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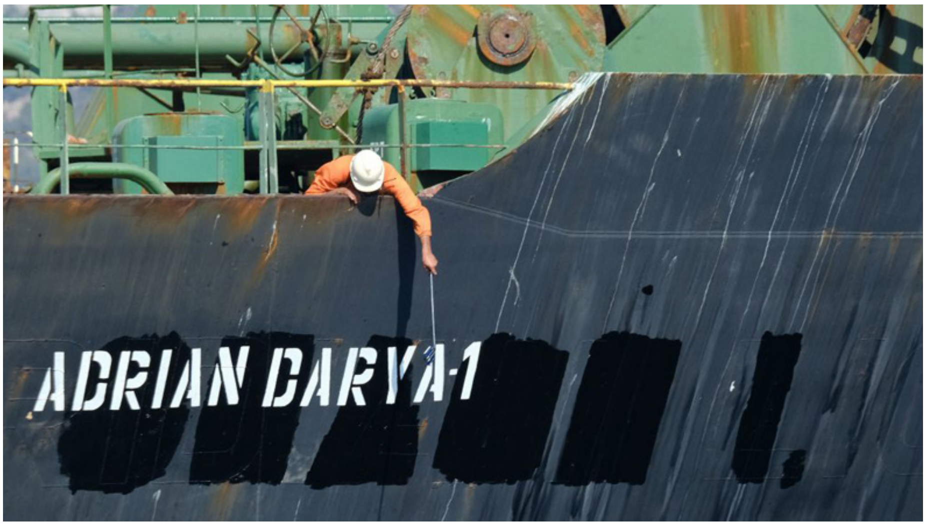
Flag registries drop Iran-linked ships amid sanctions scrutiny



PANAMA'S FLAG REGISTRY has moved to deflag seven tankers linked to a subterfuge fleet of Iranian-owned or controlled vessels engaged in shipping crude, fuel oil, gas and other products to circumvent unilateral US sanctions.

The world's biggest registry is also investigating a further two liquefied petroleum gas carriers it flags that are linked to China's Kunlun Shipping or a subsidiary of a state-owned Cosco tanker company.

Both entities were blacklisted by the US Treasury department in September. One of the LPG carriers, *Sapphire I*, "will probably be deflagged soon" the registry's director-general of merchant marine, Rafael Cigarruista told Lloyd's List.

Panama has already removed many more vessels from the flag over 2019 — including four sanctioned Cosco and Kunlun vessels identified in the subterfuge fleet — as it steps up monitoring and compliance.

Flag-shopping is one strategy to evade scrutiny that is used by a network of some 40 tankers and gas carriers at the centre of an international logistics chain shuttling crude, fuel oil and LPG to China and Syria via ship-to-ship transfers and off-the-radar shipments.

The vessels work in conjunction with tankers owned by the National Iranian Tanker Co to use deceptive shipping practices such as switching off Automatic Identification System transponders that mask loadings and the origin and destination of cargoes.

The very large crude carrier *Grace 1*, now *Adrian Darya 1*, is the highest-profile member of the subterfuge fleet. Until its seizure in Gibraltar last summer movements and voyages incorporating shipping of Iranian crude went unnoticed.

Some of the vessels in the fleet, identified via vessel-tracking data and STS shipments using Lloyd's List Intelligence data, have reflagged to other smaller registries, including Gabon, Panama, Belize and Honduras.

Four product tankers recently flagged to the newly formed, UAE-based registry, managed by Intershipping Services, were investigated this week for any links to sanctioned entities.

Owners of the Gabon-flagged product tanker Nawras told the Gabon registry an AIS glitch obscured a Strait of Hormuz transit in January.

An earlier AIS gap near Iranian owners in November was experienced with prior owners. Another recently purchased and Gabon-flagged tanker *Mirage* had remained in drydock since a December sale. Owners of other tankers, including *Nazdezhda* which has not signalled since January 8, are being followed up.

"The Maritime Administration of Gabon is a responsible flag and we abide by all international regulations and requirements," said technical manager Capt Karan Kapoor in an emailed response to Lloyd's List.

"Apart from seeking reply from vessels' owners on email we have had a meeting with them to expedite clarification we needed, and further investigation is ongoing. We met Nawras' and *Mirage* owners who have claimed their vessels have not been in any contravention of existing sanctions or advisories on Iran.

'We are following up with remaining vessel owners and seeking their comments." Any vessels contravening sanctions would be delisted, he added.

The Liberian registry has also deflagged a 2014-built, 34, 223 dwt handymax bulk carrier *Hong Xun*, sanctioned on January 10 for shipping "tens of thousands of tonnes" of steel slabs to China from Iran since August 2019.

US Treasury secretary Steven Mnuchin extended punitive sanctions on Iran's shipping, oil and petrochemical sectors to manufacturing, mining and textiles industries on January 10, blacklisting some 20 companies involved in these industries, registered in Iran and China.

Hong Xun is owned by China's Hongyuan Marine, which was also sanctioned. Vessel-tracking data shows that the bulk carrier did not call at Bandar Abbas to load the steel slabs during the alleged period — but did not have its AIS on at all times when in the Middle East Gulf.

The US Office of Foreign Assets and Control sanctions designations probably cover carriage of cement clinkers in addition to other bulk carrier shipments, according to a legal opinion published by West P&I on Monday.

The new regulations prohibit any person, including non-US persons from engaging in any "significant transaction" for the "sale, supply, or transfer to or from Iran of significant goods or services", the club newsletter said. Ofac's lack of clear guidance on what constituted "significant" meant members were "strongly" suggested to avoid these trades.

WHAT TO WATCH

IMO facing call to adopt HFO ban in Arctic

PROPOSALS seen by Lloyd's List to the International Maritime Organization's sub-committee on pollution suggests a ban on the use and carriage of heavy fuel oil in the Arctic Sea is edging closer.

Denmark, Finland, Norway and the US are among a group of countries will propose a ban on at the committee's meeting next month, but their call for a five-year delay for some ships may complicate international negotiations.

The sub-committee is a technical body where much of the legwork for the development of rules and regulations happens. But its decisions are not irreversible and the IMO's supreme environmental authority, the Marine Environment Protection Committee, is the group that has the final say.

Eleven countries are proposing an HFO ban on all shipping in Arctic waters, though vessels involved in search rescue operations would be exempt.

A group of non-governmental organisations, including the Clean Shipping Coalition and the WWF, have come out in support of this multinational push for a ban, though their own document. The ban on the HFO is also endorsed by Arctic indigenous communities, leaders of whom have taken to the IMO during the past few years to voice their support.

However, these governments and NGOs disagree on a major asking point: the 11 countries want a five-year delay in the implementation of the ban for vessels that adhere to specific rules around fuel tank protections.

One exemption would apply to ships delivered after August 2010, that are meant to have fuel tanks inside double hulls to prevent oil spills. The second exemption applies for the smaller vessels operating under the Polar Code, which lays out the rules for vessels travelling in polar waters.

The NGOs argued that delays and exemptions would "only prolong the threat of an HFO spill in the Arctic".

Data from the International Council on Clean Transportation, a US-based NGO, suggests that around a quarter of the 889 HFO-fuelled vessels that operated in Polar Code regions in 2015 would be eligible for that delay.

Those vessels were responsible for 32% of the HFO used and 40% of the HFO carried as fuel in Arctic waters in 2015, according to the ICCT.

"Ships qualifying for the five-year exemption could continue using HFO and carrying HFO for use until 2027, at a minimum. In the meantime, the volume of shipping traffic in the Arctic is increasing and between 2015 and 2017 there was a 57% increase in the volume of HFO use by ships in the Arctic," the NGOs said in their proposal.

Years of pressure spearheaded by NGOs at the IMO are bringing the ban on the use and carriage for use of HFO in the Arctic Sea closer. The prohibition already exists in the Antarctic Sea.

While the ban has significant political backing, its exact application and the potential exemptions will likely attract much attention during the next couple of years.

Russia, one of the most important Arctic shipping nations with an intense focus on the development of liquefied natural gas exports from the region, argued in its own proposal that based on the impact assessment it conducted. developing an HFO ban in the Arctic would be "impractical".

"The results of the impact assessment endorsed the concerns that the ban would negatively affect the local communities and industries of the region, while the potential benefits of the ban remain unclear on account of national measures to reduce the risk of HFO spills," the country claimed in a proposal seen by Lloyd's List.

The assessment investigated the impact on the investment Russia has made to deal with potential HFO spill and on the export of mineral resources from the Russian Arctic.

Russia claimed fuels, transportation and other costs would increase by $630.2m annually, excluding initial costs for retrofitting ships and infrastructure investment losses.

Russia, however, recognised that given that the IMO has decided to work towards an HFO ban it should consider several options, such as the exclusion of search and rescue vessels the option for national administrations to decide to exclude certain vessels more than 10 years old.

While the eleven countries want a five-year delay for those vessels complying with certain regulations, Russia backs the complete exemption of those compliant vessels from the ban.

"The Russian Federation considers that the factors above would allow mitigation, to the maximum extent, the negative adverse impacts of the ban to local communities and industries of the area," it said.

ANALYSIS

Softbank deal boosts shipping technology investment

MARITIME technology start-ups received a record breaking $1.1bn in venture funding last year, but the total was heavily skewed by Softbank's $1bn investment in digital freight forwarder Flexport.

Without that deal, investment figures would have fallen by a quarter from $190m in 2018 to $144m in 2019.

According to a new report from supply chain technology consultancy Thetius, the number of investment deals completed last year was down 8% compared with 2018, however the median size of each investment rose from $2.2m to $2.7m.

"When examining application areas, Flexport once again creates a distorted market picture, accounting for 87% of the total venture funding in maritime this year," Thetius said.

"The market is beginning to mature; after years of seed and small venture rounds dominating funding activity, a few breakout stars are beginning to scale and have enough traction to warrant taking significant amounts of venture money."

Technologies supporting trade facilitation made up the lion's share of investment, followed by ship operations, ship management and port operations.

"Though trade facilitation dominates, this list demonstrates that technology that can enhance operational efficiency, whether in ports or at sea, is being taken seriously by investors," the report said.

Looking to the year ahead, the report forecasts that the main technology trend is likely to be the rise of application programming interfaces that allow two applications to communicate automatically.

"Though unlikely to completely kill off traditional data transfer methods, such as email and electronic data interchange, those operators who embrace APIs will be able to open themselves up to a dizzying array of new ways to securely integrate their systems and services with clients, suppliers and partners," the report said.

This in turn would allow the maritime sector to open itself to opportunities emerging in robotic process automation and artificial intelligence.

"While AI can help improve decision making at sea and onshore, RPA makes it possible to scale an operation without increasing the man-hours required," the report said.

"Anything from updating vessel position lists to handling insurance claims could be handled using RPA, giving humans time to focus on high-value work."

Green technology would also continue to emerge as a serious investment opportunity.

"While there is no doubt that the number of vessel and port performance optimisation start-ups will increase, we will also undoubtedly see those tackling the long-term problem of alternative fuel and propulsion methods attracting the interest of investors."

MARKETS

Singapore sees improved container traffic but bunker sales dip

SINGAPORE'S container throughput hit an all-time high in 2019 amid challenging global economic conditions, according to statistics from the Maritime and Port Authority of Singapore.

The world's second-busiest container port handled 37.2m teu in 2019, an increase of 1.6% from the 36.6m teu a year ago. The port of Singapore handled a total of 626.2m tonnes of cargo in 2019.

"While overall freight rates improved in 2019, global container throughput has generally slowed," said Singapore's senior transport minister Lam Pin Min while announcing the figures at the Singapore Maritime Foundation New Year cocktail reception on Monday.

He noted that the US-China trade war was a major source of uncertainty dragging down sentiment across markets.

Bunker sales in 2019 were down to 47.5m tonnes from 49.8m tonnes in the previous year.

The total tonnage of ships under the Singapore flag reached 97.3m tonnes, significantly up from the figure of 90.9m tonnes in 2018.

Meanwhile, Andreas Sohmen-Pao has been reappointed as chairman of the Singapore Maritime Foundation, Mr Lam said.

Mr Sohmen-Pao will chair the SMF for another two years until December 31, 2021.

For his contributions to maritime Singapore, he was awarded the Public Service Transformation Star Partner Award in 2019.

The SMF was established in 2004, with the aim of working with the public and private sectors of the maritime community in Singapore to boost the nation's position as an international maritime centre.

In 2020, SMF aims to continue working with strategic partners to strengthen Singapore's position as an maritime hub and build a sustainable manpower pipeline.

IN OTHER NEWS

Hyundai wins suezmax orders from Central Group

TWO suezmax tankers have been ordered at Hyundai Heavy Industries by Vangelis Pistiolis-led Central Group, Lloyd's List has confirmed.

The 158,000 dwt tankers are due to be delivered by the South Korean shipbuilding giant in the first quarter of 2021.

They will be installed with Tier II engines and exhaust gas cleaning systems and "a ton of other eco-features," according to one source familiar with the deal.

Oldendorff to take delivery of four new bulkers

OLDENDORFF Carriers, a German owner of dry bulk vessels, will take delivery of four newbuildings in the coming weeks.

The vessels, being built at the Oshima shipyard in Japan, will be named at a ceremony in early March and delivery will take place by mid-April, the privately owned company said in a statement.

The vessels are the 100,000 dwt *Dietrich Oldendorff*, and the 62,500 dwt ultramaxes *Beate Oldendorff*, *Benjamin Oldendorff* and *Britta Oldendorff*. A fifth vessel — the post-panamax *Diane Oldendorff* — is scheduled to leave the yard in June.

Beazley puts UK regional marine lines into run-off

BEAZLEY has confirmed plans to place several marine lines in the UK into run-off, including regional cargo, regional freight liability and regional commercial hull.

The lines collectively account for only 5% of the insurer's overall global marine book, a spokeswoman said. A limited number of redundancies are possible.

"The UK regional marine insurance market has been under pressure for some years with low margins posing a challenge for insurers, including Beazley. Following a strategic review of our UK regional marine portfolio we have taken the difficult decision to stop underwriting UK regional cargo, freight liability and commercial hull," she added.

Third Chinese port announces sulphur cap violation

THE Port of Ningbo has found yet another violation of the 2020 global sulphur cap with a Panama-flagged containership caught burning non-compliant fuels, the third such case reported in China this month.

Inspectors examined the vessel, which was said to be 144.8m long with a capacity of 9,459 gt, on January 9, according to a release by Ningbo Maritime Safety Administration.

A test of a fuel sample detected 0.546% sulphur content, above the stipulated limit of 0.5%. No further information, including the name of the ship, was disclosed.

Blast ruptures part of key Malaysian gas supply pipeline

A KEY pipeline that is believed to be supplying more than a tenth of the feed gas to Malaysia's liquefied natural gas complex in Bintulu, Sarawak, has been hit by an explosion.

Malaysia's national oil company, Petronas, confirmed that the incident took place after midnight on Sunday, adding that the section of the pipeline passing through Ulu Baram in Sarawak's Miri state has ruptured.

It the fourth such reported incident since June 2014 along the gas pipeline transporting gas from Sabah to Bintulu in northern Sarawak for liquefaction and export to overseas markets.

Eagle LNG picks Matrix to build Jacksonville LNG plant

EAGLE LNG Partners has selected Matrix Service Inc, a subsidiary of Matrix Service Company, for the engineering, procurement, fabrication and construction of a liquefied natural gas export facility, to be built in Jacksonville, Florida.

Eagle LNG's Jacksonville LNG export facility, which will require an investment of around $500m based on the final design, will also use Chart Industries' IPSMR® technology and liquefaction equipment technology.

The facility will have a production capacity of approximately 1.65m gallons per day of LNG with 12m gallons of LNG storage, plus a marine terminal and truck-loading capabilities.

Panama Canal to cut slots and impose more charges as drought hits operations

CLIMATE change is impacting operations at the Panama Canal and the key waterway is cutting daily slot reservations to 27 from 32 as well as imposing more charges because of droughts.

Reuters reported canal administrator Ricaurte Vasquez saying that from February 15, a fixed charge would be set at $10,000 for any vessel more than 125 ft long, and a variable surcharge would also be imposed based on the level of Gatun Lake at the time of transit.

"It is not an easy decision," Mr Vasquez was quoted as saying, but added that the short-term measure was needed to tackle the impact of climate change.

PSA overcomes challenges to achieve volume growth

PSA International, a ports operator, overcame tough conditions in 2019 and saw the number of containers handled at its global portfolio of ports rise 5.2% to 85.2m teu.

Reflecting broader trends, the group saw faster growth at its non-Singapore terminals, which saw volumes rising 8.1% to 48.3m teu and taking the bigger share of overall volume.

At its flagship PSA Singapore terminals, volumes rose 1.6% to 36.9m teu. This made up the lion's share of Singapore's total container throughput of 37.2m teu in 2019.

Sempra unit boosts western Mexico oil products terminal capacity

WESTERN Mexico is fast becoming a destination for refined oil products from the US, as Sempra Energy's Mexican subsidiary forges ahead with new marine terminals and contracts with major oil companies.

Sempra subsidiary Infraestructura Energética Nova this week said it will invest about 3bn pesos, or more than $150m, in the projected 1m-barrel capacity refined fuels marine terminal at the port of Topolobampo on the Sea of Cortez.

The first phase of the new liquid fuels terminal will have a storage capacity of 1m barrels of fuel, including gasoline and diesel. Operations are expected to begin by the end of 2020.

Classified notices follow

KENYA PORTS AUTHORITY

www.kpa.co.ke

TENDER NOTICE

Kenya Ports Authority invites sealed bids from bidders who are able to demonstrate technical and financial capability to supply the goods, works and services of the nature, complexity and size envisaged in the tender below:

No.	Tender No. & Description	Tender Security/ Deposit	Submission Deadline
1.	KPA/065/2019-20/TE - Supply and Commissioning of 2No. 4-Wheel Drive Terminal Tractors	Kshs. 1,500,000.00 or USD 15,000.00	1000Hours on Wednesday, 5th February 2020
2.	KPA/073/2019-20/TE - Supply, Testing and Commissioning of 12No. New Reachstackers	Kshs. 1,500,000.00 or USD 15,000.00	1400Hours on Wednesday, 5th February 2020
3.	KPA/076/2019-20/ME – Design, Construction, Installation and Commissioning of a New Composite Floating Dock	Kshs. 1,500,000.00 or USD 15,000.00	1000Hours on Thursday, 6th February 2020

The detailed tender documents can be viewed and downloaded from the KPA website www.kpa.co.ke at no fee through the following link https://www.kpa.co.ke/Procurement/Pages/Tenders.aspx and Government of Kenya tenders Portal http://www.tenders.go.ke/

Enquiries can be made via email address tenders@kpa.co.ke

Bidders are advised to regularly visit the KPA website to obtain any additional information/addendum on the tender. All addenda/additional information on the tender shall be posted on the KPA website as they become available.

Aza N. Dzengo
Ag. Head of Procurement and Supplies
For: MANAGING DIRECTOR

KEBS ISO 9001 Certified Org. No. 087