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Greek owners take top S&P spot in 2019



GREEK SHIPOWNERS ENDED 2019 as the largest spenders in the vessel sale and purchase market, according to data compiled by Allied Shipbroking.

Based on 1,392 secondhand ship sales completed by December 20, Greek buyers outspent their rivals in all three mainstream market sectors, splashing a total of \$3.2bn on 234 units.

This was ahead of 212 ships bought in the course of the year by Chinese owners and 52 picked up by Norwegian companies.

The same three nationalities, in the same order, dominated the market in terms of financial investment.

Greeks pipped their Chinese counterparts in investment in dry bulk carriers and containerships, however, only by the most slender of margins.

Together Greek and Chinese owners were responsible for a full half of the year's 539 bulker acquisitions, Allied's figures showed.

Greek companies acquired 116 bulkers for an aggregate cost of \$1.44bn, compared with 155 purchased by Chinese buyers at a cost of \$1.43bn.

In the container sector, Greece-based owners bought 26 vessels for \$301m, while Chinese owners paid an aggregate \$282m for only seven boxships.

But Greeks were the clear leaders in secondhand tanker investments last year, buying 73 tankers for more than \$1.3bn.

Behind them, Norwegians invested nearly \$1.1bn in 33 tankers, while Chinese buyers were pushed into third place with about \$570m worth of tanker acquisitions.

The Chinese-owned fleet was the biggest source of tanker sales during the year, with only 38 tanker sales raising close to \$1.6bn. This boosted the Chinese to the rank of the biggest overall sellers of 2019 by value, with more than \$2.2bn in proceeds generated by selling 83 vessels.

Greeks were the biggest sellers by number of ships with 168 vessels disposed of for almost \$1.8bn.

Japanese companies were also among the leading sellers of tonnage, with 156 sales that generated close to \$2bn.

Despite a reasonably healthy number of deals, Allied's statistics showed total spending to be below the five-year average, exceeding only the \$14.8m invested in 2016.

Although they retained the number one spot in secondhand purchases, it was still a slower year for Greek owners who invested considerably more in the S&P market in each of the three years prior to 2019.

WHAT TO WATCH

Star Bulk set to benefit from scrubber advantage

STAR Bulk will benefit strongly from investment in scrubbers, despite the short-term financial pain it suffered when rolling out its extensive retrofit programme last year, according to Deutsche Bank.

What is more, the same will apply to all owners using scrubbers for voyage charters rather than time charters, the investment bank says.

Deutsche's argument is that in voyage chartering, the charterer pays the vessel owner on a per tonne or lump-sum basis, while the owner pays the port, fuel and crew costs. This differs from time charters, where charterers foot the fuel bill.

"The implication is that shipowners with scrubbers should be able to charge a freight rate reflective of the broader fleet that is burning more expensive ultra-low sulphur fuel oil (because of a lack of widespread scrubber adoption), but have significantly lower costs, given [their] ability to continue burning less-expensive high-sulphur fuel via scrubber technology," a new research note argues.

Petros Pappas-led Star Bulk is in any case seen as on track for strong cash generation in coming years, thanks to recent acquisitions and improving dry bulk fundamentals.

But the company's scrubber investment could double or even triple current cashflow projections, depending on the spread between high and low-sulphur fuel.

Deutsche Bank estimates that Star Bulk's 2020 cashflow of nearly \$400m, a 30% yield on current market capitalisation. But its scrubber program could cause this to nearly double to \$750m (58% yield) under a base-case scenario, and triple to \$1.2bn (94% yield) under a bull-case scenario.

There remains uncertainty concerning the spread of high-sulphur fuel oil and low-sulphur fuel oil prices in the year ahead, and to a lesser extent over the extent of Star Bulk's scrubber programme. It has some 22 scrubbers on order, but could extend the rollout to take in its entire 108 vessel fleet.

Deutsche's base case is that the company will install scrubbers on its 80 largest vessels, and that the spread between HSFO and LSFO will come in at \$350 per tonne.

The bull-case scenario is that Star Bulk outfits the entire fleet and the spread widens to \$650 per tonne.

In addition, current 2020 day rate forecasts are low, with capesizes on just \$22,000 per day, and there is potential upside if operators look to combat the rising fuel prices with widespread slow steaming, which would mean a 10% reduction in global carrying capacity.

Conversely, HSFO/LSFO spread could narrow in the years following 2020 as refiners ramp up mid-distillate production at the expense of residual fuel. But even that would not invalidate investments in scrubbers, thanks to a quick payback period.

Despite substantial potential returns, Deutsche Bank expects scrubber adoption to be minimal across the global fleet, given that most players are small, and have limited access to capital. Uptake on newbuildings is so far limited to very large crude carriers and 20,000 teu boxships.

Furthermore, global scrubber production capacity is limited to around 1,250 per year, which will again limit uptake, given the size of the world fleet.

ANALYSIS

Qatar and Kuwait agree new contract to supply the AlZour LNG project

QATAR PETROLEUM has entered into a long-term sale and purchase agreement to supply up to 3m tonnes a year of liquefied natural gas to the Kuwait Petroleum Corp, nearly six times more than the current contract between the two companies.

The 15-year agreement was signed by Khaled Al-Fadhel, Kuwaiti minister of oil and chairman of KPC, and Saad Sherida al-Kaabi, Qatari minister of state for energy affairs and president of QP.

Under the new agreement deliveries of LNG will begin in 2022. This is the date when operations are expected to start at the Al-Zour LNG Import Project that will supply natural gas to Kuwait's national gas grid.

The Al-Zour LNG project comprises construction of a regasification facility, eight 225,000 cu m LNG storage tanks, and marine facilities to include two jetties and berthing facilities for loading.

When fully operational, Al-Zour is expected to produce 22m tonnes of natural gas a year and will have a storage capacity of 1.8m cu m of LNG. The liquefaction capacity of the terminal will be 30bn cu m per day.

Dr Al-Fadhel said Kuwait is embarking on an "ambitious path" of economic growth and that, while KPC is working towards increasing local natural gas

production, "there remains a pressing need to secure imports of natural gas supplies".

That accords with the assessment by consultant Fitch Solutions which claimed in a recent report that "Kuwait's gas sector remains underdeveloped, and the country has pursued LNG imports above a substantial buildout of gas production capacity".

Kuwait produces some 2.7m barrels per day of crude oil, but currently imports 2.5m tonnes a year of LNG, including 500,000 tonnes a year from QP under an existing four-year contract, which extends from 2016 to 2020.

Kuwait's official media reported that Kuwait began importing LNG in 2009 but remains in "dire need" of natural gas for power generation and is seeking to "lower reliance on crude to produce electricity and water".

As natural gas is cheaper than oil, it makes sense for Kuwait to import gas to offset its use of oil for power generation and desalination projects. Oil can then be freed to earn export revenues.

Meanwhile, QP is moving forward with plans to increase its production of LNG by more than 60% over the next seven years, rising to 126m tonnes a year by 2027 from the current 77m tonnes a year.

MARKETS

Asia to Indian subcontinent box trade set for recovery

TRADE volume between the world's fastest-growing regions, Asia and the Indian subcontinent fell last year though a recovery is in sight with the two

dominant economies, China and India seeking to strengthen trade ties.

Citing data from China's General Administration of Customs, Jacksonville-based BlueWater Reporting said that China's merchandise exports to the subcontinent countries have climbed even though overall volume of goods traded between the two traders over the first 11 months of last year declined.

China imported \$19.3bn of goods from the countries in the Indian subcontinent during the first 11 months of 2019, down 5.3% from the same period in 2018, China customs data showed.

Its merchandise imports from the region were likewise 5.3% lower year on year in November, but its exports to the region rose by 0.3%.

BlueWater Reporting defines the Indian subcontinent as the region comprising seven countries — Bangladesh, India, the Maldives, Pakistan, Sri Lanka, plus landlocked Bhutan and Nepal.

The research firm flagged high-level political dialogues between China and India pledging collaboration on manufacturing and developing China's information technology and pharmaceutical sectors as an upside for Asia-Indian subcontinent trade.

India has notably increased shipments of seafood and other refrigerated products to China recently, Bluewater noted, drawing from Maersk's India Trade Report for the third quarter of 2019.

Yang Ming enhances Taiwan to Japan network

YANG Ming Marine Transport is to launch a new route that connects Taiwan and Japan as part of its efforts in enhancing its intra-Asia presence.

The JCH weekly service will begin on January 26. Port rotation is Kaohsiung – Osaka – Kobe – Hakata.

Yang Ming said the new service would not only expand its existing networks in the area, but also shorten the transit time between Taiwan and Japan's Kansai region by one or two days.

China's announced duty reduction on seafood has also bolstered bilateral trade in this area, Maersk said.

China and India have separately sought to boost trade with other neighbouring countries within the larger Asia and subcontinent regions.

A revised trade agreement between China and Pakistan concluded in April called for a gradual increase in zero-tariff products traded between the two countries.

Both parties will implement a 20% reduction in taxes on other products that account for 5% of their respective tax lines, China's Ministry of Commerce said in a December statement.

India has also secured assurance from Indonesia to slash tariffs on certain reefer and agriculture products, Maersk said in its quarterly India Trade Report.

Maersk is one of five carriers to have deployed the most capacity on the Asia-Indian subcontinent trade.

The four others are MSC, ONE, Evergreen and Cosco, BlueWater Reporting said.

Twenty-five carriers active on this trade offered 56 services sailing from Asia to the subcontinent and 55 services sailing in the other direction, data from the research firm showed.

The move comes after the Taiwanese carrier kicked off another two intra-Asia services, the Singapore-Philippines Express and Malaysia-Yangon Express, last month.

The company, which is 47%-owned by the government, remained in the red for the first three quarters of 2019 although it managed to narrow the losses from the same period a year ago.

Liftings increased by 3.8% year on year in the nine months to nearly 4.1m teu.

IN OTHER NEWS

Empire gains 'soft' Norwegian listing for product tanker outfit

EMPIRE Product Tankers, an

affiliate of Stamatis Molaris-led Empire Navigation, has been listed on the new 'Family & Friends'

platform in Norway in what may be a precursor to an initial fundraiser in the Norwegian market.

The Family & Friends list was launched in September 2018 and currently has four companies listed, the latest being EPT.

It is described as "the first step towards the marketplaces operated by Oslo Børs and is the step before the NOTC [Norwegian over-the-counter] list."

Enterprise dispatches first ethylene cargo from its new export terminal

ENTERPRISE Products Partners has shipped its first ethylene cargo from its new US export terminal along the Houston Ship Channel last week.

The 17,005 dwt *Navigator Europa*, a liquefied petroleum gas carrier owned by Navigator Gas, Enterprise's joint-venture partner in the new terminal, loaded cargo from Enterprise's Morgan's Point export terminal and has reached the Panama Canal, according to satellite vessel tracking data from Lloyd's List Intelligence.

The shipment, which is destined for Asia, is believed to be chartered by Marubeni.

Finnlines orders new ro-pax vessels

FINNLINES has signed orders for a further two ro-pax vessels from China Merchants Jingling Shipyard (Weihai).

The 5,100 lane metre "Superstar" vessels are due for delivery in 2023 and follow on from a previous order for three con-ro vessels ordered in 2018.

The new vessels will be larger than the operator's Star-class vessels at around 230 m loa, and will carry 1,100 passengers as well as rolling freight.

Hiscox adopts Concirrus marine hull analytics platform

LLOYD'S syndicate Hiscox London Market has adopted the Quest Marine Hull behaviour-based data analytics package developed by insurtech provider Concirrus, already in use at several leading marine insurers, for an unspecified multi-year period.

The platform will include a new predictive pricing module, which Concirrus says will enable Hiscox to analyse existing portfolios in greater detail, as well as assess vessels within a prospective account and calculate expected loss, based on behavioural factors such as time at sea and port risk.

Vicky Hayward, hull and war underwriter at Hiscox, commented: "Digitalisation is the future and if we want to stay at the forefront of our industry, we must continue to evolve and harness new technologies and data sources.

Tasik Subsea wins award in legal tussle with Fugro

AN arbitration tribunal has ruled against Dutch oilfield services giant Fugro and awarded Singapore-based Tasik Subsea \$26.8m in the ongoing legal tussle concerning the termination of a charterparty on the diving support vessel, *Southern Star*.

Fugro had unilaterally terminated the charterparty in March 2019, just 22 months into a six-year charter previously fixed with Tasik Subsea for its sole DSV, *Southern Star*.

The charterparty, which started almost immediately after the DSV

was delivered from China's Fujian Mawei Shipyard, overlapped with a protracted downturn in the offshore sector.

Nordic American sees 'bonanza' in tankers market

NORDIC American Tankers, a US-listed owner of suezmax tankers, is bullish on the outlook for 2020, saying it expects the "bonanza" in the tanker market to continue.

Chief executive Herbjorn Hansson on Wednesday told shareholders his company had booked one of its 23 suezmax tankers for a time charter equivalent of more than \$100,000 per day.

Mr Hansson said this type of rate could not be expected for all its vessels in all areas, but it was "another confirmation of the strength of the market". Operating costs were \$8,000 per day for each vessel, he added.

Dunkirk switches on cold ironing

CMA CGM has become the first container carrier to utilise cold ironing at Dunkirk's Terminal de Flandres as the northern French port seeks to reduce emissions from vessels alongside.

The line's 13,892 teu APL *Singapura* inaugurated the shore supply system yesterday at a ceremony at the port attended by port and carrier representatives.

Cold ironing, whereby ships plug in to shore-based electrical supplies, allows vessels to shut down their auxiliary engines while in port, but still maintain electrical systems to power the ships machinery and reefer plugs.

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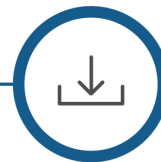
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