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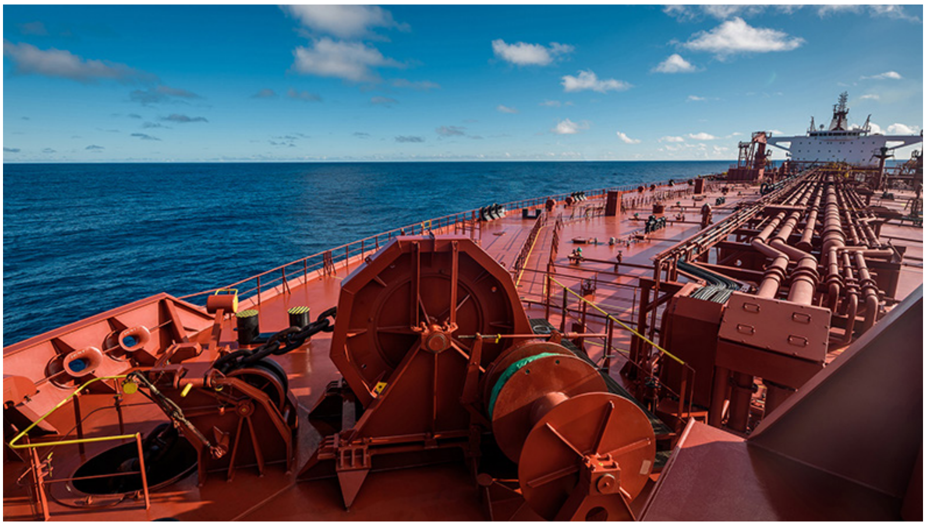
Tanker owners seek floating storage floor amid imploding oil market



TANKER EARNINGS SLOWED their free fall yesterday as the oil price collapse, imploding financial markets and the US and European lockdown decimated demand for transportation fuels.

Very large crude carrier rates are now 168% lower than the record-breaking highs set last week, at just under $99,000 daily. Suezmax tankers are 144% lower.

Numerous chartering deals have failed in the past three days and are being renegotiated as oil traders, refiners and owners struggle to assess a rates floor amid rapidly changing scenarios stemming from the coronavirus pandemic.

Not only are charters for spot voyages failing but also for longer-term periods, as owners now seek refuge from collapsing earnings by hiring out vessels for six to 12 months for floating storage of clean products and crude oil.

In further developments:

• As average VLCC earnings dropped 18% in one trading session on the Baltic Exchange, subjects were lifted for the 2004-built *Princess Mary* for a Middle East Gulf-India voyage at Worldscale 400, which translated into record-breaking earnings of $432,000 daily, according to Tankers International. Such levels have not been reported in more than 40 years. Sky-high rates of about $250,000 daily triggered by a Saudi Arabian shipping company's chartering spree earlier this month were only sustained for about 12 VLCCs.

• At least seven VLCCs, eight suezmaxes, two aframax tankers and a further seven smaller sizes were reported chartered for floating storage for periods of between six and 12 months for the week ending March 20, according to shipbroker reports.

• Finalising 156 sales of secondhand tonnage agreed since February could be delayed, shipbroker ACM Braemar reported. Recycling sales are also said to be jeopardised, with several ships reportedly detained at Alang anchorage in India and incoming vessels denied entry for demolition.

• Plunging marine fuel prices have decimated any scrubber premium for larger vessels installed with the sulphur abatement technology. The difference between very low sulphur fuel oil and heavy fuel oil is now just $29 per tonne in Singapore — an extraordinary level given this figure exceeded $300 per tonne at the beginning of 2020.

There is widespread uncertainty about how long Saudi Arabia and Russia can continue to flood the market with crude and generate demand for crude tankers. Both countries are ramping up exports at the same time as global economic turmoil, with international air travel paralysed, countries across Europe and the US in lockdown, and land-based commercial storage filling up.

Trafigura, Koch, and Vitol dominate the list of energy commodities traders now chartering tankers for floating storage. VLCCs were chartered at daily rates for six-month periods at levels ranging from $57,000 to $82,500. Suezmax tankers fetched about $40,000 shipbrokers reported. Floating storage is already at a record, at 131.2m barrels for the week ending March 20, according to Lloyd's List Intelligence. That eclipses the 130.6m barrels recorded in May 2016, data show.

WHAT TO WATCH

Yard Talk | Target for new orders looks a tall order

SHIPYARDS are still seeing various reasons for optimism, despite a full-fledged outbreak of coronavirus. It appears the reality will take time to sink in.

A raft of orders expected for liquefied natural gas carries was the foremost positive factor, among others, cited by two major South Korean builders in their latest results presentations published last week.

Both Daewoo Shipbuilding & Marine Engineering and Samsung Heavy Industries pointed out that the demand for more LNG carriers will be prompted by a string of new or expansion LNG export projects — from Qatar to the US — that are scheduled to come online in the next several years.

DSME quoted Clarksons' forecast in September 2019 as saying that 2020 was expected to see orders of 88 LNG tankers — an area in which South Korean yards are predominant.

However, the prediction will likely need a revision.

Large LNG projects — even the ones that have reached the financial investment decisions — have experienced construction delays in the past. And history may well repeat itself amid shrinking demand for the supercooled fuel as well as a coronavirus-led global recession.

Even if the projects press ahead as scheduled, the number of LNG carrier orders attached will rely on progress on offtake negotiations. And that progress may well be disrupted by reduced purchasing power of the importers unless project owners choose to take the LNG volumes under their portfolio.

For China, which accounted for 40% of the world growth in LNG demand since 2015, the writing is already on the wall.

The Independent Commodity Intelligence Service last month estimated the virus outbreak will cut the country's LNG imports by 4.2% for 2020, after state giant CNOOC reportedly deferred some shipments. But that was before the disease turned into a global pandemic and when most economists expected China's GDP growth to slow to just about 4%-5% in the first quarter.

Now China's leading investment bank CICC forecasts the world's second-largest economy to contract 9.3% in January-March and expand by only 2.6% for the whole of 2020.

With the big consumer countries in the west under lockdown, China's overall exports might plunge by about 18% this year and that is seen as the main factor to drag down its growth rate in the remaining nine months, the bank said.

If true, that can blow up another hope of shipbuilders, that carriers will build more mega containerships.

SHI said in its results presentation that the container shipping alliances ordered vessels over 10,000 teu to sharpen their edges last year and the trend will continue in 2020.

"The Alliance owns fewer mega ships among major shipping alliances, so it could consider new orders."

Obviously, the builder has the inside story. Talk has already circulated since late last year about some carriers floating newbuilding tenders.

But that was also before coronavirus developed into a global pandemic. Now many carriers are probably striving to avoid a cash crunch likely to be inflicted by the paralysed economic activity in western countries and the resulting volume collapse in the coming months.

True, Orient Overseas International Ltd, now part of Cosco Shipping, has chosen to carry on with its $780m orders of five 23,000 teu ships anyway. But few of its competitors enjoy the backing of a state-owned conglomerate and $1.1bn gains from a terminal disposal.

At least Hapag-Lloyd chief executive Rolf Habben Jansen told Lloyd's List recently that his company "will not be going back to the yards in the next few months" amid extraordinary market uncertainty from the virus impact.

Such hesitation will also hurt builders in China and Japan, who are keen to grab a slice of the orders from their South Korean rivals.

All in all, the coronavirus pandemic will rub salt into the wounds of most shipbuilders. The cash-strapped shipowners and the bleak economic prospects imply further dulled appetite for new orders, which have already been subdued by the green fuel uncertainty since last year.

Seafarer rights campaigners call for human rights arbitration as coronavirus crisis highlight abuses

SEAFARER rights campaigners have joined forces with a prominent shipping law firm to float plans for an arbitration scheme for seafarers who feel their human rights have been abused by the employers.

The call from Human Rights at Sea and Shearman & Sterling is being launched on Tuesday to mark the United Nations International Day for the Right to The Truth Concerning Gross Human Rights Violations and for the Dignity of Victims.

The development comes as HRAS claims to have been 'deluged' with cases of seafarers bringing to its attention the difficulties they face on account of the coronavirus pandemic.

In some instances, officers and ratings have been retained on vessels after sign-off, with reports of non-payment of wages, contract extensions without informed consent, and crew stranded in foreign countries and having to pay for hotel bills and flights home from their own pocket.

The two backers of the arbitration initiative point out that seafarers often have little recourse to formal legal procedures, thanks to the cost of litigation, which is often beyond the financial resources of trade unions, even where the individual involved is a union member.

Some prominent owners have been sounded out and are not averse to the idea in principle, said HRAS chief executive David Hammond. The hope is to convince some big-name companies to endorse the idea, and subsequently persuade smaller concerns to follow, by the weight of setting a moral example.

"There remains significant evidence of widespread and systematic human rights abuses at sea, including slavery, sex trafficking, sexual assault, abandonment, and deprivation of basic labour rights,' HRAS and Shearman & Sterling said.

"That these issues of abuse at sea have persisted, and indeed, worsened despite the existence of a well-established body of international human rights law is a clear indication that human rights issues at sea require special attention."

The envisaged arbitration-based mechanism – which is still under development – would offer a neutral and visible forum in which human rights issues can be resolved efficiently and inexpensively, culminating in binding arbitral awards that would be enforceable internationally.

This mechanism would address claims arising from existing and established international law and principles for the protection of human rights. It would not require any new substantive human rights protections, nor would any new substantive law be necessary.

As a first step, HRAS and Shearman & Sterling will circulate a white paper setting out the broad parameters of their proposals. Feedback will be incorporated into subsequent stages.

Mr Hammond told Lloyd's List that individual victims need to be empowered to have a process by which they can arbitrate against clauses in employment contracts where problems arise.

"It's about increasing safeguards through model arbitration clauses that victims themselves don't have to fund, and have that funded through a central maritime fund."

This could be paid for, at least in part, by existing legal aid contributions from their home country.

"Arbitration is a well-known process, but from a commercial perspective, it costs money. What we want to do is turn it on its head.

"We're looking at how we can step out of the normal processes and assist people with getting justice."

The ultimate objective is to ensure that arbitration clauses are a requirement of employment contracts, although that goal is obviously a long way off.

Shanghai eases crew change ban

SHANGHAI has begun to allow crew changes as China increases efforts to relieve seafarers stranded on ships due to the coronavirus outbreak.

The relaxation comes as the country's transport ministry said last week it would co-ordinate an effort with all relevant parties to solve the issue in an ad hoc approach, having encouraged shipping firms to make timely arrangements for the discharge of crew members overdue for shore leave.

In a notification published on March 20, the municipal government cited 24 "key countries" with a high risk of infection. They are South Korea, Italy, Iran, Japan, France, Spain, Germany, the US, Britain, Switzerland, Sweden, Belgium, Norway, the Netherlands, Denmark, Austria, Australia, Malaysia, Greece, the Czech Republic, Finland, Qatar, Canada and Saudi Arabia.

It stipulated that before their release, crew members on vessels from those countries must complete a 14-day quarantine period starting from the time they leave the last port based on deck log records.

For ships that have a sailing time of less than 14 days, seafarers on board must be isolated for the remaining days in accommodations arranged by the shipping companies employing them or their shipping agents — except for those who have a fixed residence in Shanghai and hence may choose to home quarantine.

However, the disembarkation will not be permitted if there are any cases of suspected or confirmed infections on the ships.

Still, the Shanghai government asked shipping firms to "try as much as possible" to reduce the crew changes on vessels from the "key countries".

A recent survey by the China Shipowners' Association of 54 major Chinese shipping companies found the number of their crew on coastal and international trading ships — who ought to be discharged based on the Maritime Labour Convention rules — will have exceeded 20,000 by end-May.

The coronavirus pandemic has left crew around the world in a precarious position, with national travel bans threatening their access to ports. This has led global industry bodies to step in to ask for relief.

Last week, the International Chamber of Shipping and the International Transport Workers' Federation sent a joint letter to the heads of United Nations agencies, stressing the importance of seafarers in the circulation of global trade and the integrity of supply chains.

OPINION

In crisis, communication is key

NEVER before has our reliance on the global supply chain been felt more acutely, *writes Mark Stokes, director at Blue Communications.*

The shipping industry's long-repeated mantra that maritime transport is responsible for 90% of global trade, for so long assumed, but never seen, is finally present in many people's minds.

Anyone who works in the shipping industry will know the frustration in society's blindness to the importance of shipping and transportation to global trade and its role in supplying the essential goods we need in our daily lives. The stark image that we're all witnessing of empty supermarket shelves finally focuses the mind on where all this stuff comes from, and how quickly society can break down if supply chains are broken.

Shipping now has the opportunity, and more importantly, the responsibility, to be the hero rather than the villain. Over the coming months, it will prove to be the global lifeline that keeps society going through this crisis.

Shipping is being relied on to supply energy, consumer goods, food and general cargo today just as it has always been. Production in China, so much the barometer of global trade, is ramping up. At the same time, our seafarers face a very real challenge in dealing with port closures, obstacles to crew changes, travel restrictions and protecting their health through this crisis.

The International Maritime Organization, International Chamber of Shipping, International Transport Workers' Federation and other industry bodies have made swift calls to governments for pragmatism and consideration to support and facilitate crew welfare and keep ships sailing. If shipping fails, society fails.

We all have a part to play in standing in solidarity with our seafarers and supporting our industry through this crisis to provide the reassurance to the wider world that the shipping industry is resilient and can be relied upon during times of uncertainty.

In times of crisis, brand and effective communications are more important than ever; providing the assurance through transparent advice and updates to keep customers, key stakeholders and wider society informed, our employees reassured, the shipping industry connected, and to present a united voice that the industry is ready to face the challenge.

Isolation and remote working means that we need to rapidly adapt to digital communications. Making the best use of digital platforms, whether it's the marine and energy media, social media, video, virtual conferences and digital meetings; unlike even just 10 years ago, we have the communication channels for a global industry to be very much business as usual, despite travel restrictions.

Getting the balance right is the challenge. I'm sure I'm not the only one who has been inundated by long emails from every service provider I've signed up to reassuring me that they value my business and are 'monitoring the situation', which only adds to the information overload. There is also the challenge of ensuring we do not ignore the issues that were important to the industry prior to the coronavirus; trade polarisation, the challenge of climate change, IMO 2020, the transition from analogue to digital across the supply chain, and a Middle East crisis, to name a few.

The digital age has shortened attention spans and we need to compete for people's time, so our communications need to be relevant, engaging, brief and to the point. Smart brevity is the new mantra. The famous quote: "Apologies for the length of my letter but I didn't have time to make it shorter" is never truer. It takes skilled communications professionals to make our messaging work harder and smarter.

Communicating effectively with a remote workforce also presents new challenges for organisations, not least in learning the leadership skills to be able to cope with people working from home. Leadership by objectives rather than managing by time sheets and enabling the workforce is key.

Alongside ensuring that they have the tools, technology and processes to do their job, we can build confidence in adapting to change through story-telling. If we remind ourselves of how we successfully overcame a hurdle in the past, we're much more likely to adapt to new challenges with confidence.

We are facing an unprecedented crisis, that is crushing in many ways, and will undoubtedly get worse before it gets better for most. However, society and industry, including shipping, will re-emerge, hopefully in a matter of months, and we should be prepared.

The sooner we adapt to the 'new normal' and get back to business, the sooner the shipping industry can play its vital role in supporting society through this crisis. Perhaps society will view shipping a little more favourably when this is all over.

Collaboration needed on decarbonisation, says ONE chief

DECARBONISING the shipping industry will require collaboration with external partners, *argues Ocean Network Express chief executive Jeremy Nixon.*

Mr Nixon said during a webcast organised by TPM 20 that decarbonising requires acceleration of R&D and inclusion of academia and non-maritime stakeholders in the process to deliver non-greenhouse gas solutions for shipping.

"We need to have a collaboration. To do that we will need to raise funds, and be able use those funds to accelerate such technology development," he said.

This fundraising has to be done in a structured and efficient way, Mr Nixon stressed.

Last month some of the world's largest liner companies — and ONE's biggest competitors — indicated during a rare joint appearance that they are accepting they will need to collaborate with each other to decarbonise their fleets.

Mr Nixon also questioned whether each shipping company should be going at it alone.

"There are various ideas being put forward now, both at the UN and across various shipping and technology groups at the moment, about potential pooling of funding, and about how that technology could be used," Mr Nixon said.

He appeared to be referring to a proposal by the biggest shipping industry bodies to the IMO for the establishment of an independent R&D fund that would generate approximately $5bn over a decade through mandatory payments by shipping companies.

These industry groups have distinguished their proposal from carbon tax, a measure that many observers believe will eventually be necessary to stimulate a mass divestment from fossil fuels and reallocation to zero carbon fuels and technologies.

"Various governments are considering ideas of carbon taxes or carbon offset programmes. But I think essentially what we need to think about is what is the most effective way of developing the funds in the future to be able to create this development of technology to move us forward," Mr Nixon said.

He also recognised that beyond the emissions directly from ships, an important consideration is the emissions caused during the production of fuels, a term commonly known as "well-to-tank".

In a similar manner, decarbonisation needs a holistic approach across the supply chain, not just on ships, to avoid wastage and bottlenecks along the way.

"If we really want to minimise CO2 per tonne-km, how do we do this from not just a port to port, basis but end to end, point to point basis?" he asked.

ANALYSIS:

High inventory levels dash hopes of a quick recovery

CONTAINER carriers' optimistic outlooks from just a few weeks ago of a V-shaped recovery appear to be well and truly dashed as the global coronavirus pandemic slashes demand forecasts.

In its latest analysis of the impact of the pandemic on container demand, Sea-Intelligence has reiterated its view that liner shipping companies will see a 10% reduction in volumes this year as economies fall into recession due to the containment measures being taken to reduce the spread of the coronavirus.

The Organisation for Economic Co-operation and Development yesterday warned that the global economy would be affected for several years and that earlier GDP growth estimates of 1.5% could be overly optimistic.

Carriers had initially thought that the outbreak in China meant that the impact would only be on the supply side and that when factories returned to work there would be a rapid uptick in volumes as supply chains sought to restock inventories.

But Sea-Intelligence notes that in the US, the inventory-to-sales ratio stands at 1.35, 10% higher than where it was before the 2008 financial crisis. During the crisis, inventories were run down by almost one fifth.

"The difference this time is that the impact on demand will be much sharper, as businesses and consumers have been forced to curb spending within a very short time window," Sea-Intelligence said.

"How quickly inventories can be reduced is an open question, in an environment where consumers are not only experiencing curfews and lockdowns but are also facing substantial uncertainty in relation to their job situation going forward."

This situation would lead to a reduction in demand for containerised freight as cargo owners ran down existing stock levels rather than ordering new shipments.

While there was little data available yet to see the demand side impact, Sea-Intelligence warned that further blankings would be likely.

Although it could only identify two blanked sailings to date that could be attributed to demand constraints, rather than to supply constraints or normal seasonal blankings, it said these would be an early indicator of a demand slump.

"The shipments being handled presently are caused by orders placed with the factories a few weeks ago, in combination with clearing backlogs caused by the shut-down in China itself," Sea-Intelligence said.

Shippers would also have to prepare for widescale disruptions to their supply chains, it added.

The virus impact in China alone has triggered an additional 98 blank sailings on Asia-Europe and Transpacific alone," Sea-Intelligence said.

"This level of blank sailings is only slightly below the 109 sailings which were already blanked due to the Chinese New Year holiday. If the pandemic spread has the impact on demand which the sudden halt of the global economy implies, this means we should prepare for a similar large-scale disruption of shipping services."

Blank sailings, however, might only be the tip of the iceberg.

"We are seeing additional ripple effects unfold, which have the potential to challenge the supply chain even more," Sea-Intelligence said.

Port restrictions were already emerging, such as those instituted in Queensland, Australia, that have led to delays in unloading vessels.

"Getting further to the inland part, we saw how one of the major problems in China was a shortage of truck drivers, which served to increase congestion problems in the ports, as cargo could not be taken out of the port quickly enough. This problem is highly likely to also become an issue in the rest of the world as the pandemic spreads."

As the pandemic grows, there would be more likelihood of drivers becoming ill or self-isolating, reducing capacity and causing inland supply chain disruption.

A further ripple effect would come from the influx of "unwanted cargo", Sea-Intelligence added.

"The very rapid shutdown of the global economy will create a supply chain problem in itself."

The months' worth of inventory headed towards warehouses and distribution centres was based on assessments of sales that may now be in jeopardy.

"The warehouses will therefore see a large influx of cargo, at a time where much less cargo is flowing out of the warehouses," Sea-Intelligence said. "This will cause bottleneck issues."

US shipping stocks fail to catch a break

MORE than a decade after the global financial crisis, trading on the stock exchanges of New York, once — and perhaps still — considered the pinnacle for shipowners, is not necessarily attracting the type of attention shipping companies would have wanted.

Finance in shipping today is not a uniform landscape. Western lenders are notoriously cutting their exposure to shipping, just as Chinese lessors are becoming ever-more popular.

Climate considerations are causing fears that ships could become stranded assets and sunken investments, while the Oslo Stock Exchange continues to attract attention from those looking for access to public markets.

The coronavirus outbreak has been a destabilising parameter for shipping stocks, with most of them tumbling during the past few weeks in the wake of disruptions to trade.

Looking beyond this issue, however, more elemental concerns persist.

AMA Capital managing director Peter Shaerf believes that shipping companies are continuing to struggle in North American public markets, despite valiant efforts. "Only when the fundamentals improve will you get any real traction in the public markets," Mr Shaerf told Lloyd's List.

Liquefied natural gas vessel owner Flex LNG, which completed a direct listing on the New York Stock Exchange last summer after raising $300m of equity in the Norwegian market in 2018, sought the US because of the country's rising prominence as an LNG exporter and to broaden its investor base, according to company chief executive Øystein M Kalleklev.

"So far, that has not played out well in terms of stock price performance, as the glut of gas, two very mild winters, the US-China trade conflict and now the coronavirus have resulted in a more challenging market environment than we envisioned," he told Lloyd's List.

From June 17, 2019 to February 13, the share price of the John Fredriksen-affiliated firm dropped by around 33% to $7.50. However, Mr Kalleklev is optimistic that this glut of cheap gas will ultimately result in an increase in demand.

"Since we are not dependent on raising equity, we focus on what we can influence, that is building a lean and focused LNG shipping company while adding backlog to decrease earning volatility as our fleet is growing," he said.

Nonetheless, investor sentiment for the LNG segment is depressed and, while financing sentiment is a bit better, banks are also cautious, he added.

"Only top-tier customers get the blue-chip financing. The rest have to get more expensive financing, if any at all," added Mr Kalleklev.

The market fundamentals could ultimately fall into place. Yet low market caps may preclude investors from committing to shipping companies in the long term.

As of February 13, shipping companies on Nasdaq and the NYSE have a combined market worth of about $31.3bn.

However, of the more than 50 listed companies, only nine break the $1bn valuation — and the most highly valued one, Kirby Corporation at $4.54bn, is predominantly an inland waterways barge operator.

Without Kirby, shipping and offshore companies' average market capitalisation is at $505m and only eight break the $1bn market cap barrier. Meanwhile, at least 13 companies have a market cap of less than $100m.

Dismal assessments of shipping stock performances during the past few years — with periodical exceptions — are widely known.

Yet the latest comeback was from the crude oil tanker market, with shares rising as rates catapulted during the last four months of 2019, thanks to a combination of geopolitical tensions, sanctions, the incoming 2020 sulphur cap and ostensibly positive market fundamentals, because of a low orderbook.

After carrying over into the new year, tanker rates and shares have been subdued, partly because of the coronavirus outbreak.

Investors, Mr Shaerf warned, have been down that road before where they have been urged to buy stocks that ultimately did not pay off, while volatility continues to be a preventive factor for investment.

"I think that investors look at it as a bet. We have seen depressed markets that have had short-term rallies and then come back down again," he said.

Jefferies equity research senior vice-president Randy Giveans agrees that the market cap is an important point for investors deciding whether to hold on to an investment.

"If you are a small micro-cap company that only has a few vessels in weak sector, right now you are certainly trading at a massive discount to net asset value," he said.

However, unlike Mr Shaerf, who identified a liquidity problem for shipping stocks, Mr Giveans does see movement in the markets — especially in tanker stocks where, in the fourth quarter of 2019, the bigger names saw between $20m-$25m being traded daily.

Euronav chief executive Hugo De Stoop, whose company is one of the few US-listed firms valued above $1bn, acknowledges that investor sentiment in the short term is challenging, given dislocation from China.

Additionally, banks have slashed their exposure to shipping companies, while capital market support for shipping is at 50% of where it has been during the past 10 years.

Nonetheless, Mr De Stoop argues, investors and financiers are constructive toward shipping companies exhibiting core skills of good governance, stewardship of capital and with a diverse funding base.

"We believe the game has become relative rather than absolute. The amount of capital dedicated to our industry has reduced — but in parallel, there has been a dramatic flight to quality," he told Lloyd's List.

Ultimately, trading in the US market for a company like Euronav still offers opportunities like greater exposure, access to the US capital market and more sources of funding.

"The prize is a big one and dynamic — for instance, increasing liquidity in our share over the past six months has allowed access to new set of larger, more resourceful investors," Mr De Stoop said.

Shorter term portfolios and reignited fund interest

The decline of private equity involvement in shipping since the global financial crisis has been well documented. Today there are many more retail investors, hedge funds and family offices involved and cyclical trades are popular, Mr Giveans said.

"The time horizon of your folders is certainly smaller and they are more of a trading vehicle than a long-term investment," he said.

However, Mr Giveans insisted there are still long-term investors with an appetite for larger market-cap companies with vessels on long-term contracts and some cashflow visibility.

Yet Mr Shaerf questioned how long this sentiment would continue. "Some of them hold a long-term view. But it is hard to hold a long-term view in fundamental markets that have not delivered as promised or as expected," he said.

International Seaways chief financial officer Jeffrey Pribor told Lloyd's List that after the company was born out of Overseas Shipbuilding Group in late December 2016, the private equity interests that held around 50% in the firm started an exodus that lasted until early 2019.

Mr Pribor said the spike in tanker values has also brought back interest from hedge funds — some familiar and some new — that had retreated during the 2016-19 downturn.

One of the largest shareholders in the firm today is Spain-based Cobas Asset Management, which has been buying up since 2017, while investment management firm Donald Smith & Co also has a stake.

"We saw Wall Street, US private equity funds get out [and] US and international long-term value funds gradually come in," said Mr Pribor.

With IMO 2020 acting as a catalyst and robust fundamentals thanks to the low orderbook, investors have regained excitement for the sector, he said. They will want to be around for a year or two of good times that could see them reap strong dividends or other benefits.

"They are not thinking three or six months; they are thinking a little longer term than that," added Mr Pribor.

Niklas Nilsson of London-based StarStruck Marine Capital predicts that the next wave of investment into shipping companies will most likely come from American hedge funds buying shipping portfolios from traditional lenders. "I would not be surprised if we see some high-profile transactions in this space over the next one or two years, perhaps in excess of $50bn in total."

European lenders — most of whom are slashing their shipping portfolios — must deal with stringent regulations that will increase European banks' cost of capital for shipping loans.

Mr Nilsson believes some will decide it is not worth it and exit the space: "Whether these funds will write new loans for owners remains to be seen, but the net effect is likely to reduce credit availability even further."

Coronavirus: No uptick in containership arrivals at the San Pedro Bay ports

THE coronavirus continues its adverse impacts on the leading US ports of Los Angeles and Long Beach, largely through reduced numbers of containerships coming in from abroad to deliver goods.

While an upturn is expected, a Lloyd's List analysis of shipping data shows that any change is still weeks away.

"March continues the low ship count," said Kip Louttit, executive director of the San Pedro-based Marine Exchange of Southern California. Citing the most recent figures, he said, "we will be 19 ships short of target on Tuesday, March 24".

"The biggest negative is containerships, where we were 17 below where we should have been on March 19," Capt Louttit told Lloyd's List. "Ninety arrived, whereas there should have been 107. In round numbers, one fewer containership per day than there should be... about 4.7 instead of 5.7 per day."

That downward trend has been running through the first two months of 2020, with January showing an average of 5.5 containerships a day entering the ports, dropping to the 4.7 a day figure in February.

Those are the lowest figures for the twin ports since the so-called "congestion period" of 2014 to 2015 when, in January of 2015, the ports averaged 4.9 ships per day, declining to 4.4 per day in February of 2015.

Looking ahead, Marex reports that the two San Pedro Bay Ports will see the arrival of a total of 39 containerships in the 14 days between March 22 and April 7. That represents an average of about 2.8 ships per day while, for several days during that stretch, no ships are scheduled in at all.

Although there has been talk of China's factories returning to normal output soon, there is no indication of any increased numbers of containers coming through, at least in the coming two weeks.

The largest ship expected during that time is the 23,756 teu *MSC Mia*, but it is likely due more for the purpose of loading empty containers than for discharging full ones — a necessary undertaking to help rebalance the shortage of equipment and open up space.

"We will need to return empty containers to Asia and push lingering US export boxes out swiftly," Los Angeles port director Gene Seroka told Lloyd's List in a recent interview.

Leaving aside the MSC Mia, ships steaming into San Pedro Bay over the next two weeks will average 6,433 teu — a far cry from the mega ships that are said to be on their way in the near future.

The busiest day ahead looks set to be March 24 when TTI will host three ships at its four-berth facility in Long Beach — the 2,556 teu Maersk Newhaven, the 8,800 teu MSC Meline and the 8,401 teu MSC Silvana.

The declining ship arrivals and container traffic bodes ill for the future as it already is impacting employment along the supply chain. While the unionised longshore workers are on full pay despite the slowdown, truckers are not.

"It's a bad time for everybody," said Weston LaBar, chief executive of the Harbor Trucking Association, an organisation representing drayage truckers up and down the Pacific coast.

"There were 300 Teamster drivers that were laid off just last week because of the inability to have enough freight for them to move," he said. "We've seen employee drivers take a voluntary reduction in hours from some of our companies, as much as 25% to 50% of hours."

That is a worrisome trend, and represents a potentially weak link in the supply chain as manufacturing is, according to Mr LaBar, starting to ramp up in China.

"We're hearing from many of our customers that manufacturing is starting to pick back up in China, that the ports in China, especially the main, large port in Shanghai, is now getting back to full operation," he said.

That is good news. Precisely when the uptick will be felt along the supply chains remains to be seen. But the Marex shipping data suggests that the downturn will persist for at least another 14 days, if not longer.

Coronavirus: Wallenius Wilhelmsen to mothball vessels

OSLO-listed ro-ro and car carrier operator Wallenius Wilhelmsen will withdraw its dividend, recycle up to four vessels and place up to 10 in cold layup as it seeks to preserve cash amid coronavirus.

On Monday Wallenius Wilhelmsen said it would scrap older vessels to cut operating costs, saying there was already overcapacity in the market.

"The world has changed dramatically over the past weeks and we are all feeling the effect," chief executive Craig Jasienski said in a statement.

"Our strong focus on synergies and cost efficiency over the past years have put us in a solid liquidity position, but we are taking early precautionary steps now to preserve cash."

Wallenius Wilhelmsen's dividend would have been about $60m in two instalments at seven cents per share, the company said.

The four vessels to be scrapped were each at least 24 years old and would be recycled and reported in line with the Ship Recycling Transparency Initiative, which could lead to a $40m impairment, the company said.

The company's plan to put up to 10 vessels in cold lay-up would let it "quickly adjust costs as the supply chain and market impacts become clearer". It expected to save up to $3,400 per vessel per day depending on voyage length, it added.

It said of its 11 vessels available for redelivery at the start of the year, four had been redelivered already and three more would be by the end of June. Two newbuildings would be delayed.

The company said it reduced capital expenditure to a minimum, prioritised safety, delayed land-based projects and cancelled four of its remaining scrubber fits.

On Friday, container line Maersk suspended guidance because of the virus, saying it expected earnings before interest and tax to fall by $1.4bn. DFDS, a Danish ferry, ro-ro and ro-pax operator, scrapped its outlook and dividend the day before, as tanker operator Stolt-Nielsen also withdrew its dividend. Ardmore Shipping, a New York-listed product and chemical tanker company, said on March 9 it would allocate capital toward dividends and share repurchases once it had achieved "higher-ranked priorities", such as maintaining its fleet and reducing debt.

Coronavirus threatens box shipping demand, says OOIL

CONTAINER shipping prospects are at risk in the face of the rampant spread of coronavirus that could cripple the global economy, according to Orient Overseas International Ltd.

"The sudden outbreak of the coronavirus creates a tremendous amount of uncertainty," said the Hong Kong-listed company in its annual results announcement.

It said that while China's ability to quickly bring the virus under control had given hope for a rather quick economic recovery, the outlook then became more pessimistic after the disease turned into a global pandemic.

"If the epidemic is further escalated globally and lasts for a long time, the medium- and long-term impact will be more extensive and significant, and the growth of the global economy and container shipping demand will decline."

Such risks are causing greater market complexity, despite the positive effects from the earlier US-China Phase One trade agreement that has withdrawn some of the tariffs imposed on each other's goods.

"In general, the impact of the epidemic in 2020 may be longer, and market uncertainty is further increasing," said OOIL, now part of state conglomerate China Cosco Shipping Corp.

The remarks came after economists dialled down forecasts for the world economy this year. The public health crisis is forcing more countries to take draconian virus-control measures, such as travel bans and the shutdown of outdoor entertainment facilities, which dampen economic activity.

The Organisation for Economic Co-operation and Development said global economic growth in 2020 could slump to as low as 1.5%, almost half the 2.9% rate it predicted before the outbreak took place.

China's leading investment bank CICC expected on Monday that the country's growth in gross domestic product will fall to 2.6% from 6.1% previously forecast.

Nevertheless, OOIL said it remained confident that China's economy would maintain stable growth in the medium and long term, "thereby supporting global trade demand and the development of the shipping industry".

"We expect the governments of many countries and regions may launch further stimulus packages to alleviate the downward pressure on the global economy," it added.

It said the company was prepared for potential headwinds, with a strong financial position. As of end-2019, OOIL had total liquid assets of $2.9bn versus debt obligations of $648.9m repayable in 2020.

The company recorded a net profit of $1.3bn for 2019, more than tenfold the $108.2m seen in 2018, although the improvement was largely boosted by the $1.2bn one-off gains from the disposal of its terminal assets in Long Beach, California.

Part of that proceeds will be used to finance the $778.4m orders of five 23,000 teu newbuildings it confirmed earlier this month.

Meanwhile, its liftings last year increased 3.8% year on year to nearly 7m teu, while revenue rose 4.7% to $6.9bn.

OOIL did not hold the regular results press conference on Monday amid rising infections in Hong Kong.

Dry bulk operators coping with virus disruptions

DRY bulk owners and operators are so far reporting business as usual amid the global coronavirus pandemic.

Danish owner Norden said it hoped that port operations would be kept going.

"Our business is so far coping well with the disruption," the company said in an emailed response to questions. "There are some countries now demanding 14 days' quarantine on ships after calling specific high-risk areas," it said. This will create uncertainty about the status of cargoes where goods are awaiting final discharge orders.

It added: "Apart from these few cases, it is business as usual. We continue to perform well despite the disruptions."

What is more, in line with Danish policy, no crew changes have been allowed. Seafarers are required to stay on board vessels until at least March 27.

Germany's Oldendorff Carriers said it was doing its bit to try to stop the spread of the virus by suspending crew changes.

It has allowed employees to work from home and implemented a company-wide travel and visitor ban.

"Fortunately, we have in place the technology and communications systems to continue our business as normal under these extraordinary circumstances," the company said in a statement.

J. Lauritzen, another Danish owner and operator, said that for now, there had been a "very limited impact" on its operations.

News about quarantine at certain ports has not affected its vessels because the time it takes to sail is equal to 14 days, said head of Lauritzen Bulkers Niels Josefsen.

He said the main risks for its operations include waiting times to discharge cargo and potential port closures, although the likelihood of the latter is slim as all countries need to move goods in and out.

One way to manage some of these risks is to "ringfence" vessels to avoid any contact between crew and port employees, he said. Such an approach would need co-ordination between owners and authorities.

"We at Lauritzen are now setting up procedures prior to each port call to ensure minimum contact" to reduce risks to the crew, he continued.

"It is our hope that countries and ports will go down this lane rather than stick to a two- to three-week quarantine. That would ensure undisruptive cargo movement and thereby minimising the impact of the world economy. But should the quarantine period be the chosen route and vessels have to wait for berthing, the effect would be a higher freight market due to inefficiency in tonnage utilisation," Mr Josefsen said.

The Atlantic trades are now being seen as the worst-hit, as the Pacific market moves back to a more normalised situation in terms of volumes, he said.

IN OTHER NEWS

Australia's major backfill LNG project now on hold

AUSTRALIAN oil and gas producer Santos is slashing its capital expenditure and postponing a final investment decision for a large backfill project meant to extend the production life of the Darwin liquefied natural gas plant.

Citing the coronavirus outbreak and a lower oil price environment, managing director and chief executive Kevin Gallagher said: "We expect to defer FID on Barossa [a gas and light condensate field located offshore about 300 km north of Darwin] until business conditions improve."

Santos wanted to sanction Barossa during the first half of this year.

Brisbane further eases port entry restrictions

FOLLOWING pressure from the liner industry, Maritime Safety Queensland has eased its entry restrictions to allow all vessels to call the Port of Brisbane except those from China and South Korea.

The policy of forcing ships to stay away for 14 days since they were last at an overseas port had caused routing disruptions and affected the supply chain. Last Wednesday, MSQ began watering down its draconian approach by announcing exemptions for vessels from New Zealand, Papua New Guinea and some southwest Pacific nations, but it ignored the global liner trade.

MSQ acknowledged that there has been "a disturbing trend of vessel cancellations into the Port of Brisbane", and that these potentially bring a range of unintended consequences to the Queensland economy.

Coronavirus: All UK shipping workers could be classed as key

ALL UK shipping professionals — include those in white-collar roles — potentially qualify as key workers with the right to continue sending their children to school throughout the coronavirus crisis, subject to their employers' agreement, lawyers believe.

But clarity on the issue is impossible at this stage, thanks to the extremely broad wording of emergency measures, they add.

Moreover, sources stress that the provision seems designed primarily to answer the needs of those in the direct front line on ships and in ports.

Coronavirus: Greek shipping industry pledges help for nation's health system

GREEK shipowners have launched a fund to boost the Greek public health system's battle against the new coronavirus by acquiring and donating desperately-needed medical equipment and supplies.

The Union of Greek Shipowners said that the effort, through its affiliated Greek Shipowners' Social Welfare Company, or Syn-Enosis, had already provided some hardware and supplies, including 105 ventilators, and this would be a continuing effort.

There is a chronic shortage of masks and protective clothing for doctors and nurses and these are among other critical supplies being acquired by the fund.

Coronavirus: Cosco gifts protective gear to Greek coast guard

CHINA's Cosco Shipping Group has donated a shipment of protective supplies to Greece's ministry of shipping and island policy in a helping hand in the country's fight against the coronavirus.

The Chinese shipping group made the donation through the Piraeus Port Authority, the managing entity of the largest port in Greece, which it has majority-owned since 2016.

The 10,000 pairs of disposable gloves, 500 special protective suits and 500 pairs of protective eye-glasses delivered to the door of the ministry were primarily for use by the Hellenic Coast Guard.

FSL Trust names Markus Wenker as new chief financial officer

FSL Trust Management, the trustee-manager of Singapore-based tanker and containership owner First Ship Lease Trust, has named experienced shipping banker Markus Wenker as its new chief financial officer.

Mr Wenker has more than 17 years of banking experience in the sector, mainly with HSH Nordbank and latterly with Cyprus-based Hellenic Bank where he established the bank's growing ship finance unit.

The banker left Hellenic Bank last month and will take up his new job on May 4 "after a thorough handover process" with incumbent chief financial officer Alan Mitchell who is retiring, said FSL.

Hamburg denies container equipment shortage

THE Port of Hamburg is insisting that there is sufficient equipment available in northern Europe to cope with exports, despite reports to the contrary.

Following reports from container positioning service Containers xChange that there was a shortage of available containers, Hamburg polled its container line customers asking about the situation.

"The poll showed that shipping lines see no appreciable scarcity of equipment in the Port of Hamburg or the German seaports," the port said. "Furthermore, they are not expecting any shortages to arise."

New regulations widen powers of FMC

COMMERCIAL maritime law in the US is "woefully behind and anachronistic", according to one of the people charged with implementing it.

However, a year after an update to US shipping laws, Federal Maritime Commissioner Daniel Maffei says the legislation, while not accomplishing many things, was "a good step" in restructuring how the US maritime sector is regulated.

"At least there are now some areas where the law does seem to be updated and has given the FMC the ability to address some new issues, the most important of which is the one of monopoly power and how carrier alliances might be able to negotiate with suppliers, such as towage services," Mr Maffei told Lloyd's List in an interview.

Seven seafarers kidnapped in attack on MSC containership

A MEDITERRANEAN Shipping Co containership came under pirate attack and was reportedly boarded by an unknown number of pirates some 61 miles west of Port Libreville, Gabon on March 22.

According to Lloyd's List Intelligence, the 2005-built, 957 teu containership *MSC Talia F* was attacked in the Gulf of Guinea on Sunday morning. Seven crew members were kidnapped.

The Portugal-flagged, MSC-operated containership was en route from Lomé to Port Libreville with a crew of 17. All of the crew are understood to be Ukrainian nationals, according to Dryad Global. Those not kidnapped were believed to be locked within the citadel and were in touch with the owners.

Vale to temporarily close Malaysia terminal

BRAZILIAN mining giant Vale has decided to temporarily close its iron ore terminal in Malaysia.

The halt of the Teluk Rubiah distribution centre from March 24 to March 31 will affect the miner's first-quarter sales figure by 500,000 tonnes, it said in a statement.

Vale said it took this decision because it has been "unable to secure the minimum resources to safely operate the terminal".

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