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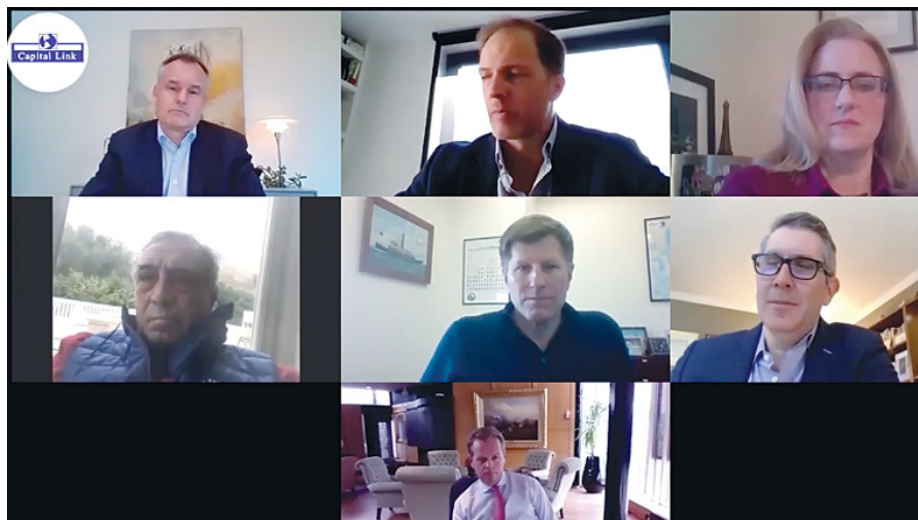
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Tanker fleet sees 'once-in-a-generation' opportunities from oil demand shock



CURRENT TANKER MARKET conditions represent a “once-in-a-generation” opportunity for owners and operators, according to Robert MacLeod, chief executive of New York-listed Frontline.

With oil demand destruction “on an unprecedented scale”, land-based inventories are filling up five times faster than in 2015 — the last time crude and product tanker rates were buoyed as oil traders turned to storing oil on ship at sea, he said. Frontline has a fleet of some 60 tankers, and is owned by the Norwegian-born shipping billionaire John Fredriksen.

Mr MacLeod estimated the world was oversupplied with oil by about 20m barrels per day, while available commercial land-based storage globally was about 300m barrels. He warned that oil production “could not be turned off like a garden tap”.

“The storage is really kicking off, and this is about to change this market and change 2020 completely,” Mr MacLeod said.

Mr MacLeod joined four chief executives from some of the world's largest listed tanker companies, as well as the privately held Ridgebury Tankers, to discuss industry fundamentals at the Capital Link institutional investors seminar this week.

The annual event is normally held in New York, but this year was organised online, bringing together the six industry leaders speaking from their homes in Greece, the US, Canada and Norway.

Euronav chief executive Hugo de Stoop said very large crude carriers on the spot market were fetching between \$100,000 and \$120,000 dollars per day and he agreed land storage was limited to 300m barrels. “But whether it is filling up at 10m or 20m bpd, the real number is very difficult to assess,” he told the forum.

Mr de Stoop said he had received approaches to charter some of Euronav’s 41 VLCCs with offers in the range of \$70,000 to \$85,000 or \$90,000 daily for periods of six to eight months.

“This will be beneficial for the spot market because it will restrict the supply of vessels,” Mr de Stoop said. “Plus the first ships taken for storage are usually the old ones, and when they are released from storage work, they normally face a drydock. When they are released it’s because the world is in a different place, and the world is starting to consume all the oil that has been stored, which means our rates may go down.”

However, these older ships will likely be scrapped after ending floating storage. This will be at the same time that there will be a slowdown in new tankers entering the market because very few newbuilding orders are being made at the moment, he added.

“The future is very bright — people are scared about the amount of oil that is being stored at the moment... but the market should try to find comfort in the fact that when the ships [used for floating storage] return to the market, there is enough remedy to have a normal market as quickly as possible.”

Teekay Tankers’ president, director and chief executive Kenneth Hvide said the first tanker trade flows affected by the oil price wars and demand shock would be crude exports from the US Gulf.

Teekay, which owns and operates mid-sized aframax and suezmax tankers, has benefited from the rising Atlantic trade generated since 2016 when the US removed crude export restrictions.

The oil price war between Saudi Arabia and Russia that has helped prices plunge to 18-year lows alongside collapsing demand will hurt higher-cost US shale producers hardest, he forecast. US Gulf exports of shale have gained four-fold over four years to exceed 3.5m bpd, with markets to Asia boosting demand for VLCCs.

“US shale is the incremental barrels and these will probably disappear first, he said. “In that scenario we can definitely see a lot more short-haul movement which is going on which is not great for tonne-miles. But on the other hand you see a lot of trading on the smaller, medium sized vessels... and that trade lane could be restarted again.”

This is the third time in 11 years in which a protracted oil market contango — when the future price is higher than the spot price — has promoted floating storage at significant levels. As well as in 2015, some 50 to 60 VLCCs were hired for floating storage in a very short period following the global financial recession of 2009.

“It’s very odd that we’re benefiting from a demand destruction scenario,” said Ridgebury Tankers chief executive Robert Burke. “There will be great times ahead for the next few months and even a year.”

Some 21 very large crude carriers were chartered for six-month periods from March 13-27, with nine specifically listing the tankers were designated for floating storage, shipbrokers reported. They will be added to existing crude storage, already at near-record levels of 127m barrels on 84 tankers, according to Lloyd’s List Intelligence data.

WHAT TO WATCH

MSC prepares to store cargoes at transshipment hubs

MEDITERRANEAN Shipping Co is responding to falling demand and congested supply chains by offering a ‘suspension of transit’ service to customers exporting from China.

The suspension of transit programme will allow shippers to store containers at a number of transshipment hubs across Asia, the Middle East,

Europe and the Americas in order to avoid higher storage charges at ports of discharge. This will help customers to bring their goods closer to their final destination.

“China has shown signs of recovery with factories restarting production,” MSC said in a statement.

“The programme builds on MSC’s ongoing efforts to ensure business continuity and the maintenance of vital container carriage services, such as the movement of food, fresh produce, medical equipment and other essential goods. The new suspension of transit initiative is focused in particular on a resumption of demand of a wide variety of goods from Asia.”

While “positive signs of recovery” had begun to emerge in Asia and factories had restarted production, major ports of destination may still not be ready to discharge containers, MSC said.

The programme will fulfil the resuming demand for raw materials and finished products from Asia by providing yard storage at major strategic points around the world, including Bremerhaven in

BIMCO urges stimulus measures to keep shipping afloat

SHIPPING association BIMCO has called for governments to introduce stimulus measures to prop up economies so that the industry can survive the coronavirus outbreak.

“It is absolutely necessary,” the association’s chief shipping analyst Peter Sand told the Capital Link International Shipping Forum. “If not, there will be widespread unemployment and bankruptcies, which will result in severe global recession.”

He said global gross domestic product had declined to the lowest since 2009, and the seaborne trade/GDP multiplier was below 0.5 for the first time.

The \$2trn offered by the US administration was “not enough to deal with this crisis” and would only last a month or so, he said.

Germany, Busan in South Korea, King Abdullah Port in Saudi Arabia, Lome in Togo, Rodman PSA Panama International Terminal in Panama, and Tekirdag Asyaport in Turkey.

MSC said it would help customers control costs by avoiding expensive warehousing, demurrage and per diem costs.

“It will also free up space at origin factories and warehouses and avoid excess inventory at site, bringing cargo closer to destination markets and alleviating the risk of congestion or closure at ports of discharge,” MSC said.

When operations at destination countries resumed, cargoes would be closer to where they were needed, it added.

Mr Sand predicted that the container sector and dry bulk market could end up being loss-making this year.

“Rolling back globalisation is not the answer to this crisis,” he said. Keeping ports and terminals open was critical.

For example, ports in South America during what was expected to be a strong grains export season were reopened, as food and animal feed need to continue.

There may be a solid recovery in 2021, but for now, a global recession would make this difficult, Mr Sand said.

OPINION

Cash remains king in the coronavirus era

IF anything served to illustrate the new normal of life as we all shelter in place to avoid the ravages of the coronavirus, it was the last question and answer period of the 14th Annual Capital Link International Shipping Forum, *writes Eric Watkins*.

Hosted by two of the most eminent men in shipping, Robert Bugbee, president of Scorpio Tankers, and Hamish Norton of the Star Bulk Group, this

session was designed to be somewhat unstructured as shown by its title: “Fire away — ask Robert Bugbee and Hamish Norton anything”.

And somewhat unstructured it was as both men relaxed before their computer screens at home and focused on the welter of questions fired at them by an audience of eager participants, most of them also at home, perhaps even in their pajamas.

Mr Bugbee was seated at his kitchen table and occasionally began to look a bit stressed as family members wandered unconcernedly in view of the screen, heading for the refrigerator or banging the occasional knife and fork in the background.

“So, salami, cucumbers and cheese?” someone asked in Mr Bugbee’s kitchen as he was speaking. “Yeah,” came the answer of a small child, unaware of the “serious business” being conducted in another part of the kitchen before untold numbers of eyes glued to computer screens thousands of miles away.

Mr Norton suppressed a smile, and there must have been one or two delighted smiles on the faces of other viewers, too, as normal family life intruded into the serious atmosphere of shipping in the era of coronavirus. Although, perhaps, it was actually the serious atmosphere of shipping that was doing the intruding.

Robert Bugbee and Hamish Norton are two pillars of the international shipping community. They easily could have remained very formal, very distant in this Q&A session. But they didn’t. They relaxed and showed how to do business in the new normal.

It is a testament to these two gentlemen that they left their suits on hangers, forgot their ties and loosened their collars as they invited us into their homes to field questions from afar in this new normal. And the questions were interesting, too.

Mr Norton took off with one about the virtues of slow steaming in connection with decarbonisation, saying that “my view is that slow steaming is probably the only thing that will have really some impact on decarbonising in the near term”.

“Given that ships burn fuel in proportion to the cube of the speed that they’re travelling, a 10% reduction in speed is more or less a 30% reduction in fuel burn per day,” he said.

“You know, a 20% reduction in speed is a huge reduction in fuel,” he said, adding that “it is something I think we’re going to be doing”.

Staying on the theme of fuels, Mr Norton considered a question of whether it might have been better if the International Maritime Organization had mandated for everyone to use compliant fuel rather than allow both high- and low-sulphur fuels.

Mr Norton said the IMO had “obviously” thought of this question and what they determined was that if you didn’t allow heavy fuel oil to be burned with

scrubbers there might not be enough oil to fuel the marine fleet when the low-sulphur mandate came into effect.

So, he said, “scrubbers actually were a necessary part of any transition to a low-sulphur regime”.

Asked which of the shipping sectors is most likely to be adversely affected by the current pandemic, Mr Norton had no hesitation: “You know, I’m a pretty clear that the container shipping sector is the one that’s suffering the most damage from coronavirus.”

In his view, commodity transportation seems to be suffering “a lot less” during this pandemic. “The best strategy to assure a business continuity is to be shipping dry bulk or oil or products.”

Still, neither man is resting easy in their shipping of commodities. They both recognise the seriousness of the current situation and the need to defer speculation in favour of practicality and prudence when it comes to business decisions.

Asked about buybacks in the current environment, Mr Norton was emphatic.

“I would love to have the dry powder to buy up every share I could at these prices”, he said. “But the fact is in this economic climate, we are doing everything we can to increase our cash balance and protect our cash because we might need it.”

Mr Bugbee agreed. “Yeah. I think it’s the same. I think we’re very similar Hamish. I think our first task in this market is to make sure we [look out as] well as we can for the safety of our crew and our shore personnel and the safe operation of the ships.”

Right now, he said, the important thing is not to do anything other than “take in cash” since we can think about maximising value at a “later date”.

“The best way to achieve long-term value right now is to focus on getting the actual operation correct and taking the cash in,” he said, repeating for emphasis that “we’ll have plenty of opportunities later for the maximisation of value”.

That was sound practical advice and it seemed all the sounder for its informal setting — a reminder that we are hunkering down for the duration but that, none the less, we all are seriously planning for — and on — a future beyond the pandemic.

In the new normal, it seemed perfectly appropriate for salami, cheese and cucumbers to mix with serious

shipping business. It was, perhaps, a reminder of what the serious shipping business is all for.

This Q&A was as much about atmosphere as it was about answers. Anyone could see that these

shipping magnates were sheltering in at home just like the rest of us, but still doing their best to negotiate the coming storm. And they gave practical advice on how to do that: Cash is king.

ANALYSIS

Shipping in the crosshairs of the EU emission strategy

DURING a panel discussion last year on decarbonisation of the shipping industry, officials representing two different countries were asked if governments were at all considering what the 2023 revision of the International Maritime Organization's initial greenhouse gas emission strategy would look like.

They appeared almost bemused by the question. Their message was clear: the focus was on delivering short-term GHG reduction measures, as per the agreed timeline.

A few weeks after that event in November 2019, European Commission president Ursula von der Leyen announced a plan to regulate international shipping emissions and include it in the European Union's cap and trade scheme, the Emissions Trading System, a move that will alter the maritime decarbonisation debate as we know it.

Today it appears that what happens in 2023 on the global level will be largely affected by what happens before then on the European level.

And what will most likely happen on the European level until then are controls on carbon emissions that extend beyond European shipping companies, EU-flagged vessels and intra-EU voyages

Despite not being the world's growth engine, the significance of the EU in global trade — and thus vessels voyaging around the world — cannot be understated.

In 2018, the EU accounted for 15.2%, or €1.96trn (\$2.12trn) and 15.6%, or €1.98trn, of global imports and exports respectively. That includes the UK, which could be subject to future EU emissions rules, depending on the kind of post-Brexit deal the country makes — or does not make — with the bloc over the next few months.

The EU also had 14 container ports among the world's 100 biggest in 2018, accounting for over 65m teu. Another three ports were in the UK.

Almost 12,000 vessels of 5,000 gt and above used EU ports in 2018, emitting 140.9m tonnes of CO₂ during their port stays and EU-related voyages, according to data from the EU's Monitoring, Reporting and Verification system from March 22.

Containerships accounted for the most emissions in EU ports in 2018, despite being the third-largest segment to use EU ports.

Bulkers and oil tankers represented just under half of the vessels that called at EU ports.

The MRV database is no doubt a useful tool and will be the foundation for future EU regulations. Yet it also continues to be plagued by problems. Despite companies being obliged to report their data by April 30, 2019, the list continues to be updated daily.

Meanwhile, certain data for various parts is missing. In other cases, the variation in the data among similar vessels seems improbable or is outright impossible; at least 20 vessels spent more than a year at sea during 2018, according to the MRV database.

If the EU wants to regulate shipping emissions and be convincing that it can do so effectively, it will have to rectify these shortcomings of the MRV database. Such changes are indeed in motion.

Greens MEP Jutta Paulus has taken the mantle on maritime emissions for the European Parliament, producing a thorough proposal for all ships under the MRV to reduce their carbon intensity by at least 40% by 2030 and forcing them to contribute to a European maritime decarbonisation fund.

The Directorate-General for Climate Action, responsible for the ETS, will lead the work on the commission's part and the pressure will be on it to implement Ms von der Leyen's vision.

However, the transport and mobility directorate-general will also play an important role and this may be significant. Staffed by people who have long been familiar with the maritime sector, DG Move's contributions could prove vital.

Ms Paulus' proposal suggested that regulations will go through reviews and stakeholders will have a chance to chime in. Where the shipping industry can have an impact is in the final layout of the rules.

One of the most important points that will need to be addressed clearly is how any new regulation incorporates the responsibilities of charterers. Industry often privately complains that EU rule-makers often do not seem to comprehend the limited control shipowners have on operational efficiencies in tramp sectors.

What the world should also be paying close attention to as the EU moves forward with its plans is how other jurisdictions in the world respond.

Will China be encouraged to take its own measures and would the US, under a different administration, go its own way too? Even if EU unilateral action does not have the unintended knock-on effect of a more fragmented regulatory landscape, the impact on the global level will be hard to contain.

The International Maritime Organization's focus on short-term measures means EU member states have a degree of autonomy in supporting the options they want; Greece has partnered with Norway and Japan on a proposal, while Denmark, France and Germany have joined forces on another.

These alliances today largely reflect national maritime considerations, rather than political co-ordination on an EU level.

Yet when the time comes to discuss longer-term measures and the 2023 revision of the IMO strategy, high-level politics will come into play and the EU member states will take a bloc-wide approach, as they have done in the past. However, this time the approach will have real rules and regulations to stand on and will inescapably have to be shaped by them.

A more environmentally ambitious Europe will push the IMO to be the same and, with a fixed template

back home, the willingness to compromise may be limited.

How other governments that have been less willing to back strict emissions measures or are worried about the costs on their economy will react is also difficult to assess three years out.

Global and regional efforts to decarbonise shipping — and any other industry, for that matter — will be defined by a factor far beyond the control of any single policymaker or company.

The outbreak of coronavirus and its impact on Europe has thrown the whole decarbonisation timeline into question.

The IMO has postponed its meetings, including those on environmental regulations, until further notice — something that also has implications for when and how new GHG measures come in. In the EU, it is unclear how scheduled Parliament debates that will be necessary to progress the conversation onto the next step of negotiations with the Council will change.

Decarbonisation negotiations are of secondary importance in the face of a continually growing pandemic that has already claimed more than 16,000 lives this year and is putting livelihoods in immediate financial peril. EU shipowners and seafarers have already asked the bloc to help protect the sector against the virus.

However, decarbonisation will require money — and a damaged economy will make that endeavour even more costly. Reducing GHG emissions by at least 50% by 2050 would require \$1trn to \$1.4trn in investments from 2030 onwards.

That number becomes significantly more daunting under a recession — which has quickly become the expectation in many regions — where research and development spending may be tabled as a luxury rather than a necessity.

It will thus require policy and regulation to make corporate decarbonisation more than just a good-faith project that companies can voluntarily undertake.

It remains to be seen what kind of financial assistance the EU will provide to enable the green transition and where the priorities will be. Its commitment to a green economy means it has more responsibility perhaps than any other political actor to help the maritime sector out.

Scrubber boom about to end, says yard executive

SHIPOWNERS' appetite for exhaust gas cleaning systems as an answer to the global sulphur cap is quickly disappearing, according a senior Chinese shipbuilding executive.

The move — triggered by a series of factors, including the coronavirus shockwave — represents a turning of the tide from last year, when scrubber investors were flocking to yards for installations, said China State Shipbuilding Corp deputy head Bao Weidong.

“Coming into 2020, I think the boom of scrubber installation and retrofitting will soon be over,” Mr Bao told a panel discussion at the Capital Link International Shipping Forum, which became a digital conference this year due to the outbreak of coronavirus.

His remarks come after a recent report by Alphatanker, which forecast that cost-cutting and the erosion of marine fuel oil premiums would render the sulphur abatement technology redundant with a “flood of cancellations”.

Mr Bao backed that view, saying the narrowing spread between 0.5% low-sulphur fuel oil and 3.5% high-sulphur fuel oil used by scrubber-fitted vessels has been the main reason behind owners' second thoughts.

The price gap had plunged to \$50 per tonne late last month, from about \$400 per tonne at the beginning of this year, according to Alphatanker.

This has reduced the earnings premium for vessels with scrubbers and extended the payback time for the \$2.5m average investment to four years rather than four months for the largest vessels that have retrofitted the technology. Payback time will be even longer for smaller vessels, given the lower economies of scale.

“At the current price gap level, owners will be looking at their investment returns very carefully,” said Mr Bao.

The delivery delays and cost overruns have put another dampener on owners' interest in the devices. The situation has only been exacerbated by the coronavirus fallout.

Hit by epidemic-led labour shortages, scrubber installations at some major Chinese yards are now at

least 60 days behind schedule, Mr Bao said. “The later the delivery, the less investment return for shipowners,” he pointed out.

Fellow panellist Hing Chao, executive chairman of Hong Kong-based, family owned Wah Kwong, had similar observations.

“In truth, given there has been significant delay with dry-docking, and so on, a lot of scrubber installations have been delayed as far as I know.”

Wah Kwong currently has four scrubber-fitted vessels under construction, with two kamsarmax dry bulkers to be delivered by this summer and two very large crude carriers in the second quarter of next year, according to Mr Chao.

He said the market will continue to see deliveries of existing scrubber projects in 2020 and 2021.

“As to whether there will be more appetite beyond that, it depends on the outlook of the spread, but at this moment that is looking unlikely.”

Mr Bao further pointed to the fact that newbuildings fuelled by liquefied natural gas had been quickly rising to about 400 units today, suggesting this approach provides a good alternative to scrubbers for shipping companies to comply with the sulphur rules.

Nevertheless, one Chinese leasing executive offered some grounds for optimism to scrubber investors on the sidelines of the conference.

In his opinion, the current thin spread between very low sulphur fuel oil and high-sulphur fuel oil was largely caused by the double whammy of the extremely low oil price and reduced fuel consumption in relation to muted shipping demand.

He opined: “I think the decline in scrubber interest is temporary. The oil price will rise and shipping activities will recover after the coronavirus pandemic gets controlled.”

The executive added that many newbuildings nowadays are equipped with the so-called scrubber-ready design, which means they can be easily retrofitted at the quay in future.

Equipment supply moves from shortage to congestion

CONTAINER terminals across the world, with the exception of China, are faced with imminent congestion when a multitude of boxes sent for shipment from factories in Asia arrive at their import destinations.

As the infection rate of coronavirus in China has declined and production resumed, a large number of containers that had piled up in China have finally sailed to Europe and North America, according to container repositioning service Containers xChange.

The firm's Container Availability Index (CAx), in which a figure above 0.5 shows a surplus of containers, shows that Shanghai is back to full productivity. The CAx for 20 ft containers stands at 0.17, and 0.33 for 40 ft boxes.

"In the past couple weeks, containers had piled up due to multitudinous blank sailings, something that would normally not happen often," Containers xChange said.

"Being able to forecast the development of the next three weeks, the CAx values for Shanghai will decrease from 0.41 for 20 ft dry containers in week 14, indicating that equipment will become more scarce again."

But with the impact of the coronavirus pandemic now being felt in the US and Europe, buyers have begun to cancel orders and warehousing is reaching capacity limits.

"The incoming containers are most likely causing congestion, and incurring storage and demurrage charges at, for instance, the port of Los Angeles or the port of Hamburg," Containers xChange said.

CAx values for Hamburg and Los Angeles indicate increasing equipment volumes in these ports.

"The next couple of weeks will tell us if the coronavirus situation eases in the western world," Containers xChange said.

"To remain competitive, especially European freight forwarders and shippers are expected to increase their usage of shipper-owned containers in order to avoid demurrage charges."

Further evidence of the increase in exports from China was seen in figures from Lloyd's List Intelligence. Vessel calls by container-related vessels, including boxships, general cargo vessels with container capacity, con-ro vessels and container barges, have begun tracking in the same direction as they were in the corresponding week of 2019.

MARKETS

Dry bulk faces 'inevitable disruptions'

THE dry bulk market is facing "inevitable disruptions" caused by the unexpected coronavirus outbreak, owners have said.

Speaking on an online version of Capital Link's International Shipping Forum, leading dry bulk owners said there was no period market at the moment, with trades taking place in the spot market due to the uncertainty about the longevity of the virus.

Should the virus linger for an extended period of time, this would be "very serious," Grindrod Shipping's chief executive Martyn Wade warned.

He added that should dry bulk terminals close for a couple of months in countries such as Argentina and Brazil, which rely on commodity exports for

revenue, the impact on their economies would be unimaginable.

With China largely controlling the infection, the nation is in a recovery mode right now, according to Safe Bulkers' president Dr Loukas Barmparis, a view echoed by the other owners as a source of optimism.

Seenergy Maritime's chief executive Stamatis Tsantanis noted that iron ore prices were rising to \$85 to \$90 per tonne, an indication of China's comeback. That means the market might expect a rapid recovery in rates as was seen in the latter half of last year.

The group expected average capesize spot rates ranging from \$12,000 to \$20,000 per day for the

rest of the year, with panamax vessels likely to see \$11,000 to \$12,000 per day.

However, while China was returning to normal operations — with most of its labour force back at work — other importing nations in lockdown such as India will have to find a solution to keep trade flowing. The disruption caused by the restrictions could last for weeks or months.

“We have faced these crises before and we all have to find a way to get through this,” Scorpio Bulkers’ president Robert Bugbee said, adding that “central governments will be hell-bent on keeping employment and feeding people.”

According to Star Bulk’s president Hamish Norton, credit in the dry bulk market is deteriorating. He

Boxship owners face up to falling charter rates

CONTAINERSHIP owners chartering their vessels to box lines face lower rates this year as demand declines, but supply-side constraints could benefit non-operating owners when a recovery eventually emerges.

Speaking at the online Capital Link conference yesterday, Danaos chief financial officer Evangelos Chatzis said that so far, the impact of the coronavirus pandemic had mainly been felt in the yards.

“We’ve had ships having scrubbers installed and in most of the first quarter they’ve stayed in the shipyard,” he said.

Euroseas chairman Aristides Pittas added that his company had vessels that were drydocked for surveys, but engineers could not be sent out to China.

“The survey is being supervised remotely. This is not ideal, but one of the things we are doing.”

But more concerning for owners are the lower rates being achieved for charters.

“Up until recently charter rates had held firm despite what was happening in China,” Mr Pittas said. “Now that this has come to the Europe and the US, I think we’re starting to see rates dropping a little.”

Mr Chatzis had also had a few ships coming up for rechartering.

“We did these ships at lower rates than we could have achieved in the fourth quarter, but until now

urged caution when dealing with counterparties other than the large miners or utilities.

Mr Bugbee noted that there were traditional cash buyers in the market looking for discounted tonnage. He added that with delays to scrubber retrofits, there was no urgency to get the work done, given the very narrow price spread between low and high sulphur fuel oils.

Even though yards were getting back to normal operations, there was a need to preserve cash, he said.

Asked about consolidation during times of stress and weak markets, Mr Wade from Grindrod said it was “premature” for the industry to consider this, although there may be opportunities in a few months’ time.

we have not really seen an economic impact from our standpoint,” he said.

Mr Pittas noted that there were some bright points, such as volumes on the intra-Asia trade picking up from a couple of months ago.

“We have had a few ships that we’ve managed to extend with,” he said. “But now we are at the stage where I think we will have to accept lower charter rates.”

The disruptions that have occurred in shipyards could, however, turn out to be a silver lining for owners when a recovery eventually emerges.

“Supply will be rationalised and restricted from what we are seeing now, so one would expect a couple of depressed quarters until this thing normalises,” said Capital Product Partners chief executive Jerry Kalogiratos.

“We could see a big spike in inventory restocking then. In that case when we have rationalised supply and a big spike in demand, then 2021 could be a good year.”

There could be a slowdown in deliveries of 15%-20% as yards and owners were delaying delivery, he added.

“At the same time you would expect these prolonged drydockings for scrubber retrofits would create a domino effect and if people were expecting 2%-3% of capacity to be held up in retrofits, maybe that will now be a bigger number.”

Mr Pittas said the less supply there was now would determine how easy the recovery would be when the world managed to get over the pandemic.

“But we are in a very, very rare situation where one parameter is driving everything,” he said.

Financiers split on how virus is undermining ship finance

THE current coronavirus crisis could spread wholesale disruption to shipping and its funding but at least some financiers are spreading a message of continuing business as usual, at least for the time being.

“I don’t think anybody is in trouble just yet in shipping companies, if you leave cruise aside,” said Shreyas Chipalkatty, global head of shipping at Citi.

“But if the problem continues for longer than three months, I think we will have significant problems at all levels of the shipping business.”

Speaking on the bank finance panel at Capital Link’s International Shipping Forum held online on Monday, Mr Chipalkatty said that Citi placed prime importance on “continuing to support our clients by providing cash management, trade finance and foreign exchange services.”

But he said that the bank, and the industry, would have to “prepare for the long haul”, with a possible time horizon of “the end of the year, maybe a year and a half.”

Mr Chipalkatty also suggested that the shipping industry is stronger today than it was when the global financial crisis struck more than a decade ago.

“It is more consolidated, there is more liquidity, and it is a bigger pie overall, so it is slightly different for shipping this time,” he said.

Asked by the panel moderator whether a window to complete finance deals was fast-closing, Evan Cohen, managing director and group head of maritime finance at CIT, said that “there is not a mad rush.”

He said: “It’s fair to say that it will slow down a bit, but so far we are continuing to do business as usual.”

CIT had “half a dozen deals” closing “now” and a similar number continuing to be processed normally.

However, “a decidedly other position” was taken by DNB’s head of ocean industries for North America, Evan Uhlick.

“We are in a very big rush to close out our existing pipeline for a number of reasons,” he said.

“Funding costs for the international banking community have shot up,” he said, explaining that non-dollar-denominated banks and transactions have suffered from the cost spike.

“We are seeing many syndicate partners pulling out of various transactions,” said Mr Uhlick. “Time kills deals and we are in a rush to finalise many of our syndicated deals.”

“Anything not nailed down needs to be reconsidered. We are in brave new waters from the macroeconomic and the financial community perspectives.”

Apart from the cost of finance, the crisis also threatened “another shock to the sources of maritime capital,” he said. “It’s going to have an impact on broader liquidity for the space.”

Mr Uhlick said that another effect of the coronavirus crisis was to sideline a trend towards putting greater importance on environmental, social and governance issues in maritime finance.

“It is disappointing but understandable that the whole ESG consideration has been sidelined by the breadth and depth of the crisis.

“But the ESG focus is here to stay,” he said. “We need to get out of the burning building first and then I think people will return to these principles.”

Leasing company executives were also divided in their perception of the immediate effects on the market.

For Fang Xiuzhi, head of shipping finance for the Bank of Communications Financial Leasing, it is “so far, so good.” BoComms Leasing had not had to deal with any approaches from clients experiencing problems.

He expected that there may be a “serious impact” on shipping several weeks from now, but that for the industry, the crisis would be temporary. “When coronavirus is finished, shipping will be fine,” he said.

But ICBC Leasing’s executive director for shipping, Bill Guo, admitted to worries.

“We are receiving requests about waivers, but not deep discussions yet. If this lasts two or three months, there will be problems. We are starting to worry about this situation.”

The Alliance braces for slump in demand

FURTHER evidence has emerged of the seriousness with which container lines see the expected slowdown in demand with the announcement of a swathe of blankings by members of The Alliance.

Announced on the day that HMM formally joins the vessel sharing agreement, The Alliance’s members – Hapag-Lloyd, Ocean Network Express, HMM and Yang Ming – have announced sweeping modifications to the network’s sailing schedules, “due to the unprecedented nature of the coronavirus pandemic and the forecasted sharp downturn in demand”.

The changes will see voided sailings on a number of services over the next four weeks, on all trades served by the alliance, with the Asia-North America west coast seeing the greatest reduction of capacity.

“In addition to the voyages voided in April, The Alliance members are currently preparing further, structural changes to our 2020 product and will make respective announcements in the upcoming

However, he also gave credence to unconfirmed reports that the Chinese government may be ready to announce a \$20trn stimulus package to reboot the economy.

This would go a long way to supporting the dry bulk and tanker markets, said Mr Guo, although he pointed out that containerships would likely depend more on the state of consumer markets such as the US and Europe.

week,” the lines said in a statement. “The adjustments to our services are based on the requirements of the market in the current situation.”

Separately, Hapag-Lloyd also announced that it would be adjusting its network capacity, in connection with the reduced demand resulting from the coronavirus pandemic.

Its recently implemented FE6 service will continue to operate with reduced capacity in amended rotation as part of its vessel maintenance scheme.

Last week, Hapag-Lloyd chief executive Rolf Habben Jansen said that while the crisis had so far had only a limited impact on the business, “we expect a significant effect of the virus on global container traffic in the months to come, and if this happens we will have to make some adjustments to the network”.

The announcement follows a similar statement from Maersk that it too was actively preparing its network to match a reduced demand level.

IN OTHER NEWS

Moody's to review CMA CGM credit rating

MOODY'S Investor Services has put CMA CGM's credit rating under review for a downgrade as the coronavirus pandemic takes its toll on the wider economy.

“Moody's views CMA CGM's capital structure as too weak for the current B2 rating, especially factoring in the negative effects

on volumes but potentially also on freight rates,” the ratings agency said.

“The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets.”

Health crisis raises questions for marine insurers

MARINE insurers will face challenges as their clients reshape their businesses in response to coronavirus, an industry lawyer has said.

HFW senior associate Matthew Wilmshurst told an International Union of Marine Insurance webinar he did not expect a large

volume of emerging claims. "There will be parties trying to push cover where it may not exist," he said. "But large-scale litigation, we don't expect there to be a significant amount."

Mr Wilmshurst said disputes over bespoke wordings, complex extensions and novel products were more likely. "What will be interesting is the approach that the market takes in relation to con-compliance with terms in insurance policies," he said.

London arbitration sees continued growth

LONDON maritime and offshore arbitration saw substantial growth last year, with almost 3,000 arbitration appointments in the UK capital in 2019, according to statistics from the sector's main trade association.

Even in the coronavirus crisis, services are still available through web conferencing applications, the London Maritime Arbitrators Association added.

In 2019, LMAA arbitrators received a total of 2,952 arbitration appointments, compared to 2,599 in 2018. Appointments on LMAA terms grew almost 15%, from 2,369 to 2,697.

Canada to boost crude oil exports to the US by nearly 1m bpd

CANADA took steps to boost its exports of crude oil to the US on Tuesday, with the announcement that Calgary-based TC Energy Corp will proceed with construction of its Keystone XL crude oil pipeline.

The 1,210-mile line will carry 830,000 barrels per day from Hardisty, Alberta, to Steele City, Nebraska, where it will connect with the company's existing system to reach US Gulf coast

refiners when it comes online in 2023.

The government of Alberta, fearful of stranded assets and desperate to see sales of its oil, has agreed to invest about \$1.1bn as equity in Keystone XL, substantially covering planned construction costs through the end of 2020.

Citi's Parker says shipping cannot wait for regulators on decarbonisation

THE shipping industry should not wait for the International Maritime Organization to draw up new regulations and should move forward with decarbonising, according to a leading financier.

Michael Parker, chairman of Citi's shipping and logistics division, said his view on the matter of industry action has changed over the past couple months.

"The pace of change cannot wait for regulators like the IMO," he told Shell vice-president of shipping and maritime Grahaeme Henderson during this week's Capital Link International Shipping Forum.

Melbourne port workers refuse to unload Cosco containership

A CORONAVIRUS-related port issue has resulted in more than 60 dockworkers in DP World's container terminal at the port of Melbourne being stood down after they refused to unload a container vessel on safety grounds.

The Maritime Union of Australia said allowing the container vessel Xin Da Lian to dock was "simply too great a risk". The 2003-built, 5,668 teu vessel is owned and operated by Cosco, according to Lloyd's List Intelligence.

The union has called for a suite of measures to be co-operatively

implemented to protect workers and the community and to keep the supply chains operating.

One dockworker dies in California while another is hospitalised in Delaware

TWO dockworkers have suffered falls in the past two days, one dying in California and the other hospitalised in Delaware. Neither was related to the coronavirus pandemic, but both still underline the dangers of working on the waterfront.

The dockworker in Oakland, California died on Tuesday when he apparently fell onto the deck of a containership and then into the water, while the other man was seriously injured after falling on a vessel at the port of Wilmington, Delaware, on Monday.

The Oakland dockworker, identified as 59-year-old Jarvis Dwain Haskin of Alameda, fell at about 0145 hrs in what appeared to be an "unfortunate" accident at a Stevedoring Services of America berth.

Regulator to examine challenges facing US supply chain system

THE US government has acted on concerns about the efficacy of the country's supply chain system by appointing a Federal Maritime Commissioner to identify solutions to challenges resulting from the coronavirus outbreak.

"Recent global events have only highlighted the economic urgency of responsive port and terminal operations to the effectiveness of the United States international freight delivery system," the Federal Maritime Commission said in an order appointing Rebecca Dye as investigating officer.

Citing its mandate to ensure an efficient and economic

transportation system for ocean commerce, the FMC said it had a "clear and compelling responsibility" to actively respond to current challenges impacting the global supply chain and the American economy.

Swedish Club imposes general increase after combined ratio hits 5%

THE Swedish Club has announced a 5% general increase for next year after its combined ratio slipped out to 106%, with the pain partially offset by a strong investment performance and increased business volume.

Operating surplus for the accounting year came in at \$24.6m, with free reserves

standing at \$228m thanks to an investment return of just under 10%.

The International Group affiliate described its combined ratio as "a demonstration of resilience in a challenging trading environment," despite it topping the 100% mark.

Vitol grows Singapore bunker business

TRADING giant Vitol Group has set up a new business unit to deliver marine fuels as a licensed player operating out of the world's number one bunkering hub after acquiring the Singapore-based bunkering specialist Sinanju Tankers Holdings.

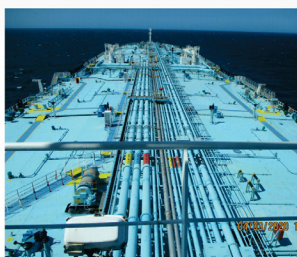
Lloyd's List understands Sinanju Tankers, which was set up by a group of friends back in the 1990s, holds two separate licences for bunker supply and the operation of bunker craft. These were issued by the Maritime and Port Authority of Singapore.

Vitol has incorporated a unit to hold the bunkering licence in Singapore. Vitol Bunkers (S), which is registered as a private entity in Singapore, now holds the licence and has started making bunker deliveries with effect from today, the trading group said in a statement.

Classified notices follow



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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
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LOA: 274m
Width: 48.03m

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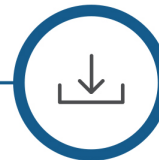
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