner, CMA CGM's debt as a group stood at $19.9bn by end March 2019.

In order to help finance the CEVA deal, CMA CGM recently entered into an agreement with China Merchants.

Under this agreement, CMA CGM would sell stakes in 10 port terminals for $968m to Terminal Link, a joint venture established in 2001 between the French and Chinese companies that acts as operator, developer and investor in container terminals.

The Terminal Link deal, expected to be finalised in the spring of 2020, would be partly financed by a $468m capital increase on the part of the joint venture and by way of a $500m loan from China Merchants to CMA CGM intended to be converted into another capital increase in Terminal Link after eight years, in other words, by 2028.

The deal would not change the ownership of the joint venture, with a 51% stake for CMA CGM and 49% for China Merchants.

CMA CGM announced that medium-term financial objectives, including a target to exceed $400n in core earnings, are expected to be reached by 2023 or 2024, not in 2021.

Over the next years it will become clear whether the strategic choice of CMA CGM to buy CEVA and to prioritise market share growth (unlike Maersk and Hapag-Lloyd) has led to a significant improvement of its financial position. CMA CGM is obliged to make its financial position public.

The new regulations — referred to as International Financial Reporting Standards 16 (IFRS 16) are forcing all ocean carriers to disclose long-standing debt that may previously have been left "off the books".

Globalisation and digitalisation will continue to influence the competitive environment of containerised liner shipping services. Maersk and MSC have all but staked their undertakings on the shift to these developments. In the first instance, the benefits of this decision will be reaped in the area of global end-to-end services. Maersk and MSC's timely shift toward globalisation and digitalisation would suggest that their competitive positions in this area are likely to improve, both individually and within the framework of the 2M alliance.

Another positive contribution is expected to come from the role and impact of TradeLens.

Apart from Maersk and MSC, both CMA CGM and Cosco Shipping also have strongly committed themselves to global end-to-end services. The developments in the western part of the world require an answer from its Asian counterpart. This answer is likely to be formulated from the perspective of China's ambition to reach out to global ports as part of the Belt and Road Initiative.

Terminal Link may well serve as an important instrument to realise this ambition. It may assume this role by announcing a decision whereby CMA CGM's obligation to repay the loan of $500m to China Merchants by 2028 is converted into a change of ownership in Terminal Link, whereby China Merchants becomes majority shareholder.

The next decision in that context may be to closely co-ordinate the global end-to-end services of CMA CGM and Cosco and to reshape CEVA into a full-fledged competitor of TradeLens.

There can be hardly any doubt that the above developments will have a huge impact on the competitive environment of the market of containerised liner shipping services. In particular, they would compromise the competitive positions of terminals engaged by lines for implementation of part of these services. Legal certainty is imperative, all the more so in view of the fast-approaching Brexit.

In her speech, Mrs Vestager indicated that defining the relevant market "is the very first step that we take in competition cases".

Therefore, an up-to-date definition of the relevant market of containerised liner shipping services, which takes account of globalisation and digitalisation, is called for. If extended, this definition should form an integral part of the BER.

It would be unacceptable to burden the shipping industry until April 2024 with a 22-year-old definition of the relevant market which the European Commission regards as being obsolete.

Globalisation and digitalisation entail that the definition should start from the assumption that the relevant market is established by the product, the geographic and the temporal markets combined.

WHAT TO WATCH

Chemtanker blast caused by 'runaway polymerisation' of styrene monomer cargo

A CHEMICAL reaction caused a giant fireball on board a tanker despite the addition of inhibitors to keep cargo temperature and pressure stable, an inquiry has found.

Initial findings into the explosion on board the 43,478 dwt chemical tanker *Stolt Groenland* indicated that 5,200 tonnes of styrene monomer ignited less than five minutes after an alarm sounded to indicate cargo was polymerising – a chemical reaction that leads to a rise in heat and pressure.

Retrieved voyage recorder data provided by operator Stolt Tankers show the styrene monomer's temperature was at 100°C when it ruptured the tank and exploded, emitting a giant fireball. Some 18 people were reportedly injured, including those fighting the fire.

"The rupture was due to over-pressurisation and the likely sources of the ignition were static electricity, sparks or elevated steel deck plate temperatures resulting from the rupture," the UK Maritime Accident Investigation Board's preliminary report said.

The investigation found crew added an inhibitor to reduce polymerisation when the cargo was loaded into three separate tanks in Houston on August 17. Such inhibitors are effective for 60 to 90 days, although the vessel did not carry any additional volumes, the MAIB report said.

The board called for further information from other shipowners or operators about "near misses" in the carriage of styrene monomer, a chemical used to make plastic, paints and synthetic rubber. It has also issued interim guidelines after learning of a further incident since the September 28 explosion at the port of Ulsan, South Korea.

The MAIB said the 37,467 dwt chemical tanker *Stolt Focus*, also flagged in the Cayman Islands, experienced a polymerising styrene monomer cargo on November 20.

The crew had to redistribute the cargo between four tanks and mix it with sea water after the temperature began rising and the addition of an inhibitor failed to stabilise it.

The report said the toxic chemical liquid has a flashpoint of 32°C. So-called self-sustaining or runaway polymerisation is initiated by heat or contact with peroxide, according to the MAIB.

The *Stolt Groenland* explosion happened as crew were preparing for a ship-to-ship transfer with another products tanker, *Bow Dalian*, which was alongside and also sustained damage.

Seven minutes beforehand vapour had started to be released from the pressure vacuum valve from one of the three tanks containing the styrene monomer. The first of two alarms sounded two minutes later, and five minutes before two explosions were seen and heard at 1050 hrs local time, the MAIB report said.

The full investigation will look into factors that led to the cargo polymerising, as well as cargo monitoring and the emergency response.

Chemical tanker owners and operators were reminded to adhere to carriage and storage instructions for the chemical, witness the addition of inhibitor to tanks, monitor cargo for unexplained increases in temperature and ensure crew knew how to respond.

ANALYSIS

Iranian STS off Malaysia challenged after coastguard interception

QUESTIONS have been raised over whether Iranian-linked very large crude carriers conducting ship-to-ship transfers and storing crude off Malaysia's coast have necessary approvals after a sanctioned tanker evaded the country's coastguard off Penang while operating without permission.

The 1998-built, 291,312 dwt *Silvana III*, which is linked to sanctioned Chinese shipowner Kunlun Shipping, has been tracked storing and transferring Iranian crude cargoes off Malaysia's coast for most of 2019, vessel tracking shows.

The tanker fled the Malaysian Maritime Enforcement Agency on December 5 after a patrol asked to come on board for an inspection while the vessel was at anchor in waters off Penang, according to media reports.

When and where the vessel was intercepted is unclear because its automatic identification system was switched off between November 28 and December 9, according to vessel-tracking data provided by Lloyd's List Intelligence.

It is one of seven VLCCs in the region tracked by Lloyd's List over the past eight months for being involved in Iranian crude storage and ship-to-ship transfers off waters in Malaysia and Singapore. This is in addition to VLCCs directly owned by the National Iranian Tanker Co, which also has a flotilla of vessels at anchor off the eastern and western coasts.

The Malaysian coastguard did not respond to Lloyd's List inquiries asking for further comment about whether *Silvana III* and other VLCCs were operating with necessary approvals and they were aware of their activities. Port authorities need to be advised when vessels enter designated lightering zones or conduct ship-to-ship transfers.

The agency first stated earlier this month that *Silvana III* refused to allow an inspection and did not have necessary permissions. A patrol requested the tanker prepare for somebody to come on board but instead the tanker refused and sailed away, according to the coastguard.

A later statement from the agency said the vessel suffered engine failure and was towed to the island of Langkawi, but it did not clarify the tanker's status.

Vessel tracking shows the ship sailed north towards the island but did not call there, turning around on December 10 and heading at a very slow speed to Malaysia's eastern coast via the Strait of Singapore, arriving December 15 around 1500 hrs GMT.

Its last signal was at 23:02 hrs GMT that day. Two other sanctioned VLCCs, *Judy II* and *Luna Lake*, are floating near by.

So-called "going dark" is one of the many tactics used by VLCCs off Malaysia and Singapore to obfuscate movements while loading or discharging Iranian crude via STS. Turning off transponders contravenes international safety regulations, which only permit going dark if the vessel's safety is threatened.

The tankers are circumventing unilateral US sanctions on Iranian oil, energy exports and shipping by using STS while at anchorage areas off Malaysia and Singapore.

Switching off the AIS, amid vessel name, flag and ownership changes are key tactics used by a subterfuge fleet of tankers to maintain Iran-China crude flows.

Trade lanes show divergent trends towards spot and contract rates

CARRIERS will need to apply differing pricing policies across trade lanes to meet the demand for either spot or contract services, according to research by container shipping analyst Sea-Intelligence.

By analysing the strength of contract rates compared with those available on the spot market, Sea-Intelligence has found a major divergence between the transpacific and the Asia-Europe main lane trades.

Over a 10-year period, data shows a general weakening of contract rates when compared with those available on the spot market. While there was a sharp dip at the end of 2018 following the "unusually strong" peak season, driven by front loading, which had driven up spot demand, the trend for contract rates was declining.

"The data shows that over the past 10 years, carriers have been increasingly likely to see strengthening from the spot market than from the contract market," Sea-Intelligence said.

"This in turn indicates that the negotiation power on the transpacific has gradually shifted such that, relatively speaking, the carriers' position when

negotiating contracts has weakened, compared with when they are negotiating spot rates."

On the Asia-Europe trade, however, the opposite was true. Over the 10-year period, the contract market had strengthened against the spot market.

Even when taking into account the impact of the financial crisis and recovery, the direction of travel was in favour of contract rates.

"We find that for Asia-Europe, the carriers' negotiation position has weakened in the spot market versus what they have experienced in the contract market," Sea-Intelligence said.

The changing nature of the two markets was significant for carriers as they moved towards online sales propositions, it added.

"This means that they need to contemplate different pricing philosophies for each individual trade," Sea-Intelligence said.

"An approach which works well in one trade, might well undermine their contractual relations in another. Hence for online pricing tools and algorithms, it is critically important to not have a 'one size fits all' approach — but instead develop these specifically for each trade."

MARKETS

US predicts doubling of exports following trade agreement with China

US Trade Representative Robert Lighthizer said the "phase one" US-China trade deal announced last week is "totally done" and predicted it will nearly double US exports to China over the next two years and will especially benefit the agriculture sector.

"Overall, it's a minimum of $200bn," Mr Lighthizer said, identifying a "list" of US export items covered by the agreement, including "manufacturing, agriculture, services, energy and the like".

In terms of the numbers for agriculture alone, he said that "what we have are specific breakdowns by products and we have a commitment for $40bn to $50bn in sales".

"You could think of it as $80bn to $100bn in new sales for agriculture over the course of the next two years," he said. "Just massive numbers."

Mr Lighthizer, speaking over national television on Sunday morning, said there would be some routine "scrubs" or corrections to the text of the trade agreement but he insisted that "this is totally done, absolutely".

Both countries will now proceed to detailed translations and legal review of the text and discuss arrangements for signing the agreement, he said.

Under the agreement, US will maintain 25% tariffs on approximately $250bn of Chinese imports while reducing tariffs to 7.5% on $120bn in products.

China has agreed to make substantial purchases of US goods and services.

News of the agreement will be welcomed by US exporters, especially the nation's farmers who have been especially hard hit by the trade war as China imposed retaliatory tariffs on their produce.

Annual US farm exports to China had exceeded $20bn until 2018, when they dropped to $13.4bn mainly due to Beijing's retaliatory duties on soyabeans and pork.

American Farm Bureau Federation president Zippy Duvall said the announcement marks a step forward in resolving the trade battle and restoring US competitiveness.

"America's farmers and ranchers are eager to get back to business globally," Mr Duvall said. "China went from the second-largest market for US agricultural products to the fifth-largest since the trade war began. Reopening the door to trade with China and others is key to helping farmers and ranchers get back on their feet."

US ports, especially those on the west coast, also will welcome the agreement. The port of Los Angeles last week announced a 12.4% decrease in throughput year-over-year for the month of November, attributing the decline to the trade war.

"As we expected, 2019 winds down with volumes weakening, due largely to the US-China trade war

which continues to negatively impact American consumers, manufacturers and US supply chain jobs," said port of Los Angeles executive director Gene Seroka.

The outlook was similar at the neighbouring port of Long Beach which saw a 3.5% decline in November throughput compared with last year. During the first 11 months of 2019, the port is down 5.2% over the same period in 2018.

"The effects of these tariffs are being felt by everyone, from American manufacturers and farmers to the consumers who purchase goods moving through our port complex," said Mario Cordero, executive director of the port of Long Beach.

Uncertainty none the less remains over the possible outcome of the trade talks, given that only phase one has been reached so far with more difficult topics to be tackled in phase two.

Elena Duggar, associate managing director of Moody's Investors Service, said: "Any improvement in relations is likely to be temporary, with tensions on both trade and other issues like technology, continuing to wax and wane for the foreseeable future."

"Any partial deal in the short term will not resolve the fundamental differences in the two country's economic, political and strategic interests," Ms Duggar said.

Mr Lighthizer underlined those difficulties on Sunday, saying that: "When we look at this agreement, we have to look at where we are. We have an American system, and we have a Chinese system. And we're trying to figure out a way to have these two become integrated."

He said it is too soon to determine if the entire two-phase process of negotiations will succeed, but he placed that responsibility squarely on the Chinese side.

"Ultimately, whether this whole agreement works is going to be determined by who is making the decisions in China, not in the United States," Mr Lighthizer said. "If the hard-liners are making the decisions, we're going to get one outcome, if the reformers are making the decisions, which is what we hope, then we're going to get another outcome."

To maintain pressure on China for the outcome it wants, Washington is maintaining the 25% tariffs on $250bn of Chinese imports, along with the 7.5% tariffs on $120bn in Chinese imports, he said.

"We will begin negotiations on the phase two deal immediately, rather than waiting until after the 2020 Election," President Donald Trump tweeted on Friday morning. "This is an amazing deal for all."

No decision has been announced yet for a start date to the phase two talks.

IN OTHER NEWS

Over 20 crew abducted from chemical tanker off Nigeria

PIRATES have abducted 21 crew members from the Union Maritime-owned vessel *Duke* off Nigeria.

The attackers boarded the Marshall Islands-flagged, 19,117 dwt combined chemical and oil tanker on December 15, approximately 110 miles southeast of Lome in Togo, Lloyd's List Intelligence reported.

The vessel was en route to discharge a cargo of fuel oil loaded at Luanda. A crew of 20 Indian nationals and one Nigerian was kidnapped. A fellow Nigerian cadet was left on board.

New long-haul VLCC route seen as Norwegian oil field exports begin

AN OIL field that started export operations in November is swiftly establishing a new trade route for very large crude carriers shipping North Sea crude to Asia.

Seven very large crude carriers have called at Equinor's Sture and Mongstad terminals in Norway since the Johan Sverdrup field came on stream in October. It is the first time VLCCs have been tracked loading at the two export ports, according to Lloyd's List Intelligence data.

The Johan Sverdrup field is currently producing 350,000 barrels per day. This is expected to rise to 440,000 bpd under phase 1, scheduled for completion by the end of this month.

The development not only arrests the steady decline in Norwegian oil production and North Sea exports overall, but adds a new Norway-Asia route for VLCCs in Atlantic basin as Asian refineries favour the new grade emerging from the field. It is Norway's third-largest oil field and the biggest development in 30 years, according to Equinor's website.

Containerships takes delivery of fourth LNG-powered feeder

CMA CGM's intra-Europe subsidiary Containerships has

taken delivery of its latest LNG-fuelled boxship, the 1,380 teu *Containerships Arctic*.

The vessel, which was built at Guangzhou Wenchong Shipyard, will be bunkered at Rotterdam and phased into CMA CGM's Baltic feeder services before joining Containerships' BALT-1 shortsea service in 2021.

Containerships is something of a pioneer in the use of LNG, and was the first European operator to use LNG as the main fuel source. *Containerships Arctic* will join three sisterships already operating in the Baltic sulphur emissions control area.

Cyprus awards $323m contract for its first LNG terminal

CHINESE yard operator Hudong-Zhonghua Shipbuilding Co and the Norwegian shipping group Wilhemsen Ship Management are members of a consortium that was wrapped up in talks over the weekend to build the first liquefied natural gas terminal in Cyprus.

The Natural Gas Public Company of Cyprus, or DEFA, has reportedly awarded a €290m ($322.7m) contract for the terminal construction to the consortium also comprising China Petroleum Pipeline Engineering Co and Metron SA.

The terminal includes a floating storage and regasification unit, a jetty, onshore and offshore pipelines and other associated infrastructure.

Keppel signs second jack-up sale-and-leaseback deal with Grupo R for $190m

KEPPEL Offshore & Marine subsidiary Keppel FELS has entered into a second sale-and-leaseback deal for a jack-up rig with Mexican driller Grupo R, at slightly better terms to a similar deal signed earlier this year.

Keppel FELS delivered the KFELS B Class jack-up rig Cantarell III to Grupo R and entered into a sale-and-leaseback deal in which a unit of Keppel O&M will purchase the rig for about $190m and then lease it back to the company on a 10-year bareboat charter at competitive day rates, the group said in a market announcement.

The rig will be deployed to work in offshore Mexico on a charter which will commence in the first quarter of 2020. Grupo R parent company IPC will guarantee its charter payment obligations. No details were disclosed on charter rates.

Thomas Miller Specialty buys Lodestar Marine book

INSURER Thomas Miller Specialty has purchased fixed premium P&I provider Lodestar Marine's book of business for undisclosed consideration.

The move comes less than two years after the company was acquired by Chicago broker Ryan Specialty Group in early 2018, again for undisclosed consideration.

Lodestar underwriter Vicky Clarke will be joining the Thomas Miller Specialty team to ensure continuity for renewing business.

BG Freight Line launches Dunkirk-Ireland box route

BG Freight Line, a Rotterdam-based short-sea specialist, has launched a new box service linking Dunkirk and the Republic of Ireland.

"We have two calls in Dunkirk per week, one coming from Rotterdam to Southampton, Dublin and Cork and one coming from Dublin, Cork and Southampton going to Rotterdam," chief executive Koert Luitwieler told Lloyd's Loading List.

Both calls are on Tuesdays at the French Channel port. The company has deployed two vessels on the new service each with a capacity to accommodate just over 800 teu.

Portico eyes launch of Portsmouth-Antwerp container route

PORTICO, the operator of Portsmouth's deepwater cargo terminal, plans to open a new container route between the western Channel port and Antwerp.

The company is working with the Port of Antwerp to establish a new service, as it looks to expand a network of shortsea container routes from the UK. It plans a weekly return service, which would be spread between import and export.

Initially, the service would involve a small feeder vessel, which could then increase in size as demand rises, according to Portico commercial manager Ben Harraway, who said a Portsmouth-Antwerp route would be a "fantastic" alternative for exporters and "a phenomenal addition" to UK supply chains.

GasLog agrees $1bn facility for seven newbuildings

GASLOG, the liquefied natural gas carrier owner, has completed funding for its newbuilding programme.

A debt financing package of more than $1bn was signed with 12 international banks and is backed by the Export Bank of Korea and the Korea Trade Insurance Corporation (K-Sure) that are either lending or providing cover for more than 60% of the total amount.

GasLog has seven LNG carriers on order at Samsung Heavy Industries, five of which are for delivery in 2020 with two more due in 2021. Multi-year charters have already been lined up for all seven vessels.

Europe clears tonnage tax and seafarer schemes for some countries

THE EUROPEAN Commission has cleared tonnage tax and seafarer schemes for five EU countries, arguing that their plans do not hinder competition.

Cyprus, Denmark, Estonia, Poland and Sweden secured the green light from the European regulator to either introduce or prolong their relevant schemes.

"The schemes encourage ship registration in Europe and contribute to the global competitiveness of the sector without unduly distorting competition," the Commission said in a statement.

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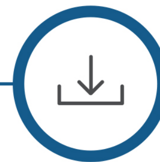

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