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Saudis join floating storage surge as oil surplus strains land-based capacity

SAUDI ARABIAN OIL trader Aramco Trading Co has reportedly chartered three very large crude carriers for floating storage, joining companies including Shell, Vitol and Trafigura that have hired tankers to profit from an oversupply of crude and refined products amid plunging prices.

The Kingdom's storage play suggests that ATC is running out of land-based capacity as the coronavirus lockdown slashes oil demand by 20% over March and April. ATC leases or owns land-based storage tanks off Fujairah, Yanbu, Ain Sukhna and Malaysia, according to its annual report.

One of the three ATC-chartered VLCCs was listed as *Cosgrand Lake*, owned by Chinese shipowner Cosco, according to shipbroker reports.

The other two were also said to be Cosco-owned tonnage. All VLCCs were taken at a daily rate of $100,000 for a six-month period.

They are among some 21 VLCCs reported chartered for periods of between six and 12 months in the past two weeks, with nine fixtures specifically listing the tankers were designated for floating storage.

Oil companies and traders are turning to storing oil at sea as prices hit 18-year lows.

The 20% drop in crude demand equates to some 600m barrels of surplus oil in a month — unprecedented volumes that will strain existing land-based tank capacity.

Shell has amassed at least five VLCCs for six-month periods over the fortnight, paying as much as $120,000 per day for its last tanker charter, shipbroker reports show, almost double levels seen for similar deals at the beginning of March. Oil trader Trafigura has taken at least three VLCCs, and Vitol was reported to be taking two.

The flurry of floating storage fixtures has reignited a rally in crude tanker spot rates, with at least two charters provisionally agreed at rates equating to more than $260,000 daily over Friday and Monday.

Until then, rates had quickly deflated since mid-March, when Saudi Arabia's oil price war with Russia to keep market share triggered a surge in crude tanker rates to the highest since the tanker wars of the early 1980s.

Saudi Arabian shipping company Bahri paid a record-breaking $350,000 daily to charter a VLCC, which was one of 20 hired over a 10-day period to load additional crude cargoes.

Saudi Arabia's pledge to flood the market with additional crude coincided with the coronavirus pandemic now gripping Europe and the US, paralysing air and land transport.

The oil price rout and marketing contango allows floating storage to be profitable for VLCCs that are fixed for six-month period charters at levels of $139,000 daily or lower, according to figures from Norwegian investment bank, Cleaves Securities.

Smaller tanker sizes are also being chartered for floating storage of refined products, particularly jet fuel, for which demand has crashed to just 10% of normal levels.

Newbuilding VLCCs leaving Asian shipyards could also be deployed to store jet fuel.

Floating storage is near record levels, with 127.4m barrels stored on 84 tankers for the week ending March 26, according to Lloyd's List Intelligence data.

That is down from the record 131.2m barrels seen in the prior week. Figures are inflated by sanctioned tankers, with Iran's National Iranian Tanker Company accounting for 38 of the 53 VLCCs currently used for floating storage.

WHAT TO WATCH

Coronavirus: More cargoship seafarers test positive

CASES of coronavirus infections on board cargo vessels are increasing, following the cases reported on a Maersk boxship last week.

Two of the 17 crew members — the chief officer and third officer — on a Pacific Basin dry bulker tested positive at Valparaiso anchorage, Chile on March 27, while the second officer was suffering from a fever, according to an internal company circular seen by Lloyd's List.

The vessel was said to have been requested by local authorities to "remain at the anchorage for latest 14 days for quarantine or drift off port limits without calling another port".

In an email response, the Hong Kong-listed dry bulker owner confirmed the infections on the 37,528 dwt *Isabela Island*.

"The owner has been working with the local authorities to obtain the best possible medical treatment for those infected and to protect the remaining crew," said the company.

One infected crew member was said to have safely transferred to a hospital on March 28 and is recovering well. Arrangements to hospitalise the other two sick seafarers start on March 30.

All the remaining crew were evaluated on March 29 and are being monitored to test their temperature and other symptoms, Pacific Basin added. The families of the crew members have been informed and are being kept updated on the situation.

"The owner is currently taking extra precautions to minimise the impact of coronavirus and protect the crew's health. The health and wellness of all the crew is a primary concern at this time," the statement said.

The circular said the vessel had not been to China and the entire crew joined before January 23. The company is checking whether local Chilean officers will be available to replace the crew on board.

Lloyd's List Intelligence data shows that the Hong Kong-flagged vessel remained at Valparaiso anchorage as of today. It left Guayaquil, Ecuador on March 18 and the previous port it called at was Salvaverry in Peru.

Meanwhile, a master on Cosco Shipping dry bulker, *Feng De Hai*, was said to have died from the illness at Bosphorus anchorage, Turkey, according to the local shipping agency Tribeca, which cited the local sanitary office.

"The vessel was immediately quarantined by the sanitary office and the body of the deceased landed ashore for further delivery to his family," Tribeca said in an email to customers.

However, a spokesperson for the owner told Lloyd's List that the information was inaccurate. The person said the dead crew member was not the master of the ship and that coronavirus was excluded from the causes of death by local medical experts after diagnosis.

"The real cause of his death is still pending autopsy results, but it is not coronavirus. And the vessel has resumed its journey after the rest of the crew tested negative for the virus."

According to vessel tracking data from Lloyd's List Intelligence, the Hong Kong-flagged 63,356 dwt dry bulker left Turkey's Istanbul anchorage on March 28. It was due to arrive in Dneprobugsky in Ukraine on May 29.

These incidents come after several seafarers were found to have contracted the virus on a Maersk containership at the port of Ningbo-Zhoushan last week.

Lockdown brings Indian subcontinent ship scrapping to a halt

THE demolition market on the Indian subcontinent has come to a standstill as countries takes aggressive measures to try to slow the spread of coronavirus.

Cash buyers are bearing the brunt of this lockdown, although the pall of gloom and uncertainty also pervades in all the subcontinent recycling locations — India, Pakistan and Bangladesh.

In India, Prime Minister Narendra Modi has ordered the country's entire population of the country into a three-week home quarantine.

All domestic and international flights out of India have also been suspended and non-essential industries such as ship recycling have been ordered to shut, resulting in all ships that are due to enter Alang being denied entry for the time being, according to cash buyer GMS.

In India, all ships that are scheduled to arrive but yet to beach have been ordered to halt before entering port limits.

Moreover, No Objection Certificates to enter Indian ports have not been issued by the port authorities, especially as ship recycling is not considered an essential industry to keep operational during the lockdown.

Meanwhile, Pakistan announced last week that all beaching and boarding of vessels at Gadani ship recycling yards would be suspended for a minimum period of four weeks and thereafter pending a further order.

Shortly, after the declarations of closures in Pakistan and India, Bangladesh issued similar orders for a 14 -day lockdown and almost all locations are likely to extend these emergency measures further, if no significant signs of tackling the virus are realised.

GMS said in a note: "Notwithstanding, given that the number of virus cases have only just started to take off in the subcontinent, it may still be a while before we see this market open up again on any non-essential industries and the period of quarantine will likely extend even further in the weeks ahead."

In relation to market conditions, it is no surprise that there is a lack of activity. However, there remains interest from some buyers to acquire tonnage, shipbroker Clarkson Platou Hellas noted.

It said: "The market is not flush of cash buyers, several are reportedly facing difficulties with cash flow positions, and there is certainly more strain on those cash buyers active in the current climate."

However, “with many ports adopting new restrictions, more owners will seek the ‘as is’ deal to avoid the last voyage to the recycling destinations — therefore it will be on the shoulders of the cash buyer to carry the burden of how they would dispose of the unit at a later stage and whether further limitations come into effect”, the shipbroker concluded.

Brokers are almost unanimous that although a stream of demo candidates appear to be moving towards their final resting place, lack of confidence from the cash buyers may restrict numbers placed on the negotiating tables.

Capital dispute with AISSOT traced to sanctions fear

A CLASH between the Greece-based Capital Maritime group and Middle Eastern charterer Al-Iraqia Shipping Services & Oil Trading that has scuppered a chartering relationship spanning six very large crude carriers, can be traced to concerns over running foul of sanctions against Iran.

It emerged in recent days that AISSOT has redelivered the tankers to Evangelos Marinakis’ Capital with years of their long-term bareboat charters still to run.

The Greek owning and management group was stung into making the rift public after AISSOT caused the arrest of one of the tankers in Singapore.

Capital’s disclosure said that last December it took the dispute to arbitration and it alluded to an alleged failure by the charterer to comply with “certain protective clauses” in the charter parties.

This referred to providing and implementing a clear sanctions policy, Lloyd’s List has been told.

Capital had been pressing for the charterer to take action “for months and months” last year without success, said senior Capital executive Jerry Kalogiratos.

At least two websites that specialise in hawkish criticism of the Iranian regime have alleged AISSOT has breached sanctions but without offering evidence for this.

However, none of the VLCCs had lifted cargo from Iran, Mr Kalogiratos said.

In taking the matter to London arbitration, the owner had called for redelivery of the tankers while AISSOT continued to employ them pending the outcome of the arbitration, which is expected in the second half of this year.

Although this held good for a couple of months while tanker rates remained decent, AISSOT abruptly redelivered the vessels on February 22, dumping them in “dire market conditions”.

In an ironic twist, this decision was enacted barely two weeks before a wholly unpredictable oil-price war between Saudi Arabia and Russia flooded the market with cheap crude and sent tanker rates soaring to their highest in many years.

Several of Capital’s returned VLCCs were able to join the party while it lasted, including the 2019-built *Andronikos*, which was arrested by AISSOT on March 16 before Capital secured its release three days later with the help of its P&I club, the West of England.

The vessel is understood to have made its laycan for a voyage from the Middle East Gulf to US for Shell, fixed at a rate of about $140,000 per day.

However, the arrest is said to have shocked the Greek owner, which believes it, not the charterer, has the genuine compensation claim.

According to Capital Ship Management, the group’s tanker and bulker management arm, the charterer’s security application in Singapore was misleading and “a clear effort to disrupt owners’ business”.

In obtaining the arrest order, “informal email correspondence” with a Fearnleys broker was advanced as a formal bareboat charter valuation without the Norway-based shipbroking house’s knowledge, said Capital.

On top of that, VLCC charter estimates mentioned in AISSOT’s security application were said to be misleading as they were for a vessel with exhaust gas cleaning system installed, whereas the Andronikos is only scrubber-ready.

Another strand to Capital's complaint appears to be that the chartering deal provided for AISSOT to fund 80% of the cost of scrubbers on board some of the tankers, but scrubbers have not been installed.

Capital's claim for compensation is said to be not far below $100m. It is not known what claims have been made by AISSOT. The Dubai-based operator has not yet replied to requests for comment.

AISSOT was formed back in 2017 as a ship operating, marine services and oil trading joint venture between Iraqi Oil Tankers and Arab Maritime Petroleum Transport, a pan-Arab company in which several Middle East oil-producing countries hold shares.

It has VLCC chartering relationships with a small number of other owners, mostly based in Greece.

Capital's mixed fleet has 10 VLCCs in all, including the six that were chartered to AISSOT.

Shipbrokers and media recently reported that one of these, the 2014-built *Miltiadis Junior*, has been sold to an undisclosed buyer.

But Capital has told Lloyd's List that the reports are unfounded and the vessel remains in the company's fleet.

Coronavirus: Singapore allows crew changes under special circumstances

SINGAPORE has made certain concessions to its policy of banning crew changes at the key Southeast Asian hub port, allowing the rotations under special circumstances.

Citing the heightened risk of imported coronavirus cases, Singapore had introduced a slate of measures on short-term visitors entering or transiting in the country and temporarily suspended crew changes.

The Maritime and Port Authority of Singapore said in a circular that crew changes would be allowed if the crew has served their maximum time on board and no further extension of the employment contract is granted by the flag state. Exemptions will also cover compassionate grounds such as the death of a family member or a scenario in which the crew member is no longer medically fit to work on board the vessel.

The MPA said it recognises the critical role that seafarers play in global seaborne trade. "We have worked closely with international organisations, shipping associations and unions over the years to address the needs and welfare of both local and foreign seafarers," it added.

Meanwhile in Australia, the Maritime Union of Australia has written to major businesses in the maritime supply chain seeking the urgent implementation of a consistent, industry-wide framework aimed at preventing viral transmission on worksites.

The framework has been drawn up based on current health advice, along with industry developments internationally, with the aim of ensuring best-practice measures are in place to protect the health and safety of maritime workers.

"While workers are acutely aware of the significant role they play in Australia's response to the coronavirus pandemic, some stevedores had taken an unfortunate and unsustainable approach, going it alone rather than embracing a consistent industry-wide solution," said the union's national secretary and International Transport Workers' Federation president Paddy Crumlin.

OPINION

Lifting Trump's tariffs on China could boost the medical supply chain

LEADING US ports and other stakeholders in the supply chain have vowed to fast-track medical supplies coming into the country as the coronavirus pandemic continues to spread throughout the nation at alarming rates, *writes Eric Watkins*.

But they may have nothing to move if Washington does not act quickly.

"We want to make sure that we are not only moving the essential goods and medical supplies, but that other commodities don't clog up the system," Port of Los Angeles executive director Gene Seroka said late last week.

Mr Seroka said the port had been in touch with supply chain partners that need medical supplies and large companies that provide the materials. He said the port was able to identify containers with medical supplies and could speed them through the network.

APM Terminals, which operates Pier 400, the largest facility at the port, said its facilities in North America were likewise "ready to meet the urgent needs to deliver critical freight" due to the growing impact of the coronavirus and its "unprecedented effects" on the world's population.

APMT said that "following our colleagues at the Virginia Port Authority" it was also offering a solution to expedite any coronavirus 'critical cargo' arriving at its facilities in Port Elizabeth, South Florida Container Terminal, Mobile, Los Angeles and Lazaro Cardenas, Mexico.

Last week, the Virginia Port Authority fast-tracked a container full of medical supplies that had been loaded in Rotterdam and arrived on board the 8,500 teu Cosco Philippines on the line's transatlantic service.

Port officials said the container held kits to test for the disease and were bound for a pharmaceutical company in Indianapolis, Indiana.

Three more containers with much-needed medical supplies, such as personal protective equipment, were to receive "priority treatment" and "expedited delivery", said port executive director John Reinhart.

"This cargo is vital and getting it to the people that need it most as quickly and efficiently as possible is a priority for the Port of Virginia team," Mr Reinhart said in a statement.

A spokesman said the port — like Los Angeles — has advance knowledge of key containers, enabling longshore workers to remove them speedily and load them on trucks for a quick departure. Truck gates may even be held open late at night if a ship arrives carrying medical supplies or equipment.

But it is safe to say that none of the containers held any medical-grade N95 masks, made almost entirely in China since, according to the Associated Press news agency, none have arrived at US ports this month.

AP last week reported that imports of critical medical supplies were plummeting due to factory closures in China, where manufacturers had been required to sell all or part of their goods internally rather than export to other countries.

But the same is happening elsewhere, too, as the pandemic sweeps through the world, shuttering potential backup factories from one country to the next.

Many manufacturers have been ordered to shut down or limit production throughout Southeast Asia and Latin America, including in India and Mexico.

In Malaysia, where 75% of the world's medical gloves are made, AP found factories were shut down and only allowed to reopen with half the number of staff, who are now locked in hostels at their workplaces.

Shipments of medical gloves are down 23% so far this month compared with 2019, and medical gown imports are down 64% for the same period, AP reported.

According to Global Trade Alert, which monitors policies that affect trade, as of March 21, a total of 54 governments had implemented "some type" of export curb on medical supplies and medicines associated with the coronavirus pandemic.

Given decreases in exports from select countries and increases in demand due to the outbreak, manufacturers of select types of personal protective equipment are reporting increased volume of orders and challenges in meeting order demands.

One of the greatest challenges at the moment are protectionist policies, a point underlined by the Hinrich Foundation, which analyses global trade practices and policies.

"Bans tend to beget more bans, potentially wreaking havoc on pharmaceutical and medical product supply chains, making it more difficult for healthcare workers to stem the spread of the virus," the Hinrich Foundation said in a recent report.

The foundation could just as easily have said that bans also make it more difficult for everyone up and down the supply chain to help stem the spread of the virus. If there are no supplies, then there is nothing to move, nothing to expedite.

Clearly, the bans must come down around the globe if supplies are to be produced and delivered to where they are needed — and that includes the US, where medical professionals are at risk for the want of medical-grade N95 masks, the ones made almost exclusively in China, the ones no longer arriving at US shores.

Yes, the bans should come down and the US could set a smart example in that regard by ending the tariffs it has imposed on medical supplies from China – a ban if ever there was one.

Former World Bank president Robert Zoellick made the point recently, saying that after President Donald Trump hit Chinese medical suppliers with a 25% tariff in 2018, China's exports to the US dropped by 16%.

As a result, he said, US medical distributors were now busy "hunting for alternative producers" and "testing their equipment for interoperability when they should be concentrating on getting supplies to those in need".

China, in turn, has diverted its sales to other markets than the US.

With tariffs, the US government is clearly making it harder for its own first responders to procure masks, sterile gloves, goggles, hospital gowns, surgical drapes, thermometers and breathing masks — to say nothing of ventilators.

That need became embarrassingly clear last week when California's governor Gavin Newsom said that 170 ventilators shipped by the Trump administration to help his state respond to the outbreak of the coronavirus were "not working" when they arrived.

The supply chain stands ready to move the goods. Is Mr Trump ready to remove the tariffs?

ANALYSIS

Coronavirus: No let-up in boxship blank sailings

BLANK sailings have been a dominant feature of container shipping's response to the demand shortfall during the coronavirus outbreak, in a trend that looks set to continue amid a raft of fresh service announcements to align capacity.

New analysis by SeaIntelligence shows that in the space of a week the number of blank sailings on the major deepsea trades announced from mid-March (week 12) through to the end of May (week 24) had jumped from just two to as many as 45. The analysis was correct as of noon Central European Time on March 29.

This development tallied with SeaIntelligence's expectations from last week off the back of conversations with both beneficial cargo owners and logistics providers, who revealed that purchasing orders were being cancelled at a rapid pace. As such, further blank sailings should be expected as carriers turn to the practice to support freight rates.

The majority of the latest round of blank sailings were announced towards the end of last week, and predominantly on the transpacific and Asia-Europe networks.

With most of Europe on lockdown and the US undertaking similar measures to reduce the spread of the coronavirus, demand for containerised goods is expected to fall sharply in the western world. And with inventory levels high, as reported by Lloyd's List last week, there is little expectation of an early return to so-called "normal volumes".

The latest forecast from London-based Clarksons, off the back of substantially lower revisions of global domestic product growth and expectations for widespread recession, is a fall in global box trade of 4.9% in 2020 against last year.

This would represent the container industry's first annual contraction in volumes since 2009 after the global financial crisis.

In addition to the respective 23 and nine blank sailings on the Asia-Europe and transpacific trades announced thus far through to the end of May, SeaIntelligence also noted a further one Asia-South America East Coast, two North Atlantic and five Mediterranean-US East Coast blank sailings, presently. A handful of other void sailings have been confirmed on shorter trades, including India-Middle East.

In terms of alliances, 2M, comprising European giants Maersk Line and Mediterranean Shipping Co, have led the way on blank sailings so far, including the seasonal withdrawal of its AE2 and AE20 loops through to the end of the second quarter.

This follows news last week, that Maersk Line was "actively preparing" to match its network with a reduced demand level due to an impending global economic slowdown.

This unprecedented scaling back of capacity sees 2M reduce weekly capacity on the Asia-Europe trade by as much as 21%.

"This is a very substantial capacity reduction and provides an insight into the level of demand decline these carriers are expecting in the coming weeks," said SeaIntelligence.

The latest raft of void sailings is though expected to increase substantially in the coming days. The Alliance and the Ocean Alliance, the two other major liner consortia plying the major trade lanes, are also expected to announce significant numbers of blank sailings through the second quarter.

Additionally, SeaIntelligence said that it expects similar levels of blank sailings or service cancellations to impact the transpacific trade as the Asia-Europe trade in the near future.

Since the post-Chinese New Year period extensive blank sailing programmes implemented by carriers have ensured that spot rates have remained resilient, falling in line with the traditional new year slump.

On Friday, the Shanghai Containerised Freight Index showed freight rates on the Asia-north Europe trade and Asia-Mediterranean, both using Shanghai as a base origin port, up 17.4% and 21.4%, respectively, on their year ago value.

Meanwhile, Shanghai-US west coast spot rates were down 6.8% on its 2019 level, while those on the Shanghai-US east coast were tracking 4.7% higher, according to the latest SCFI.

Coronavirus: Støhle says 'buoyant' spot LNG charter market is unexpected

LOW liquefied natural gas cargo prices and vessel delays at ports due to coronavirus are boosting demand for LNG carriers, Höegh LNG chief executive Sveinung Støhle has said.

The Oslo-listed firm, which operates LNG carriers and has the largest floating regasification and storage unit fleet with 10 FSRUs, had warned at the end of February that the outbreak had depleted global energy and commodity markets and apparently "temporarily reduced" LNG imports into China.

"Coupled with higher winter temperatures in Asia, and low LNG prices closing the inter-basin arbitrage, this has put downward pressure on the LNG carrier market rates," the company said at the time.

LNG spot rates fell at the end of February, but have since recovered, according to data on 160,000 cu m LNG carriers from the Baltic Exchange.

But Mr Støhle told Lloyd's List that he was surprised at the upbeat state of the short-term LNG carrier market, which he described as "quite buoyant".

"I would have thought that the market would have less business, but at the moment it does not look like that at all," he said.

Part of the reason is that LNG cargo prices have dropped significantly over the past few months, due to the aforementioned factors, a situation that has been exacerbated by the coronavirus fallout.

It is unclear how long this buoyant period will last and how sharp a drop could be imminent as major economies slow down due to lockdown measures; India, an important LNG importer, is in a three-week lockdown. European countries that are significant LNG importers, such as Spain, France and Italy, are also under lockdowns.

In the absence of other interested buyers, thus far Thailand has been seen picking up cheap LNG spot cargoes, according to Lloyd's List Intelligence data.

Another reason for the current respite for short-term LNG carrier contracts, however, is the delays LNG carriers face while calling at ports. Most port authorities are imposing entry restrictions on ships or require a number of days to pass before allowing an incoming vessel to call at the port, to prevent the spread of the coronavirus.

These port delays means a whole LNG carrier round trip takes longer, which can result in further delays at the loading ports, which means exporters have to charter in more vessels to cover for the lost time.

"There is a repercussion for the whole supply chain, so suddenly the tonne-mile [demand] went up because everybody has to wait," he said.

Despite these two factors propping up demand for LNG carriers, Mr Støhle acknowledged that rates remain competitive.

Two of its 170,000 cu m FSRUs, Höegh Gannet and Höegh Gallant, are coming out of long-term charters in March and April this year.

Mr Støhle said the firm is in negotiations to deploy the ships in long-term FSRU charters beginning in late 2021 or early 2022.

In the meantime, it is focusing on using them as LNG carriers on short-term deals.

It announced last week that it had signed an approximate seven-month charter deal with an Asian-based trading house beginning in mid-2020. The company will charter out either Höegh Gannet or Höegh Gallant for this contract.

Mr Støhle told Lloyd's List he was "100% confident" it would get a similar charter contract for the other vessel.

Flexibility on crew changes

Höegh LNG announced last week that it is prohibiting crew changes and visitors on its vessels until further notice.

Mr Støhle said the company was working with maritime regulators, the International Maritime Organization, classification societies and other stakeholders to secure flexibility in terms of how long crew are permitted to stay on board and assist with getting their working certificates extended.

"So far, that is working, but obviously if this is something that will be prolonged for a very long time, there will be problems with it," he said.

The vessels are stocked with food supplies and getting more food on board is easy because it does not require direct human contact, Mr Støhle observed. Getting small spare parts on board also does not require contact.

A major breakdown on board, however, would require special engineers to step in. With the current prohibitions in place, it would fall on the crew and captain to fix the problem, Mr Støhle said, which is something they can sometimes do. However, they may need support from specialists in certain cases.

"So these are the types of scenarios that can happen — and, I am sure, over time, will happen. It is all really a matter of time," he said.

Höegh LNG has made plans as to how it can carry out crew changes in countries that still allow crew swapovers. There is a hope that the company might be able to gradually do this in piecemeal fashion rather than blanket fashion, Mr Støhle said.

Even with countries in lockdown, they will need food and energy supplies to function, he argued. National authorities should be allowing the relevant types of vessels into their ports, albeit with the necessary measures to prevent the spread of the virus, he said.

"If people don't get gas or they don't get LNG, the power plants won't run and the electricity won't be there. Everybody will be much worse off, of course," he said.

MARKETS

China Merchants orders four multipurpose ships and sells three small tankers

CHINA Merchants Energy Shipping has agreed to place nearly $120m worth of orders at an affiliated yard for four multipurpose vessels.

The Shanghai-listed dry bulker and tanker unit of state conglomerate China Merchants Group said in an exchange filing that its subsidiary, Hong Kong Ming Wah Shipping, will order the 62,000 dwt quartet priced at a maximum of $29.7m each, including commissions.

CSC Jinling Shipyard, a subsidiary of China Merchants Heavy Industry, is scheduled to deliver the vessels in 2022.

CMES said the newbuildnigs meet its demand for fleet renewal and will enhance the competitiveness of its dry bulker fleet after delivery.

Meanwhile, the company has also decided to sell three 2013-built 6,300 dwt liquid tankers — *Amazona*, *Armonia* and *Kappa Sea* — for a total of $15m.

The buyers are two bunker companies, controlled by state oil giant Sinopec, which also has a 5% stake in CMES.

CMES said the disposal was part its plan to offload non-core assets and focus on its main businesses.

The state-owned shipping firm runs a fleet of more than 200 vessels, including about 50 very large crude carriers and nearly 30 very large ore carriers.

China Merchants Port warns on weakening economic outlook

CHINA Merchants Port has warned of multiple challenges threatening economic prospects this year as it posted decade-low throughput growth for 2019.

"Looking into 2020, the growth of the global economy is expected to slow down due to the heightening trade barriers, rising geopolitical uncertainties, slow productivity growth, structural problems caused by the ageing population, as well as the impact of the spread of the novel coronavirus pneumonia epidemic worldwide," said the Hong Kong-listed port operator in an exchange filing.

It said the International Monetary Fund was expected to cut its earlier forecast of the world's economic and trade growth having seen the virus turn into a pandemic this month.

The Washington-based organisation publishes its World Economic Outlook Reports every three month. The latest version, in January, projected the global economy will expand by 3.3% in 2020 and 3.4% for 2021.

However, IMF managing director Kristalina Georgieva told reporters last week that "it is now clear that we have entered a recession as bad or worse than in 2009".

Trade growth has already slowed last year, which has been reflected in CM Port's handling results.

Its total container throughput stood at 111.7m teu last year, up 2.4% from 2018 — the softest annual growth since 2009. Meanwhile, bulk cargo throughput slid 10.5% to 449m tonnes.

Several major port and terminal companies in its portfolio, including the Modern Terminals in Hong Kong, Dalian Port Co and Terminal Link SAS, saw volume contract amid the fallout from the Sino-US trade war.

The company recorded a 15.4% increase in net profit to HK$8.4bn ($1.1bn), although a gain of HK$3.3bn was contributed by the disposal of some port assets in Shenzhen to its state conglomerate parent China Merchants Group.

Revenue declined 12.4% to HK$8.9bn, partly due to losses of business in relation to the asset sale.

Nevertheless, CM Port remained confident about China's outlook and the overall container shipping markets.

"It is worth noting that, although the outbreak of the novel coronavirus pneumonia epidemic will bring short-term impact to the Chinese economy, it shall not be overlooked that many production and consumption [operations] may be shifted to other quarters, and that will usually result in a retaliatory rebound of the economy.

"As such, the impact from the epidemic will be limited on the Chinese economy in the mid to long term," the company said.

It added box shipping should benefit from disciplined capacity growth, despite the virus-led decline on the demand side.

It also expected the de-escalation of the US-China trade friction to provide some relief to the market.

The company continues to extend its global reach, having signed a deal to acquire 10 terminals from CMA CGM via Terminal Link, a 51-49 joint venture between the French carrier and the Chinese port giant. The sale of eight terminals completed last week.

Coronavirus: Trucker shortage delaying cargo at Indian ports

A SEVERE shortage of truck drivers in India is forcing ocean carriers and freight forwarders to delay the pick-up of import and export cargoes from key ports, including Jawaharlal Nehru Port Trust.

According to industry participants, the vast majority of truck drivers have not been reporting for work in recent days due to government restrictions on the movement of people as part of the country's 21-day lockdown to combat its coronavirus outbreak.

This is severely cramping import clearance and export intake. It is also resulting in a yard space shortage and long cargo dwell times, especially in major container ports.

Adding to the supply chain issue is the closing of interstate borders, which has also delayed the movement of trucks within the country, an India-based port agent said.

Singapore-headquartered container terminal operator PSA International's Bharat Mumbai Container Terminals, one of five container terminals operating at JNPT, warned customers of import movement delays in an advisory.

"With the coronavirus situation, many users are currently facing difficulties in arranging transport to evacuate containers from our terminal due to a shortage of manpower and resources," PSA said in the statement.

"To assist the trade and end-users, BMCT is extending the free storage period of all import containers, laden and empty, for an additional three days until March 31. We are doing our utmost to keep the trade moving in these difficult and unprecedented times."

BMCT typically extends five free days for imports destined for inland container depots and two days for local cargo.

PSA is likely to announce a similar step shortly at its container terminal in VO Chidambaranar Port Trust, formerly Tuticorin Port Trust, in Tamil Nadu.

Meanwhile, due to the mounting pressure on supply chains and port operations, major ports in India are also planning to declare force majeure.

The Federation of Association of Stevedores has requested all port management to permit only mechanical handling of cargo, thereby making the deployment of labour minimal.

IN OTHER NEWS

Coronavirus: Call for seafarers to be regarded as 'key personnel'

THE UK government has been warned to recognise seafarers as key workers or face "catastrophic global consequences".

Graham Westgarth, chief executive of V.Group, has drawn attention to an aspect of the coronavirus outbreak that seems to have been largely overlooked by governments, the press, and public: the role of the maritime industry in general and seafarers in particular.

"Sadly, the wellbeing of hundreds of thousands of seafarers is currently compromised because they are unable to disembark from vessels at their designated destination upon completion of their contracts," he writes in a letter sent to Lloyd's List and other media. "Most have no choice but to continue working for extended periods of weeks or months."

Asahi to build first battery-powered tankers

ASAHI Tanker, a Japanese chemical and product tanker company, has decided to build two battery-powered vessels.

The vessels, which will have large-capacity lithium-ion batteries, will be the first of their kind with zero emissions, the company said in a statement. They will operate as marine fuel supply vessels in the Tokyo Bay area.

The vessels are being designed by e5 Laboratories and will be completed in 2022 to 2023.

ICTSI warns on lockdowns impact at Manila

THE anti-coronavirus lockdown in Manila — home to the Philippines' main international container port — has started to make its effects felt, with the port's main terminal operator International Container Terminal Services Inc warning that a growing backlog of containers could soon affect port operations.

ICTSI was reported in the Philippines' media as saying that in the period March 1 to 26 there were 8,201 containers that had cleared customs but had not been picked up. Many of these contained food and more than 850 teu comprised reefers.

Executive vice-president Christian Gonzalez appealed to all parties to withdraw their reefers in particular, as well as other cleared cargoes, as soon as possible.

Moscow raises the stakes over US sanctions on oil firm

MOSCOW has taken a bold countermove against Washington's imposition of sanctions on Russia's state-controlled Rosneft oil firm by selling its Venezuelan oil assets to an unnamed entity owned by the government of the Russian Federation.

"Today, Rosneft entered into an agreement with a company 100% owned by the government of the Russian Federation on the sale of shares and termination of its participation in all projects in Venezuela," Rosneft said in a statement on Saturday.

It said the sale included "shares in the production enterprises of Petromonagas, Petroperija, Boqueron, Petromiranda and Petrovictoria, in oil-service enterprises and trading operations".

Classified notices follow