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Daily Briefing

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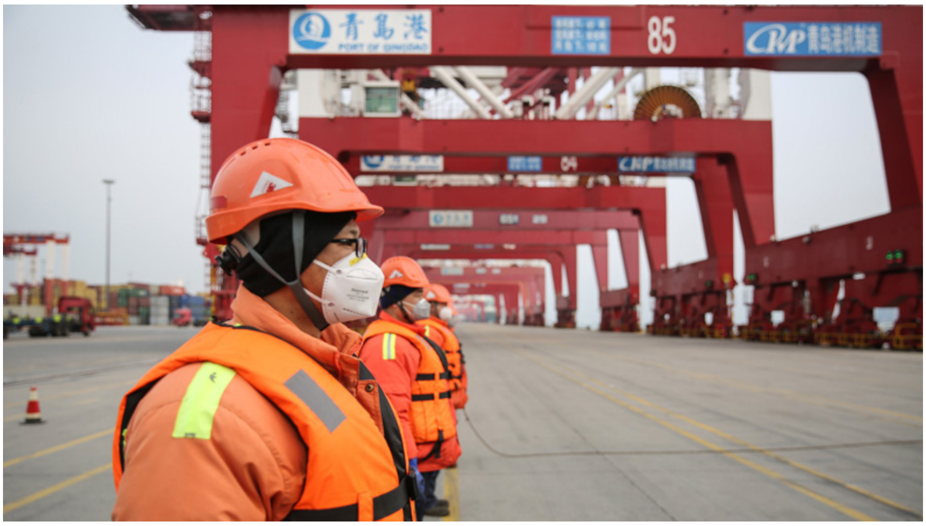
Coronavirus: Shipping prepares for the worst but hopes for a swift bounce back



THE SHIPPING INDUSTRY has been feeling understandably unprepared for infections for some time now.

When Maersk found itself infected with a cyber virus in 2017 it took 10 days for the company to rebuild its entire network of 4,000 servers and 45,000 PCs. The outage cost Maersk $300m.

The recovery from coronavirus will not be so simple, so swift or so cheap.

This infection has offered a stark reminder of the frailty and importance of the industry's human element.

For all the stark forecast revisions and downgrades foretelling the impact of coronavirus' infection of the global economy, we are still in the early stages of an operational response to this outbreak.

While we can say with some confidence that an extended shutdown of China and the global supply chain will temporarily cripple shipping markets, an accurate assessment of the knock-on consequences of coronavirus is impossible to predict precisely because it has infected every aspect of the supply chain.

From the quarantined cruise liners to the lack of workforce in the shipyards and factories. From the deferred demand from the world's largest economy to food shortages on board vessels that can no longer allow crew changes. This health emergency has paralysed ports, it has disrupted schedules across all sectors, led to serious challenges for crew management, seen force majeure declared on major contracts and prompted a round of container services to be withdrawn with lines now forecasting issues well into the second quarter of the year. It has thrown the global gas market into turmoil as Chinese importers threaten to cancel up to 70% of seaborne imports in February as demand collapses and companies struggle to staff operations.

And at the centre of every story are the people who would usually operate as the cogs in the wheels of global trade, unable to turn.

Lloyd's List's China Editor is just one of millions currently quarantined as the global economy seeks to immunise itself from the virus. The streets of Shanghai are eerily quiet and with every meeting moved online, every conference postponed and every flight cancelled the shutters are coming down.

On the water seafarers are going through a prolonged and arduous journey right now and while the industry's response has been proportionate and appropriate, the immediate need to find ways to support crew is now urgent. Lloyd's List has heard multiple examples this week of agents and operators warning that reserves of food on board are now in serious shortage and few were able to offer any certainty as to when a resolution will emerge.

Ashore the initial stoic response of stay calm and carry on is beginning to wear thin.

Uncertainty surrounding the coronavirus outbreak means that nobody has an accurate idea of how long the current disruption to air, ocean and rail freight flows to and from China is likely to last. But the consensus seems to suggest that everyone is braced for a rise in freight rates when the situation does improve and an expected capacity squeeze kicks in.

The lock down of large parts of the transport system has limited the consumption of oil, and refiners have cut crude runs across the board. Demand lost because of this is unlikely to return to boost shipping demand after the crisis is over.

Other elements of the lost economy, however, will bounce back. The question is one of timing.

Extended blanked sailings by box lines have been the first measure taken to ease the pressure of low demand. But if goods are not produced at all, the short-term alternatives do not exist. As BIMCO's chief analyst told the Lloyd's List Podcast this week, medium term alternatives will rise fast though, meaning alternative producers of the goods, just as we have seen as an effect of the ongoing trade war between the US and China.

On the tanker side coronavirus is one of many woes including the lifting of US sanctions for a significant fleet of Chinese owned tankers just when the market didn't need them. But longer term the fundamentals offer a glimpse of optimism for those prepared to squint hard enough.

It will take a while for shipping to get back on its feet. Rates have tumbled and will continue to do so, forecasts will have to be adjusted beyond the downward revisions we have already seen.

Expect a slow period for the market as the dust settles and don't rule out further upsets. As with previous examples of epidemics, like SARs in 2003, we can expect markets to rebound pretty swiftly once infection is contained. But a lot now rests on how long China will stay quarantined and how quickly the human element can reboot and rebuild.

WHAT TO WATCH

Growing LNG demand will find new trades for steam turbine ships, says Livanos

GASLOG founder and chairman Peter G. Livanos has underlined his belief in the liquefied natural gas shipping market after the group unveiled $162m in impairment losses on six older steam turbine vessels.

The move, combined with a 78% dividend cut for holders of common units in GasLog Partners that owns five of the written-down vessels, sent the share price of the separately listed subsidiary tumbling 49% on Thursday.

Meanwhile, GasLog's stock price fall was confined to single digits. GasLog Ltd is "by far" the biggest shareholder of GasLog Partners that has grown through drop downs from the sponsor company's fleet.

"I remain confident in the outlook for natural gas demand," said Mr Livanos, participating in a combined earnings call for the two companies.

Positive trends included the widespread switch from coal to gas and LNG's role in supporting the renewable power sector. In addition, LNG "will have a vital role in the ability of the shipping industry to achieve the stated IMO targets of 25% reduction of CO_2 emissions by 2030," he said.

"In any cyclical business, there may be a temporary mismatch between supply and demand, such as the one playing out in the global gas markets," said Mr Livanos.

Increasing LNG demand and a growing role for traders in the spot LNG market were "opening new markets and trade routes positive for LNG shipping demand with the potential to increase tonne-miles," even though the trend was likely to result in shorter-term charter durations.

Mr Livanos said that GasLog remained committed to the two-company structure that allowed "each company the autonomy to pursue their own strategies".

GasLog Ltd, which has seven newbuildings on order on top of an operational fleet of 13 LNG carriers, had decided to "pause our growth trajectory".

According to Mr Livanos, to order further LNG carrier newbuildings in the next few years will require the owner "to run the maths on a 25-year life and not a 35-year life".

That was because, in contrast to bulkers, tankers and containerships ordered today, a new LNG carrier is expected to be still operational in 2050 when IMO emission cut targets will have demanded a technological step change in fuels and propulsion.

"That means that every LNG ship today gets to 2050 and probably is technologically challenged in terms of residual value," he said. "That's pretty unique and I do not think that the industry has picked up on that."

Meanwhile, GasLog Partners, which controls a fleet of 15 LNG carriers including most of the group's steam turbine units, was focused on strengthening its balance sheet and becoming "more and more opportunistic".

The partnership aimed to position itself to pick up further LNG carriers from the market when opportunities become available.

"I have no doubt in my mind," said Mr Livanos. "There are some people who are going to find themselves in an uncomfortable position the next two or three years with some of these speculative newbuildings.

"So we are getting ready, and we are getting ready to take advantage of that," he said.

Mr Livanos also saw a two-tier market developing around modern diesel-powered vessels on the one hand and on the other steam turbine vessels that still comprise about 40% of the LNG carrier fleet.

"I believe that we will see a shortsea market developing," said Mr Livanos, citing Middle East to India voyages as one emerging market of this kind.

"Short voyages play to the strengths of the steam ships in terms of their ability to move them without having too big a disadvantage on fuel consumption or size," he said. "The key is to get the competitive cost levels of the steam ships down enough so that they can trade in these shortsea opportunities."

Cosco VLCCs attract charterer interest after sanctions lifted

MORE previously sanctioned Cosco Shipping tankers have sailed out of anchorage, with three very large crude carriers seen destined for West Africa and the Middle East Gulf.

The moves tracked by Lloyd's List Intelligence suggest these vessels, which are back to operation from months of idling, have started to regain interest from charterers.

The 2016-built *Cosrising Lake* is expected to arrive at the Port of Cabinda in Angola on March, according to vessel tracking signals.

Meanwhile, the 2018-built *Cosnew Lake* and 2015-built *Yuan Hua Hu* are scheduled to reach Al Basra Terminal in Iraq and Ras Tanura in Saudi Arabia respectively, on February 20 and February 19.

All three vessels are passing through the Malacca Strait on ballast voyages.

On Thursday, CNOOC provisionally agreed a rate of Worldscale 45 to load 260,000 tonnes of crude on *Cosrising Lake* from West Africa to China. That equates to about $22,000 per day for the voyage.

The Hong Kong-flagged vessel has not gone through its latest safety inspection under the Ship Inspection Report Programme, known as SIRP, shipbroker data shows.

A China-based broker said Chinese oil giants can support non-SIRP tankers of their domestic state-owned shipping counterparties, although a discount on freight rate may be offered by owners for the initial voyage (after which the inspection should be completed).

Overall, the reactivated VLCC fleet under Cosco Shipping Tanker (Dalian) has a total of 22 units as of February 7, up from 10 seen at the beginning of this week. The tanker unit, which had been blacklisted by the US until last Friday for violating sanctions on Iran, owns a fleet of 43 oil tankers, including 26 VLCCs.

Most of the vessels are destined for bunkering hubs including Singapore, Fujairah and Hong Kong, suggesting they are still looking for charter hires while on the way.

Braemar ACM said in an earlier report that bunkering and vetting delays, as well as crewing and manning issues related to the coronavirus outbreak would likely delay the return to trading of the Dalian Tanker VLCCs.

The freeing of the tonnage comes as tanker earnings have been experiencing a freefall led by the VLCC segment during the past weeks. Market sentiment was exacerbated by the coronavirus outbreak originating in China that is disrupting shipping services and cutting the country's oil demand.

"The VLCC market has gone from bad to worse, with new lows set every day," Fearnleys noted in its latest weekly report.

Daily earnings are now at or below operating expenses, with vessels running on compliant low-sulphur fuel bearing the brunt, said the brokerage.

"Every enquiry is receiving upwards to double digit offers, making fixing even at new lows a gamble, because there is a lot of fixing and failing and/or renegotiation going on."

Coronavirus outbreak may have long-term impact on supply chains

THE impact of the coronavirus outbreak could be the catalyst for a wider restructuring of the supply chain, according to the head of the US' major third-party logistics body.

"This is the second time something like this has come out of China," Transportation Intermediaries Association chief executive Bob Voltmann told Lloyd's List at the Cargo Logistics Canada conference in Vancouver.

"We have seen a different reaction this time to SARS back in 2003. We've already seen air travel stopped. In the US we are quarantining passengers. This gives us a huge opportunity to reinvent supply chains into the North American market."

Mr Voltmann said the ratification of the US-Mexico-Canada Agreement, which replaced the North America Free Trade Agreement, would also contribute to more manufacturing taking place in the US rather than in Asia.

"China has a declining population," he said. "The one-child policy might have made sense under a strict communist regime in which the economy was not growing but it does not make sense in an economy growing at 6%."

Because of that, in the long term, China would begin to look like Japan, with a wealthy but declining population.

"So that cheap manufacturing is going to move out of China into Southeast Asia," said Mr Voltmann.

"But I think what you will also see is more near sourcing. If you're selling products in North America you will make them here."

The expansion of US oil and natural gas production would lead to more chemicals and plastics being made in the US, which in turn would be used in local manufacturing.

"We also have Mexico, which has much less expensive labour and cheaper transport back into the US and Canada via rail and truck services," he said. "I definitely see a manufacturing renaissance here in North America."

Magali Amiel, who manages transport in Canada for French sportswear brand Decathlon told Lloyd's List that the coronavirus was already affecting the company's imports.

"We have factories closed in China and containers there that should be in Canada," said Ms Amiel. "It has already put pressure on the supply chain and on stores, so diversifying sourcing in the future will be important."

The environmental agenda was also putting a premium on near-sourcing, she added.

"It is important to be manufacturing in the country of consumption as much as possible," she said. "Customers are looking for local production."

OPINION

Sulphur cap complications offer cautionary tale

THE developments from the first month of the 0.5% sulphur cap have been rapid and with potentially long-lasting implications, *writes Anastassios Adamopoulos.*

The price spreads between high-sulphur fuel oil and very low sulphur fuel oil have been considerably steep, making investors of scrubbers cheerful and, from a financial perspective, vindicated — at least for the time being.

How long this price discrepancy will last and what effect it will have on the creation of a two-tier tanker market remains to be seen.

Amid this fanfare, VLSFO suffered a separate setback. Initial results from a study submitted to the International Maritime Organization suggested that certain VLSFO blends contribute even more to black carbon emissions than heavy fuel oil does.

As a result, four non-governmental organisations are proposing to the IMO to ban the VLSFOs that have this effect.

Shipping interests have refuted some of the claims of this study. Governments are unlikely to be willing to explore introducing another disruption in the shipping market by banning certain VLSFO blends.

However, another real issue emerging from this conversation is how governments and the IMO craft regulations. It speaks to an often-levelled complaint that certain rules appear to be created in isolation, leading to unforeseen impacts elsewhere.

Lowering the sulphur limit for shipping emissions is a beneficial feat for global human health and a major achievement for the shipping industry; but are there other environmental costs emanating from it?

Pertinent question

This is an especially pertinent question, given the work that needs to be done on decarbonisation. As regulators impose decarbonisation rules, they need to carefully consider what the likely side-effects are and try to address them. Not doing so is, quite simply, not good enough.

Can regulators be confident that the measure with which they intend to mitigate shipping's emissions impact does not have negative implications for the aquatic environment, for example?

Getting decarbonisation policy right will define the IMO for decades to come. To do so, it will need all the assistance it can get from those who hold the knowledge and means to do something about it.

Qatar summit speakers take the long view

SHIPPING will experience a significant degree of disruption in the coming decade, *writes Richard Clayton.*

It might be unsettling but the end result will be a more sustainable, safer, innovative and agile industry. That's the message expected from the

Lloyd's List Maritime and Logistics Summit in Doha on February 18.

With the export of liquefied natural gas such a key element in Qatar's economy, the session on LNG will speak to the nation's future.

Chris Pålsson, head of consulting at Lloyd's List Intelligence, will provide an overview of changing gas shipping trades.

He will be followed by Bader Al Mulla, LNG joint ventures manager at Nakilat; Andrea Di Lillo, business development manager at Bureau Veritas; and Sergey Tarasov from Wärtsilä Digital Solutions.

LNG is regarded as the bridging fuel between carbon-heavy and zero-carbon fuels, so the sustainable development of this energy solution will be keenly watched by shipping's leaders throughout the 2020s.

The next session focuses on liner shipping, ports and terminals. Romain Martimort from CMA CGM — which is itself strongly committed to LNG as a fuel — will outline what liner operators be looking for in future terminals. This will be complemented by Neville Bissett, chief executive at Qatar's Q Terminals, responding with what terminal operators need from liner companies.

Milaha's chief executive, Abdulrahman Al Mannai, and Lim Meng Hui, chief executive at Qatar Free Zones Authority, will address sustainability and the evolving transport hub.

The final session of the day draws the strings together from a global perspective. Arun Sharma, chairman of the International Association of Classification Societies; Lawrence Barchue, assistant secretary-general at the International Maritime Organization; and Masahiko Furuichi, secretary-general of the International Association of Ports and Harbors, will bring the breadth and depth of expertise gained from their roles.

IACS represents 12 class societies, IMO has delegates from 173 member states, while the IAPH membership runs to more than 200 ports in 90 nations. The concluding view from Doha comes from Captain Abdulaziz Al-Yafei, executive vice-president operations at Mwani Qatar.

Last September, Qatar's transport minister accepted a certificate from Guinness World Records for building the deepest artificial basin ever made on the planet. Hamad Port's basin is 4,000 m long, 700 m wide and 17 m deep. Excavation took two and a half years to complete, with the removal of 44.5m cu m of dredged material, which was later used in other construction works at the project, resulting in huge savings.

Speakers from Qatar, Ukraine, Sweden, Russia, Italy, India, Japan, the UK and other nations will offer their critial insight into an industry in transition.

The summit will welcome the new prime minister of Qatar, Sheikh Khalid bin Khalifa bin Abdulaziz Al-Thani. Transport minister Jassim Saif Ahmed Al Sulaiti will welcome delegates, together with Ukraine's infrastructure minister, Vladyslav Kryklii.

Qatar's ambition, encapsulated in the National Vision 2030, covers human, social, economic, and environmental development. This Maritime and Logistics Summit touches on each of these pillars.

Further details of the Summit can be found here.

ANALYSIS

The Interview: Dr Aleka Sheppard

THE year is 1994. Whigfield's song Saturday Night is packing out the dance floors, Netscape Navigator is the leading browser for the still-nascent internet, and the world is looking on in horror at the Rwanda genocide and the Yugoslav civil war, even as it is heartened by South Africa's first multiracial elections.

And Dr Aleka Sheppard has just launched the London Shipping Law Centre as a forum for the industry to discuss shipping, commercial law and dispute resolution issues in the UK capital.

"I was perhaps naively enthusiastic then. But I had the instinct that this was going to be the unique centre, that moulds knowledge, not just law," she recalls, as we sit down over coffee at the organisation's offices at Quadrant Chambers in Fleet Street. But the naïve enthusiasm has surely paid off.

LSLC celebrated its 25th anniversary last year and is still going strong, attracting support from across the industry for its extensive programme of seminars, debates and social events, which included a celebratory dinner at the Savoy last November.

Presentations attract audiences of up to 150, who come to hear QCs, barristers, arbitrators, shipowners, solicitors, shipbrokers, mariners, technical experts and representatives of public bodies hammer out the big issues.

Back at the beginning, Ms Sheppard was teaching shipping law at University College London, then as now hailed as one of Britain's top universities.

Realising that she was missing day-to-day contact with people at the shipping coalface, she saw the need to bridge the gap between academia, legal practitioners, commercial people, engineers and technicians.

"These sectors didn't know each other," she relates. "They were not coming together to exchange knowledge. And that was the main purpose, to bring all the sectors together, to exchange the variety of knowledge each sector had."

She started calling up contacts, including the top brass at the big-name shipping law firms, and asked them if they would be willing to sign up for her pet project's steering committee.

The late Lord Mustill — one of the Law Lords who sat in the House of Lords prior to the creation of the Supreme Court in 2009 — agreed to act as president.

"Everybody said yes. It's like a sweet pill. 'This is wonderful', they said. 'Why haven't we had this before, we'd love to be involved'."

LSLC prides itself on its flexibility, in the realisation that nobody actually needs extra committee meetings. Thanks to modern communications technology, these can be kept to three or four a year, with an obligatory annual general meeting to sign off the accounts. Funding is by way of subscription income and sponsorship.

Initially it was formally affiliated with UCL, but that arrangement ceased in 2006, after the two sides fell out and Ms Sheppard resigned her position.

Like a tennis ball

"UCL had not seen the light and the usefulness of the centre. I was killing myself because I had to teach, I had to write, and the centre was prejudiced because of the pressures of academia," she says.

"I asked them to appoint an assistant lecturer and they didn't want to spend money. They said 'You have a centre, you have people behind you, ask them to put in money for the lectureship'.

"It was like a tennis ball and going back and forth. I was bringing in people from the bar to help me. And they were helping me, but UCL were very, very, very crafty.

"They said, 'Oh, we don't need money for the centre, because Aleka is bringing all of these part-timers for free. And we will put money in other areas'."

Tired of the LSLC's status as a Cinderella — at least as Dr Sheppard saw it — she quit her position. Luckily, an American business engaged in risk management in aviation and seeking to get into shipping was ready to provide new office space at International House at St Katherine Docks, also known as the World Trade Centre.

A number of years later that company wanted to move, and the centre arrived at its current base in Quadrant Chambers.

Dr Sheppard herself remains as founder and chair on an unpaid basis, but LSLC employs a salaried full-time manager, himself a qualified barrister, as well as some part-timers and consultants.

Karma again

Alexandra Mandaraka Sheppard was born in 1949, on the Greek island of Andros. Her father was in the wood business, and the family had no particular connection with shipping.

A bright pupil at the local schools provided by shipowners, she went to law school in Athens in the 1970s, while Greece was still under military dictatorship. Her initial ambition was to be a creative writer.

"I just thought I wanted to study London. My karma was leading me to London, I just had that sort of drive to come here, and I wanted to study at good universities to further my knowledge.

"First, I needed a scholarship. And because I had good marks, a first-class degree, I got one from a shipowner, Chandris. And I had to do shipping, because this was a shipping scholarship."

One of the options she took was psychology and law, which led her to a PhD in social psychology and human behaviour from King's College. The thesis was converted to a scholarly book, The Dynamics of Aggression in Women's Prisons in England, in 1986.

"But it was karma again, I just had to be in shipping, it pulled me back, because there were no jobs in psychology, whatever you do with a PhD."

In a sense, she had never really left shipping, anyway, because she funded postgraduate studies by working for law firm Richards Butler and insurer Sedgwick Forbes, both well-known at the time but subsequently swallowed up by larger players.

Eventually she became a trainee solicitor at Holman Fenwick Willan, today's HFW, in 1982. She specialised in contentious cases, or what she wickedly describes as "lovely shipping accidents", of the type that happen far less frequently in this era of rising safety standards.

That necessitated reading even more textbooks, as at time it was necessary to convert her Greek law degree into an English law degree, through five years of evening study.

It was at Holman Fenwick Willan that she met her husband, now deceased, and became a mother. Tragically losing her first child to meningitis in 1985, the birth of a second led her to reject the long hours culture prevalent among law firms at the time, and take the teaching job at UCL in the hope of getting more time with her boy.

"Actually, this is very current, because we're still fighting for women's rights to have time to look after their children, to have more flexibility. The world is getting better, but not perfect.

"It wasn't only Holman's, no firm would then allow a woman to leave early for the children, they had to have nannies to stay late and you prove themselves. There were no rights for women. You need to write that down, actually."

Dr Sheppard lives in Chiswick, with an easy commute to Quadrant Chambers via the District Line. But having reached an age when many city dwellers contemplate moving out to the sticks, she is actually looking for a more central London home.

She is, in her own words, "just not a country person". What's more, she doesn't like driving, and wants to be closer to London's cultural offerings.

Meanwhile, her son is now a grown-up barrister, after taking a first in classics at Oxford, as perhaps befits the offspring of a Greek mother, and going on to get a law degree from Cambridge at mum's insistence.

"I said to him, if you want to become a barrister you've got to do a proper law degree, not a conversion. Most people go to conversions after history or English as a first degree, and that's fine. If you want to become a solicitor, the conversion is okay.

"If you want to become a barrister, you've got to have the foundations of English law, taught by a good university. So he went back to Cambridge."

In her spare time, she enjoys exercising, especially yoga and Pilates, and listens to a lot of classical music, naming Mozart and the "very powerful and vibrant" Verdi as her favourite composers. She also goes to the theatre, and reads heavily, including the Greek writers she has been reading since childhood.

"I like polymathy. Law does dry the imagination, and you have got to do lateral thinking, psychology, philosophy, politics." She makes time for television and Netflix, as well, particularly for war documentaries.

Dr Sheppard also keeps a second home in Greece, which she visits almost every month on business, and makes sure she keeps up with the family while she's there.

So, what next? In the wake of Brexit, LSLC will be kept busy promoting London as a shipping centre, even as other countries in the Middle East and Far East begin promoting themselves as dispute resolution jurisdictions under English law. And she is convinced that the work of the centre will outlast her.

"I won't be alive then, but the younger people will do it," she insists. "Of course we will be here. I started this organisation, which really was set up because it was needed. It's not going to die, because we've got great support."

How smart can ports be once the human element is factored in?

SMART ports are entirely feasible given the advances in information technology, but the human element remains a challenge to their implementation, delegates were told at the AAPA Smart Ports conference.

"We are all aware of what technology can do for our businesses," said the AAPA's IT committee chairperson and Port of Miami IT chief Michelle Thames. She said people want information in "real time" and that the days of being non-technical are "way gone".

Moffat & Nichol's senior manager for terminal automation Bart Vermeer, spoke of the many stakeholders in and around a port complex and of the need for all of them to collaborate to achieve the benefits of the new technologies.

But he also identified self-interest as one of the main challenges to collaboration, saying there are many groups that are in competition with each other and when there is competition, "people are holding back" from sharing information.

Mr Vermeer noted that companies will only share information when they look at it from the perspective of receiving something in return for what they give, something that is "good for my business and good for my bottom line".

Indeed, what may be good for one business may not be good for another. Wabtec principal product manager James Shefelbine said: "Every entity in that port ecosystem has different objectives, different goals for being successful and those goals do not always align.

"Do you think the railroad's goals for of success always align with the ocean-going vessel company or the terminal operator? They do not. So, not only is it complicated just because there is a lot of stuff going on in that port. It is also complicated because people look at success very differently," he told the conference in Los Angeles.

A key difference among stakeholders arose over the question of automation at port terminals.

Aecom vice-president and senior port planner Mark Sisson said that one aim of information technology is to "take as many people as possible out of the process" and said "unreliable labour" is a key driver for automation at ports.

Mr Sisson noted that automation does not necessarily improve performance, citing statistics showing it takes an automated terminal up to five years of operation before reaching the average of 25-35 lifts per hour in a manually operated terminal.

But he said members of the International Longshore and Warehouse Union have agreements that limit their work time to a maximum of 21 hours per day, divided into two shifts of eight hours a day and one of five.

He said that few ILWU members want to work the five-hour shift so the workday is "really" just 16 hours long. He calculated that an automated terminal working a 21-hour day would produce more lifts than union members and do it more consistently.

That is good for shipping lines, he said, as they want "fewer days in port" and automation enables that to happen. But his view was not universally shared among other panellists at the conference.

Harbor Trucking Association chief executive Weston LaBar agreed that automation can increase efficiency and reduce turn times for the drayage drivers he represents, but he also stressed that automation should be an "efficiency tool and not a labour replacement tool".

ILWU clerks technology co-ordinator Dane Jones agreed with that view. "Are we friends or are we food," he asked, underlining that ILWU members are stakeholders in the process.

"I represent people and I represent marine clerks that work together with the marine terminal operators to ensure that their appointment systems are optimised so that there are never peaks or valleys and that people can get to the cargo when they need to," he said.

Mr Jones also queried how far people are willing to go when it comes to integrating the many stakeholders at a port complex.

He cited the example of the Chinese who are moving to an "intelligent port centralisation operating model" and asked "are you as a port authority willing to suborn your commercial interests to some regional or national intelligent port centralisation committee or bureau?"

Cybersecurity was also a key theme in the conference as speakers noted the potential risk as more and more elements of the port came under one integrated system, a risk exacerbated by the lack of education in system users.

While Louisiana State University's Stephenson Disaster Management Institute research director Brant Mitchell drew attention to these risks, citing many cyberattacks carried out on the state's education system during the past year.

Mr Mitchell said the attacks came from operatives in Russia, who managed to breach systems in Louisiana by sending phishing emails to unsuspecting recipients. Once the emails were opened, ransomware was released into several of the state's school systems and the troubles began.

Backing the theme, Louisiana's port of Fourchon homeland security director April Danos underlined the problems experienced in her state during the past year and emphasised the need to educate system users in the importance and use of cyber security in the course of their work.

Education also was seen as key to attracting and developing the work force of the future as technology proceeds to develop in the San Pedro Bay ports of Los Angeles and Long Beach, where automation has been implemented at two terminals and more could be on the way.

"What are we going to do about training as technology evolves," asked Port of Los Angeles labour relations director Avin Sharma.

He spoke in particular of the twin ports' Clean Air Action Plan under which diesel-powered trucks and machines are to be phased out and replaced by ones running on electric batteries.

"What does that mean for the workforce," he asked. "How do you create training programmes for technology that doesn't exist?"

Stephen Edwards, president and chief executive of TraPac, which is the only automated terminal in the port of Los Angeles, noted that the industry is "woefully behind" when it comes to preparing for the future.

He observed that there are no cranes or even simulators for training crane operators in the entire San Pedro Bay ports complex. He called the situation "shameful"and said that "much more has to be done to get people ready".

"Most of us," he said, "have no clue how to do this."

MARKETS

CNOOC's force majeure is a fresh blow to struggling LNG market

MAJOR liquefied natural gas producers and shipping firms took a battering on the stock markets overnight after news broke of China National Offshore Oil Corp declaring force majeure on an offtake contract, amid the global coronavirus outbreak.

Developers of large-scale US export projects headlined the Wall Street losses. Cheniere Energy's share price fell to its lowest in more than a year before closing at $57.65, down 3.4%. Tellurian lost 7.4% falling to $7.07 and NextDecade Corp shed 5.6% to finish at $4.70.

Shares of Australia's largest gas exporter, Woodside Energy dropped down 1.48% at A$33.85 at the close of Sydney's Friday trading.

Major shipping stocks did not fare any better at the end of New York trading hours on Thursday — GasLog closed 9.26% lower at $5.98, while Golar LNG fell 5.37% to $10.05.

In Frankfurt, Hoegh LNG slipped into the red albeit by a smaller margin of 1.38% to €2.50.

Kuala Lumpur-listed MISC opened higher at RM8.30 on Friday but tumbled to a low of RM8.05 during morning trading hours. The Petronas-backed shipping line managed to claw back losses to even out yesterday's close of RM8.25 at 12.29pm Malaysian time.

S&P Global Platts citing unnamed sources, said that CNOOC, the largest LNG importer in China, has declared force majeure on LNG contracts in light of demand disruptions back home spilling over from the coronavirus outbreak.

The Platts-assessed JKM LNG price for Asia trades had already plunged to a record low of $3.15 per million British thermal units on Wednesday, before news of CNOOC's force majeure move broke.

JKM-linked LNG futures for March delivery traded at $3.555 per mmBtu on Thursday evening.

Prior to CNOOC's force majeure, Platts Analytics had cut its February forecast of China's LNG imports to 207m cu m per day, down 5%-7% or 5m-7m cu m from 222m cu m previously.

Goldman Sachs analysts have also lowered its growth forecast for China's first quarter of the year LNG imports by 8.4m tonnes per annum to nearly zero year on year, taking in the virus impact and overall slowing demand in the country.

GasLog, on booking a loss for the three months ended December 31 despite higher revenues, highlighted concerns over near-term demand uncertainty for LNG especially in China from the coronavirus outbreak.

It held out the shipping market is still supported by tight supply as evidenced in the early winter run-up in rates for modern tonnage to a peak of $140,000 per day in November.

But ship brokerage Clarksons assessed last year's average shipping rate at $70,000 per day, down 23% from 2018 levels.

Poten & Partners also pointed to fewer term charters fixed last year — 57 were reported in 2019, down 22% during 2018.

"The very weak current prices and forward curves for natural gas in the key markets of North Asia and Europe are likely to result in shorter average voyage distances and lower shipping requirements, as there is limited scope for inter-basin arbitrage trading," GasLog said in its latest quarterly financial report.

Soft LNG prices fuel small-scale demand

SMALL-SCALE liquefied natural gas demand has been on the rise and may further expand if prices for the commodity continue to stay low enough to justify breaking up standard cargoes for delivery to new and developing markets.

Since last November, engineering-focused outfit Gas Entec has received tens of inquiries for small-scale liquefied natural gas projects.

These range broadly across bunkering, LNG-fuelled ships and floating gas-to-power units, although chief executive Chong-Ho Kwak seemed especially optimistic over expansion in the bunkering demand.

The International Maritime Organization's 0.5% sulphur limit in marine fuels has long been painted as one key driver backing the switch tot LNG and other cleaner burning fuels.

However, LNG bunkering demand has not really taken flight as shipowners have baulked at the high upfront costs in building ships to run on LNG.

Mr Kwak viewed the fuel price moves leading up to January 1 — the date when the IMO 2020 rules take effect — as supporting the adoption of LNG as a new marine fuel.

"Prices of 0.5% sulphur fuel oil (VLSFO) and 3.5% sulphur fuel oil (HSFO) have shot up — LNG is now seen as a relatively more price attractive marine fuel alternative," he observed.

HSFO prices peaked at over $500 per tonne last September in Singapore, as supplies of this marine fuel type fell.

VLSFO prices soared past $700 per tonne in early January, coming off recent weeks to trade at over $500 per tonne.

In contrast, LNG prices visibly softened during the same period, plummeting to a record low of $3.15 per million British thermal unit on Asia spot market this week amid fears of further demand slow in light of the global coronavirus outbreak.

LNG-fuelled vessels on order and operation still number less than 200, a tiny fraction of some tens of thousands of commercial vessels trading globally, data from DNV GL Alternative Insights showed.

But investments in LNG-fuelled shipping tonnage has risen dramatically closer to and post-IMO 2020 implementation.

"Almost 90% of shipbuilding contracts for ocean-going vessels signed with yards in South Korea, China and Japan since late last year are for LNG dual fuel newbuilds."

He suggested the likelihood of LNG-fuelled fleet numbering over 1,000 by 2022. If this growth spurt persists, it would carry major ramifications for the global marine fuel mix.

The fleet is still growing from a very low base. Just 76 small-scale LNG carriers were working and on order globally as of December 17, with 23 of these declared as bunkering capable, data from Small LNG Shipping Consultants showed.

Founding principal consultant Eduardo Perez Orue said that Europe as home to the first-movers on LNG bunkering accounts for most of these vessels thanks to the tighter 0.1% sulphur limit in emission areas imposed in the region.

Europe also plays host to prominent players such as Probunkers and Stolt Nielsen, which have led by investing in LNG bunkering tankers.

Interest in LNG bunkering has spread to beyond Europe. New projects are being developed or have been developed elsewhere, such as in Singapore, the US, Japan, South Korea, Russia and Australia.

Mr Orue named the US, Australia and Russia as countries with strong political will to push for LNG bunkering to expand demand for LNG — a major source of their export revenues.

Additionally, Gas Entec has received inquiries from developers of gas-to-power projects that want to own and operate LNG bunkering vessels. Mr Kwak said: “Indonesia, the Carribbean Islands and Malaysia are three hot spots for such projects, which typically call for conversion of diesel-fueled power plants to run on gas.”

He highlighted the use of ISO tank carriers to receive natural gas as being seriously considered for these projects.

“The use of ISO tanks in LNG transport makes possible delivery of small cargoes that may not have been feasible using large LNG carriers,” he said.

Mr Orue pointed out that a relatively small investment ranging in just millions of US dollars is needed to provide for bunker-ready capabilities at small LNG to power project in planning phase.

He also agreed that the use of ISO tank carriers is viewed as a solution to satisfy low LNG bunkering demand in the early days.

But these may be good temporarily, given one 20 ft ISO tank carries at most about 26 cu m of LNG, which makes it unfeasible to bunker large boxships of over 20,000 teu seeking loadings of 18,000 cu m of LNG.

A major shipping line to have heavily invested in large LNG-fuelled vessels such as CMA CGM would naturally gravitate towards suppliers with ship-to-ship transfer. Even so, he considered it challenging to find near-term demand to fill utilisation of an LNG bunker vessel, though relatively less so in Europe and Southeast Asia.

Shell has reportedly brought in Cardissa and Coral Methane just to bunker Carnival’s cruiseship Aidanova at Tenerife and Barcelona in Spain.

But the energy giants are in this game for the long run and Shell would have earned credence to bunker many more LNG-fuelled Carnival cruise ships entering operation in the coming years, Mr Orue said.

IN OTHER NEWS

Cyclone Damien to add to dry bulk market woes

WESTERN Australia's iron ore port of Dampier was closed on Friday as the tropical cyclone Damien hit the category three level, while Port Hedland 250 km away has begun clearing vessels, piling further woes on the dry bulk market.

The cyclone is forecast to turn towards the Pilbara coast and intensify before reaching the coast on Saturday.

Other ports, including Cape Lambert and Ashburton, are also preparing for the cyclone, Pilbara Ports Authority said in a statement.

Hellenic Bank appoints new head of ship inance

SHIPPING banker Markus Wenker is leaving Hellenic Bank after nearly four years of heading the Cypriot institution's advance into the ship finance sector.

He waves farewell to the bank this week and Hellenic has appointed Antonis Spanakis to succeed him as head of ship finance.

Mr Spanakis was a senior vice president at DVB Bank in Amsterdam before joining Hellenic Bank last August as senior business development officer in its ship finance unit.

GasLog takes hit on steam turbine vessels

NEGATIVE market conditions for liquefied natural gas carriers have pushed GasLog and its subsidiary GasLog Partners to take hefty impairment charges on six steam turbine vessels, dragging them into the red for both the fourth quarter and full year of 2019.

The group took a $162.1m impairment loss on the six vessels, one of which is directly owned by GasLog with the other five in the Gaslog Partners' fleet. The two companies are listed separately on the New York Stock Exchange.

GasLog Partners, which stands to be most affected by reduced expectations for steam vessel earnings, said that it expected to slash its quarterly distribution to common unit holders from $0.561 per unit for the fourth quarter of 2019 to $0.125 per unit for the first quarter of 2020.

ICS calls for action after 50% spike in Gulf of Guinea kidnappings

SHIPOWNERS group the International Chamber of Shipping has called for international action on piracy in the Gulf of Guinea, after the number of seafarers kidnapped there increased by 50% in 2019.

The ICS said more than 90% of kidnappings reported at sea last year took place in the Gulf of Guinea, off the coast of West Africa. There were 121 crew kidnapped there in 2019, up from 78 the previous year.

"It remains an uncomfortable fact that the vast majority of attacks are launched on shipping from within Nigerian territorial waters," ICS said in a statement.

Le Havre offers incentives to regain lost box traffic

THE company responsible for operating France's biggest box port, Le Havre, is offering incentives to regain lost container line traffic, following significant disruption from industrial action over the past three months that has negatively affected its volumes and reputation.

Following several disruptions in December, the Normandy container traffic hub was hit again by a 48-hour stoppage, which ended this week. The industrial action had been called by the ports and docks branch of the General Confederation of Labour union in protest to state pensions reform.

This followed a 72-hour strike last month, and the union has issued a fresh call to action on February 20.

Top Ships confirms sale of MR2 pair

TOP Ships, the Nasdaq-listed tanker owner, confirmed that it has agreed to sell two of its medium range two product tankers.

Eco Palm Desert and *Stenaweco Elegance* are going to unaffiliated third parties, according to the Athens-based owner. The company's filing with stock market regulators did not give a price for the transactions, nor disclose the buyer.

The sales come on top of the sale of Top Ships' two MR1 tankers *Eco Fleet* and *Eco Revolution* last month to Trafigura. Built in 2015 and 2016, those tankers fetched $43m.

Classified notices follow

THE “Sertao”

ADMIRALTY COURT SALE

Notice is hereby given that the Admiralty Marshal has sold the ship **“Sertao”** of the port of Majuro, by the order of the Admiralty High Court in an action in rem against the vessel by Deutsche Bank Trust Company Americas in action AD-2015-000147. The gross proceeds of sale of the “**Sertao”** in the sum of $37,5000,00 has been paid into Court.

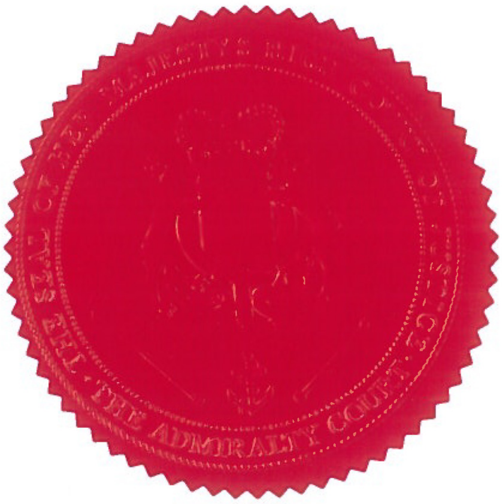
The order of priority of the claims against the sale of the ship will not be determined by the Court until after the expiration of 28 days from this notice.

Any person with a claim against the ship or proceeds of sale thereof, on which he intends to proceed to judgment, should do so before the expiration of the said period.

Such claims should be directed through the Admiralty Court and NOT by way of application to the Admiralty Marshal.

P Farren
31 January 2020

Admiralty Marshal
Business and Property Court
Rolls Building
Rolls Buildings
Fetter Lane
London
EC4A 1NL



More classified notices follow on the next pages