

LEAD STORY:

Insurers see 'no dramatic change' in risk to Gulf shipping, as US puts vessels on alert

US warns of the possibility of Iranian attacks on shipping

WHAT TO WATCH:

Maersk Tankers launches spin-off business to push data tool

ANALYSIS:

World boxship fleet update: No new orders in new year's sales

MARKETS:

Australia overtakes Qatar as top LNG exporter

Derivative volumes jump in wet and dry markets

IN OTHER NEWS:

Cosco boxship hit by blaze off India

Cyclone shuts Western Australia port

Saudi Aramco and Semptra Energy advance plans for Texas LNG facility

Seaspan's \$200m rescue deal for Swiber falls through

M/Maritime acquires second Japanese kamsarmax

Rudder failure leads to bulker drifting off Greece

Insurers see 'no dramatic change' in risk to Gulf shipping, as US puts vessels on alert



THE UNDERLYING THREAT to maritime in the Middle East has been assessed as high, with an ongoing risk of escalation, according to the Joint War Committee.

While there has been “no dramatic change” in the risk situation for shipping in the region, there “are clearly increased tensions” following the killing of an Iranian general by the US last week.

The Joint War Committee issued a statement following an emergency meeting on Tuesday as the US issued an alert to commercial vessels, warning of the possibility of Iranian retaliation in the region.

The Maritime Administration urged “caution” to all vessels in the Middle East Gulf, the Strait of Hormuz, the Gulf of Oman, the North Arabian Sea, the Gulf of Aden, and the Red Sea.

Iran has vowed to avenge the killing of General Qassem Soleimani, commander of Iran's Revolutionary Guard Corps Quds Force, in a US airstrike on January 3.

Washington has accused Iran of attacking oil tankers near the Strait of Hormuz in May and June last year and says Tehran was behind attacks on Saudi oil facilities. Tehran has denied all involvement.

The Joint War Committee brings together representatives of both Lloyd's underwriters and the International Underwriting Association

companies' market to discuss matters of concern for war risk insurers.

Quarterly meetings are normally seen as sufficient, but the situation following the assassination of Qasem Soleimani last Friday was deemed important enough to merit an additional gathering.

Its usual remit is to discuss so-called Listed Areas, which attract additional premiums for ships that sail through them.

But much of the Middle East Gulf is already designated as a Listed Area. In the event, no changes were made to this judgement.

Following the meeting, the Lloyd's Market Association, which provides secretarial services to the JWC, issued a two-paragraph statement.

"Based on current information, JWC considers that there is no dramatic change to the strategic maritime picture.

"There are clearly increased tensions in the Gulf region, with American assets now referenced, but the underlying maritime threat remains heightened, with an ongoing possibility of escalation," it said.

"The London insurance market has been operating with these strategic factors in mind since last May and underwriters will continue to ask appropriate questions of assureds in order to ascertain the risk dynamics of individual sailings seeking war-risk cover."

US warns of the possibility of Iranian attacks on shipping

THE US has issued an advisory warning of the possibility of Iranian attacks on ships in the Middle East.

In an advisory, the Maritime Administration is urging "caution" to all vessels in the Middle East Gulf, Strait of Hormuz, Gulf of Oman, North Arabian Sea, Gulf of Aden, and Red Sea.

It says the advice is being issued after the US military strike in Baghdad on January 3 in which senior Iranian commander Qasem Soleimani was killed, "fuelling tensions in the region and heightening concerns about disruption to oil supplies".

In the war risk market itself, the first signs are emerging of a hardening of rates, which have so far remained steady in the days since the death of General Soleimani.

War risk premiums are levied on the basis of fractions of a percentage point on hull value. Last year, they spiked at 0.7% or 0.8% after the tit-for-tat *Grace 1* and *Stena Impero* seizures, before dropping back to the more normal 0.25% benchmark by the end of last year.

One broker told Lloyd's List that he was aware of one shipowner who has seen a 10% rate hike, although the low base effect makes the increase less severe than the headline figure makes that sound, amounting to a few hundredths of a percentage point of hull value.

"In short, there is no consistent line in terms of people's opinion of risk, but sentiment is for increase. But it's not a massive impact," he added.

A war risk underwriter echoed that opinion, arguing: "One would anticipate there will be a small reaction, because tensions have gone up.

"Some upwards movement, that would be reasonable. But until things clarify, it's difficult to know which way things will go."

Media reports suggest the US is reinforcing and repositioning some of its military assets in the Middle East, and is expect Iran to hit back in some fashion within the next few days.

"The Iranian response to this action, if any, is unknown, but there remains the possibility of Iranian action against US maritime interests in the region," said the department on its website.

"US commercial vessels are advised to exercise caution and co-ordinate vessel voyage planning for transits of the Persian Gulf, Strait of Hormuz, Gulf of Oman, North Arabian Sea, Gulf of Aden, and Red Sea with NCAGS (US Fifth Fleet Naval Cooperation and Guidance for Shipping) and follow NCAGS's recommendations and guidance whenever possible."

WHAT TO WATCH

Maersk Tankers launches spin-off business to push data tool

MAERSK Tankers has launched a new business to sell a software tool it says will help tramp vessel owners cut costs and boost efficiency.

Søren Meyer, the company's chief asset officer, will head the as-yet-unnamed standalone business, which will develop and sell SimBunker.

The Danish company said SimBunker would help optimise factors such as a vessel speed, bunker purchase and route to cut costs and lower CO2 emissions.

Maersk Tankers' digital team will develop and sell the product alongside new hires, the company said.

Mr Meyer will report to Christian Ingerslev, chief executive of Maersk Tankers.

"We will be working with players across the industry to optimise pool partners' bunker spend, using large data sets and analytics," said Mr Meyer, adding that the new business would help quicken the shipping industry's "enormous potential for digitisation".

"We are confident that such collaboration and digital measures are instrumental in putting the industry on a path to greener growth," he said.

Maersk Tankers said it would retain an in-house digital team led by Peter Schroder, its chief digital officer, who would also report directly to Mr Ingerslev.

A 2017 equity deal with Boston tech start-up CargoMetrics Technologies gave Maersk Tankers access to its analytical models and algorithms. Maersk Tankers used this to develop a separate product called SimTanker, which simulates a fleet's positioning based on historical voyage data.

"The priority will be given to products that lower CO2 emissions, increase earnings for partners and make it easier for them to do business with us, as well as to products that increase our ability to meet customer demand by having vessels in the right position at the right time," Mr Schroder said.

Maersk Tankers said Claus Gronborg, its chief commercial officer, would take on the role of chief investment officer.

ANALYSIS

World boxship fleet update: No new orders in new year's sales

THE world containership fleet now stands at a record 5,254 ships comprising 22.5m teu.

The fleet grew by an additional five vessels in December, adding another 55,861 teu of capacity, at a time when further capacity is the one thing container lines don't particularly need.

Figures from Lloyd's List Intelligence show that the recent growth spurt was largely driven by the delivery of two ultra-large containerships for Mediterranean Shipping Co, the 22,000 teu *MSC Febe* and *MSC Sixin*.

There are still another 404 ships on order, which when completed will add another 2.5m teu, and represent 11.5% of the existing fleet.

While that number is historically low, it comes at a time when questions are being asked about the demand growth in international trade. Last year's increase of just 1.1% was not healthy for container lines, which already have a raft of other issues to manage.

But despite the increase in the fleet size, the picture may not be as gloomy as it looks superficially.

A recent report by Clarksons noted that while the headline figure of 2.6% forecast demand growth and 3.4% supply growth didn't indicate a rebalancing, the outlook over the longer term was "cautiously positive", with IMO 2020-related factors set to continue affecting the sector through 2020.

“Vessel time out of service for scrubber retrofit is projected to have absorbed 1.5% of boxship fleet capacity across full year 2019 and 2.1% across 2020,” Clarksons said. “Furthermore, operating speeds could decrease further as part of operators’ efforts to limit increases to fuel costs.”

Containerised trade is expected to remain subdued by the ongoing trade war between the US and China and wider weak global economic indicators.

“Global container trade growth in teu-miles is projected to pick up slightly to 2.6% in 2020,” Clarksons said. “However, most of the risks to the forecast are on the downside with a significantly uncertain world economy.”

On the supply side, however, the boom days of boxship orders are now far in the past. Lloyd’s List Intelligence recorded no new orders signed in December, although Cosco was forced to deny rumours that it was in discussions with yards for a series of 15,000 teu and 23,000 teu containerships.

“Boxship fleet expansion is expected to remain manageable in the short to medium-term, with capacity growth of 3.2% currently projected in 2020,

and 2.8% initially estimated for 2021,” Clarksons said.

“So, boxship ordering has now remained relatively subdued for four straight years, with a range of factors at play. While this has clearly created challenges for containership builders, it does at least appear encouraging for the containership sector that supply-side growth looks set to be moderate and likely to remain under control over the next few years.”

Analysts at Maritime Strategies International also see a “broad continuity” in supply-side trends, with a closer balance between deliveries and demolitions.

“In the three months to February, MSI expects 199,000 teu of deliveries, against 62,000 teu of scrapping,” MSI said. “In the three months to May, the equivalent figures will be 220,000 teu and 80,000 teu.”

Lloyd’s List Intelligence put the December figure of tonnage sent to scrap at 9,000 teu, so the pace of recycling still needs to pick up. Higher rates for charter tonnage have to date held back any uptick in demolition, MSI said.

MARKETS

Australia overtakes Qatar as top LNG exporter

AUSTRALIA has edged out Qatar to claim the crown as the world’s largest exporter of liquefied natural gas on an annualised basis last year, data from one energy research firm showed.

Adelaide-based EnergyQuest estimated that Australia exported over 77.5m tonnes of LNG last year, a new record for the resource-rich country.

While Qatar’s final production figures last year have yet to be released, the Middle Eastern country is expected to have pumped out 75m tonnes of LNG, data from the Australian Government Resources and Energy Quarterly showed.

This would mark the first time Australia has overtaken Qatar in annual LNG exports.

Australia’s operational capacity of 88m tonnes has also topped Qatar’s 77m tonnes, the research firm noted.

The Woodside Energy-operated North West Shelf project in Western Australia and Chevron’s two projects, Gorgon and Wheatstone also in the same state, were the largest contributors to Australia’s LNG exports last year.

But the Inpex-operated Ichthys project in the Northern Territory was the primary driver for incremental growth in the country’s LNG output.

Ichthys output exceeded 7.5m tonnes last year, 10 times higher than levels seen during the commissioning of the project in 2018.

EnergyQuest estimated that Australia’s total LNG export revenue last year reached A\$49bn (\$34bn), up from A\$43.3bn in 2018.

LNG shipments from the country in 2019 jumped 11.9% over 2018 levels.

Derivative volumes jump in wet and dry markets

FREIGHT derivative volumes jumped on increased volatility in the oil and dry bulk markets in 2019.

Tanker forward freight agreement volumes surged 38%, reaching 471,113 lots.

Dry FFA volumes exceeded 1.63m lots, up 11% from 2018, Baltic Exchange data showed.

One lot is defined as a day's hire of a vessel or 1,000 tonnes of ocean transportation of cargo.

Baltic Exchange chief executive Mark Jackson noted that both the dry bulk and tanker markets "experienced big swings last year, with issues ranging from the Vale iron ore disaster, attacks on tankers in the Middle East and the IMO 2020 impacting sentiment".

The Brumadinho dam disaster, which claimed 300 lives, had forced Brazilian iron ore miner, Vale to curtail output, hitting exports from the resource-rich country and clipping bulker rates from the start of last year.

Rates jumped in July on hopes of Vale ramping up output but these soon dissipated after the iron ore producer moved to suspend operations at some sites on safety concerns.

Tanker rates on the other hand, were seen soaring as tensions in the Middle East ramped up on seizures of ships in the region that the US has blamed on Iran.

Tanker supply tightening, following the US sanctions on certain Cosco shipping units that were still trading with Iran, pushed rates to record highs.

Also not helping to ease market sentiment is the uncertainty surrounding the low sulphur transition imposed upon international shipping.

Charterers and tonnage suppliers alike, have turned to the derivatives markets to hedge against the expected disruption linked to the implementation of the International Maritime Organization's 0.5% limit on sulphur in marine fuel.

IN OTHER NEWS

Cosco boxship hit by blaze off India

A COSCO Shipping containership has caught fire on its way from Malaysia to India and this is expected to lead to a delay of schedule.

While the cause of the incident is still being investigated, the carrier has cited the misdeclaration of dangerous goods as the main suspect.

The fire broke out in the number seven cargo hold late last week when the 2008-built, 10,020 teu *Cosco Pacific* was heading to Nhava Sheva from Port Klang, according to a customer notice leaked online.

Cyclone shuts Western Australia port

A TROPICAL low tracking towards the coast of Western Australia at Kimberley has prompted evacuations at Port Broome.

Tropical cyclone Blake, after developing in the waters off Australia's northwestern shores, made landfall outside Broome on Monday as a category 1 cyclone, bringing winds of more than 50 knots and 146 mm of rain overnight.

According to the GAC shipping agency, Port Broome will remain closed until further notice because of deteriorating conditions at the port due to the development and approach of the cyclone.

Saudi Aramco and Sempra Energy advance plans for Texas LNG facility

SAUDI ARAMCO and Sempra Energy have tentatively advanced their plans to jointly develop the Port Arthur LNG export project in Jefferson County, Texas, this week signing an interim project participation agreement.

Jeffrey Martin, chairman and chief executive of Sempra Energy, said the announcement is a reflection of the "growing alignment" between the two companies' interest in the "overall success" of the Port Arthur LNG project.

In May, Saudi Aramco signed a 20-year agreement to buy 5m tonnes per annum of liquefied natural gas from Sempra's Port Arthur terminal, and also agreed to purchase a 25% equity stake in the first phase of the multibillion-dollar project.

Seaspan's \$200m rescue deal for Swiber falls through

SEASPAN'S \$200m equity deal to take a majority stake in troubled Singapore offshore and marine group Swiber Holdings has fallen through after key pre-conditions

were not met by the December 31, 2019 deadline.

"The company wishes to announce that certain conditions precedent for the completion of the initial investment, including those relating to (i) the transfer of certain transfer assets, (ii) the debt restructuring and (iii) the project, were not fulfilled nor waived by the long-stop date," Swiber said in a stock market announcement.

A key element of the deal was a \$1bn liquefied natural gas-to-power project that Swiber was pursuing in Vietnam. The so-called "Gen Blue" floating LNG power plant integrating LNG storage tanks, regasification,

and gas-fired power plants onto a single vessel was a concept Seaspan has seen as attractive as it sought to diversify out of its containership leasing business.

M/Maritime acquires second Japanese kamsarmax

THE Greece-based dry bulk operator M/Maritime has added a second kamsarmax to its fleet.

The *Centaurus Ocean*, built in 2014 at Japan Marine United's Tsu Shipyard, was delivered to the buyer last month and has been renamed *Nefeli.GR*.

The vessel was acquired from the trading house Mitsubishi Corp, as was the case with M/

Maritime's first kamsarmax acquisition earlier last year, *Puppis Ocean*.

Rudder failure leads to bulker drifting off Greece

A HANDYSIZE bulker has been reported adrift in waters off Greece following rudder failure, with 22 crew on board.

The 2001-built vessel *Aeolos*, owned by Alexandria Shipping, was carrying iron ore from Turkey to Malta when it reported a breakdown in bad weather conditions in the Myrtoan Sea on Monday morning, according to Lloyd's List Intelligence.

A tug was sent from Piraeus port to assist.

Classified notices follow



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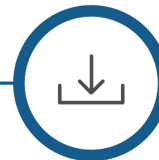
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