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Shipowners remain confident over PIL payments

PACIFIC INTERNATIONAL LINES continues to enjoy a good reputation in the containership charter market, with shipowners displaying full confidence in the Singapore-based carrier despite market speculation concerning bunker payments difficulties.

Brokers contacted by Lloyd's List dismissed talk of payment problems as an interim issue common to the whole shipping industry as it transitions to a new global low-sulphur fuel regime.

In a letter sent to Lloyd's List on Monday, PIL said "we are committed to paying all suppliers in a timely manner... We are confident that our vendors continue to support us".

No payments problems have been reported in the charter market where brokers have told Lloyd's List that PIL continues to settle its charter fees on time, and that tonnage providers have no concerns about entering into agreements with PIL.

"We have never had any issues with late charter hire payments from PIL," one senior broker told Lloyd's List.

It emerged last week that a number of laden PIL vessels were sitting idle at Singapore awaiting bunker supplies. Lloyd's List Intelligence's credit service reported that several bunker suppliers were reluctant to supply PIL because of delays in payment.

PIL said that supply problems had affected some of its vessels because of the IMO 2020 low-sulphur bunker fuel regulations but that most had returned to service.

But data from Lloyd's List Intelligence shows nine containerships and one general cargo ship operated by PIL anchored in Singapore, two of which have been there since December 27.

The issue has put the spotlight on PIL's financial situation, which remains cloudy, as the privately held company has not released financial results since the middle of 2018, when it reported a $141m first half of the year loss and a debt burden of $3.5bn.

Unfavourable market conditions forced Pacific International Lines to suspend a bond issue in 2018 but the Singapore carrier is confident that it is now well positioned to benefit from a market upturn.

Responding to reports that PIL was struggling to pay its bunker bills, in the letter sent to Lloyd's List on Monday executive chairman Siong Seng Teo acknowledged that the company had explored the idea of tapping the bond markets a couple of years ago, but had then "held back".

However, he noted that PIL had raised S$60m in November 2017 through a fully subscribed offering after redeeming S$300m issue a few months earlier.

Sources in China said PIL visited several Chinese financial institutions late last year to explain its financial difficulties and ask for extension of payment. One major Chinese bank is understood to have given the company a cashflow loan of less than $100m, with the first tranche granted to pay bunker suppliers and a second to pay leasing houses.

PIL pledged a 41.1% stake in its Hong Kong-listed container manufacturing unit Singamas in July 2017 as part of the collateral for borrowing from several banks to redeem the $300m bonds.

The shares were repledged in an new facility agreement signed by the carrier with certain third party lenders in January 2018 to refinance the previous bank loans.

These shares have not been released, suggesting the refinancing has not been paid back yet.

WHAT TO WATCH

Call for improved security in Singapore Strait amid spike in crime

INCIDENTS of robbery in the Singapore Strait and the waters off Malaysia rose sharply in 2019, according to a regional monitoring body.

The maritime group is calling on coastal nations around the Singapore Strait to step up surveillance and patrols of the strategic waterway.

There were 31 reported incidents last year compared with seven in 2018, of which 15 occurred in the westbound lane of the traffic separation scheme mostly from January to August and 16 in the eastbound lane of the TSS from the end of September to December.

The TSS is Singapore's traffic separation scheme for ships passing through the corridor, one of the world's major shipping lanes.

The Regional Co-operation Agreement on Combating Piracy and Armed Robbery against Ships in Asia Information Sharing Centre said that 14 of the 15 incidents occurred on barges towed by tugs. The perpetrators stole scrap metal, but no one was harmed in any of the incidents as the barges are unmanned.

In the eastbound lane incidents, which involved eight bulk carriers, five tankers including a very large crude carrier, and three barges, ReCAAP ISC reported that two crew members received minor injuries and in three cases, some crew members were tied up.

Masafumi Kuroki, executive director of the centre, urged littoral states to step up surveillance and patrol as well as enhance their co-operation.

"The shipping industry is advised to exercise utmost vigilance, adopt preventive measures and report all incidents immediately to the nearest coastal state," he said.

Meanwhile, a total of 82 incidents of piracy and armed robbery against ships in Asia were reported from January to December 2019, comprising 71 actual incidents and 11 attempted incidents.

This represents an increase of 8% in the total number of incidents and an increase of 15% in actual incidents, compared with a year ago.

"The 15% year-on-year increase in the actual number of incidents in 2019 as well as a spike of incidents in the Singapore Strait are a stark reminder that government agencies and the shipping industry should continuously uphold their respective efforts as a shared responsibility," said Mr Kuroki.

"Regional co-operation among coastal states and mutual co-operation between government agencies and the shipping industry are key to ensure the safety of seafarers and safe navigation of ships," he added.

Gulf of Guinea accounts for more than 90% of crew kidnappings

CREW kidnappings in the Gulf of Guinea grew by more than 50% last year and accounted for over 90% of global kidnappings at sea, according to a new report.

The International Maritime Bureau revealed the number of reported global piracy and armed robbery incidents dropped from 201 in 2018 to 162 in 2019.

That decline, however, comes as the threat the Gulf of Guinea presents to seafarers and voyaging vessels rose last year; a total of 121 seafarers reported kidnapped in 2019 compared with 78 in 2018.

"These latest statistics confirm the importance of increased information exchange and co-ordination between vessels, reporting and response agencies in the Gulf of Guinea region," ICC International Maritime Bureau director Michael Howlett said in a statement.

The problem was particularly amplified in the last quarter of 2019 when 64 crew members were kidnapped in six separate incidents.

Throughout last year, the region accounted for all four vessel hijackings recorded globally, and for 10 out of the 11 vessels that were fired upon.

The violence has continued into 2020 with four military personnel killed and two more injured during an attack Nigeria-flagged trailing suction hopper dredger Ambika last week.

Three crew members were kidnapped during the incident, but were later released, according to a report from Lloyd's List Intelligence.

Climate threats take top five long-term risks, says World Economic Forum

CONCERNS over the environment have taken the top five places in an annual assessment of risks likely to have a major impact over the next decade.

The World Economic Forum's Global Risks Report 2020 identifies severe threats to the climate for all the top five long-term risks in terms of likelihood and four of the top five in terms of impact. It is the first time all the top five threats have come from the same sector.

Short-term risks include economic confrontations and domestic political polarisation.

Geopolitical turbulence and the retreat from multinational co-operation "threatens everyone's ability to tackle shared, critical global risks," WEF president Borge Brende said.

"The political landscape is polarised, sea levels are rising and climate fires are burning. This is the year when world leaders must work with all sectors of society to repair and reinvigorate our systems of co-operation, not just for short-term benefit but for tackling our deep-rooted risks."

This has a direct impact on business leaders, who will be expected to respond.

"There is mounting pressure on companies from investors, regulators, customers, regulators, and employees to demonstrate their resilience to rising climate volatility," commented John Drzik, chairman of March & McLennan Insights. He said scientific advances mean that climate risks could now be modelled with greater accuracy and incorporated into risk management and business plans.

The report notes that powerful economic, demographic, and technological forces are shaping a new balance of power. “The result is an unsettled geopolitical landscape — one in which states are increasingly viewing opportunities and challenges through unilateral lenses.”

If stakeholders concentrate on immediate geostrategic advantage and fail to work on maintaining existing alliances, opportunities for action on key environmental priorities will slip away, the WEF said.

Mr Brende said political instability had slowed economic growth in 2019, with levels of debt increasing, and trade falling. “It is more difficult to get a consensus to deal with economic slowdown.”

Among other concerns raised during the briefing to launch the report was cyber security. One of the emerging risks is that the more data goes online, the more vulnerable it becomes. While digital technology is bringing tremendous economic and societal benefits to much of the global population, issues such as unequal access to the internet, the lack of a global technology governance framework and cyber insecurity all pose significant risk, according to the report.

“Geopolitical and geo-economic uncertainty — including the possibility of fragmented cyberspace — also threaten to prevent the full potential of next next-generation technologies from being realised. Information infrastructure breakdown is regarded as the sixth most impactful risk over the next decade,” the report said.

Emily Farnworth, head of climate initiatives at the World Economic Forum, said business leaders had responded to the threat to the environment from emissions in a constructive and collaborative way, however there was still much to be done. “We now need to accelerate what we know works,” she said, adding that sectors where emissions are harder to abate – such as cement, steel, chemicals, and shipping – are working to transition to carbon-neutral positions but it would take time. The key is to learn from other sectors, she said, and share what works.

The World Economic Forum annual meeting takes place in Davos, Switzerland on January 21-24.

OPINION

Shipping’s response to shared critical global risks must take the long view

RISK is a perception. One person’s risk is another’s opportunity; what you see as opportunity, I see as existential threat. So, any survey of the top 10 long-term risks for the business world should cover a range of threats, depending on age, aspiration, experience and culture, *writes Richard Clayton*.

In 2012, the World Economic Forum’s survey respondents identified income disparity and fiscal imbalances, greenhouse gas emissions, cyber-attacks and water crisis as the top five long-term risks. Two years later, income disparity had moved from an economic concern to a societal problem; unemployment was the economic anxiety, along with cyber-security, extreme weather and the failure to tackle climate change.

By 2017 and 2018, three of the top five worries were environmental, in terms of likelihood; and last year all five alarms were green: extreme weather, climate action failure, natural disasters, biodiversity loss and human-made environmental disasters. For younger respondents (born since 1980), no issue comes close.

It’s a long time since economic issues — unemployment, financial failure, energy price spikes and deglobalisation — were seen as a major fear. However, that doesn’t do justice to the underlying threats. Economic growth has been replaced by slowdown during the past five years, debt is spiralling, trade is falling. Governments are becoming more protectionist, investors are digging into companies’ sustainability records, customers have started to care about the carbon footprint of the products they buy.

Business leaders should not overlook what lies beneath or, as the WEF puts it, don’t confuse individual events with trends. Stakeholders, across the board, have been steadily increasing pressure on businesses to the point where the views of Greta Thunberg are as influential as the views of Warren Buffett.

This applies to shipping as to any industrial or transportation sector. While the general public may not understand the finer points of IMO 2020, they will soon be demanding to know how shipping is meeting its climate-change obligations. And as the influencers increasingly come from that post-1980 demographic, expect the pressure on executives to ramp up.

It is important, therefore, to balance the short-term threats such as geopolitical turmoil with long-term risk such as failure to tackle climate change. Every economy is in a different place: advanced economies can focus their attention on new innovations, while developing economies try to tackle unemployment.

The global risk picture is complicated, often perverse, rarely straightforward, always challenging.

All of which makes it hard to respond to the World Economic Forum's risk report. Perhaps the key is to understand that "the business of business isn't just business," as WEF President Børge Brende puts it, "it's also a responsibility to society."

That means taking a long-term perspective — maybe as far out as 10 years — rather than the traditional (and unsatisfactory) quarterly assessment. Sustainable companies shouldn't be interrogated every three months: short-termism is a risk in itself.

ANALYSIS

China pledges funds to help Mexico build $8bn refinery

THE Bank of China and the Industrial and Commercial Bank of China plan to invest $600m in Mexico's $8bn refinery that is under construction in the Port of Dos Bocas on the coast of the Gulf of Mexico.

China's ambassador to Mexico, Zhu Qingqiao, made the announcement about the Dos Bocas refinery project, considered by Mexico's President Andres Manuel López Obrador to be the cornerstone of his administration's energy policy, which aims at independence from the US.

The refinery is one of seven that were named two years ago under the country's National Refining Plan, which includes rehabilitation of six refineries owned by state oil company Petróleos Mexicanos as well as construction of the new facility at Dos Bocas.

At the time, Pemex said the plan will "absolutely contribute to the recovery of fuel production that is needed by the country for its development, supplying Mexicans with these resources at fairer prices and bolstering the economy in the Mexican southeast through investments".

The Mexican government is trying to implement a programme of import substitution, aiming to replace the growing amounts of petroleum products coming into the country from refineries in the US, particularly Texas, Louisiana and California.

According to a recent report by the US Energy Information Administration, Mexico's crude oil inputs to its own petroleum refineries declined for the fifth consecutive year in 2018, falling to nearly 600,000 barrels per day, a 50% drop from the levels in 2013.

"This decline in crude oil processing has coincided with a decrease in domestic production of the light crude oil that the country's refineries are better suited to process," the EIA said.

As a result, "Mexico has increasingly relied on imports of petroleum products from the US to satisfy domestic demand".

Under construction in the southern coastal state of Tabasco, the Dos Bocas refinery project is designed to process 340,000 bpd of Mexico's flagship Maya heavy crude oil into 170,000 bpd of gasoline and 120,000 bpd of diesel, as well as unspecified volumes of jet fuel and asphalt.

Pemex began construction of the Dos Bocas facility in June 2019, with the aim of supplying central Mexico and the country's Pacific coast via a new fuel pipeline — and with the express aim of energy independence.

"We do not want to be the colony of any foreign nation," the Mexican president declared in a webcast event from Dos Bocas. "This can only be achieved through self-sufficiency."

He added that developing a refinery at the port of Dos Bocas as well as rehabilitating Pemex's existing refineries will ensure that Mexico can produce all the fuel it needs.

According to Pemex, a new 35 km pipeline will connect Dos Bocas with Minatitlán and will use existing infrastructure to flow fuel to Mexico City and to the Port of Salina Cruz, which is a major marine logistics point on the Pacific coast.

From Salina Cruz, petroleum products can be shipped to other ports in western Mexico, now being served by BP, as well as Chevron and Marathon Petroleum Corp — both US firms.

Dos Bocas will be able to supply the Yucatan Peninsula with petroleum products using ocean carriers to Puerto Progreso.

At the launch, Pemex chief executive Octavio Romero Oropeza said the port of Dos Bocas is the optimal place to build a new refinery, as the area gathers and exports more than 1m bpd of crude.

He said the construction of Dos Bocas "is the beginning of the recovery of the nation's security through the exercise of our national resource sovereignty, especially oil".

Mexican Energy Secretary Rocío Nahle said Dos Bocas should take five years to pay back its construction costs based on the current profit margins of a 350,000 bpd refinery in the US.

She said the project will cost 150bn pesos or $7.6bn, with 33% of that figure already allocated under Pemex's 2019 budget.

However the Dos Bocas refinery project has its sceptics.

Rodrigo Favela, a partner at HCX, a consultancy specialised in the refinery sector, told Argus Media that a realistic building cost for a refinery of the magnitude President López Obrador is proposing is closer to $15bn or $20bn because there is no crude nearby to supply the facility.

"Taking into account that you will need to take crude to that zone as there is not much available in that area, in Campeche and in Tabasco, the $8bn would fall short for a 300,000 bpd refinery," said Mr Favela.

Another sceptic is political scientist Tony Payan, an expert on Mexico's energy policy with Rice University's Baker Institute in Houston, Texas.

Dr Payan told Lloyd's List that, based on the construction of other refineries around the world, many people believe that completing the Dos Bocas project by its stated goal of 2023 and for $8bn is unrealistic.

He said it remains unclear what will happen if the refinery defaults on the $600m loan from China, but he sees Chinese involvement as more of a political statement than a financial one.

He said China's involvement comes at a time when the relationship between the US and Mexico is fractious — a point repeatedly underlined by the desire of Mexican officials to be independent of their northern neighbour. As a result, Dr Payan said, "This is not a financial opportunity for China, this is a political opportunity."

MARKETS

Qatar hopes to work with Chinese yard on LNG carriers

A RECENT visit of a senior Qatargas executive to Hudong-Zhonghua Shipbuilding has reignited speculation the Chinese yard will grab a slice of the tender for up to 80 liquefied natural gas carriers.

Qatargas very much hopes to co-operate with the shipbuilder to roll out the world's most competitive LNG carriers, the gas giant's chief operating officer of commercial and shipping, Alaa Abujbara, was quoted as saying in a yard release.

Mr Abujbara added that the future of the LNG market was in China as the country's demand for such energy remained robust and its market for the relevant transport and storage equipment appeared promising.

The comments were made during his meeting with Hudong-Zhonghua's chairman Chen Jianliang in Shanghai on January 14.

Qatargas' parent Qatar Petroleum has floated a newbuilding tender for 40 firm LNG carriers plus options for another 40 units. A large majority of these ships will haul LNG from the US Golden Pass project with other volumes from an expansion lined up for Qatar's giant LNG complex.

Chief executive of the state-owned oil giant and Qatar's energy minister Saad Sherida al-Kaabi told reporters in October that the company would conclude some contracts with three "determined" bidders by the end of 2019.

The minister visited the Beijing headquarters of China State Shipbuilding Corp, parent of Hudong-Zhonghua, in November and held talks with the former's chairman Lei Fanpei.

No reports have emerged of deals being signed for the touted orders yet, although the South Korean big three — namely Hyundai Heavy Industries, Daewoo Shipbuilding & Marine Engineering and Samsung Heavy Industries, which dominate the LNG carrier building sector — are widely viewed as the frontrunners in the bidding.

Nevertheless, Mr Chen at Hudong-Zhonghua said the Qatargas project is one of the projects that draw the most attention from his company, according to the release.

It has delivered 22 large-size LNG carriers during the past 20 years, being the only Chinese yard with experience of building such sophisticated tanker vessels.

A CSSC executive said the chance for Hudong-Zhonghua to win the Qatar newbuilding orders would depend on the slot availability at South Korean yards and the owner's delivery schedule.

Ahn Young-kyun, a researcher at the Korea Maritime Institute, was earlier quoted by local media, as saying that Qatar officials requested the three South Korean builders to deliver about 40 ships between 2023 and 2026, or about 10 units per year.

Another executive from a leading classification society expected the Qatar newbuilding orders to be a multi-country shipyard project because of its sheer size.

"I can't imagine that all the ships will either be built in South Korea or China," the person said, "and I heard Qatar's timescales are pretty tight, so they will have to spread the work out."

The involvement of Chinese shipowner or charterer interests was another important factor, as they will back compatriot yards when ordering, the CSSC official said.

"Almost all the large LNG carriers built or being built at Hudong-Zhonghua so far have Chinese investment in them," the person added.

IN OTHER NEWS

Trafigura to apply GHG targets as it warns of $100m carbon tax bill

TRAFIGURA plans to introduce greenhouse gas emissions targets as maritime's environmental impact continues to dominate and a potential $100m carbon tax bill looms for the company.

Shipping and chartering accounted for 89% of the Geneva-based commodities trader's GHG inventory in 2019, according to the company's responsibility report released on Wednesday.

Trafigura's overall emissions grew in 2019 to 7.99m tonnes of CO_2 equivalent, up by 26% versus the 2018 figure. "The increase was due to increased volumes traded, changes in Trafigura's asset portfolio and more comprehensive reporting," the company said.

It introduced carbon intensity metrics in 2019 and will apply them across the business in 2020, something that it believes will help it track improvements in GHG efficiency of operations.

Danish Dee4 Capital in growth mode

DANISH private equity firm Dee4 Capital is growing, with the addition of a vessel to its fleet and with a new hire.

The Copenhagen-based company, founded by Carsten Mortensen, former chief executive of BW Group and Norden, and Freddie Lee in June last year, has also added a new strategic partner.

At its launch, the company raised $41m of its intended $100m. While three product tankers were its first targets, investments would not be limited to only one segment, it said at the time.

DP World wins latest round in Djibouti port fight

DP World has won another court ruling in its long-running dispute with Djibouti's government concerning control of the Doraleh Container Terminal, the company said on Tuesday.

The Dubai-based ports multinational said a London Court of International Arbitration tribunal has ordered Djibouti to restore its rights and benefits under a 2006 concession agreement within two months or pay damages.

The tribunal ruled Djibouti broke the law when it took control of the port and transferred its assets to a state-run company in February 2018, DP World added. The company, which built the port and ran it for more than a decade, estimated its losses at more than $1bn.

Ammonia-powered tanker under development

INDUSTRY sectors are collaborating to develop an ammonia-powered tanker in search of zero emissions vessels.

Lloyd's Register, Samsung Heavy Industries, MISC Berhad and MAN Energy Solutions have announced a joint development project for an ammonia-fuelled tanker.

Nick Brown, director for marine and offshore at Lloyd's Register, said the move towards dual-fuel, liquefied natural gas-powered vessels today made him consider the potential for a transition from LNG dual-fuelled vessels to zero emissions vessels.

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