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Coronavirus feeds LNG shipping inefficiency

LIQUEFIED NATURAL GAS carriers have turned to slow steaming to cope with supply chain disruptions resulting from the coronavirus pandemic.

Such inefficiency may have helped LNG fleet utilisation but it has not supported shipping rates, a leading ship brokerage said during a webinar held on Monday.

Jefferson Clarkson of Poten & Partners pointed to a trend of laden LNG carriers sailing at slower speeds in the months following the coronavirus outbreak because they did not know the final destinations for the cargoes on board.

On average, these ships were seen travelling at 13.5 knots, down from 14.5 knots seen two years ago, he said, attributing this trend to logistics disruptions.

China, India and Italy are among the LNG importing countries to have closed their borders at different stages of the evolving global pandemic.

Slowing economies have also hit LNG demand, leading to cancellations of more than two dozen cargoes originally contracted for exports from projects in the US.

These developments have put charterers on the defensive, driving sublet activity during the past two months to the highest level seen in the past two years.

Since last October, sublets on the global fleet — excluding newbuildings — have surged to 65%, up from 48% for the first nine months of 2019.

Sublets accounted for 31 fixtures in April, outnumbering charters directly fixed with shipowners by two to one.

Mr Clarkson viewed such high sublet activity as one sign of the coronavirus pandemic turning LNG shipping to "a warm winter market" during which "direct vessel availability from shipowners would be lower".

These changing market dynamics, however, have seen LNG shipping rates tumbling even as fleet availability tightens.

Poten & Partners assessed daily LNG shipping rates for modern tri-fuel diesel electric propulsion tonnage at $33,000 last week, down from highs of $120,000 and $160,000 seen during the two preceding winter seasons.

Vessel availability will still eventually climb despite a continuing slow steaming trend, as more newbuilding ships join the global fleet in the coming months.

By this December, the number of LNG carriers on the water worldwide will grow to 540, up 37 or 7% from the year before.

This is in contrast to a lower LNG export volume of 358m tonnes for this year, down 1% from the previous year level, according to projections from the ship brokerage.

WHAT TO WATCH

P&O's state-aid hopes must be linked to UK jobs, says Labour

ANY further state aid for P&O Ferries should be conditional on protecting British jobs and maintaining supply lines during the coronavirus crisis, the UK opposition Labour Party has said.

The call comes after the company this week confirmed that over 1,000 seafarer positions are to be axed in Dover and Hull as passenger numbers plummet due to the impact on the transport sector of the coronavirus pandemic.

P&O Ferries has been a beneficiary of extensive state support this year, both through the furloughed workers scheme available to all UK businesses, and through specific measures announced last month to protect the freight sector.

The funding has been provided at the same time as DP World, the ferry company's Dubai-based parent company, has paid out over £270m ($333m) in dividends to shareholders, sparking accusations of hypocrisy from UK ratings union RMT.

The ferry sector — along with the Royal Fleet Auxiliary — remains one of the last bastions of employment for UK seafarers.

The Labour Party's shipping spokesman Mike Kane said P&O seafarers have played a major role in maintaining key supply lines during the pandemic.

"The government has kept P&O afloat through £10m in furlough payments, so any further taxpayer support must be contingent on protecting UK jobs and these lifeline routes," he said. "We now need decisive action from this government to protect jobs and the UK's long-term maritime interests."

Announcing the job cuts, P&O Ferries said it had been working with its stakeholders to address the impact of the loss of the passenger business since the start of the health crisis.

"It is now clear that right-sizing the business is necessary to create a viable and sustainable P&O Ferries to get through Covid-19," a spokesman said.

DFDS, the Danish-owned ferry operator, has also applied for UK government financial support to support its services.

"We are pleased that the government has put in place a scheme to support critical infrastructure, and we are in discussions with the government to understand to which extent we can benefit from the scheme," the company said an emailed statement. "We do not at this stage know the size and duration of the support."

It said it has cut capacity on the English Channel to reflect the reduced demand.

A newspaper report last weekend said some freight-only ferry operators have concerns about the operation of the UK's support scheme, and are planning legal action against what they see as their exclusion from it.

Gulf of Guinea kidnappings overlooked as tally edges higher

THE piracy threat in the Gulf of Guinea is being overlooked as coronavirus dominates headlines and the tally of kidnapped seafarers notches up, security experts say.

A spate of attacks at the weekend may have put the number of seafarers kidnapped off West Africa past 50 this year, according to security consultancy Dryad Global.

"The Nigerian piracy problem is being overlooked as everything seems to be about Covid-19," said Jakob Larsen, head of maritime safety and security at BIMCO. "We need to shift our approach if we are ever to significantly reduce Nigerian-based piracy, which is a plague to the whole of Gulf of Guinea."

BIMCO secretary-general Angus Frew said earlier this year that efforts to stop pirates in 2019 had failed and capacity-building initiatives had "no effect whatsoever".

Mr Frew said Nigerian pirates were responsible for 146 seafarers kidnapped, four security guards killed, one wounded, two seafarers killed, and more wounded since the start of 2019.

He said that since then, no international naval ships had been deployed in anti-piracy operations, "except by coincidence," and not a single pirate had been apprehended by the Nigerian Navy.

"Piracy off Nigeria has been going on for as long as I can remember. But it has reached a point where the situation is completely unacceptable," he said.

Dryad Global said the number of kidnappings in 2020 so far mirrored last year and the gradual trend was toward fewer, but more severe attacks.

Control Risks, a consultancy, recorded 10 kidnappings in the Gulf of Guinea in the first four months of 2020 compared with 11 in 2019 – a year in which kidnappings increased 60% after a spike in the last quarter.

The International Maritime Bureau reported that 17 crew were kidnapped in three incidents in the Gulf of Guinea, at distances of between 45 nautical miles and 75 nm from the coast, in the first quarter of the year. It found "no sign of a reduction in attacks worldwide" and warned many went unreported.

IMB director Michael Howlett said attacks were happening further out to sea, and higher numbers of crew were being taken. In December, two attacks – on the very large crude carrier *Nave Constellation* and the product tanker *Duke* – netted 19 and 20 crew members respectively. Mr Howlett called the numbers "remarkable".

Control Risks also tracked an increase in the duration of the kidnappings, and said these trends were likely to hold. It said coronavirus lockdowns were unlikely to deter pirates from operating or reduce shipping traffic, and therefore possible targets, in the Gulf of Guinea.

"A multilateral security solution of the kind that reduced Somali piracy remains elusive in the Gulf of Guinea," Control Risks associate director Nicola White said.

"Although some EU partners have a small patrol footprint in West African waters, and others provide training assistance to regional naval forces, maritime kidnapping rates have not materially reduced."

Ms White said Somali piracy a decade ago had a far greater impact on global trade than today's attacks in the Gulf of Guinea. She said the Somali model of seizing entire vessels, their cargoes, and crews for months at a time had an outsize impact on trade, forcing governments and industry groups to respond with multilateral solutions.

But in the Gulf of Guinea model, some of the crew are kidnapped for ransom in the Niger Delta. Once the crew is replaced, the cargo can continue with minimal disruption.

"Thus, the globally aligned impetus to minimise the impact on trade is not yet present," Ms White said. "As a result, a large international response will probably not be forthcoming unless the situation deteriorates significantly."

Mr Frew said in January the desire for access to Nigeria's resources, especially its oil, made governments and commercial organisations unwilling to lobby its government to effectively fight piracy.

"When the international community is not willing to push for safety and security for our seafarers, the ensuing policy results in, not surprisingly, status quo," he said.

Mr Howlett said piracy in East and West Africa could not be compared because the East African governments could co-ordinate responses, unlike the failed state of Somalia. He said prevention was better than cure and urged vessels to stay vigilant.

"Looking further ahead, the economic impact of Covid-19, coupled with the previously existing permissive security environment, indicates that the underlying conditions for sustained or increased levels of maritime kidnapping will certainly be present," Ms White said

"However, if shipping levels dramatically reduce as a result of a diminished global economy, pirates may find it harder to find viable targets."

ANALYSIS

Euronav advised to ditch dividends to pare down debt

DEUTSCHE Bank has called on Euronav, the largest US-listed tanker owner, to pare down debt instead of paying out dividends.

One way of achieving this is by delisting, the bank's analyst Amit Mehrotra said in an open letter to the management of the world's largest crude tanker owner.

The Belgian company, which declared a dividend of $1.10 per share for 2019 after posting record profits amounting to $225.6m in the first quarter of this year, should invest the money back into the business, according to the letter.

The company's chief executive Hugo de Stoop told Lloyd's List that he does not comment on analyst reports.

Euronav has a market capitalisation of more than $2bn so the amount of money that would need to be raised was substantial.

Mr Mehrotra said that the equity value of the company was about 20% below its initial public offering five years ago, yet the dividend is equal to 10% of the current equity value.

"This is real cash going out the door, which if kept in-house would delever the balance sheet," the analyst said, adding that it was questionable whether public equity markets would ever give the company "the credit it deserved".

"If the costs of being a public company, which we estimate run in the millions of dollars, are worth the benefits, we would argue, for example, that the company's scale is enough to access debt capital markets efficiently even as a private entity."

While praising the company for its discipline and strategic actions over the years in buying assets cheaply and then selling them at the height of the market, thereby booking gains, he said the company's discount to net asset value could expand if an eventual market downturn should surface.

Based on a "reasonable estimate" of average rates, the company's gross debt level will drop by about $250m over the next three quarters, with $440m of cash on hand, according to the analyst.

That equates to about $400m of prospective net debt reduction, even after payment of $237m in dividends this quarter, and translates to a loan-to-value of 24%, which lowers Euronav's breakeven and allows it to further grow the fleet during the next downturn, he said.

"By any measure, this is perfect capital allocation and you should be commended for its consistency and discipline," said the analyst.

However, he advised the company not to pay out any more dividends.

"Buying back stock may be appropriate if done in a way that is meaningful such as a tender offer, effective unleveraged buyout, but we would rather like to see management accrue cash on its balance sheet and lower net debt to zero," according to the letter.

"This is the best way, in our opinion, to allow equity value to decouple from NAV in a positive way, giving management. the currency to drive further profitable growth."

Haulage bottlenecks bring relief to Europe's multimodal operators

EUROPE'S shippers are increasingly turning to other modes of container transportation to ensure the continents' goods continue to flow at a time when the coronavirus pandemic is putting a major strain on haulage.

The slowdown of cross-continental trade on businesses, including Samskip, has been compensated in part by a definitive uptick of localised trade, which has come as a result of a shift in the modal balance in European transport.

The pan-European shortsea and multimodal's chief commercial officer Jérôme Feuvrier told Lloyd's List that more shippers are looking at the alternatives offered by rail, shortsea and barge as a necessity.

Such a shift has been hugely beneficial to Samskip, which transports around 850,000 teu each year, and other multimodal operators.

The health crisis has led to major bottlenecks for European road freight because of border controls and stringent medical checks on drivers, while ferry and ro-pax services have been suspended due to travel restrictions. Such has been the extent of the impact on ferry operators, many, including the bigger players, have sought government aid to stay afloat.

While Mr Feuvrier concedes that Samskip has not been immune to the volume downturn at the hands of the coronavirus, by offering a 'through-transport concept' unhindered by borders and checks, the group's shortsea, rail and barge services have sparked the interest of shippers that in the past seldomly used these transport modes.

"More and more shippers moving 'essential products' have been looking for multimodal concepts to easily cross borders and keep the flow live," said Mr Feuvrier.

When the virus initially hit Europe, he noted how the unprecedented and sudden rush by supermarket shoppers to stock up on supplies forced retailers to seek new routings for cargoes.

In the UK, Mr Feuvrier said that suppliers of certain perishables and general household items, notably toilet paper, were calling constantly to see if container space, either reefer or dry, was available on board its shortsea services from the continent.

"Retailers were under heavy pressure and borders closing or difficult to cross at least with a trailer, this is when we saw plenty of companies coming to us asking how it [Samskip's offering] works?" he said. "The demand was crazy."

Of course, the initial supermarket rush has subsided and the shortage of essential goods on supermarket shelves has by and large returned to normal.

In this context, Mr Feuvrier said that this additional business has cooled slightly in line with demand, however, shippers are still making use of its multimodal alternative albeit in combination with traditional trucking routes where possible.

"Not all of them will stick to intermodal because the time or infrastructural constraints are not structurally right for them. They had to come with us, but for others this solution will continue.

"But this is not about making a full switch from haulage to multimodal but having a compliment alongside haulage which can help deal with peak demand."

If too there is a second wave of the virus, which would see lockdown and travel restrictions tightened once more, keeping these options open could also be crucial for shippers.

Either way this impromptu surge in cargo has helped alleviate the downside of an effective shutdown of Europe's manufacturing sector, most notably the automotive and chemical industries, and the slowdown of goods shipped from Asia.

Mr Feuvrier said that Samskip has certainly felt the bite, however, the company is optimistic for a slow recovery in the second half of 2020, highlighting how businesses are beginning to stock up on inventories in preparation for an easing of lockdown restrictions.

"Are we back at the level before the outbreak? Absolutely not, but do we see industries starting again. For example, in the UK restaurant suppliers are starting to stock again, including beer from Italy," he said. "We have to adapt to the flow and engage discussion with all our customers to understand where they are in their maturity of logistics during the crisis."

IN OTHER NEWS

Ocean Tankers said to be placed under judicial management

OCEAN Tankers, the oil shipping unit of troubled Hin Leong, has applied to be put under judicial management, Reuters reported.

The move comes after its beleaguered oil trading firm parent was put under the same court-appointed process.

According to its website, Singapore's High Court listed a hearing, which was due to be held on May 12 on an application by Ocean Tankers, represented by Rajah & Tann, with no further details. Ocean Tankers has been approached for comment.

Odfjell sells share in Dalian terminal

ODFJELL sold its share in the Dalian terminal in China to VTTI, a Dutch provider of global energy storage, for $59m.

For Odfjell, the transaction will result in a net cash gain of $27m and an equity gain of $13m, which will be reported in the second quarter of the year results, the Oslo-listed company said in a statement.

Odfjell Terminals China, which is 51% indirectly owned by Odfjell, and 49% owned by Lindsay Goldberg, completed the sale of its 50% holding in Odfjell Terminals Dalian, it said.

One dead, 22 hurt in Indonesian shipyard fire

AT LEAST one person his died and another 22 injured after a fire on board an Indonesian-owned and flagged tanker undergoing repairs at a shipyard.

Lloyd's List Intelligence said Waruna Nusa Sentana-owned product tanker *Jag Leela* caught fire while it was undergoing repairs at Waruna Shipyard Indonesia, in in Belawan, which is also owned by north Sumatra-based parent Waruna Group.

The group operates one of Indonesia's largest shipyards with a 100,000 dwt capacity drydock.

Two vessels run aground in Singapore Strait

TWO vessels — a bulk carrier and a containership — have run aground off Singapore, while proceeding in the same direction, probably trying to avoid a collision.

According to Lloyd's List Intelligence, the two ships involved are the 2008-built, Iranian-flagged 6,572-teu containership *Shahraz* and 2001-built, Indonesian-flagged 23,573 dwt bulk carrier *Samudra Sakti I*.

The two vessels reportedly grounded near the Batu Berhanti Beacon off Batam Island in Indonesian waters south of the eastbound lane of the Singapore Strait early on Monday.

TOP Ships takes three more contracted MRs from chief executive

TOP Ships, the Nasdaq-listed tanker owner, has acquired three new medium range two tankers from chief executive Evangelos Pistiolis' private shipping operation.

The trio is on order at South Korean yard Hyundai Mipo Dockyard for delivery in the first quarter of 2021 and come with long-term time charters to Central Tankers Chartering, which is part of Mr Pistiolis' Greece-based Central Group.

Central currently lists three 50,000 dwt newbuildings on order as the *Eco Van Nuys*, the *Eco Santa Monica* and the *Eco Venice Beach*.

GSL says two years of charter cover should help it navigate crisis

CONTAINERSHIP owner Global Ship Lease has said that it is confident of “weathering the storm” in the container shipping market that is threatened by the coronavirus pandemic.

“We have a great deal of insulation from the market,” executive chairman George Youroukos told a first-quarter earnings call with analysts.

Reasons included “strong charter cover and our high-quality fleet”. GSL currently has contracted revenue of $696m and an average 2.3 years of weighted remaining charter duration.

Classified notices follow

INVITATION TO TENDER
IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
ADMIRALTY JURISDICTION

RE: HCAJ 69 of 2019

The ship or vessel **"亞投金融"** (the "Vessel")

Pursuant to the order for sale of the Vessel made by the High Court of the Hong Kong Special Administrative Region on the 31 December 2019, tenders are invited for the purchase of the Vessel (a general description of which is set out below) upon the following terms.

1. The Vessel is offered for sale as she lies in the waters of Hong Kong in her "as is" "where is" condition at the date of delivery without any warranties or guarantees. The Vessel is sold free from incumbrances, with everything on board belonging to her but excluding any equipment on hire.

2. No error or misdescription in this invitation or otherwise by representatives of the Government or the High Court of the Hong Kong Special Administrative Region shall entitle the successful tenderer ("the Buyer") to annul the sale.

3. Tenderers are advised to make all and any such enquiries as they think fit. Permission to inspect the Vessel may be obtained from the Chief Bailiff.

4. Tenders for the purchase of the Vessel must:
   (a) be in writing addressed to the Registrar of the High Court, Hong Kong Special Administrative Region;
   (b) be in a sealed envelope so addressed and marked **"HCAJ 69 of 2019 – CONFIDENTIAL"**;
   (c) be accompanied by way of deposit by a cashier's order or bank draft drawn by a Hong Kong bank or a bank having a branch office or banking correspondents in Hong Kong or certified cheque drawn on such a bank of 10% of the offer payable to **"Registrar, High Court"** and crossed in **"HCAJ 69 of 2019"** (the "Deposit");
   (d) be expressed to be irrevocable until 4 June 2020;
   (e) reach the Registrar c/o Chief Bailiff (Administration & Admiralty) at Bailiff Office, LG 3/F, High Court Building, 38 Queensway, Hong Kong not later than 2:00 p.m. (Hong Kong time) on 28 May 2020, otherwise such tenders will be treated as invalid;
   (f) follow the arrangement in respect of tender closing time in the times of gale or rainstorm warnings or "extreme conditions after super typhoons" in Hong Kong as set out below:
   (i) in case a Black Rainstorm Warning Signal or a Tropical Cyclone Signal No.8 or above or "extreme conditions after super typhoons" is lowered or cancelled before or at 11:00 a.m. (Hong Kong time) on 28 May 2020, the tender closing time will remain unchanged;
   (ii) in case a Black Rainstorm Warning Signal or a Tropical Cyclone Signal No.8 or above or "extreme conditions after super typhoons" is lowered or cancelled after 11:00 a.m. (Hong Kong time) on 28 May 2020, the tender closing time will be deferred to 02:00 p.m. (Hong Kong time) on the next weekday (i.e. except Saturday and Sunday) other than public holidays; and
   (g) be expressed in Hong Kong Dollars or United States Dollars with payment of the Deposit being made in the same currency as the tender.

5. The Registrar is not bound to accept the highest or any tender.

6. If a tender is accepted the balance (plus the sum payable for bunker fuel) of the purchase price also in the form of a cashier's order, bank draft or certified cheque payable as aforesaid must be paid within 7 days of the acceptance of the tender and if not so paid the deposit of 10% will be forfeited in which event the Registrar will be at liberty to sell the Vessel to any other party or parties.

7. The Buyer shall within 7 days of the acceptance of the tender pay by the aforesaid methods the Hong Kong market price for the bunker fuel remaining on board on the date of delivery, such quantity and price to be determined by the Chief Bailiff or his agent.

8. Upon payment of the balance of the purchase price, a bill of sale will be duly executed on behalf of the High Court of the Hong Kong Special Administrative Region in favour of the Buyer.

9. The Registrar may in his discretion agree that the Vessel be sold to a nominee of the Buyer. Such nominee and the Buyer shall sign an addendum to this Invitation to Tender in such form as the Registrar may require. Any nomination shall be made no later than 3 working days prior to the delivery of the Vessel. Any nomination made by the Buyer shall be irrevocable. No further nomination is permitted.

10. Deposits will be refunded to unsuccessful tenderers.

11. Any tenderer who does not receive notice by 4 June 2020 that his tender has been accepted may assume that such tender has been rejected.

12. Should the Vessel become a total loss (or be accepted by underwriters as a constructive total loss) before delivery of the Vessel to the Buyer the sale shall be null and void and the Deposit will be refunded to the Buyer.

13. The Buyer shall be liable for any fees duties taxes or dues of whatever nature which may become payable upon the purchase and transfer of the Vessel.

14. On completion of the sale the Buyer will assume all responsibility for complying with all Hong Kong Marine Department directions regarding the Vessel.

15. This invitation and the sale of the Vessel is made and effected without any liability of whatsoever nature of the High Court of the Hong Kong Special Administrative Region or its officers, employees or agents.

(S. KWANG)
Registrar
High Court
5 May 2020

PARTICULARS OF VESSEL

Vessel's name:	亞投金融
Hong Kong Class:	IV
Port of Registry:	Hong Kong
Type of Vessel:	Cruiser
Builder:	Ferretti (Custom Line)
Date of Delivery:	2007
Length:	34.16 metres
Breadth (moulded):	7.10 metres
Depth (moulded):	3.50 metres
GRT:	213.00
NRT:	63.00
Main Engine (2 sets):	MTU 12V4000M90
Auxiliary Engines (2 sets):	KOHLER 50EF02D
C. O. T. Capacity:	18,000 Litres