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Four killed in attack near Nigerian coast



FOUR MILITARY PERSONNEL were killed and two others injured in a crossfire as three crew were taken following an attack on a Nigeria-flagged trailing suction hopper dredger, *Ambika* (IMO: 7931026) near the Forcados terminal in Nigeria.

Pirates boarded the vessel when it was operating about three nautical miles from the mouth of the Ramos river and nine nautical miles east of the Forcados terminal, a report from Dryad Global said.

It is understood that a firefight occurred between the embarked security personnel on the dredger and the pirates. After a heavy exchange of gunfire, the pirates were able to board the vessel and abducted two Russian and one Indian crew members, leaving five crew behind.

The 1980-built, 3,488 dwt *Ambika* has been covered by the American Club since last February, Lloyd's List Intelligence showed. The vessel is owned by Nigerian company Ashtavinayak Hydrocarbon and technically managed by Deep Frontline Shippers.

Dryad Global noted that this was the first offshore incident within this location since November 2018, when a vessel that also had security personnel on board was fired upon.

The security consultancy pointed out that incidents are relatively regular within this general area occur but usually take place within the creeks and rivers and have in the past focused mainly on the

opportunistic kidnap of local people and personnel involved in the protection and manning of oil and gas infrastructure. The latest incident appears to be a departure from this previous pattern.

“Offshore incidents remain uncommon and comparatively, with the wider Delta area, the areas around the Forcados Terminal have been a lower risk for offshore operations,” it concluded.

WHAT TO WATCH

More bunker surcharges expected if VLSFO premium escalates further

SEA-INTELLIGENCE has warned of further bunker surcharge increases from carriers as the premium of very low sulphur fuel oil edges up into the new year.

Citing data from Ship&Bunker, the box shipping consultancy said that the spread between VLSFO and the high sulphur bunker IFO380 had more than doubled over the past nearly three months between October 7, 2019 and January 3, 2020.

This comes against the backdrop of the International Maritime Organization’s new emission mandate effective on January 1, which stipulates ships must switch to fuels containing sulphur content of no more than 0.5% from 3.5% previously.

The regulation is prompting demand for VLSFO and hence further pushing up the price of the products versus that of the cheaper and higher sulphur content IFO 380.

The differential at the global average level has gone up from \$100 per ton to \$260 per tonne and from \$150 to \$310 at the world’s top 20 ports, according to Ship&Bunker’s index.

“This has significant ramifications for the added fuel costs to be absorbed in the supply chains,” said Sea-Intelligence in a report on Sunday.

It added that the entire box shipping industry consumed approximately some 55m tonnes of fuel. A simple calculation would translate that into an annual bunker cost of \$14.3bn from \$5.5bn previously based on the latest price premiums.

In reality, however, some carriers would have been using 0.1% sulphur fuels in a number of existing regional emission control areas in northern Europe, North America and China, while they would also have scrubbers installed on parts of their fleet near or after the implementation of the 2020 sulphur cap.

“Despite these simplifications, the increase in fuel costs due to the increase in VLSFO premium will be substantial compared with any estimates made on VLSFO premiums just three months ago,” said Sea-Intelligence.

Meanwhile, a sharp difference in the way VLSFO premiums have developed across different regions has made things even more complicated, it noted.

The premium in Europe, the Middle East and Africa has been the least volatile, increasing from slightly more than \$150 per tonne to about \$275 per tonne during the reported period.

By comparison, the premium in the Americas has more than quadrupled to about \$230, “although the early pricing could potentially be misleading, and driven by very few deals based on existing stocks,” the consultancy explained.

The Asian premium has risen to as high as \$320 from \$100 three months ago.

“It seems clear that what we are witnessing is a transition period, where the bunker fuel markets are adjusting to the new reality of strong demand for VLSFO and lower demand for IFO380 — and this process is far from complete,” said Sea-Intelligence.

It said that carriers were likely to modify their bunkering strategies to avoid excess costs given the disparity in VLSFO premiums between different regions.

“If the rapid escalation of the premium continues, shippers should prepare themselves for further strong bunker adjustment factor increases already [seen in the second quarter of last year],” it added.

The Hong Kong Shippers’ Council has meanwhile called for shippers to reject the low sulphur fuel

surcharges being implemented by most of the shipping lines.

“The Council does not consider the surcharge to be justified,” HKSC said in a statement and urged

Rising US-Iran tensions spark return of Hormuz naval escorts for UK-flagged ships

UK-FLAGGED ships will again be accompanied by British naval vessels in the Strait of Hormuz, UK defence secretary Ben Wallace said in a statement over the weekend, reflecting escalating tension in the Middle East Gulf.

The statement said that the frigate *HMS Montrose* and destroyer *HMS Defender* “would return to accompanying duties of Red Ensign Shipping in the strait of Hormuz”. Both vessels are said to be deployed on Operation Kipion in the Gulf and Indian Ocean.

Both vessels were deployed on the mission since August 5 when the UK government joined a US-led maritime security mission in the Middle East Gulf to protect freedom of navigation through the Strait, a crucial energy commodities waterway. The taskforce aimed to co-ordinate different militaries with commercial shipping, following Iran’s seizure of the UK-flagged *Stena Impero* in July.

Reuters reported Japanese prime minister Shinzo Abe had reiterated a plan announced last month to send a maritime force of the Japan Self-Defence Forces to the region to ensure the safety of Japanese tonnage. “We plan to dispatch Self-Defence Forces to this region to strengthen information gathering and secure the safe passage of Japan-related ships,” Mr Abe said. The plan was unveiled before the latest spike in tensions.

However, Mr Abe also warned against further escalation. “Tensions are rising in the Middle East and I am deeply worried. Further escalation should be avoided and I call on all parties concerned to exhaust all diplomatic effort to ease tensions,” he was reported as saying on a televised news conference. Japan said a destroyer would probably begin deployment in the Middle East Gulf in February.

The Red Ensign group of shipping registers includes Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, and the Isle of Man as well as the UK.

shippers to reject the charges. They were also advised that surcharges charged by the various lines were substantially different and these should be considered when selecting which lines to use.

The UK-flag presence in the Middle East Gulf has sharply diminished since maritime risk in the region reached its highest in 16 years from May. This was after an “unknown state actor”, widely said to be Iran, used limpet mines to attack four tankers off Fujairah, followed by attacks on a further two ships off Oman in June.

There are only three tankers over 10,000 dwt that have transited Hormuz and are within the Gulf area, of which two are trading, Lloyd’s List Intelligence data show. These are the 78,984 dwt liquefied natural gas carrier *Methane Jane Elizabeth*, the 44,743 dwt liquefied petroleum gas carrier *BW Nantes* and the suezmax tanker *Nordic Luna*. The latter vessel appears to have been in drydock in Dubai since late November, probably having a scrubber retrofit.

No UK-flagged vessels appear to be sailing for the Strait.

Some 75% of energy commodities that transit the Strait of Hormuz head to Asia, with UK-flagged tankers and gas carriers comprising 19 of the 617 transits in July, according to data from Lloyd’s List Intelligence. Since November 1, just 12 UK tankers and gas carriers over 20,000 dwt have been tracked making Hormuz transits. This suggests that war risk premiums and risk analysis has charterers avoiding sailing UK-flagged tonnage to the Middle East Gulf.

A January 3 assessment by UK-based maritime security consultancy Dryad Global has also found that Saudi-flagged vessels and those with the US-based registry that runs the Marshall Islands flag are at heightened risk for any Hormuz transits.

“There is an additional threat to vessels carrying US cargoes or assets or are seen to be linked to US economic interests,” the report said.

“Marshall Islands-flagged vessels, for example, which come under US protection as a US associated state, are also at a heightened risk. There is a latent but similarly high risk to vessels belonging to states

that support the US Sentinel operation.” The mention of Sentinel refers to the US-led naval mission to which the UK contributes.

It is unlikely that Iran will attempt to close the Strait, Dryad noted, because this could potentially sour its key relationship with China, which sources energy commodities from the region.

S&P Global reported that top Japanese lines Mitsui OSK Lines and NYK Line have also issued new safety advisories to their vessels transiting the Strait of Hormuz. MOL advised ships to keep a safe distance from the Iranian coast and to avoid Iranian waters when transiting the area. NYK maintained existing measures, including increasing the speed of vessels passing through the region.

BIMCO also issued a grave warning, saying: “The killing of Iranian general Soleimani constitutes a significant escalation of an already tense situation between US and Iran, and an Iranian retaliation must be expected.”

That retaliation could take place anywhere in the world on land or sea, including the Middle East Gulf, Strait of Hormuz, Gulf of Oman, Arabian Sea, Bab el-Mandab and the Red Sea, it further warned. “In

the maritime domain, the most likely targets of an Iranian retaliation are ships, crews or cargoes with direct links to US or their closest allies,” BIMCO said.

As a result, shipping was encouraged to take various basic precautions when operating in areas where the US-Iran conflict can spill over, including reporting to UKMTO, monitoring developments closely, strengthening ships’ watertight integrity and firefighting capability and improving lookout.

Elsewhere, New York investment bank Jefferies said in its latest weekly report that the US drone attack increases risk for Hormuz transits, but will have a positive effect on the tanker market.

“We expect the most recent military action will lead to higher risk premiums and ‘hazard pay’ for tankers operating in the Middle East,” the report said. “We also expect Asian crude buyers will further diversify crude purchases, boosting ton-mile demand.”

Some 20m barrels per day of crude, condensate and refined products is shipped through the Strait of Hormuz, US Energy Information Administration data show.

OPINION

Allied naval forces seen as a welcome presence in the Middle East Gulf

THE US has announced the deployment of the aircraft carrier USS Harry S Truman and its accompanying strike group in support of naval operations to ensure maritime stability and security in the Middle East Gulf, *writes Eric Watkins*.

Those forces have arrived none too soon. In the wake of the airstrike that killed the Iranian military leader General Qasem Soleimani, the US and its allies must defend against reprisals, especially reprisals directed against shipping in the Middle East Gulf.

That much was made clear on Sunday when Major General Hossein Dehghan — the military adviser to Iran’s supreme leader Ayatollah Ali Khamenei — said that Tehran’s response to the killing by the US of General Soleimani will “for sure be military”.

Shipping is one of the targets of the Iranian military. “No American military staff, no American political

centre, no American military base, no American vessel will be safe,” Gen Dehghan said, adding that “our reaction will be wise, well considered and in time, with decisive deterrent effect”.

The UK announced that the Royal Navy will offer to accompany British-flagged commercial vessels through the Strait of Hormuz due to the heightened threat caused by Gen Soleimani’s death.

UK defence secretary Ben Wallace said he had instructed the frigate *HMS Montrose* and the destroyer *HMS Defender* to return to the key oil passage imminently, adding: “The government will take all necessary steps to protect our ships and citizens at this time.”

The British and US warships are part of the coalition formed in July to spot and respond to threats to shipping in and around the Gulf region. Originally named Operation Sentinel, the group is

now called the International Maritime Security Construct.

Plans call for the IMSC to station two warships, also known as sentinels, in the Strait of Hormuz. Smaller vessels, called sentries, will patrol inside the Gulf, while drones and planes will keep watch from overhead. Intelligence will be gathered at a headquarters in Manama, Bahrain.

In August, Australia committed the Anzac-class frigate *HMAS Toowoomba* to join the US-led coalition in February. The Anzac class is used to conduct surveillance and patrols as well as protect shipping and strategic areas.

Australian prime minister Scott Morrison this week said the ship would be making its way towards India in the coming days and the government would “continue to monitor that situation very closely”.

Japan’s government has also moved ahead with plans for establishing a military presence in the region, announcing on December 27 the dispatch of Maritime Self-Defence Force units to the Middle East.

Japan’s MSDF will not be taking part in the US-led coalition but will none the less co-operate with the US in areas such as intelligence. Japanese patrol planes will start operations this month, while a destroyer will start operations in February.

The MSDF will conduct operations in the Gulf of Oman, the northern Arabian Sea and the Gulf of Aden, east of the Strait of Bab-el-Mandeb. The Strait of Hormuz has been excluded over safety concerns.

The IMSC is a small group, comprised of the US, UK, Australia, Saudi Arabia, the United Arab Emirates, Bahrain and even Albania. When the US began gathering allies in July, France, Germany and other European countries refused to join.

Small as it may be, however, the US-led force will be a welcome sight for much of the shipping industry as insurance underwriters were considering rate rises when markets open on Monday, reflecting perceptions of potentially greater war risk.

There is no telling if shipping actually will come under attack in the Middle East Gulf. But the presence of allied warships from around the globe will do much to deter the possibility.

EU opens probe into tax exemptions for Italian ports

ITALIAN ports could see the end of tax exemption in 2020 following the launch of an investigation by the European Union, *writes Antonella Teodoro*.

The European Commission will assess whether tax exemptions granted under the Italian law to its ports are aligned to the state aid rules. The move follows a decision by Spain to amend its corporate income tax legislation aligning it to the EU state aid rules from January 2020.

“Ports are key infrastructure for economic growth and regional development,” said commission head of competition policy Margrethe Vestager. “Our competition rules reflect that and allow member states to invest in ports, creating jobs and preserving competition. At the same time, if port operators generate profits from economic activities these should be taxed in the same way of other companies under the normal national tax laws to avoid distortions of competition.”

The controversy is not new, with the question revolving around the nature of the Italian port authorities, which unlike the other EU ports, are

public bodies. For this reason, Assoporti — the association that brings together the players in the sector in Italy — indicates the legitimacy of the Italian ports not paying corporate income tax, which applies to private entities.

It indicates that if the ports were forced to pay tax, their costs would rise significantly.

In response, the commission has indicated that the port authorities operate both non-economic activities, such as maritime traffic control, as well as economic activities, for example, paid access to the port. The former operations fall outside the scope of EU state aid control, but for the latter ones the EU state rules apply.

The current income tax legislation in Italy allows port authorities to be fully exempt from corporate income tax and this may not be compatible with EU rules.

Should the commission’s concerns regarding the compatibility of the tax exemptions for Italian ports with EU state aid rules be confirmed, the Italian

corporate tax exemption would be considered 'existing aid' (as in the case of Spain), as it was introduced before Italy joined the EU and the commission could not ask Italy to return the aid granted.

The investigation process gives an opportunity for the interested parties to express their views on the state aid assessment of the tax exemptions. For example, their view on the effect on competition and trade.

The commission said that in the event that the tax advantage was removed, Italian ports could still receive state support.

EU member states can support their ports in line with state aid rules, to achieve, for instance, EU

transport objectives and/or to support infrastructure investments that could not have been viable without public assistance.

In May 2017, the commission simplified the rules for public investment in ports, allowing member states to invest up to €150m (\$167.8m) in sea ports and up to €50m in inland ports with full legal certainty and without prior verification by the commission.

This regulation gives consent to public authorities to cover the costs of dredging in ports and access waterways, for example. In addition, the EU enables member states to reimburse ports authorities for the expense occurred in meeting public service tasks and activating services of general economic interest.

ANALYSIS

Strike on Iranian general raises uncertainty in tanker sector

RIPPLES from the American airstrike that killed top-ranking Iranian general General Qassem Soleimani are being felt in the tanker sector, but there are still many unknowns about the status quo and the toll on commercial ships.

General Soleimani, who led a special forces unit of Iran's elite Revolutionary Guards, had been a key figure of Iranian and Middle East politics. His death exacerbated already-high tensions between Iran and the United States and has triggered concern about retaliation from Iranian forces.

Iran's location on the northern side of the geopolitically important Strait of Hormuz means Iran could attempt to cause an outsized impact on the ability of maritime traffic to navigate this major ocean trade lane.

One possible consequence of the airstrike could be that tanker owners and operators may hold back vessels from trading in the Strait of Hormuz region, a broker argued, adding that the unrest would disrupt trade in the long term.

Evercore ISI said that any retaliation by Iran that involves the major chokepoint of the Strait of Hormuz, through which more than 20% of global oil consumption passes daily according to the IEA, could add to market panic and provide an elevated risk premium for vessels willing to transit the area.

As things stand, spot earnings for very large crude carriers remain around \$90,000 per day for ships without scrubbers and upwards of \$110,000 a day for very large crude carriers with scrubbers. However, market participants project a short-term spike in freight rates due to heightened geopolitical tensions.

For tankers, this is clearly bullish, as the market's knee-jerk response to supply risk scenarios is to accelerate spot fixings, Arctic Securities said in a note.

"In combination with International Maritime Organization's 2020, the tanker supply demand balance is currently very tight and rates are already at peak levels, so any disruption which would lengthen average voyage lengths could have an outsized impact on a spike in tanker rates," according to Stifel.

"Conversely, anything that would cause a major long-term disruption in production would be negative."

For liquefied petroleum gas, unrest in the Middle East is likely to generate more demand for US volumes, Arctic said, which in turn will increase sailing distances and thereby tonne-mile demand.

Furthermore, higher oil prices are likely to lift propane prices in Asia, which all else being equal,

should lead to wider price spreads between Asian and US propane prices.

The ramifications of the airstrike could also have material implications for US-based liquefied natural gas exports.

LNG carriers loaded in Qatar and the United Arab Emirates are both only able to exit the Persian Gulf via the Strait of Hormuz. Together, Qatar and the UAE account for a substantial 26% of global LNG shipments, data from Evercore ISI shows.

Spot market surge offers encouragement over bunker costs recovery

BOX carriers will be hoping significant recent increases in spot freight rates continue as carriers look to recoup higher bunker costs to comply with the new sulphur cap rules.

The cost of compliance to the container shipping industry will be to the tune of billions annually with carriers anticipating fuel prices to climb by around 30% from the legislation, which limits burning fuel with a sulphur content no higher than 0.5%.

Carriers are looking to pass on the cost burden to shippers who have been subjected to a series of bunker surcharges in recent months both in preparation for and in line with the sulphur cap's implementation from January 1.

However, the early signs from the spot market will offer encouragement for box lines that shippers are willing to help foot the bill.

On the lucrative and crucial Asia-Europe trade – home to the world's largest boxships, spot rates have jumped to their highest level in more than three years off the back of bunker surcharges.

Frontloading ahead of the early Chinese New Year has also helped to drive up cargo numbers and keep utilisation levels high, while scrubber retrofits continue to keep a lid on capacity. Analysts Alphaliner's recent count put the total number of ships undergoing engine refits at about 6% of the total fleet.

The latest Shanghai Containerised Freight Index shows spot freight rates on the Far East-Northern Europe route at \$1,124 per teu, up 40.5% against its month ago value and just shy of 13% compared to this time last year. Similarly, Far

“If Iran were to close off this major chokepoint to maritime traffic it would likely escalate LNG shipping vessel rates, which are currently \$93,000 per day for a 160,000 cbm sized modern vessel,” it said.

Also, if Qatar and UAE were cut off from global LNG trade for a certain period it would likely lift global landed prices.

“For existing LNG producers such as Cheniere, it would provide an immediate benefit. Though, additionally, it could prompt global importers reliant on Qatari LNG shipments to seek new suppliers.”

East-Mediterranean rates on the SCFI are currently at \$1,185 per teu, a rise of 53.7% and 18.9% on the start of December and the comparable week of 2019, respectively.

The Shanghai Shipping Exchange, which publishes the weekly SCFI, commented that load factors were at an optimum on numerous services and at and above 95% on others.

With spot rates holding firm and indeed climbing further at the start of January it also dispels, at least to some degree, suggestions shippers were pushing through cargo consignments ahead of the sulphur cap to ‘beat the baf’.

Meanwhile, on the transpacific trade spot rates bounced this week after carriers enjoyed moderate success from planned general rate increases for the start of 2020, putting prices at a six-month high.

The SCFI, which uses Shanghai as a base origin port, showed spot rates rise 14% to \$1,636 per feu on the Far East-US east coast trade on last week, and by 9.6% on the Far East-US west coast trade to \$2,808 per loaded 40 ft unit. Transpacific spot rates are though down on this time last year, but this is due largely to the extraordinary frontloading witnessed ahead of proposed tariffs as the US-Sino trade war which drove up rates to near record highs.

Although carriers will be heartened by these developments, analysts Platts pointed out that crunch time will come when annual contracts come to an end in a few months' time, particularly on the transpacific.

“Questions are expected to be raised from shippers regarding the carriers' proposed surcharges, and the

same question from carriers aimed at the implementation of shippers' surcharges," it said.

Further, when the pre-Chinese New Year rush comes to an end in a few weeks' time the likelihood is for spot rates to weaken significantly, as is customary. The challenge for carriers will be to

ensure rates remain at a level to compensate for higher fuel costs.

One carrier source relayed to Platts that come February, rates on the Far East-northern Europe trade could plunge to as low as \$700 per teu as demand begins to tail off.

MARKETS

War risk market stable after Soleimani killing

WAR risk premiums charged by both Lloyd's underwriters and marine mutual have so far remained broadly unmoved by the turmoil in the Middle East sparked by the US killing of an Iranian general last week.

While an extraordinary meeting of the Joint War Committee at Lloyd's is expected imminently, sources pointed out that most of the Gulf is already deemed a war risk area and is therefore subject to additional premiums, known as APs in industry jargon.

The JWC does not discuss pricing, and it will be up to individual underwriters to decide how to respond to the situation.

Leading marine mutuals said that they were still assessing the situation. The current benchmark rate of 0.25% is unchanged for the time being.

Although there has been media speculation that shipping could provide an obvious target for Iranian retaliation, the consensus seems to be that no concrete threat has yet emerged.

The war risk market has been broadly stable since a spike in the middle of last year, when some owners were quoted APs of as much as 0.7-0.8% of hull value in the wake of attacks on four vessels alongside at Fujairah and the seizures of an Iranian tanker by the UK and UK-flagged tanker Stena Impero by the Iranians.

Rates subsequently softened to about 0.4% for tankers and 0.2% for bulkers, as naval protection became available and Middle East politics returned to as close to calm as the region ever gets.

The head of marine at a leading Lloyd's underwriter said: "That part of the world is a listed area anyway, the question is whether the underwriters decide to charge more premium or not.

"Pricing is not something that can be discussed at a war risk committee meeting anyway. The only thing they talk about is where the areas of enhanced risk actually are."

At the moment, there is general uncertainty as to how any extra threat would be manifested with regard to maritime assets. Accordingly, underwriters are in intelligence-gathering mode.

Marcus Baker, global head of marine at broker Marsh, said that tensions are clearly escalating, as witnessed by a jump in the price of crude over the past few days.

"There are clearly some concerns, but I've not seen anything from the market as yet to say, this is what we are proposing in terms of rates. You need to see something happen before people can react, because we don't know what it's going to mean at this stage," he commented.

"That doesn't mean to say that in the next half an hour or so, somebody isn't going to come back from the market and say, we've just got a war risk trading rate and it's X, Y or Z and it has gone up 20%."

Svein Ringbakken, managing director of Norwegian war risk mutual Den Norske Krigsforsikring for Skib, known as DNK, said: "Like everyone else, we are concerned. But it's still early days in terms of rating impact.

"We haven't changed the rate yet. What we need to see is how this develops before we are able to make a judgement. We need to talk to our security people and give them a little more time to digest what has happened and the likely course of development. Time will show."

Andrew Ward is both chief executive of UK War Risks and a consultant to the manager's agents at Hellenic War Risks, which are both under the common management of Thomas Miller.

“Certainly, our rates are unchanged at the moment, but it’s something we’re keeping an eye on, and I think most people on the marine side are doing that as well. It will certainly stop the downward pressure on rates for the time being.

“Today’s rate is certainly not going to be any less than it was a week or two ago, when otherwise it could have been.”

For the war risk mutuals, much will depend on how reinsurers decide to respond, he added.

Grains trades at risk from US-Iran conflict

GRAINS trades may be at risk from escalating tensions between the US and Iran following the US killing of Iran’s top military official in a drone strike late last week.

At least 20m tonnes of annual grain imports into Iran, Iraq, Kuwait and the United Arab Emirates are “at risk of further uncertainty and trade flow disruptions” from the action by the US, according to Danish consultancy Bull Positions.

“Based on the origins of Persian Gulf grain imports East Coast South American and Black Sea exporters are likely to feel most of the potential pain related to any rippling effect from the US drone strike,” the consultancy’s managing director Jesper Buhl said, adding that 75% of the monthly average arrives from Brazil, Argentina, Russia, and the Ukraine.

However, the 16m tonnes of wheat, barley, and corn imported into Saudi Arabia every year are less at risk from the tensions as volumes are mainly shipped to ports along the Red Sea, he added.

“Geopolitics is one of the factors to watch out for this year,” said BIMCO’s chief shipping analyst Peter Sand.

“Naturally, this is an escalation [of tensions], which is bad for shipping, and puts volumes at risk,” he said, adding that panamax vessels would largely be affected, but also supramaxes and ultramaxers active in the trades.

Shipowners heading to the region are on maximum alert, he said.

The dry bulk market has started the year on a weak note, with rates tumbling across all segments.

All types of dry bulk vessels are loss-making at the moment, Mr Sand noted.

“We see this as not only seasonal — the weakness is also due to high fleet growth,” said Mr Sand, adding that the falling rates should continue until after Chinese New Year, which takes place from January 25.

Dry bulk owners will face a “challenging” first half of the year, according to Cleaves Securities, which downgraded six of nine dry bulk stocks.

Head of research Joakim Hannisdahl said in a report that he expects a further slide in dry bulk rates, with capesizes expected to slump to \$7,000 per day and the Baltic Dry Index to slip to 750 points ahead of the Chinese New Year.

The average weighted capesize time charter on the Baltic Exchange dropped to \$9,783 per day at the close on Monday, a 32% drop since December 24.

The BDI was at 907 points as of Friday.

IN OTHER NEWS

ARA bunker may hold unstable components, FOBAS warns

TESTS run on several compliant fuel oil blends supplied out of the Antwerp-Rotterdam-Amsterdam region have found compounds associated with Estonian shale oil, heightening risks of ship engine failures arising from burning these fuel blends. In a statement issued over the

weekend, the bunkering advisory unit of Lloyd’s Register, FOBAS, also noted feedback of one ship encountering “severe sludging at purifiers” after attempting to use one such VLSFO blend that has been stored for more than one month.

FOBAS stated that tests on these VLSFO blends reflected “very high

concentrations... of resorcinols, phenols and other oxygenated compounds” ranging up to 3% m/m (mass by mass).

Japanese lines eye sustainability and innovation

THE senior managers of the three main Japanese lines released their traditional new year’s messages with a theme squarely

centred on sustainability and business innovation.

NYK Line president Hitoshi Nagasawa specifically mentioned ESG – environmental, social and governance factors – as one of the two key issues that the company needed to deal with in 2020.

“The speed at which ESG has become established within society has been blindingly fast,” he said. Noting that while NYK operates under the basic philosophy of “Bringing value to life” and has dubbed its medium-term management plan “Staying ahead 2022 with digitalisation and green”, Mr Nagasawa still questioned whether this was enough for the future.

Korea-flagged bulker found burning non-compliant fuel in China

A SOUTH Korea-flagged large dry bulker has been found by the Chinese authorities to have been burning non-compliant fuel after the 2020 sulphur cap formally took effect on January 1.

The Qingdao Maritime Safety Administration examined the vessel as part of port state inspection activities on Friday. A test of a fuel sample detected 0.68% sulphur content, which exceeds the stipulated ceiling by 30%, local media reported.

It was the first violation case found at the Chinese port, one of the largest in the world, since the implementation of the rules by the International Maritime Organization from the beginning of this year.

MSC's ports unit president Baillie steps down

ALISTAIR Baillie, president of Terminal Investment Ltd, the global ports operator in which Mediterranean Shipping Co has a

majority shareholding, has stepped down.

MSC said group president Diego Aponte would remain chairman of TIL, while chief executive Ammar Kanaan would continue to lead the terminal business.

Mr Baillie was appointed president in 2013 when Global Infrastructure Partners acquired a 35% interest in TIL.

Suez Canal freezes rates for 2020

THE Suez Canal Authority has frozen transit tolls at 2019 prices for the 2020 calendar year for all but two classes of vessels as it faces “unfavourable conditions” in the global economy and international trade.

In a notice published by the SCA over the weekend, chairman and managing director Osama Rabie said that rates would remain at their 2019 levels for all vessel types other than LPG carriers and dry bulk vessels, which would see rates rise by 5%.

The news comes as the SCA reported an increase in transits to 18,880 in 2019, up 3.9%, while net tonnage accommodated by the canal rose 5.9% to 1.2bn tonnes.

Unipeq retains top ranking of spot charterers

CHINA's state-run Unipeq, the oil trading arm of China Petroleum & Chemical Corp, or Sinopec, once again tops the rankings of global charterers taking ships in the spot market for crude oil tankers, accounting for 17% of total dirty spot market fixtures in 2019, according to data from brokerage and consultancy Poten & Partners.

At around 1,058 spot fixtures, Poten's Erik Broekhuizen noted that Unipeq has reported more very large crude carrier fixtures than the next eight

largest VLCC charterers combined.

Shell retains its number two ranking, at 607 dirty spot fixtures, with Vitol third at 497 spot fixtures.

Norden optimises fleet with MR buys

NORDEN, a Danish owner of bulkers and tankers, continues to optimise its fleet and as such has been active in the sales and purchase market.

The company bought two medium range tankers, which were delivered at the end of December, while one handysize tanker was delivered to its new owners in November, it said in a statement.

“We are driven by the opportunities we see in the market,” chief executive Jan Rindbo said in the statement. “In order to remain an agile and trading oriented company, it is vital to continuously optimise our fleet.”

Italian bunker group in LNG foray

ITALIAN group Fratelli Cosulich is about to commit \$50m towards a liquefied natural gas bunker tanker, the most significant investment it has made towards building its bunker fleet, six generations into running a thriving family-owned business.

The group expects to award soon a shipbuilding contract for the 7,500 cu m tanker that will be the first vessel on its fleet to supply LNG as marine fuel, said Timothy Cosulich, who heads up the Singapore-based unit of the family-run bunker business.

The newbuilding tanker is intended to operate in the Mediterranean and would mark the group's first foray into the LNG bunkering business, he added in an exclusive interview with Lloyd's List.

Korean Register promotes Lee to chief executive

HYUNG-CHUL Lee has been promoted to chair and chief executive of the Korean Register, after more than 30 years on the staff of the Asian classification society.

Mr Lee joined KR in 1988 and most recently worked as executive vice-president, prior to being voted into the top job at KR's general assembly meeting on December 23.

He has also held many senior

roles, including head of statutory service and head of overseas business development team, and has also run key regional offices, including stints as head of KR's London and Seoul branch offices.

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GLOBAL TENDER

TENDER NO. H/OP/ORSE/200/001/19-20

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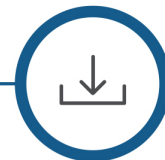
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