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Gabon deflags Iranian tanker

THE EMIRATES-BASED Gabon registry has deflagged the aframax tanker *Nadezhda* (IMO number 9254915) for shipping sanctioned Iranian oil, saying the shipowners had failed to fully answer questions about the vessel's suspicious movements.

Intershipping Services, which operates the registry on behalf of the Gabonese Republic from headquarters in Amjan, is the newest flag of convenience used by owners and operators of a subterfuge fleet of Iranian-controlled foreign-flagged tankers. Intershipping Services received the concession in September, 2018, and has 97 vessels registered. The vessel *Nadezhda* was its biggest of the four tankers flying the Gabonese flag. There is no suggestion other vessels in the registry are linked to Iran.

Some 100 tankers, including about 60 flagged by Iran or owned by the National Iranian Shipping Co, are at the centre of an international logistics chain that is funnelling under-the-radar exports of crude and condensate to its main customers, Syria and China.

The foreign-flagged, Iranian-controlled tankers and liquefied gas carriers have reflagged to Panama, Honduras, Pilau, and Belize in addition to Gabon in the past two months, while also changing vessel names and ownership along the way. The flag-shopping, name-changing tactic is one of many used to evade scrutiny of shipments as the US steps up its "maximum pressure" rhetoric on the Islamic Republic.

"The response we received from the owners was not compelling," technical manager Karan Kapoor told Lloyd's List about large gaps in the tanker's automatic identification signal in areas and over periods where it could have called in Iranian waters. The vessel's managers had signed an agreement to comply with all sanctions, Capt Kapoor added, with the deflagging decision made on February 7.

The registry checks followed contact by Lloyd's List on January 13, seeking comment about the vessel's involvement in Iranian shipments.

As much as 1m barrels per day was shipped out of Iran in January, mostly via under-the-radar shipments, according to data monitored by oil traders and also imagery from Tankertrackers.com. Tankercrackers.com released one satellite photo on February 7, showing the tanker *Nadezhda* undertaking ship-to-ship transfer off Kharg Island on January 13.

Without this technology to detect subterfuge shipments, conventional estimates would place exports at some 200,000 bpd based on movements of the NITC tanker fleet — a fifth of what is being shipped.

The Frangos-Moundreas group sold the 2004-built tanker, then called *Junior I*, in July 2019 to the UAE-based registered owner Anisa Tankers Corporation, who renamed the ship *Anisa*. Another shelf-company, Dubai-based Paradise Global Shipping & Fuel Supply, provided technical management.

That same company also managed *Grace 1*, the very large crude carrier detained controversially in Gibraltar over July for shipping Iranian crude to a Syrian refinery in breach of European sanctions.

In November 2019, the registered owner changed along with the tanker's name, to Nadezhda Tankers Incorporation, with Apex Tanker Ship Management taking over technical management. The flag switched to Gabon from Panama and the vessel was no longer entered with P&I insurers Swedish Club.

Panama also de-flagged seven tankers in mid-January linked to the subterfuge fleet of Iranian-controlled tankers.

About 100 tankers and liquefied petroleum gas carriers have been tracked shipping Iranian crude, refined products, condensate or liquefied petroleum gas over the past 12 months by Lloyd's List. Some 60 are either owned by NITC, or flagged in Iran, and are therefore sanctioned. But the remaining 40 or so ships, including the tanker *Nadezhda* are still plying Iran-to China or Iran-to-Syria trades, switching off AIS and conducting a complex range of ship-to-ship transfers in order to disguise the origin and destination of cargoes.

At the time of writing, *Nadezhda* was off the coast of China, signalling Qidong as its next port call. It is unclear whether its reflagged or is able to discharge.

WHAT TO WATCH

Coronavirus: Chinese ports bunged up due to lack of trucks

SEVERAL major ports in China are said to be having difficulties of handling reefer containers amid slow operations affected by the spreading coronavirus.

The situation comes as an extended Chinese New Year holiday and stricter quarantine requirements are disrupting shore-side logistics, with a serious shortage of container truck drivers.

"Currently, most container terminals in China are in normal operations," said Orient Overseas Container Line, now part of state conglomerate Cosco Shipping, in a customer advisory.

However, the Hong Kong-based carrier added that some terminals, such as those in Shanghai, Tianjin, and Ningbo, are having "challenges in handling the flow of reefer containers due to the huge demand for reefer sockets on shore."

APL, a subsidiary of CMA CGM, the French liner shipping giant, has reported similar troubles.

"With the extended Lunar New Year holidays and concerns regarding the spread of the coronavirus, terminal operations and pick-up of inbound containers in China has been slow," it said in a separate customer advisory.

"Consequently, most reefer plugs at the yards of all container terminals in Shanghai and Tianjin are already being occupied."

The carrier added that reefer boxes awaiting pick-up at terminals in Shanghai may be temporarily stored and plugged on board a vessel docked alongside, while those transit to Shanghai or Tianjin may be re-routed for transshipment.

One operating manager from one of the affected ports said the congestion was partly caused by increased pork imports this year (as a result of the domestic outbreak of swine fever earlier), but also by a lack of container trucks for pickups.

“Although the holiday is over, many non-local drivers have yet to return to work due to travel restrictions and stricter anti-virus inspections,” the manager said.

Excluding those on internal trucks inside the terminal, only 10% of the some 65,000 truck drivers serving the container ports of Shanghai and Ningbo — two of the world’s largest — were currently back to operation, estimated by an executive from a large Shanghai-based truck company.

Lots of drivers were from the countryside, where roads are blocked by local governments in a bid to reduce infection risks, he explained, while others who had returned were still under a 14-day quarantine period.

Adding to the challenge is the traffic restrictions imposed by some Chinese provinces, such as Henan, that prevent vehicles from entering or leaving its territory, the executive said.

“Foreign trade is being stagnated,” he said.

Analysts and companies have already warned about the damage that could be inflicted by the coronavirus, with rising infections in China as well as in foreign countries.

Alphaliner expected full-year global container throughput growth to be cut by at least 0.7% as a result, while mass-cancellations of sailings and the resulting losses of revenue by carriers have been noted by SeaIntel.

Hutchison Ports Holdings Trust, which runs several deepwater box terminals in southern China, said in a results announcement this week that the disease was halting business activity and disrupting supply chains in China and this could add to pressure on global trade.

Coronavirus: TT Club warns of potential for claims

CORONAVIRUS may leave forwarders exposed to claims arising from delivery delays and cargo deterioration, the TT Club has warned.

The marine mutual, which specialises in insuring transport intermediaries, highlighted potential issues including labour shortages at ports, cancellations of inland transport links within China, constraints in the supply of goods due to factory closures and reduced levels of service from air, ocean and rail carriers.

Proactive communications should be seen as partial protection against future liability club, according to a briefing produced by the TT Club in collaboration with law firm HFW, which has been published on its website.

“Up-to-date status reports on their cargo’s progress, or lack of it, are vital to shippers,” said risk management director Peregrine Storrs-Fox. “Careful recording of communication trails detailing such actions will also help in any disputes in the future.”

A forwarder may need to use routes, carriers or modes that are less familiar, or to partner with other actors, of whom he has no experience.

Additional care and due diligence must be taken when working in unfamiliar environments.

It might be necessary to take extra precautions in employing bills of lading, standard trading conditions, letters of indemnity in order to protect the stakeholders from unforeseen costs and liabilities.

For instance, where force majeure notices are sent, it must be ensured that these are fully understood by the recipient. In other cases, when delays or deviations are caused by matters genuinely outside the operator’s control, then these circumstances must be well documented.

ANALYSIS

Ask the Analyst: Compliance comes to the fore

ON JANUARY 1, 2020, shipowners, operators and bunker suppliers found themselves subject to new International Maritime Organization regulations banning ships from using bunkers with a sulphur oxide (SOx) content of more than 0.5%.

The IMO was unyielding; the ban and its enforcement were to be effective immediately. As Lloyd's List's Cichen Shen reported, Dalian Maritime Safety Administration was out early imposing fines on boxships with non-compliant fuel.

Maritime authorities at the ports of Qingdao, Ningbo, Xiamen and Weiha also identified violations of the sulphur cap in January.

Few cases have been recorded elsewhere so far, but the Chinese maritime authorities' firm stance sends a clear message to shipowners: clean your tanks, knock the SOx off your bunkers and comply with the regulations.

The first weeks of January also answered some core questions. There is no delay. Key trading nations will adhere to the ban. And if you are looking for leniency, China isn't the place to sail to.

In the run-up to January 1, 2020, Lloyd's List Intelligence was tracking the uptake of exhaust gas-cleaning systems, simply known as 'scrubbers', on vessels and is making this available to the market.

From March 1, ships without exhaust gas scrubbers installed will not be allowed to carry fuel exceeding 0.5% sulphur content in their fuel tanks.

Our dataset on which ships have scrubbers installed can help charterers and suppliers identify vessels to proactively target.

Meanwhile, the US attack on the Iranian general Qasem Soleimani and the subsequent downing by Iran of a passenger plane shortly afterwards saw tensions in the Middle East rise once more at the turn of the year.

The escalation was a stark reminder of the volatility that remains in the region, but also prompted another barrage of US-imposed sanctions against Iranian industry.

While no direct shipping-related companies were targeted during this round, the metal and textile companies subjected to sanctions would likely seek to export some goods by sea.

One of the key questions Lloyd's List Intelligence's analysts received in 2019 was: "What is the relationship between sanctioned entity A and the wider company group?"

As such, in 2019, Lloyd's List Intelligence began mapping sanction records to vessels and companies and implementing alerting systems for tracking vessels that entered 'high-risk areas' (ie, ports or countries that are exposed to sanctions).

The latest sanctions against Iran, effective on January 10, entered Lloyd's List Intelligence's vessel-tracking system that day and, by the evening (UK time), they were processed by our sanctions monitoring team, who investigated and matched the entries to any company records on our database or associated ownership linked to ships.

Knowledge of how sanctions affect your direct counterparts is now imperative — and more importantly, thorough due diligence, is now also expected throughout your supply chain.

One key case was COSCO Shipping Tanker (Dalian) Co Ltd (referred to as Dalian Tankers), which was sanctioned by OFAC on September 25, 2019, together with its affiliate COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co Ltd.

Dalian Tankers' parents, however, COSCO Shipping Energy Transportation Co Ltd, which in turn is ultimately beneficially owned by China COSCO Shipping Co Ltd, were not.

The sanctions prohibit Dalian Tankers from conducting transactions in foreign exchange, banking and property that are subject to the jurisdiction of the US.

Any US person is prohibited from investing or purchasing significant amounts of equity or debt of Dalian Tankers. Importing goods, technology or services from Dalian Tankers into the US is also restricted.

The US Treasury Department issued a two-month waiver for companies to wind down transactions with COSCO Dalian on October 24, 2019. This waiver was extended to February 4, 2020. The waivers applied to COSCO Dalian or any entity owned 50% or more by the company.

Following the sanctions, the Lloyd's List Intelligence credit reports team updated the credit report for Dalian Tankers, whereas the ownership team continue to investigate any potential changes to the fleet ownership structures.

It is common after a company or a vessel has been sanctioned that a group restructure is carried out to isolate the sanctioned entities, or that a vessel identification is changed.

Sanctions are also resulting in an increasing amount of Automatic Identification System manipulation, which is transpiring into multiple vessels using the same Maritime Mobile Service Identity number to disguise their flag.

Staying compliant and ensuring you have conducted sufficient due diligence on your partners in the logistics and supply chain will become increasingly integral.

Shipowners and operators cannot escape the sulphur cap (although they might be able to dodge it for a while), nor can they escape the ever-stringent compliance framework that extends to transacting with entities engaged in sanctionable behaviour.

LNG-fuelled fleet almost tripled last year

NEWBUILDING orders for LNG-fuelled ships nearly tripled last year, although they are still lagging behind the numbers seen for scrubber installations and battery applications.

Shipowners placed orders for 100 LNG-fuelled ships, almost three times the average for the preceding three years, data from DNV GL's Alternative Fuels Insights showed.

The classification society highlighted a trend towards orders for larger ships with higher fuel consumption to run on LNG.

Tankers and boxships make up almost half of some 208 LNG-fuelled ships that are on order and captured by DNV GL Alternative Fuels Insights.

A total of 53 orders have been placed for tankers carrying crude, oil and chemical products that will run on LNG.

These include 14 new tankers Shell has agreed to charter in from Sinokor Petrochemical and institutional investors advised by JP Morgan.

Boxships contributed 43 to the newbuild tally, with French liner CMA CGM and private shipowner Eastern Pacific announcing more orders last year.

DNV GL described the significant jump in fleet building last year as "a tipping point" for the adoption of LNG as a marine fuel.

But perceived concerns over a lack of infrastructure and challenges in justifying the business base are still holding back shipowners, particularly in the deepsea segments.

Some 13 LNG bunker vessels are now in operation, with 23 more on order and 12 others still in the planning phase, DNV GL Alternative Fuels Insights data showed.

These numbers are far outshone by the growth seen in scrubber installations and the battery-powered fleet.

DNV GL added almost 1,200 ships to its tally for ships fitted with or assigned to be fitted with scrubbers, bringing the projected fleet total up to 3,881 vessels by 2023.

Almost a third or 1,287 of these are bulk carriers.

DNV GL estimated that 192 ships equipped with battery packs are now in operation. Meanwhile, another 196 ships with pure or hybrid electric engines are on order.

MARKETS

Danaos expects container market bounce

THE long-term outlook for the containership sector remains solid and a bounce in demand can be expected after the coronavirus outbreak is brought under control, New York-listed containership owner Danaos says.

"The container market, particularly for vessels larger than 5,500 teu, strengthened throughout the course of 2019 as container volumes across all main trade lanes increased," said chief executive John Coustas.

"Notwithstanding any near-term headwinds related to the rapidly evolving situation in China, long term fundamentals remain intact," he said as Danaos unveiled improved profitability for the fourth quarter and full-year 2019.

According to Mr Coustas, the market would "continue to rebalance itself through a combination of moderate trade growth, slowing fleet growth and a reduction in vessel speeds due to new and ongoing environmental initiatives."

Economic and trade estimates were "in flux" due to coronavirus-induced uncertainty and the demand drop had led to liner companies canceling sailings, he said.

"However, we expect this dynamic to be short term in nature and result in a demand surge when supply chains resume," said Mr Coustas.

Work stoppages and slowdowns at shipyards in China would lead to delays in newbuilding deliveries, scrubber installations and drydockings.

Danaos had completed the installation of scrubbers on four out of the 11 vessels it has scheduled for retrofits. It expected to benefit from the scrubber installations "through fixed premiums on charter rates for three- to four-year fixtures that enhance cash flows and contract coverage."

Overall, Danaos was "well insulated from temporary market disruptions", with charter coverage representing 86% of operating revenues and 68% of operating days over the next 12 months.

For the fourth quarter, the company beat analysts' estimates on earnings and revenues.

Revenues dipped to $110.2m from $115.6m in the fourth quarter of 2018 due to certain vessels being redeployed after long-term charters at lower spot market rates and also due to off-hire days related to scrubber installation.

Danaos posted net income of $33.8m for the quarter, versus a $181m loss in the same period a year earlier when impairments hit the bottom line.

On an adjusted basis, the owner of 61 containerships reported net income of $38m, up from $36.6m in the fourth quarter of 2018.

For the year, Danaos reported a $17.5m increase in adjusted net income, which reached $148.7m.

The improvement was attributed to a $15.1m decrease in net finance expenses and a $13.7m decrease in operating costs, which were partly offset by an $11.5m decrease in revenues for the year.

North Korea continues coal exports to China despite sanctions

NORTH Korea increased its coal export shipments last year, with most of those deliveries headed for China, despite United Nations sanctions, according to a UN draft report.

The transactions were largely carried out via illegal ship-to-ship transfers between North Korean vessels and Chinese barges, according to a report that is to be submitted to the UN Security Council, citing evidence provided by an unidentified member state, Reuters reported.

UN Security Council resolutions ban North Korea from exporting coal and other minerals to choke off revenue that could be used for the regime's development of nuclear weapons and ballistic missiles.

"According to a member state, the Democratic People's Republic of Korea exported 3.7m tonnes of coal between January and August 2019, with an estimated value of $370m," Reuters cited the report as saying.

Out of that, an estimated 2.8m tonnes were transported via ship-to-ship transfers from North Korea-flagged vessels to Chinese local barges, the report noted, adding that the barges then delivered coal directly to three ports in China's Hangzhou Bay and also to facilities along the Yangtze River.

A member state also reported to UN monitors that North Korea had exported at least 1m tonnes of sand from river dredging, worth at least $22m, to Chinese ports.

The US also reported that between January 1 and October 31 last year, Pyongyang exceeded its

UN-imposed cap on annual imports of refined petroleum "many times over". The cap is currently set at 500,000 barrels.

The nation continued to improve its nuclear and ballistic missile programmes last year, in violation of the Security Council resolutions, according to the report.

IN OTHER NEWS

No UK 'smart borders' in near future, says Gove

THE UK's departure from the European Union will inevitably ramp up red tape and overheads for the ports and logistics sector after the transitional period expires at the end of the year, according to Cabinet Office minister Michael Gove.

The scenario Mr Gove set out at a Border Delivery Group event in London will be a tall order for UK ports, some of those present admitted to Lloyd's List, but not beyond their capabilities.

"It was a bracing, relentlessly logical description of the practical consequences for border management of political decisions taken," said Tim Morris, chief executive of the UK Major Ports Group. "In some ways, the high degree of clarity is welcome. It's a stern test, but anyone in that room is now under no doubt about what the test is."

Bernhard Schulte Shipmanagement fined $175m by US

THE US has fined Bernhard Schulte Shipmanagement $1.75m over bilge waste disposal from one of its tankers.

The company pleaded guilty on February 10 in Hawaii to one count of maintaining false and incomplete records relating to the discharge of bilge waste from the Hong Kong-flagged 45,650 dwt product tanker *Topaz Express*, the Department of Justice said in a statement.

BSM, part of the Schulte Group, is one of the largest shipmanagers in the world.

Grindrod tightens grip on IVS Bulk

GRINDROD Shipping has sold a small product tanker as it neared finalisation of its control of its IVS Bulk venture.

The acquisition of the 33.25% stake from its partner represents "a critical step" in the growth and development of the company, Grindrod's chief executive Martyn Wade said in a statement. The deal, worth $44.1m, brings its total holdings to 66.75%.

The purchase is being funded through a combination of cash on hand, proceeds from refinancing of the IVS Bulk capital structure and a new loan, the Singapore-based company said.

Hutchison Ports Holdings Trust cautious over Sino-US tensions and coronavirus

HUTCHISON Ports Holdings Trust has signalled caution and will pursue efficiency improvements in the year ahead, saying coronavirus and the US-China trade spat will continue to hit trade flows.

Announcing its annual results on Monday, the Singapore-listed container port business trust said although the US and China had agreed a "phase one" trade deal, "some of the thorniest issues remain unresolved".

"It is not expected the trade dispute can be easily and fully settled shortly," the trust said.

Jaxport nets more funding for channel deepening

THE US government has allocated $93m to continue deepening of the main shipping channel at the Port of Jacksonville, Florida, to 47 ft from its current depth of 40 ft.

Jaxport chief executive Eric Green expressed gratitude for support from federal, state and local authorities, saying the award "speaks volumes about the significance of this project to the southeast US and the nation".

Jaxport is Florida's largest container port and the nation's second-busiest vehicle handling port.

Odfjell adds to fleet amid market recovery

ODFJELL, a chemical tanker and terminals owner, has added a newbuilding supersegregator to its fleet amid a recovery in the market.

The Bergen-based company took delivery of the new 49,000 dwt vessel, built at Hudong, on January 20, it said in an earnings statement. It is its third delivery.

The remaining three vessels in its newbuilding programme are scheduled to be delivered in April, July and October, it said.

US seeks to boost coal exports via Canada and Mexico

THE US government has outlined plans to boost exports of coal through Canadian and Mexican ports even as it seeks to accelerate global demand through the development of new technologies aimed at cleansing emissions from coal-burning power plants through carbon capture, utilisation and storage.

US Energy Secretary Dan Brouillette said that Canadian and Mexican ports could be used to circumvent efforts by US west coast states to block exports of coal due to concerns about the adverse impact of the fuel on climate change.

Mr Brouillette said he expected Canada and Mexico would offer opportunities to boost exports of US coal in talks that could be facilitated by the new US-Mexico-Canada Agreement, or USMCA, that was signed last month by President Donald Trump.

Classified notices follow