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## Venezuela shipments test US maritime sanctions resolve



THE US IS facing the first test of its new and tougher sanctions guidance for the maritime industry as it seeks to further restrict Venezuela's oil exports and prevent gasoline imports reaching the country to offset unprecedented shortages.

A product tanker that discharged gasoline at El Palito port from Trinidad & Tobago last month remains flagged by Liberia and under UK-based protection and indemnity cover. Four Iranian-flagged tankers are heading to Venezuela laden with the light distillate.

Another suezmax tanker that loaded with Venezuelan crude in March remains at anchor off the eastern coast of Malaysia after Indonesian and Malaysian authorities boarded it during the weekend, in an apparent dispute about whose waters it was in, and questioned why it was nearby another very large crude carrier at anchor.

First in the US Treasury crosshairs is the 2003-built 47,147 dwt *Aldan*, which last broadcast its Automatic Identification System signal on April 22, shortly after news emerged the gasoline cargo was not heading for Aruba as originally planned. Instead it discharged at El Palito.

The vessel is listed as flagged in Liberia and has been entered in the West of England Mutual Shipowners Protection & Indemnity Assoc (Luxemburg) since last December, according to its website on May 18.

The tanker's cargo was purchased by a small, Geneva-based oil trader ES Euro Shipping, linked to a Venezuelan shipowner.

The vessel's commercial operator is still listed as Eurotankers on Lloyd's List Intelligence and Equasis. However an Athens-based legal

representative told Lloyd's List there was a "change of management" on April 10 and the vessel "is not under our management whatsoever".

According to a fresh US government advisory issued on May 14, service providers including registries, insurers and classification societies "may wish to consider" terminating contracts if vessels disabled their AIS to evade detection of sanctions-busting activities.

The nuanced guidelines to address "illicit shipping and sanctions evasions practices" were released to focus on Iran, North Korea and Syria, and expanded on deceptive shipping practices used to circumvent and obfuscate the destination and origin of cargoes sanctions by the US and United Nations.

This includes disabling and manipulating AIS to avoid detection, preparing false bills of lading, ship-to-ship transfers, using multiple flag registries in a short period of time, and hiding behind complicated ownership and management chains.

The guidance was heavily watered down after international consultation with industry stakeholders revealed original proposals were unworkable and would disrupt international trade.

The US first imposed sanctions on Venezuelan oil exports in January 2019, later widening them to include entities of state-owned oil producer PDVSA and earlier this year targeted oil marketer and Russian trader Rosneft.

### **Longstanding ban**

US exports of gasoline and other light products to Venezuela have been banned since early 2019, leaving countries including India, Russia and Iran to ship in supplies.

Oil production in Venezuela hit a multi-decade low last month, as latest US attempts to destabilise the Maduro regime add to widespread economic and political chaos.

Exports are now less than 530,000 bpd, less than a third of the levels seen pre-sanctions, while the country's main gasoline-producing refinery is no longer operable.

Venezuelan oil cargoes are becoming increasingly

difficult to sell, focusing scrutiny on those tankers that are prepared to sail with them.

The suezmax tanker *Icaria*, managed by shipmanager Columbia Shipmanagement has apparently cancelled a ship-to-ship transfer off Malaysia. The vessel was alongside Panama-flagged VLCC *Luna Lake*, which has been used to ship and store sanctioned Iranian crude to and from Singapore and Malaysia to China.

Reports that the vessel's planned activities were investigated by port authorities were not correct, a spokesman for the company said in an emailed response to questions.

"*Icaria* has not been arrested and is due to sail imminently in accordance with Charterers' instructions," the statement said.

"Malaysian Coast Guard was on board to carry out a routine check regarding ships certificates/documentation. All have been deemed valid and in order."

The Liberian International Ship and Registry, which operates the Liberian registry on behalf of the government was investigating *Aldan* and *Icaria*, the company said in a statement to Lloyd's List.

*Icaria* has been insured by London Steamship Owners Mutual Insurance Association since March 16, after the vessel was sold by Teekay Tankers.

The commercial operator is listed as Athens-based Chemnav Shipmanagement with a Marshall Islands shell company Chemcrude Ventures as the registered owner.

Iran has also threatened to retaliate against the US amid administration rhetoric that it plans to stop three Iranian-flagged product tankers reaching Venezuela.

The three tankers, *Forest*, *Fortune* and *Faxon*, are tracked already in the transatlantic region and are scheduled to arrive in about 10 to 12 days based on average sailing times. The three handysize tankers would collectively hold up to a million barrels of gasoline.

West P&I did not return an email from Lloyd's List seeking comment on the *Aldan*.

## WHAT TO WATCH

# Health crisis threatens investment, profits and jobs, survey finds

THE coronavirus outbreak has severely impacted the shipping sector, cutting turnover and raising the spectre of large reductions in the workforce and investment, according to a new survey of European owners.

All industry segments, except tankers, have suffered from the pandemic with considerable turnover decreases and inadequate support from governments, the study conducted by the European Community Shipowners' Association in April showed.

Ferries, cruise, car carriers and offshore service vessels are the worst hit, with turnover in the first quarter of the year falling as much as 60% year on year in many cases.

The prospects for container shipping, general cargo, car carriers and offshore supply owners are even more bleak for the second quarter of 2020.

“Respondents signalled that some recovery is expected in the rest of the year compared to the immediate economic impact, however turnover losses remain significant throughout the industry — except for the tanker sector,” Ecsa said in a statement.

The severe damage that has been inflicted will also extend to the workforce, both at sea and onshore.

Half of the general cargo and containership companies expect that without national support measures seafarer employment could fall by up to 20% in 2020.

In cruise, offshore, car carriers and ferries, some companies expect cuts to over surpass 60% of the workforce. Tanker and dry bulk companies anticipate the smallest employment changes.

Most of the respondents said that crew changes is the challenge that requires support from authorities,

while financial issues were the second-most pressing matter.

Ecsa found that most respondents believed that the employment measures governments have been taking in response to the coronavirus have been more effective for onshore staff rather than for seafarers.

“Main reported challenges relate to that the support regimes do only apply to a part of the seafarers, for example because the measure only applies to nationals, and because the measures do not cover sufficiently the loss in salary,” it said.

Things are even more challenging when it comes to liquidity support measures, which around half of the respondents said either do not apply to shipping or do not exist at all on national, regional or local level.

A minority said banks had effective liquidity measures in place. In cases where a government has introduced a liquidity measure, banks often do not actually offer it to their customers or shipping companies do not use it.

“One of the reasons is that the administrative burden and costs to apply for liquidity relief outperforms the benefit of these measures,” the association said.

The pandemic is also negatively affecting efforts to decarbonise with European shipowners indicating they will likely scrap plans to invest in the reduction of air emissions of their vessels.

Around a quarter of respondents think they would return to the same extent as planned prior to the pandemic, Ecsa said, while 30% believe it would still happen but at a lesser extent.

Almost half (44%) think these investments would no longer be possible.

## ANALYSIS

# VLGC earnings fall amid weak US–Asia arbitrage

A SLOWDOWN in activity and difficult arbitrage economics has resulted in depressed market sentiment for the very large gas carrier segment, which fell almost 35% in a week.

Highlighting the rate drop, the spot market rate on the benchmark Middle East to Japan trade for VLGCs – which is the Baltic Exchange’s liquefied petroleum gas index – settled at \$41.08 per tonne on Friday, the lowest level in 13 months.

Despite traders attempting to pry open the US–Asia arbitrage, prospects for the coming months have seen netbacks edging closer to cancellation levels, according to a market source, who pointed out that the June netbacks to ship a full propane cargo to Asia was around two to three cents per gallon down from four to five cents a week ago. Netbacks comprise all the costs associated with bringing the product to market and are an indicator of potential net profit.

To make things worse, arbitrage for sending US barrels to Europe was in negative territory.

“Earnings are likely to diminish further in the coming weeks as a variety of owners and re-lets still make up the balance of available spot vessels remaining in May and competition for cargoes is set to remain high,” Gibson Gas said in its weekly report.

## Retrofitting existing technologies on ships could lead to fuel savings

RETROFITTING vessels with currently available technologies could achieve annual fuel savings of almost 30%, with potential annual CO<sub>2</sub> emissions reductions of between 5,200 and 7,300 tonnes, a new study has found.

Most ships operating today will be in active service for at least 20 years, so their “future compliance and energy efficiency is dependent on shipowners’ retrofit choices,” the report of a Danish study involving two medium-range tankers and a ro-pax ferry said.

It added that decisions “are often based on the potential of individual solutions, rather than a systematic approach”.

The Retrofit Project was driven by the Green Ship of

Owners will have a tough call on where to position their ships next as all regions appear to have limited appetite, it added.

Poten & Partners reported four spot deals out of the US Gulf, one concluded at fixed price in the high-\$80s per tonne for Houston–Chiba via Panama at the start of last week, followed by two that were fixed on a Baltic-linked formula.

Although, robust LPG demand from India supported freight rates in April, traders noted that Indian importers overbooked cargoes that they were unable to absorb and were trying to defer or resell.

India reportedly distributed 45m free LPG cylinders in April, totalling 639bn tonnes of LPG and equal to 30% of consumption or 52% of Indian import levels in March, according to Braemar ACM.

However, news emerged this week that importers had overestimated demand by as many as five full VLGC cargoes, it noted.

“HPCL and BPCL were seen selling at the end of May free on board with zero premium to June contract price whilst other stems had to be redirected away from the region.”

the Future collaboration involving 20 maritime businesses, and was co-financed by the Danish Maritime Fund.

The project was set up in the belief that it will take many years to achieve full implementation of propulsion by renewable energy.

The ships involved were Hafnia Lise, an MR oil and products carrier built in China in 2016; the ro-pax vessel Victoria Seaways, built for DFDS Seaways in 2009 in Italy; and the MR tanker Maersk Tianjin, built in South Korea in 2016.

To ensure maximum relevance, calculations were based on actual operational data and actual baseline fuel prices, and they were measured towards an

estimated payback time of three years. It is acknowledged that many more technologies would have been available if the return on investment had not been limited.

Technologies assessed included ships' boilers, filtration, propellers, anti-fouling, lighting and turbocharger upgrades to main engines.

While the cases could not be compared directly because there were differences in vessels and participants in each case, some valuable points were highlighted. The first and most significant of these was the lack of available data from the vessels, while at the same time there was an overload of data that could not be used.

“Logging the right data is crucial to understand optimising potential, therefore we encourage all shipowners and operators to prioritise collecting data and to be strategic about it, so only relevant data is collected, as data has no value till it is analysed and used.”

Further, none of the vessels had any data on their consumption of steam, even though it was used for multiple applications on the vessels; a great deal of energy was wasted in inefficient lighting and overpowering fans and pumps; and there were significant savings to be made in areas such as rudder bulbs, lube oil cleaning and hull paints “which are all often overlooked for their potential or disregarded as too expensive compared to the benefits”.

And there were benefits to be gained from using digital technologies, where areas such as route, trim, speed and operation planning can be optimised for major potential savings.

Ole Jakobsen of Danish Energy Consulting, who was the project manager, said that it should have been easiest to find areas for optimisation on the oldest of the three vessels, the DFDS ferry.

However, he said, “a very dedicated crew, superintendent and technical project department in DFDS made it difficult for the project group to find larger fuel savings on board”.

But he had been made aware of an area of real concern: the lack of co-operation between the purchasing department and operation/maintenance department.

“When designing a newbuilding,” said Mr Jakobsen. “There is often a strong focus on the price of the vessel, but not so much on the following operational cost, where small investments would [often] pay back rather fast compared to later installing a retrofit solution.”

“It is not always possible to foresee how the vessel is operated, but it is our opinion that there is a lot to gain for shipowners making their departments co-operate closer and not only look at their own budget.”

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## MARKETS

# Container service blankings hit a peak

CONTAINER lines' capacity appears to have stabilised after blanking more than 500 sailings since the outbreak of the coronavirus pandemic, with only a few new cancellations announced.

Deepsea trades covered by analysts at Sea-Intelligence reported only seven additional blank sailings last week, and capacity actually increased slightly because of larger ships being deployed.

The level of blanked capacity varies by trade lane, with the transpacific route seeing a 15%–25% reduction, while the Asia–Europe had just over 25% of its capacity removed. Asia–east coast South America, meanwhile, has seen capacity reduced by half.

But when corrected against the number of blankings that would take place in a normal year, the amount

of capacity set to be removed after the second quarter of the year has tailed off, according to Sea-Intelligence.

“Carriers have clearly entered into a new stable phase, where they are maintaining their blank sailings programme, without any large scale new blank sailings being announced,” it said.

But it warned this was likely to change if carriers were to maintain the strict pricing discipline that had been witnessed during the crisis to date.

“It is clear that the magnitude of capacity cancellation is historically high, even when we correct for the anticipation of normal levels of blank sailings,” Sea-Intelligence said.

“It is very clear from the data that the carriers have not yet made any decisions pertaining to the third quarter of 2020. They all clearly expect demand to be depressed through to the end of the second quarter, and then the level of blank sailings drops to near-zero.”

But with no snap back in demand expected, further blankings would be likely.

“It appears exceedingly unlikely that demand will revert back to normal from July 1. We would therefore expect the level of blank sailings will once more start to increase, as carriers become forced to take a stance on their capacity management for third quarter.”

Analysts at Platts, however, were more optimistic, saying that there was some hope of a slight economic recovery beyond July.

“This hints that carriers are expecting to see a potential uptick in demand then, on the back of easing of lockdown restrictions around the world,” Platts said.

Nevertheless, capacity management had served lines well to date, Sea-Intelligence said.

Freight rates had remained stable as lines had reduced available slots, following a dip at the start of the year, and had now risen by as much as 40% on some trade lanes if underlying moves in the fuel price were discounted.

“Taking out the fuel cost component from the recorded spot rate indices, it can be seen that 2020 started out strongly negative compared with 2019 but has reversed sharply,” it said.

But it was now clear that the carriers’ “very systematic and rapid approach to manage capacity”, had prevented undermining freight rates.

“Carriers started 2020 with some problems relating to passing on the elevated fuel costs, resulting in several key trades seeing negative year-on-year spot rate developments,” Sea-Intelligence said.

“However, this was mainly resolved by the time the pandemic hit and the oil prices collapsed. We then had a period where the carriers clearly benefited from the drop in oil prices — essentially the reverse effect of the losses in the early part of the year. Now we are at levels where spot rates net of fuel are clearly substantially stronger than at the same time last year.”

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## IN OTHER NEWS

### **Nordic American Tankers says market outlook is ‘promising’**

NORDIC American Tankers has said it is in the “best position ever” to capitalise on what it expects to be a “promising” 18 months ahead.

The suezmax specialist said the very low tanker orderbook and the currently muted ordering activity are causes for long-term optimism in the market.

“The world economies are gradually reopening. Asian economies are showing encouraging improvements,” the company said in its first quarter earnings release. “This bodes well for the tanker markets in the second half of 2020 and the full year 2021.”

### **Stolt-Nielsen tanker escapes Gulf of Aden attack**

GUNFIRE was exchanged as pirates attacked UK-flagged chemical tanker Stolt Apal off the coast of Yemen in the Gulf of Aden on Sunday.

According to Lloyd’s List Intelligence, the vessel’s armed guards exchanged fire with two skiffs manned by six armed pirates, who approached the vessel at high speed in the westbound transit corridor of the International Recommended Transit Corridor.

The vessel’s guards disabled one skiff and ended the pursuit. There were no injuries on board, and only the vessel’s bridge area sustained minor damage from bullets.

### **DSME posts 24% first quarter gain on one-offs despite sales drop**

SOUTH Korean shipyard Daewoo Shipbuilding & Marine Engineering saw its net profit for the first quarter of the year rise by 24.2% to Won243bn (\$197m) from Won195bn a year earlier.

The profit was based on extraordinary gains and a weak won amid concerns on weaker prospects ahead as turnover fell 5.5% to Won1.95trn.

The company said in an announcement it received about Won200b in additional payment from an unidentified client for an offshore project, which improved its bottom line, while foreign exchange gains from a weak South Korean currency compared

with the US dollar also helped drive up earnings, which are reported in local terms.

### **UK provides funding to safeguard 'vital' freight routes**

THE UK will provide funding to safeguard 16 freight routes in danger of closure due to falling demand owing to the coronavirus backdrop.

The government will invest £35m (\$42.5m) in a deal with six companies to ensure there is sufficient capacity available to prevent any disruptions to trade flows and to ensure critical goods such as food and medical supplies can move freely.

"From the very beginning of the outbreak, we have committed to

do whatever it takes to minimise the disruption caused by the coronavirus," said UK transport secretary Grant Shapps. "By taking this action, we have helped protect the movement of goods and services in and out of the UK, safeguarding the flow of supplies across the Union."

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## **Classified notices**

### **LEGAL NOTICE**

#### **M.V. "SOPHIA Z" – HCAJ 118 of 2015**

1. NOTICE IS HEREBY GIVEN that Calm Ocean Shipping SA as Owner of the ship "SOPHIA Z" (the "**Owner**") has issued High Court proceedings Admiralty Action 118 / 2015 in the High Court of the Hong Kong SAR, PR China (the "**Action**") concerning a cargo of 15,559 steel billets (the "**Cargo**") carried from China to Algeria under bill of lading LD001002 dated China, 24 July 2015 (the "**Bill of Lading**") that was abandoned on board by the Shipper and/or intended Receiver.
2. The Owner subsequently sold the Cargo in Italy by auction under its rights under the Bill of Lading and an Order of the Italian Court. After deduction of costs and expenses, and payment of certain funds into the Italian Court, the Owner retains the balance of the sale proceeds.
3. The Owner claims relief in the Action including to declarations that (a) the Shipper and/or intended Receiver wrongfully abandoned the Cargo, (b) the Owner has discharged its obligations as Owner / Carrier under the Bill of Lading, (c) the Owner was entitled to sell the Cargo and deduct its expenses from the sale proceeds.
4. TAKE NOTICE that the High Court has made an Order that the proceedings shall continue against (in addition to the Shipper and intended Receiver) "Person(s) Unknown" having any potential claim against the Owner under the Bill of Lading or in respect of any of the Cargo. ANY PARTY claiming such interest in the carriage or the Cargo or wishing to participate in the Action to support or oppose the relief claimed by the Owner should contact the Owner's solicitors to obtain a copy of the Writ and an Acknowledgement of Service form at the following details.

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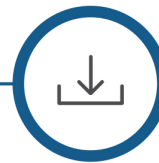
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