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Saudis in record-breaking tanker charter exceeding \$370,000 daily



SAUDI shipping company Bahri has chartered a very large crude carrier at a record-breaking rate that equates to daily earnings of \$370,000, as the Kingdom's strategy to flood oil markets continued the tanker markets rally into the weekend.

The 2012-built *Sea Splendor* owned by Sinochem Corp was provisionally chartered at a Worldscale rate of 195 to load 280,000 tonnes of crude from the Middle East Gulf from April 2, according to fixtures reported by Tankers International. That equated to earnings of about \$370,000 daily, the commercial tanker pool said.

If concluded, the figure is the most paid for tonnage since the Iraqi tanker wars, and exceeds even the stratospheric charters for capesize bulk carriers at the height of the commodities super-cycle. Back then, deals reached \$260,000 daily.

Bahri has now chartered 15 VLCCs in the past four days, driving up rates 12-fold on key routes to Asia, sending futures trading volumes to a record and spooking other charterers to fix tonnage at ever-increasing levels. Some 52 VLCCs were reported chartered this week.

Shipbrokers told Lloyd's List that Bahri had taken some 20 VLCCs in total, with the details of others yet to be reported in the public domain.

The record-breaking fixtures propelled tanker indices to fresh records on the London-based Baltic Exchange. Average VLCC timecharter earnings gained \$92,000 in one day to close at \$258,700 daily. That's some \$230,000 higher than the same time last week.

US Gulf-China loadings exceeded \$18.7m, or some \$9.11 per barrel, almost a third of the value of the crude being loaded.

Of the 52 reported fixtures, some 29 remained 'on subjects' by 1530 GMT, March 13, meaning the outlined terms of deal are yet to be finally agreed by charterer and shipowner. Nineteen of the VLCC charters have gone ahead, and one has failed. Subjects were lifted for the 2012-built *Boston* at earnings of \$195,000 daily, providing the first indication of where the market is sitting.

The tanker *Boston* is part of the Dynacom Tanker Management fleet owned by the Prokopiou family.

The sustainability of these surging tanker rates remains uncertain given the circumstances underpinning it are unprecedented. Shipbroker Braemar ACM believes that this rise is different to the sizzle-and-fizzle of October, when rates fell as quickly as they rose.

"VLCC owners remain firmly in the driving seat as tight lists and high levels of enquiry in the Middle Eastern Gulf forces rates higher," the shipbroker said in a daily report.

"This market has a much greater feeling of sustainability due to the continuing high levels of demand and a shortage of available vessels."

Shipbroker Gibson said in a weekly report: "The massive Saudi production hike is the stand-a-lone catalyst and so long as that level of production is maintained, so the market will remain in stratospheric rate territory."

Similar sentiments are seen for the suezmax sector, as higher VLCC rates see cargoes from West Africa and other area split from a 2m-barrel shipment to two, one million-barrel shipments on the smaller vessel size.

The Saudis launched their ship-and-awe strategy on Monday, after sharply dropping oil prices over the weekend following the collapse of so-called Opec-plus agreement. Bahri made the shock move to Hoover up as much available tonnage as possible, in addition to its own tonnage which includes more than 30 of its own VLCCs. Bahri will ship an extra 30m extra barrels over the past 10 days of March and first week of April on chartered tonnage in addition to crude loaded on Bahri-owned tankers or on those fixed by oil companies or refineries.

The tanker armada is seen as the kingdom's response to Russia's refusal to support the Organisation of the Petroleum Exporting Countries' plan to curb production and bolster prices in the wake of a coronavirus-led contraction in crude demand. The strategy immediately wiped 30% off the price of Brent crude. It threatens crude output growth in the US, where indebted shale producers need higher prices to remain profitable. Rapidly rising shale oil exports from the US Gulf have undermined Opec curbs since 2016, when the US administration removed export restrictions.

Some nine of the Bahri cargoes are loading and will sail for the US Gulf, which will potentially raise monthly exports for May to the highest in more than three years. While Saudi Arabia's national oil company owns the Motiva refinery in the US Gulf, Saudi imports have tumbled in recent years as US energy independence has gained.

WHAT TO WATCH

Coronavirus: Governments must let shipping keep on shipping

SHIPPING can keep world trade flowing for the duration of the coronavirus crisis. But only if governments let it.

Putting draconian restrictions on vessels calling from high-incidence countries may seem an obvious and attractive no-brainer response to inevitable public clamour to 'do something'.

It should be rejected; cargoes don't transmit coronavirus.

Shipping is the basic industry to the basic industries. Without what we do, many other business sectors simply will not be able to do what they do.

No surprise, then, that when Donald Trump was forced into an instant U-turn after proclaiming in a televised address to the nation that trade was included in his 30-day ban on incoming travel from Europe. That is precisely the sort of gaffe that embarrasses serious politicians.

A comparison with the more measured stance adopted by the equally populist government of Italy is instructive. Even as it put the entire country under lockdown, ports were specifically enjoined to remain operational.

Let us shout out loud that keeping the economic arteries open should be a priority, perhaps second only to containing and delaying the spread of the coronavirus itself.

Not the least of the penalties for failing to do so is the immediate danger of ubiquitous shortages of basic foodstuffs. This is especially the case for countries such as Britain, which long ago eschewed the protectionist case for self-sufficiency in agriculture.

It would take only slightly longer for the broader economic consequences to kick in. The risk of quasi-total shutdown is real, with all the attendant ramifications for employment and prosperity.

Meanwhile, crews should not be penalised for doing their jobs. While denial of shore leave is so far

Box lines face \$17bn revenue shortfall as demand slumps

CONTAINER lines could be facing a \$17bn shortfall in revenues this year as developed economies' efforts to halt the spread of coronavirus lead to a slump in demand.

Despite the rapidly improving situation in China, which is seeing manufacturing and logistics return to normal levels following the extended shutdown from February, the spread of coronavirus beyond China has led to drastic measures being taken in both Europe and the US, with other developed economies following suit.

In its latest analysis of the coronavirus outbreak, SeaIntelligence said that the efforts to curb the spread of the disease could easily lead to a drop in demand for container shipping in the coming weeks, not just from China but from all sourcing locations.

The effects of the retrenchment in demand are "worryingly similar" to those seen during the recession of 2008-09, SeaIntelligence said.

"If we are to assess the potential impact on the container shipping industry from the coronavirus outbreak, a comparison with the financial crisis

documented in only a handful of instances, seafarer charities are right to fear that the trend will inevitably grow.

The irony is — as Matthias Ristau of Deutsche Seemannsmission pointed out — there is mathematically more chance of seafarers picking up the disease in Germany than the dissipated patrons of Hamburg's famously rambunctious watering holes picking up the disease from seafarers.

In short, ships may have been the main carriers of the Black Death in 1348, but there are no good grounds for expecting a repeat performance with coronavirus in 2020.

Cancel the sports fixtures, give the kids an additional fortnight off school. Get white-collar workers working remotely. Kick hand sanitiser and testing kit factories into overdrive.

But an ill-considered, media-driven, semi-superstitious panic that brings shipping to a standstill would be major mistake.

becomes quite relevant," it said. "And, very simply, the impact of the financial crisis was a 10% decline in container volumes in 2009."

That 10% decline in volumes applied to 2020 would equate to 17m teu, or roughly \$17bn in revenues, it added.

"Positive news is clearly coming out of China in terms of container shipping volumes and logistics developments," SeaIntelligence chief executive Alan Murphy said.

"The number of vessel calls in Chinese ports is normalising, and indications are that manufacturing and inland logistics are gradually also getting back towards a level of normality."

But he added that the problems were clearly not over.

"The virus is now a pandemic and within just the last few days events have unfolded very rapidly across the world, with more and more countries more or less shutting down temporarily, and financial markets in an outright meltdown."

The real underlying problem was the impact this would have in the longer term in 2020 and possibly beyond, not only on consumer spending but also on the willingness of companies to order goods in the first place.

Nevertheless, container lines had demonstrated an unusual discipline with capacity management that had helped keep rates up for the cargo that is being handled, SeaIntelligence said.

“The carriers’ reaction to the virus in China leads to an expectation that they will react equally swiftly to the impending decline in volumes in the coming weeks.”

Swift capacity management would ensure that rates did not fall as dramatically as they did in 2009, meaning that carriers’ main issue would be with volumes rather than a decline in rates.

And this would be important when a recovery comes.

“If we then look ahead to 2021 — or potentially even to autumn 2020, depending on how quickly the

European gas hub price may hit new lows amid plunging LNG demand fears

EUROPE’S TTF hub gas price may crash to new lows if the coronavirus outbreak drags out into the next few months.

The region is expected to attract even more cargoes with Asia set to fall short of delivering the expected import growth this coming summer.

TTF, or the Dutch front-month gas price widely regarded as Europe’s benchmark, shed over 20% in February from levels seen in January, averaging below \$3 per MMBtu in recent trades.

Oxford Institute Energy’s analysts suggested that TTF gas prices, which have been trading at 10-year lows during this winter, may further tumble to below \$2 per million British thermal units.

This forecast builds on the likelihood that Asia’s import growth could drastically slow if the coronavirus outbreak persists through the summer season.

By OIE’s calculation, Asia’s LNG imports would have to expand by 18% year on year to 180.9 bn cu m this summer to balance the market, assuming the unused LNG export capacity stays at 7.5% as seen in the year before.

economy bounces back from the virus impact — we should expect a very strong rebound effect,” SeaIntelligence said.

“The strong drop in 2009 volume was followed by an even larger increase in 2010, as volumes quickly came back, driven by a combination of consumers starting to spend money again, and businesses needing to not only cater to the increase in demand, but also restock their inventories. This effect is highly likely to also play out after the virus impact.”

But the situation will likely get worse before it gets better, it warned.

“From what we have been seeing over the past week, it now appears clear that we will be getting a demand-driven impact on the supply chain going forward. This impact is fundamentally different from the China impact, which was driven by a lack of manufacturing capacity, and the demand-driven impact will therefore be global in nature and also potentially much larger.”

But demand destruction spilling over from the coronavirus disruption has pulled back China’s LNG demand, which is the main engine propelling Asia’s import growth since 2016.

China’s national oil companies have already declared force majeure on standing LNG offtake contracts during the past few weeks.

This raises the possibility of more LNG cargoes being diverted to Europe from Asia.

Australia accounts for 47% of Chinese LNG imports, followed by Qatar on 14%, Malaysia on 11% and Indonesia on 7%, Poten & Partners’ data released in February showed.

OIE estimates that Europe could see its imports surge by almost 20bn cu m over the most recent winter.

If the weakness in Asia persists into the fast approaching summer season, LNG cargoes heading to Europe would continue to climb.

OIE analysts suggest cutbacks on LNG imports, piped gas supplies from Russia and Norway or turning off lignite plants in favour of switching to gas would be necessary to support LNG prices.

But Russia does not seem likely to blink first given its government has already refused to back Opec's proposed production cut to bolster oil prices.

If others also do not move, spot prices in Europe may well fall below \$2 per MMBtu, OIE analysts argued.

ANALYSIS

Surge in air cargo as shippers seek alternatives to blanked sailings

CARGO airlines and airports are seeing extra demand for freighter aircraft flights out of China as the Asian nation's factories return to work after the coronavirus shut down.

But even as the airfreight industry reacts to this demand, the looming cut in air cargo capacity regarding the transatlantic poses further turbulence for US-European supply chains.

Germany's Lufthansa Cargo, the European passenger airline with the largest fleet of cargo aircraft, said: "We do see a surge in airfreight. As factories in China had been closed for weeks and many ocean sailings had been cancelled, we see a huge need for restocking."

Lufthansa Cargo vice-president of strategy Anselm Eggert told Lloyd's List: "Now, as work in China is restarting, airfreight is often the only option to keep supply chains intact and to make up for the delay in production.

"We are trying to ramp up our freighter capacity as much as possible. However, the missing capacity from cancelled passenger flights is making the situation very challenging."

Stephen Polmans, cargo director at Belgian hub Brussels airport, told Lloyd's List: "We did see good loads and indeed had some extra flights in recent weeks. When trade lanes are disrupted in one way or the other, and there is an urgency to get goods to the market, often air cargo is the only solution. China and the recent situation in China are no exception to that."

Boeing 747 freighter operator CAL Cargo has just restarted flying to China's Zhengzhou Airport from its Belgian hub in Liege.

"We are now flying three times a week and we will be increasing the number of rotations soon as demand grows," a spokesman said.

Two factors have fueled the demand for freighters that can carry more than 100 tonnes on long-haul flights.

The decline in passenger aircraft flights to China has seen a drastic cut in "bellyhold" cargo capacity, the space shared with passenger baggage that accounts for 50% of all flown freight, at the same time as the reduction in ocean freight container slots ex-China has seen exporters switch to the more expensive air option.

Freight forwarders have in recent years have started to charter freighter aircraft out of Asia to meet seasonal demand at the end of the year.

German freight forwarder Dachser Air & Sea Logistics is now starting the next wave of its chartered B747F flight rotation service to China and back. The charter route had initially been scheduled to operate from mid-March to the end of the month.

"The coronavirus is still having a serious impact on capacity in the airfreight market. Because the situation is so volatile, capacity planning is becoming a real challenge," a Dachser spokesperson said.

Dachser is adding to its existing charter service between Frankfurt and China by offering an "air bridge" between the US, Latin America and its Frankfurt gateway for deliveries to Shanghai.

Extra capacity

DHL Express, the global parcel and e-commerce arm of the German logistics giant, has also confirmed that it will be operating additional freighters to meet Chinese demand for capacity.

And Cargolux, Europe's largest pure freighter operator, with 27 B747Fs, told Lloyd's List: "The production in China is resuming, the air cargo industry is beginning to show signs of recovery and demand for capacity is surging.

“As regards Cargolux, we are reinstating our flights in accordance with market requirements, however restrictions apply throughout the network because of the coronavirus.

“The situation is extremely dynamic at this stage, but we follow it closely and adapt our operation as the situation unfolds.”

Singapore’s Changi Airport saw passenger numbers plunge by 32.8% in February as airfreight throughput rose 7.6% to 147,000 tonnes for the month. An airport spokesperson: “The spike in airfreight throughput in February was largely because of urgent fulfilment of backlogs after a prolonged factory shutdown in China and the extra leap-year day.”

Despite this freighter boost, Netherlands-based airfreight analysts WorldACD report that Worldwide air cargo fell by 2.7% in the first two months of 2020, with China and North East Asia (including Hong Kong) the hardest hit, with year on year drops of 7.3% and 7.8%.

At the heart of the storm is Hong Kong’s Cathay Pacific airline. The carrier, which still has a sizeable freighter aircraft fleet, has cut its passenger schedule by 75% during March and April

In a notice to its airfreight customers, Cathay Pacific commercial cargo general manager Nelson Chin said: “We have demonstrated our flexibility in deploying capacity in line with customer demand.

“This includes additional freighter deployments above our planned capacity, as well as mounting cargo-only passenger flights to a number of destinations to ensure cargo continues to move during this critical time.”

Airfreight rates are also on the rise. In its most recent analysis, online freight marketplace Freightos said: “Following reports that manufacturing is returning closer to full capacity, there were many additional indications this week of Chinese manufacturing returning to life. Even the city of Wuhan is taking initial steps back to normal.

“One interesting sign that production is picking up is the spike in intra-Asia air cargo rates — indicating that Chinese factories are restocking the components they need to manufacture the backlog of orders caused by the shutdown.

“With production picking up and passenger flights and their cargo space still severely limited, air cargo

rates out of China to Europe and North America have also started to climb.”

Hong Kong cargo ground handler HACTL told Lloyd’s List that the protracted shutdown of Chinese industry affected its figures in February, but that these are now recovering.

HACTL chief executive Wilson Kwong said that while major carriers have cancelled passenger flights to mainland China, they have redeployed some of the aircraft to Hong Kong.

From Hong Kong the carriers use HACTL’s airfreight trucking arm, Haxis Superlink China Direct to provide links to/from mainland Chinese airports, including Guangzhou airport and Shenzhen (Qianhai).

There are no restrictions on freight drivers crossing the border, subject to health declarations and temperature screening.

Kwong said: “Passenger flights handled dropped by around 50% during recent weeks, but freighter flights handled by us have picked up significantly since the traditional Lunar New Year lull.

“We cannot say for sure, but it seems likely that a share of this traffic would have gone by ocean under normal circumstances but is now being shipped by air in an effort to restore supply chains disrupted by recent blanked ocean sailings.”

In the deepsea container sector, David Kerstens of Jefferies Equity Research said: “Container freight rates recovered 5% this morning to the highest level in five years, after capacity reductions of up to 50% on some trades. Trade volumes out of China are almost back to normal, before a V-shaped recovery from April. Fuel prices are at a record-low.”

US shuns EU

But the announced ban by US President Trump on European nationals flying into the US, excluding those from the UK and Ireland, has caused further frissons in the aviation industry.

However, the Whitehouse quickly retracted a statement by Trump that the ban until the end of April would extend to cargo movements.

Thomas Cullen of analysts Transport Intelligence said: “Even assuming that this is the case, any ban on passenger traffic will inevitably have a catastrophic effect on the availability of belly-freight.

“It may be the case that, as Cathay Pacific in Asia is considering, airlines serving transatlantic routes may run freight-only services using passenger aircraft. If not, cargo traffic will become difficult even with a ban. It might be speculated that the air express carriers will be the few air operators capable of offering a service.”

Cullen continued: “Perhaps one of the first sectors to be hit will be pharmaceutical and healthcare. Transatlantic traffic is important, linking the major research and production centres in the US, the UK and Switzerland.

“The good news is that the White House seems to be considering lifting the restrictions on China and South Korea.”

Nathalie Rousseau, project manager at the European Shippers’ Council in Brussels, said that despite goods being excluded from the ban, “there will be major consequences for air freight transport with the US”.

She added that there will be a shortage of air cargo capacity, “consequently, rates will rise and delays will increase”.

ESC has also called for “urgent measures” to secure the shipment of urgent and medical goods to China and the US, adding: “Because many slots are released due to the cancellation of passenger flights, there is sufficient capacity at the European airports to handle additional cargo flights.

“These slots should be partly used for additional freight flights to limit the damage to companies and to ensure that urgent and medical goods remain available. This also provides opportunity for other stakeholders.”

European and US-based passenger airlines are still considering their response to the new ban, but one cargo official told Lloyd’s List: “These latest restrictions will have a significant impact.”

OPINION

The Interview: Rodolphe Saadé

FOLLOWING in the footsteps of a famous father is never easy, particularly one who was such a force of nature. Yet Rodolphe Saadé seems undaunted by the challenge of running family-controlled CMA CGM, and ensuring it remains at the forefront of the container shipping industry.

Jacques Saadé was one of the pioneers of containerisation, surviving against all the odds as other more established shipowners from traditional maritime nations vanished from the scene.

Over 40 years, he and his brother-in-law Farid Salem, built up the French group into one of the world’s biggest container lines, through a mix of organic growth, acquisitions, and an unerring eye for new market opportunities. Today, it operates a fleet of more than 500 ships with combined capacity of 2.7m teu, and recorded group revenue of \$30bn last year.

Rodolphe Saadé took over as chairman and chief executive in 2017 and has pursued a very similar strategy to that of his father, who died in 2018.

On the surface, at least, the two would seem to be quite different personalities. Rodolphe appears more reserved and measured than his feisty and hard-nosed father who was never afraid to take some controversial decisions for the sake of the business.

Strong nerves

But they also have plenty in common, notably nerves of steel in what has always been an unpredictable industry in which so many have failed.

And right now, steady nerves are exactly what is needed as CMA CGM struggles to integrate a difficult acquisition, reassure financial institutions that its huge level of debt is manageable, and tries to assess the impact of the coronavirus on world markets and hence on container shipping.

Rodolphe Saadé probably thought he knew what to expect when he stepped into the top spot three years ago, but even he could not have anticipated quite how difficult the job was to become.

Yet speaking to Lloyd’s List just after CMA CGM published its 2019 results in early March, he sounded confident that the group would pull through this latest period of turbulence, just as it has in the past. And certainly, he had good reason to be pleased with the group’s financial numbers last year as CMA CGM outperformed most of its major competitors in the fourth quarter of 2019. CMA CGM is also forecasting higher cargo volumes in 2020 than 2019, as the container trades rebound from the downturn in the early weeks of the year.

CEVA acquisition

Notwithstanding coronavirus, if anything is keeping Mr Saadé awake at night, it is probably last year's \$1.6bn takeover of the Swiss company CEVA Logistics.

CMA CGM, which was formed from the merger of two companies, has a good acquisitions track record.

Over the years, the company has bought many regional carriers to enhance its global presence, and then kicked off the recent round of consolidation by buying and turning round Singapore's NOL and its container shipping arm APL.

But CEVA Logistics has proved far more of a challenge, with several top management reshuffles and restructurings as Mr Saadé tries to make a success of the investment in the face of considerable industry scepticism.

He is convinced, though, that it was right to buy CEVA.

"I really believe in developing a logistics division so that we are in a position to offer our customers end-to-end solutions," he insists.

"I am very confident that by the end of the year, we will see significant signs of recovery, so I do not regret at all having bought CEVA."

Net debt

Mr Saadé appears equally unfazed by CMA CGM's net debt of almost \$18bn, pointing out that the figure has been inflated partly by new global accounting rules, and that it will be coming down to some extent as a result of the sale of some port interests.

"The number is big, but I am not concerned," he says, noting that the group has plenty of assets such as ships, with a book value of \$12.8bn at the end of 2019, plus containers, equipment and properties, to offset its liabilities.

"We are taking all the necessary actions to ensure we have enough cash available," he promises.

LNG commitment

At the same time, CMA CGM remains committed to its ambitious environmental-protection programme. It made history back in 2017 by choosing to fuel its next generation of newbuildings with liquefied natural gas. The first in the series of nine, the 23,000 teu *CMA CGM Jacques Saadé*, is about to enter service and will be formally inaugurated at a

ceremony in Marseilles in mid-June. CMA CGM also has ordered another 10 ships of 15,000 teu for delivery from 2021 that will be powered by LNG.

"We firmly believe that LNG is the best fuel for today. Maybe tomorrow, the industry will come up with something better for the environment, but today, LNG is the right choice," he says.

Of the existing of the fleet, CMA CGM has fitted scrubbers on about 60 ships, while the rest will burn low-sulphur fuel.

Consolidation

Reviewing likely industry developments in the container shipping industry, Mr Saadé says he does not think there will be further large-scale merger and acquisition activity of any significant scale after several years of consolidation that have reduced the number of global carriers from around 20 to seven.

"I believe we have a good equilibrium today. I don't believe there is more [consolidation] to come. What customers are looking for today is not so much size as service quality," he says.

These days being bigger is not the way to improve customer service.

"We need to grow organically, grow with the market, but we are not looking for more M&A on the shipping side. Today we are fine with what we have," says Mr Saadé.

Instead, CMA CGM intends to focus on developing and expanding its logistics activities to provide customers with a full range of transport services.

Yildirim investment

He also says the group retains the confidence of its biggest outside shareholder, Turkish businessman Robert Yildirim, who came to the rescue in 2010 with a \$600m cash injection when CMA CGM looked at risk of collapse. That was meant to be a short-term investment, but now looks like an open-ended arrangement.

"We have a great relationship, I believe he is happy with his investment, and he is not looking at exiting. We are happy to have him by our side," says Mr Saadé.

Back to the future

The biggest issue on everyone's mind right now, though, is the likely impact of the coronavirus on the global economy in the months ahead as the disease spreads around the world.

Nevertheless, Mr Saadé is taking heart from the situation in China where factory production is returning to normal after the extended shutdown as the country took drastic steps to contain the disease.

He is forecasting a recovery in freight rates in the second quarter of the year as shippers scramble to replenish inventories and protect supply chains.

Coronavirus highlights digital's role in driving tomorrow's safety outcomes

WE are witnessing history in the making today in the form of the first digitally driven global safety outcomes, *writes Christopher J. Wiernicki*, the chairman, president and chief executive of classification society ABS.

The uses of technology in response to the coronavirus contain powerful lessons on digital's potential to drive safety improvement across all levels of an industrial operation, acting as an acid test on a comparatively micro-scale of a vessel to the macro-scale of a global shipping operation.

This emergent potential is one dividend of a digital revolution unfolding around us where the accelerated pace of change can be both unsettling and exhilarating — unsettling because technology is evolving so rapidly that new developments are often superseded before they can be fully absorbed. On the other hand, it is exhilarating because the rapid evolution constantly leads us to new possibilities for advancement and new solutions to our most vexing problems, often achieving what we once considered impossible.

The maritime industry continues its own digitally-driven movement into condition-based approaches and real-time, risk-based, data driven decision making, developing technologies that enable many of us to do our jobs without being physically present at the work site. In parallel, our regulatory landscape continues to transform under complex, performance-based, data-centric regimes. Shipping operations rely increasingly on integrated networks, software and data transfer solutions to operate with greater efficiency. Also, digitally powered interconnections between onboard equipment and shore-based systems are redefining the traditional ship-to-shore interface.

While rapid change is our new normal, we must remember that when faced with unforeseen and unanticipated circumstances, we must not abandon proven solutions. Rather, we should rework our

CMA CGM expects all its ships that have been idle during the past few weeks to be back in operation by early April.

“The situation is complex and exceptional,” Mr Saadé acknowledges. “We are not used to a virus that spreads so quickly all over the world, but we believe the fact that China is rebounding is a positive sign.”

approaches and methods to fit our new reality. We should build from them a self-renewing approach to the future. We should further harness the power of digital technologies to drive safety outcomes while staying alert to the unintended safety consequences that may be introduced as we adopt new ways of working. Strategic thinking centered around technical feasibility, economic viability and sustainability are required now more than ever.

Witness the way digital technologies are helping the world deal rapidly with disasters and threats to public well-being, such as coronavirus. A cornerstone of the response involves companies all over the world designing and implementing new ways of working. This may have a knock-on effect of disrupting some of our most traditional concepts regarding our approach to work. For example, the sudden rise in virtual participation may have some already calculating operating cost savings and may permanently alter our concept of a business meeting.

While currently dominating public conversation, coronavirus concerns are not obscuring some of the important issues that the shipping industry continues to address, such as market uncertainty and unpredictability, the impact of new regulations and ever-changing technologies.

Quite frankly, what we are learning from leading through the coronavirus situation is the importance and value of risk-versus-risk decision making and leveraging digital technologies to change the dimensions of what we do and how we do it as a means to extend the safety protection frontier.

While the coronavirus pandemic's effect on public health is not currently on the magnitude of prior pandemics in history, the role of digital technology should be considered in the containment and control data that will shape how coronavirus is defined. Perhaps earlier epidemics and pandemics would have been less severe had information flow, community preparedness and

global reaction been more like those today. The global response to the current threat may be the first example of the digital era's ability to improve public health by using technology to restrict the spread of an epidemic, potentially saving countless lives — a scenario in which devastation may be measured in billions of dollars rather than millions of lives.

Today's rapid digital change has been accompanied by an accelerated accumulation of knowledge and insight, which together are reshaping traditional approaches to productivity, decision making and, most importantly, safety. We now know so much more and have the technological capabilities such

that it is time to stop thinking of safety as a goal or destination.

Safety must be viewed as a state of being and a living, breathing thing that needs cultivation. An organisation's safety regime can no longer be seen as a fortress built on procedures and systems that, once established, provides a permanent shield against disaster. In this world of rapid change, safety is more like a barrier beach, a protective layer against an ocean of risk that needs maintenance and periodic renewal.

How are you managing your safety protection frontier?

MARKETS

Dry bulk players rethink their approach to speed

AMID volatile fuel prices during the past couple of months dry bulk players have recorded marked reductions in the steaming speeds of bulk carriers, according to Braemar ACM.

But across the different dry bulk sectors, behaviour has varied greatly.

Prices of compliant fuel for ships without scrubbers saw a 33% hike last December in response to the International Maritime Organisation 2020 deadline on sulphur limits for fuel. This had a noticeable effect on the steaming speed of the dry bulk fleet, with all vessels cutting speed to some degree to economise on fuel.

Since the beginning of last December, average capesize speeds have fallen by 0.7 knots, a 6% decline as compared with a year ago, Braemar noted citing Refinitiv data.

January saw the greatest month-on-month drop in average capesize speeds since automatic identification system records began in 2014.

Within the capesize fleet, some 22% of ships are now scrubber-fitted, burning high-sulphur fuel oil.

Braemar analyst Nick Ristic noted that these ships will not have decreased their speed in line with very low sulphur fuel oil price increases.

As such "looking at average speeds across the whole fleet may even understate the true effect of higher bunker prices on ships without scrubbers", he said.

Slow steaming cuts the amount of fuel used and slashes carbon emissions.

Smaller vessels on the other hand have not made the same long-lasting reductions in speed.

Panamax, supramax and handysize speeds all declined over the first weeks of 2020 but have since rebounded.

As of this week, these vessels are only steaming about 1% slower than they were in December, Braemar said. "It is only the capes that have made sustained reductions in speed following the sulphur cap's enforcement."

Furthermore, engine designs may also play a part in why capes have fallen behind the other sizes. The cape fleet is more modern than the other sectors with 72% of capes under 10 years old, compared with 59% in the handy fleet.

Newer ships tend to have lower eco speeds than their older counterparts, so this aspect may be pulling cape speeds down to a greater extent than those of other ships, Mr Ristic said. Several modern newcastlemaxes have design speeds of as low as 12 knots, for example.

“Larger ships are also more likely to have electronic engines with greater ability to control speeds, making the cape fleet more responsive to changes in bunker prices.”

Meanwhile, demolitions have picked up in the past few weeks, particularly for vintage converted ore carriers, capes and handymaxes.

US sees highest-ever crude oil exports in 2019 despite trade war

US EXPORTS of crude oil continued their surge in 2019, rising by 45% as other nations took up the slack in demand from China resulting from the trade war between Washington and Beijing.

US crude oil exports, representing the highest total the country has produced in nearly 100 years, averaged 2.98m barrels per day in 2019, an increase of 45% or nearly 1m bpd more than in 2018, according to the US Energy Information Administration in its Today in Energy report issued on Thursday.

EIA explained the growth in US crude oil exports as driven by increasing US crude oil production, expanding domestic infrastructure and rising global demand for light, low-sulphur crude oils.

The number of destinations for US crude oil exports also increased to 44 from 41, with Canada receiving the largest share at 459,000 bpd or 15% of the US total, followed by South Korea at 426,000 bpd with 14%.

But US crude oil exports to China, the third-largest export destination in 2018, fell by nearly 100,000 bpd to average 133,000 bpd in 2019, which dropped China to the seventh-largest export destination in 2019.

In the first half of 2018, the US exported 389,000 bpd of crude oil to China, making it the top destination for US crude oil exports during that period.

The situation changed in the summer of 2018 when China reduced its imports of US crude to an average of 77,000 bpd because of the growing trade war between Beijing and Washington.

In 2019, China continued reducing its imports of US crude oil, averaging 133,000 bpd compared with 232,000 bpd in 2018.

However, as US exports to China declined in 2019, shipments to other destinations picked up, in particular to Canada, France, India, the Netherlands, Singapore, South Korea and the UK.

IN OTHER NEWS

US imposes sanctions on Russian firm, but offers to lift them from Swedish company

THE US continued its pursuit of Russian companies operating in Venezuela's oil sector on Thursday, while apparently assuring a Swedish firm that sanctions on it will be lifted after it completed legal action to separate from joint venture partner Petróleos de Venezuela SA (PDVSA).

The US Treasury's Office of Foreign Assets Control designated TNK Trading International for sanctions after alleging it received cargoes of illicit Venezuelan oil that were meant for Rosneft Trading SA, itself sanctioned earlier this year.

US Treasury Secretary Steven Mnuchin described TTI as “another Rosneft subsidiary brokering the sale and transport of Venezuelan crude oil, which is subject to sanctions”.

According to Ofac, TTI and RTSA handled “a large percentage” of Venezuela's oil exports in 2019. In January 2020, it said, TTI purchased nearly 14m barrels of crude oil from PDVSA.

Sovcomflot eyes strong tanker market in 2020

RUSSIAN tanker giant Sovcomflot expects a strong market for energy shipping in 2020, following lofty profits in 2019, as the temporary jolt in rates lies on top favorable market dynamics.

With earnings for very large crude carriers breaking the \$200,000 barrier this week on the back of dropping oil prices, the tanker market is seeing the kind of revenue spike it experienced in the fourth quarter of 2020 when rates reach even greater heights.

Sovcomflot chief financial officer Nikolay Kolesnikov told Lloyd's List that while it is too early to make assessments about the implications of the current situation, even without these current disruptions, the company has positive market outlook for the year due to market fundamentals, underpinned by continued low levels of vessel supply.

"For once the supply side seems to be under control and that is why with every pick up of the demand you see that markets tend to overreact like what we are observing currently, particularly in the larger sized vessels," he said.

The company announced on Friday it had a \$225.4m net profit in 2019, a thumping reversal of last year's \$45.6m net loss from 2018, largely because of an almost \$200m increase in time charter revenues.

Japan's SMTB endorses Poseidon Principles

SUMITOMO Mitsui Trust Bank has become the first Asian ship financier to join the initiative by its western peers, which aims to align shipping portfolios to climate goals.

With the commitment of the Japanese bank, signatories to the Poseidon Principles now represent more than \$150bn in loans to international shipping, making up over a third of the global shipping finance portfolio, according to a press release.

"Financial institutions play an important role in promoting maritime shipping's transition to a low carbon economy," said Michael Parker, chairman of Global Shipping Logistics & Offshore at Citi, and Poseidon Principles Association chair.

"Asia is a major centre for ship finance, and the decision by SMTB will encourage other Japanese and Asian financial institutions to follow their lead in the coming months," he added.

Jotun launches proactive biofouling removal technology

JOTUN, the Norwegian chemicals company, has extended its focus on performance coatings by introducing new technology that will proactively keep vessel hulls clear of biofouling.

The Jotun HullSkater was developed in partnership with Kongsberg, the technology business; Semcon, a software business; Telenor, Norway's telecoms company; the class society DNV GL and shipowner and operator Wallenius Wilhelmsen.

In 2011, Jotun developed its hull performance solutions, a move that prompted a shift in thinking from purely hull coatings to hull performance. President and chief executive Morten Fon and his team began work on a technology that would reduce ship emissions in line with International Maritime Organization requirements, cut the transmission of invasive species around the world and increase hull performance with lower fuel consumption.

PIL confirms disposal of feeder unit CASH-HUNGRY Pacific

International Lines has confirmed the sale of its South Pacific feeder boxship unit Pacific Direct Line, after the deal was revealed by Alphaliner last week.

The buyer is Neptune Pacific Line, a rival feeder operator owned by the Wonderful Company, according to a press release.

"The acquisition of PDL will strengthen Neptune's Melanesian and Polynesian network, provide a link to Micronesia and the French territories, and enhance connectivity to global markets via strategic hubs in New Zealand and Fiji," the release said.

IMO interpreter diagnosed with coronavirus

A CONFERENCE interpreter working at the International Maritime Organization in London on March 4 has since tested positive for the coronavirus.

The IMO yesterday shut its doors to staff and visitors until March 16, just as the World Health Organisation declared coronavirus a pandemic.

"A short-term conference interpreter working in the IMO headquarters building on March 4, 2020, but showing no symptoms, was later diagnosed with coronavirus," the IMO said in a statement.

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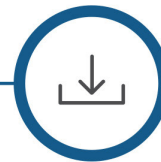
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