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Coronavirus-hit China leads crude and product tanker demand lower

OIL AGENCIES' BEARISH coronavirus oil demand revisions suggest a cap on crude tanker earnings, as well as further uncertainty for product tankers as crude and middle distillate trade flows are disrupted or redistributed by the severe downturn in China's land transport and aviation sectors.

Global oil demand growth this year is expected to be the lowest since 2008, based on forecasts released this week from the International Energy Agency and the Organisation of the Petroleum Exporting Countries.

There will be a "significant impact" on the global economy as a result of the coronavirus outbreak the IEA said in its monthly oil report published today. Oil demand growth in China — the biggest importer of seaborne crude — will slow to the lowest point in 11 years, the report said.

Total Chinese demand for refined products is now estimated at 13.8m barrels per day, 1.1% above the previous year, according to the IEA.

The IEA forecast global oil demand at 825,000 bpd, which is 365,000 bpd lower than January estimates. Opec, yesterday, forecast demand growth at 990,000 bpd. Crude shipments account for about half of the 100m bpd consumed in 2019.

These IEA numbers suggest that contracting Chinese demand for gasoline, jet fuel and gasoil/diesel oil will likely flood the Pacific Basin with surplus cargoes of middle distillates from the country's refineries.

Any surplus would impact refinery margins, lower prices and trigger arbitrage trades to Europe, the biggest buyer of diesel, gasoil and jet fuel.

Saudi Arabia, Iraq and Angola are the three biggest suppliers of crude to China, followed by Oman and Brazil.

All routes employ very large crude carriers or suezmax tankers so contracting demand in the first quarter of the year will further pressure earnings for shipowners of larger tanker types. Average VLCC time charter equivalent earnings have already collapsed 75% since January 24, to $12,223 a day, according to assessments by the London-based Baltic Exchange.

Suezmax and aframax rates have seen corresponding falls, as the coronavirus outbreak worsens the seasonally weakest performing quarter of the year for crude shipments.

Global refinery runs have also been estimated lower by the IEA, with a 500,000 bpd contraction for China anticipated in 2020, the IEA forecast. This means global runs will expand by only 700,000 bpd.

Specifically, transportation fuels, and particularly jet fuel will be hardest hit, with consequences for the global fleet of product tankers shipping these and other middle distillates including diesel and gasoil.

The impact will be felt within intra-Asia routes employing medium range tankers, as well as long-range routes from the Middle East Gulf to Europe, and arbitrage trades to Europe from India, Singapore, China and South Korea.

China accounts for about 14%, or 957,000 bpd, of the global kerosene/jet fuel consumption, based on figures reported to the Joint Organisation Data Initiative. Rising demand for jet fuel is a top driver of oil demand growth for China.

“Chinese air transportation has surged with the construction of new infrastructure and the development of a wealthy middle-class,” said the IEA in its annual report. “We estimate that in the early phase of the current emergency, China’s international air traffic fell 70% and domestic traffic declined by 50%.”

The report said that Chinese jet fuel demand was estimated to be 14% lower than previous IEA forecasts, and overall Asia Pacific jet fuel deliveries will be 5% lower in this quarter of the year and 8% in the second quarter of 2020.

Chinese exports of jet fuel topped nearly 400,000 bpd in October, 2019, the last month for which Jodi figures are available, exceeding South Korea’s exports at 315,000 bpd. Hong Kong imports were at 233,000 bpd, suggesting that just over half of the Chinese shipments went to the administrative region, which reports statistics separately from Jodi

Scorpio Tankers, which operates 126 product tankers, outlined a diesel surplus of 900,000 bpd in the Asia region and 600,000 from the Middle East in 2020, with a deficit of 1.1m bpd in Europe in a February 11 presentation. The Middle East is the biggest supplier of jet fuel to Europe.

Since January 24, average time charter equivalent earnings for MR tankers in the Pacific have declined to $9,571 daily, from $16,716 on January 20. The changeover to higher cost low-sulphur fuel on January 1, has already dented earnings which were some $9,000 higher at the end of the year.

WHAT TO WATCH

Coronavirus threat casts shadow over ship recycling industry

A JUMP in scrapping sales has been reported since the beginning of the year as the market for old ships picked up because of stricter regulations and depressed freight rates for some segments.

But there are fears that sentiment could flag in the ship recycling market amid the coronavirus outbreak.

Dubai-based cash buyer GMS noted that shaky fundamentals, not only in the freight markets, but also in the overall international economy, have finally started to seep into the recycling markets this week, with falling steel plate prices in the Indian subcontinent region, nervy offerings and troubled deliveries of late.

The threat from the coronavirus outbreak, now officially named COVID-19, has surpassed both SARS and MERS and the Indian and Bangladeshi markets are currently not permitting Chinese crew to disembark at their respective recycling locations on government orders, GMS said in its weekly report.

"Perhaps, a forced period of quarantine may have to ensue, even if the crew displays no signs of having contracted the virus," said GMS.

Market sentiment in Bangladesh and India remains volatile, but rates on offer are still between $370 per light displacement tonne and $400 per ldt.

A Singapore-based broker said that the recyclers were hesitating to take any vessels whose last port of call was a Chinese port. "As depression sets in, both cash buyers and owners struggle alike to get their done deals delivered," he added.

Another market participant pointed out that laboratories in China where inventory of hazardous materials sample testing is done were closed for a longer period of time after Chinese New Year holidays, and this delayed preparation of a few IHM reports of end-of-life vessels.

However, the laboratories have been slowly coming back to normal operation since the beginning of the week, he said.

Ghani loses UK shipping brief in Cabinet reshuffle

NUSRAT Ghani has left her role as the UK's minister for shipping after falling victim to Boris Johnson's Cabinet reshuffle.

Ms Ghani, who held the shipping brief as a transport minister, confirmed the move herself in a Twitter post.

She said: "Huge privilege to have been transport minister and we've achieved so much in two years. Thanks to the great team in the dept and now I get to spend more time with family and constituents."

She gave an interview to Lloyd's List at the end of last week in which she described how she "loved" her job.

Her replacement to oversee shipping and maritime is yet to be announced.

Greek owners say European ETS push must be thwarted

GREEK shipowners have called for opposition at the International Maritime Organization to rebut a European push to include shipping in the EU's Emissions Trading Scheme.

The ETS proposal, formally included in the new Green Deal announced last December by European Commission president Ursula von der Leyen, is rejected by the maritime industry as a whole, said Theodore Veniamis, president of the Union of Greek Shipowners.

The remarks, made in a speech to the UGS' annual general assembly, come within days of the International Chamber of Shipping and BIMCO outlining their opposition to the same proposal.

An ETS was not suited to shipping as an industry and was branded "dishonest" by Mr Veniamis, since it supported the principle that "whoever pays can continue to pollute".

Mr Veniamis said that EU "pressure" threatened progress at the IMO towards the longer-term goal of decarbonisation. He said that the industry defended the IMO's primary role in regulating the industry, which was free of "distortions and baseless initiatives that are aimed solely at political ends".

The UGS hoped that next month's meeting of the IMO's Marine Environment Protection Committee would result in "positive developments" towards thwarting the commission's ETS ambitions, but he did not elaborate.

Though negativity towards an ETS for shipping appears widespread in the industry, the view of Greek owners is particularly significant as, according to the UGS, they control more than 54% of European tonnage, as well as more than 20% of global capacity.

The UGS has thrown its weight behind a new research and development fund to be paid for by the industry to explore innovative technology and non-fossil fuels, which Mr Veniamis called the "ultimate solution" to decarbonising shipping in line with IMO targets.

He disclosed that the UGS' governing council has just formally endorsed Greece's proposal to limit the main engine power of ships in order to reduce emissions. As Lloyd's List reported last year, Greek owners favoured curbing engine power for all types of ships, but with deeper cuts in power for containership engines compared with current norms.

Mr Veniamis welcomed recent Greek government pledges to make the Greek flag a priority, but he warned that "urgent" action was needed to stop the leakage of ships from the national registry before the damage becomes irreversible.

Linked to this, there was also a need for an immediate reorganisation of maritime training in Greece to produce sufficient well-trained officers.

In addition to serving the Greek-owned fleet, the country could become a cradle for producing seafarers for shipping interests of other nationalities. But to do so, the state academies would have to be modernised and expanded and the country would have to empower private schools to operate in parallel, something that has so far not happened in Greece.

OPINION

The Interview: Nusrat Ghani

SHIPPING has struggled with successive UK governments.

Benign noises have been made by a changing cast of junior ministers landed with the maritime brief on their way up, or out, of the Westminster hierarchy. But even within the Department for Transport shipping has rarely topped the political priority list.

So, taking the helm of the UK's maritime sector amid Brexit headwinds two years ago was, on paper at least, not an auspicious set of circumstances.

Consider the UK flag's tonnage 'Brexodus' as the already diminished list of UK-based owners fled the continuing uncertainty regarding the UK's trading future, the prospect of weakening clout within the International Maritime Organization and then there was the Seaborne Freight fiasco, where the much lampooned cross-Channel ferry start-up with no vessels, became a symbol of government incompetence during the chaotic stumble towards the UK's exit from Europe.

And yet, Nusrat Ghani has served the shipping brief in what the Chinese call interesting times to notable acclaim.

"I got lucky. I got the brief at the right time," said Ms Ghani, talking to Lloyd's List in the DfT's Westminster office between a recent flurry of national port visits.

"Everyone was open to me doing things differently. We were able to put some strategies in place that gave us a strong voice to campaign for better funding and a greater understanding of what the maritime sector was doing not only in the UK but also overseas. Timing is everything."

Maritime, relatively speaking, is enjoying a period high-profile status within UK government. The flurry of ministerial cheerleading witnessed during last year's London Shipping Week spoke of a government and industry operating in lock step with a clear strategic vision of a fully decarbonised, digitalised sector by 2050. Even accounting for the puff of vested interest in this rosy view there is a genuine sense of industry engagement, even from the usually more cantankerous industry veterans who have never previously held back in their forthright views on government failings.

Successive reports trumpeting the £46bn ($56.9bn) contribution the UK's maritime sector makes to the country's economy have finally woken up the UK Treasury to the significance of shipping's importance. Well, that and the timely Brexit-fuelled realisation that an island nation relies heavily on maritime industries. Even the prime minister has latched on to the power of a positive shipping soundbite, name checking maritime innovation in his first speech following the UK's EU exit last month, albeit in the context of a quote from Tennyson's Ulysses.

And at the centre of this apparent maritime renaissance within government thinking, the near omnipresent shipping minister, simultaneously preached the good word of "shipping being the lifeblood of our island economy" to her political peers, and relentlessly badgered the industry's boardrooms and acronym soup of representative bodies into accelerating a progressive leadership strategy.

"My challenge to the [UK Chamber of Shipping] has always been that you have got to put the numbers on this," said Ms Ghani explaining the crucial role of independent analysis like last year's Centre for Economics and Business Research report which spelled out how maritime directly employs more than 185,000 people, carries 95% of exports and imports and generated £14.5bn.

"These are the figures that we need to take the industry forward... and 2020 is the year for us. We can actually make some changes and what's interesting is that the mood music from the prime minister is that if we have to make changes for the right reason, let's have a crack at this. There's a great space for us to be in."

While Brexit has cast a long shadow over the UK shipping sector for several years, even hardened Remainers have recognised that the UK government's engagement in the maritime industries is a unique opportunity to be taken seriously and swiftly. The UK's Maritime 2050 strategy, launched by Ms Ghani last year setting out a generational industry strategy encompassing decarbonisation, digitalisation and much in between, represents an ambitious vision of industry and government in partnership. As the previous transport secretary Chris Grayling acknowledged at the time of launch, there is no shortage of government strategy documents produced in a blaze of glory only left to gather dust on the shelf, but so far this one seems to be gathering momentum.

"We did something very different over the past two years. It really was about getting everyone to focus. But when people ask me — can we slow down? I say, no — I think this is our year now and the prime minister has made clear he doesn't want to hold back either. He has talked about how global free trade is going to require fantastic maritime innovation and technology — well we're already doing it... we've got a strategy in place and we're moving as fast as we can."

One of the more immediate deliverables on the government's maritime agenda will be to create up to 10 freeports to "turbocharge' trade in the wake of Britain leaving the European Union. After a 10-week consultation on the issue was officially announced last week many of the UK's largest ports are expected to pitch their plans.

Ms Ghani stressed that the outcome is very much "in the hands of the port sector" and points to a transparent, collaborative process.

It is, however, a politically sensitive process given the timing and context of the consultation and while ports are keen to bid, there is also concern that it could become a top down political instrument to secure electoral advantage.

Put crudely the dichotomy is this: boosting Felixstowe and Southampton, which are getting the main haul calls from Asia, makes economic sense if the object of the exercise is to turbocharge the economy and unleash Britain's post-Brexit entrepreneurial dynamism. But if the idea is to boost 'left behind' areas are prop up the so-called red wall gains, then Humberside and Teesside are the obvious candidates.

Ms Ghani criss-crossed the country in a studiously balanced agenda during recent weeks to personally assure ports that the process is going to fair and effective.

"I understand the anxiety, but I want I want the sector to be assured that as we have presented freeports in the maritime 2050 plan — that is still what we're trying to achieve. We want to see 'centres of excellence' being pitched forward and we want the process to be as transparent as possible because we were working with the sector for a couple of years on this. The best free port proposal put forward are the ones, I hope, obviously will be the ones that will be chosen."

Another political hot potato for the shipping minister has been the UK Ship Register, which lost more than a third of its tonnage last year, largely because of commercial concerns from owners regarding Brexit. That in turn resulted in a government U-turn on its previously targeted doubling of the flag size to 30m gt.

Following a brief period of "inward reflection", the UKSR came out fighting in September with a new vision to become the "world's best performing international flag" focused on quality metrics, improved efficiency and a more realistic growth target.

"We have an opportunity now to make the flag even more competitive. They have targets that they need to meet and my job is to make sure that we are putting in the right legislation or pitching it at the right at the right place to make sure that we can get more people coming back… There was anxiety due to the elections, but the attitude has changed enormously and yes, the relationship with Europe has changed, but at least there's that certainty that's been given to them. We just make the service better. That means digitalising lots of things that we need to and moving on everything that we've had planned that has now just got to be place."

"We need to look at how we do it, what offer we can make, how we can make it super competitive, and then just go out and sell it as much as we can".

But if the future of the Red Ensign presents a pressing domestic agenda item for Ms Ghani's successor, it is the bigger picture of the environmental agenda that will need to be sustained far beyond this government.

The Clean Maritime Plan launched last year by Ms Ghani, sets out how government sees the transition to a future of zero-emission shipping. The ambition is for all new vessels being ordered for use in UK waters to be designed with zero-emission propulsion capability by 2025, and for the UK ship register to be the global leader in emission-free initiatives by 2035 — a bold ambition, even for the most optimistic engineer working on decarbonisation solutions.

"People have begun to understand that the environmental agenda is actually one that we can embrace," said Ms Ghani, who has touted the UK to lead the technological innovation required to hit the government targets.

"We've put out what our ambitions are and I know that sometimes people whisper that I am a challenging minister, but I do wear that as a badge of honour, I really do. And I set the sector a whole new challenge by putting together the clean maritime plan. And I recognise that it's challenging, and I recognise that it has economic issues around it, but we've got to get it done and we've got to get it right, which is why I want to work with the sector on it.

"The environment is incredibly important not just to the government but to the sector too and I cannot be hosting the International Maritime Organization and driving it to be ambitious and not show willing in having a national strategy, and having our ports and our shipping on side is essential."

Amid the relentlessly upbeat optimism of a minister on a mission, there was, however, one area causing her concern.

"If I had only one anxiety for the next year, it would be the people element of everything that we're doing — we just need more people.

While the government's ambitious strategy to encourage more young people to seek out rewarding careers in the sector, as outlined in the Maritime 2050 strategy, the transport industry is going to require more than 340,000 extra workers in the sector by 2033.

"We're going to need a hell of a lot of people, but for maritime especially we're going to need more, so every time I hear about a ports ambitions to get bigger, or shipping lines ambition to come and have a permanent berth here, or the extra work that we need to get done to get people to work in our areas of research, our areas of tech and innovation… we just need so many people. So anything that we can do to try and promote our wider sector, everything from making sure we're taking care of our oceans to getting people to become seafarers is one that we're going to have to work out how we have a massive change in the next couple of years."

ANALYSIS

The mental strain of working at sea

WORKING at sea can be a lonely affair. Seafarers are often subjected to months away from home, friends and families in relative seclusion.

It is perhaps unsurprising that in such an environment, issues of stress, anxiety and psychological trauma are commonplace. Indeed, the statistics are alarming.

Research from Yale University and charity the Sailors' Society in 2018 revealed that more than a quarter of seafarers suffered from depression, while a survey last year, conducted by Yale once more, in conjunction with the International Trade Federation Seafarers' Trust, showed 20% had either considered suicide or attempted suicide.

Fortunately, the shipping industry is waking up to this all-too-common affliction amid increasing social and cultural awareness on the issues surrounding mental health and its repercussions.

On the day of writing this article, January 20, it is the aptly named 'Blue Monday'. The third Monday of January is said to be the 'most depressing' day of the year, as the reality of ordinary working life dawns with the festive season and New Year celebrations are well and truly over.

Bleak as it is, Blue Monday is an example of how we as a society are starting to get to grips with mental health — or at least beginning to understand its severity.

Several organisations from within the shipping industry marked the occasion with a timely reminder of seafarers' susceptibility to mental health-related illnesses.

This included Nautilus International, which, along with the union RMT and the UK Chamber of Shipping, has previously issued guidelines for shipping companies on how to adopt policies to protect the mental wellbeing of seafarers.

Yet this is exemplative of an increasingly tactile response from the wider shipping community. Although there is still plenty of work to be done in tackling the issue of mental health, the fact the industry is recognising the problem is a major plus point.

The International Maritime Organization too has been increasingly pro-active. Mental health will be one of the core themes addressed during this year's Day of the Seafarer — a day co-ordinated by the IMO to celebrate and recognise the contribution of seafarers globally, which, in 2020, falls on June 25.

Further, the IMO will be holding a sub-committee on 'human element training and watchkeeping' earlier the same month, when, once again, mental health will be high on the agenda.

The UK P&I Club's crew health programme director Sophia Bullard explained to Lloyd's List how the issue of mental health is finally getting the attention it deserves.

Ms Bullard said more and more of its members are approaching the club asking questions about mental health, requesting information about what help is available and best practice for preventative measures to ensure crew are healthy and happy on board.

This, she said, could be anything from ensuring seafarers are vetted beyond their traditional physical health screening to shipowners seeking advice on the best way forward following a suicide or attempted suicide on board a vessel.

The UK P&I Club has been at the vanguard of raising the profile of mental health issues in recent years, working closely with charities, including the Sailors' Society, Mission to Seafarers and Human Rights at Sea, campaigning for greater seafarer protection, providing sponsorship, encouragement and PR support for their various initiatives.

Indeed, the support of charities has been integral in creating mental health awareness — but, more importantly, the care and assistance seafarers need.

Although some shipowners are making significant strides, adopting in-house training and HR programmes, others evidently are failing their crew.

A recent survey conducted by Cardiff University, as part of research funded by the Institution of Occupational Safety and Health, showed that 55% of employers polled admitted they had not introduced any policies or practices to address mental health for a decade or more.

Thankfully, charities are helping to plug this gap.

One such initiative the UK P&I Club has helped get off the ground is the Sailors' Society's Wellness at Sea programme. Launched in 2015, the programme is an holistic approach to tackling the issue of mental health, coaching seafarers to think about their own wellness in five key areas: social, emotional, physical, intellectual and spiritual.

The Sailors' Society's deputy chief executive Sandra Welch explains this comprehensive face-to-face programme is available for seafarers before deployment, but also training is on offer for employers, who can relay teachings to crew members in the future.

In addition, seafarers can access an e-learning course, providing 20 hours of training on the five areas underpinning the programme. The e-learning tool is also downloadable as a mobile app, while UK P&I Club members can access the training for free.

"It is a journey companion they can take with them, which both empowers and entertains users, with plenty of resources they can access and helpful information on where to get help," says Ms Welch.

Fellow UK-based charity Mission to Seafarers also offers a training programme known as WeCare, which the UK P&I Club also helped develop and has continued to lend its support.

WeCare addresses not only the crew's mental health but also seafarers' families, offering guidance on how best to contact crew while on the ship.

Internet connectivity — and with it access to emails and social media — ensures seafarers can stay in contact with loved ones and up to date with life and events back home.

Access to the internet is now a must among crew. A recent survey by Hamburg-based crewing specialist Danica found that as many as 80% of seafarers who do not have online access would change jobs.

Naturally, engagement with friends and family while at sea via online social channels and networks can be of considerable comfort — but it can also have the opposite effect, making seafarers feel even more isolated.

As WeCare project manager Thomas O'Hare explains, having this access can make you dependent on wanting to receive affirmation from home that everything is OK — and vice versa.

"At first, this can be a good thing for seafarers and those who are used to it; but then after a while, homesickness becomes a much more prominent thing," Mr O'Hare tells Lloyd's List.

This online connection can also bring added pressures from home. It creates a channel for those dependent on a seafarer's wages — which often extends beyond close family — to relay their wants and needs, or share information that an individual may find difficult to process or manage while at sea.

"So, for instance on social media, we've talked to the seafarers and their families about what are the best ways to communicate, what are the best words/phrases to use, and what's the best way to form a conversation," adds Mr O'Hare.

The WeCare programme also offers bespoke advice on how to discuss financial issues.

"There may be an instance where 100% of your ship money has been spent by the family for an emergency. I mean, how will you deal with that? What methods can be put in place before you are deployed to safeguard yourself in this scenario?"

Having internet access on board also restricts time to mingle and interact in the mess with fellow crew members during non-work hours. Whereas breaks were previously a much more social affair, often crew spend spare time locked in their cabins speaking to friends and family at home, on Skype, Facebook or via email.

These, though, are just a handful of examples of the help on offer for seafarers. There is more — and it is worth reiterating the work undertaken by charities is admirable.

However, as Mr O'Hare states, there is plenty of scope to ensure seafarers suffering from depression, anxiety or other forms of mental illness can get the support and care they need.

He is also concerned that some ship operators do not freely promote the help on offer as best they could.

Having been on board several ships during his time with the Mission for Seafarers, Mr O'Hare was surprised to learn that SeafarerHelp, a 24-hour telephone helpline service offering free and impartial advice, was unbeknown to crew.

"I find it strange that these types of support networks aren't advertised more widely," he says.

Ms Welch echoes these sentiments. Although she stresses that the industry has made significant strides in tackling the issue since she joined the industry six years ago — when shipping was essentially "doing nothing" — seafarers still require more guidance on the issue.

That is why she is so passionate about the Sailors' Society's campaign Not On My Watch, which is central to the work the charity is carrying out on the subject of mental health.

Harrowing image

The campaign began after Ms Welch came across a photo of a young seafarer who had hanged himself off the side of the ship. The harrowing image struck a chord with Ms Welch. This was not something she could ignore.

"I was really upset. Somebody loved this guy, whether his mother, his wife, kids, or someone else... but if there had been people able to help him, this could have been entirely preventable."

Off the back of the incident, a campaign was launched for wellbeing/mental health training to become compulsory before seafarers are deployed at sea, in a similar vein to physical health checks.

The Sailors' Society is calling on the UN's International Labour Organization to make this procedure mandatory. So far, the campaign has attracted around 3,000 signatories.

However, Ms Welch says that despite the ILO being open to the idea, if it is to gain traction, then backing from other organisations, unions and industry stakeholders is a must.

Nevertheless, it is campaigns and initiatives such as these that continue to educate the industry on what remains a sensitive issue — which, it must be remembered, encompasses a vast spectrum of conditions.

There is no one quick or easy fix. Mental health research and preventative measures are therefore vital to help struggling seafarers.

Yet it should not be forgotten that the mental wellbeing of crew is also beneficial to employers.

For seafarers, it is key to get the message out that there is help available, and that it's okay not to be okay. We're only human, after all.

This article is part of a special report on Crew Training and investing in shipping's next generation to be published online soon

US seaborne crude oil exports up 51% in 2019, says BIMCO

THE US increased its seaborne exports of crude oil by 51% to 133m tonnes in 2019, with December registering the highest monthly figure at a record 13.9m tonnes, according to shipping association BIMCO.

The association said that the US became a "net seaborne crude oil exporter of crude oil" in October 2019 and that the "record-breaking exports" in December solidified the trend.

Asia and Europe remained the largest export destinations of US crude in December, accounting for 38% and 41% respectively.

"The long-haul trips to Asia, with South Korea as the largest regional US crude importer, generate a positive tonne-mile upside for the crude oil tanker market," BIMCO said.

Under phase one of the US-China trade agreement, China has pledged to buy an additional $52.4bn worth of US energy goods, spread out over a two-year period.

BIMCO said it expects "at least half" of the extra energy purchases to be crude oil.

The long-haul nature of the US-China trade provides a "net positive" for the oil tanker segment, but the association said "it remains to be seen whether the deal will result in the creation of new trade or merely serve as a diversion of existing trade flows".

BIMCO said it expects the US to become a net seaborne crude oil exporter on "an annual basis", for the first time in 2020. Net exporter means that the country exports more than it imports.

The US Energy Information Administration projects that the US will export more crude oil and petroleum products combined than it imports this year and will be a net exporter until 2050.

Recent growth in US crude oil production has been driven by the development of so-called "tight oil resources" located in the Permian Basin of eastern New Mexico and western Texas.

The EIA said that increasing Permian crude production "has outpaced" pipeline takeaway capacity to bring the crude oil to market but that the need for more capacity prompted "a large expansion" of pipeline infrastructure.

In May, the EIA reported that nine intrastate crude oil pipeline projects have been announced or are under construction in the region with in-service dates between 2019-2021.

Increased exports from the US Gulf coast region are due to the quality of petroleum now being produced, which is mostly of light sweet crude oils, while US Gulf coast refineries are configured mostly to process heavy sour crude oils.

The increasing production and mismatch between crude oil type and refinery configuration allows for more of the increasing US crude oil production to be exported, according to the EIA.

Managing the transition from sea to shore

THE worlds of seafaring and shore-side management are not exactly chalk and cheese. However, while the first is characterised as closer to science, the latter is more akin to art.

In terms of employment, the difference between sea and shore skills must be understood because failure to recognise this disparity will make the transition challenging for both the seafarer and management.

Training for seafarers focuses on specific aspects of shipboard operations. Mariners are given significant technical and operational skills, which primarily focus on improving productivity and efficient operations.

Training for certificates of competence for shipboard ranks comprises mainly technical and operational aspects.

Some companies may offer bespoke training for shipboard management. However, this is insufficient for a smooth transition from ship to shore.

Training requirements for shore staff are somewhat different and will continue to change as technology evolves and the maritime landscape changes.

As seafarers move from sea to shore, technical skills give way to soft skills and, as they climb the corporate ladder, the use of technical skills declines and the use of soft skills and management skills increases.

Knowledge of technical skills and the seaborne environment does not necessarily provide commercial awareness of shipping or any instruction in how to operate or manage in an environment that is less structured than on board a ship. A different skill set is required in terms of people management.

“It took three years for me to be really effective as a manager,” one senior executive told Lloyd’s List, “and that entailed ‘unlearning’ some things I had learned during my seagoing career.”

How well this transition is managed depends on the shipping company involved and the employment relationship it has with its seafarers.

The most progressive companies have programmes in place that bring licensed officers ashore for periods of time to place them in shipmanagement positions.

In some cases, these initiatives are only open to the senior officers (masters and chief engineers), although others are open to any licensed officer.

“The best programme I have seen has senior officers sail for a couple of years. Then they are brought ashore for a period of one year and moved around in ship operations positions, such as port captain, HSQE [health, safety, quality and environment] and human resources,” explains another executive.

“Then they return to sea for a couple of years before bringing them back ashore for a year.”

This gives the company an opportunity to identify talent that could fill a position ashore when one comes open and allows the seafarer the chance to see if they like the “fit” for shore-based employment.

This type of programme is typically seen in companies that employ their seafarers directly, rather than through crewing agencies.

Crewing agencies supply seafarers to work on board ship. There is no obligation for agencies to train them for work on shore. For these seafarers, the onus is on each individual to upgrade himself or herself to transition on shore.

Another executive put it bluntly: “I don’t think crewing agencies are interested in what happens to seafarers when they come ashore.”

For shipping companies using seafarers from crewing agencies with no regular placement on the same vessel or on ships of the same fleet, and where there is no training programme running, any identification of talent would be on an ad hoc basis.

What is clear is that there is no form of industry-wide training for the move ashore. Some companies invest heavily in transition management; others seem to believe no training is required or it can be achieved in a week or two at head office, depending on the seafarer’s acquired skills.

The general level of training is influenced by several factors.

One of these is senior management’s vision for the company and the size of the pipeline of skilled professionals they anticipate coming ashore to fill vacancies.

Another is seafarers' understandable desire to spend more time with their family, and their preference to stay with their existing employer ashore.

Another may be the financial hit seafarers would take when they come ashore, and their need to quickly progress up the corporate ladder or be lost to the industry.

An often-overlooked factor relates to the forecast of a shortage of experienced mariners in the medium term. This may spur companies to retain senior officers at sea. However, that would stop the flow of maritime skills coming ashore into management positions.

Where shipping company managers have taken an interest in seafarer skills and tried to marry these skills with the requirements on shore, the transition can be an engaging and happy experience for both parties. Lower wages ashore can be managed, so can the working environment, expectations and benefits.

The key, one executive suggested, is not only to have competitive salaries and conditions; the most compelling attraction is providing opportunities for advancement and offering a broader role.

Many seafarers who make the transition do so at a financial loss in the beginning, therefore their motivation is more for career advancement into more senior management roles.

However, where the company has invested little in transition management, the experience can be traumatic.

Senior officers may find real demand for their skills, although openings for junior seafarers may be limited. They are expected to stay close to their unions and crewing agencies, reach out to headhunter firms and tap up personal contacts, friends and family.

In conclusion, management of the transition from sea to shore can be described as inconsistent or inadequate for many shipping companies.

Some companies regard the pipeline of officers as an opportunity to bring fresh talent to the ranks of management.

Others seem willing to recruit seafarers in a more or less haphazard way. That latter way of thinking is much more likely to see seafarers walking away from the industry.

This article is part of a special report on Crew Training and investing in shipping's next generation to be published online soon

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MARKETS

SM Line partners with Maersk and MSC on transpacific trade

MAERSK and Mediterranean Shipping Company, members of the 2M Alliance, have found a new South Korean partner to replace Hyundai Merchant Marine, which is set to join a rival grouping.

Seoul-based SM Line will sign a co-operation agreement with the two bigger peers, beginning on April 1. That is also the time when HMM will start to become a full member of The Alliance.

The agreement "ensures we will provide continuity of services between Asia and the west coast of North America, with improved services to the Pacific Northwest", said MSC.

The new partnership was separate from the 2M vessel sharing agreement, the carrier added.

"It consists of a combination of slot exchanges and slot purchases among the three parties — MSC, Maersk and SM Line — and it is subject to regulatory approval."

Maersk said in a service update that SM Line will become a vessel provider on the TP8 service by providing 2 out of 6 vessels.

The Danish giant added that its current co-operation with MSC and Zim will remain unchanged.

SM Line is currently the world's 20th-largest liner shipping carrier, operating a live fleet of 73,882 teu in capacity, according to Alphaliner.

Lloyd's List Intelligence data shows the fleet includes two 8,200 teu ships and eight 6,600 teu ships that previously owned by Hanjin Shipping.

EuroDry eyes sizeable returns from dry bulk

EURODRY says market "uncertainties" made worse by the coronavirus outbreak may eventually have a silver lining for owners.

"The positive by-product of the uncertainties in the market is the limited numbers of new orders placed and the declining order book as a percentage of the fleet," said Aristides Pittas, chief executive of the Greece-based dry bulk shipowner.

"We continue to believe that dry bulk markets could offer significant opportunities for sizeable returns in the medium term."

The relatively upbeat comment came as EuroDry unveiled an increased profit for the fourth quarter of 2019.

According to Mr Pittas, rates during the three months "in some cases" suffered a 20% drop from the previous quarter and the market had continued declining in January and February this year as the coronavirus epidemic added to concerns.

However, the company's fleet of seven bulkers was insulated against the worst effects, at least for the fourth quarter of 2019, as certain vessels were still on long-term charters fixed in prior periods and others traded during the quarter under charters inked during the third quarter of the year at "favourable" rates.

Nasdaq-listed EuroDry posted net income of $1.4m for the fourth quarter of 2019, up from $800,000 in the fourth quarter of 2018.

Revenues increased by 8% to $8.1m, mainly reflecting an increase in average fleet size by one vessel.

For the full year, the company scraped a $16,497 profit, compared with net income of $1.1m the previous year.

In 2019, the fleet's average daily time charter equivalent rate dipped to $11.190 per vessel from $12,484 in 2018 and finance costs rose.

However, general and administrative costs in 2018 were higher because of one-off expenses related to EuroDry's spin-off from EuroSeas, now a pure containership company, and its separate public listing.

Mr Pittas said that the company is continuing to "pursue opportunities to merge with other fleets to grow the company providing a platform for consolidation".

At the same time, he said that the company's stock was lagging significantly behind net asset value and management was taking initiatives "to increase EuroDry's visibility among investors" to reduce the discount.

HMM warns of virus and tariff impacts amid continued losses

HYUNDAI Merchant Marine has warned of market impact from the coronavirus outbreak and US-China trade war as it posted continued losses for 2019.

The statement comes as the spreading disease is expected to take a toll on the economic growth of China as well as other parts in the world albeit less severely. At the same time, a large part of the US tariffs on Chinese goods remain in place despite the phase one deal reached by the two countries recently.

"In 2020, uncertainties stemming from the outbreak of the COVID-19, rising concerns over global economic downturn, and the impact of US-China trade conflict are weakening the prospects for rises in trade volume," the South Korean carrier said in a release.

The shipping line's operating losses stood at $33m in the fourth quarter of 2019, sending the whole-year deficits to $261m.

Nevertheless, the shortfall was trimmed from the level a year ago of $56m and $479m respectively.

Container lifting volume was not specified with its results. HMM has not publish the figure for two consecutive quarters.

The company said the improved performance had been mainly contributed by rationalisation of the service network and the entry of service of five new very large crude carriers.

"In 2020, profitability is expected to be improved as a result of new co-operation with The Alliance and the deployment of twelve 24,000 teu containerships," it added.

HMM will formally join The Alliance, which also include Hapag-Lloyd, Ocean Network Express and Yang Ming, as a full member in April. It is also the time when those super-sized newbuilding boxships will start to be delivered.

"Our capacity to impress our customers is more necessary than ever before," said chief executive and president Jae-hoon Bae in a new year message last month. "In order to compete with other global top-rated carriers, offering differentiated value-added services is a top priority."

He reiterated the company's target to reach 1m teu in carrying capacity and $10bn in annual revenue.

HMM ranks as the world's 10th largest box shipping carrier with a boxship fleet of nearly 374,000 teu in operation. It also has more than 400,000 teu of capacity on order, according to Alphaliner's latest statistics.

Its revenue for 2019 topped $4.7bn, up 5.6% from 2018.

Westports' trade growth stalls amid coronavirus outbreak

KUALA Lumpur-listed Westports Holdings may not see any throughput expansion this year, with most of its major trades exposed to a potential slowdown in China following the coronavirus outbreak, one analyst has warned.

Citing the threat posed by the outbreak, TA Securities analyst Tan Kam Meng slashed earning projections for Westports in this year and next by 28.2% and 35.1%, while keeping to a zero-growth forecast for transhipment and gateway volumes.

He noted that all except one of the major trade lanes served by Westports are connected to China in one way or the other.

Two China-linked trades, Asia-Europe and intra-Asia, contributed to 80.2% of Westports' FY2019 trade volume and the bulk of throughput growth for the same year.

Asia-Australasia services, which are not exposed to China, accounted for just 8.2% of Westports' overall throughput last year, Mr Tan pointed out.

Westports' management have reserved comment when asked for a throughput projection even though they have previously guided on an expected 3% to 8% expansion before the outbreak, the TA Securities analyst added.

Chinese ports are reportedly struggling with congestion arising from a lack of dockworkers and truck drivers.

Some shipping lines have thus far diverted to Busan in South Korea to avoid the congestion seen in China, according to Westports.

The port operator posted a 20.7% increase in FY19 core profit to RM645.4m ($155.9m) on a 10.4% expansion in revenue.

It handled 16.2% more transhipment and 9.7% more gateway volumes last year.

IN OTHER NEWS

Yang Ming boxship released in Sydney

THE Yang Ming containership earlier arrested in Sydney over a debt dispute has been released.

"Yang Ming regrets any inconvenience to its Australian cargo clients," said the Taiwanese carrier in a statement.

"The arrest of *YM Eternity* over the weekend and without notice by [Australian Maritime Safety Authority] was deeply disappointing."

Cosco bulker rescues yacht in North Atlantic

A COSCO Shipping dry bulker has rescued two people from a distressed sailing boat in the North Atlantic.

The British couple on board had been drifting for nearly 12 hours before they were saved by the 38,836 dwt *Xiu Yu Hai* at around 1930 hrs local time on February 7.

Their vessel lost power in a storm and had its mast broken off, Cosco Shipping said.

Green protesters threaten closure of Canadian ports

PORTS and railroads across Canada are facing a shutdown because of climate activists opposed to the construction a 670 km natural gas pipeline from British Columbia's northeast to the $40bn liquefied natural gas Canada export facility in Kitimat on the Pacific Coast.

The protests are in support of hereditary chiefs of the Wet'suwet'en Nation, an indigenous group who have vowed to stop the line crossing their land even if they must violate a recently granted court order allowing the line to go ahead.

Climate activists from across the country have taken up the hereditary chiefs' message and have blocked rail lines at six locations from British Columbia to Nova Scotia, as well as occupying government and parliamentary offices across the nation.

PSA Marine acquires Peru port services firm

SINGAPORE-based harbour and terminal towage operator PSA Marine is expanding in South America with the acquisition of Tramarsa Flota and its subsidiaries in Peru from Grupo Romero.

Tramarsa Flota is a port services company that has operations in 10 major ports along the Peruvian coastline.

The deal will give the PSA International unit access to a fleet of 45 vessels, including 17 tugs, 23 launches and five support vessels for diving activities and other marine services. Financial details were not disclosed.

Epic Gas upbeat on 2020 market despite net loss

EPIC Gas has issued a positive outlook for seaborne gas trade in 2020 despite its net loss at the end of last year.

The Oslo-listed, Singapore-based operator of 44 pressurised gas carriers said increasing US gas exports and rising demand from Asia would help the market in 2020, predicting a 5.7% rise in global LPG volume traded.

Chief executive Charles Maltby said: "While the end of 2019 and start of 2020 have had some regional headwinds in some of our markets, dampening both freight levels and utilisation rates, the supply and demand fundamentals of the gas sector provide reasons to be optimistic."

StealthGas LPG carrier leaking off China

REPAIR workers are dealing with a leaking liquefied petroleum gas carrier and have evacuated the vessel from port and positioned it off Fuzhou in southern China.

The Liberia-flagged *Gas Prodigy* was offloading 2,400 tonnes of propylene at the Zhongjiang Chemical Terminal on February 10 when a leak from a cracked cargo pump was found, state-owned China Central Television reported today.

The 2003-built ship was then towed to the outer anchorage of the port with the surrounding area within a radius of 3,000 m cleared amid explosion concerns.

Seanergy sees 'positive year' after second quarter

SEANERGY Maritime envisaged that 2020 would be a "positive year" for the beleaguered dry bulk sector as the listed owner of 10 capesizes reported a small profit for the second consecutive quarter.

Despite the freefalling capesize market during January, the company said it was looking beyond current weakness, with iron ore exports from Brazil expected to ramp up generating additional demand, and a 7% growth rate in Chinese steel production from the second quarter of the year.

"The long-term positive trend in the capesize market is expected to continue," the company said as it revealed its fourth-quarter results. The company reported net income of $3.1m, on vessel revenues of $27.8m for the quarter ending December 31. That compared to a loss of $3.2m for the corresponding quarter last year. The company reported net income of $747,000 in 2019's third quarter.

Berenberg banker cleared in Hapag-Lloyd sell-off probe

AN INVESTIGATION in connection with TUI's divestment from box carrier Hapag-Lloyd has been discontinued, according to a statement from the bank.

The German tour operator sold 8.5m shares in Germany's biggest container company in 2017. Berenberg acted as sole global co-ordinator and bookrunner.

The probe into the role of Berenberg managing partner Hendrik Riehmer was initiated in March last year, but has now been dropped on the grounds that the accusations were unfounded.

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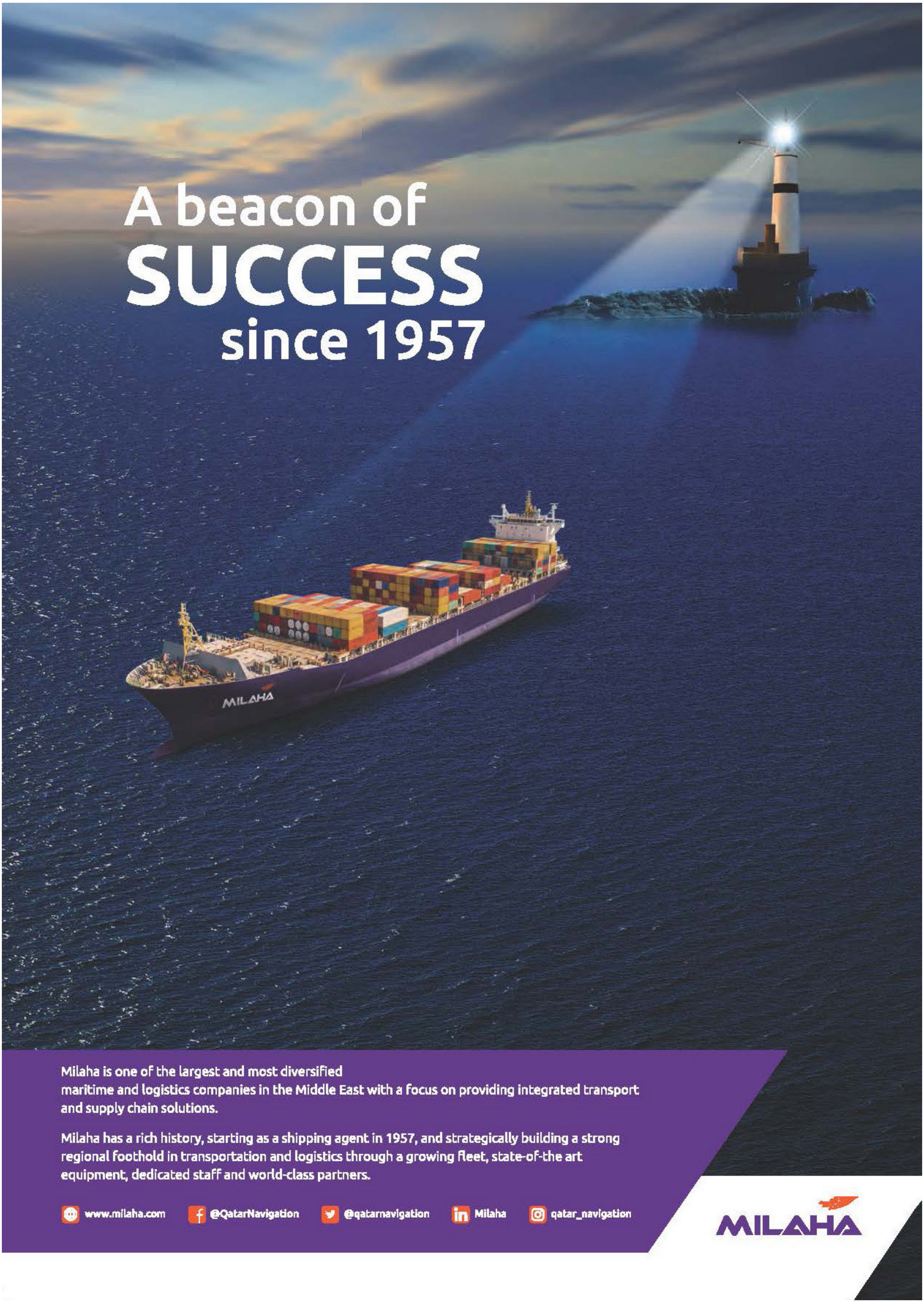
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