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## US expands maritime sanctions list for Venezuelan trades



THE US HAS expanded a list of maritime companies and vessels it claims are linked to Venezuela's oil sector.

The Department of the Treasury's Office of Foreign Assets Control designated four companies for operating in the oil sector of the Venezuelan economy.

They are identified as Adamant Maritime Ltd, Afranav Maritime Ltd, Sanibel Shiptrade Ltd and Seacomber Ltd.

"The United States reiterates that the exploitation of Venezuela's oil assets for the benefit of the illegitimate regime of President Nicolas Maduro is unacceptable, and those that facilitate such activity risk losing access to the US financial system," the State Department said in a statement on its website.

Ofac also named four tankers as blocked property — *Athens Voyager*, *Chios I*, *Seahero* and *Voyager I*.

The statement said any entities that are owned, directly or indirectly, 50% or more by the designated entities are also blocked.

"The illegitimate Maduro regime has enlisted the help of maritime companies and their vessels to continue the exploitation of Venezuela's natural resources for the regime's profit," said Treasury Secretary Steven Mnuchin. "The United States will continue to target those who support this corrupt regime and contribute to the suffering of the Venezuelan people."

Legal experts have warned shipping companies in recent weeks that they should expect a stricter stance from Ofac as the US government tries to enforce its sanctions policy.

The new designation comes almost three weeks since Ofac issued new guidance to the maritime industry to detect deceptive and sanctions-evading practices from ships. That advisory, however, focused on trade with Iran, North Korea and Syria.

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## WHAT TO WATCH

# Seadrill posts \$1.6bn loss, will drop New York listing

RIG operator Seadrill will delist from the New York Stock Exchange and will undergo a capital restructuring after suffering a \$1.6bn first-quarter loss, while acknowledging there is doubt if it can keep going.

The John Fredriksen-backed company, which also trades on the Oslo Stock Exchange, announced that a share price that has remained below \$1 since early March and a market valuation that has at times sunk below \$50m have forced the company to consider its options.

“Whilst cures remain available with respect to these issues the company has determined that this is an appropriate time to rationalise its listing arrangements,” it said in its first-quarter earnings statement.

It said Seadrill Limited will move to delist from the NYSE and focus on the Oslo Stock Exchange.

The company reported a \$1.56bn loss in the first quarter, up from a a loss of \$295m in the year-earlier period. Revenue was down 19% to \$321m, while operating expenses fell by 22% to \$383m. The major hit on earnings came from a \$1.2bn impairment.

“The decrease was primarily due to impairments being recognised against our drilling units following the significant reduction in global oil demand, and consequently our view as to the future operating capability of certain assets,” the company said.

It also revealed that since the end of 2019 it has been working with its senior creditors for an interim solution to the high cash outflow for debt service before undergoing a more comprehensive restructuring.

But it claimed that the 43 institutions, all of which had to approve certain term amendments, could not agree amid recent market developments.

“As a consequence, Seadrill has decided not to proceed with the bank consent and has retained financial and legal advisors to prepare for a comprehensive restructuring of the balance sheet,” the company said.

“Whilst we continue to evaluate various alternatives to address the cost of debt service and overall volume of debt, we do anticipate that a comprehensive restructuring may require a substantial conversion of our indebtedness to equity,” it added.

Seadrill, which emerged from a Chapter 11 restructuring in 2018, has \$1.2bn of cash and believes that this provides sufficient liquidity to complete a comprehensive restructuring.

“However, until such time that an agreement is reached to restructure our borrowing commitments, substantial doubt remains over ability to continue as a going concern,” it acknowledged.

As of the end of the first quarter of the year, Seadrill also had \$7.5bn worth of assets and \$7.5bn liabilities, redeemable non-controlling interest and equity.

Coronavirus has been detrimental to the offshore supply industry, as energy majors cut back on capital expenditure amid an earlier global oil oversupply and demand shortage.

Seadrill expects a reduction in exploration programmes and delays in the sanctioning of development programmes, which will mean cancelled or deferred tenders, contract terminations and renegotiation of existing contracts.

“In turn, this will impact supply and demand dynamics, putting pressure on dayrates and driving down utilisation for all asset types in the coming quarters,” it said.

Seadrill reported that at the time of the oil price decline and coronavirus impact, the harsh environment market was best positioned.

“However, we now expect pressure on dayrates due to a lack of open demand for long-term work. The benign environment market, which was at the early stages of a recovery, is expected to be most impacted by recent events,” it said.

It expects that supply overhang from contract conclusions and the deferral or cancellation of demand will increase supply and put significant downward pressure on dayrates and utilisation. The jack-up market may suffer less because due to lower customer project breakeven levels.

“This industry has two fundamental challenges which are emphasised by recent events — there are too many rigs and too much debt,” said chief

## CMA CGM chief sets 2050 deadline for carbon neutrality

CMA CGM chief executive Rodolphe Saadé has set an objective for the container line to be carbon neutral by 2050.

Mr Saadé said that the coronavirus pandemic had highlighted some of the weaknesses of the current business and development climate.

“The crisis has enhanced our collective responsibility to transform our development models,” he said during a webinar on sustainable ocean business hosted by the UN Global Compact.

“During the pandemic, transport and logistics played a key role in the transport of essential supplies. Today we are presented with a unique opportunity to reshape the national economic exchanges.”

This meant that the “new globalisation” must support sustainable development goals, said Mr Saadé.

“It is our responsibility all together to define new shipping and logistics systems while continuing to

executive Anton Dibowitz. “We recognise, along with others in the sector, that a number of our assets are increasingly unlikely to return to the market and need to be scrapped.”

Out of Seadrill’s wholly or majority owned rigs, 16 floaters and jack-ups were operating while 18 were idle. It also had 10 operating and seven idle rigs in which it has interests.

“Assets across the industry also carry debt levels which are unlikely to be sustainable and consequently we should expect to see substantial indebtedness being converted to equity,” Mr Dibowitz said.

“Only when the industry addresses both of these issues will we be in a position where the balance of market supply and demand can deliver reasonable investment returns to stakeholders.”

strive for the globalisation we want to witness tomorrow.”

CMA CGM had already taken significant steps towards reducing its environmental impact, he said.

“With a 48% reduction in CO2 emissions per container per kilometre since 2008 we have exceeded, 10 years ahead of schedule, the IMO’s target of a 40% reduction by 2030. Last year we reduced our total CO2 emissions by 6%.”

In the coming weeks, a further milestone would be reached with the delivery of the first of the carrier’s 23,000 teu LNG fuelled containerships, which would reduce CO2 emissions by 15%-20% and suppress almost all sulphur and fine particle emissions.

“This is a major event that symbolises the path we are taking in terms of energy transition using the most advanced eco-friendly technology available today,” Mr Saadé said. “But we must move forward and I am pleased to announce that our energy supplies will include 10% alternative fuels by 2023, and our 2050 objective is to be carbon neutral.”

# Hapag-Lloyd delays bunkering plans due to coronavirus disruption

HAMBURG-based Hapag-Lloyd is said to be reviewing its bunkering plans as a result of the impact of the coronavirus backdrop.

The move will affect both its first LNG-fuelled ship and other vessels running on conventional fuels.

The company had previously aimed to start the retrofitting of the 15,000 teu *Sajir* with a liquefied natural gas dual-fuel engine last month, but that has been held back by a pause in yard operations that was triggered by the coronavirus backdrop in China.

Sources told Lloyd's List that following talks between the shipping line and the commissioned yard, the conversion work on the containership will now begin in late August or early September.

The retrofit of the vessel is now expected to be completed by the end of this year, they said.

The 2014-built *Sajir* had been actively trading as of last month and is due to arrive at Kaohsiung on June 6, data from Lloyd's List Intelligence showed.

Hapag-Lloyd could not be reached for comment.

Jan Christensen, a senior executive with the world's fifth-largest container company, signalled in a recent webinar the intent to negotiate any possible leeway from its bunker suppliers, which include supermajors such as Shell and ExxonMobil.

Mr Christensen, the senior director for purchasing and supply, said that the shipping line will seek to reduce costs and bolster liquidity by, among other things, securing extended payment terms from its bunker suppliers.

The German container line sources fuel from reputable suppliers with good financial credibility, such as the supermajors, whose deeper pockets may make it easier for them to extend payment terms if they choose.

Marine fuel industry sources also noted that Hapag-Lloyd — as with many container shipping lines — has had difficulty meeting the contracted purchase commitments of its bunker supply contracts.

Lloyd's List understands that Hapag-Lloyd has term contracts fixed with suppliers, calling for its vessels to take on certain bunker volumes within specified time frames.

These contracts were not unusual given that shipping lines, particularly those active in the container trade, had sought to secure compliant bunkers before the 0.5% global sulphur limit on marine fuel took effect at the start of this year.

But the coronavirus backdrop has disrupted the global supply chain and world trade, thereby forcing container shipping lines to cancel sailings and run their fleet at below optimal capacity, thus consuming less fuel than was forecast.

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## ANALYSIS

# Clock ticking for Europe to find a new regulatory framework for container shipping

EUROPE has four years to draft a coherent maritime policy for container line shipping that can replace the current set of consortia rules when they expire, say industry experts.

With the Consortia Block Exemption Regulation renewed until April 2024, European regulators should take advantage of the intervening period to devise a framework that is not focused solely on competition policy, Mike Garratt, chairman of MDS Transmodal, said in a webinar.

That is the approach taken by Brussels when considering other transport modes, Mr Garratt added, as he set out several measurements that could be applied when assessing public interest in the container line sector. These include connectivity, reliability, and capacity deployment.

He has co-authored a paper with MDS Transmodal senior analyst Antonella Teodoro urging the EU to develop new ways of measuring public interest when regulating the container shipping industry.

EU rules covering shipping consortia have been in place since 1995 and the current regulation sets a market share ceiling of 30%.

Alliances that fall within that threshold are automatically exempted from the bloc's competition regulation as long as they do not collude on prices, restrict capacity except to match demand, or allocate markets and customers between each other.

About 60 consortia serving the EU trades are covered by the exemption. The exceptions are two of the big three global vessel-sharing agreements, 2M and Ocean Alliance, fall outside the CBER because of their scale.

However, Mr Garratt questioned whether others also breach the market share limits.

"The 30% share principle on which these rules rely is breached on a massive scale, not a satisfactory way to maintain a policy towards the EU's freight relationship with the rest of the world," he said in the webinar organised by Lloyd's List affiliate InformaConnect.

"While the current model is 'working' and cargo is being very efficiently carried, can regulation be maintained, given the market share principle is not respected?"

During the evaluation of the consortia rules that was conducted before Brussels decided to renew the regulation for another four years, opinion was clearly split between two camps, said Stephan Simon, a senior expert and case manager for mergers at the European Commission's competition directorate.

Speaking in a personal capacity, Dr Simon said five criteria were used in the CBER assessment: effectiveness, efficiency, relevance, coherence, and EU added-value.

Although Brussels is broadly against sector-specific competition rules, Dr Simon said that in the case of liner shipping, many smaller operators and consortia might struggle with compliance costs without the safe harbour and legal certainty of the regulation. Nevertheless, there was opposition from cargo interests and ports to an extension.

"We knew stakeholders were pretty much divided," Dr Simon acknowledged.

However, despite increased concentration in the container trades after several rounds of

consolidation, and only three large alliances on the east-west routes, Brussels nevertheless found that in recent years, both costs for carriers and prices for customers per teu have decreased by approximately 30%, while the quality of services has remained stable. The commission therefore concluded its evaluation by proposing a prolongation of the CBER.

Dr Simon said the decision to renew the regulation for four years rather than five, as in the past, reflected the fact that in 2025, elections to the European Parliament will be held and new EU commissioners will take office. The 2024 expiry date will avoid any clash with the political process the following year.

Introducing and moderating the webinar, HFW partner Anthony Woolich said the current version of the CBER dates back to 2009. At that time, the commission said it recognised the benefits of consortia in the liner shipping industry because they generally bring rationalisation and economies of scale that help to improve both productivity and the quality of available container line shipping services.

They also promote technical and economic progress, while users may benefit from the improvements in productivity that consortia can bring about.

When reviewing the block exemption in 2014, the commission concluded that that justification was still valid. Brussels came to the same view in the latest evaluation.

However, Mr Garratt argued that much of the evidence has been based on economic theory and not actual measurements, even though there is plenty of relevant data available ranging from supply, demand, costs, and revenue, to reliability, connectivity, and emissions, on which to judge performance.

One proposal, from the Global Shippers' Forum, would be to establish independent and more frequent measures of market performance.

This, he said, could provide the basis for Brussels to create a clearer policy framework for the industry.

The webinar, *Analysing the EU's New Consortia Rules*, is one of a series that is being planned in the run-up to the postponed Global Liner Shipping conference, which is now scheduled to be held in Hamburg in November.

# Looming winter of discontent for LNG

ANOTHER disappointing winter season is looming on the horizon for the liquefied natural gas trade and its associated shipping operators, going by early indicators flagged by analysts.

LNG players have historically banked on peak gas demand during the winter season in the northern hemisphere to bolster prices and shipping rates for the commodity.

But this coming winter is unlikely to deliver a much-needed boost for trade in the supercooled fuel even if demand is set to recover after a dismal summer.

Energy and commodity research agency Wood Mackenzie forecasts a “modest” 5m tonnes increase for the 2020-2021 winter season demand from the previous year’s volume.

This should be considered a marked improvement given that LNG demand this summer is, as the agency suggested, expected to experience a 2.7% year-on-year decline, the first seasonal contraction for the global LNG market in eight years.

But WoodMac’s research director Robert Sims has flagged some “downside risk” to LNG prices in Asia during the winter months ahead given the fact that buyers there may choose to “lift some of the deferred volumes from this summer”.

Qatar Petroleum, for instance, is said to be in talks with buyers in India about deliveries of deferred cargoes, with the final quarter of this year and early next year flagged as possible deferred delivery windows, Poten & Partners’ analysts said during a webinar held last week.

Lower LNG prices in Asia are bad news for global trade and shipping, not least because they are not conducive to inter-basin arbitrage trade between the Pacific and Atlantic basins and hence shipping tonne-miles.

WoodMac’s Mr Sims also pointed out that US LNG export terminals have already been running at below full capacity this summer after buyers cancelled on deliveries of dozens of cargoes.

This has been a major dampener on LNG shipping spot rates, which have fallen 98% since last November to average just above \$15,000 on round-voyage routes to Northwest Europe and Tokyo from the US Gulf of Mexico, according to a recent assessment by the Baltic Exchange.

The pressure on US LNG may ease going into this year’s winter season as demand expands over the summer, but WoodMac has forewarned that plants there may again see “some degree of under-utilisation” through the summer of 2021.

Shipping rates on the other hand, have historically climbed as the northern hemisphere heads into winter, although they are likely to be held back in the coming months by a significant surge in the global working fleet.

The orderbook for newbuilding conventional carriers stood at 118 at the end of March, of which 44 were reported as “uncommitted”, Flex LNG said during its first-quarter financial results briefing.

In the second quarter alone, 13 newbuildings from the outstanding orderbook are expected to be delivered from the yards, the LNG shipping player has said.

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## MARKETS

### Surge in Asia LNG derivative trades

TRADES in liquefied natural gas derivatives done on one benchmark price have surged over the past 15 months through to the coronavirus-hit first quarter, one leading pricing agency said.

Leading energy and commodity pricing agency S&P Global Platts said that trading volume in JKM derivatives surged 209% in 2019 over the previous year to hit 107m tonnes.

The first three months of this year saw derivative trades done on nearly 50m tonnes, it added.

Platts will launch on June 26 a tool for assessing the tradeable value of derivative contracts for its JKM benchmark, which is commonly used as a reference price for LNG spot trades in Asia.

The online data-entry and communications tool, dubbed Platts Editorial Window or eWindow, allows

participants in the agency's daily trading window for JKM-priced LNG spot cargoes to concurrently communicate bids, offers and transactions directly to Platts editors and the marketplace at large.

This tool is compatible with the technology platform for Intercontinental Exchange (ICE), allowing its users to execute trades on ICE without leaving the environment of the Platts trading window.

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## IN OTHER NEWS

### **Skuld sells Lloyd's syndicate to run-off specialist**

SKULD has sold its Lloyd's Syndicate 1897 to run-off specialist RiverStone for an undisclosed consideration, in move that draws a line under the P&I club's ill-fated foray into the Lloyd's market.

The majority of liabilities relate to marine hull and machinery and energy business, and once the deal goes through, will come off Skuld's balance sheet.

The syndicate was launched in 2011, with the aim of giving expansion-minded Skuld a serious offering in H&M. Rival insurance company Standard Club followed suit with the launch of its own Syndicate 1884 four years later.

### **Standard cuts management contract with Charles Taylor**

STANDARD Club is to switch to self-management and will terminate its long-standing agreement with Charles Taylor, although the two sides will continue to work together in future.

The decision, described as "a new operating model" by the marine mutual, follows a review last year that considered the club's strategy, scale and evolving governance requirements.

"This change will enable the club to insource and manage its day-to-day operations, while retaining the entrepreneurial and member-centric culture that, with the support of Charles Taylor, has

led to its success over many decades," the parties said in a statement.

### **First standard released for smart container interoperability**

GUIDANCE on how resolve the problem of interoperability between "smart" containers has been issued by the Digital Container Shipping Association.

It has published a set of connectivity interface standards for shipping containers that can be implemented by vessel operators, terminals and third parties to ensure interoperability between smart container devices at the radio interface level.

The standards are the first of three planned Internet of Things standards releases addressing the connectivity requirements for reefer and dry containers, as well as the radio-frequency identification registration of containers. Future releases will focus on data structure and handling, physical device specifications as well as security and access management.

### **Braskem America plans export facility in South Carolina**

POLYOLEFINS producer Braskem America has selected South Carolina's port of Charleston to serve as a new global export hub in support of the firm's US polypropylene production facilities.

Braskem is partnering with the port of Charleston and warehouse provider Frontier Logistics, which will construct, lease and provide services to

Braskem under a five-year agreement.

South Carolina Ports Authority president and chief executive Jim Newsome said Braskem selected Charleston due to its "unfettered resin export capacity, knowledge of the petrochemical industry and efficiently run port terminals".

### **Cosco Shipping reshuffles senior management**

CHINA Cosco Shipping Corp has made changes in its top management, according to information from its official website.

Vice-president Wang Haimin replaced Sun Jiakang to become the vice-party secretary of the company. His ranking in the management team has climbed to third place, behind chairman Xu Lirong and president Fu Gangfeng.

Mr Wang, 48, a leading figure in the state conglomerate's container shipping business, was promoted to the top echelon in February last year.

### **Ports urged to accelerate pace of digitalisation**

WHILE ports are well-placed to grasp the potential generated by the latest wave of technological innovation and integration, implementation remains slow and patchy, according to a report.

The International Association of Ports and Harbors, alongside a number of major shipping organisations, is launching a "call to action" to improve port

community systems through increased digitalisation.

"The coronavirus crisis has painfully demonstrated the heterogeneous landscape that currently exists across ports worldwide," the report says.

#### **Transportation Infrastructure Partners acquires US terminal**

THE joint venture firm Transportation Infrastructure Partners has acquired Carolina Marine Terminal, a multi-modal marine dry-good bulk port facility near the port of Wilmington, North Carolina.

Transportation Infrastructure Partners is a joint venture

between Ridgewood Infrastructure, a US infrastructure investor, and Savage, a global transportation and materials handling company.

Ridgewood managing director Ryan Stewart said CMT's deepwater port, storage facilities, access to major rail and highway routes, and highly efficient operations combine to provide the company with a "sustainable competitive advantage".

**Zim launches express transpacific service aimed at eCommerce deliveries**  
ISRAEL-based container line Zim has made a bold move in the transpacific market, launching a new dedicated express service

from South China to the US west coast.

Aimed at catering to the increasing needs of eCommerce customers, and even specially named the ZIM eCommerce Xpress (ZEX), the service was launched on the back of current demand for delivery in the eCommerce market following the Covid-19 crisis, the line said in an announcement.

A sharp rise in demand for time-sensitive eCommerce deliveries and the need for more air freight services has led to the initiation of the new service and also possibly combining a fast sea and air freight solution.

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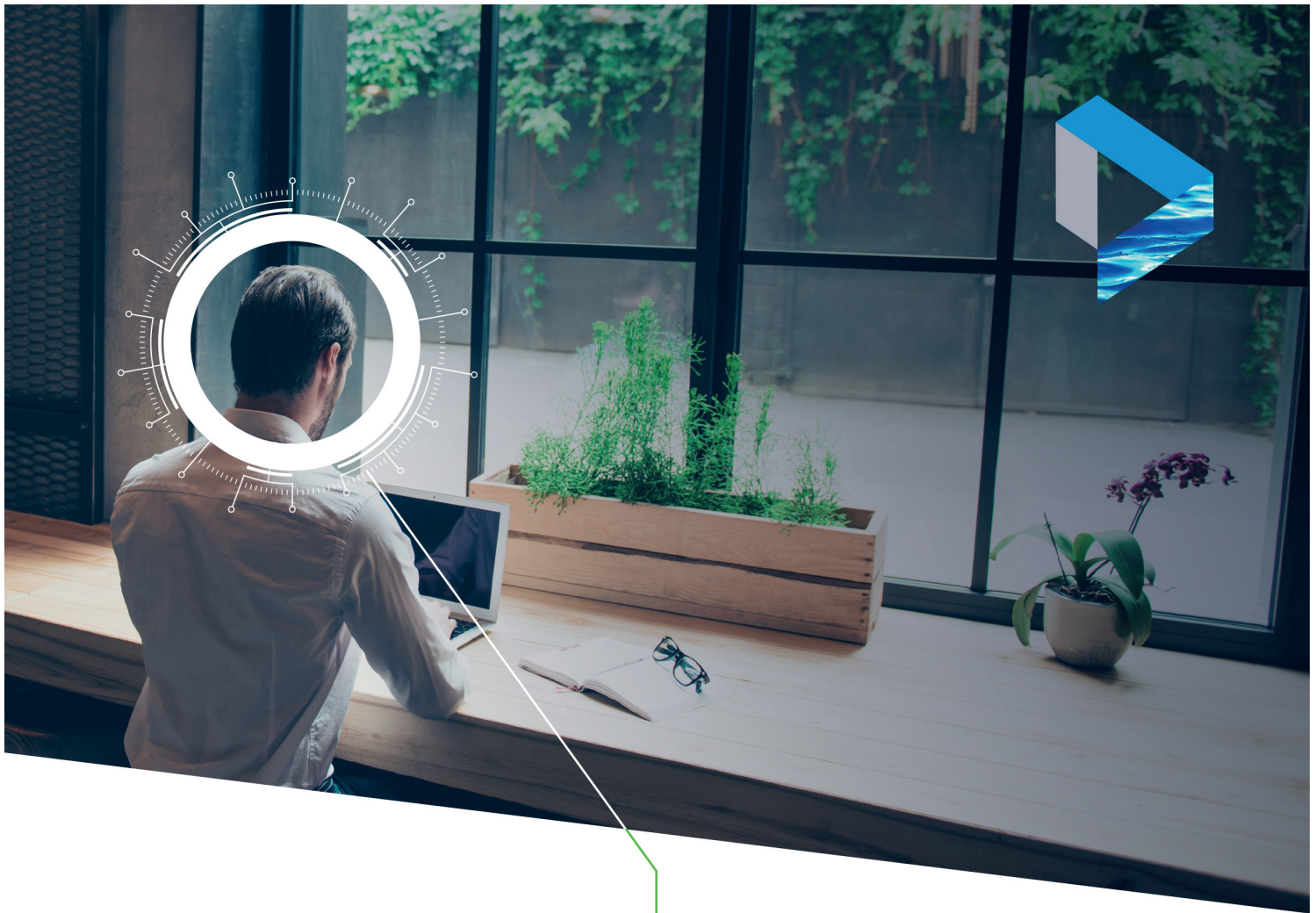
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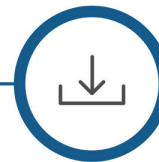
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