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## Ships poised for new CO2 measures in 2023



SHIPS WILL LIKELY have to comply with new global emissions-cutting measures as early as 2022, as regulators deliberate proposals next month under intense pressure to deliver on the International Maritime Organization's initial greenhouse gas emissions strategy.

The detail is open for negotiation, but with one proposal for a technical measure now widely backed and a proposed operational measure also now in the running, the industry faces the near certainty of at least one new measure coming into force in a couple of years' time, primarily geared towards the IMO's target of reducing carbon intensity of vessels by at least 40% by 2030 compared with 2008.

The proposals, seen by Lloyd's List, will come under discussion at IMO at the end of March during an inter-sessional meeting on greenhouse gasses. This is a preparatory meeting at which much of the tedious yet highly significant negotiations will happen. No finalised decisions are made at this stage, but it is a low-profile forum that often generates policy ideas that have big consequences.

The Marine Environment Protection Committee, which makes all final decisions and meets the week after, often uses the outcome of the inter-sessional to craft policy.

Though refined and enhanced, the measures on the table are hardly novel ideas; they were first proposed to the IMO a year ago and regulators have already discussed them in meetings throughout 2019.

IMO member states are aiming to agree a new measure by 2023. But the organisation has come under criticism for dragging out talks during its last few environmental meetings.

The sudden increase in volume from apparatchiks in Brussels wanting more rules imposed on shipping have augmented that pressure, with the European Commission and the Parliament pushing for the EU to regulate emissions — much to the astonishment of a shipping industry that has been caught off guard — beginning perhaps even before the IMO's short-term measures come into effect.

### **Japan rallies industry-wide support**

Panama, Norway, Greece and other influential actors are co-sponsoring a proposal originally tabled by Japan to curb the carbon intensity of existing ships through efficiency targets, in a major push for the highly publicised proposal.

Japan had tabled the first version of this proposal last year, and the latest version is also co-sponsored by the International Chamber of Shipping, BIMCO and Intertanko, three of the most significant associations in the sector.

They want existing ships to meet specific energy efficiency targets, based on ship type and size, a target they call the Energy Efficiency Existing Ship Index.

The philosophy is grounded in the energy efficiency design index, the IMO requirement that dictates how much more efficient newbuilds have to be.

The proposal uses the EEDI reference line to calculate exactly what each ship group's targets should be.

While the rules would enter into force in 2022, the co-sponsors have left it up to regulators to decide when compliance would start, dependent on certification renewals. But based on the timelines and the options they suggest, the first ships would begin complying as early as March 2022, while the last ones would fall into line in the late summer of 2024.

The latest version of the proposal is based on negotiations among an informal group of 11 countries, including Australia, the United Kingdom and the United States, as well as seven formal organisations.

To reconcile voices that were calling the targets too high or low, the co-sponsors proposed the IMO review the regulation and its impact by the end of either 2026 or 2027.

Despite emphatic support from influential shipping interests, the EEXI concept has also

come under tight scrutiny and criticism in the past few months.

The International Council on Clean Transportation called into question its effectiveness; the NGO argued shipowners would favour engine power limitations to meet the EEXI, and estimated that those EPLs would have to be aggressive if they were to have a meaningful impact on decarbonisation.

Japan responded, stressing that its proposal is a target-based measure and does not mandate the use of EPLs.

### **A Danish proposal... with Chinese backing?**

The apparent popularity of the Japanese proposal, a technical measure, does not preclude the adoption of an operational measure as well; the IMO could go for both a technical and an operational measure.

Denmark, France and Germany are calling in their own proposal for each ship to have individual carbon intensity targets, leaving operators to choose how they will get there. The measure would come into force in mid-2022 and would take effect from January 1, 2023.

Each ship would have an annual required carbon intensity reduction factor based on a 2008 baseline called the carbon intensity indicator. The targets are enshrined in energy efficiency certificates that last a maximum of five years and that will be audited annually.

“A combination of effective enforcement by flag state verification audits and port state control would safeguard against inappropriate compliance strategies and the challenge of charterers for ships engaged in voyage and time charters,” they said.

The proposal envisages that a ship could effectively miss its annual target by a maximum of 5%, but it would have to showcase how it would meet the targets of the following years and would also need to comply with additional reductions.

The co-sponsors noted that they had been collaborating with China towards developing an operational measure. But they claimed physical and online collaboration was made difficult due to European and Chinese holiday seasons, as well as the outbreak of the coronavirus.

“The time and work constraints result in no agreement on a common proposal before the submission deadline for ISWG-GHG 7. Nevertheless, co-ordination of work took place in a constructive and solutions-oriented spirit,” they said.

Last year, France was a staunch supporter of speed limits. The last inter-sessional meeting in November 2019, however, effectively closed the book on direct

speed limits as a potential method of cutting emissions, leading to the abandonment of the idea by its supporters.

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## WHAT TO WATCH

# EU competition regulator warns shipping that consolidation can only go so far

AFTER “accommodating” mergers of shipping companies, the European Commission is warning that there comes a point where consolidation becomes too damaging to competition.

Henrik Morch, director for transport at the European Commission’s Directorate General for Competition, said the EU regulator has been accommodating big mergers in shipping, sometimes with remedies to address competition concerns for certain trade lanes.

“There comes a moment - I am not saying we are there now — where you are faced with further consolidation and where it becomes very difficult and very challenging to find remedies to distortion to competition,” he said on Monday during an event at European Shipping Week in Brussels.

The commission is following the development carefully, Mr Morch said.

Container shipping in particular has seen, over the past few years, high-profile mergers and acquisitions such as Maersk and Hamburg Süd as well as Hapag-Lloyd and United Arab Shipping Company, further consolidating an already highly concentrated sector.

Among the most significant of the commission’s ongoing investigations is the one into the merger between the South Korean shipbuilders Daewoo Shipbuilding & Marine Engineering and Hyundai Heavy Industries. There is currently no set timeline for a verdict.

Mr Morch further acknowledged there were concerns about Chinese companies operating with the support of subsidies, including in European infrastructure projects such as ports.

## China port calls slump below last year’s trough

SHIP calls to China’s leading container port of Shanghai indicate the impact of the coronavirus outbreak on box shipping is continuing to worsen.

He said DG Competition was working on an initiative that covers more than just maritime, exploring how it could create a level playing field between EU companies that are subject to state aid control and companies from other regions that are not, and pursue business activities in Europe supported by subsidies.

A white paper on the matter is expected in May and perhaps even earlier, and potentially a legislative instrument could follow.

On EU state aid rules, Mr Morch said the commission had no plans to revisit the maritime guidelines for the moment. “The framework for offering public support to shipping will not change for the foreseeable future,” he said.

Also, tonnage tax rules have been the same for years and to keep up with the times without reopening the maritime state guidelines, the commission has introduced novel items and new standards into the existing rules, Mr Morch added.

He admitted that this policy has raised questions about why the commission uses different standards for different EU countries, but he claimed the current policy of keeping the guidelines unchanged offers the sector greater stability and certainty.

Convincing member states to adapt to these standards had not always been easy, Mr Morch said.

“This issue of equal treatment is a very important part of this exercise... There are one or two out there not playing by the book at the moment,” he said, without naming the countries.

Data from Lloyd’s List Intelligence shows that ship calls to the main container hubs at Shanghai and Yangshang fell again during week seven, with just

251 calls from container-related vessels.

Not only is this down on the previous week's figure, but it remains well below the comparable week last year, when China was still in the midst of the Chinese New Year shutdowns.

This year's earlier new year holiday would normally have meant the first signs of an uptick in volumes and ship calls would have been visible by now, but with the extended factory shutdowns leading to lower volumes being shipped, port calls have continued to decline.

Combined figures for port calls by containerships, general cargo vessels with container capacity, con-ro vessels and container barges at Shanghai and Yangshang peaked at 413 in week two in the lead up to the holidays. This was fractionally higher than the 408 vessels recorded during the busiest pre-holiday week last year.

Since then, however, the number of port calls has fallen by just under 40% and remains 17% lower than the lowest point last year at a time when normally numbers would be on the rise again.

The lower number of port calls coincides with increased blanking sailings by container lines as carriers seek to reduce capacity to match the

subdued volumes emanating from China, where much factory production remains closed due to government bans in order to reduce the spread of the virus.

Including normal seasonal capacity reductions and additional blankings due to coronavirus, upward of 85 sailings have now been cancelled on the transpacific trade alone.

The inability to move containers also is having a knock-on effect on shippers with backhaul volumes destined for China, as the number of containers in China is stacking up.

Figures from container repositioning service Containers xChange show a build-up of 40 ft dry containers in Shanghai and Qindao. Its Container Availability Index, which compares the availability for the previous and current year stands at 0.79 for Shanghai and 0.80 for Qingdao. Any figure above 0.5 indicates a surplus of containers.

Analysts at Platts noted that shortages of export containers were beginning to emerge in some parts of the US.

"Many [containers] have gone back to China empty but have not returned to the US, leaving a dearth of usable container for markets," Platts said.

## Coronavirus: China strives to bring back truck drivers as port logjam persists

MAJOR Chinese port city Ningbo is relaxing travel restrictions on container truck drivers who have been struggling to return to work amid the spreading coronavirus.

The move comes as local policymakers are keen to break the logistics logjam at the world's third busiest box port, which is suffering from a lack of trucks to pick up cargo.

"Due to the coronavirus effects, lots of containers have been stuck at the Ningbo-Zhoushan port, seriously affecting foreign trade and port operations in our province," said a policy guidance note put out by the government of Zhejiang Province, where Ningbo is.

A compulsory 14-day quarantine period will be removed for non-local drivers from regions deemed to have low virus risks as part of the package of measures to address the problems, according to the document.

The authorities will also set up nucleic acid tests and household registrations for these drivers. Those who have passed the precautionary procedures will receive a health certificate and work permit that will allow them to travel across the entire province.

Meanwhile, approvals for the resumption of work by container truck companies will also be fast tracked by the local anti-virus emergency work groups, which consist of high-ranking local officials who are working to handle contingencies during the virus outbreak period.

Other measures include government assistance to secure dormitories and protective goods for the drivers and their firms.

The aim is to bring 3,000 drivers back on the roads by February 23, and to double that number by the end of the month and "resume normal operations at the port", said the document.

Ningbo has about 1,700 container truck companies, with a combined fleet of 40,000 vehicles, according to government statistics.

One executive from a large Shanghai-based truck company estimated a week ago that, excluding those hauling boxes inside the terminal, only 10% of the some 65,000 truck drivers serving the container ports of Shanghai and Ningbo had returned to work.

The overall shortage has not changed much since then, the executive said, although he expected the situation in Ningbo to gradually improve given the supportive policies.

Since last week, carriers have also reported the slow movement of reefer containers at several large Chinese ports, including Shanghai, Ningbo and Tianjin.

Such challenges persisted, said Orient Overseas Container Line in a customer advisory note issued on Monday evening.

“This may lead to a diversion or relocation of reefer containers for discharge at an alternative port. We

are currently working very closely with shippers on contingency plans and viable options to meet their requirements.”

Others shipping lines, including CMA CGM and Ocean Network Express and Hapag-Lloyd, have imposed surcharges on the stranded reefer boxes.

Over the weekend, Shanghai issued a pass that allows locally registered trucks and qualified drivers to travel more easily in the Yangtze River Delta region, although more policy issuances are expected in order to address the port issues.

Once in possession of the licence, drivers who come back to Shanghai from the other parts of the Yangtze River Delta — including Jiangsu, Anhui and Zhejiang provinces — will be exempted from a 14-day quarantine period.

The outbreak of the coronavirus has caused more than 70,000 people to be infected and the deaths of 1,870. Companies and factories in China have seen wide delays in operations, with strict quarantine rules enforced by the government.

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## ANALYSIS

# DP World delisting addresses investor disconnect but debt and deleveraging is demanded

THE maritime sector has always had an uneasy relationship with mainstream investment communities.

Typically shareholders will only allow you to invest when things are going well, but even in ‘normal’ conditions that’s a difficult line to hold for ports companies where assets are capital intensive and have long gestation periods.

Taking the long-term view is essential and short-term public market fluctuations are always going to be challenging.

So, when DP World’s group chairman and chief executive Sultan Ahmed bin Sulayem argued this week that the demands of the public market for short term returns are incompatible with this industry, he does have a point.

Arguably of course, that was the case when DP World was busy raising \$4.96bn in 2007 when it

first listed on Nasdaq and then again when it was chasing a prestigious dual-listing in London in 2011 to get Dubai on the map.

The short-term view of the investment market has not changed, but the market valuation of DP World has.

DP World shares have lost almost half their value since early 2018, so in the minds of the board and their investors, the current market capitalisation, which is hovering at about \$12bn, no longer reflected the true value of the company and was hampering its ability to raise equity in the markets.

It’s also worth recalling that only 19.5% of DP World is listed on Nasdaq Dubai, so at some point the effort involved in trying to attract institutional investors, jump through corporate governance hoops and remain listed had to be called into question in terms of effort versus reward.

As one DP World spokesman put it yesterday, “the benefits are just no longer there”.

But this decision is not just about “freeing DP World from the demands of the public market for short term returns”. Far from it.

DP World’s desire to move out of from its traditional port operations business and focus on implementing its ambitious mid-to-long-term strategy of “building the world’s leading end-to-end supply chain logistics provider”, is going to require long-term investment and joint ventures.

Specifically it is going to involve them continuing to invest heavily outside the port gates and diversify revenue streams internationally in the search for that elusive value.

Even though the company’s operations seem highly diversified, encompassing over 45 countries, Jebel Ali port’s significant contribution to its consolidated volumes (around 35% in 2019) highlights just how concentrated the operation still is in Dubai.

While Jebel Ali is not alone in experiencing some disappointing throughput figures amid trade war headwinds, the fact that Cosco and MSC — two of the largest carriers — have invested heavily in competing Khalifa port has not gone unnoticed, particularly by those remaining lines looking to negotiate hard on rates.

Part of DP World’s rationale for the de-listing notes that the ports and logistics industry is undergoing significant disruption in the form of consolidation of the customer base as well as the vertical integration of a number of competitors.

“It is critical that DP World is able to continue to respond effectively to this rapidly changing landscape and to invest for the future,” read DP World’s official financial filing issued on Monday.

Just as Maersk has sought value through a long-term reinvention of how it creates value, so DP World has a vision to conquer the supply chain survival question.

Prudence, however is going to be required as they try to invest their way into the future.

In recent years, the company has made a series of acquisitions as part of its strategy to become the world’s leading end-to-end logistics provider, including Unifeeder, P&O Ferries, Continental Warehousing, and Topaz Energy & Marine.

But that strategic list of acquisitions has seen total debt increase to \$14bn as of 1H19 (vs \$7.9bn at FY17 end). This has strained the bottom line as interest payments ballooned.

Low interest rates have worked in the company’s favour, so far. The company raised \$1.3bn in July and another \$1bn in September 2019, proceeds of which will be used to redeem existing debt, fund acquisitions and extend its debt maturity profile.

All of which will be needed because the conglomerate has about \$9.9bn in debt maturing in 2022 and a further \$1.1bn due in 2026, according to data compiled by Bloomberg.

And as the financial statements of the de-listing deal reveals, DP World will end up will end up taking on \$8.1bn in debt to finance the deal in which Port and Free Zone World, part of state investment vehicle Dubai World, will acquire the 19.55% of Nasdaq Dubai listed shares for \$2.7bn.

And as the statement makes clear, that \$8.1bn of net indebtedness is “in addition to its current debt”.

An expected investment grade rating and a “progressive deleveraging strategy” will require discipline and long-term thinking.

Following the deal, Port and Free Zone World and DP World will try to deleverage and maintain a target of four times net debt to adjusted ebitda, the filing said. DP World will also look into raising debt in global debt markets to refinance part of the deal’s debt with longer maturities, it said.

The context here, of course, is that Dubai is de-listing DP World as it seeks to pay back debt owed by the port operator’s parent, Dubai World — the conglomerate originally built around the ports operator that extended into real estate, hospitality and leveraged international investments. The same Dubai World that was at the centre of the emirate’s 2009 debt crisis where Dubai received \$20bn in bailout loans from Abu Dhabi.

As part of the delisting transaction, PFZW will pay \$5.15bn to its parent Dubai World to help repay debt to bank lenders “so that DP World can implement its strategy without any restrictions from Dubai World’s creditors”.

Dubai World subsidiaries face certain restrictions due to its 2011 \$25bn debt restructuring agreements with creditors but DP World had been exempt from those restrictions as long as it was listed.

The move to take DP World private comes as Dubai struggles to steer itself out of a five-year economic slowdown triggered by the 2014 collapse in oil prices.

\$23bn in loans to government-related companies maturing at the end of 2021 for a second time, according to Fitch Ratings.

Dubai faces the prospect of restructuring a chunk of

Timing, as ever in maritime finance, is everything.

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## OPINION

# Qatar's emerging cluster wants to be taken very seriously

IT IS a sign of the increasing maturity of the Doha maritime cluster that the Transport Minister of Qatar, HE Jassim Bin Saif Ahmed Al Sulati, attended the Lloyd's List Maritime and Logistics Summit yesterday, together with more than 100 ambassadors, Ukraine's Minister of Infrastructure, and other dignitaries from overseas, *writes Richard Clayton*.

Qatar has been heavily dependent on LNG for its national revenue, however the government has led a spirit of diversification that has seen the number of cruise passenger visits increase tenfold over five years, the opening of Phase 1 of the new Hamad port, with container throughput pushing towards 2.5m teu, and the professional services sector expanding healthily.

Reflecting that diversification, the Summit's opening session also heard the chief executive of Qatar National Bank, the largest lender in the Middle East and North Africa region, commit to ethical investment in maritime. This was confirmed on stage by Bader Al Mulla, joint ventures manager at Nakilat, who said the bank and the ship owner were working closely on projects that showed sustainable goals.

Qatar's cautious reach overseas recently saw QTerminals win a contract in Ukraine, which was why the infrastructure minister was in Doha and the chief executive of QTerminals was missing the Summit because he had to fly to Ukraine. There are other projects under discussion which might or might not involve the state of Georgia, whose

Maritime Agency director Tamara Ioseliani had arrived from Batumi.

This was not a Summit of the downtrodden or the left-behind. On the contrary, this event showed a spirit of adventure which welcomed technological innovators, encouraged thought-leadership, and has the funds to back sensible, ethical projects.

The final session of the day heard IR Class managing director Suresh Sinha from India, Lawrence Barchue, assistant secretary-general at the International Maritime Organization, from Liberia via the US and World Maritime University, Masahiko Furuichi, secretary-general of the International Association of Ports and Harbors from Tokyo, and Mwani Qatar executive vice-president Captain Abdulaziz Al Yafei from Doha, deliver an overview of the challenges and opportunities of the next 10 years.

Cyber security comes out as the top fear for the industry, followed by regulation that accompanies climate change obligations. There was only one mention of coronavirus, a no-show who had been in China within the past two weeks. That might change in the next few weeks but what won't change is the Qatar government's ambitions for maritime.

What jumped out wasn't the strength of the existing commitment to LNG; rather it was the vision of a Qatar as a world-class maritime cluster. That's the lasting impression of this first Maritime and Logistics Summit.

## From the News Desk: How is the coronavirus affecting shipping?

SPOT rates in container shipping markets have weakened substantially despite an increase in blank sailings by carriers, while the volume of idle capacity in the world boxship fleet continues to grow.

Carriers, faced with the possibility of shrinking revenue and increased losses, have opted to cut their rates with the Shanghai Containerised Freight Index on the Shanghai Shipping Exchange showing significant declines.

The SCFI index, which resumed operation on Friday, February 14, showed Asia-Europe rates fell more than 12% from the pre-holiday level on January 23, and transpacific rates slid 6-8%.

Several Chinese cities are still not allowing office and factories to reopen following the end of the extended Chinese New Year holiday due to restrictions put in place to contain the spread of coronavirus, meaning production and sales have suffered.

Carriers have tried to cope with the virus-led fall in cargo demand by withdrawing sailings. The Sea-Intelligence consultancy recorded 25 extra void sailings on the transpacific trade last week, up from 21 a week ago. This is in addition to the 61 cancellations resulting from the original New Year holiday.

On Asia-Europe trade, the tallies are 22 versus 10 over the same period, plus 44 blanked sailings driven by the Chinese holiday.

The blanked sailings, as well as delays to scrubber retrofits, have had the knock-on effect of increasing the number of idle vessels in the world containership fleet.

New figures from Lloyd's List Intelligence show that from the end of January, the total amount of idle capacity stood at 326 vessels, comprising 757,478 teu, representing 3.4% of the global fleet.

This was already up from 3.2% at the start of the month, as the normal seasonal reduction in demand began to see idle numbers rise. But in the past two weeks that number has increased again, with 834,198 teu, or 3.7% of fleet capacity, now unemployed.

Alphaliner noted this week that a number of carriers have already announced further blank sailings in the coming weeks and forecast that this could push the inactive fleet capacity to more than 1.6m teu, with all ship sizes above 1,000 teu negatively impacted.

The extent to which coronavirus has already been factored in to the earnings potential of major carriers is likely to be revealed in the coming days as container lines Maersk and Hapag-Lloyd release their outlooks for the year ahead.

### **Containers stacking up**

The situation with idle fleet capacity is exacerbated by the large number of ships undergoing retrofits in

Chinese shipyards, or waiting to enter them, which are likely to be further delayed by labour shortages.

A lack of workers is also seriously affecting port operations in China, with containers stacking up at a number of ports due to a lack of truck drivers returning to work following the holiday.

“Due to the coronavirus effects, lots of containers have been stuck at the Ningbo-Zhoushan port, seriously affecting foreign trade and port operations in our province,” said a policy guidance issued this week by the government of Zhejiang Province, where the port city of Ningbo is based.

In an attempt to alleviate the situation, a compulsory 14-day quarantine period will be removed for non-local drivers from regions deemed with low virus risks as part of the package of solutions to the problem, according to the document.

The aim is to bring 3,000 drivers back on the roads by February 23, and to double that number by the end of the month and “resume normal operations at the port”, said the document.

Carriers are responding to the situation by imposing surcharges on reefer boxes going into certain Chinese ports. For example, Ocean Network Express (ONE) has imposed a \$1,000 per container congestion surcharge on reefer boxes going into Shanghai and Xingang in Tianjin, effective immediately.

The Japanese carrier explained that due to the slow inbound container pick-up activity caused by the outbreak of the coronavirus and the extension of the Chinese New Year holidays, Xingang and Shanghai in particular, as well as some other Chinese terminals, are facing a serious shortage of available reefer plugs.

CMA CGM and its APL unit have imposed a \$1,250 surcharge for reefers for the two ports, as well as Ningbo. German carrier Hapag-Lloyd also announced that it was adding a global \$500 per teu surcharge for reefer boxes destined to China.

### **LNG cargo diversions**

Finally, up to 20 liquefied natural gas (LNG) cargoes may be forced to divert to new destinations between now and the end of April, as China cancels deals on reduced demand.

LNG shipments to China are expected to fall by 1.3m tonnes alone in February, equivalent to about 20 cargoes, which will be followed by smaller decreases



in March and April, according to estimates from ship brokerage and advisory firm, Poten & Partners.

Reports suggested that China National Offshore Oil Corp has invoked force majeure on contracts with three suppliers, namely Shell, Total and Qatar Gas.

For all the latest news and analysis on the impact of the coronavirus on shipping, Lloyd's List has a regularly updated special section.

### ***Lloyd's List Awards***

Entries for the **2020 Lloyd's List Awards series are now open**, with regional events taking place in New York, Singapore, Dubai and London this year.

Don't miss your opportunity to celebrate excellence in shipping with the industry's flagship awards programme. Category winners at each regional event will also automatically be put forward for the Lloyd's List Global Awards in January 2021.

For more information on deadlines, categories, criteria and previous winners, follow the link in the event title below:

**LLOYD'S LIST AMERICAS AWARDS 2020** – New York

Entry deadline = June 5, 2020

**LLOYD'S LIST ASIA PACIFIC AWARDS** – Singapore

Entry deadline = June 26, 2020

**LLOYD'S LIST SOUTH ASIA, MIDDLE EAST & AFRICA AWARDS** – Dubai

Entry deadline = August 2020 (TBC)

**LLOYD'S LIST EUROPE AWARDS** – London

Entry deadline = September 11, 2020

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## **MARKETS**

# **China offers more tariff cuts on US goods amid coronavirus gloom**

CHINA is to remove tariffs on US farm and energy exports as the pair begin to implement a temporary trade deal, despite impacts of the coronavirus outbreak.

The list of goods set to enjoy the favourable policy contains 697 products lines, ranging from soyabeans, pork, and beef, to liquefied natural gas and crude oil, according to a statement by the Customs Tariff Commission of the State Council on Tuesday.

Other products to benefit include chemicals, electronics and certain medical equipment.

The tax exemption will be effective for one year, subject to government approvals. Importers can start to submit applications from March 2.

The move comes as Beijing has pledged to spend another \$200bn on purchases from the US — in addition to the 2017 level — over the next two years as part of the Phase One deal reached by the two countries last month. The extra spending includes \$78bn on finished products, \$32bn on crops and \$52bn on energy.

Meanwhile, China has also been trying to source provisions of meat, medical products and other daily necessities overseas amid reduced domestic production, which has been hit by the spreading disease.

Today's announcement also follows an earlier move by the country to halve some levies on US products in response to a similar action taken by Washington on \$120bn of Chinese exports.

While the withdrawal of tariffs sends positive signals to shipping relating to potential growth in trade volume, concerns are also mounting over whether virus-hit China will still be capable of honouring the promised buying terms.

In an article published on Monday, Xu Qiyuan, a researcher at the China Finance 40 Forum, a group of state economists, said that the \$200bn importing scheme may be affected by the fallout on the Chinese economy from the coronavirus.

He argued that China's balance of payments will be under huge pressure in the first quarter of 2020. The disruptions to its export-driven manufacturing

industry and the forecast for expanding procurement from abroad will deteriorate the situation further.

In addition, the US-China trade agreement also has Act of God clauses, which require both parties to

seek resolution through consultations, according to Mr Xu, who is also a senior fellow at the Chinese Academy of Social Sciences, another government think tank. "If possible, China should make a request to delay the implementation of the purchase plan in an appropriate manner."

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## IN OTHER NEWS

### **Coronavirus: P&I will cover seafarer illness and death, Standard Club confirms**

SHIPOWNER liability where a seafarer contracts coronavirus in the course of duty is covered by P&I insurance, even were the illness to result in death, a Standard Club executive has confirmed.

Standard's strike and delay class will also cover delays caused by mandatory quarantine and lawful port closures for entered ships, but this needs to be purchased separately, with similar products also available from most International Group clubs.

While coronavirus is a serious illness, mortality rates remain low, at around 1%, and it predominantly kills older people, said divisional claims director Richard Stevens. "That said, if there were an unfortunate incident with a seafarer who contracted the virus, then class cover would respond in the normal way as it does in any situation where seafarers develop an illness. And if, sadly, a seafarer passed away, class cover would respond in the normal way."

But cover does not apply to seafarers who are unable to work on account of sickness, with sick pay to be paid in line with their contracts of employment. The position remains unclear if it were to be proved that an infected crew member had spread the virus, especially where there are one or more crew changes.

### **Coronavirus weighs on outlook for Glencore and Golden Ocean**

THE coronavirus and its impact on seaborne trade and bulk commodities demand weighed on the 2020 outlook for Glencore and Golden Ocean Group today as both reported fourth-quarter and final-year results.

Golden Ocean said in a statement: "It is too early to forecast the potential impact of coronavirus beyond the short term and information being released from China does not provide a complete view of its current impact. However, it is unlikely that normal business operations will quickly resume. As a result, commodity-related supply chains may become disrupted, with some taking longer than others to return to normal."

Glencore, one of the world's biggest charterers of wet and dry tonnage and the biggest shipper of thermal coal, said it was closely monitoring the impact of coronavirus on global energy markets and commodities prices.

Glencore yesterday reported its first annual loss since 2015, of \$400m on revenues of \$11.6bn. Golden Ocean reported net income of \$41m on operating revenues of \$86.3m over the fourth quarter. For the full year, net income reached \$37.1m on revenues of nearly \$300m.

### **Nakilat posts highest-yet net profit in 2019**

QATAR's gas shipping company Nakilat has posted stellar results

for 2019 despite the generally weak liquefied natural gas market, reporting net profit of QR1bn (\$274.7m) – its highest yet achieved.

The 12.4% increase over the QR892m reported in the previous corresponding period came on the back of good management of its LNG carriers and liquefied petroleum gas vessels, and was boosted by additional revenues from the acquisition of two more LNG carriers and one floating storage and regasification unit. The strategic acquisition of the remaining 49.9% stake in four Q-Flex vessels from International Seaways in October 2019 also helped performance, Nakilat said in a press release.

Nakilat also attributed its robust financial performance to its emphasis on cost optimisation efforts and increasing efficiencies. As a result, although revenue increased by 6.8% to QR3.8bn, costs fell by 3.2%.

### **Qatar delays LNG expansion plans**

STATE-run Qatar Petroleum, the world's largest liquefied natural gas producer, has announced it is delaying the process of selecting expansion partners by at least several months amid the global price collapse.

Last year, Qatar Petroleum announced plans to increase production capacity from 77m tonnes per annum to 126m tonnes per annum over the next six years, with new expansion set for its giant North Field in a move to consolidate its current

position as the world's top LNG exporter.

This represents a nearly 10% increase in global LNG production capacity relative to current 2025 levels of about 500m tonnes per annum and a 14% increase relative to 2019 levels, according to Stifel. "Based on our estimate of demand growth, this would imply sufficient LNG production through 2027 without the need for any additional greenfield or brownfield project expansion."

Still, a decision to delay until perhaps the end of 2020 by Qatar could leave the door open for new North American project contracting, it acknowledged.

#### **MISC upbeat on petroleum shipping business**

MALAYSIAN energy shipping company MISC is bullish on rates for both the petroleum and liquefied natural gas shipping markets, forecasting that the petroleum tanker market is "widely expected" to remain firm in 2020.

The optimism in the petroleum shipping business, which it

manages through AET Tankers and involves shuttle tankers as well as ship-to-ship operations in the US Gulf, was mainly due to fewer deliveries and growing long-haul prospects, as well as demand growth arising from the implementation of the IMO 2020 sulphur cap regulations, the group said in a stock market announcement.

However, MISC warned that the coronavirus outbreak has posed some risks to the oil and tanker markets, and the tanker market could face short-term headwinds if the outbreak is not contained or if the situation escalates.

In the LNG shipping segment, while MISC acknowledged that spot rates ended 2019 lower compared to the previous year mainly due to lack of demand as a result of a mild winter and high inventories, it noted that liquefaction expansion in North America and the Middle East is expected to lead to an increased requirement for vessels and this should support charter rates going forward.

Stable long-term charters and acquisition and redeployment of new vessels helped MISC to post a 10% rise in revenue for the segment to RM2.6bn (\$626m) while segmental profit rose by a fifth to RM1.2bn.

#### **Asian Bulk Logistics backed transhipper seals contract in Guinea**

TRANSHIPMENT logistics provider Shi.E.L.D. Services has leveraged on its relationship with Indonesia-based bulk logistics player Asian Bulk Logistics to expand operations to Guinea.

The company said it had won a contract to manage and operate a transhipper vessel for bauxite exports in Guinea. No financial or contract duration details were disclosed.

Shi.E.L.D. will be managing ABL's cargo transfer ship *Bulk Borneo* for the contract. The vessel is now positioned offshore the Port of Kamsar after being moved from Indonesia, where it was previously working on coal exports offshore Kalimantan.

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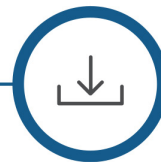
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