Wednesday April 1, 2020

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Maritime intelligence | informa

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Coronavirus: IMO calls for improved treatment of crews

GOVERNMENTS SHOULD BE facilitating crew changes and should exempt seafarers and maritime personnel from travel bans imposed to prevent the spread of coronavirus, according to the International Maritime Organization.

The global maritime regulator has issued a circular letter to its member states, other UN bodies, non-governmental organisations and intergovernmental organisations, with a set of recommendations to facilitate the continuation of maritime trade.

"Governments and national authorities are strongly encouraged to ensure that all visiting commercial ships continue to have access to berths in port and terminals, and that quarantine restrictions are not imposed on the ship itself which prevent access to a berth and the timely discharge and/or loading of cargoes or other critical activities," the IMO said in a circular seen by Lloyd's List.

The circular came in response to the Group of 20 summit last week, where the world's biggest economies committed to working on facilitating international trade, preventing disruptions to global supply chains and co-ordinating responses "in ways that avoid unnecessary interference with international traffic and trade".

While the IMO issued the circular, it is based on recommendations by 16 global industry associations with consultative status in the IMO that represent seafarers, shipowners, ports, shipmanagers, insurers and other segments.

The IMO said in the circular that seafarers, port workers, port authority and port service personnel, as well as vital ancillary personnel such as pilots, mooring tug and dredger crew, and ship

suppliers, should be considered "key workers" for providing essential services.

Key workers are generally expected to be given exemptions from quarantine restrictions exactly because their professions are necessary for the functioning of a country, its economy and fundamental services.

Certain countries, including Singapore, have prohibited or restricted crew changes in their territories to avoid the potential spread of coronavirus. Shipping companies have halted crew rotations.

The IMO suggested in the circular that professional seafarers and maritime personnel should be exempt from national travel or movement restrictions so that they can leave or join ships.

"Permit professional seafarers and marine personnel to disembark ships in port and transit through their territory (i.e. to an airport) for the purposes of crew changes and repatriation," the IMO recommended.

Nonetheless, ports should have appropriate screening and approval protocols for seafarers that want to disembark ships for the purposes of crew changes and repatriation, it added.

"Consider temporarily restricting shipboard personnel to the ship while in port (except or until the situation permits otherwise) unless disembarking as part of a crew change or to receive emergency medical attention not available on board the ship," the IMO advised.

Ships should also be allowed to undergo the necessary classification and statutory surveys to ensure compliance with maritime regulations, notwithstanding temporary extensions that governments allow.

At the same time, port personnel should limit, as far as possible, the number of interactions with shipboard personnel only to critical and essential ones for the continued operation and supply of the ship.

The International Chamber of Shipping, the world's largest shipowning association and one of the providers of the recommendations to the IMO, welcomed the regulator's response following the G20 summit last week.

"We urgently need governments and administrations to co-ordinate their efforts to provide access to berths in ports, to develop consistent measures to facilitate crew changes in ports, ensure measures are put in place to facilitate port (and related) operations and to ensure that appropriate health protection procedures are made available in ports," ICS secretary-general Guy Platten said in a statement to Lloyd's List.

Governments now need to urgently follow through on the G20 commitment and implement the recommendations of the IMO, Mr Platten added.

WHAT TO WATCH

Coronavirus: Fallout may derail decarbonisation

DECARBONISATION could take a back seat after the coronavirus pandemic is resolved and governments focus on rebuilding their economies, while uncertainty about future regulations is making shipowners "terrified" of ordering new ships.

The effect of the outbreak is being remarkably underplayed and making plans now for decarbonisation agendas may be premature, according to Columbia Shipmanagement chief executive Mark O'Neil.

"I don't think that shipping is in any place yet to decide on a decarbonisation timeframe and alternative fuels until we see what the landscape looks like and the appetite looks like, post this pandemic," he said during a Capital Link webinar panel on decarbonisation on Monday.

The length of time and depth of the downturn created by this pandemic is also being woefully underplayed, said Mr O'Neil, whose firm is the fifth largest shipmanager in the world in terms of vessels managed.

"We are not going to be through this in anytime soon," he said.

"To say that after this pandemic, whenever that might be, we will happily trot along with any

previous plan is woefully underplaying the significance" of the current situation.

Several countries are under state-mandated lockdowns to prevent the spread of the disease and significant economic contraction is anticipated for this year. Several shipping companies have also prohibited scheduled crew changes to prevent contamination.

One of the very few positives of this situation, is that the next generation put the focus on humanitarian, freedom and environmental issues, as people have a lot of time to reflect on what matters to them, Mr O'Neil said, and hence fuel the environmental movement.

He also deemed it to be a "wonderful opportunity" to tear up the old, comparing it with the build-up of the UK's National Health Service, which he said would not have happened without the massive disruption caused by the World War II.

In a similar manner, the current crisis might prompt governments that have set decarbonisation targets for their economies for 2050 to bring their timelines forward.

The reality, however, according to Mr O'Neil is that governments around the world will have to fix broken economies. This will require spending money.

"And is that a time when governments really want to be considering green issues, which cost money, or will they be pushing those issues into the long grass?" he asked.

Less priority

The industry needs a "dose of realism" about how decarbonisation is viewed once the pandemic is over.

"Do we really think, honestly, anyone on this panel, that the latest low sulphur fuel regulations would have come in" post-coronavirus? he asked. "Do we think that the president of the US would have allowed this low sulphur [regulation] to come in? No, is the answer."

President Donald Trump pulled the US out of the 2015 Paris Agreement and the US expressed reservations when the International Maritime Organization adopted its initial greenhouse gas strategy in April 2018.

Mr O'Neil suggested that Mr Trump is unlikely to rebuild the post-coronavirus US economy based on green fundamentals.

"These environmental issues will take a backseat, probably, arguably a necessary backseat, while we reconstruct and regroup and take our business further forward," he said.

Is it the job of regulators to make decarbonisation profitable?

Oil prices have collapsed in recent weeks due to a combination of sluggish demand because of the coronavirus and Saudi Arabia's decision to flood the market with oil after the Organisation of the Petroleum Exporting Countries and Russia failed to agree on oil production cuts earlier this month.

On Monday, oil prices dropped further, reaching 18-year lows. Brent fell to as much as $21.76 per barrel, and then jumped back up to $22.31 later in the day. West Texas Intermediary hit as low of $19.85, before elevating slightly above $20.

Star Bulk president Hamish Norton said low oil prices could benefit efforts to rebuild economies. This would not be viewed as a favourable development for decarbonisation efforts.

"It gives with one hand, it takes with the other," he said.

One of the key drivers of decarbonisation will be making alternative fuels financially attractive compared with fossil fuels, such as oil, for end users and investors. Low oil prices make that a more challenging endeavour.

Decarbonisation has steadily become the largest macro-scale long-term challenge for shipowners over the past couples of years, with the IMO's target of cutting ships' GHG emissions by at least 50% by 2050 compared with 2008 forming the backdrop to the way they have been behaving.

But even without the shock of the coronavirus pandemic, owners continue to struggle with planning ahead when solutions that can decarbonise ships are not available to the market.

Mr Norton said the lack of a clear decarbonisation fuel and technology options for vessels is making it challenging to look ahead.

Frozen orderbook

Mr Norton said the political environment is concerning for shipowners. They fear that ships they order to build today will not be grandfathered from future regulations and may not be legal in 10 years' time, forcing them to scrap them.

"I am terrified about the prospect of ordering ships and all the shipowners I know are terrified," he said.

Mr Norton's alarm echoes that of other prominent shipowners who have warned against ordering new ships on account of their potential obsoletion.

IMO legal affairs director Fred Kenny clarified during the panel discussion that there is a grandfathering clause in IMO environmental regulations that protects existing vessels.

"It has never happened in the history of the organisation where a piece of equipment or technology has been banned outright," he said.

Asked whether shipping companies should be obliged to allocate assets towards meeting decarbonisation goals, Mr Norton said he is "thrilled" to contribute with others in the industry on a level-playing field basis towards decarbonisation research efforts, but insisted shipping companies are not charitable organisations.

"The shipping industry is going to decarbonise because that is in the shipping industry's commercial interest. No one is going to voluntarily reduce their profitability to emit less carbon dioxide. It is the job of regulators of the world to make sure that it is profitable for shipping companies to reduce their carbon emissions," he said.

Coronavirus: Container shipping singled out as weakest segment

CONTAINER shipping shows great uncertainty in the current economic downturn, while crude oil tankers represent the strongest segment, followed by dry bulkers, shipping analysts told a conference on Monday.

In fact, all five sectors of the shipping industry could be undermined if the current downturn in the global economy continues to deepen, according to Stifel Financial Corp managing director Ben Nolan.

"What we really haven't touched on is the possibility that we are in the earlier stages of a global recession or a global depression, and if that's the case, demand for all of these things is going," Mr Nolan told the 14th Annual Capital Link International Shipping Forum.

"I'm not suggesting that that's going to happen," Mr Nolan said, but he noted that we are in "unprecedented times" and it is "probably a little bit naïve" to assume that things are going to "automatically" return to normal.

He expressed concern for container shipping, especially if the industry were to end up with a structural problem — "such as liquidity issues" — with one of the big players in the container shipping market.

Webber Research & Advisory managing partner Michael Webber agreed with that assessment of container shipping, saying that "of all the segments, this is the one I'm most nervous about".

He underlined the issues of liquidity raised by Mr Nolan, saying that "CMA CGM is showing some stress on their balance sheet" and that — "without naming names" — there are "half a dozen companies that are less healthy".

By contrast, the analysts were completely aligned on the strength of the crude oil tanker segment, noting that Saudi Arabia's current oversupply of the oil market is creating relatively sustainable demand and likely to continue.

"You have just a lot more flow, a lot more logistical patterns that are really tying up vessels for much longer," said Omar Nokta, managing director of equity research for Clarksons Platou Securities.

Mr Nokta also noted that we will eventually "transition to a need to store oil at sea as we run out of source space on land. And so we're going to be tying up ships for longer periods just purely from floating".

The analysts did not believe that Saudi Arabia would be curtailing its flow of oil any time soon, but Mr Webber did note that its current rates of production could "really cripple" production from the United States in the next four to six months, taking upwards of 1m barrels per day offline.

"I'm not suggesting that's definitively going to happen, but I do think that it can take a little of the edge out of some of the optimism for the tanker market," he said, noting a potential reduction in the shipping of crude oil from the US Gulf.

Mr Nolan saw a link between crude and product shipping and said both "segments do relatively well in the near term".

But he also noted that the product tanker market is more a function of underlying demand, while the crude tanker market is more a function of underlying supply.

"Right now," he said, "underlying demand is not as good" and "hopefully we get a recovery".

On the question of LNG, the analysts were less clear, noting that only "a handful" of large-scale projects can reasonably be accomplished in the current environment of over-supply, while smaller scale endeavours might have a better chance of success.

The outlook for LNG is a "mixed picture", according to panel moderator Aristides Pittas, chairman and chief executive of Euroseas and Eurodry.

But matters are very different for dry bulk shipping, according to panel members, who noted a coming uptick in demand from China as its shrugs off the worst of the coronavirus outbreak and its factories seek more raw materials.

"It's not sexy per se, like very large crude carriers, where we're talking rates of over $100,000, but dry bulk is on an improving trend," said Mr Nokta.

From the home front: How one shipping leader is adapting to the new normal

JENS Holger Nielsen did not wait for official advice before taking decisive action to ensure his company remains fully functional as the coronavirus pandemic spreads.

While politicians around the world dithered, the group chief executive of Wrist Group started making preparations more than two months ago.

His message to staff is simple: "Our mission, purpose, and obligation is to keep people at sea provisioned and provided with what they need onboard vessels and offshore facilities."

As the world's largest supplier of food provisions and stores for those working at sea, Wrist's priority is to make sure its supply chains remain intact and that there is no, or very little, disruption to deliveries, especially at a time when many are unable to come ashore because of restrictions on crew changes.

Seafarers may be receiving less attention than healthcare workers and others on the front line of treating those infected with coronavirus, but they also are the heroes in this fight to save lives. "We want to be their heroes," says Mr Nielsen.

So as the scale of the outbreak in China became clearer, he began reorganising the company so as to minimise the impact of any staff sickness or mandatory isolation on the business.

"No matter what governments were advising, I said to my management team not to only rely on what politicians were saying, but also on what medical professionals and pandemic experts were saying, and on our own logic, expertise and knowledge," Mr Nielsen recalls.

"And our logic was telling us that in view of the drastic action the Chinese government had to taken, which was much more than during the Sars pandemic, there was no way this was not going to spread globally, so we needed to draw up a contingency plan."

Since then, the group's main divisions Wrist Ship Supply, Garrets for vessel budget management, and Strachans for offshore, have done an enormous amount of preparation work to protect staff, ensure business continuity, and flatten an eventual infection curve.

The first step was to ensure that personnel in different regions would be safe and able to operate. He and the chief financial officer are also currently ensuring they are not working in the same area.

Instructions were issued to employees in Wrist's 30 sites in the US, Europe, Middle East and Asia, to start remote working where possible and in shifts to the extent possible. This is to ensure that as few people as possible would be on the sites at any point in time.

The company also imposed staff travel bans earlier than most companies and started tracking personal movements. Those returning from ski holidays in Italy a few weeks ago were quarantined, for example.

That caused a bit of a stir initially, "but six to 10 days later, they understood," says Mr Nielsen, as the scale of the outbreak in Lombardy became apparent.

Canteens were closed, face-to-face staff meetings were banned, Wrist offices and depots were deep-cleaned, stringent management of anti-infection measures and World Health Organisation

recommendations on personal hygiene imposed. There are also plans in place on how to get people home in the event of a local outbreak and absence of immediate official guidance.

Working from home requires a state-of-the-art Enterprise Resource Planning system, which Wrist says it has, and that makes working from home for office workers almost as effective as being on site. At the same time, it protects the staff remaining at location.

Each day, there is a call in the coronavirus Interaction Group, Wrist's long-established crisis response team consisting of senior officers and support. This group includes input from an epidemiologist, and a business psychologist who is able to provide advice on how to deal with the strain of home working. "Our whole mantra is around protecting our staff, and business continuity, and that is about one objective, making sure we can deliver to people at sea what they need in order to keep going," says Mr Nielsen, who joined Wrist in 2019 from Samskip where he was chief executive.

"Now is the time to prove that we are there for the people at sea."

There was plenty of scepticism at first about whether Wrist's response to coronavirus was too extreme. "When you guys started this eight to 10 weeks ago, we thought you were nuts," Mr Nielsen was hearing from suppliers, clients and even staff. Not any more.

OPINION

Mixed messages for tanker sector

AN OIL price war and coronavirus fallout are dramatically restructuring supply and demand fundamentals for the tanker sector, sending mixed signals about the direction of rates and earnings for the remainder of 2020, *writes Michelle Wiese Bockmann*.

First, oil demand destruction has been swift and unprecedented. The impact on crude tankers that transport about half of the 100m bpd of crude supplied to refineries is uncertain.

Although demand is sharply contracting, Saudi Arabia and other oil producers are flooding the market with crude exports. The only certainty is that there will be a global oversupply of crude and refined products on a scale that cannot yet be fully appreciated.

Second, the frenzied mid-March chartering of very large crude carriers at the highest rates since the Iraqi tanker wars of the 1980s is over.

The panicked fixing that saw rates rise 12-fold in five days was the tanker market equivalent of the toilet roll and hand-sanitiser panic-hoarding that decimated supermarket stocks.

These VLCC rate gains cascaded down to smaller tanker sectors but the ultimate winners with available, positioned tonnage were few in number.

Nine of the 75 VLCCs reported chartered between March 13-23 by commercial tanker pool Tankers International had daily earnings exceeding $200,000. Another 17 were chartered at rates that equated to earnings above $100,000 daily.

The short-lived spike — caused when Saudi shipping company Bahri chartered 25 VLCCs in five days to ship extra crude — saw the 2012-built Sea Splendor earn a record-breaking $370,000 daily for owner Sinochem Corp.

Earnings fell back as quickly as they did in October, when a five-day surge lifted rates to similar headline-grabbing levels on the back of US sanctions on tanker entities of China's Cosco.

Other records have been set for tankers as the pandemic swept across Europe and the US from Asia over March: weekly volumes of tanker forward freight agreements reached the most since the commodities super-cycle 11 years ago; and crude floating storage is now the highest since at least 2009.

Scrubbers redundant

Furthermore, scrubber economics are scuppered, currently rendering billions of dollars invested in the sulphur abatement technology redundant.

The difference in price between compliant 0.5% very-low sulphur fuel oil and 3.5% high-sulphur fuel oil was measured at $65 per tonne in Singapore over late March. The spread had exceeded $300 per tonne at the beginning of the year.

Newbuilding delivery delays are now likely at shipyards. Sale and purchase deals remain

paralysed and scrapping is quickly slowing.

Owners are looking to short-term charters of six to 12 months to provide a floor for both clean and product tanker earnings.

Grounded planes and travel restrictions make it entirely plausible that many of the VLCCs, suezmax and aframax or long range 2 newbuildings entering the market or without employment will be diverted to floating storage for surplus oil and products.

Demand for jet fuel and diesel and other transport fuels that represent 56% of crude consumption is freefalling.

As prices head to the lowest this century, it is now profitable for traders to buy refined products on the physical market, pay for storage on vessels, and take futures positions for later sale at a profit.

Commercial land-based storage is said to be strained but, like refinery utilisation rates, that may better inform tanker demand, current estimates can only be based on assumptions.

It is nigh impossible in such circumstances — never before witnessed by our generation — to say for certain how this will end for tankers.

Each day, estimates are torn up and revised as each new twist of the coronavirus outbreak is revealed.

Mercifully, the fullest picture may only emerge once the worst is over.

ANALYSIS

Coronavirus: Food supply chains under threat from lockdown measures

FREQUENTLY asked questions about the coronavirus pandemic have focused on the number of new cases, the growth of the infection curve and its mortality rate.

But another set of numbers that should be of concern relate to the impact all this will have on the global economic system and that of the world's food supply chains.

"It is still too early for an accurate assessment of the impact of coronavirus on the economy," according to World Food Programme chief economist Arif Husain.

"Too much depends on what is not known — how long the outbreak lasts, how many countries it affects, and the type of policies governments will put in place to respond to the crisis."

What is certain is that an economic downturn is to be expected at the global level, and that this is likely to trickle down to developing economies.

"In these contexts, a slowdown in the economy can exacerbate existing food insecurity," Mr Husain said. "It limits people's ability to access nutritious food in different ways, including through reduced income or increased job insecurity."

In principle, the food and agricultural sector should be less affected than others by the coronavirus outbreak. But illness-related labour shortages, transport interruptions, quarantine measures limiting access to markets and supply chain disruptions could affect this sector as well.

The food and agricultural sector could be affected on both the demand as well as the supply side.

On the demand side, the diminishing purchasing power due to job losses could affect people's diet, resulting in poorer nutrition, while panic purchases of food could impact the supply chain, causing price increases.

"Countries with high levels of food insecurity are generally more vulnerable and less prepared for an epidemic outbreak and would likely see higher mortality rates," Mr Husain said. "In addition, malnutrition increases vulnerability to disease."

On the supply side, the shortage of field workers accompanied by the protectionist measures adopted by national governments (in the form of tariffs and export bans) are the major factors that could provoke food shortages around the world. Lockdown measures are lengthening the journey times associated with all perishable goods, including livestock transportation. This poses concerns for animal welfare.

"The worst that can happen is that governments restrict the flow of food," Mr Husain said.

Kazakhstan, one of the biggest suppliers of wheat flour, has banned exports of flour along with carrots, sugar and potatoes.

Vietnam's customs department seemingly ordered a stop to rice exports on March 24 to protect its domestic food demand.

Serbia has stopped exporting sunflower oil. These are examples reported by Bloomberg and which may become more common in the coming weeks, leading to a food crisis.

Food-insecure and lower-income countries are often based on more labour-intensive production and have a limited level of digitalisation, placing these countries at greater risk of a food shortage.

"In most contexts, the economic consequences of this disease could end up hurting more people than the disease itself," Mr Husain said.

"Think about poor people in many countries who rely on imports for their food and fuel needs and exports of primary commodities to pay for them. For them, the coronavirus-triggered global economic recession will mean considerably more expensive imports and a lot less money through exports."

The question is how to limit the impact on food shortages.

While controlling the infection is challenging, countries have the power to avoid shortages by remaining open to world trade, thereby ensuring the food supply chain is as smooth as it could safely be in the current circumstances.

This situation is driving people to stockpile. This may increase food waste as people buy excessive supplies of fresh food. This, in turn, could amplify the risk of a food crisis.

It is difficult for governments and individuals to act completely in the wider interest. However, the food crisis is an emergency over which we have more control than over the virus itself.

Ask the Analyst: Market shockwaves

LLOYD'S List Intelligence is continuously tracking the impact of coronavirus on the shipping supply chain. It is also assessing the ways in which data can be used to prepare for and react to the risk of short-term tremors and larger shocks to the market.

These market shockwaves occur frequently and typically stem from sudden unforeseen incidents, whether natural disasters or geo-political tensions, resulting in short- to medium-term impacts. Take the bunker price in Fujairah and the global oil markets as an example.

In 2018, Twitter threats delivered intermittently by President Donald Trump relating to US sanctions on Iran prompted concerns about crude supply outages and pushed the price of Fujairah IFO380 from a low of $380 per tonne in January 2018 to above $500 per tonne by early October that year.

The spike was shortlived and the bunker price dropped sharply again. It fluctuated between $340 per tonne and $450 per tonne until September 14, 2019, when Saudi Aramco's oil processing facilities at Abqaiq and Khurais were targeted by drone strikes.

Over the course of a week, the Fujairah IFO380 moved from $380 per tonne to $503 per tonne. The continued US shale boom, however, meant the tremor ebbed out. By November 14, 2019, the average IFO380 price in Fujairah had fallen to $250 per tonne. As of mid-March, this year, it was at $200 per tonne.

These market tremors are keenly watched by Lloyd's List Intelligence's oil and commodities analysts and credit risk team. Fluctuations in bunker prices can be the make or break of a shipping company or refinery's operating profit — and, ultimately, its viability.

Marie Bates, cargo analysis manager at Lloyd's List Intelligence, noted: "Smaller oil companies, typical 'mom and pop shops', still need to pump, even though prices are low and a prolonged period of a plunge in oil prices might mean the end of these, some of which are heavily mortgaged.

"With the current oil price shock and the Organisation of the Petroleum Exporting Countries-plus umbrella group failing to agree on production cuts, this will cause a huge downward trend in the US. And there are questions about how long the US' smaller producers can last." Tracking which of these

companies is at risk of bankruptcy or payment defaults can best be assessed by regular due diligence.

A virus emerging in one of the world's largest trading nations and spreading to become a global pandemic and financial crisis, however, does not impact one market; it affects them all. It is these long-term shocks that demand a comprehensive assessment.

Since the coronavirus outbreak, Lloyd's List Intelligence and Lloyd's List have set up a working group of analysts and journalists to proactively cover how this event will impact the shipping markets, ensuring the right questions are asked and the most appropriate sets of data are collected.

The disruption has seen a period of idle fleet capacity, container backlogs, congestion at storage yards, delays to ship repairs, labour shortages, and the quarantine of crews and passengers.

Coronavirus: Supply chain disruption looms

EUROPE's supply chains and their logistics and freight forwarding suppliers are vulnerable to further disruption and new challenges as the coronavirus and its impact continue to spread, according to logistics consultant Wolfgang Lehmacher.

The situation requires more joined-up thinking and support from governments and a nimbleness among logistics providers, said Mr Lehmacher, the former head of supply chain and transport industries at the World Economic Forum in Geneva and New York. He also predicted some smaller freight forwarders would struggle in the coming months and called on legislators to take a more joined-up approach to transport policy.

Sea freight has faced challenges and volatility in terms of capacity, demand and equipment availability — as well as growing protests that seafarers calling at hub ports are unable to even buy fruit and vegetables, never mind complete scheduled crew changes.

Meanwhile, the flow of cargo on key international trucking lanes has come under new pressures, even within the European Union.

But according to Mr Lehmacher, the biggest threats to global supply chains in the weeks ahead will emerge at distribution centres and last-mile delivery.

"There are two areas of high uncertainty," he said. "First, the warehouses. Second, the pick-up and collect fleet. Plant closures are spreading across Europe. This indicates what may happen with the distribution centres too. Here, the highly automated players have advantages.

"But what if suddenly a number of drivers on the first and last mile become infected? How will consumer fears play out? How will governments ensure continuity of goods supply? This is an area exposed to high-disruption risk."

UK and European forwarders and logistics players are also already warning of issues developing in terms of warehouse and storage capacity, as demand for goods in certain sectors dries up due to the effects of lockdowns in many countries.

Meanwhile, to help businesses keep goods and services flowing by filling shortfalls of staff or identifying vehicles with capacity during the coronavirus pandemic, the UK's Freight Transport Association has launched the #LogisticsHelpsLogistics campaign. More than 150,000 logistics workers and business owners have already engaged with this programme.

More than 700 logistics businesses, all members of the UK's eight major pallet networks that together form the Association of Pallet Networks, have offered to put their combined fleet of 23,500 vehicles at the UK government's disposal for the express distribution of critical emergency and food supplies during the current coronavirus pandemic.

Joined-up thinking

Mr Lehmacher said governments across Europe needed to deploy more joined-up supply chain thinking and policy consistency to keep key logistics arteries functioning.

"The decisions of European governments are strongly influenced by their own concerns and the fears of voters — which is fair, but it does not drive the crafting and implementation of well-balanced measures," he added. "I am not sure whether governments are aligned on the overall strategic approach towards the coronavirus. A well-developed end-to-end view on supply chains is missing."

He also expected some companies to thrive, not least those serving online merchants, which are seeing sales soar. “It depends on their mix and nimbleness,” he said. “Delivering groceries is very different to delivering electronics. Those companies that are flexible in shifting their focus will navigate the crisis. Others will watch their business declining.”

Companies that deal with emergency logistics and transport are also prospering. “Companies will pay whatever it takes to ensure the delivery of their orders,” he added.

Some UK and European forwarders are already reporting huge changes in demand patterns in the past few weeks. This is significantly affecting their businesses and forcing them to adapt. For example, there has been a sharp drop in orders for certain imported commodities usually shipped by ocean, along with a big uptick in urgently needed medical supplies that need to be imported by air.

In addition, Mr Lehmacher expects the largest forwarders equipped with cash and leverage to take advantage of shortages by offering expensive bridging solutions, including freighter services — as some are already doing.

“The leading players have offered emergency hotlines. They want to reassure customers about their ability to service them during these more complex times,” he said. “Nowadays, everyone is close to their customers. Some are thinking about ways to keep their smaller suppliers and partners alive.”

Mr Lehmacher expects the impact of the coronavirus epidemic on the airline industry to be profound, as is already becoming clear. He believes smaller forwarders are being pushed out of the air cargo business as demand for certain cargo movements soars.

“Freighter operations will benefit, while passenger airlines will be hit in an unprecedented way,” he said. “But the freighters come at high cost — unaffordable for most of the smaller forwarders. We can expect bankruptcies. These will not be limited to small players. Governments need to act speedily, smartly and wisely to keep the critical logistics sector alive.”

MARKETS

Cosco energy shipping arm in upbeat mood as continued oil war lifts tanker rates higher

COSCO Shipping Energy Transportation has expressed optimism about the crude tanker market, where bullish sentiment is reigniting.

Very large crude carrier owners are one of the main beneficiaries of the current confrontation between Saudi Arab and Russia, with the oversupply of low-priced oil pushing up freight rates.

Thanks to the previous US sanctions on one of its tanker units, about 85% of CSET’s VLCC fleet — some 50 units — are deployed on the spot market but are now striking good deals amid sizzling rates, according to the company’s management speaking at a results conference call with analysts on Tuesday.

On Monday, one of the owner’s VLCCs, the 2017-built Cosdignity Lake, was reported by brokers to have been fixed by Core Petroleum at a rate of more than $200,000 per day for a voyage to Singapore from Brazil. The vessel will load its 260,000 tonne cargo from April 5.

Its sister ship Cosgrand Lake was recently reportedly chartered by Aramco Trading Co for floating storage as the Saudi Arabian oil trader’s land-based storage capacity fills up.

The buoyant tanker rates will ensure the company will at least have a decent second quarter, said CSET chief financial officer Xiang Yongmin.

How long this market frenzy would last was difficult to predict because the variables were just too many, Mr Xiang added.

Analysts and brokers think more traders hiring VLCCs for floating storage in anticipation of gains from a future rise in oil prices is a main driver behind the latest surge in tanker earnings. The key question is when the oil price war will end, which is still anyone’s guess.

“Provided that the major oil-producing countries continue to increase production, the international oil shipping market might see the tanker demand

propelled by the increase in cargo volumes in the following period, CSET said in its annual results statement.

"If oil supply continues to exceed consumption, crude oil inventories are expected to increase; when oil prices restore to a higher level, the oil trade might experience the "de-stocking" phase, which is likely to temporarily weaken the transportation demand."

Other views suggested the global economy being crippled by the coronavirus pandemic will lead to weak demand for crude oil and eventually depress tanker shipping.

Still, Mr Xiang pointed out that the market fundamentals this year will be better than 2019 with expectations of a sharp decline in newbuilding deliveries and at the same time a ramp-up in scrapping of old tonnage.

According to Lloyd's List Intelligence data, last year saw a total of 68 new VLCCs hit the water, whereas only 35 VLCCs are scheduled for delivery this year, while about 23% of the existing fleet is at or above 15 years old.

In addition, the virus outbreak has prolonged the process of scrubber installation, while some ports, such as those in India, have subjected vessels from overseas to a 14-day quarantine period. These factors will further stretch ship supply.

"There are negative factors like the economic slowdown. But there are also many positive elements," said Mr Xiang.

He further argued that the Phase One trade deal between the world's two largest economies had also paved the way for China to import more energy products from the US.

In addition to crude oil, he said his company was also keeping an eye on new projects involving clean energy, including liquefied natural gas and ethane.

CSET and its partners own a live LNG carrier fleet of 36 ships, with the remaining two on order to be delivered this year. All vessels are backed by long-term contracts.

Mr Xiang said his company was in talks with customers on a string of new projects, such as LNG export opportunities in Qatar and Mozambique.

Shanghai- and Hong Kong-listed CSET recorded a 310% surge year-on-year in net profits to Yuan431.6m ($60.8m) for 2019 while revenue expanded by 13% to Yuan13.9bn

However, it sustained a net loss of Yuan151.2m in the fourth quarter due to the previous US sanctions, which froze about half of its VLCC fleet.

Euronav flags bunkers writedown as coronavirus derails hedging strategy

EURONAV has flagged a significant writedown in May this year when the tanker owner releases its first quarter results as tumbling fuel oil prices have derailed the physical hedging programme it launched in 2019 to ensure a secure supply of low-sulphur marine bunkers.

Compliant fuel oil prices in Singapore are 278% lower than January's levels, leaving Euronav on the wrong side of its risk management strategy.

That strategy centred on the purchase and storage of compliant bunkers in mid-2019 ahead of the global regulatory switch to lower-sulphur fuel, anticipating volatile and uncertain supplies for the Euronav fleet.

The Antwerp-headquartered owner and operator of 76 very large crude carriers and suezmax tankers said last September that it borrowed some $100m to finance the $200m purchase of 2020-compliant fuel oil.

The purchase price averaged $447 per tonne for some 420,000 tonnes of marine fuel. The fuel was stored on its ultra-large crude carrier Oceania and positioned off Malaysia in floating storage to supply the Euronav fleet.

Plunging oil prices amid the coronavirus outbreak, accompanied by abundant very low sulphur fuel oil supplies, has left the price for 0.5% compliant fuel assessed at below $234.75 per tonne this month, from as high as $653.75 per tonne on January 6, according to Argus Media.

"The low sulphur fuel oil purchased by Euronav last year in anticipation of IMO 2020 price volatility — and which has not been consumed yet — will be subject to a mark to market valuation at the end of

the first quarter and will lead to a writedown as the current market is significantly below the acquisition cost," the company said in its annual report released today.

Euronav was using cheaper feedstock from buying low-sulphur fuel oil on the open market, it said in a statement.

The company, which reports first-quarter results in May, said it was "too early" to quantify the impact due to the coronavirus outbreak on future results, adding that any forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks related to the outbreak.

"The large tanker market has been boosted by the move from Saudi Arabia to unilaterally increase oil supply, which will underpin freight rates for much of 2020," the statement added. "However, the duration and scale of the impact from economic dislocation from coronavirus will be a key driver of tanker markets for the remainder of 2020."

Global crude demand is estimated to have fallen by 20%, or 20m barrels per day over March and April, equivalent to an average 5m bpd decline more than 2020. About half of the 100m bpd of crude supplied is shipped in tankers, with VLCCs transporting about 42% of these volumes.

Saudi Arabia's pledge to flood the market with crude as demand plunges on an unprecedented scale has reignited a rally in crude tanker rates amid a flurry of fixtures for floating storage as land-based storage capacity is strained. Baltic Exchange VLCC rates were assessed at a time-charter equivalent of $198,583 per day on March 30, doubling in just over four days.

Global LPG demand to take a hit as coronavirus spreads

DEMAND growth this year has been slashed for the liquefied petroleum gas sector as economic activity around the world slows due to the coronavirus pandemic, according to Poten & Partners, which has made further downward revisions to estimates.

According to LPG senior analyst Zahid Afzal, Chinese demand will come in at about 62.3m tonnes, down from 62.5m tonnes in last month's forecast, while imports will fall to about 24.3m tonnes from 24.7m tonnes. In January, the forecasts were 64.6m tonnes and 26.3m tonnes, respectively.

Smaller revisions were made to Asia Pacific as demand for cooking fuel continues, he added. Imports into the region will hold between 72m and 73m tonnes.

Indeed, India's demand is expected to rise, with imports at 15.1m tonnes, a 2% upward revision from the consultancy's February forecast.

However, demand in Europe and the Mediterranean sees further falls to slightly less than 47m tonnes this year, with imports dropping to 28.6m tonnes, according to the Poten analyst.

Meanwhile, US LPG production growth is expected to slow due to low oil prices, he said, resulting in fewer exports than previously estimated, even into 2021.

Recovery overall will be slow, he added.

Despite the short-term headwinds that will see lower growth than otherwise expected, global seaborne trade is still expected to increase, at 8% this year to 117m tonnes versus 2019, with a further 5% gain to 122m tonnes in 2021.

Only a prolonged downturn in oil prices could impact the market further, Mr Afzal said.

The long-term fundamentals of the sector were "music to the ears" of Exmar's executive director for shipping Jens Ismar, who was participating in the Capital Link panel discussing the outlook and trends for the sector. His fleet was largely booked for this year.

Other owners such as Avance Gas and Dorian LPG said they could mitigate any short-term demand shocks with strong balance sheets.

Dorian LPG chief executive John Lycouris said he had seen a lot of activity in the spot and period markets, with some cargoes starting to make their way to China from the US.

Looking at the share prices across the board, no impact has been seen, as long-term fundamentals still look positive, according to Avance Gas' chief executive Ulrik Andersen. Some of his fleet were booked out at $40,000 per day.

LNG market gets fillip from low gas prices and floating storage contracts

LOW liquefied natural gas prices and demand for floating storage may buoy the LNG carrier market for a good while, according to leading pundits from the sector.

"There has been a big spike in floating storage, from zero ships to about 25 ships and at significant freight rates," said Oystein Kalleklev, chief executive of Flex LNG. "It has been strengthening in the last two to three weeks," he told the Capital Link International Shipping Forum, held online rather than in New York because of the coronavirus pandemic.

"We will be drowning in a lot of cheap LNG and that is going to create demand," he said.

Mr Kalleklev said the low price of oil had fed into gas contract prices, meaning "the whole LNG market will be in contango", which would benefit shipping.

"Right now, LNG is cheaper than coal," he added. With coronavirus shaping global health policies, it was likely that cheap gas would increasingly be preferred to burning coal during the current crisis. "This will also increase demand," he said.

Another participant in the LNG session, Jefferson Clarke, managing director for LNG at Poten & Partners, also saw heightened market activity.

"We clearly see floating storage as a safety valve for the LNG market for the next few weeks and maybe for the next few months," he said.

Poten calculates floating storage through looking at the percentage of monthly imports represented by LNG "on the water".

By this measure, the amount of LNG on the water had hit "historical lows" of 37% in February, compared with 68% back in October last year.

"But we are seeing that coming up again as fleet speed drops. This is going to be good for LNG," said Mr Clarke.

Energy majors that not long ago had been looking to sub-let vessels in the market were now a source of new fixtures.

"We are looking at availability shrinking very rapidly," said Mr Clarke. "A lot of charters are playing it very conservative. Charterers want to make sure they have enough ships for the winter, which requires them to take vessels now on six- to 12-month charters.

Mark Kremin, president and chief executive of Teekay Gas Group, also testified to a surge in chartering.

"Traders and utilities see immediate demand," he said, adding that the impact on the LNG sector so far from coronavirus had been more on expenses and crew conditions rather than on the revenue side.

"We have not seen any sign that charterers will seek to renegotiate or cancel," he said.

Under standard LNG time charters, there were either no force majeure clauses or incidents would have to last for 12 months or more.

On the other hand, relieving crews was proving to be "pretty near impossible now," said Mr Kremin.

The effective isolation of crews had a positive aspect in helping to "harden" the vessels against infection in the short-term.

"We have stocked up [with fresh provisions] and maybe it's the best place for these guys at the moment, but after some time it's going to be a problem," he said.

Mr Kremin called for an "industry-wide" push at NGO or governmental level to assist crew replacements and travel.

Rising LPG demand in India to boost spot rates

INDIA's liquefied petroleum gas demand is set to surge, lending support to shipping demand and spot rates as the 21-day nationwide lockdown triggers demand for cooking gas.

The Indian government last week announced free

cooking gas cylinders to 80m citizens of the country as part of the government's relief package aimed at mitigating the economic impact of the lockdown imposed in the wake of the coronavirus outbreak.

What is more, the mandatory nationwide lockdown has resulted in an unexpected increase in demand for LPG cooking gas cylinders as people are cooking more at home while remaining indoors.

However, the demand surge coincides with lower crude processing by refiners hit by collapsing local fuel demand, forcing them to import from other sources.

Hindustan Petroleum Corporation is already looking for six spot cargoes after the government announced the distribution of free LPG to underprivileged families, an India-based trader said.

The oil and natural gas company issued a buy tender on Monday seeking 245,000 metric tonnes of LPG to be delivered in early April to May — an amount that is equivalent to about 20% of India's average monthly imports.

HPCL is seeking two 45,000 tonnes evenly split parcels to be delivered to Visakhapatnam and Haldia between April 8-May 8, and another two 45,000 tonnes to Mangalore with Haldia and Mundra as second port of discharge, between April 1-May 5, respectively.

A further 45,000 metric tonnes and 20,000 metric tonnes were sought for delivery to Mangalore on April 1-May 5, according to the tender document.

The surge in incremental demand from India could support the market, together with refinery run cuts that are being made as more than 80% of the domestic LPG production comes from refineries.

India looks like it will need to rely on the Middle East to provide a supply of the fuel in the next few weeks to meet local demand.

Around 94% of total LPG imports into India came from the Middle East in 2019 and only 4% from the United States.

Meanwhile, Indonesia's state-owned oil company Pertamina is also actively seeking spot cargoes and issued a fresh buy tender seeking two evenly-split cargoes to be delivered in the second half of April and May on Monday, according to sources.

IN OTHER NEWS

Coronavirus: Cosco Shipping expects more blank sailings

COSCO Shipping Holdings forecasts more blank sailings and perhaps even the redelivery of chartered vessels by liner shipping carriers should the coronavirus-led demand shortfall deteriorate.

The company's deputy head Chen Shuai said that cargo volume had rebounded from the beginning of March after China re-opened it factories, but then began to recede two weeks ago as the virus turned into a global pandemic.

"From what our shipper clients have told us, the following impact on demand could be quite significant," Mr Chen told analysts during a results conference call.

Tanker owners see oil oversupply boosting rates

THE oil tanker market is currently in a strong position due to the oversupply of petroleum created by demand destruction from the impact of the coronavirus outbreak and by ramped-up production from Saudi Arabia, a conference has been told.

"The cheaper the product we carry, the more demand there is for that product, and right now we are experiencing one of the strongest markets over the last 10 years or more," Tsakos Energy Navigation chief executive Nikos Tsakos told the 14th Annual Capital Link International Shipping Forum.

"The contango that we're seeing is one of the largest in recent memory," he said, adding that "we are expecting to see at these prices more storage, which will keep ships out of the market, keep the market strong".

Alternative financing is still available — at a price

THE steady withdrawal of traditional bank lenders from the shipping market in recent years has opened the door for providers of alternative financing.

However, speakers at this week's Capital Link Forum stressed that the coronavirus outbreak has given the market, and therefore the appetite for lending, a severe jolt.

Speaking — via video link — on the Alternative Finance panel session, Ole Hjertaker, chief

executive of New York Stock Exchange-listed shipowner SFL Corp, said the health crisis would drive a huge flow of funding from risk towards stability.

Coronavirus: LNG price collapse spurred by India lockdown

LIQUEFIED natural gas prices for trades done in Europe and Asia have collapsed, reflecting demand disruption caused by the coronavirus lockdown across the two regions.

S&P Global Platts, the energy and commodity pricing agency, assessed the JKM price at $2.797 per million British thermal units, down from about $3.50 per mmBtu seen at the start of the week.

Europe LNG import prices also fell to below $2 per mmBtu last week, data from Platts showed.

Citgo held liable for costs of 2004 oil spill in US

CITGO Petroleum Corporation is liable for a 2004 oil spill in the Delaware River and must repay most of the $133m cleanup costs, the US Supreme Court ruled on Monday.

In a 7-2 opinion written by Justice Sonya Sotomayor, the high court ruled that the language of the safe-berth clause in the voyage charter at issue establishes a warrant of safety.

The *Athos I*, owned by Frascati Shipping Company, hit several submerged objects in the Delaware River while preparing to dock at a refinery in Paulsboro, New Jersey.

Coronavirus: Greece acts to prop up ferry sector

GREECE has introduced a raft of emergency measures to shore up its domestic ferry services against the impact of the coronavirus pandemic.

The ministry of shipping and island policy has estimated that the sector stands to lose 50% of its passenger traffic and 40% of freight this year.

Over the next two months, the authorities are expecting a "vertical drop" of about 90% due to Greece's enforced social distancing and travel restrictions aimed at curbing the spread of the virus.

Decarbonisation initiatives launched in Singapore

COMPANIES in Singapore and Japanese have tied up to tap the potential of emerging low-carbon alternatives to power Singapore's energy future.

Singapore companies PSA Corporation, Jurong Port, City Gas, Sembcorp Industries, Singapore LNG Corporation have signed an agreement with Japan's Chiyoda Corp and Mitsubishi Corp to develop ways to utilise hydrogen as a green energy source, including research and development of technologies related to the importation, transportation and storage of hydrogen.

Working closely with Mitsubishi subsidiary Chiyoda, a key technology and supply chain solution partner, the companies will identify and demonstrate use cases using Chiyoda's SPERA Hydrogen, Liquid Organic Hydrogen Carrier (LOHC) technology to allow hydrogen to be safely transported in chemical tankers at normal atmospheric temperature and pressure.

Shell exits from Lake Charles LNG

SHELL, the energy giant with the largest liquefied natural gas portfolio, has pulled out of a project proposing the conversion of an existing import facility into an export facility in the US Lake Charles area.

Maarten Wetselaar, who heads up Shell's integrated gas and new energies division, said: "Whilst we continue to believe in the long-term viability and advantages of the project, the time is not right for Shell to invest."

This came after the energy giant announced last week it would cut spending by $5bn to $20bn or below. It cited a collapse in oil prices for the spending cuts though prices for LNG have also fallen through the floor.

TOP Ships stock price soars after share issue end and tanker sales

TOP Ships shares spiked in New York in Monday trading after the Greece-based owner provided updates on the sale of two joint venture medium range tankers and announced the end of an equity distribution deal.

The company's share price closed at $0.54, an increase of 130% in the day. The stock had also been a major gainer at the end of last week.

Both of the 50,000 dwt tankers were built at Hyundai Vinashin in 2018 and are jointly owned with Gunvor Group.

Yang Ming aiming to better deploy vessels

TAIWANESE line Yang Ming Marine Transport expects to make better use of its participation in The Alliance in the year ahead as it leverages on the addition of new partner HMM to the grouping.

With the South Korean carrier's

participation assured through 2030, Yang Ming said it could upgrade its services through better vessel deployment and rationalised port rotations, while improving transit times to facilitate the optimisation of its service network.

Yang Ming also said it would aim to increase margins per container by redeploying capacity. Its intra-Asia capacity will be redeployed on long-haul services to enhance slot utilisation, and cargo structure will be adjusted in response to market changes.

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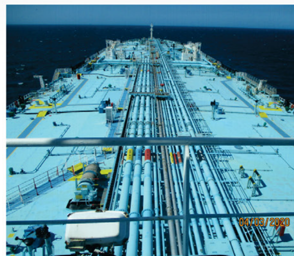

High Court of South Africa, Kwazulu-Natal Local Division: Durban, **Case number A98/2019**

Crude Oil Tanker **"ADVANTAGE SKY"** ON AUCTION **6 APRIL 2020**

at Webber Wentzel 15th Floor, Heerengracht, Cape Town, RSA

Type: Crude Oil Tanker
Name: ADVANTAGE SKY
Built: Jiangsu Ronsheng Heavy Ind Group, China
Currently: Durban

IMO: 9419888
Built: 2010
Flag: Marshall Islands
Call sign: V7KZ2
Official No: 6197

DWT: 156,658 t
GRT/ NRT: 83,805 t / 49, 031 t
Current draught: 8.7m
LOA: 274m
Width: 48.03m

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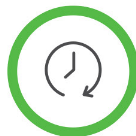

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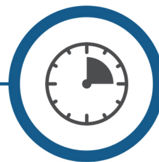

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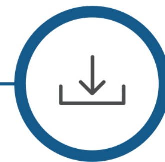

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