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Bulkers snub refuelling delays at Singapore as new fuel rules take effect

SOME BULK CARRIERS THAT previously stopped over to refuel in Singapore have decided to bypass the world's top marine fuel hub from the start of this year, resorting instead to loading bunkers at the start of their voyages.

Pradeep Rajan, who heads up S&P Global Platts shipping and freight team in Asia Pacific, attributed this notable change in bunkering behaviour to the longer lead time required to secure compliant marine fuel oil in Singapore after the International Maritime Organization 0.5% sulphur limit kicks in.

Feedback from bulk carriers pointed to five to seven days' worth of lead time needed for the delivery of 0.5% sulphur marine fuel oil, very low sulphur fuel oil during the first two weeks of this month.

The situation has eased since mid-January, with the time used up shortening to somewhere between three to five days, but a few shipowners are still determined to bypass Singapore, Mr Rajan said.

However, bunkering industry veteran Simon Neo suggested that it is too early to pin the blame on the IMO 2020 transition.

He noted that even before January 1, shipowners were obliged to fix their supply sources days before their vessels were due to call at major ports in Asia.

What is clear is that not all ships have been equal and will be deemed equal by marine fuel suppliers.

It getting tougher post-2020 to secure compliant marine fuel oil for ships trading on spot or short-term charters, even at the renowned bunker hub of Singapore.

Such logistical hurdles would have also hit those scrubber-fitted bulk carriers if their owners or operators did not fix marine fuel supplies ahead of time.

Nevertheless, recent surges in VLSFO prices have already bolstered the scrubber premium — or the spread in term charter earnings between scrubber-fitted and non scrubber-fitted bulk carriers — particularly in the early days of 2020, according to Platts data.

Platts assessed the scrubber premium for capsize bulk carriers at $8,664 per day on Friday, up from $8,641 the previous day.

These numbers correspond to a widening in price spread between VLSFO and 3.5% marine fuel oil, or HSFO, from $255 per tonne to $308 per tonne as per Platts assessments on the same dates.

Mr Rajan pointed out, though, that the scrubber premium has already eased off from a high of $12,246 per day on January 3, one day after VLSFO prices breached $700 per tonne for the first time.

He expects most shipowners may only decide about further exhuast gas scrubber fittings after monitoring the trends in marine fuel prices over the first three months of 2020.

"They want to watch how the high-sulphur fuel oil/low-sulphur fuel oil spread may move and whether it still supports scrubber installations — a price spread of $250 to $300 is seen supporting scrubber installations," he said.

By Platts' estimate, between 15% and 20% of the global capesize bulk carrier fleet is now fitted with scrubbers.

Higher VLSFO prices act as an incentive to shipowners to seriously consider burning compliant marine gas oil, or MGO.

At one point this month, the VLSFO-MGO price spread hit zero, but it has already widened to $80 on Friday, according to Platts assessments.

Mr Rajan took the view that a price spread of no more than $10 would encourage shipowners to switch from VLSFO to MGO.

That said, certain capesize bulker owners have indicated "greater willingness to procure as ship fuel 0.5% sulphur MGO", he said.

WHAT TO WATCH

Heidmar and Signal claim successful start for new tanker pool deal

A NEW tanker pooling alliance between the George Economou Group and Ioannis Martinos-led Signal Maritime Services appears to have won over the majority of aframax owners affected by the tie-up.

Ten vessels have already switched directly from the Sigma Pool operated by traditional pools manager Heidmar, now 100% controlled by Mr Economou, to Signal's pool, boosting it to a total of 24 aframaxes so far.

Owners of another nine aframaxes are expected to make a positive decision this week, managers said.

The positive take-up by Sigma Pool participants comes despite a healthy tanker market when traditional wisdom is that pools struggle as owners often opt to lock tonnage into time charters or try to go it alone.

Only two out of the 21 vessels listed in Sigma seem likely to remain there, at least for now. The reason given for that is that the pair are trading clean whereas Signal's focus is on the crude trades.

Heidmar's other pools — Bluefin for suezmaxes and Seawolf for very large crude carriers — are continuing business as usual and neither they nor Heidmar as a company are being shut down, executives underlined.

Heidmar staff are currently working alongside Signal's team "to ensure a smooth transition," said Heidmar chief executive Pankaj Khanna.

Given that the new partnership will more than double the fleet commercially managed by Signal, it expects to increase its own team and may be evaluating Heidmar staff on secondment for certain positions, it is understood.

"We have put a retention plan in place for Heidmar employees, who are working with the full backing of Signal and the Economou Group," said Mr Khanna.

"Continuing to provide the same excellent service expected by Heidmar participants is a priority, but in addition they are able to leverage the Signal technology to improve results," he said. That applied to Bluefin and Seawolf pool members as well as to aframax owners.

Signal's much-vaunted credentials as a pool operator stem not only from the experience of Mr Martinos and other top management with a background from Greece's Thenamaris, but from its proprietary technology and analytic capabilities, backed by artificial intelligence.

"We are excited by the opportunity to try to maximise results for all our owners, including those coming over from Heidmar," said Panos Dimitracopoulos, Signal Maritime's chief executive.

"It has been a successful start in terms of conversions from the Sigma Pool," he added.

Insiders have told Lloyd's List that Signal has maintained an average of more than $65,000 per day this year so far in aframax fixtures.

This compares with a $58,482 per day sector average for 2020 to date reported by Clarksons.

Coronavirus: Guidelines issued to shipping

CONTAINER terminals in southern China and Shanghai are operating normally, despite the spread of coronavirus, sources in China have said.

"Schedule and operations are as per what has been planned," one terminal operator representative told Lloyd's List.

Cosco Shipping Dalian Investment chairman Simon Young said local authorities were publishing more control and prevention policies to combat coronavirus.

"Zhejiang Province announced yesterday that all enterprises shouldn't be open and back to operation before February 9, except those essential and medical/health supply," he wrote on LinkedIn.

Zhejiang was one of the most dynamic areas in China, he added, with Ningbo-Zhoushan port responsible for throughput of 27.5m teu.

According to reports, there are now 4,500 confirmed cases of coronavirus.

Deutsche Bank's China economist noted that the rate at which confirmed cases are increasing, with new cases doubling about every two days, if continued, would pass the confirmed SARS cases in China and Hong Kong combined in 2003 within a few days.

"We hope the effects diminish quickly; meanwhile, these developments have some temporary implications for global transportation and logistics networks," Deutsche Bank said. "The most directly impacted are maritime shipping companies, particularly dry bulk, though scrubber-fitted vessels are still earning sizable premiums."

The International Chamber of Shipping and the US Coast Guard have issued advisories to shipping on how to respond to the threat from coronavirus.

"The shipping industry will always prioritise the health of our crew and members of the public above all else," said ICS secretary-general Guy Platten.

"We have recommended that all our members across the world follow the World Health Organisation measures. As an industry, we fully understand the importance of playing our role in halting the spread of viruses."

The chamber's advice recommends exit screening at ports to detect symptomatic crew or passengers, heath information campaigns, and collaboration with public health authorities.

"By implementing the measures in their entirety, we are avoiding the needless closure of any port," Mr Platten said.

The recommendations reflect advice given from the WHO, which has stated that if certain measures are taken, there should be no "unnecessary restrictions of international traffic", meaning ports and global shipping can continue to operate.

The USCG advice warns that travellers from Wuhan entering the US may be questioned about their health and travel history on arrival.

Vessel representatives are required to report “sick or deceased” crew or passengers within the last 15 days to the Center for Disease Control.

“Vessel masters shall inform Coast Guard boarding teams of any ill crew members on board their vessel prior to the Coast Guard embarking and boarding teams should verify vessel illnesses with CDC if concerns arise,” it said.

Separately, Deutsche Bank noted that while shares in shipping companies had seen an across-the-board sell-off yesterday, it was maintaining a positive view on the sector.

“Balance sheet considerations have greater implications for structural equity value than near-term movements in rates and asset values,” it said.

“We are not surprised by [the] sell-off, as what’s bad for China is bad for shipping and vice versa. But our conviction in the long-term outlook for intrinsic equity value is informed less by transitory factors and more by capital structure and break evens, and in this context we stand by our positive long-term calls.”

CMA CGM moves Sartini to head port operations

NICOLAS Sartini is to take charge of CMA CGM’s port interests from the beginning of March.

Earlier this month the French group announced Mr Sartini would be stepping down as chief executive of CEVA Logistics.

The brief statement from CMA CGM at the end of a press release about a management reshuffle at its recently acquired logistics unit raised speculation that Mr Sartini would be leaving the group altogether.

However, Lloyd’s List understands that an internal memo to staff this week revealed Mr Sartini would be taking responsibility for Terminal Link and CMA Terminals. CMA CGM has confirmed the move.

Mr Sartini, who has spent three decades with CMA CGM, is highly regarded in industry circles.

For many years, he ran CMA CGM’s all-important east-west trades. In 2016, he relocated to Singapore to head the French group’s struggling acquisition NOL, and its loss-making liner shipping subsidiary APL.

He quickly turned the business round, with APL back in the black by mid-2017.

He joined CEVA Logistics in late 2018 as part of the integration team, and took over as chief executive last June.

Terminal Link, which was established in 2001, is a joint venture between CMA CGM and China Merchants Holdings International, and has interests in 13 terminals, according to CMA CGM’s website.

CMA Terminals is a wholly-owned by CMA CGM, and has a portfolio of 32 terminals.

ANALYSIS

Green groups push for emissions targets on LNG-fuelled ships

ENVIRONMENTALISTS are stepping up pressure on global regulators to set methane emission targets for ships fuelled by liquefied natural gas.

This follows the release of an International Council on Clean Transportation study that concluded LNG does not deliver emissions reductions sought under the International Maritime Organization’s greenhouse gas strategy, and might even worsen shipping’s climate impact.

It challenges accepted industry views that using LNG provides a 20% reduction of greenhouse gas emissions in shipping, and raises fresh questions over the longevity of vessels propelled by the fossil fuel.

Investments in LNG, from fuel infrastructure and newbuildings, lock shipowners into another fossil fuel, making it harder to transition to low and zero-carbon alternatives, environment groups said in their submission to the IMO's Marine Environment Protection Committee. The committee next meets in March.

However, LNG is shaping up as the most commercially viable alternate fuel to reduce shipping's carbon footprint even as scrutiny intensifies about its sustainability.

In the submission, the Clean Shipping Coalition, Pacific Environment, World Wildlife Fund and Greenpeace ask the MEPC to account for all greenhouse gases, including methane, in future phases of technical design indices for new vessels.

The Energy Efficiency Design Index, approved in 2011, is phasing in uniform standards for equipment and engines to reduce pollution on new and existing vessels.

The ICCT study compared life-cycle greenhouse gas emissions of LNG, marine gasoil, very low sulphur fuel oil and high-sulphur fuel oil used for engines in international shipping including cruise ships. This meant their findings incorporated unburned methane (methane slip), as well as upstream and combustion emissions.

"The maximum life-cycle greenhouse gas benefit of LNG was a 15% reduction compared with MGO over a 100-year time frame," the study said, qualifying this was only achieved if using high-pressure injection dual-fuel engines for LNG. Results were worse in other LNG engine types, it said.

The IMO aims to reduce greenhouse gas emissions by 2050, but has not considered the full life-cycle of producing LNG, according to Bryan Comer, senior researcher of the ICCT Marine Programme.

"If I were a shipowner today, and I was looking at investing in a new ship, I would be concerned that the IMO would wake up and begin to regulate methane emissions from ships," Mr Comer told Lloyd's List.

"Thinking about the future regulatory landscape, I would be looking at continuing to use a conventional internal combustion engine as the power plant, but I would also be looking at ways to reduce the overall fuel consumption of the vessel itself. So I will be designing it to run marine gas oil in an internal combustion engine"

Mr Comer said internal combustion engines could be converted in the future to operate on zero carbon fuels such as ammonia and offered more flexibility than LNG, which required tanks.

The maritime industry has been slow to embrace LNG as a marine fuel. It is used by 170 ships, or 0.2% of the fleet, according to the Society for Gas as a Marine Fuel. Nearly 200 LNG-fuelled ships were on order, with 75 ports and terminals supplying LNG and more than 9,000 bunker transfers up to last October. The ICCT study said there were 756 LNG-powered ships, including 539 LNG carriers.

HPDF engines using LNG emitted 4% more life-cycle greenhouse gas emissions than if they used MGO, the ICCT study found. The most popular LNG engines, the low-pressure dual-fuel, four-stroke, maximum speed engine which is used on cruise ships, emitted over 70% more.

The EEDI currently regulates carbon dioxide emissions on vessels, so LNG-fuelled ships will more easily meet target, the study finds. LNG carbon dioxide emissions are 25% lower than conventional marine fuels providing the same propulsion power.

"Until the IMO regulates greenhouse gas emissions, as it has signalled it will do under its initial greenhouse gas strategy LNG will remain an effective way for shipowners to meet the standard," according to the study.

The Society for Gas as a Marine Fuel was contacted for comment about the study but general manager Mark Bell was at a conference and could not get back in time, Lloyd's List was told.

SEA/LNG, an industry group that represents stakeholders in the nascent LNG shipping sector, said it was preparing a response for Lloyd's List. This article will be updated to reflect this once it is received.

Incoherent bafs baffle shippers

VARIATIONS in the levels of bunker surcharges being applied by carriers to meet sulphur cap costs is leading to confusion among shippers and beneficial cargo owners, according to analysts.

Drewry said confusion created by inconsistent carrier fuel charges were "an area of concern and an increasing problem" for shippers.

One shipper admitted to being "completely lost" on how to respond to the "incoherent" actions of carriers, while another said that different carrier approaches to bunker adjustment factors made it hard to distinguish charges.

In a study of spot market surcharges, Drewry found that fuel charges for voyages from the Mediterranean to the US Gulf ranged from $10 per teu to $290 per teu, depending on the carrier.

"On most lanes, the average increase was about $150 per 40ft container, but with big variations between lanes and between carriers," Drewry said. "For logistics procurement executives, an increase of $150+ per teu for spot shipments is an issue. It could potentially destroy their transport spend budget and damage their professional credibility as buyers."

Carriers have been implementing bunker surcharges to cover the higher costs of low-sulphur bunker fuel and modifying those charges depending on the price of the fuel.

Last week, Maersk raised its charges between $50 and $200 per feu as the price of low-sulphur bunkers in Singapore surged to $700 per tonne in the first weeks of the year.

But as Lloyd's List reported yesterday, efforts to apply the charges have been met with resistance by shippers, particularly on backhaul trades, where spot rates show little indication of successful applications of bafs.

Drewry also notes that either the bunker charges or the all-in freight rates have been negotiated down on the backhaul.

"Drewry has heard of difficult and absurd discussions between shippers and carriers, where the implementation of the new, higher post-IMO bafs charges is combined with reductions in all-in rates (due to market pressures), resulting in negative base freight rates," it said. "Conversely, we have clearly seen increases in Asia-to-US and Asia-to-Europe spot freight rates in January."

But these increases have been as much to do with pre-Chinese New Year demand as they have with bafs, and the level to which bafs stick will only be known when normal seasonal demand resumes.

"Whether [carriers] will retain the new IMO 2020 charges in very weak markets remains to be seen, but the carriers' priority is to ensure recovery of a high proportion of the additional fuel costs on the high-volume, headhaul trade routes," Drewry said.

MARKETS

Container shipping adopts track and trace standards

THE Digital Container Shipping Association has today published its first standard in the form of a common set of processes, and data and interface standards for track and trace services.

The standards can be implemented by carriers, shippers and third parties to enable cross-carrier shipment tracking using a common terminology for data and events.

"Most of the carriers have thousands of electronic data interface connections that are individual to clients and vendors," association chief executive Thomas Bagge said in an interview.

"Whenever they want to make a change in their IT environment or booking system or trade system, they then have to go and test against these thousands of individualised connections."

But by moving to an application programming interface and establishing a fixed set of events, carriers and customers can use the same tools for track and trace.

"It will enable customers working across different carriers to use one application programming interface to get information from all of them," Mr Bagge said. "Carriers are all transporting the same square box, so the requirements for the customers are the same across carriers; has the box been loaded on a vessel, where is it, has it been unloaded?"

For carriers, there would be a cost benefit when the standard gained traction. From the customers' point of view it would create greater transparency, because information received from different carriers will be comparable.

The standard covers around 60 different events that have been agreed by the nine carrier members that make up the DCSA.

"We had to sit down with all the carriers to define things like vessel arrival," Mr Bagge said. "For some, it is when the pilot gets on board, for others it is when the ship berths. We had do go through these and settle on one for each event. What we've said now is that a vessels arrives when it berths. It makes sense when you consider that in Hamburg the pilot can board 12 hours before the ship berths, so it does matter."

The aim is not an overnight change, but a gradual adoption of the new standard over time.

"It is not that we will retire the old ways of doing things, but when a customer is ready they can onboard the new systems," Mr Bagge said. "Over time, we expect new customers will migrate on to the standard instead of creating a new one each time. It make sense for customers to move from the old technology of electronic data interchange to the new standards."

The publication of the standard is a landmark for the DCSA, which was formed in April 2019.

"If we really want to digitalise global shipping the documentation side is critical, but this was something we felt we could get up and running quickly," said Mr Bagge. "As a group, we wanted to gain credibility and traction then move on to the documentation side."

The new standard should also form a baseline for future work by the DCSA.

Mr Bagge said: "Our expectation is that we will publish the first standards around smart containers later this year."

Chinese New Year demand surge disappoints

THE expected surge in demand on Asia-Europe container shipping ahead of Chinese New Year failed to materialise, with box spot rate gains in January largely the result of carriers limiting capacity, according to forwarders and 3PLs.

Joseph W Fordney, senior vice-president for Global Business Development at Geodis, said that demand for forwarding services out of China in the run-up to the New Year had "not been overwhelming"

China's official lunar new year celebratory holidays run on January 24-30 this year, some two weeks earlier than in 2019.

However, many employees headed off to join their families early to avoid travel chaos and coronavirus travel restrictions, leaving factories with reduced staff last week.

Klaus Lysdal, vice-president of operations at iContainers, said that although some shippers had attempted to delay shipments until after the holiday period to avoid high inland charges, the rush to ship ahead of factory closures was not comparable to the years before the China-US trade war started in 2018.

Brian Wu, chairman of the Hong Kong Association of Freight Forwarding, said: "Most of the suppliers are already on holiday and going back to their home towns for Chinese New Year. Some of them will return to work in the first week of February."

Traditionally in the weeks leading up to Chinese New Year there is a surge in freight demand and spot container shipping rates.

This year Shanghai to north Europe rates increased from $702 per teu on November 22 and peaked at $1,224 per teu on January 3, according to the Shanghai Containerised Freight Index.

Thereafter, however, prices tumbled, reaching $969 per teu on January 23 as lines cancelled planned General Rate Increases scheduled for January 15.

"Rates have been up but are already decreasing again," said Mr Fordney.

Mr Wu said ocean forwarders in Hong Kong reported a steady increase in volumes over recent weeks, which prompted some cargo rolling by carriers.

Reports that lines were dumping cargo loaded in China on transhipment quays en route to Europe were not confirmed by forwarders.

Although the official holidays in China finish at the end of this week, workers often return late — or fail to return at all — which means output from factories is often affected for as long as a month, creating a prolonged lull in export shipments.

The trend this year will be exacerbated due to coronavirus transport shutdowns which some analysts expect will lead to lengthier factory closures this year, possibly into mid-February.

Lines have already announced a string of blanked Asia-Europe sailings for the coming weeks to help maintain rates.

Figures provided by one UK-based forwarder estimated that liner capacity on services from China to north Europe offered by the leading alliances peaked in weeks 2 and 3 of 2020.

However, service withdrawals will see an estimated 18% decline in capacity in week 4 when compared to weeks 2 and 3. Capacity will be down by 22%, 44%, 24% and 19% over weeks 5, 6, 7 and 8, respectively, and will still be 5% lower than in weeks 2 and 3 in week 12.

IN OTHER NEWS

Eagle Bulk settles with US over Myanmar sanctions breaches

EAGLE Bulk Shipping's shipmanagement unit will pay $1.1m to settle claims it traded with a blacklisted Myanmar company between 2011 and 214, breaching US sanctions.

Eagle Shipping International admitted 36 breaches after an internal review, the Treasury Department said in a statement.

Bulk carriers operated by the company carried sand from Myanmar to Singapore for Myawaddy Trading Ltd, a company on the Office of Foreign Assets Control list of specially designated nationals and blocked persons (SDN), in deals worth a total $1.8m.

Owners may have recourse against timecharterers for off-spec bunkers

OWNERS may have recourse against timecharterers where low-sulphur fuel oil bunkers are off-spec or otherwise unfit to be consumed by the vessel, legal experts say.

Sedimentation in low-sulphur fuels is also proving an issue, with alerts issued in Singapore, Piraeus, Amsterdam, Rotterdam, Miami and San Vincente in the four weeks since the introduction of new sulphur cap rules, according to a briefing from Hill Dickinson.

Operators should start planning the debunkering of any remaining high-sulphur fuel in good time, ahead of the entry into force of part two of the regulations on March 1, the law firm advises.

Thailand may start LNG spot trades

THAILAND'S energy ministry is considering purchasing and importing liquefied natural gas spot cargoes in a bid to conserve the country's fast-depleting offshore gas resources.

Energy minister Sontirat Sontijirawong has ordered state-owned oil and gas and group PTT to study the feasibility of procuring LNG imports from the spot market to take advantage of lower prices, the Bangkok Post reported.

PTT imports roughly 5m tonnes of LNG a year, all of which are tied to long-term offtake arrangements.

Tankers lead Performance Shipping back towards profit

PERFORMANCE Shipping's switch to tankers has had a positive impact on the Nasdaq-listed company's profitability although shedding its container fleet last year dragged it to an accounting loss.

Its first two aframax tankers, *Blue Moon* and *Briolette*, were delivered in August and November last year and were cited as the main reason for fourth-quarter revenues increasing to $10.6m, from $6.1m in the same quarter in 2018.

A third aframax acquisition, *Virgo Sun*, was delivered to Performance this week and has been renamed *P. Fos*.

Castor Maritime eyes growth after clinching $9.5m in new funding

CASTOR Maritime, a Cyprus-registered dry bulk carrier owner led by Petros Panagiotidis, has raised $5m from an unidentified institutional investor.

The agreement covers the investor's purchase of three debentures, maturing in 12 months, that can be converted into shares in the company, which was listed on Nasdaq last year and also trades on the Norwegian over-the-counter market.

The first of the three debentures, in the amount of

$2m, has already closed, with two more top be issued with principal amounts of $1.5m each.

Dutch maritime leaders to hold post-Brexit talks with UK

THE Dutch government is to hold talks on maritime relations with the UK after Britain leaves the European Union.

A Maritime Nations Forum will be held in Rotterdam next month to discuss trade ties and areas to prioritise within a UK-EU Free Trade Agreement and any broader partnership.

The Netherlands is the UK's third-largest trading partner and fourth-largest export market, with trading relations stretching back 400 years.

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