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## Greek shipowners lead lucrative VLCC charter market



SEVERAL GREEK SHIPOWNERS are looking at considerable revenues as rates for very large crude carriers soared further on Thursday, with oil prices dropping again and demand for tankers persisting amid continued interest from major charterers.

Daily average time charter equivalent earnings for VLCCs on the Middle East Gulf to Singapore route grew by 24.3% day on day on Thursday to \$201,372, according to the Baltic Exchange. Middle East Gulf to China rates also climbed by 23.2% to a \$194,297 daily TCE rate.

The Embricos Group-owned 2002-built *Skopelos* was chartered out for 180 points on the World Scale, or \$226,506 daily time charter equivalent including idle days, for a trip from the Middle East Gulf to China, according to Tankers International.

Though the deal is still “on subjects” it is one of the four such contracts the Embricos group has initiated in the past two days, and of the flurry of Greek activity in the market.

Meanwhile, Navig8’s VL8 pool chartered out the 2008-built *CosPeal* lake to CSSA for \$133,137 daily time charter equivalent on Thursday and the Koch-operated 2013-built *C.Challenger* was chartered out by Bahri at \$211,798 per day.

While the inability of Opec and its partners to agree to oil production cuts and the subsequent announcement by Saudi Arabia that it would increase output sent oil prices tumbling earlier this week, prices fell again on Thursday after US President Donald Trump unveiled Wednesday night a 30-day ban on travel from Europe, excluding the UK and Ireland, in response to the coronavirus outbreak.

Brent crude had dropped by more than 7% as of late Thursday afternoon to \$33.24 and West Texas International crude had also slid by 7.28% to \$30.58.

While the majority of vessels chartered since Tuesday are still on subjects and so could still be amended or even cancelled, Greek interests have dominated these deals, with John Angelicoussis leading the pack of owners accounting for more than half of those 40 albeit overwhelmingly provisional deals, have been struck since Tuesday.

Business for the Angelicoussis Group started on Tuesday with an almost \$32,000 daily TCE for its *Maran Apollo* from Shell for US Gulf-to China trip.

But things escalated swiftly amid intense VLCC demand from Bahri that sent rates surging and the company has chartered out another six VLCCs since then. In the highest rate thus far this week, Maran chartered out its *Maran Antares* to Thailand's PTT for \$299,982 daily.

All of its deals, barring one, are still on subjects.

Maran Tankers has recorded one of the only three

VLCC fixtures that have been fully fixed since Tuesday; the *Maran Arcturus* charter by Koch for a \$85,215 daily TCE, for a Middle East Gulf to South Korea voyage.

The John Prokopiou-led Dynacom has also had five provisional charters for its VLCCs since Tuesday, including three with Bahri, one with PTT and one with CNOOC. On Wednesday, Bahri chartered out its very low sulphur fuel oil-powered, 2009-built *Georgios* for \$148,664 per day.

Evangelos Marinakis' Capital Maritime and Trading has agreed charters for three VLCCs since Tuesday, all still on subjects. The biggest of these came on Wednesday when Unipeac took its 2016-built *Atromitos* for a \$168,417 daily TCE.

Thanasis Martinos has also kept busy with three charters since Tuesday. Bahri chartered the East Mediterranean Maritime-operated, 2016-built *Agios Fanourios* for the equivalent of \$132,227 per day, for a voyage between the Middle East Gulf and the Red Sea.

Other companies that have been active in the market this week are DHT, Trafigura and the VL8 pool.

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## WHAT TO WATCH

# China ship calls return to previous levels

AS THE escalating coronavirus outbreak continues to wreak havoc across the global shipping industry, there are continuing signs that in China, where the illness originated, operations are returning to normal.

Figures from Lloyd's List Intelligence show the number of container-related vessel calls at the major container hub of Shanghai and Yangshan have picked up and are again tracking figures seen this time last year.

The figures, which record port calls by container ships, general cargo vessels with container capacity, con-ro vessels and container barges, saw a deep fall following the outbreak of coronavirus and the extended shutdown of factories following the Chinese New Year celebrations.

Those figures have since recovered and, despite a downturn in week nine, now stand at an almost identical level to where they were in week 10 of 2019. There were 394 calls in week 10 last year and 393 this year.

As Lloyd's List reported on Monday, CMA CGM chief executive Rodolphe Saadé believes the situation in China is already beginning to recover and exports are rapidly returning to normal as Chinese factory production recovers.

Mr Saadé is forecasting a bounce in liftings by the end of March, reflecting the need for warehouses in the US and Europe to be replenished after several weeks of factory closures in China that have disrupted supply lines and depleted stocks of components, spare parts and other urgently needed inventories.

Elsewhere, the US west coast ports of Los Angeles and Long Beach are expecting a surge in volumes as China exports resume.

Carriers including Maersk and Mediterranean Shipping Co have added extra loaders using some of the largest boxships in the world, including the 23,756 teu *MSC Mia*, the largest ship so far to call at US west coast ports, to reposition empty containers to China for export.

Nevertheless, the threat remains that as Europe and the US bring in increasingly severe measures to restrict the spread of the coronavirus, demand for exported goods may be thwarted.

## Singapore bunker fleet will expand despite oil price plunge

REGARDLESS of how oil prices may move, one top-rated bunker player is pressing on with its fleet renewal and expansion plan at the world's busiest port for marine fuel sales.

Italian group Fratelli Cosulich is evaluating its options for two 8,000-tonne newbuilding bunkers vessels, immediately after adding a unit purchased in December from the resale market to its fleet.

Including its latest addition, the 8,000-tonne *Emma Cosulich*, the Genoa-based group now operates half a dozen bunkers vessels in Singapore, tripling the size of its fleet based at Singapore during the past seven years, chief executive Timothy Cosulich told Lloyd's List.

Bunker prices, however, have tumbled as oil prices crashed this week.

This has not deterred the group, which is now run by the fifth and sixth generation of the Cosulich family, from pressing on with its planned fleet expansion.

Mr Cosulich maintained that his family takes a long-term view in building the bunkering business, particularly out of Singapore.

Fratelli Cosulich began as a physical bunker supplier in Singapore with three bunkers in its fleet about 15 years ago.

It sold a vessel to operate only a two-tanker fleet, but started building again in 2014. "Our fleet development picked up pace in 2017, when mass flow metering was made mandatory in Singapore," said Mr Cosulich.

The Italian family bunkering group is not the only licenced player in Singapore to have invested in fleet building since the 2017 MFM mandate.

In January 2018, Ocean Tankers unveiled a newbuilding deal with Fujian Mawei Shipbuilding for six firm handysize tankers, plus options for four further similar units.

The US yesterday introduced a travel ban on people entering the country from mainland Europe and several European countries are looking increasingly likely to bring in travel and other restrictions, similar to those that Italy has imposed, to restrict the spread of the disease.

These bunker players had to put their trust in the MFM mandate ensuring payback for their fleet investments.

Moreover, Singapore did break its own bunker sales volume record in 2017.

Volumes may have fallen over the following two years, but its bunker fleet development remains supported by another regulatory impetus.

The International Maritime Organization's 0.5% sulphur limit on marine fuels, or the IMO 2020 rules, that came into force on January 1, has forced the shipping and bunkering industries to embrace new and more varied fuels.

In so doing, this regulatory push has stoked a tightening of bunker fleet capacity worldwide.

Mr Cosulich said: "Utilisation of barges has gone down, which also means more vessels have to be mobilised to deliver the same bunker volumes as before.

"The IMO 2020 rules certainly provides room for barge operators like ours to grow," he added though clarifying that the group did not draw motivation for its fleet expansion from the IMO 2020 rules.

Fratelli Cosulich is among 44 bunker players licensed to operate in Singapore's waters.

### **Bunker fleet expansion**

Singapore's bunker fleet stood at 213 vessels on Tuesday, up from 201 on September 30, 2019, according to the Maritime and Port Authority of Singapore.

Bunkering industry veteran Simon Neo cited the limited credit availability as one factor holding back Singapore's bunker fleet expansion.

"Many banks are getting wary of extending financing to the bunkering industry," he said, adding that this had generally held back smaller players.

Fratelli Cosulich, which was ranked among the world's top 10 bunker suppliers, has on the other hand been able to tap its banking partners for financing.

Italy's economy may be stumbling under pressure from the coronavirus outbreak, but Mr Cosulich said

that the group had long diversified beyond its home ground and now ran most of its business outside Italy.

Fratelli Cosulich charters out its bunkers to supermajors with BP, ExxonMobil, Shell and Total all active in Singapore's marine fuel industry.

## EU ministers welcome Green Deal, but stress need for global action

EUROPEAN Union member state governments are throwing their support behind the European Commission's push for the development of "zero carbon-neutral and zero pollution waterborne transport sector", but are also emphasising the significance of action on a global level, just as pressure from within the bloc grows for measures from Brussels.

Transport ministers from several EU countries held an informal meeting in Croatia on Thursday at which they endorsed the commission's Green Deal vision in a common declaration that laid out their agenda for the EU maritime sector.

The ministers warned, however, that any measures towards shipping's carbon neutrality must be flag neutral, ensure a level playing field and avoid carbon leakage, which occurs when companies move operations to a different jurisdiction with softer emissions laws and thus also move the pollution there.

As part of its Green Deal, the commission wants to include shipping in the EU Emissions Trading System — its cap and trade scheme for emissions. The ministers did not explicitly refer to the ETS, nor did they openly support the measure from the EU.

While the European Parliament supports the ETS inclusion, for it to happen, the Council of the EU, which consists of EU governments, also has to agree.

Though the EU transport ministers acknowledged the EU's role, the ministers stressed the importance of decarbonisation action on a global level, including the attainment of the 2050 emissions targets set out by the International Maritime Organization.

The clear intent by the recently reshuffled commission to regulate emissions from vessels that travel internationally and use EU ports is worrying industry, which wants global regulations and the IMO, where industry bodies have a greater voice, as the sole decision maker.

The ministers also said that the development of alternative fuels, technologies and relevant infrastructure will require support and funding, including "public, private and EU financial instruments and grants".

In an important nod to liquefied natural gas, the ministers explicitly acknowledge it as a transitional fuel and suggest that it should have access to this funding as well.

LNG has become controversial as proponents tout its carbon-cutting merits, but opponents want to prevent further investment into fossil fuels, which cannot deliver the kind of emissions reductions ships have to make.

EU transport ministers also said they support the push by Mediterranean countries, including those not in the EU, for a 0.1% sulphur emissions control area in the Mediterranean Sea and consider the possibility of EU financial support in this area.

In December, these countries agreed that if they officially request the IMO to create this SECA, it would be in 2022. However, they did not agree on a potential introduction date for the SECA and IMO regulatory timelines mean the earliest possible year ships would have to start complying is 2025.

The ministers also highlighted other issues around digitalisation such as the need for electronic certificates for the registration of ships under EU member states flags and electronic verification of certificates for vessels and ships.

They also rallied behind "an ambitious review" of the IMO's international convention on standards of training, certification and watchkeeping of seafarers, which lays out rules for seafarers training and standards.

Ministers further encouraged "the commission and member states to enhance co-operation between industry, education and training providers, also



related to the onboard training, to ensure that European seafarers and inland navigation workers

are equipped with the right skills for the rapidly changing waterborne transport environment”.

## ANALYSIS

# US global oil outlook jolted by Saudi-Russia market share battle

THE US Energy Information Administration significantly revised its earlier short-term outlooks for global oil supply, demand and prices on Wednesday following the March 6 meeting of the Organisation of the Petroleum Exporting Countries.

EIA delayed publication of its monthly short-term energy outlook — normally produced on Tuesdays — to accommodate the changes represented by “recent significant” global oil market developments at the meeting and after.

It underscored the collapse of the Opec-plus production agreement and the ensuing battle that has opened up with Russia for market share.

Opec members Saudi Arabia and the United Arab Emirates have announced plans to boost their production, following the collapse of the formerly co-ordinated output cuts with Russia. Saudi Aramco will raise output to 13m barrels per day from 12m bpd, while the UAE will boost production to 4m bpd in April and eventually to 5m bpd.

EIA’s forecast assumes that Opec will target “market share instead of a balanced global oil market”, with the cartel’s crude oil production averaging 29.2m bpd from April through December 2020, up 500,000 bpd — around 1.7% — from an average of 28.7m bpd in the first quarter of 2020.

Opec’s crude oil production will rise to an average of 29.4m bpd in 2021.

Global petroleum and liquid fuels consumption will average 99.1m bpd in the first quarter of 2020, a decline of 900,000 bpd from the same period in 2019 because of a reduced assumption for global economic growth as well as a downward effect on travel caused by the coronavirus pandemic.

World petroleum and liquid fuels demand is expected to rise by less than 400,000 bpd in 2020 and by 1.7m bpd in 2021. Much of the reduction comes from China, where growth will be limited to

around 100,000 bpd, down a huge 80% from EIA’s January forecast of 500,000 bpd.

The EIA also forecast “significant downward revisions” to demand for Japan, South Korea and Italy — all countries affected severely by the coronavirus.

The demand effects from the coronavirus outbreak will diminish by the third quarter of 2020, the EIA said, “with demand growth resuming its previous trend through the remainder of the forecast”.

Global liquid fuels inventories are expected to grow by an average of 1m bpd in 2020 after falling by about 100,000 bpd in 2019. Inventory builds are expected to be largest in the first half of 2020, rising at a rate of 1.7m bpd due to “slow oil demand growth”.

Firmer demand growth as the global economy strengthens and slower supply growth will contribute to balanced markets in the fourth quarter of 2020 and global oil inventory draws in 2021.

Global liquid fuels inventories are expected to decline by 400,000 bpd in 2021.

As supplies rise, Brent crude oil prices are forecast to average \$43 per barrel in 2020, down from an average of \$64 per barrel in 2019. For 2020, prices are expected to average \$37 per barrel during the second quarter and then rise to \$42 per barrel during the second half of the year.

Brent prices are forecast to rise to an average of \$55 per barrel in 2021, “as declining global oil inventories put upward pressure on prices”.

US oil production, meanwhile, is expected to average 13m bpd in 2020, up 800,000 bpd from 2019, but then decline to 12.7m bpd in 2021 due to lower oil prices, marking the first annual US crude oil production decline since 2016.

# Automation can keep ports competitive, but job losses are a worry

AUTOMATION is a controversial topic on west coast waterfronts, a point underscored in the port of Los Angeles over the past year as members of the International Longshore and Warehouse Union sought to rally public support against plans by APM Terminals to automate their facility.

Although the public clamour has died down from those protests, the issue of automation has still not been fully resolved as the port, union leaders and the terminal operator develop plans for a training facility where workers can be prepared for jobs in an automated maritime setting.

Even as those efforts move forward, the debate over automation continues, as shown by the recent Smart Ports conference held in Los Angeles under the auspices of the American Association of Port Authorities.

A key theme of the event was the clear trade-off between the increased efficiency of automated ports and job losses that come with automation — a point stressed by Mark Sisson, vice-president and senior port planner/analyst for Aecom.

According to Mr Sisson, one aim of information technology is to “take as many people as possible out of the process” and he said “unreliable labour” is a key driver for automation at ports.

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

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

Mr Sisson said few ILWU members want to work the five-hour shift, so the work day is “really” just 16 hours long. He calculated that an automated terminal working a 21-hour day would produce more lifts than union members and do it more consistently. That is good for shipping lines, he said, as they want “fewer days in port” and automation enables that.

Automation also is good for the truckers who transport containers to and from port

terminals, according to Weston LaBar, chief executive of the Harbor Trucking Association, which represents drayage drivers up and down the US west coast.

He said automation helps make things “faster, more predictable and a lot easier” for truck drivers while reducing costs for shippers — a point to consider, given the competition for market share “from our friends on the Gulf coast and east coast”.

Mr LaBar said automated terminals take about half as much time to use and have much more consistent turn times than the non-automated terminals. In particular, he said, the average turn time at the two automated facilities in the San Pedro Bay ports of Los Angeles and Long Beach averages 43 minutes, while their 10 non-automated terminals average almost twice that amount of time, at 84 minutes.

According to Mr LaBar, automated truck delivery is a “huge boon for our industry. It’s a huge opportunity. It creates more productivity and more revenue opportunities while reducing costs to shippers”. Not least, it helps in “keeping cargo here” as opposed to migrating to competing ports around the country.

While affirming the HTA is “pro automation”, however, Mr LaBar also affirmed that “automation should be used as an efficiency tool, not as a labour replacement tool”.

He also insisted that “robust” training programmes are needed to prepare longshoreman for the future and to make sure they are an “active part” of that future.

Dane Jones, clerks technology co-ordinator for the ILWU, agreed with the view of preserving jobs for union workers. “Are we friends or are we food?” he asked, underlining the fact that ILWU members are stakeholders in the port process and not to be gobbled up by automation.

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

Chad Lindsay, vice-president of labour relations in Southern California for the Pacific Maritime Association, which conducts negotiations with the ILWU, made a plea for the introduction of automation as a means of preserving the dwindling market share of US west coast ports.

Mr Lindsay cited a recent report commissioned by the PMA that projected the market share of US containerised cargo for the San Pedro Bay ports would drop to 42% by 2030 — well down from the benchmark of 56% in 2006.

While recognising that automation might reduce jobs on the waterfront, he stressed that the failure to automate could jeopardise even greater numbers of jobs. “When you lose 15% or 16% market share in a port that does 17m lifts a year, you’re talking thousands of jobs,” he said.

The bottom line, he said, is that “discretionary cargo has places to go” and that other US ports have invested “billions of dollars” to attract it.

Clearly, a balance has to be struck between job losses and more efficient terminals as a means of retaining market share.

Education is seen as key to striking that balance by keeping workers up to date — and on the job — with the technological changes that come with

automation. However, uncertainty pervades the issue of education itself.

“What are we going to do about training as technology evolves?” asked Avin Sharma, director of labour relations and workforce development at the Port of Los Angeles.

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

“What does that mean for the workforce?” he asked. “How do you create training programmes for technology that doesn’t exist?”

Stephen Edwards, president and chief executive of TraPac, the only automated terminal in the port of Los Angeles, was somewhat more pessimistic, noting the industry is “woefully behind” when it comes to preparing for the future.

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

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

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## OPINION

# IMO sulphur cap highlights OW Bunker collapse lessons

THE introduction of a mandatory lowering of the sulphur content of marine fuel used on board vessels not fitted with exhaust gas cleaning systems to 0.5% from January 1, 2020 has raised questions around the quality of very low sulphur fuel and the increased cost of shipping, *write Hill Dickinson partners Beth Bradley, Damien Laracy and Shanna Ghose.*

The increased costs of supplying compliant VLSFO bunkers, being both the financing needed to purchase for on-sale and to ensure liquidity given buyer payment terms, has been estimated as being in excess of \$20bn across the supply sector.

Following a spate of high-profile bankruptcies in the marine sector, obtaining financing has been more difficult. The number of banks willing to lend has

decreased and credit risks are more closely scrutinised.

Higher costs, tightening of available credit and the prospect of claims against suppliers arising from VLSFO, create an environment in which insolvencies in the supply chain may once again be in prospect.

Two of the more high-profile insolvencies in recent memory, that of OW Bunker in November 2014 and Hanjin Shipping in 2015, provide insight into the legal issues that particularly impact on shipowners.

Those are first, the question of who to pay for bunkers supplied on credit, the physical or the contractual supplier; and second, the risk of arrest in jurisdictions that recognised the supply of bunkers on credit as creating a maritime lien.

OW Bunkers was the world's largest bunker trader at the time of its collapse in November 2014. The fallout from OW Bunkers filing for bankruptcy led to litigation in several jurisdictions and was particularly problematic for shipowners in receipt of bunkers contractually supplied by OW, since they faced competing claims from the contractual and physical supplier for payment.

In the UK, a test case was fast-tracked to the Supreme Court, owing to the volume of claims made and the urgency of clarifying which party an owner should pay.

In *the Res Cogitans* (2016), the Supreme Court held that the bunker supply contract with OW Bunkers was not a straightforward agreement to transfer property to the owners for a price.

It was instead properly to be characterised as an agreement to permit consumption of bunkers before the price was paid, transferring property in the remaining bunkers on payment. Therefore it was not a contract for sale within the meaning of section 2(1) of the Sale of Goods Act 1979.

As a result, OW Bunkers only needed to have acquired the right to authorise use of the bunkers prior to payment in order to establish their contractual right to receive payment.

The decision, while confirming the nature of a bunker supply contract, did little to relieve the shipowner's risk of facing competing claims from the contractual and physical supplier.

In practical terms, that left a shipowner seeking to obtain interpleader relief, or to agree to pay the price into escrow while the insolvency estate and the physical supplier fought over the right to receive payment.

In Singapore, the decision in *Res Cogitans* has been considered (*Mitsubishi Corp v Kyen Resources* (2018)) although not (yet) applied. Similarly to the UK, a shipowner who has doubts as regards who to pay can seek interpleader relief.

By contrast in Greece, owners have had more success in defeating claims advanced against them by the physical suppliers. To date, the majority of decisions from the Greek Court of Appeal have dismissed the physical suppliers' claims advanced on the basis of the right to receive payment arising from the terms and conditions on the bunker delivery note.

The Greek Court of Appeal has held that chief engineers who sign the bunker delivery receipt do not have authority to bind owners to the physical suppliers' general terms and conditions.

Consequently, there is not contractual relationship between the physical suppliers and the owners pursuant to which the suppliers could claim payment, although one decision (*Court of Appeal No. 148/2018*) has ruled in the opposite direction.

This decision along with two others are pending determination by the Supreme Court in Greece, which may clarify the position further.

Consequently, in three of the main maritime jurisdictions engaged in resolving the issue of who a shipowner is to pay following the collapse of OW Bunkers, there were different outcomes. To an extent, the answer in each jurisdiction is not yet fully and finally settled.

In general terms, a maritime lien is a claim against a vessel in relation to goods supplied and not yet paid. It can be used as a basis to arrest the vessel for security for the claim in some jurisdictions. The maritime lien can arise at law or it can be based on a contractual right of lien.

The main jurisdictions which recognise a bunker suppliers' claim as a maritime lien are the US, Panama and other countries which are signatories to the 1926 Convention on Maritime Liens and Mortgages, principally France and Italy. The UK and most Commonwealth countries, including Australia and Singapore, do not recognise these claims.

It is the jurisdiction in which a maritime lien is exercised that is relevant, since different countries will apply different rules to ascertain whether the lien can be relied upon by the bunker supplier, for instance the law of the vessel's flag or the law of the contract.

Consequently, it can be difficult to predict whether an owner will be exposed to claims against the fuel on board, and whether those claims will result in disruption as a result of arrest.

In Hong Kong, two interesting issues arise in terms of arrest arising out of bunkers supplied to a vessel.

The first concerns the grounds on which a sistership can be arrested for debts to a bunker supplier. In the *Chimbusco* litigation (*the Decurion* [2013] HKCA 180), the Hong Kong Court of Appeal made it clear



that when considering a bunker supplier's right to arrest a sister ship, a crucial consideration is whether the relevant shipowner was the person with actual control over the vessel to which the bunkers were supplied.

In *the Decurion*, an arrest of a vessel was set aside by the shipowner on the basis that the arresting bunker supplier had not established that at the time of the arrest the arrested sistership was under the control of the owner.

Rather, the Hong Kong Court of Appeal agreed that as the vessel was on time charter, and clause 8 of the NYPE form gave the charterer the right to determine how the ship was operated, the bunker suppliers could not show that the vessel arrested was under the control of their target debtor, the actual shipowner.

Secondly, where there are two competing claims against the vessel arising from the same bunker supply, it is possible for the contractual supplier to 'piggyback' on an arrest made by the physical supplier by lodging a caveat against release.

This has the practical effect of preventing the vessel departing if the debt to the contractual supplier has not been paid, unless sufficient monies are deposited into court to cover that claim.

In addition, the contractual supplier will have the opportunity to lodge its own arrest for the margin sum, which is the difference between the physical supplier cost and the contractual supplier cost, such that the shipowner may be exposed to successive arrests arising from the same supply.

The legal issues that the collapse of OW Bunkers and Hanjin shipping unveiled remain problematic today. The competing rights of the contractual and physical supplier when it comes to the question of payment for the fuel still give rise to the risk of double payment for a shipowner as well as the residual risk of arrest, in jurisdictions where it is available.

Accordingly, assessing counterparty risk remains one of the better protective steps that can be taken, although that is limited by quality of information available, as is checking supplier contracts and seeking to renegotiate them.

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## MARKETS

# Oil price crash predicted to curb US gas production

THIS week's oil price crash is predicted to hit US gas production hard while strengthening Qatar's position, as oil drilling in the relatively higher-cost Permian Basin slows.

Consultancy Wood Mackenzie said in a report that in the short term, the biggest downside risk from the oil price crash to gas supply is for unconventional gas production in the US.

"As companies reduce oil drilling the associated gas production growth, particularly in the Permian, will slow," WoodMac said, adding its Genscape energy sector intelligence unit estimates that by the end of the year, US gas production would be 900m cu ft per day lower than pre-crash estimates.

This could be exacerbated through 2021 with more flexibility in drilling reductions, it added, and estimated that by the end of 2021 production could be 3.1bn cu ft per day lower than pre-crash forecasts of 90.5bn cu ft per day.

Wood Mackenzie research director Giles Farrer said: "The greater risk to supply is pre-final investment decision investments," adding that "record liquefied natural gas supply investments last year and plunging LNG spot prices this year were already testing the appetite of LNG project developers to sanction new LNG projects in 2020". Mr Farrer warned that "the drop in oil price will make these decisions more complicated".

After a string of final investment decisions the market has turned this year as LNG prices tanked and Tellurian's Driftwood LNG project, for example, has seen buyers dragging their feet on offtake agreements.

In line with this, recently bullish forecasts for LNG carrier newbuildings may also be expected to be affected.

With lower oil prices restricting capital investment budgets and reducing appetite for the financing of LNG projects with exposure to oil prices, US

projects are especially vulnerable WoodMac said. “US LNG projects selling on a Henry Hub-plus basis will also be perceived as less competitive than oil-indexed LNG,” said Mr Farrer.

Meanwhile, he expects that Qatar, with its low fiscal break-evens and ambitions to grow LNG market share in the long term, will continue to push on with its North Field expansion plans.

## Phase One deal fails to boost Sino-US trade in January

CHINA and the US are unlikely to hit their trade volume targets under January’s Phase One trade deal after it failed to boost volumes in January, shipping association BIMCO said.

The January 15 deal lowered some US tariffs on imports from China in return for a pledge to buy more US goods.

But BIMCO said trade volumes for manufactured, agricultural and energy goods included in the deal fell 26% on January 2017 levels.

BIMCO chief analyst Peter Sand said in a statement the deal had brought some relief to the shipping market by stopping the US’ and China’s relationship from deteriorating further. But January’s weak volumes meant it might need to be revised.

Mr Sand said the January results were not due to coronavirus, which had “only a very limited impact on the Chinese economy in January and no effect on its trade with the US”.

But the subsequent virus outbreak and falling oil price “have made it even less likely that China and the US will be able to live up to their commitments and thereby help boost demand for the shipping industry”.

BIMCO said that under the agreement, US exports of manufactured goods would have to rise from \$40.8bn in 2019 to \$75.4bn this year, an increase of 86%. Agricultural exports had to rise 126% to \$33.4bn from \$14.7bn, while energy exports had to rise to \$26.1bn from \$3.1bn — a 730% increase.

But in January energy imports plunged to \$25.7m, while manufactured and agricultural goods fell 1.6% and 43.3% respectively. Exports for these goods were about 4% of the target volume.

BIMCO said there were also doubts that American farmers would plant the needed volumes of soyabeans and other agricultural goods given the trade uncertainty. And this week’s oil price crash meant volume growth in oil exports would need to be even higher, since each tonne of crude oil was now worth considerably less.

Mr Sand told Lloyd’s List the Phase One deal lacked provisions for renegotiation. “It basically breaks down if either of the parties establish a claim for breach of contract,” he said.

But he added that the deal was an early attempt to decrease tensions between the two countries and would have to be revised once the dust had settled from coronavirus.

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## IN OTHER NEWS

### IMO shuts London headquarters and postpones further meetings

THE International Maritime Organization shut its headquarters in London and postponed more meetings on Thursday after the World Health Organization designated the coronavirus as a pandemic.

The closure of the building to both staff and visitors is a precautionary measure, the IMO said in a statement on Thursday. “IMO staff are working from home where possible,” it added.

Last week, the IMO postponed certain events and meetings happening in March, including the Legal Committee. The meetings postponed yesterday are:

- The 7th meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships, scheduled to take place on March 23-27;
- The 33rd meeting of the E&T Group (IMSBC), scheduled for March 23-27;

- The 75th session of the Marine Environment Protection Committee (MEPC), scheduled to take place from March 30 to April 3.

### Transport groups call for protection of intermodal rail during shutdowns

INTERMODAL rail could play an important role in keeping freight moving safely as European countries begin to restrict the movement of people in the face of the escalating coronavirus outbreak.

In a joint letter to government institutions, a group of Italian and European rail, shipper and logistics organisations have called for the protection of intermodal rail services as a "strategic asset for the economy".

Given the interdependence of European industry and the close links between Italy and the economies of central and northern Europe, there was a risk of a collapse of the entire economy if goods were unable to move, the letter said.

Meanwhile, Italian container terminal and intermodal operator Contship Italia said its operations in La Spezia, Ravenna and Melzo/Milan were operating as normal, but that had adopted measures to minimise the impact of coronavirus through continuous cleaning and taking efforts to maintain distances between staff.

### **Maersk holding company appoints new board members**

AP MOLLER Holding, the parent company of Maersk, has appointed two new board members, bringing in outside talent from the technology sector and a long-term Maersk executive to the senior ranks.

The holding company is the investment arm of the AP Moller Foundation and controlling shareholder of AP Moller-Maersk, which operates the world's largest containership fleet, as well as running ports and providing logistics services. It also separately owns Maersk Tankers, which it acquired from AP Moller-Maersk in 2017.

The new appointments include Claus Hemmingsen, who has been involved with the company for nearly 40 years, holding

senior roles including AP Moller-Maersk deputy chief executive, chief executive of the Maersk Energy division, Maersk Drilling and APM Terminals.

Mr Hemmingsen remains chairman of Maersk Drilling and is also chairman of shortsea ro-ro operator DFDS. Earlier this month, he was also elected as a member of the the AP Moller Foundation.

Diane Greene, meanwhile, is a US national with a background in the world of technology. The former naval architect and software engineer has held senior positions at Google as well as its parent company Alphabet, and has been chief executive of three technology vendors.

### **DP World focuses on integration in 2020**

AMID an uncertain near-term outlook, DP World will focus on integrating recent acquisitions and managing costs for the rest of 2020, even as it delivered good profit growth for 2019.

"The near-term outlook remains a cause for concern with global trade disputes, the coronavirus outbreak and regional geopolitics, causing disruption to trade," said chairman and chief executive Sultan Ahmed bin Sulayem. He added that overall the company remained positive on the medium to long-term outlook of the industry.

DP World posted a 4.6% rise in 2019 net profit to \$1.3bn, on a 36.1% rise in turnover to \$7.7bn, which was driven by acquisitions and consolidation in Australia.

Cash from operating activities amounted to \$2.5bn, while the company maintained \$2.1bn in free cash with a debt ratio of 3.9 times the adjusted earnings

before interest, taxes, depreciation and amortisation.

### **Greek ferry caught in coronavirus scare as crisis hammers sector's earnings**

HUNDREDS of passengers and crew on board a Greek ro-pax ferry were delayed by more than half a day at an island port on Thursday awaiting the result of a coronavirus test on a crew member who fell ill and was taken off the vessel at the previous port.

The seafarer, said to have had symptoms including a high temperature, eventually tested negative for the coronavirus at a hospital in Kavala in northern Greece and the ferry, *Blue Star Myconos*, was allowed to continue on its itinerary in the northern and eastern Aegean.

The vessel spent more than 13 hours in the port of Limnos with 343 passengers and 77 crew ordered to remain on board, awaiting the test result. An additional 127 passengers disembarking on the island had been told to stay home as a precaution after leaving the vessel.

*Blue Star Myconos* belongs to the Attica Group, which runs the country's biggest ferry fleet including 29 vessels under the Superfast Ferries, Blue Star Ferries and Hellenic Seaways brands and three vessels in the fleet of Africa Morocco Link.

### **Princess Cruises and Viking suspend operations for two months**

CRUISE operators Princess Cruises and Viking have suspended all operations until May amid coronavirus health concerns.

Princess Cruises, owned by Carnival Corporation, will

suspend its 18 cruiseships until May 11, while Viking will suspend voyages until May 1.

Princess Cruises said voyages ending in the next five days would finish normally, while passengers on longer

voyages would disembark early at other convenient locations.

Cruise operators have increased their debt facilities in the past week amid disruption from the coronavirus.

Industry group the Cruise Lines International Association has asked the US government for help, after the government issued warnings against cruiseship travel.

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## Classified notices follow



### INTERNATIONAL TENDER FOR PROCUREMENT OF THREE (03) NEW TUG BOATS

Tender No:PLG/22342/2020

Pakistan National Shipping Corporation (PNSC) invites bids in sealed envelopes for the “**Procurement of Three New Tug Boats**” on PNSC Standard Bidding Documents as per Clause-36(b) of Public Procurement Rules, 2004.

Bidding Documents can be downloaded from PNSC website [www.pnsc.com.pk](http://www.pnsc.com.pk), till 16<sup>th</sup> April 2020. This advertisement is also available on PPRA website [www.ppra.org.pk](http://www.ppra.org.pk). The sealed Bids on prescribed forms duly filled-in signed and stamped should be sent through Courier or dropped in Tender Box placed at Conference Room, 1<sup>st</sup> Floor, PNSC Building, Karachi marked as “**Procurement of Three (03) New Tug Boats**” latest by 16<sup>th</sup> April 2020 (1500 hours PST/1000 hours GMT). Only Technical Bids will be opened on the same day at (1530 hours PST/1030 hours GMT) in the presence of bidders, who wish to attend.

Moreover, Pre-bid meeting shall be held on 30<sup>th</sup> March 2020 (1500 hours PST/1000 hours GMT) at Board Room, 14<sup>th</sup> Floor, PNSC Building. However, international bidders can join through video-link for which they will have to send an email at [sandp@pnsc.com.pk](mailto:sandp@pnsc.com.pk) 2(two) days prior to Pre-bid conference for coordination.

PNSC reserves the right to accept or reject any or all the bid(s) as per PPR, 2004.

**Deputy Manager (Planning),**

Special Project & Planning Division, 12<sup>th</sup> Floor,  
PNSC Building, M.T Khan Road, Karachi. Pakistan.

Ph: +92 21 99203961 Fax: +92 21 35610780

Email: [sandp@pnsc.com.pk](mailto:sandp@pnsc.com.pk) & [khurram.mirza@pnsc.com.pk](mailto:khurram.mirza@pnsc.com.pk)





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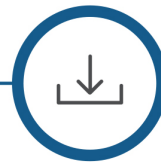
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