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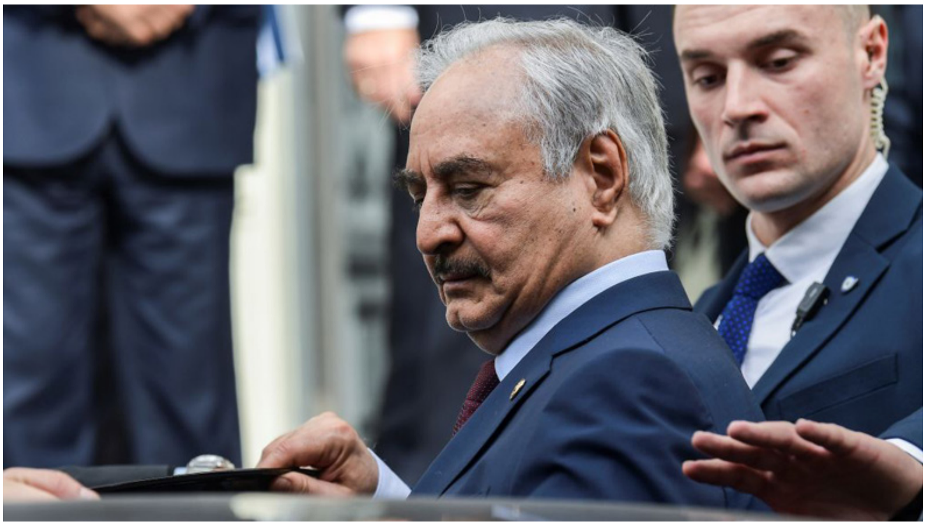
Libyan crude exports paralysis deals blow to aframax tankers



LIBYAN CRUDE SHIPMENTS remain blocked at all eight export terminals, temporarily removing some 940,000 barrels per day from the global market, and helping send cross-Med aframax tanker rates lower and oil prices higher.

Five tankers over 40,000 dwt are currently tracked waiting off Libya's terminals, Lloyd's List Intelligence data show.

Based on Lloyd's List Intelligence vessel-tracking information, the last tankers leaving Libyan waters signalling they were laden were three aframax tankers — *STI Kingsway* and *Zarifa Alyeva*, which departed the Mellitah and Zawia terminals respectively on January 17 in the country's west, and *Rava*, which departed Zawia on January 19.

The National Oil Company's listed phone number in Tripoli did not answer and emailed inquiries to the country's maritime transport authority to check the status of ports were unanswered.

The company declared force majeure on exports on January 16.

Some 50m tonnes of Libyan crude shipped on 588 tankers in 2019, Lloyd's List Intelligence analysis shows, supporting the aframax and suezmax market in the Mediterranean.

The supply disruption — equivalent to about 1% of total global supply — preceded talks in Berlin yesterday between countries supporting military leader General Khalifa Haftar or the UN-backed Tripoli government.

Gen Haftar blocked exports from ports under his control from last week, with the NOC declaring force majeure at Brega, Ras Lanuf, Hariga (Tobruk), Zuetina, and Sidra (Es Sider) ports. Es Sider is Libya's largest export port, with the combined terminals responsible for some 3m tonnes of shipments in 2019, data show. The NOC said lost crude production would be 800,000 bpd, worth $55m daily.

The disruption saw Brent crude briefly trade at just under $68 per barrel in London on Monday, the highest since early January.

Baltic Exchange data shows that time charter equivalent earnings for cross-Mediterranean aframax trade routes are down 40% from the start of January.

Earnings were assessed at just over $37,000 daily on January 17, compared with nearly $42,000 daily a week earlier.

Some 45 tankers exported crude from Libya in December, data show, and 49 in November. This suggests some 20- to 30-odd voyages could be disrupted by the Haftar blockade this month.

Those refineries likely to be most disrupted are based in Italy, China and Spain, the biggest importers of Libyan crude. Italy took over 15m tonnes, or just over 60% of all shipments last year, data show.

The five tankers off Libya are seen off Ras Lanuf, Marsa al Brega and Zueitina terminals, which are all controlled by Gen Haftar via the Libyan National Army.

Dryad Global said in a report: "Reports suggest that local tribesmen have closed El Feel and El Sharara oilfields. This move will reduce a large quantity of Libya's western oil output, and following the closure of eastern ports earlier this week, results in a near complete shutdown in Libyan oil output at the time of reporting."

It said Gen Haftar and the LNA were "actively" using Libya's oil infrastructure as a bargaining chip in the tussle for power in Libya.

"There is currently no additional risk to vessels operating in Libyan waters, and this is primarily an intra-Libyan power struggle."

WHAT TO WATCH

Shell endorses carbon pricing for shipping

OIL company Royal Dutch Shell, the world's second-largest tanker charterer, has come out in support of carbon pricing in shipping, saying any offsets could buy the industry time as alternative maritime fuels are developed for commercial application.

"We do think that there could be a role for carbon pricing in shipping, correctly developed and managed," said Claire Wright, from Shell International Shipping & Trading's LNG Downstream Business Development Unit.

"There could be a role in shipping for the use of well-designed carbon offsets because one of the challenges we have in terms of full decarbonisation is time," Ms Wright said. She was speaking at the Lloyd's List Intelligence consulting group executive meeting in Gothenburg on January 16.

"Offsets in the early stages could enable us [the industry] to decarbonise whilst developing some of these longer-term, lower-cost [fuel] solutions, particularly when we think about the life of a ship being 20 to 30 years. It may buy us the time that we need."

The global maritime industry, which shipped 11bn tonnes in 2018 and is responsible for 3% of the world's emissions — surpassing all of Germany's — is grappling with how best to decarbonise and meet ambitious targets set in 2018.

Shell is among the biggest shipowners and charterers searching for alternatives to meet climate targets set by the International Maritime Organization to cut emissions by at least half by 2050.

Ms Wright said that Shell supported the concept of a research and development levy that will be debated at the IMO in April. The clean fuels research levy aims to raise some $5bn with a per-tonne charge on fuel.

Carbon pricing — payments for greenhouse gas emission reductions — allows companies to purchase emission reductions to compensate for their own, (so-called offsets) and mitigate their own output, based on the World Bank definition. No such definitive proposal has yet been put forward for the global industry. Ms Wright said Shell endorsed policy evolution through the IMO, suggesting the oil company would prefer the United Nations regulatory body to support this option.

The shipping and chartering division of the global oil giant also said that using liquefied natural gas as a fuel could reduce emissions by up to 20% right now, and was one of two options currently available. The other, biofuels, presented challenges for availability, impact on food production and competition from the aviation industry.

However, crew safety also needed to be looked into, Ms Wright added.

"It's not just a case for fuel," she said. "It's a case of the ability of ports to provide the infrastructure they need, but most importantly, the comfort of crew and the safety of the crew in handling fuels."

Ms Wright noted: "The safety procedures of both of these [LNG and biofuels] are very well known, and that's something that can be accommodated within the infrastructure of shipping at the moment. This is a challenge that we will think of when we think about some of these future fuels; it's not just the fuel itself, it's the crews on board ships around the world that will be expected to handle these."

The oil company, which profits from the production, sale and transport of fossil fuels, aims to reduce its net carbon footprint by 50% by 2050, and 20% by 2035. The shipping division fixed over 600 tankers for oil shipments in 2019, according to shipbroker Poten & Partners, and owns or operates more than 90 LNG carriers.

Shell said that shipping was "very much a servant of international trade", and that policy and collaboration across other industries as well as with policy-makers is needed to make the transition to another zero-carbon fuel.

Zeamarine to clarify fleet status

ZEAMARINE, which announced a restructuring last month, says it will make a statement regarding the future of its fleet within a few days.

The Germany company is preparing a clarification after declining to comment on reports that rival United Heavy Lift will take over nine of its vessels.

The company has been in restructuring since December, when the Zech Group affiliate parted company with managing partner and co-founder Jan-Hendrik Többe and appointed turnaround specialist Sven Lundehn as chairman.

"There will be a continued period of re-establishment and strategic alignment within the senior management team," the company said.

A spokesman for Zeaborn said that speculation this week concerning the ships appears to be based on brokers' reports, and the company is not commenting on the claim.

"We have two arms. Zeaborn Ship Management does technical management and normal business is going on," he added. "On the other hand, we have Zeamarine, which offers commercial shipmanagement, and it is undergoing a restructuring process. We will finalise decisions this week or next week and tell people what is going on."

Zeamarine's accounts are not published, although it appears to have been losing money, as freight rates in its chosen sector failed to keep pace with charter and leasing costs.

The company has grown rapidly since its launch in 2013, with the breakthrough coming four years later, when Zeaborn was given money to take over Bertram Rickmers' struggling Rickmers-Linie as a going concern.

It went on to soak up the rest of the Bertram Rickmers empire, as well as the shipmanagement and brokerage interests of Mr Rickmers' brother Erck Rickmers in 2018.

After a relatively brief joint venture with Intermarine of the US, Zeaborn soon went on to take 100% control, and rebranded its heavylift side as Zeamarine, putting it firmly in the project cargo big league, with a fleet of 75 vessels.

OPINION

Port of Los Angeles weathers trade war storm

WHILE the trade war with China has been costly for the US, the Port of Los Angeles has worked hard to counteract the effects, according to its executive director Gene Seroka.

"In the face of lagging exports due to international trade tensions and tariff uncertainties, the Port of Los Angeles has maintained strong momentum and kept cargo flowing," said Mr Seroka in his annual state of the port address.

The flow was impressive as the port moved near-record amounts of cargo in 2019, with a total of 9.34m teu, only 1.3 % shy of the 9.46m teu it handled in 2018 —the second-best year in its 113-year history.

Still, without the trade war — with tariffs aimed at reducing traffic — even greater numbers could have been achieved. In Mr Seroka's view, however, such tariffs suggest a "new normal" for the port.

"We have new challenges, most recently the weaponisation of tariffs, and the debilitating trade war," he said. "Even with a Phase One trade deal now inked with China, the use of trade taxes to advance policy may now be the new normal," he said, referring to the new trade agreement signed by the US and China."

He said the port has commissioned a study on the scope and reach of the trade war.

"We thought Americans needed to know what these policies put at risk — $186bn in trade value and 1.5m jobs, with economic impacts in each of our 435 US congressional districts," he said.

He also drew attention to the adverse effects of the trade war on California, saying that "from agriculture, to chemical manufacturing, machinery and automotive exports" the trade war has "especially hurt" many of the state's business sectors.

Mr Seroka noted the negative impact on the port as "manufacturing shifts from China to other Southeast Asian nations also have redirected some of our cargo through the Suez Canal to east coast ports, costing us further market share and jobs".

He added that trade and economic uncertainties have also "sidelined significant private investment" at a time when the US needs more than $66bn in port-related infrastructure upgrades.

"As private investment subsides, we must advocate for public investment in America's freight system — through robust, dedicated funding for ports and our fair share of Harbor Maintenance Tax revenue," he said, agreeing with other ports around the nation.

"These are uncertain times, but we've been here before," he said. "We have seen 14 consecutive months of export declines. That is a challenge. We are collaborating to adapt to new trade patterns. Aggressively pursue export markets and continue to innovate."

ANALYSIS

Sludge risk may rise as bunker stream lightens up

LIGHTER, compliant, fuel oil blends that are making their way into Singapore's bunker supply stream is raising serious implications for ships refuelling at the world's busiest bunker hub.

Several traders have indicated the intent to introduce compliant fuel oil blends with viscosity closer to marine diesel oil in the coming weeks, according to bunker industry veteran Simon Neo.

This can be deemed as inevitable in light of demand for 3.5% sulphur fuel oil, or high-sulphur fuel oil outstripping supply following steep falls in HSFO cracks last year, as recent research from shipbroker Braemar highlighted.

Compliant fuel oils are typically derived from blending HSFO with much lighter distillates — usually gas oil or diesel oil — to bring the sulphur content down to the 0.5% limit imposed by the International Maritime Organization.

One industry source suggested that a narrowing of price spread between marine gas oil and 0.5% sulphur fuel oil since the regulatory cap kicked in at the start of this year, may have encouraged refiners and traders to even contemplating supplying vacuum gas oil into the bunker market.

One flip side from increasing use of hydrocracking processes to refine heavier oil products is yielding waxier diesel fuels.

Douglas Raitt, of Lloyd's Register, has warned that excessive sludging of wax and sediments may arise from burning much lighter compliant fuels derived from blends made up of waxy diesel oil.

"We have encountered this phenomenon especially in fuel blends with viscosity ranging between 20 cSt and 100 cSt," he said.

If not properly handled, excessive sludge can clog up ship engines and cause engine failures.

Data from the bunkering advisory unit of Lloyd's Register showed however, that viscosity of compliant fuel oil blends supplied in Singapore has averaged around 148 cSt since January 1, with majority of samples tested above 100 cSt.

But Lloyd's List understands from one bunker insider that compliant fuel blends of less than 80 cSt have already surfaced at the top marine fuel hub by sales volume.

More than $1trn needed to meet shipping's green initiative

AS the shipping industry considers its decarbonisation options to reduce the sector's total greenhouse gas emissions by at least 50% of the 2008 levels by 2050, it requires significant infrastructure investments in new fuel production, supply chains and a new or retrofitted fleet.

A new study by UMAS and the Energy Transitions Commission for the Getting to Zero Coalition found the cumulative investment needed between 2030 and 2050 to halve shipping's emissions amounts, depending on the production method, would amount to $1trn–$1.4trn or an average of $50bn–$70bn annually for 20 years.

"If shipping is to fully decarbonise by 2050, this will require further investments of some $400bn over 20 years, bringing the total to $1.4trn–$1.9trn," according to the study.

The biggest share of investments is needed in the land-based infrastructure and production facilities for low-carbon fuels, which make up around 87% of the total.

This includes investments in the production of low-carbon fuels, and the land-based storage and bunkering infrastructure needed for their supply. Hydrogen production makes up around half of the total land-based investments needed, while ammonia synthesis and storage and bunkering infrastructure makes up the other half.

Around 13% of the investments needed are related to the ships themselves which includes the machinery and on board storage required for a ship to run on low-carbon fuels in newbuilds and, in some cases, for retrofits.

The study also focuses on ship-related investments for improving energy efficiency, which are estimated to grow because of the higher cost of low-carbon fuels compared to traditional marine fuels.

The findings have been welcomed by Global Maritime Forum managing director and a Getting to Zero Coalition partner Johannah Christensen.

She said: "Shipping's shift to zero carbon energy sources calls for significant infrastructure investments. The investment needed should be seen in the context of global investments in energy, which in 2018 amounted to $1.85trn."

"This illustrates that shipping's green transition is considerable, but certainly within reach if the right policy measures are put in place," she added.

While Citi Global Shipping Logistics & Offshore chairman Michael Parker said: "Sustainable investing is here to stay. We foresee that there will be a great appetite for investments in sustainable infrastructure projects that help reduce greenhouse gas emissions."

Environmental groups urge IMO to raise carbon reduction goals

ENVIRONMENTAL groups have called on Kitack Lim, who was re-elected as secretary-general of the International Maritime Organization, to become "a beacon for ambitious leadership" in the battle against global warming.

"The public has woken up to the danger, and actions taken in the next few years will be critical to ensure that the current course on emissions is reversed," wrote six non-governmental organisations in an open letter to Mr Lim.

The NGOs are Ecodes, Clean Shipping Coalition, Environmental Defense Fund, The Institute for Climate and Society, Pacific Environment and World Wide Fund for Nature.

The move comes against the backdrop of Mr Lim's second tenure at the UN's shipping body, which runs until 2023, when the IMO will revise its greenhouse gas emissions strategy and by which time the member states are also set to agree on short-term carbon-reduction measures. These are among the key agendas set during his first tenure.

In a recent interview with Lloyd's List, Mr Lim said the IMO would have to finalise its GHG strategy "at any cost" before he leaves office.

"The much harder test is putting policies in place to meet that goal and ensuring that decarbonisation happens on a timeframe consistent with keeping global temperature rise below 1.5 degrees, as established in the Paris Agreement," said the letter.

It argued that the pressing need for curbing climate change and several solutions to hit shipping's 2050 emissions target justified regulatory actions at all levels, such as those by the European Union and other jurisdictions.

"The IMO must work with all these disparate groups — not against them — to encourage complementary efforts and higher ambition," the letter said.

This is, however, not an easy task, and requires innovative policies and visionary leadership, the NGOs acknowledged.

"But the reward will be huge," they argued. "A stable climate for future generations and the avoidance of countless deaths (not least of seafarers), economic disruption, infrastructure damage and stranded assets from climate change effects across the world."

The groups suggested Mr Lim demonstrate stronger leadership and enable greater progress in decarbonising shipping, while making the industry "a trailblazer for climate action".

"We sincerely hope to be writing to you again at the end of your second term to congratulate you on a job well done for the environment," the letter concluded.

Petronas and Shenergy sign long-term LNG offtake and shipping tie-up

MALAYSIA'S national oil company Petronas and China's Shenergy have agreed a long-term liquefied natural gas sales and purchase arrangement and to team up on developing a fleet to ship the cargoes.

A heads of agreement Shenergy has penned with Petronas LNG called for the supply of about 1.5m tonnes per annum of the commodity from the Bintulu LNG complex in Malaysia's Sarawak state to Wuhaogou receiving terminal in China's Jiangsu province.

The deal, which is for a 12-year term starting from 2022, also involves collaboration to build and charter new mid-size LNG vessels for the cargo delivery, Petronas said in a statement.

Petronas executive vice-president and chief executive of gas and new energy Adnan Zainal Abidin pointed out that the Malaysian NOC has sought to customise its solutions to its customers' needs.

He highlighted a trend towards buyers seeking mid-size cargoes or smaller parcels of LNG.

Petronas had already undertaken from June 2018 to last October, three LNG breakbulk ship-to-ship transfers in Brunei Bay.

The 87,660 cu m *Polar Spirit* LNG tanker sailed for Yangshan after receiving the breakbulk cargo in Brunei Bay.

The tanker has since been shuttling between Shanghai and Bintulu LNG, Lloyd's List Intelligence data showed.

One of five import terminals serving China's eastern provinces, Wuhaogou has been receiving breakbulk cargoes from Shanghai or other larger terminals.

In May last year, Wuhaogou hosted the 45,000 cu m newbuild tanker, *Saga Dawn*, which loaded 2,300 cu m of LNG at the terminal during its gas trials.

Wuhaogou boasts annual regasification capacity of up to 500,000 tonnes of LNG.

IN OTHER NEWS

Myanmar to build new port for China's Belt and Road Initiative

CHINA and Myanmar have signed agreements to advance the China-Myanmar Economic Corridor, which is a project under the former's Belt and Road Initiative that includes a strategic port on the Bay of Bengal.

China's president Xi Jinping and Myanmar's state counsellor Aung San Suu Kyi agreed the projects — long under discussion as part of China's BRI — on the second day of Mr Xi's two-day visit, which ended on Saturday.

Details of the agreements were not disclosed and some key bidding and financing matters were left open to future negotiation. Ahead of the meetings, however, Ms Suu Kyi put the value of the port agreement at $1.3bn.

Probunkers eyes order for LNG bunkers at Hyundai Mipo

PROBUNKERS, the Greece-based liquefied natural gas fuelling company, has signed a letter of intent with South Korean builder Hyundai Mipo Dockyard for its first two LNG bunkering vessels.

The company's plan is to ultimately deploy seven newbuilding LNG bunkering vessels in seven strategically located ports around the world.

Chief executive Alexander Prokopakis said that "the intent" is to locate the first pair in Houston and Hong Kong, although this would hinge on further talks with the port authorities.

Ship batteries need extra fire risk safeguards

FUTURE ship battery systems will need extra safety features to prevent and control fires and explosions, a multi-country research team has found.

A report released last week by Norwegian classification group DNV GL said ventilation alone would not stop explosive gases building up if a significant part of a marine battery was on fire.

DNV GL said battery designs needed preventative features, such as current breakers, to limit the spread of fires and lessen the risk of explosive gas build-up.

Calls for EU to reconsider consortia extension

THE European Commission is being urged to reconsider its decision to grant an extension to the Consortia Block Exemption Regulation for the liner shipping industry.

A group of supply chain associations claims the commission has failed to show how the extension would benefit transport users and service providers.

The CBER enables shipping lines to exchange information and to co-operate so that they can provide "consortia services" to and from European ports. The commission is preparing to extend it for another four years.

Tanker crew kidnapped off Togo released with one dead

NINETEEN Indian hostages have been released from the Union Maritime-owned vessel *Duke* on Sunday, but one crew member died shortly after being kidnapped.

They were kidnapped from the Marshall Islands-flagged, 19,117 dwt combined chemical and oil tanker on December 15, approximately 110 miles southeast of Lome in Togo.

"It is with great regret that we have to report that one valued crew member, an able seaman, was evidently taken ill and died shortly after capture," Union Maritime and V.Ships Ship Management (India), managers of the vessel, said in a joint statement.

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