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LEAD STORY:
Container vessel orders fall to lowest in a decade

WHAT TO WATCH:
Carriers take tentative steps to increase capacity

Panama to fine and de-flag ships for AIS tampering

Qatar signs $19bn deal for LNG carriers with South Korean yards

ANALYSIS:
Automation remains (quietly) on the US agenda

Virus will slow innovation, but collaboration holds key to success

Debt restructuring could lead to economic recession

MARKETS:
Asian ports seen leading coronavirus recovery

China rolls out VLSFO futures to gain pricing power

IN OTHER NEWS:
India approves transport for crew changes

Guangdong to convert 1,500 ships to LNG

InfraStrat to acquire UK's first FSRU project

New council to boost Singapore as arbitration centre

Singapore's first purpose-built LNG bunkers tanker ready by end of 2020

Russian tanker sets pace across Northern Sea Route

Container vessel orders fall to lowest in a decade

ONLY 83 CARRIERS will be placed on order in 2020, compared with 148 last year, which is the lowest annual figure since 2009, the latest Lloyd's List Intelligence Shipbuilding Outlook reports.

"The Covid-19-driven decline in the container trade, coupled with general economic uncertainties has affected the near-term contracting forecast," it said.

The container fleet was at 22.7m teu as of May 31, divided between 5,278 ships. The fleet capacity is forecast to increase by 3.5% in 2020, reaching 23.4m teu by the end of the year. The net fleet growth in 2020 will be by 111 carriers and the fleet will be 5,370 ships by the end of the year.

The current orderbook is for 627 ships, with an aggregated capacity of 4m teu. Of these, 197 ships are scheduled to be delivered in 2020.

As tonnage in the container sector is still relatively young — especially for the larger vessels — only 181,594 teu (86 vessels) are forecast to be removed from the fleet in 2020.

The forecast for deliveries of container carriers in the 2020–2024 stands at 8.8m teu, spread over 1,130 ships. This is 24% more than in the previous five years in terms of capacity. Some 244 will be in the 10,000 teu–14,000 teu size bracket representing 42% of total delivered capacity.

The removal forecast for the 2020–2024 period stands at 1.1m teu, divided between 521 ships. This is 25% lower than in in the previous five years measured in teu. However, there will be a strong increase of removals of smaller carriers.

The container fleet growth in the past five years has been 24.9%, or 4.5% on average annually in terms of teu. In terms of the number of vessels, the fleet grew by 0.8% annually in 2015–2019.

The fleet growth in 2020–2024 is forecast to 6.4m teu, or 5.1% on average each year. The highest growth rate will be in the 14,000 teu+ size group, which is forecast to grow at an average annual rate of almost 14.5%, followed by the 10,000 teu–14,000 teu fleet that is forecast to increase by 10.2% in average each year.

The cargo ro-ro fleet stood at 1,196 ships in May 2020. Of these, 352 are larger than 2,000 lane metres, but account for 75% of capacity (1.42m lane metres) of the total 1.9m lane metres.

In terms of the number of vessels, the ro-ro fleet remained nearly unchanged between 2015 and 2019, with a decline of only 0.2% annually, while the fleet is forecast to shrink on average by 1.6% per annum to 1,106 vessels in 2024.

However, in capacity terms the fleet will grow in the next five years, since deliveries will be significantly larger than the removed ships.

At the end of 2024, fleet capacity will be 6.5% larger than today (1.3% annually), reaching 2.02m lane metres. The fleet of vessels above 2,000 lane metres will increase on average by 2.6%, while the fleet of smaller vessels will shrink at an average annual rate of 3.2%.

Deliveries in 2020–2024 are forecast to be at a high, measured in capacity. Until the end of 2024, 274,000 lane metres are forecast to be delivered — 18% greater compared with the deliveries in the previous five-year period.

There are a lot of old ro-ro carriers in the fleet and thus the average fleet age is as old as 28 years. The current average removal age is 28 years, leaving plenty of mostly small candidates for removals.

In 2020 only six ro-ro vessels will be placed on order, which is the lowest number since 2010.

WHAT TO WATCH

Carriers take tentative steps to increase capacity

AS the number of developed economies coming out of lockdown and removing mitigation efforts increases, container carriers are having to walk a fine line between rates and capacity as demand resumes.

"The easing of lockdown measures, especially across much of Europe, has helped demand for container freight gradually to get back on its feet and take the first tentative steps toward recovery," said analysts at Platts.

"After a few months in which demand tumbled around the world, the reopening of some shops, with more expected in forthcoming weeks, has resulted in a sudden jump in demand, especially at a time when there are large numbers of vessels out of the market following the void sailing measures put into place by carriers."

The increased demand had already led to high utilisation figures and even instances of cargo being rolled, Platts added.

"This has put already fragile supply chains, which have been hit by the cancelled sailings, under further pressure."

But any return of demand could be short-lived, Platts warned, as wider economic conditions remain bearish.

Box freight rates on the major main lane trades remained firm last week, with the Shanghai Containerised Freight Index ticking up 8.6% after dipping just under 1% the previous week.

But the stabilisation of rates has come at the cost of huge cuts in capacity, which may need to remain in place for some time, according to Sea-Intelligence, which has noted an "unblanking" of several services as increased freight demand led to rolled cargoes.

"The unblanking of sailings is a minute amount of sailings compared with the full scope of removed services seen in the second quarter of the year," Sea-Intelligence said. "Hence, this can in no way be seen as unexpectedly strong demand. The only correct interpretation would be that the demand drop was not fully as catastrophic, as initially expected."

It added that carriers would need to ramp up the number of blank sailings announced for the third quarter of 2020.

"While it is understandable that one would like to have a glimmer of hope that we will see a pick-up by the third quarter of the year peak season, it appears ever more unlikely to happen in the short term."

It said that carriers would most likely extend cancellations on voyages that had already been blanked, as these had demonstrated that cargo could be placed on other voyages already.

"This in turn means that in the coming weeks market participants should prepare for cancellations in July of the same services, as have already seen substantial cancellations," Sea-Intelligence said.

Panama to fine and de-flag ships for AIS tampering

PANAMA has revealed that it will fine ships in its fleet up to $10,000 or even revoke their registration if they deliberately turn off or interfere with their signal transponders, in an attempt to mitigate sanctions evasions.

"This General Directorate of Merchant Marine will impose sanctions to all those Panamanian flagged vessels that deliberately deactivate, tamper or alter the operation of Long Range Identification and Tracking System or the Automatic Identification System," the Panama Maritime Authority said in a statement, according to Reuters.

The move by the world's largest flag state, which has over 225m gross tonnes and around 9,300 vessels under its supervision, appears to be a direct response to new guidance issued by the US government to the maritime industry on how to better detect vessels' deceptive and sanctions-evading practices, especially when it comes to business with Iran, North Korea and Syria.

The advisory highlighted monitoring AIS for potential transponder manipulation, as well as, "periodic" LRIT monitoring.

Intertanko, the tanker owners' association, has warned against using AIS alone as a detection tool.

"We do not believe that AIS should be used in isolation as a key indicator of deceptive practices as seamless monitoring cannot be guaranteed or error free. As for implementation, it will be a deliberate process," Intertanko told Lloyd's List.

The Panama Maritime Authority said that if a ship's transponder is down or not reporting it would launch an internal investigation, which could lead to appropriate sanctions and ultimately even de-flagging of the ship.

The new advisory is the latest effort by the US government to clamp down directly on illicit practices in shipping as part of a broader foreign policy. While Panama has come out with these fresh measures, the advisory has implications for charterers, protection and indemnity clubs and other sectors within the industry.

Intertanko said that even though the advisory had been tabled as guidance rather than as a legal requirement, the recommendations will almost certainly be used as the new expected standard.

"All maritime players have been enlisted to police both individual vessel ownership and trade. This is asking private marine sector entities effectively to do the enforcers' job, whilst at the same time opening itself up to potential sanctions breach," Intertanko said.

The result could be, it added, a hardening of sanctions clauses in maritime contracts in general, such as specified provisions to the use of AIS, and in a way that data can be exchanged lawfully for both the EU's GDPR privacy regulations and anti-competitive purposes.

"The advisory recommends that we, as a trade body, also implement internal due diligence considerations to raise awareness and assist our Members with compliance. We have and will continue to do that. We will be candid about the practicalities via the proper channels with all impacted industry interests" Intertanko said.

Since the US government published its advisory, five Iranian flagged product-tankers have shipped around 200,000 tonnes of gasoline to Venezuela. These were the first shipments from Iran to Venezuela since the US imposed sanctions on the middle East Country in November 2018.

All of the five vessels are owned by the National Iranian Tanker Co, which has been sanctioned since the US. The last of them, the 49,288 dwt Clavel, is currently off Venezuelan shores, according to Lloyd's List intelligence.

US envoy on Venezuela Elliot Abrahams told Reuters last week that the Trump administration had warned seaports, shipping companies and insurers not to assist the tankers as they were headed towards the South American nation.

Qatar signs $19bn deal for LNG carriers with South Korean yards

QATAR Petroleum has reserved slots with three South Korean shipbuilders for more than 100 liquefied natural gas carriers until 2027 in a deal worth more than QR70bn ($19.2bn).

The projects will go to South Korea's three main shipbuilders, Daewoo Shipbuilding & Marine Engineering, Hyundai Heavy Industries and Samsung Heavy industries.

The trio will dedicate most of their LNG shipbuilding capacity over the next seven years for the order.

"With the conclusion of these milestones agreements, we have everything in place to commence the largest LNG shipbuilding programme in history," Qatari energy minister Saad Sherida al-Kaabi said in a statement.

"We have secured approximately 60% of the global LNG shipbuilding capacity through 2027 to cater for our LNG carrier fleet requirements in the next seven to eight years, which could reach more than 100 new vessels with a programme value in excess of 70bn Qatari Riyals."

The landmark deal is powered by the ambitions of Qatar, the world's largest LNG exporter, to expand its capacity, particularly through the offshore North Field gas field.

"As I have previously stated, we are moving full steam ahead with the North Field expansion projects to raise Qatar's LNG production capacity from 77m tonnes per annum today to 126m tonnes per annum by 2027 to ensure the reliable supply of additional clean energy to the world at a time when investments to meet these requirements are most needed," said Mr Al-Kaabi.

The agreements with the Korean shipyards will be part of the largest LNG shipbuilding programme ever undertaken.

The newbuildings will be equipped with the latest generation slow-speed dual-fuel engines, utilising LNG as a fuel.

In April, Qatar Petroleum agreed to reserve LNG vessel construction capacity at Hudong Zhonghua Shipbuilding Group Co, a subsidiary of China State Shipbuilding Corp.

As for the South Korean agreements, a significant proportion of Hudong's LNG capacity will be reserved for Qatar Petroleum until 2027.

On a webinar organised by the US-Qatar Business Council last month, Mr Al-Kaabi stressed that Qatar would not be hampered by geopolitical tension in the Middle East region.

"We are in it for the long haul," he said. "We are the most cost-effective producer and can withstand market shocks." He suggested Qatar might produce even more than the planned 126m tons per year of LNG "if and when that becomes possible".

The agreements with the South Korean shipbuilders were signed by Sung Geun, chief executive of DSME; Sam H. Ka, president of HHI; and Joon Ou Nam, chief executive of Samsung HI.

ANALYSIS

Automation remains (quietly) on the US agenda

THE coronavirus pandemic may have boosted the prospects of automation in the US, as several of the country's terminals closed at least briefly after dockworkers tested positive for the disease.

Even so, automation remains a sensitive word in the San Pedro Bay ports of Los Angeles and Long Beach.

"I think this Covid-19 situation has only accelerated people's desire to move even beyond what we have

seen in automation," says Jesper Kjaedegaard, a partner with consultants Mercator International.

Given social distancing restrictions, Mr Kjaedegaard believes that work done at centralised control centres could be moved out of offices and directly into people's homes.

"My vision is that it won't take long before — given the situation we've just been through here, we are going through — some of these joysticks will be moved back home. And why not?

"Rather than traveling one hour in traffic to get to that office at the terminal and travel one hour back, you can just have your breakfast at home, take your kid to school and at 8.30 in the morning, you log on. You don't need to travel," he says.

Still, he recognises opposition to automation and especially in the US, where "you have intense opposition by the unions and the automation process is way behind compared to most terminals in Asia, Europe and the Middle East".

Dane Jones, who serves as clerks' technology co-ordinator for the International Longshore and Warehouse Union, recognises the right of the union's employers to automate – with qualifications.

"We think that people are much better and more effective and more cost-effective at moving cargo. But if our employers are determined to automate it, then we are adamant that they live up to their agreement to include us in their new methods of operation," Mr Jones says.

Still, he questions the timing of any efforts to automate right now.

"Cargo on the [US] west coast is suffering from some unfortunate trade policies and the serious effects of a global pandemic. Right now, nearly 20% of the world's container shipping capacity is idle.

"I don't understand how any responsible business would take this opportunity to leverage up and extend themselves when cargo volumes are so volatile," Mr Jones says.

Jim McKenna, president of the Pacific Maritime Association, is well aware of union concerns about automation — but equally aware of the need for it, if US west coast ports are to retain their competitive advantage.

For Mr McKenna, whose organisation negotiates labour agreements with the ILWU on behalf of terminal operators and shipping lines, the key concepts are discretionary cargo and cost-cutting. He points out that the widening of the Panama Canal has created new routing options for shippers, giving them discretion over the routes their cargo can take.

Those options also include greater use of the Suez Canal as supply chains have shifted due to the Sino-US trade war.

Not least, ports along the US east and Gulf coasts have invested heavily to attract the discretionary cargoes that would normally flow from the Far East to the US west coast

"You have all this money that's been poured in waiting to try and accept this additional cargo and it's worked. It's a magnet to some of this cargo and again, it diversifies the benefits of cargo owners from having all of their eggs in one basket," Mr McKenna says.

"So, we need to find a way to make our ports more competitive and it's not one thing that'll fix this. It's a lot of people coming together and figuring out how we can reduce costs in these ports. One of those ways to do it is through automation.

"Automation is not cheap by any stretch of the imagination, but it is a way to lower your cost per box handling and ultimately that will help retain discretionary cargo" — which, as he says, "employs a lot of longshoremen on the west coast".

Weston LaBar, chief executive of the Harbor Trucking Association, which represents thousands of drayage drivers up and down the US Pacific coast, says his membership favours automated terminals.

More to the point, he notes that turn times at the two automated terminals in the ports of Long Beach and Los Angeles average 43 minutes, versus 84 minutes in non-automated facilities.

"So, we've been supportive of automation on the container delivery side to the truck as a form of efficiency and optimisation," he says.

These are especially important "in a world that has ever-growing congestion due to larger vessels and what we're calling mini peaks".

While optimistic about the efficiencies of the ports' automated terminals, Mr LaBar — reflecting the sensitivities of many people in the harbour district — says:

"We're not in favour of using automation as solely a way to displace workers."

The port of Los Angeles has long recognised the sensitivities of port workers and, in 2017, hired Avin Sharma as its first-ever director of labour relations and workforce development.

"In addition to its being a new role for me personally, it's also a new position for the port and my position was really a brainchild of the late commissioner David Arian," Mr Sharma says, referring to the former ILWU International and Local 13 president and long-time union activist.

"I still remember my interview with him and my first meeting with him, talking about the importance of the port's role in looking at workforce development," he says.

One part of Mr Sharma's role is to serve as the "primary liaison" between the harbour department and "all of the unions" that operate in the port community, the largest being the ILWU.

However, the other part of his job involves workforce development "and thinking about the training that's needed today and thinking about the changing nature of work and what, potentially, the jobs of tomorrow could look like".

So far, according to Mr Jones, the effort is working.

"The port has, by and large, done an excellent job of courting cargo and companies that do a good job of moving it and we're appreciative of their efforts to keep our local workforce as a constructive part of that equation."

Virus will slow innovation, but collaboration holds key to success

THIS year was supposed mark the point when the controversial 0.5% global sulphur cap — whose introduction on January 1 had absorbed so much energy and concern in the previous two years — was to simply become another fact of life in the shipping business.

It was meant to be when attention could turn to other pressing issues, like technological advancement, decarbonisation efforts, automation — matters which are meant to generate new opportunities and solve chronic problems.

But the coronavirus pandemic has thrown this trajectory into doubt and raised questions about the potential for technological innovation, which will be required to make maritime safer and more sustainable — particularly for the short term.

Early signs are not promising. The financial repercussions have already begun, with unemployment rising alarmingly in the US and forewarnings of a global financial recession. The International Monetary Fund projected in April that the global economy would shrink by 3% in 2020, surpassing the contraction seen during the 2008-2009 financial crisis.

The record-breaking earnings of tankers so far this year are outliers and maritime overall will suffer in 2020 as well.

European shipowners openly expect a loss in turnover and cutbacks in seafarer and onshore employment as a result, according to a recent survey conducted by the European Community Shipowners' Associations.

Only 26% of the respondents said they expect to resume the same level of planned investment on reducing air emissions, while 44% do not expect to invest at all.

There also does not appear to be much willingness for fleet renewals for the time being. That diminished appetite for new tonnage means less money for engine providers who would develop new propulsion technology.

Part of the problem owners are facing is lack of adequate financial support, both from governments and banks, according to this survey. For a return to the pre-coronavirus plans for innovation, investment will be necessary in some shape or form.

Nautilus Lab chief executive Matt Heider recently told Lloyd's List that financing access for entrepreneurs in the maritime sector will depend on their ability to focus on generating real revenue and ensuring their future, while preparing for the storm of a global financial crisis.

"Any time there are problems to solve and pain to be washed away with technology, it creates an environment for entrepreneurs not just to survive but to thrive," he said.

Digitalisation has been a subject of maritime debates for several years now; for some it is an exhausted buzzword, while others have taken it more to heart, investing to make their operations more efficient, reduce fuel consumption and emissions, as well as wasted voyages.

Mr Heider questioned whether the coronavirus pandemic will widen the gulf between those who have already advanced in this regard, or if it will act as a warning call for laggards to begin adopting digital practices more rapidly.

Wärtsilä marine president Roger Holm said there is currently scrutiny on spending from shipping companies and that will be more accentuated, depending on the vessel segment.

Digital investment costs, however — such as fleet operations solutions, automation and connectivity between vessels and ports — are small in the big picture and are not on the same level as building a new vessel.

The momentum of digitalisation adoption has already started and Mr Holm believes that when the benefits begin showing, nothing will stop it.

“We have seen the change over the years from the concerns about data ownership to connection and collaboration,” Mr Holm said. The challenge for the maritime ecosystem is to elevate that collaboration.

Arguably the biggest concern for the shipping sector throughout the pandemic has been the herculean task facing seafarers who have been stranded at sea, as governments have refused or complicated crew changes on their shores.

Companies have also imposed restrictions on their ships to prevent crew contamination and minimise operational disruption.

Lloyd’s Register marine director Nick Brown said critical technologies for seafarers during this period has been their connection with shore through calls, social media and other tools.

“It has helped alleviate some of the mental strain and stress people would feel if they were completely disconnected from home,” he said.

However, in the longer term, the experiences of the present situation may accelerate the exploration of increased automation on board vessels, he argued.

“I think the experience of Covid-19 may also stimulate thoughts on what extra automation can we build into vessels in the future and do we need as many people on board as we currently have,” Mr Brown said. However, that has to make commercial sense, he added.

Classification societies have responded to operational disruptions caused by the pandemic by banding together, albeit temporarily. IACS members agreed in April to begin using each other’s surveyors in cases where getting their own will be difficult.

Mr Brown, who has argued in favour of moving from the current time-based surveying regime to a more data-based one, said there has been a significant increase in the desire for remote surveys over the past three months.

That will hopefully extend to more innovative action in the future, like trialling and piloting of data-based tools, such as digital twins.

Although Mr Brown believes data can supplement and complement physical audits, he does not see inspections being fully replaced any time soon.

“However, I think we will have the opportunity to adopt technology at a greater pace and be more comfortable that it is not risking the safety of the industry and environmental performance,” he said.

This underscores a wider trend seen since the coronavirus pandemic: the slowdown in the short term may be inevitable as the priority shifts to staying afloat.

However, the long-term aims are unchanged and perhaps have become even more important.

Norwegian shipowners pledged in late May to have a carbon neutral fleet by 2050 and not to order vessels without zero-emission technology from 2030 onwards.

Cargill, a major charterer, expects difficulties in fulfilling its sustainability goals this year but sees the current health crisis accelerating the decarbonisation trend.

Collaboration also appears to continue as if unimpeded, with the wider decarbonisation pledges looming large.

The latest coalition of industry bodies, researchers and NGOs with P4G, which funds public-private projects in developing nations, will identify

decarbonisation opportunities for shipping in emerging economies.

"The P4G Getting to Zero Coalition Partnership aims to identify new growth opportunities that will be needed as countries seek to recover better from the current Covid-19 pandemic," they said.

This point summarises well the mindset that prevails more broadly. Collaboration can help spur the long-term innovation that is required, even if short-term prospects look bleak.

Debt restructuring could lead to economic recession

THE coronavirus pandemic could lead developing and emerging economies into messy debt restructurings that could drive the global economy "into another, possibly much deeper, recession", according to a newly released report.

Governments in financially stronger developed countries have concluded that an increase in public debt levels is preferable to the widespread destruction of productive capacity; the cost of servicing higher levels of public debt will not be an immediate cause of concern for them.

However, some developed countries, including European countries such as Italy and Spain, had weak financial positions before the coronavirus outbreak, according to the Economist Intelligence Unit. It does not expect global gross domestic product to recover pre-pandemic levels until 2022.

"South European states are still recovering from years of austerity, combined with high levels of public debt, ageing populations (which are more vulnerable to severe forms of the coronavirus) and persistent fiscal deficits," the EIU says its report, titled Sovereign debt crises are coming.

"The European Central Bank would act swiftly to contain the fallout, but a debt crisis in any of these countries would create massive turbulence on financial markets."

Such turbulence would quickly spread across the globe.

Poorer countries would be hit even harder. Their indebtedness has risen sharply over the past decade.

In an effort to mitigate the economic impact of the pandemic, multilateral financial institutions such as the International Monetary Fund and the World Bank have offered substantial financial support to help to ease the financial burden on low-income and emerging-market economies.

"These efforts will give the world's poorer countries some short-term breathing space, as well as freeing up resources for them to beef up healthcare spending and implement economic stimulus and relief programmes," the EIU adds.

However, many countries will emerge from the current virus-driven economic crisis even more indebted and financially stressed than before. This will raise concerns about their ability to repay external debt in the absence of more comprehensive debt-relief plans.

"Sovereign defaults might not take place this year, but they are likely among poor countries in the medium-term," the report says.

The role of China as a creditor will be viewed with greatest interest. China is the largest single lender to low-income countries and emerging markets in general. Many emerging markets have developed a high financial exposure to China through credit facilities and loan arrangements often linked to commercial projects, secured at market rates and backed by collateral.

African countries are significantly exposed to China. "Whether China will agree to renegotiate loans that it has extended to poor countries remains unclear. China might accept to roll over part of the debt."

However, the EIU warns that: "If debt is not restructured or repaid, China might look to seize some assets from its creditors... In the medium term, this will only increase the dependency of poorer countries on China."

In conclusion, the EIU states that the fractious nature of global geopolitics, as well as historical precedent, suggest that any debt restructuring or write-offs are more likely to occur on a case-by-case basis rather than as a broad-brush policy. Protracted and messy debt restructurings would make sovereign debt crises even worse.

MARKETS

Asian ports seen leading coronavirus recovery

THE first in-first out impact of the coronavirus on Asian ports has been backed by survey results from the International Association of Ports and Harbours.

Work done by the IAPH's virus group and the weekly results from the Port Economic Impact Barometer show that Asian ports are starting to return to normal operations ahead of their European and North American counterparts.

"Whilst being clearly impacted by blank sailings on mainline container trades, Asian ports advised us that international cargo volumes (containerised and non-containerised) were in part being substituted by increased domestic cargo traffic during the crisis peak," said Patrick Verhoeven, the IAPH managing director in charge of co-ordinating its World Ports Sustainability Program Covid-19 Task Force.

Looking ahead, however, he noted that between now and July port pairs on Asia-Europe and transpacific trades will be impacted by blank sailings, and the impact in the second half will depend on how quickly European and North American economies pick up.

In terms of the trades out of Asia, Mr Verhoeven said reports were emerging that those between Asia and Africa as well as Asia and the Indian subcontinent remain the worst hit by the coronavirus.

While many gateway ports in Asia have seen throughput plunging in the first quarter, he noted that with some Asian transhipment ports having been selected for Suspension of Transit cargo by carriers, this heleds to explain relatively high volumes being redirected to these ports.

Combined throughput at China's eight largest container ports, led by Shanghai and Ningbo-Zhoushan, fell 7.3% year on year for the first 10 days in May.

Latest figures from Lloyd's List Intelligence, however, show that in terms of port calls at least, this is now bouncing back.

Meanwhile, Westports, the dominant operator at Port Klang, reported almost unchanged first-quarter throughput while in Hong Kong, after plunging in January throughput also remained largely flat in February and March compared to the previous corresponding periods.

Mr Verhoeven noted that globally, there have also been reports in general of increases in feeder traffic to and from gateway ports to meet local demand, especially for reefers and dry cargo for foodstuffs and essential supplies such as pharmaceuticals.

While admitting that their data reflects the paucity of responses from Asian ports, Mr Verhoeven noted however that non-Asian ports have been seeing increased floating storage of new vehicles on board ro-ro vessels due to overcrowded quaysides at ports.

In addition, some of these ports are also reporting significant drops in containerised cargo in general of non-essential cargo, so "automotive parts and kits will inevitably figure in these volume reductions", he added.

China rolls out VLSFO futures to gain pricing power

CHINA is planning futures contracts of very low sulphur fuel oils to global investors for the first time, as the large maritime nation seeks to grab a slice of the bunker supply market.

The contracts will be denominated in Chinese yuan and traded on the Shanghai International Energy Exchange from June 22, according to China Securities Regulatory Commission that has approved the project.

The underlying product are 0.5% VLSFOs, which have been produced domestically.

Against the backdrop of the 2020 sulphur cap, the roll-out of the VLSFO futures to international markets will provide companies with a transparent pricing signal and a tool for hedging risks, said Huatai Futures, a unit of Huatai Securities, one of China's largest securities brokers and traders.

"It will also facilitate the development of bonded fuel market and refineries in China, helping them gain the pricing power over VSLFO," it said in a research note on Monday.

The move represents yet another part of China's efforts to take the opportunity of the International Maritime Organization's sulphur rules to grow its market of bonded fuel — bunker fuel provided at Chinese seaports for ships trading overseas.

The longer-term ambition is to establish the country's own world-class bunker hub in Asia that match the clout of Singapore, the current champion in this sector.

To achieve the goal, Beijing in late January officially announced a tax rebate for China-made VLSFO to encourage domestic production and increase its cost competitiveness to foreign buyers.

The policy was followed by 10m tonnes of VLSFO export quota granted by the government in April to five state-owned oil firms led by Sinopec and PetroChina. The amount is about 21% of the bunker sales in Singapore last year.

The prospects are facing a few setbacks from the coronavirus storm, however, with the dented shipping activities and the resulting drop in fuel demand that has even rendered a credit shock wave to bunker players highlighted by the Hin Leong crisis.

The VLSFO market remained under stress now, said Huatai, adding the rebound of fuel price from the bottom recently had also put a damper on shipowners' bunkering appetite.

That said, price may drop soon as the VLSFO production volume in China, South Korea and India continued to rise with the recovery of refineries' capacity.

IN OTHER NEWS

India approves transport for crew changes

INDIA's government has allowed operators and shipmanagers to send and bring back Indian seafarers on chartered flights to facilitate crew changes on board ships at foreign ports.

The approval, which came late in the evening on Saturday, will help thousands of Indian seafarers who were working beyond their contractual tour of duty as they were unable to return home because of travel restrictions implemented by different countries.

The move is also a welcome step for crew to join ships at foreign ports, an exercise that was halted in March in the wake of the pandemic.

Guangdong to convert 1,500 ships to LNG

GUANDONG province, China's southern economic powerhouse, is planning to convert a big chunk of its river-going vessels to run on liquefied natural gas, according to a press release.

The co-operation framework agreement signed with two state-owned conglomerates — China State Shipbuilding Corp and China National Offshore Oil Corp — aims to retrofit about 1,500 ships and build 19 LNG fueling stations in the province by 2025.

The latest available government data showed Guangdong had nearly 6,000 vessels trading on inland waterways at the end of 2017.

InfraStrat to acquire UK's first FSRU project

UK energy infrastructure group InfraStrata has agreed terms to acquire Meridian Holdings Co, owner of a proposed 5m to 6m tonnes a year floating storage and regasification unit project off northwest England.

InfraStrata said it has entered into a term sheet with West Face Long Term Opportunities Global Master, which is conditional on final investment decision, for the acquisition of Meridian Holdings Co.

West Face Long Term Opportunities Global Master is a hedge fund operated by West Face Capital, a Toronto-based alternative asset management firm, which operates in an investment advisory capacity.

New council to boost Singapore as arbitration centre

A NEW council comprising senior maritime executives has been set up to promote Singapore as a destination for dispute resolution through arbitration.

The Singapore Chamber of Maritime Arbitration on Monday unveiled its inaugural 18-strong local users council.

Seven shipowners, including BW Maritime, Western Bulk, Oldendorff, Thenamaris Singapore and Torvald Klaveness, have come on board.

Singapore's first purpose-built LNG bunkers tanker ready by end of 2020

THE first purpose-built tanker to supply liquefied natural gas bunkers out of Singapore is on track for delivery before the end of the year.

The vessel owner, FueLNG, said the newbuilding that was launched at the weekend from Keppel Nantong shipyard, is on schedule for completion in the fourth quarter of 2020.

That would help boost FueLNG's ship-to-ship bunkering capabilities and put it in contention to supply the fuel to several vessel owners operating, building or retrofitting containerships to run on liquefied natural gas.

Russian tanker sets pace across Northern Sea Route

A LIQUEFIED natural gas carrier has completed an eastbound voyage along the Northern Sea Route two months earlier than usual, as Russian shipping and gas interests hope for prolonged transiting seasons in the Arctic Sea.

The rare transit by the Arc7 ice-class LNG tanker Christophe de Margerie could mark another turning point for Arctic shipping, which over the past few years has been the subject of optimism and controversy for its trade opportunities and environmental implications respectively.

Sovcomfloft, the Russian shipping company that owns and operates the vessel, claimed that it was the first time a "large-capacity vessel of this type" made the eastbound NSR voyage in May.

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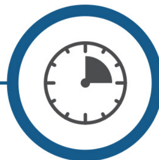

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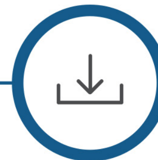

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