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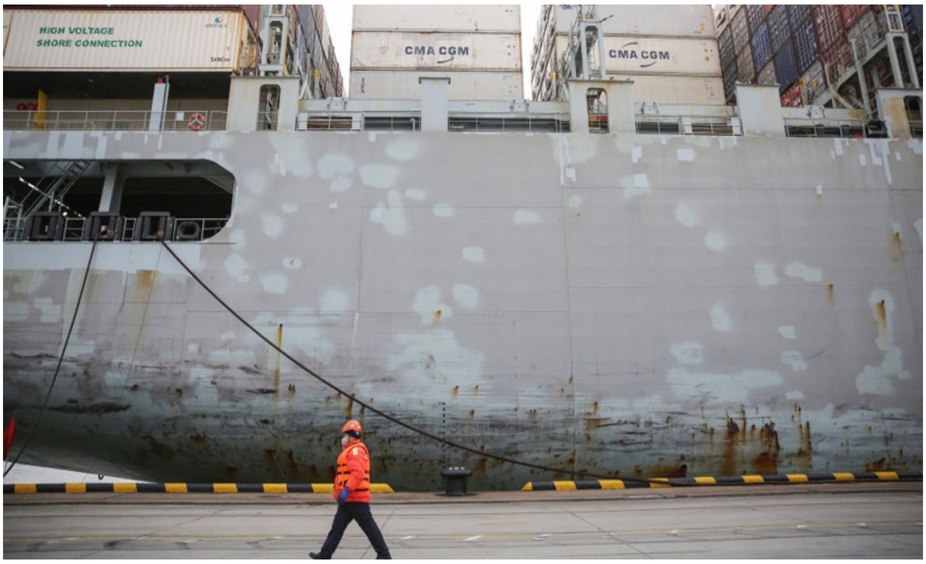
Cashflow critical to liner shipping carriers



IT IS ALL about cashflow now for container shipping carriers, *writes Cichen Shen*.

Their liftings and incomes have been dented by the coronavirus-led production collapse in China, albeit recent signs of pickup in factory activity.

The ripple effects are far from being over. Equipment shortages caused by the massive blank sailings have already affected exports in the US and Europe. But more importantly, concerns are mounting regarding their future appetite for imports amid soaring infections in those regions.

Liner shipping is already a highly leveraged business. Now the cash-strapped carriers will be struggling. Unless they have governmental help, they will be forced to sell ships, subsidiaries or even their entire business.

Some smaller carriers on intra-Asia trade will face "financial survival within the next couple of months", consultancy Sea-Intelligence believed.

The research unit of SITC, a Hong Kong-listed intra-Asia focused carrier, estimated earlier this week that 544 out of some 1,300 ocean-going boxships on this trade had experienced service suspensions of seven to 30 days since January 25. That has led to $220,000 losses on average per ship from charter and bunker costs.

"With the surge of outbreak risks in South Korea and Japan, the extended supply chain [disruption] may affect the Chinese market, which has already been impacted by the delay in work resumption," the researcher said. "It is possible that cargo volume in March will remain low."

If it materialises, then the major carriers will suffer, too. Some have piled up huge debts in recent years via newbuilding investments or mergers and acquisitions, despite a thin margin from operations. The epidemic-led cash haemorrhage can ramp up the default risks.

Now the virus seems to be also infecting the cruiseship industry. If conditions deteriorate, such business may well turn into a liability from an asset to some container liners with cross-sector exposure.

The major carriers are "too big to fail", some have said. True, but it also means it will take a Herculean effort to keep them afloat.

If that moment comes, loan extensions and asset disposals will be inevitable. And that may create opportunities for cash-abundant buyers to drive the box shipping' consolidation to the next level.

WHAT TO WATCH

EU commissioner wants to abolish bunker tax exemptions

EUROPEAN Commissioner for the Economy Paolo Gentiloni has called for the abolition of tax exemptions on maritime bunkers, adding to the growing sentiment coming out of Brussels in favour of more regulation of shipping emissions.

Mr Gentiloni said during a speech on Thursday said that one of his top priorities as economy commissioner will be revising the 2003 Energy Taxation Directive, which establishes rules for taxation on fuels for transport, electricity and heating, and includes the tax exemptions on bunker fuels in EU ports.

"We must remove the implicit subsidies for fossil fuels, along with the tax exemptions for aviation and maritime industries — which are entirely out of sync with our green agenda," he said.

Brussels-based non-governmental organization Transport and Environment estimated that the EU misses out on around €24bn ($27.1bn) of revenue each year through the bunker tax exemptions.

The European Commission had said in its Green Deal that it wants to take a closer look at tax exemptions for bunker fuels.

Despite the highest echelons of the commission apparently keen on scrapping bunker tax exemptions, amending the ETD will require unanimous support from EU governments in the EU Council.

The new commission has made combating climate change and decarbonising the EU economy a priority. Earlier this week, the it unveiled its proposal for a European climate law, which would mean a legally binding obligation from the EU to achieve net-zero greenhouse gas emissions by 2050.

It also plans to include the maritime sector in its cap and trade scheme, known as the Emissions Trading System.

"The revised energy tax directive must create a carbon price signal throughout the whole economy and serve as a complementary partner to the EU Emissions Trading System," said Mr Gentiloni.

US imports of Russian oil exceed Saudi shipments

US GULF imports of crude or fuel oil from Russia were more or less equal to volumes from Saudi Arabia in 2019 and will likely exceed volumes from the country's Middle East ally this year, Lloyd's List Intelligence data shows.

Crude tankers tracked discharging at US Gulf ports from Russia over 2019 carried 10.7m tonnes. Saudi Arabian imports were just 80,000 tonnes higher, equating to less than one cargo difference.

This swing reflects the greater volumes of cheaper 3.5% fuel oil being imported by refineries in the US Gulf from Russian Baltic ports for use as feedstock. The refineries are taking advantage of the IMO 2020 global fuel oil regulations to secure the heavily discounted high sulphur fuel oil, then using it to produce middle distillates and gasoline at higher margins.

The HSFO is also helping replace lost Venezuelan volumes.

The US has now replaced Singapore as the largest cargo buyer of 3.5% fuel oil from Russia in 2020, data shows, as demand for HSFO as bunkering fuel slumped following the introduction of the January 1 marine fuel oils sulphur cap.

In February, US imports from Russia totalled 10.4m barrels, according to data from Lloyd's List Intelligence. That compared with 6.6m barrels of imports from Saudi Arabia. This is the third consecutive month that Russian dirty imports have exceeded those from the US Middle Eastern ally.

Venezuelan crude is very heavy and high-sulphur with some 600,000 bpd imported in 2018 until the imposition of US government sanctions in early 2019.

OPINION

Warning: Digitalisation will change your business

WÄRTSILÄ's decision to change its organisational structure (again) will probably not make many headlines in another week dominated by coronavirus, *writes Richard Clayton*.

Essentially, the Marine business is to be divided into three independent segments focused on propulsion systems, exhaust treatment and electrical systems, and navigational and voyage solutions. Each segment gets a president and responsibility for linking with customers much faster.

Wärtsilä's expansion through acquisition had become unwieldy. Its own middle managers were confused, so its customers must have struggled to reach out to the right person. But that's not a problem faced by this company alone.

Since we started to talk about Industrial Revolution 4.0 it has been clear that the 'traditional' organisational structure was no longer agile enough. Hence the addition of chief technology officers and chief digital officers to what has become the C-suite. Not every company has appointed a CTO, some have added responsibility for digital solutions onto an existing, already overworked, team.

Nor is this redefining of organisation structure limited to technology-focused businesses. Even class societies, those bastions of stability, are rethinking their structure as they move away from testing and verification towards partnerships in drone technology and cyber excellence.

Shipping is often, and often accurately, accused of being conservative, slow to change, even resistant to transformation. But digitalisation has had the effect of cascading decision-making from the end-of-career sixty-somethings in senior management to tech-savvy forty-somethings whose rapid ascent up the managerial ladder – aided by a decent executive MBA – has been unprecedented.

So the top of the executive pyramid will in future no longer celebrate seniority but merit, especially technological skills and vision. While this is good news for the industry and for the high achievers, there are inherent dangers, which must be recognised early on.

The first of these dangers is that digital technology is advancing so rapidly that skills learned over the past five years will be swiftly superseded: in five years' time those same skills will be obsolete. Executives will need to keep on upgrading their skills at the same time as they are tasked with keeping the organisation moving forward.

The second danger is that a business run by technocrats will need to focus their acquisition strategy on how they can maintain a flow of technologically-gifted executives. It takes too long to train up executives; the better option is to buy a company run by executives with the required skills.

The first danger is that executives will have a very short window of opportunity, the second is that companies will become targets based on those executives.

But the third danger, the one to fear most, is that the focus on technology will run faster than the maritime industry's ability to keep up.

Not all employees — even those in their twenties — are tech-savvy. A company encompasses a broad range of skills. Managers have specific responsibilities, which might or might not include leadership. And the essence of leadership is the ability to absorb and distil past experience to set the vision for the future.

Don't give up on the sixty-somethings. Not yet.

ANALYSIS

The Interview: Peter Keller

SHIP engine and propulsion technology hasn't always had the highest profile, but the serious decarbonisation challenge facing the global fleet of 60,000 vessels is quickly changing this.

Headlines that the world is in the midst of a climate-change emergency underscore the many unanswered questions over how vessels can best transport more than 11bn tonnes of commodities a year with the least possible damage to the environment.

As a result, the suitability and sustainability of liquefied natural gas as a commercial alternative for marine propulsion is now under attack from environmental groups as maritime regulators debate moving to a zero-carbon future.

These groups, some with consultative status at the International Maritime Organization, are co-operating in a campaign to discredit LNG's adoption as a clean and green "transitional" marine fuel. They claim that replacing one fossil fuel with another undermines the IMO's emissions targets. These are to reduce the global fleet's carbon intensity by 40% by 2030 and cut greenhouse gas emissions by half by 2050.

The debate has elevated Peter Keller, based in Florida, to the role of de facto spokesman and main defender of LNG. Mr Keller is chairman of the board for SEA/LNG, which along with the Society for Gas as Marine Fuel, are the world's two industry groups lobbying to accelerate the uptake of LNG fuel in shipping.

While environmental groups claim LNG leaves a carbon footprint no better than conventional marine fuel oils, Mr Keller is adamant this is not the case. As the former executive vice-president for the Jones Act container line Tote, Mr Keller oversaw the introduction of the first LNG-powered vessels in US waters, the 2016-built, 33,127 dwt Perla del Caribe and 2015-built, 33,106 dwt Isla Bella, at a shipyard in San Diego, California.

"We believe that LNG does provide a viable gateway and viable pathways for the future to 2030 and beyond," he tells Lloyd's List in a phone call from his office in Florida. "We believe the introduction of bio and synthetics into the mix certainly will work towards the 2050 goals."

There is no question that LNG "takes care of shipping's air quality and global health issues", he says. Mr Keller is obliquely referring to studies from last decade showing that sulphur dioxide and nitrogen dioxide emissions from ships were responsible for 400,000 premature deaths worldwide. The lower-sulphur marine fuel regulations introduced on January 1 are part of efforts to reduce this figure.

But aside from LNG, no commercially viable replacement fuel has emerged that can be used for marine engines, at least before 2030. Even then, LNG can sit alongside the possible bio and synthetic replacements under development, such as ammonia and hydrogen, because they would use the same bunkering infrastructure, says Mr Keller.

He rejects any suggestion that newly built LNG-fuelled vessels may become "stranded assets", left behind by technological and regulatory advances before their 20-year lifespan is reached. Over the last year LNG's "clean" reputation has been challenged by a coalition of environment groups including the US-based International Council on Clean Transportation. The ICCT argued in a study released in January that LNG was a poor substitute and if shipping were locked into the technology it would be harder to transition to cleaner fuels.

"There is no issue of stranded assets going forward," Mr Keller says.

"The idea that the industry is going to wait for this major breakthrough that no one can identify, that no one can cost, that no one can time, is frankly not good.

"Inaction is not a plan. We have available today as an industry a safe, reliable, proven energy source that reduces greenhouse gas emissions and takes care of the air pollution issues. So that starts to move us forward. The longer shipowners wait for this magic elixir, as I refer to it, this magic change that is going to happen with some other kind of alternative fuel, the longer the problem will continue to exacerbate and just get worse."

The ICCT's own study provided alternative findings to an original SEA/LNG and SGMF-funded Thinkstep study released in April 2019 that concluded LNG fuel results in a 21% fall in greenhouse gas emissions. By contrast, the ICCT found a 15% reduction in GHG emissions measured against marine gasoil. That was based on the same 100-year time frame but only if a high-pressure, two-stroke dual fuel engine was used. It found that some of the commonly used low pressure dual-fuel, four-stroke engines offered even lower reductions, and in some cases, none at all if measured over a 20-year period.

The ICCT is also one of the non-governmental organisation groups behind an IMO submission calling for methane emission targets for LNG-fuelled vessels. This is up for discussion with the Marine Environment Protection Committee this month.

Mr Keller declines to go into detail about why SEA/LNG believe their peer-reviewed study is more accurate by directly comparing facts against the ICCT's. Asked if he thinks the science underlying is incorrect, he does highlight that Thinkstep worked closely with engine manufacturers, while the ICCT didn't. Some 30 of the 116 members of both SEA/LNG and SGMF actively collaborated on the study. Keller also says that the ICCT's assumptions did not focus on a "deepsea environment" for LNG-fuelled vessels.

"We stand by our study," he says. "What others may wish to do as naysayers we can't control that and frankly, we're not asked to. We don't feel appropriate to critique their work."

He says that others within the industry could critique the work generally "but to get into the specifics in the science doesn't make any sense. The Thinkstep study is the definitive study. It's the one that's based upon the most current and broadest data available today."

There is also the issue of methane slip in engine technologies from incomplete combustion, often at low loads, an area in which Mr Keller says there have already been significant changes since he launched the Marlin class LNG-fuelled containerships for Tote.

The Thinkstep study is getting updated later this year to incorporate changing data from marine engine manufacturers, according to Mr Keller.

The ICCT is not the only challenger to the Thinkstep study, nor the first to point out that while LNG reduces sulphur dioxide emissions, methane slip is also bad for the environment.

"Within that global deepsea fleet, the two-stroke technology really dominates," says Keller. "It is not a four-stroke world, it is a two-stroke world and that's a basic issue of understanding the maritime world. Their [ICCT's] other concept that vessels operate at low loads as a common practice is also just not a viable issue as anyone who does a lot of work in the maritime industry will likely know. Owners when they build vessels, build the vessels to be as efficient as they possibly can be given the work that those vessels are going to do."

So far the uptake of LNG fuels and bunkering infrastructure has been slower than anticipated. LNG is used by 170 ships, or 0.2% of the fleet, based on SGMF information as of November 2019. At that time 185 LNG-fuelled ships were on order and more than 9,000 bunker transfers undertaken. Since then additional LNG newbuildings have been ordered.

Mr Keller says he supports methane slip targets for LNG vessels, likely to be raised later this month at the IMO.

"Our number one view within the engine room and the vessel and the best design was 'thou shalt not release'; you do not vent gas if at all possible, you only do that in an emergency and you do everything you can to maintain your gas and to use it efficiently with a 100% combustion rate."

CMA CGM Libra decision upheld on appeal

DEFECTS in passage planning, as well as charts that have not been fully updated, will render a vessel unseaworthy, the Court of Appeal has ruled in upholding the earlier findings of the High Court.

Three judges — Haddon-Cave, Flaux and Males LLJ — found, in the context of passage planning and unseaworthiness, that there is no distinction between acts of the master and crew as carrier and their acts as navigator, according to an analysis from Clyde & Co.

Clyde partner Jai Sharma and technical director John Reed, instructing barristers John Russell QC and Benjamin Coffer, successfully represented the cargo interests in the case, formally known as *Alize 1954 v Allianz Elementar Versicherungs*.

The cargo interests had declined to pay general average, on the basis that owner CMA CGM was responsible for the casualty.

The incident occurred in May 2011, when the boxship *CMA CGM Libra* left Xiamen bound for Hong Kong and Europe, laden with 8,950 teu of containerised cargo with a value in excess of $500m and carrying almost 8,000 tonnes of bunkers.

Shortly after dropping off the pilot, the master navigated out of the recognised dredged channel marked by lit buoys, resulting in the vessel grounding at a speed of around 12 knots, at a site identified as a former mined area.

Although there was no longer any direct threat from the mines, mariners should have been aware that the former presence of mines inhibited hydrographic surveying, giving rise to a risk of uncharted shoals.

The vessel was subsequently refloated by professional salvors under a Lloyd's Open Form salvage contract. Following an underwater inspection, little or no damage was found, and it proceeded on its voyage.

CMA CGM funded the salvage operation in the first instance and declared GA in excess of $13m, of which $9.5m was paid to the salvors.

Approximately 92% of cargo interests agreed to pay either 98.5% or 100% of the GA claim. The remaining 8% chose not to pay, alleging that there was actionable fault on the part of CMA CGM, which would give them a complete defence to the claim.

CMA CGM refused to accept responsibility and started legal proceedings to recover approximately $800,000 from the non-paying cargo interests.

At first instance, the court held that the passage plan was inadequate. In addition to errors and inconsistencies that demonstrated lack of attention to detail, it did not refer to the existence of a Preliminary Notice to Mariners issued by the UK Hydrographic Office a few months previously, alerting vessels to numerous depths less than charted in the approaches to Xiamen.

Moreover, contrary to owners' requirements, the passage plan did not identify any no-go areas on the chart.

The master confirmed in evidence that, had the chart been marked up appropriately, he would not have left the channel and would not have attempted to execute the manoeuvre that ultimately led to the stranding.

The High Court further held that the absence of an adequate passage plan was causative of the grounding. CMA CGM was thus in breach of its obligation to exercise due diligence to make the vessel seaworthy as required by the Hague-Visby Rules. Consequently, cargo interests were not liable to contribute to GA.

At the Court of Appeal, CMA CGM did not dispute that the vessel ran aground because of defective passage planning but appealed on the following grounds:

First, the defective passage plan was the product of an "error in navigation," in that the master and second officer were acting qua navigator rather than qua carrier when preparing the plan.

Second, CMA CGM did not fail to exercise due diligence, in that it delegated the task of preparing a proper passage plan to the master and crew.

The cargo interests submitted that previous case law demonstrated that the preparation of a proper passage plan prior to the start of a voyage is not an error in navigation.

They also argued that there are no conceptual limits to the types of defect that can constitute unseaworthiness, provided that a prudent owner would require that defect to be rectified before sending his ship to sea, had he known about it. This principle is known in shipping law as 'the McFadden test'.

In addition, they contended that the duty to exercise due diligence before and at the start of a voyage is non-delegable. If there is a defect that renders a vessel unseaworthy, the owners are vicariously liable for failure to exercise due diligence.

The Court of Appeal found that the judge at first instance correctly applied long-established principles of English law to the facts of this case.

It also held that attempts to draw a distinction between acts of the master and crew qua carrier (for which the owners are responsible) and their acts qua navigator (for which the owners are not responsible) were misconceived.

Accordingly, both grounds of appeal failed and the appeal was dismissed, with the court unanimously upholding the first instance judgment.

"This is significant because the judgment reinforces the principle that owners must exercise due diligence before and at the commencement of the voyage in all aspects of seaworthiness," commented Mr Sharma and Mr Reed.

"The argument that an error in planning the voyage prior to departure should be characterised as an error of navigation rather than unseaworthiness has also been resoundingly rejected."

In practice, this judgment highlights the need for shipowners to ensure that charts are kept fully up to date (including the application of Temporary and Preliminary Notices to Mariners), and that careful accurate passage planning is carried out, particularly when an intended voyage includes navigating in confined and difficult waters.

MARKETS

Europe to China box rates surge

OCEAN freight spot prices from Rotterdam to Shanghai have risen 24% in the past week to reach $786 per feu, 45% higher compared with the same period last year, as lines prioritise the repositioning of empty containers in preparation for outbound demand from China, new figures from Drewry indicate.

According to figures for March 5 from the World Container Index, assessed by Drewry, the composite World Container Index, combining major east-west container trades, has continued its overall downward trajectory since the first week of February, because of the outbreak of coronavirus in China and other parts of the world.

The composite index decreased 3.5% this week, although it was 3.1% up when compared with same period of 2019. The average composite index of the WCI, assessed by Drewry for the year to date, is $1,688 per 40 ft container, which is $304 higher than the five-year average of $1,384 per 40 ft container.

While most trades saw single-digit percentage price movements this week, spot rates from Rotterdam to Shanghai stood out, spiking 24% to reach $786 per feu — 45% higher compared with same period in the previous year.

However, freight rates declined by 10% on the Shanghai to Los Angeles trade lane, dropping to an average of $1,327 for a 40 ft box.

Meanwhile, transatlantic rates "do not seem to have any major changes and have remained steady", Drewry noted.

Drewry said it did not expect any significant upturn in rates until the epidemic can be brought under control.

Freight digitalisation specialist Freightos said the coronavirus outbreak "continues to be profoundly disruptive to the global supply chain, especially for importers heavily reliant on Chinese manufacturing", although this week has seen "definite steps towards normal".

It noted that its latest analysis of China to US container rates was "heavily impacted by production's slow recovery" in China, highlighting that "China-US west coast prices rose by 2% since last week to $1,331 per feu. Rates are 13% behind last year's prices for this week."

China to US east coast prices fell by 1% to $2,550 per feu, although this rate trails last year's by 7%.

Freightos continued: "Chinese manufacturing took definite steps towards normal this week as quarantine periods in many areas came to an end and travel restrictions were eased. The majority of factories are back online, with many operating at as much as 80% capacity. Inter-province trucking, which last week was a major pain point, has also benefited from these developments and is now operating at about 80% capacity as well."

Freightos chief marketing officer Eytan Buchman said nearly all major ports in China were coming back to life, highlighting that port call data from maritime analytics and insights specialist Windward indicate that while activity levels at Chinese ports had the Chinese New Year lull extended by two weeks compared with 2019, the trend is clearly towards a resumption of activity.

"But given flagging manufacturing and transport to ports, demand for transpacific ocean freight remains low," he noted. "Carriers have buoyed rates since the start of the shutdown by cancelling ships — though the relatively few blank sailings this week could also be a sign of recovery."

He continued: "The record cancellation of sailings since the shutdown has backhaul rates on many lanes already starting to climb. These blankings also mean that whenever production does pick up, capacity will likely be tight not only because there will be fewer ships but also because many empty containers have been stranded outside of China. Rate increases announced for April 1 show that carriers expect a slow March followed by a strong April and beyond."

Supply chains feel 'ripple effects' of outbreak

DHL's supply chain risk management platform Resilience360 yesterday highlighted the "ripple effects" on global supply chains as the new coronavirus epidemic continues to spread quickly beyond China.

It showed large companies may take several more weeks to regain pre-outbreak production levels in China, or longer if outbreaks in other countries delay sourcing of intermediate goods, as air, rail and ocean freight schedules and rates seem likely to remain disrupted into April and May and ocean carriers warn of global equipment shortages.

During the initial stages of the coronavirus outbreak in China, overseas manufacturing operations experienced partial disruptions due to a lack of components typically sourced from China, the report noted. For example, production lines at car makers in Japan (Nissan), South Korea (Hyundai) and Europe (Fiat Chrysler) were temporarily suspended for a few days.

Opec to slash oil production due to coronavirus

AS coronavirus concerns cause global energy consumption to slump, the Organisation of the Petroleum Exporting Countries announced a reduction in the crude production quota of 1.5m barrels per day.

Under this proposal, Opec would reduce output by 1m bpd in the second quarter of the year and the non-Opec 10 group would be responsible for the remaining 500,000 bpd.

The latest cuts would be on top of its existing 1.7m bpd reduction, effectively holding back 3.6% of global oil supplies.

The impact on demand growth has been staggering, if not unprecedented, with February's crude demand dropping by a massive 4.6m bpd, led by a 2.9m bpd month-on-month drop in Chinese crude runs, according to Rystad Energy.

Opec says the virus may push global oil demand down to 480,000 extra barrels of oil a day this year, from growth forecasts of 1.1m bpd in December, before the coronavirus outbreak.

"While the cut is likely to be temporary until the impact of the virus begins to normalise, this is still a larger cut than we had anticipated," Stifel said in a note.

"We expect this to be a near-term negative for the crude tanker market, a slightly less negative impact on product tankers, and a somewhat positive impact on liquefied natural gas and a very positive impact on liquefied petroleum gas."

The global crude tanker market amounts to approximately 40m bpd so the impact of a 1.5m bpd cut is especially challenging for crude tanker players, Stifel analyst Benjamin Nolan said.

Rystad Energy, however, sees supply continuing to surge in countries that are not bound by any production quotas — namely in the US, Brazil, Norway and Guyana.

Meanwhile, the Opec producers with refinery capacity are unlikely to cut into their refined product exports and China in particular is primarily a crude importer.

So, there should be a very limited direct impact on refined product tanker demand, Stifel added.

"However, in particular, recently several long range two product tankers have shifted into the crude trades and some of them could shift back, so we do think the two markets [crude and refined products] are likely to be loosely correlated."

Besides, low LNG prices and high oil prices mean the incentive to shift away from oil and to natural gas is extremely strong, it said.

"Unfortunately, the infrastructure and equipment to make that switch does not simply materialise overnight, so there is unlikely to be an immediate impact. However, we do believe the idea of a well-supported oil price should help incentivise that switch."

The biggest beneficiary is the LPG segment as these products can in many cases be immediately substituted for oil (naphtha).

Thus, a low oil price can mean the arbitrage between low-cost US natural gas liquid prices plus shipping costs may not be open, and it does not make as much sense to ship, Mr Nolan said.

"A high oil price should mean every barrel of LPG and NGL-related petrochemicals should be exported."

Australia's east coast LNG exports to China fall in February

LIQUEFIED natural gas exports from the east coast of Australia to China in February were down 18% compared with the same month last year, yet another sign of the world's second-largest economy weakening amid the coronavirus outbreak.

Projects on Australia's east coast — namely Australia Pacific LNG, Gladstone LNG and Queensland Curtis — exported less than 1m tonnes of LNG to China in February, down from nearly 1.2m tonnes for the same period a year ago, data from Australia-based consultancy EnergyQuest showed.

The consultancy noted that cargoes from APLNG and QCLNG — two projects deemed significantly exposed to China — could be delayed as a result of the coronavirus outbreak.

But for now, Australia's overall LNG exports to China have been largely unaffected, with no vessels unduly delayed by being held at sea, it added, citing its tracking data.

Exports from the country's west coast to China have also more than offset the decline seen by the east coast, expanding 60% year on year in February.

EnergyQuest's chief executive, Dr Graeme Bethune, attributed the higher February volume exports from the west coast because of volumes that were held back during the passage of Cyclone Claudia in January.

Australia's overall exports to China consequently rose 10% year on year in February, but contracted 28% compared with January this year.

East coast volumes are also likely to come under greater pressure.

APLNG's only two customers, China's Sinopec and Japan's Kansai Electric have both declared lower quantity tolerance for 2020, according to Origin Energy, which owns a stake in the export project.

Australia's LNG exports — both from the east and west coast — now also face competition on price.

EnergyQuest noted, citing RIM LNG, that a spot cargo for March loading from the Ichthys project in the Northern Territory state was priced at a low $2 per million British thermal units.

Prior to this, Australia's top LNG exporter Woodside Energy penned a new offtake contract with Japan's JERA that was priced at 10.5% of the Brent oil price or $6.14 per mmBtu at current Brent prices, according to a cited RIM LNG report dated January 20.

Oil-linked Australia LNG contracted prices were fixed at closer to 14% of Brent before the market took a turn for the worse.

Woodside and its fellow Australian oil and gas producer Santos have blamed restricted travel to Asia owing to the coronavirus outbreak as holding back gas sales agreements for their new projects, primarily Scarborough and Barossa along the northwestern coast.

They have also made known the probability of these projects being sanctioned without the contracted gas volumes previously anticipated, though EnergyQuest deemed such moves as more to do with the tough market conditions even before the outbreak.

Other analysts have earlier flagged risks of delays to the sanctioning of a third project, Arrow LNG, in which PetroChina holds a 50% stake.

PetroChina, which was reportedly in a spat with Shell over gas pricing at Arrow LNG, is said to have issued force majeure notice to one LNG supplier as seasonal demand for the fuel plunged back home amid the coronavirus outbreak.

IN OTHER NEWS

Coronavirus: Australia relaxes seafarer service rules

AUSTRALIA will allow shipowners to extend seafarer tours of duty beyond the 11-month ceiling set down in the Maritime Labour Convention where the coronavirus outbreak makes this necessary, the Australian Maritime Safety Agency has announced.

However, pragmatism will be the watchword, with requests for exemption considered on a case-by-case basis.

An official statement from AMSA pointed out travel restrictions and quarantine measures are being rolled out worldwide in a bid to limit the spread of coronavirus, and this will inevitably impact working conditions at sea.

Coronavirus: Russian ports start disinfecting vessels

RUSSIA has ordered mandatory disinfection of ships arriving at two key Black Sea ports from Iran, Italy and South Korea in a bid to counter the spread of coronavirus, Reuters has reported.

The news agency cites a document issued by the country's consumer safety watchdog Rospotrebnadzor, ordering port agents at Novorossiysk and Yuzhnaya Ozereyevka to put the necessary measures in place.

Novorossiysk handles cargoes including grain, coal, fertilisers, timber, oil and oil products, containers, food and chemicals.

Port of Tyne bids for virtual freeport

THE Port of Tyne wants to secure freeport status and establish the country's first "virtual" economic zone that links the port with inland manufacturers as it seeks growth amid post-Brexit uncertainty.

The northeast England port, which is only three miles from Nissan's car manufacturing plant at Sunderland, imports and exports more than 500,000 cars and industrial vehicles annually for Nissan, Volkswagen and the Audi group, accommodating vessels of 50,000 dwt and under.

"We have been excited by freeports for quite a while," chief financial officer Mark Stoner told Lloyd's List at an interview. "We've long proposed a freeport, but one that is slightly different. Most freeports cover the port and land around it, but we want to make use of a digitally enabled freeport."

China helps North Korea bypass UN coal sanctions

CARGO vessels controlled by North Korea have made at least 175 trips to China's port of Zhoushan since October last year, according to analysts at the Royal United Services Institute in London.

They were carrying coal and other commodities in defiance of UN Security Council sanctions, a report says.

It claims to reveal that "a large fleet of North Korean cargo ships" continues to deliver coal to China in what appears to be a "large scale, co-ordinated effort" to evade sanctions imposed on North Korea because of its nuclear weapons and ballistic missile programmes.

TEN sells five vessels for $104m

TSAKOS Energy Navigation announced the sale of five vessels for $104m, telling investors its long-term outlook remains positive despite the coronavirus outbreak.

The New York-listed tanker owner said on Friday it had sold three suezmax crude carriers and agreed to sell two handysize product carriers. The sales would add $47m in free cash and cut associated debt by $58m, TEN said.

"The above transactions enable the company to proceed with its policy of maintaining a modern fleet through strategic sales of first-generation vessels," chief operating officer George Saroglou said in a statement.

Call for flag state law clarity

THE head of the International Maritime Law Institute says greater clarity is needed on flag state laws to deter crimes at sea.

IMLI director David Attard told the International Maritime Organization that the UN Convention on the Law of the Sea was too vague in specifying the "genuine link" required between a ship and its flag state, complicating enforcement of maritime law.

Professor Attard said the genuine link provision in Article 91 of UNCLOS, which lets states fix the conditions to grant their nationality to ships, was "rather Delphic", or obscure.

California blocks cruiseship as coronavirus hits port business

CALIFORNIA authorities have blocked the return of a cruiseship to the port of San Francisco until passengers can be tested for the coronavirus, while cargo shipping also is suffering as the state's main ports brace for significant declines in throughput.

"The ship will not come on shore until we appropriately assess the passengers," said California governor Gavin Newsom, who declared a statewide emergency on Wednesday after the death of a northern California man who had likely contracted the virus on the cruiseship.

A US Coast Guard helicopter lowered test kits on to the 951 ft Grand Princess by cable on Thursday as the vessel lay at anchor off northern California. Authorities said the results would be available on Friday.

IMO postpones meetings due to coronavirus

THE International Maritime Organization has postponed two meetings scheduled to be held over the next couple of weeks due to coronavirus.

The London-based IMO said the decision affected the Scientific Group of the London Convention and London Protocol set to take place from March 9 to March 13, and the 107th session of the Legal Committee, scheduled for March 16 to March 20.

The IMO said it took a number of factors into consideration, including the UK's decision to move towards delaying the spread of the virus, similar actions elsewhere in the UN, and the challenge delegates face in travelling to the IMO.

Classified notices follow

Open Tender Procedure

"LEGAL SERVICES IN THE FIELD MARITIME LAW, MARINE INSURANCE LAW, LAW OF THE SEA AND AVIATION LAW"

Deadline for receipt of tenders

06/04/2020

The European Fisheries Control Agency (EFCA) is a European Union agency that organises operational coordination of fisheries control and inspection activities by the Member States.

EFCA is organizing an open call for tenders for the provision of legal services in the field maritime law, marine insurance law, law of the sea and aviation law.

Short description:

In December 2017, EFCA awarded a framework contract (FWC) for the chartering of an Offshore Fisheries Patrol Vessel. The chartered vessel, Lundy Sentinel (IMO number 9696668), is primarily deployed as a fisheries patrol vessel, i.e. a platform from which the monitoring, boarding and inspection of fishing vessels and related support and transport vessels is conducted in international and EU waters by authorised fisheries inspectors.

The FWC for the chartering of an offshore fisheries patrol vessel is based on a BIMCO ''SUPPLYTIME 2017'' uniform time charter drawn up with the appropriate modification, addition or deletion of clauses taking into account relevant EU rules.

The FWC is governed by EU law complemented where necessary by English law. The court of England and Wales shall have exclusive jurisdiction over any dispute regarding the interpretation, application or validity of the FWC.

Besides the above mentioned seaborne means, EFCA occasionally makes use of the Aerial Surveillance Services contracted by FRONTEX for fisheries control purposes as well as deploys RPAS from the chartered vessel.

Taking into account the above framework, the EFCA requires legal services in the field of maritime law, marine insurance law and law of the sea relating to the implementation of the current framework contract for the chartering of an offshore vessel and / or any possible future maritime related contract EFCA may conclude. In particular, the successful contractor will draft the tender documentation, including the future contract. The terms of the future contract, including the applicable law and the settlements of disputes, will have to be considered. Likewise, the contractor may provide legal services relating to aerial surveillance services used by EFCA.

Contract duration:

A Framework Contract will be concluded for an initial period of 12 months with possible renewal (3 times for 12 months each period) up to a possible maximum contract duration of four years. The planned contract signature is tentatively June 2020.

Estimated contract volume:

The maximum budget for the implementation of the contract is EUR 200.000 over a maximum period of 4 years (2020-2024). The budget does not cover litigation and pre-litigation cases. Any services that EFCA may require related to litigation or pre-litigation cases would be procured separately.

Additional information:

The procurement documents are available for unrestricted and full direct access, free of charge, at: https://etendering.ted.europa.eu/cft/cft-display.html?cftId=5997

Additional information can be obtained from the abovementioned address.
Tenders or requests to participate must be submitted electronically via: https://etendering.ted.europa.eu/cft/cft-display.html?cftId=5997