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Scrubber premiums spike tanker earnings boost as fuel prices erode profits

FAVOURABLE SCRUBBER ECONOMICS are generating significant earnings premiums for crude tankers over January, as spot rates collapse from the fourth-quarter highs amid a 46% hike in fuel costs.

An "eco-type" VLCC with a scrubber was earning nearly $78,000 daily on the benchmark Middle East Gulf-to-China route for the week ending January 17, according to shipbroker Braemar ACM.

That compares with $56,000 daily for a "non-eco" VLCC with no scrubber, the weekly rates assessment showed. The term 'eco' is largely used to delineate younger, more energy-efficient tankers.

Suezmax earnings for "eco-type, scrubber-fitted" tankers shipping crude to northwest Europe are at $61,000 daily — which is $12,000 more than non-eco ships using 0.5% very low sulphur fuel oil instead. On triangulated voyages, that premium is even more significant: earnings are $10,000 daily versus $32,000.

The earnings premium for aframax tankers averaged $12,000 daily based on current market rates, according to Braemar ACM. Premiums for medium range tankers in the clean market were not as large.

The average daily earnings for a non-eco MR vessel was assessed at $21,242, compared with a scrubber-fitted eco tanker at $26,599.

The regulatory change in fuel use has increased marine fuel oil prices for the 4m barrels per day market by as much as 46%, and injected further uncertainty to the tanker sector outlook.

Assuming the average aframax tanker uses 45 tonnes of marine fuel daily, non-scrubber owners are now paying $26,901 versus $14,575, based on prices in Singapore, the world's biggest bunkering hub.

VLCC fuel costs (65-tonne daily consumption) sees costs $21,000 higher for compliant fuel, while suezmaxes without scrubbers (45-tonne daily consumption) are paying $12,300 more.

Prices are based on the January 22 value of January futures contracts trading on the ICE Futures Europe exchange for 0.5% VSLFO delivered free on board in Singapore, and the 380 cSt marine fuels price in the same city.

The difference in compliant versus 3.5% heavy fuel oil was felt keenly as rates abruptly plunged from multi-year highs as the fourth-quarter seasonal uplift receded.

The greatest falls have been for VLCCs, with average time charter earnings now half the $100,000 daily seen over December and almost equal to average aframax rates, shipbroker spot assessments reported to the Baltic Exchange show.

However, clean earnings are gaining, reflecting seasonal fortunes. Triangulated MR tanker earnings for the clean sector were assessed at $24,500 in early January but rose by some $10,000 daily to finish higher by the month's end, according to Baltic Exchange indices.

This reflects greater demand for gasoil for heating in the northern hemisphere over the winter months in both the Atlantic and Pacific trading basins.

Between 2,500 and 3,000 of the largest tankers, bulk carriers and containerships are estimated to have scrubbers installed. Some 239 VLCCs, 140 suezmaxes, 113 aframaxes and 229 MR tankers either have scrubbers or will be fitted with them by the end of 2021, based on data from class society DNV GL. There are currently 896 MR tankers trading, and 760 VLCCs, giving some context to scrubber update.

Singapore VLSFO prices are much higher than at Rotterdam, where supply is not as squeezed. VLSFO in Rotterdam for January contracts closed at $527.36 per tonne on January 22, compared with $597.81 for comparable contracts in Singapore. July contracts were valued at $468 per tonne and $495.25 respectively, signalling that these issues are not seen by traders as resolving imminently.

The current fuel oil spread between 3.5% fuel oil and 0.5% VLSFO in Rotterdam is $253 per tonne for January, narrower than the $292 spread seen eight weeks earlier.

The current fuel oil differential in Singapore is $273.91 per tonne. The caveat remains that these futures are not very liquid, with limited volumes trading. Given bunker throughput in Rotterdam is just over 10m tonnes, futures hedging represents a very small fraction of the physical market.

WHAT TO WATCH

PIL vessel arrest linked to alleged unpaid bunker bill

PACIFIC International Lines, which last week strongly denied any of its vessels were facing arrest, has had a vessel arrested and released, according to information originally sourced by Lloyd's List Intelligence and later confirmed by Lloyd's List.

The company confirmed that *Kota Setia* was "briefly detained" on January 21.

The vessel was arrested for what is understood to be an unpaid $6m bill to a bunker supplier. After payment was made, the ship was released and it left the anchorage on Wednesday.

Lloyd's List Intelligence automatic identification system tracking data shows *Kota Setia* arrived at the Durban anchorage on January 20 and sailed again on January 22.

Local sources at Durban confirmed to Lloyd's List the vessel had been briefly arrested this week.

"All has, however, been resolved," one source said. "The arrest lifted and she sailed from Durban for Cape Town yesterday afternoon."

A spokesman for PIL said the detention was the result of "a misunderstanding which was quickly clarified and resolved".

He added: “We can confirm the vessel sailed from Durban on the January 22.”

Lloyd’s List revealed earlier this month that at least one bunker supplier had been considering ship arrests over unpaid bills and that the carrier was having difficulties sourcing supplies.

Bunker suppliers are understood to be holding off from doing business with Singapore-based PIL due to delays in payments, and a number of its vessels were reported sitting idle at Singapore waiting to bunker.

Company chairman Teo Siong Seng told Lloyd’s List that he was “surprised” by the claims that bunker suppliers were considering ship arrests due.

“We have not received any legal demands from any of our suppliers that indicate any initiation of an arrest process,” Mr Teo wrote in a letter. “We are in regular dialogue with all our suppliers.”

A spokesman for PIL also told Lloyd’s List that the company had “categorically received no notices of demand”.

“All vessels are trading normally,” he said. “PIL is in constant dialogue with its suppliers and is not expecting any of its ships to be arrested.”

Nevertheless, Lloyd’s List Intelligence noted that three suppliers had been experiencing payment delays ranging from two to four months, and many more in the region were not comfortable dealing with the carrier.

Three bunker suppliers are understood to have stopped dealing with PIL entirely, while others are working on a cash-only basis.

Shipping said to be failing to attract institutional investors

INSTITUTIONAL investors could easily resolve shipping’s capital crisis, but are being put off by the industry’s poor image, a leading asset manager has told an industry audience.

Tony Foster, chief executive of Marine Capital, outlined the vast resources available to institutional investors, and argued that tapping into them would represent “a Holy Grail for shipowners”.

Pension funds alone have access to $40trn in funds, and insurance companies a further $27trn, while lesser but still substantial amounts are in the hands of family offices, foundations, and sovereign wealth funds, he said.

“They own everything already and they can choose anything in which to invest,” Mr Foster told the Marine Money forum in London yesterday afternoon. “These investors are on the march. This Leviathan is no longer sleeping.”

To put things in perspective, shipping will, on a conservative estimate, probably require around $500bn in capital in the 2020-25 period, much of which will be provided by debt and equity.

That is less than one percentage point of what the institutions have at their disposal.

But institutional investors now look for not just returns, but for sustainable investments, he said, highlighting the decision by BlackRock, the world’s largest fund manager, to prioritise environmental criteria when reaching investment decisions.

“The biggest point about that is that BlackRock had no choice,” Mr Foster said, given the increasing pressure for companies to be seen as keen to combat climate change.

The forum, now in its 11th year, also heard how relationship banking is still available for some shipowners, but increasingly restricted to the top tier.

Gaurav Moolwaney, executive director for shipping finance at Standard Chartered Bank, told a panel discussion that the bank lending landscape has changed drastically since the global financial crisis.

Shipping portfolios are much reduced, and bankers are more selective when it comes to choosing clients, he said.

“But while banks are getting selective, owners are getting selective themselves, and that’s a big change,” he added, and both sides are seeking what suits them.

Halvor Sveen, chief executive Officer of Norway’s Maritime & Merchant Bank, said that M&M, which still offers ship mortgage transactions if the terms are right, had been accused of doing ship finance like it is still the 1960s. “Maybe that’s fair when you look at the average age of our staff,” he quipped.

While bigger banks may restrict lending to so-called tier one shipowners, Mr Sveen contended that tier two is a size bracket, not a yardstick of credit quality, and represents what he called the grassroots of shipping.

“We feel we are back to square one again, and we are getting a response from our clients that this is something that has been missed,” said Mr Sveen.

Alexandre Amedjian, head of shipping finance for Europe, Middle East and the Americas, Société Générale, said that banks are still important for shipowners, and insisted that SocGen is still responsive to its needs.

However, the French investment bank does want top tier clients, and does not want to do pure asset finance.

Nikolai Kolesnikov, executive vice-president and chief financial officer, of state-owned Russian tanker giant Sovcomflot, admitted that SCF has the advantage of being in the tanker big league. Banks are therefore generally happy to co-finance projects.

Nils Kovdal, director of consultancy NorthCape, said there is no doubt about the increased prevalence of leasing, but debt will remain the main source of finance for shipowners.

Christos Begleris, co-chief financial officer at Star Bulk Carriers, said that bank lending to the industry had fallen from $420bn in 2010, to $360bn today, of which $60bn comes in the shape of Chinese lease finance.

“We see traditional banks that have been in industry for decades increasingly focus on big shipowners able to provide ancillary revenue,” he noted.

Even a company of Star Bulk’s size and credentials needs to find guarantors. But the company prefers long-term lenders who understand the shipping cycle and are willing to stay with clients even during downturns.

ANALYSIS

US will adapt ‘magic pipe’ recipe to new IMO rule violations

BREACHING global sulphur cap regulations could expose shipowners to particularly harsh treatment in the US, where the industry is still struggling to shield itself from traditional Marpol prosecutions.

“I am sure it will be the same process as the ‘magic pipe’ prosecutions in the US,” George M Chalos, a New York-based lawyer, told Lloyd’s List.

Mr Chalos, one of the attorneys most experienced in Marpol violation defences in the US, was speaking after a seminar on the subject organised by the firm in Greece in co-operation with Athens-based shipmanagement and technical consultancy Total Quality Consultants.

The motivation behind the seminar was said to be to sound “a wake-up call” to owners and managers still largely unaware of the scope of the extra risks they may face during US inspections in the wake of the new IMO 2020 requirements.

“It’s going to be a copy-paste of ‘magic pipe’ cases,” said Mr Chalos, who is principal at the law firm Chalos & Co. “And it’s going to be a disaster for individuals and companies who find themselves on the wrong side of the rules.”

In so-called ‘magic pipe’ cases, the US Coast Guard and Justice Department generally prosecute companies for falsification of paperwork, notably the ship’s Oil Record Book, rather than illegal dumping itself.

Criminal charges often stem from alleged dumping of bilge water in the ocean in other parts of the world altogether.

Frequently, cases originate from whistleblowers among the crew, who can collect up to half of any resulting fine levied on the shipping company, an incentive that some critics argue encourages false reporting.

Altogether, the US has racked up an aggregate of some $900m in fines from such cases.

Typical cases often settle at about $2m, give or take, but the heaviest fines have been in the region of $30m to $40m.

Mr Chalos expected the same tactics to be used for violations of the new regulations introduced this year.

"They will look at all the paperwork. They will dangle huge awards. This is another type of Marpol case and the whistleblower reward provision applies to people giving the US authorities information leading to the payment of a Marpol fine in the US," he said.

Aspects that could spell "big trouble" included the looming ban on carriage of non-compliant fuels from March 1, the non-compliant bunker delivery notes issued in certain countries, and bunker samples.

TQC managing director Gabriel Dovles said that whistleblowers are likely to play an "even more important" role in the new cases.

"Changing to the new fuels is not so easy. Every stem of fuel has different characteristics and requirements to burn properly, and it will be a continuous challenge for owners," he said.

According to Mr Dovles, a high percentage of shipping companies still lacked sufficient awareness of the risks they ran in the traditional Marpol cases.

"The number one reason is culture," he said. "There is no understanding of what zero tolerance in the US actually means. The second reason is ignorance of the consequences.

"If you dump in international waters thinking you are nowhere near the US this is the biggest mistake you can make. Once the Oil Record Book is not properly kept you are finished."

Mr Dovles said companies would continue to fall foul of the US authorities "unless management really takes a stand and makes it clear it will not allow any deviation no matter what."

If a shipowner becomes aware of a potential violation prior to the ship visiting the US there was a "clear process for what they ought to do, operationally and legally," he said.

Among the recommended steps were being transparent, making corrective entries in the Oil Record Book Part 1 under Code 1, informing the vessel's flag state, engaging an experienced lawyer and giving consideration to making a voluntary report to the USCG.

In TQC's experience, however, "the companies generally react in the most non-recommended way," Mr Dovles said.

Questions raised over environmental benefits of tanker age restrictions

INCORPORATING the emissions footprint in the lifecycle assessment to include building and replacing a tanker skews the balance in favour of longer trading lives, says Stena Bulk's Erik Hanell.

Stena Bulk's chief executive has questioned the environmental sustainability of chartering restrictions on tankers older than 15 years, just as the industry tries to increase scrapping to maintain a long-anticipated rates recovery.

Mr Hanell said the Swedish shipping company wanted to reduce the shipping industry's global emissions footprint by increasing the lifespan of vessels, arguing that sustainability should incorporate the bigger picture of building and replacing vessels that could have traded for longer periods.

"It's not only enough to have a longer lifespan to make more money, even if, of course, that is the driving factor as well," he told a forum in Gothenburg.

"But we want to have this sustainable approach, we own many tankers and we are building ships that are going to last for 30 years. And we have a financial perspective on that as well.

"I think it's it is very important that that tanker owners are going to have a higher ambition to run the ships longer than the certain restrictions some of our customers have, to 15 years."

Many European and American oil companies and traders, which sit among the world's leading charterers of tankers, have age restriction clauses in contracts that limit vessel ages to 15 years and under. That excludes as much as 23% of the current trading fleet of 812 very large crude carriers and 39% of the aframax segment, according to research from Alphatanker published this week.

Mr Hanell added quality and safety caveats to his appeal for longer trading vessel lives.

"Quality should look at quality leadership and the quality of maintenance instead of looking at only the age," he said.

"What I claim is that an age restriction on tankers actually increases the risk of accidents instead of preventing them. There's clear evidence and there are statistics around that the ship that is 17 years old does not have more accidents than a ship that is only three to four years old."

Some 3.2bn tonnes of crude and products was carried on tankers in 2018, according to Unctad's Review of Maritime Transport. China's Unipec, Shell, Vitol, ExxonMobil, Indian Oil Co and BP are the top charterers of tankers on the spot market, according to shipbroker Poten & Partners.

While chartering predilections are not in the public domain, analysis of recent VLCC fixtures shows Indian oil charterers, as well as Europe's Equinor and Stasco (the shipping division of Shell) had recently chartered tankers older than 15 years. Two Chinese companies had also taken tankers over that limit.

Mr Hanell's environmental argument runs counter to the existing mindset that scrapping tankers needs to accelerate in order to keep earnings at healthier levels. An oversupply of new vessels outpaced demand and depressed rates for most of 2019, until the fourth-quarter seasonal lift coincided with tankers removed from trading due to scrubber retrofits and US sanctions.

"The health of the tanker market depends heavily on a resurgence of demolition," Alphatanker said in its monthly report. "Today's hire rates are ensuring that most owners are making good money and thus have no incentive to scrap older units." Less tonnage in the market leads to a sustainable rebound in the markets, according to the report.

Adding to the argument's complexities are environmental and regulatory pressures on vessels to increase energy efficiency and lower greenhouse gas emissions, leaving older tonnage more costly to operate, and less competitive.

There needed to be studies that assessed the vessel's entire lifecycle, taking into account emissions in the production and manufacturing process in addition to trading, Mr Hanell said. For example, including the steel production for the hull in any life cycle assessment would skew the balance in favour of longer trading, he argued.

Gothenburg-headquartered Stena Bulk has a fleet of 95 ships totalling 4.4m dwt, according to its website. The oldest tanker trading was built in 2000, although one shuttle tanker is 20 years old.

Lloyd's List contacted Royal Dutch Shell and BP for comment on these views. They had not responded by publication.

OPINION

The Interview: Tan Soo Koong

AS with many veterans within the energy trade, Tan Soo Koong has spent most of his decades-long career honing industry know-how in the oil and petrochemical business before moving on to the liquefied natural gas sub-sector.

Mr Tan crossed over from Vopak Singapore to helm SLNG, the operator of Singapore's only LNG terminal, about nine months ago.

As one familiar face in Singapore's booming oil trade, he fronted Vopak's largest overseas portfolio at Southeast Asia's busiest port up until early last year.

Jurong Island at Singapore hosts Vopak's largest tank terminals by capacity outside of the Netherlands.

The experienced oil man has no qualms about acknowledging that he has mostly been exposed to "liquid bulk storage" business in the past 10 years.

But he also makes clear the decision to leave Vopak Singapore for SLNG was motivated by a new career goal.

"It is my ambition to support and contribute to the adoption of LNG as a cleaner-burning fossil fuel," he tells Lloyd's List.

The former Vopak senior executive is echoing sentiments of other business leaders shouldering the same responsibility of guiding the oil and gas industry through a global green movement.

Mr Tan, like other veterans, certainly has a lot to offer even if the world at large is looking to eventually move on from dirty oil.

Take the mandatory low-sulphur transition that the International Maritime Organization imposed on shipping from January 1, 2020.

Having led Vopak Singapore before coming on board SLNG, Mr Tan is well placed to draw on his deep experience in managing marine fuel supply chain issues to boost Singapore's still nascent LNG bunkering sub-sector.

He certainly relishes this new challenge, which has arrived at a timely juncture.

Tasked to run the port nation's sole facility of its kind, SLNG's primary objective has been defined from the start as ensuring Singapore's energy security by securing gas supplies, especially for the country's power grid.

SLNG's senior management are satisfied, though, that six years into its inception, the terminal operator has stabilised its operations.

So, it is time to look at how the terminal can pursue the second goal of asserting its position as a prime LNG trading hub in Asia.

SLNG's terminal stands out as the first large-scale tank storage in Asia to have offered multi-user access.

One method to boost LNG trade volume is to develop the use of the supercooled fuel outside of the power generation sector.

Mr Tan tells Lloyd's List the "maritime agenda" has featured high on SLNG's priority list for some time.

"Along with the energy security objective, we have also been considering what's next for us especially looking at LNG as a transition fuel, Singapore's role as a maritime hub and concerns over climate change."

Mr Tan maintains that Singapore's energy security is still SLNG's top priority though recent developments following IMO's decision four years ago to implement the 0.5% sulphur limit on marine fuels seem to support the pursuit of LNG bunkering business.

French shipping line CMA CGM may have named its home port, Marseilles, as the refuelling point for a series of newbuilding dual-fuel 15,000 teu boxships. But the December statement reiterating CMA CGM's LNG marine fuel supply deal with Total has specifically mentioned that the latter would provide a similar bunker solution to the former in Singapore.

Singapore-headquartered Eastern Pacific Shipping is the other major shipowner to have invested heavily in building LNG dual-fuelled boxships, a significant number of which have secured charters with CMA CGM.

SLNG completed the modification of one jetty early last year to supply LNG bunker barges and other small carriers.

In hindsight, its decision to proceed with this modification work back in 2017 has paid off and now puts it in a legitimate position to beat rival LNG terminal operators in the region to bunker ocean-going cargo ships.

Still, to put things in perspective, LNG-fuelled fleet development has not really taken off.

By last week, DNV GL Alternative Fuels Insight captured 175 LNG-fuelled ships in operation and another 203 on order — a tiny drop in the ocean considering commercial vessels active internationally now number in tens of thousands.

Like many of his industry peers, Mr Tan holds an optimistic view of LNG adoption as marine fuel.

"LNG offers much better carbon credential compared with presently feasible alternatives shipowners may have to comply with IMO 2020.

"The challenge of finding a solution to properly dispose of waste water — a by-product from using scrubbers — is a big one, so explains the general view that this abatement technology is good only for the interim."

Critics of LNG have questioned whether its use as a marine fuel may deliver a halving of carbon dioxide as outlined in IMO's emission reduction goal for 2050.

But the regulatory watchdog for international shipping has also spelled out the aim of lowering carbon intensity by at least 40% from the industry by 2030.

LNG proponents have alluded to this 2030 target as one goal international shipping can achieve by switching to the supercooled fuel.

To Mr Tan, LNG wins hands down over compliant fuel oil when it comes to meeting regulatory requirements set out for 2030.

He also flags fuel cost savings for shipowners that have gone ahead to build LNG-fuelled vessels.

"Everyone expects the LNG market will be long in the next eight to 10 years," he says.

This consensual view builds on the massive volume of new LNG export capacity that has been sanctioned so far and a drastic slowdown in the expansion of world's energy demand following years of trade tension between the US and China.

All these point to one inevitable consequence — LNG prices are likely to stay competitive vis-à-vis other fuel alternatives in the coming years, the SLNG executive suggests.

He also believes Singapore can develop into Asia's LNG hub.

Resource-poor Singapore does not produce any natural gas or rank among top LNG exporters and importers.

But Singapore has emerged as the hub for Asia's oil trade despite not having pumped out any barrels of crude oil.

The massive refining capacity on Jurong Island has no doubt helped bolster oil trades done out of Singapore.

However, Mr Tan points out that Singapore's trade volume far surpasses its refining output because intra-Asia trades flow through the port nation, which has benefited for centuries from its good geographical location.

"Looking at LNG, I foresee it as a trend in terms of Singapore being a trading and bunkering hub because all the major trades pass by Singapore."

Long Beach port director delivers upbeat view for 2020

WHILE the trade war with China has been costly for the US, the Port of Long Beach has the resilience to counteract those adverse effects going into the future, according to its executive director Mario Cordero.

"Today, we will look back at our accomplishments, and look ahead at the collaboration needed to overcome any challenges that may lie ahead," Mr Cordero said in his annual state of the port address in Long Beach on Wednesday.

"This past year, the tariff war with China, our largest trading partner, escalated. Import and export orders declined. Our container cargo volume dropped 5% from the previous year to 7.6m container units," he said.

"Our overall cargo tonnage also dropped. Because much of our trade is with China, our volumes fell behind the pace of other US ports less tied to the trans-Pacific trade route," he said.

"Nevertheless," he acknowledged, "2019 was our second-busiest year ever for container cargo".

In fact, the port saw 7.63m teu, down 7% from the record-setting pace logged in 2018. Imports slid 8.3% to 3.76m teu, exports came to 1.47m teu, down 3.3%, and empties decreased 2.8% to 2.40m teu.

The port moved 665,261 teu in December 2019, a 10.3% decline compared to December 2018. Imports were down 13.4% to 323,231 teu. Exports rose 10.6% to 125,395 teu, while empties dropped 15.1% to 216,635 teu.

Trade war truce

Still, Mr Cordero was upbeat on recent developments, saying "as to the trade war, we have recently seen progress. The Trump Administration has just signed a Phase One trade agreement with China".

As a result of the trade agreement, he expects that "more markets" will open up to American companies as China eases tariffs on US goods. US farm and energy exports will increase, he added.

But he holds reservations about the new agreement because it "preserves the bulk" of the existing, higher US tariffs on goods from China. Uncertainty remains in the industry. "So, we await further progress."

He said economic fundamentals remain strong, noting that unemployment, inflation and interest rates are low. As a result, he sees "better times ahead".

He introduced notes of caution, however, saying that "weakness in global trade slowed US manufacturing in the last half of 2019. Business investment has declined. And how much longer can inflation remain so tame?"

Yet those factors have to be faced and overcome.

"At the end of the day, we need to be ready for whatever may come," Mr Cordero said. "We need to compete, we need to innovate, we need to lead. And most of all, we need to collaborate."

He touted earlier investments made in the port and underlined their contribution to its current position as a premier world port.

"A decade ago, the biggest ships coming here, or anywhere in North America, carried 8,000 container units. Today, the largest ships arriving at the Port of Long Beach are as large as 19,000 container units," he said.

"We have the big terminals, the tallest cranes and deep water. And our terminal operators, longshore workers, rail operators, truckers and other stakeholders are simply world class," he said.

Mr Cordero cited several recent agreements that underscore the confidence that major international stakeholders have in the port.

He said the Long Beach Harbour Commission recently approved a 20-year lease extension with SSA Terminals and their partner, Cosco Shipping, the world's third-largest ocean carrier.

"This gives them a home here in Long Beach through April 2042," he said, calling it a "huge vote of confidence for this port".

He also observed that "the Harbour Commission approved a new lease for Long Beach Container Terminal with Macquarie Infrastructure Partners. The agreement is through 2051 — yes, another 31 years".

He said Macquarie's acquisition of the leasehold is a "major investment" and is yet "another vote of confidence for the Port of Long Beach, all its tenants and partners".

By next January, he said, the port will have completed major work on LBCT, "our most technologically advanced terminal" — work which is "more than two-thirds complete now, with the final 80-plus acres on the way".

The port also is building a third berth, which means LBCT will be able to welcome as many as three ultra-large ships at once.

While touting the port's achievements in container shipping, Mr Cordero also drew attention to its successes in bulk shipping.

"Just as we see more giant container vessels, so too are we seeing larger oil tankers coming here due to our investment in infrastructure and the implementation of advanced technology," he said.

In particular, he cited Marathon Petroleum which two years ago began using special under-keel technology that gives the port pilots "extremely accurate measurements" of a tanker's clearance from the ocean floor.

Since then, 72 tankers with a draft greater than 65 feet have been piloted into Marathon's Pier T oil terminal instead of having to reduce their draft by lightering thousands of barrels offshore.

Looking ahead, Mr Cordero said 2020 would be a "year of collaboration" to overcome challenges facing the industry. "Together, we will succeed," he said. "This is the 2020 vision: If we work together, if we collaborate, we all succeed."

MARKETS

Beijing formally unveils tax waiver for bunker fuel

BEIJING has officially announced a tax rebate for bunker supply to internationally-trading vessels at Chinese coastal ports.

The move is expected to ramp up domestic production of compliant very low sulphur fuel oil amid the 2020 emissions rules.

The new tax regime will be effective from February 1, the Ministry of Finance, the State Taxation Administration and General Administration of Customs said in a joint statement.

Bunker fuel provided at Chinese seaports for ships trading overseas is known as bonded fuel and classified as exports. But it is not to be confused with exporting the fuel to other countries, which is not yet included in the government's policy this time.

The fuel produced domestically currently faces a 13% valued added tax and a consumption tax of Yuan1,218 ($176) per tonne, resulting in about 90% of these supplies being imported to avoid the extra costs.

Local refineries and bunker hubs in China have lobbied policymakers for a while for the tax waiver as they saw opportunities arising from the surge in VLSFO demand brought about by the International Maritime Organization's sulphur cap mandate.

Although the consumption tax was not specified in the announcement, the levy is expected to be also exempted based on experience in Beijing's previous tax rebate measures for oil products, said local consultancy Chemoil in a note.

It added that details about the refinery quota would follow after the Chinese New Year.

Refineries under the four state-owned oil majors — Sinopec, PetroChina, CNOOC and Sinochem — were equipped with a combined VLSFO capacity of 18.2m tonnes in 2020, China-based Huatai Future estimated in a recent report.

Sinopec and PetroChina — the larger two of the four — had earlier revealed plans to produce about 14m tonnes this year.

Another consultancy, SCI, noted earlier this week the production target, if it is hit, would be enough to supply about 80% of the consumption in China's bonded bunker market and would lead to lower VLSFO imports.

It further expected domestic VLSFO output to reach about 20m tonnes in 2023 and gain access to foreign markets.

India may benefit from low-priced LNG with Mundra startup

THE Mundra liquefied natural gas terminal is due to receive its first cargo this week, marking the start-up of India's sixth import terminal for the super-cooled fossil fuel.

Data from Lloyd's List Intelligence showed the 2008-built LNG carrier *Murwab* has arrived at an anchorage off the Mundra terminal, having set sail from Ras Laffan in Qatar mid-month.

Murwab, a Q-Flex tanker of 210,000 cu m in capacity, is owned by Nakilat and the J5 LNG consortium.

Mundra is the sixth LNG import terminal to become operational in India.

Wood Mackenzie's analyst Prakash Sharma pointed out that this year is expected to witness the start-up of two terminals in India, Mundra and Jaigarh.

The Jaigarh terminal features a floating storage and regasification unit with 4m tonnes per annum of capacity.

Commissioning of Mundra and Jaigarh has slipped to this year from mid-2018, overlapping with the start-up of the Dahej expansion project, which will add 2.5m tonnes in annual capacity to India's largest LNG import terminal.

Despite the multiple delays seen in India's LNG import projects, Mr Sharma suggested one silver lining — these projects are starting operation at a juncture when low-priced cargoes are available on the spot market.

Wood Mackenzie's data reflected only a 2% expansion in India's LNG demand last year, but the research agency projects a rebound in the country's gas demand this year, supported by requirements from the fertiliser and city gas sectors.

IN OTHER NEWS

Star Bulk says fitting scrubbers was a right decision

STAR Bulk, a US-listed dry bulk owner and operator, said retrofitting scrubbers on its fleet of 110 vessels had proven to be economically justified based on the price spreads between fuel types.

The company's chief strategy officer Charis Plakantonaki said the scrubber investment, which was a hedge against high fuel costs, was a "herculean" project.

The scrubbers, which have technically been performing as expected, are however a medium-term solution for the company, which is now turning its attention to decarbonisation efforts, she said.

Bureau Veritas says French-led coalition on decarbonisation is industry leader

INITIATIVES being taken by France's maritime community are enabling shipping to achieve its decarbonisation aims, according to Bureau Veritas.

The classification society, which is a founding partner of the Coalition for Maritime Environmental and Energy Transition, says the transition to cleaner and low carbon energy is a global requirement

The coalition, developed by the French Maritime Cluster, is a response to a call by President Emmanuel Macron to France's maritime industry to find "collective and innovative solutions" to future environmental and energy challenges

Ukraine and Georgia stage another Crimea protest at IMO talks

UKRAINE and Georgia have used International Maritime Organization search and rescue talks to protest Russia's seizure of Crimea, despite being told the dispute belonged elsewhere.

The two countries argue that Russia's 2014 invasion of Crimea has hindered sea search and rescue operations in the region's disputed waters.

In a recent submission to an IMO subcommittee, they said Russia's occupation left them unable to exercise coastal state rights or carry out treaty obligations in the Black and Azov seas and the Kerch Strait.

ICC signs deal to boost digitalisation of global trade and commerce

THE International Chamber of Commerce has leveraged on the global platform of the World Economic Forum Annual Meeting in Davos to accelerate the digitalisation of global trade and commerce.

The world's largest business organisation has signed an agreement at the forum with the Singapore government, and major firms from key industries, to facilitate and accelerate adoption of digital technologies in trade and commerce and move away from the current paper-based system.

Key participants include prominent Singapore companies such as DBS Bank and PSA International. Trafigura, which is also a signatory, already has a finger in the pie, kicking off blockchain-based trading platform ICC TradeFlow in Singapore with a landmark $20m pilot trade of an iron ore shipment from South Africa to China in November 2019.

Danish shipping chiefs sign up to women's charter

AT LEAST a dozen companies have signed up to Danish Shipping's Charter for More Women in Shipping.

The charter was signed in Copenhagen on Thursday with some of the biggest names in shipping — AP Moller-Maersk, Maersk Tankers and Maersk Supply Service, DFDS, Torm, Hafnia, Ultrabulk, Navigare Capital, Svitzer, MOL Nordic Tankers Trading, DanPilot, Danish Pilot Service, and Esvagt.

Dry bulk owner and operator Norden, and Molslinjen, have already signed the charter. Danish Shipping, an owner-oriented association based in Copenhagen, expects 75% of shipping companies to sign up to the charter by the start of 2021.

Tanker crew released after kidnap ordeal

EIGHT crew members from a Greek-owned product tanker have been released after three weeks of captivity in West Africa, Greece's shipping ministry has confirmed.

They were kidnapped from *Happy Lady*, a medium range two tanker in the fleet of Eastern Mediterranean Maritime, on December 31 while anchored two miles off the port of Limbe in Cameroon.

Five Greeks were among the kidnapped crew members, including the vessel's 45-year-old master, its first officer, second engineer and two cadets. The crew are all "in good health", the ministry said.

Hamburg Süd cuts management post

HAMBURG Süd's management board will be trimmed when chief commercial officer Frank Smet retires in March.

Mr Smet, who has spent 27 years at the carrier, has been a member of the management board since

2012, originally responsible for the line's network, operations and logistics.

Those roles were taken over by Maersk when it acquired the company in 2017, and Mr Smet assumed responsibility for sales and customer service. Those roles will now be taken over by Hamburg Süd chief executive Arnt Verpsermann.
Hamburg Süd's management board will now consist of Mr Vespermann and chief financial officer Jakob Wegge-Larsen.

Torm buys two LR2 newbuildings from GSI
TORM has agreed to buy two scrubber-equipped long range two tanker newbuildings from Guangzhou Shipyard International.
The Danish product tankers owner is expected to spend $95m on the two vessels, including the costs of its design requirements and scrubber installation, saying it had secured $76m in financing from an unnamed international financial institution.

The 10-year sale and leaseback agreement had purchase options during the lease period and at maturity, Torm said.

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