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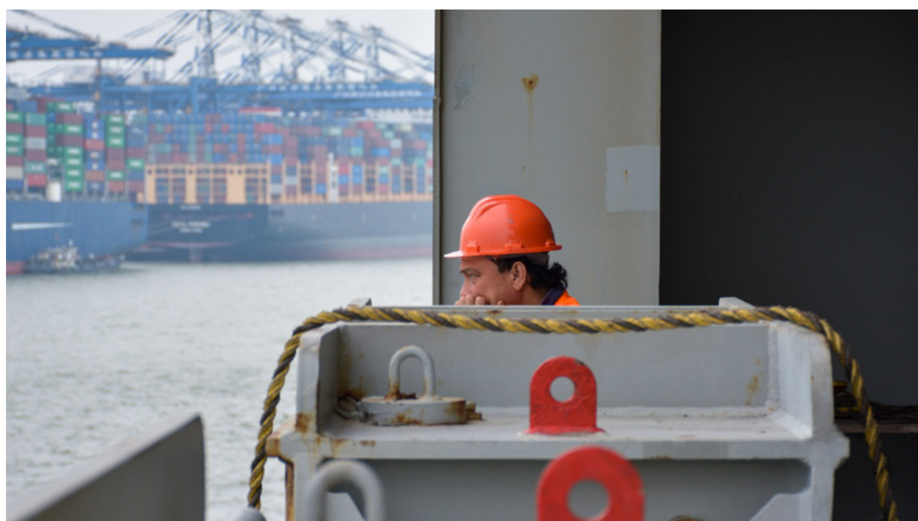
Shipping struggles to overcome political inertia as crew change crisis starts to bite



DESPITE INCREASINGLY URGENT industry interventions at senior government levels the shipping industry is struggling to break the bureaucratic logjam that has left tens of thousands of seafarers stranded at sea with already extended employment contracts about to expire and a looming legal crisis for the industry.

A diplomatic campaign is now being waged to publicly warn senior political figures of the imminent risk to global trade following the failure of a unified industry plan to facilitate crew changes to gain sufficient traction beyond the transport departments of international governments.

Meanwhile behind the scenes, major flag states, shipowner bodies, unions officials and industry agencies have been meeting privately to resolve the practical logistics of crew change and imminently expiring employment contracts globally.

Officials are racing to agree pragmatic solutions to the emergency extensions to many of the labour agreements governing seafarers' contracts that expire on June 16.

Sources say that most major flags will consider expirations on a case by case basis from next week rather than issuing blanket extensions. But there is growing concern that a legal time bomb is being created by fatigued crew being left on board and growing unrest from unions increasingly unwilling to accept the force majeure arguments that have

already seen contracts extended as crew start to seek formal support in getting off vessels and ending contracts.

While Singapore, Hong Kong and a handful of ports have started to process seafarer changeovers, the vast majority of ports effectively remain closed to crew despite over 50 countries agreeing in principle to the 12-point industry plan to facilitate crew changes issued over a month ago.

In most cases countries remain mired in bureaucratic blockages due to the lack of co-ordination between immigration, visa agencies, and the general red tape of government departments lacking the infrastructure or direction to deal with the logistics of crew change amid new restrictions and lockdown protocols.

The problems are generally the mundanities of big government dealing with unprecedented upheaval — the lack of testing kits for crew, a logjam of personal protective equipment for staff and seafarers in port, shortages of people to process certification and slow interaction between departmental sign-offs where confusion over what is and is not permitted is rife.

Co-ordinating ship arrival with the few remaining flights and an aviation sector in crisis is adding another layer of logistic complexity.

In one case reported to Lloyd's List, a replacement crew of Ukranian seafarers arrived in Amsterdam's Schiphol airport to replace another replacement crew who had been sent back because their visas could not be processed on arrival.

While shipowners have had to accept that they are now paying three times the normal price to move a seafarer internationally, co-ordination between land-side agencies is at best problematic and even with the agreed protocols and paperwork in place changeovers are in many cases not happening.

Following the release of the 12-point industry plan to allow crew changes issued over a month ago, the initial response from governments was overwhelmingly positive. However, slow implementation of plans and lack of political traction at a senior enough level have left the vast majority of seafarers either stranded at sea or stuck at home due to travel restrictions.

Only 25% of the 400,000 seafarers due for changeover have been repatriated, Lloyd's List has learned.

Public interventions from the International Maritime Organization and senior United Nations figures had supported the plans urging swift action, but the lack of implementation from governments has required a second round of statements suggesting that the initial calls have largely been overlooked.

The IMO secretary general again called for member states to give seafarers "key worker" status that would help facilitate crew changes on Tuesday.

This time, the agency bulked up with the UN Conference on Trade and Development for some additional diplomatic heft, issuing a joint statement urging the world to keep ships moving, ports open and trade flowing.

This very public push to overcome political inertia currently blocking crew-change facilitation plans has this week seen several high-profile mainstream media articles explicitly warning of a risk to global trade as senior industry officials seek to leverage the political fear factor and co-opt the support of governments that have so far been slow to recognise the severity of the mounting crew crisis.

While the issue has received some media coverage, industry figures report a general frustration with the lack of visibility of the issue, having struggled to get the message out beyond the echo chamber of industry forums.

Shipping is once again suffering from a lack of political visibility and has found itself well down the pecking order in terms of government priorities. The Financial Times front page and coverage in the Economist came courtesy of shipping's few friends in high places.

Lord Sterling, the former chairman of the shipping line P&O, has been privately counselling industry officials to stress the trade risk angle and is understood to have brokered the coverage while pushing the message himself at cabinet level in the UK's political establishment.

Most other governments lack such inroads and while transport departments have in many cases heard and accepted industry interventions, their own recommendations have in many cases failed to percolate up the political food chain.

Nevertheless, the media attention has been welcomed as a necessary part of the campaign to cure this case of sea-blindness and secure political support, but there is a more delicate process of

diplomacy required in the negotiations at industry level where tensions on board vessels are running high and unions are being urged to act.

In a private meeting this week, senior figures from the International Transport Workers' Federation, International Chamber of Shipping, the International Maritime Employers' Council, Liberian, Panamanian and Marshall Islands flags discussed what happens after the extended crew contracts expire next week.

While formal positions were not taken, it is believed that all the major flags have indicated they will not be extending contracts on a fleet-wide basis and instead will take a view on a case by case basis. Extensions will only be granted in cases where there is a clear plan to repatriate crew at the next available opportunity and owners will be expected to make clear their plans to facilitate that changeover.

Officials from each of the flags present in the meeting have said they are now not prepared to keep extending and while nobody is willing to jeopardise trade flows, they argue urgent political action is now required.

"We're doing everything possible, but we can't keep kicking this can down the road," said one senior flag official who attended the meeting.

To date the industry has worked with an unprecedented level of unity and cross sector collaboration. As one union official put it: "We all left our guns at the door and have worked together to find solutions."

However, that delicate and arguably unprecedented union is already starting to show signs of tension as the ITF struggles to quell growing unrest amongst members demanding action.

Industry officials, shipping companies and the ITF all recognise that the levels of anxiety and stress on board the vessels is becoming a safety and mental health issue.

But with the contracts about to expire the concern is that seafarers will start to demand they be allowed to leave the vessel and the ITF will be duty bound to support them, throwing the weight and machinery of the unions behind their requests.

Another concern is one of criminal liability for masters who have been notified by their crew that due to fatigue and stress they are unable to perform their jobs safely. In the event of an incident, which all senior officials agree is now running at an increased risk due to fatigue, the liability of the master and potential criminal action is going to create a serious industry issue with no obvious answers to deal with it.

What might otherwise sound like union sabre-rattling is now a shared concern across industry players.

However, even in this unified approach to call for action, there are sensitivities at play preventing some from talking more openly.

Lloyd's List understands that several of the major shipowners are privately pushing for union intervention on the issue in order to force a political response.

Publicly the message is that shipping will keep world trade flowing, but privately there is now an urgent feeling that without political intervention the crew change crisis could start to hold back a recovery.

WHAT TO WATCH

Shipowners remain pessimistic about EU relief

THE European Commission and several European central banking institutions are being urged to take measures to help the shipping industry steer through the worst of the liquidity crunch resulting from the coronavirus crisis.

The push is coming not only from the European Communities Shipowners' Associations, which is expected to formalise its own proposals later this month, but also from governments and industry organisations in individual member states, according to industry sources.

Already, though, some are questioning which types of shipping may be eligible for a helping hand and whether exceptions should be made to state aid rules.

Voices in the ocean-going shipping community in particular are concerned that hard-hit dry bulk,

ro-ro and containership owners that have borne the brunt of trade disruption resulting from the pandemic will be overlooked when it comes to pan-European Union or national schemes.

Exceptions seem already being made for liner companies. CMA CGM last month tapped a $1.1bn loan largely guaranteed by the French state to strengthen its cash position amid the uncertainties of the current crisis.

"Independent ocean-going shipping has a strategic role in serving the needs of the EU, especially during these critical times, and it is indispensable for transporting essential goods and the health of EU citizens," said one maritime executive in Greece, where more than half the EU fleet is based.

"We are not immune from this extraordinary crisis, but I am afraid that as usual it will be 'out of sight, out of mind' as far as Europe is concerned," added the source. "Up to now the EU has not considered ocean-going shipping as among the sectors to be hit hard by the pandemic, which is not surprising because our role is often ignored. But we have major problems: a number of ports remain closed, crew changes continue to be difficult and liquidity and cargoes are limited."

After calling for urgent industry-specific support to be put in place with "a co-ordinated approach by all member states," Ecsa is still preparing its position on how the EU shipping industry ought to be supported

Ecsa secretary-general Martin Dorsman said the proposals will make a distinction between "short, medium and long-term support".

The organisation's board is expected to approve the approach in mid-June and [thereafter] "we will approach the EU institutions and also national governments with this position, as a major part of the EU recovery package will be channeled through national governments," Mr Dorsman told Lloyd's List.

Ecsa did not immediately comment on the question of relative emphasis between ocean-going and shortsea shipping among its concerns.

Last month, an industry survey conducted by Ecsa underlined the industry's need of financial assistance.

Even though the survey was based on companies' experience in the month of March, arguably before the full impact of the pandemic hit all European economies, Ecsa noted "significant" loss of turnover, in some case reaching above 60%, as well as a "serious decline" in employment.

One of the gloomiest results from the industry survey was a "lack of national, regional or local measures put in place against liquidity issues or that these are not applicable to the shipping industry".

Although the body identified ferries, cruiseships, car carriers and offshore service vessels as "worst-hit", comfortably the largest number of respondents came from the dry bulk sector. At that stage more than half of dry bulk respondent companies said that turnover had dropped more than 20%, with many of them taking a 40% to 60% hit to revenues.

Since then, little appears to have been done at an EU level. Germany has unveiled a $130bn economic stimulus package that found $1bn for shipping, although that is partly linked to green initiatives that were anyway on the drawing board and little if any will make life any easier for owners of ocean-going tonnage.

In Greece, despite ocean-going shipping being a major pillar of the economy, the industry has not so far been included among designated sectors where struggling businesses must be offered a breather from loan repayments, which is what the industry has been hoping for.

To date, Athens has provided some support to ferry operators to maintain connections with the country's islands, though even these amounts have been denounced as paltry by the domestic ferry sector.

"We do not want special treatment or subsidies, and we do not want to see bankrupt companies being propped up," said a source close to the Union of Greek Shipowners. "We are only asking for flexibility to support the liquidity of shipping companies at this very difficult time."

The official said that larger companies in many instances are able to cut such deals with banks on a bilateral basis, but that feedback suggests this is not possible for everyone. Some otherwise viable companies, mostly smaller or medium-sized owners, may vanish amid the markets turmoil wreaked by the pandemic.

The preference is said to be for an EU-backed temporary moratorium on bank repayments and a full covenant waiver on all performing loans for

needy companies that were otherwise current with their obligations. The aim would be to allow otherwise healthy owners to get through the immediate period and give time for economies to restart and trade to pick up again.

A scheme of this nature is already up and running in Cyprus that took action in March to enable individuals and businesses irrespective of sector to request suspension of repayments until the end of this year if necessary. Banks could only reject applications in cases where borrowers were more than 30 days in arrears at the end of February.

The two main Cypriot banks that in recent years have established a ship financing business told Lloyd's List that usage of the scheme was confined to a modest number of shipping clients.

"There has not been a stampede at all," said Bank of Cyprus head of shipping Nicholas Pavlidis, who noted that the period for applications under the law has not yet expired. He said that so far requests had come from only "a small percentage" of the shipping portfolio and that none of the companies seeking a repayments breather had sought the maximum entitlement.

"It is modest compared with demand from the wider corporate sector," said Mr Pavlidis. "I think that the response has been positive for the quality of our shipping portfolio and shipping's image in general within the bank."

The situation among shipowners is also diverse, Mr Pavlidis pointed out, with some enjoying legacy period charters or owning tankers, for example, that had been relatively insulated from the effects of the health crisis, at least for the early part of this year.

Cyprus-based Hellenic Bank ship finance head Antonios Spanakis said that the repayments holiday had been "a very helpful" measure but had not had much impact on the bank's portfolio. There had been "very little" need from clients so far, he said. The bank remained "active" as a lender to shipping.

Greeks are not alone in wanting any assistance to be fair and uniform. Emanuele Grimaldi, a director and former president of Ecsa, has been outspoken in criticising state handouts or loans that are claimed to have distorted competition in certain sectors already.

"If the state intervenes, it has to intervene in such a way that it does not create unfair competition," he told Lloyd's List. "Whatever is done, has to be done for all, not just one or two," he said.

Ted Petropoulos, whose company Petrofin acts as a financial adviser both to shipowners and to banks, said that state intervention for loan moratoria in existing loan agreements was "rather unprecedented".

"While the pandemic lockdown and travel restrictions created a crisis in shipping, such problems would normally be addressed between banks and clients directly," he said.

The support may be welcome from the point of view of a needy owner, adversely affected by the pandemic, but that could change the risk and credit teams' assessments at the time the loans were made.

On the other hand, it was natural when some countries were supporting their owners and others did not that those nationalities not getting support were feeling "left out".

Mr Petropoulos said: "When there are such disparities moral hazard does come into play and this should be looked at in terms of EU-wide policy."

He said that any supportive moves to help the sector's liquidity should go towards "real business that are otherwise healthy, not zombie companies".

Resurgence of Indian subcontinent scrapyards

A SURGE in scrapping sales has been reported from the Indian subcontinent over the past week, as the market for old ships comes back to life following the extensive lockdowns.

With foreign crews finally being permitted to the beaches again, scrap deals were close to the total number of sales in the past three months.

Although Indian crews could disembark from Indian ports three weeks ago, ships for scrap were unable to call at Indian ship recycling yards as the foreign crews in these vessels were not allowed to disembark in view of the travel restrictions imposed by the government.

India's Directorate General of Shipping has now agreed to a new set of controlled crew-change

protocols for sign-off and repatriation of seafarers on ships heading for scrapping in Alang.

The move follows a call from the local Ship Recycling Industries Association requesting the directorate to allow foreign crew to sign off the ships in Alang to take advantage of the high number of ships looking for demolition due to the virus outbreak which has resulted in steep decline in demolition prices.

"This was the much needed step as quite a few vessels were waiting with foreign crew for beaching and this will ultimately ensure further supply of vessels," said GMS' Alang-based lead co-ordinator for responsible ship recycling Anand Hiremath.

"On the other hand, if this supply becomes greater than demand, then the price of vessels will further fall."

He noted that demand is already starting to become stretched due to huge volumes of tonnage on the market and the sharp drop in freight rates.

Average prices in the different markets last week ranged for tankers between $160-$305 per ldt and those for dry bulk units between $150- $285 per ldt.

Lesser number of vessels went for scrap as Indian crew could not leave for take over of "as is, where is" vessels and foreign crew were not allowed to get off in Alang for beaching, Mr Hiremath said. "Even transit visas were suspended."

However, as international flights still remain suspended, foreign crew have to stay in a hotel until flights resume or arrangements for chartered flights have been done.

Despite the volatile nature of the market, some owners still appeared keen to sell their vintage tonnage, even at lower rates, according to a Singapore-based shipbroker.

Bangladeshi buyers have also entered the fray, with some increasingly competitive pricing, while Pakistan was lost out to others last week, he said.

COMMENT

If seafarers were tourists, crew changes would not be a problem

THE European Convention on Human Rights doesn't guarantee voters' long weekends, perusing the Renaissance art of Florence, access to unrestricted DJ-fuelled hedonism in Ibiza, or even a sedate August in a jolly agreeable converted agricultural labourers' cottage somewhere in the south of France, *writes David Osler.*

But as far as politicians are concerned, it may as well do, and plans are underway to ensure that as many of the electorate as possible have a foreign holiday this year, coronavirus or no coronavirus.

The UK, for instance, is negotiating so-called "air bridges" with countries with low infection rates, which will allow them to avoid the current 14-day quarantine restrictions on re-entry.

That's if the quarantine rules are not scrapped altogether by then. EasyJet, Ryanair and Jet2 all reportedly hope to be back in the skies a month from now.

Compare and contrast the outlook for travel industry customers this summer with the fate of 400,000 of the world's seafarers, stranded on their ships as a result of the pandemic.

The alacrity with which many governments acted to repatriate more prosperous nationals, widely evident at the outbreak of the crisis, is nowhere to be seen. The number caught in this nasty trap is actually going up, not down.

Many crews have been on board their vessels for longer than the 11 months legally stipulated by International Labour Organisation agreements, some for as long as 15 months.

That alone poses very real risks to both their physical and mental health, not to mention the supply chain on which globalisation depends.

Most of us have made some degree of sacrifice as a result of the lockdown. But there is a qualitative difference between not being able to patronise your

favourite local eatery — or even losing a proportion of one's salary — and what has befallen these excellent men and women.

Put bluntly, the ongoing isolation so far from home, to which they are being subjected, is nothing less than inhumane.

Yet the emergency extension to the ILO deal expires in little more than a week, at which point prevarication will no longer suffice.

Why should seafarers be denied the entry and exit visas that are being facilitated for tourists? If those designated key workers still enjoy freedom of movement, which workers are more key?

As many as 50 governments have paid lip service to the need to "do something", signing up to a 12-point plan agreed by industry consensus almost a full month ago. But as statistics testify, the proposals largely remain a dead letter.

A handful of administrations — such as the Netherlands, Singapore and Hong Kong — have shown themselves amenable to compromise with common sense, not to mention justice.

But for most, reopening bars and restaurants is proving a bigger priority, and that is just morally unacceptable.

One of the key takeaways here is the shipping industry's consciously chosen low public profile, which results in it packing far less political clout than other major business sectors.

The tourism lobby is listened to because it is well organised. In the UK, for instance, some 500 travel and hospitality companies have banded together in an ad hoc grouping called Quash Quarantine to press its case, right up to the point of taking legal action against the government. Where's the shipping equivalent?

There are many lessons to be learnt from this unprecedented episode. But perhaps the biggest one is that crews should never again be made to carry the can for the shockingly apparent global collective paralysis of the authorities.

If holidaymakers are not treated like this, why are seafarers any different?

ANALYSIS

US oil market beginning to balance ahead of forecasts

OIL markets are set to see a balance sooner than was forecast because of a faster recovery of demand and greater declines in production.

Initial oil consumption data and additional efforts by significant oil producers indicate the oversupply in global oil markets has not been as severe as forecast by the US Energy Information Administration in the May.

Early indicators of petroleum consumption have shown increases from the low April levels as US states and countries in the Organisation of Economic Co-operation and Development began to reopen from their lockdowns.

The front-month futures price for Brent crude oil settled at $39.99 per barrel on June 4, an increase of $13.55 per barrel from May 1. The front-month futures price for West Texas Intermediate crude oil for delivery at Cushing, Oklahoma, increased by $17.63 per barrel during the same period, settling on June 4 at $37.41 per barrel.

The Energy Information Administration's energy outlook for June estimates that the global consumption of petroleum and other liquid fuels averaged 82.9m barrels per day in May, up 3.7m bpd from April's consumption and 2.9m bpd higher than its forecast last month.

Global oil production has also been declining due to voluntary production cuts from members of the Organisation of the Petroleum Exporting Countries and partner countries as well as from rapid declines in the US production of tight oil.

The EIA's estimate of global liquid fuels supply is 500,000 bpd lower than forecast in its May. Besides the Opec-plus grouping's initial production cuts of

9.7m bpd, Saudi Arabia, Kuwait and the United Arab Emirates announced extra reductions of about 1.2m bpd for June 2020.

As a result, it has revised down the forecast for supply of petroleum liquids globally during June by 2.2m bpd compared with last month's forecast.

The forecast came before the June 6 announcement by Opec-plus that it would extend production cuts from May and June through July. Ahead of this decision, talks of extended production management contributed to higher crude oil prices.

The EIA's latest energy outlook does not reflect an extension of the May and June cuts. It now expects monthly Brent prices will average $37 per barrel during the second half of 2020 and rise to an average of $48 per barrel in 2021.

The forecast of rising crude oil prices reflects expected reductions in global oil inventories during the second half of 2020 and on into 2021.

The administration expects that high inventory levels and spare crude oil production capacity will limit upward price pressures in the coming months, but as inventories decline into 2021, those upward price pressures will increase.

It forecasts that demand for global petroleum and liquid fuels will average 83.8m bpd in the second quarter of 2020, 16.6m bpd less than the same period in 2019. The lower demand is a result of shutdowns throughout much of the world related to the current pandemic.

With the easing of stay-at-home orders, liquid fuels consumption is expected to rise to an average of 94.9m bpd in the third quarter — but still down 6.7m bpd year on year.

Consumption of petroleum and liquid fuels globally is expected to average 92.5m bpd for all of 2020, down 8.3m bpd from 2019, before it increases by 7.2m bpd in 2021.

The supply of liquid fuels globally is expected to average 92.6m bpd in the second quarter of 2020, down 7.9m bpd year on year. The declines reflect voluntary supply cuts by Opec-plus as well as reductions in US drilling activity due to low oil prices.

Oil supply fell by less than demand in the second quarter of the year, and the EIA expects that supply will be slower to increase.

In its June outlook, the global supply of oil declines to 92m bpd in the third quarter of the year before rising to an annual average of 97.4m bpd in 2021 — driven largely by Opec.

Global liquid fuels inventories are expected to grow by an average of 2.2m bpd in 2020. Inventories rose from January through May at an average rate of 9.4m bpd.

The increases, which peaked in April, came from a sharp decline in global oil demand because of widespread travel limitations and reduced economic activity.

Global oil inventories at the end of May stood at 1.4bn barrels more than at the end of 2019, but EIA expects the inventories will begin declining in June, a month earlier than previously forecast, with drawdowns continuing through the end of 2021.

The drawdowns, which have come sooner than expected, result from sharper declines in global oil production during June, as well as higher global oil demand than previously expected.

Global liquid fuels inventories are expected to fall at an average rate of 2.5m bpd from June 2020 through the end of 2021.

US liquid fuels consumption is expected to average 15.7m bpd in the second quarter of 2020, down 4.6m bpd from the same period in 2019 due to travel restrictions and reduced economic activity related to coronavirus mitigation efforts.

The largest declines in US oil consumption have already occurred and demand is expected to rise during the next 18 months.

US liquid fuels consumption is expected to average 18.4m bpd in the third quarter of 2020 before rising to an average of 19.5m bpd in 2021. While that level is 1.4m bpd more than EIA's forecast 2020 consumption, it is 1m bpd fewer than the 2019 average.

Declines in US liquid fuels consumption vary by product.

Jet fuel consumption is expected to fall by 64% year on year in the second quarter of 2020, while gasoline consumption will be down by 26% and distillate consumption will decline by 17%.

The consumption of all three fuels is expected to rise in the third quarter of 2020 and into 2021, but will remain lower than levels in 2019.

US crude oil production is estimated to have fallen from a record 12.9m bpd in November 2019 to 11.4m bpd last month, with energy technology firm Baker Hughes reporting the fewest active US drilling rigs since it began keeping records in 1987.

US crude oil production is expected to continue to decline to 10.6m bpd in March 2021 before increasing slightly through to the end of 2021.

The production of US crude oil is expected to average 11.6m bpd in 2020, down 700,000 bpd from 2019 — the first annual decline since 2016.

In 2021, the EIA expects US crude oil production will average 10.8m bpd. Its latest short-term energy outlook was issued with the caveat that the forecast remains subject to "heightened levels of uncertainty" because mitigation and reopening efforts related to coronavirus "continue to evolve".

US sees natural gas price recovery by the end of 2020

US natural gas prices will remain relatively flat through to August before seeing a rise of 50% heading into January 2021, according to the Energy Information Administration.

Low demand is largely responsible for current pricing, the administration said in its June short-term energy outlook.

The Henry Hub natural gas spot price averaged $1.75 per million British thermal units in May and "relatively low demand" will keep spot prices lower than $2 per mmBtu through to August.

But prices are expected to rise by the end of 2021, with the sharpest increase coming this autumn and winter when they rise from an average of $2.06 per mmBtu in September to $3.08 per mmBtu in January 2021.

Despite its forecast of record storage levels at the end of October, the EIA expects that rising demand and reduced production will cause upward price pressures heading into winter.

Henry Hub natural gas spot prices are expected to average $2.04 per mmBtu in 2020 and $3.08 per mmBtu in 2021.

Total US consumption of natural gas is expected to average 81.9bn cu ft per day in 2020, down 3.6% from 2019, reflecting lower industrial consumption, which is forecast to average 21bn cu ft per day in 2020, down 8.7% from last year because of lower manufacturing activity.

US dry natural gas production set an annual record in 2019, at an average of 92.2bn cu ft per day. Dry natural gas production is expected to average 89.7bn cu ft per day in 2020, with monthly production expected to drop from 96.2bn cu ft per day in November 2019 to 83.6bn cu ft per day in March 2021.

Natural gas production is expected to decline the most in the Appalachian and Permian regions. Low natural gas prices are discouraging producers from natural gas-directed drilling in the Appalachian region, while low crude oil prices reduce associated natural gas output from oil-directed wells in the Permian.

The EIA forecasts production of dry natural gas in the US averaging 85.4bn cu ft per day in 2021, and — in response to higher prices — it expects production to begin rising in the second quarter of 2021.

Total US working natural gas in storage ended May at almost 2.8trn cu ft, 18% more than the five-year average for 2015–2019.

The outlook forecasts inventories to rise by 2.1trn cu ft during the injection season, which begins in April, and they are expected to reach more than 4.1trn cu ft by the end of the season on October 31.

US LNG exports are also expected to average 5.6bn cu ft per day in the second quarter of 2020 and 3.7bn cu ft per day in the third quarter of 2020. US LNG exports are expected to decline through to the end of summer.

Transpacific ocean freight rates at 18-month high

CHINA–US west coast ocean rates have climbed 17% in the past week because of tight capacity and an "unexpected" jump in demand, lifting rates to their highest level since January 2019, according to digital rates specialist Freightos.

Prices jumped to an average of $2,160 per feu, according to the FBX01 Daily index, lifting rates 48% higher than at this time last year.

While China–US east coast prices have increased 8%, reaching $2,875 per feu, and are 7% higher than rates for this week last year.

The rise in rates on the transpacific market was due to an "unexpected spike in demand" in the past few weeks combined with tight capacity, said Freightos, which warned that celebrating a recovery in the market may be premature. Although summer import projections are "better than they were a month ago", ocean volumes to the US "are still expected to be down significantly through September.

"And ocean carriers agree, announcing 75 more cancellations this week, with more expected in the coming days," said its chief marketing officer Eytan Buchman. "So far 10%–15% of sailings from Asia to Europe have been cancelled through August, and 5%–10% have been blanked to the US."

He said the jump in demand had also resulted in some rolled shipments out of China, with some shippers reporting delays of up to two weeks to get on overbooked ships. Though there are "some signs of a return to normal" for freight markets.

Mr Buchman highlighted that "there are also signs of life in US trucking employment, with Wall Street taking note, and eCommerce is still surging. As a result, both UPS and FedEx announced rate hikes for high-volume shippers this week, and logistics operators added thousands of jobs in May to keep up with the volume of orders".

Container lines last week announced further significant service cancellations to take effect from the third quarter of the year, as ocean freight carriers try to maintain the freight rates they have achieved in recent months despite the drop in demand because of the coronavirus pandemic.

Ferry operators look to resume services amid 'confusing' rules

SCANDINAVIAN passenger ferry services are starting to resume with the German–Danish border set to reopen, as operators gradually increase services subject to hygiene measures.

Scandlines said it would resume passenger travel on its Puttgarden–Rødby and Rostock–Gedser routes on June 15, after 13 weeks transporting only goods and key workers.

The company said its on board shops would reopen and it would follow authorities' recommendations on social distancing for passengers and hygiene in passenger and crew areas.

While the operator had maintained part of its freight traffic, the lockdown "will have a considerable impact on our bottom line", said chief executive Søren Poulsgaard Jensen.

"We expect that the remainder of 2020 will be affected by the crisis and therefore we work hard to alleviate the effect of keeping the operation running with much lower income for several months," said Mr Jensen. "But this will not affect our floating bridge between Scandinavia and the rest of Europe. We continue to operate."

Stena Line ran its Sweden–Germany and Sweden–Denmark services throughout the pandemic.

"Our main focus have been on freight and essential travel and still is," said spokesman Carl Mårtensson. "We are now increasing passenger traffic gradually from low levels as some parts of Europe are easing travel restrictions."

Mr Mårtensson listed safety measures including more hand washing and disinfection points on ferries, plexiglass screens for cashiers and crew,

changes to food service and floor markings for distancing.

Meanwhile, the UK's new 14-day quarantine rules for new arrivals has been criticised by the head of Brittany Ferries, which has extended the cancellation of passenger services to June 28.

Chief executive Christophe Mathieu said the new rules left the company no choice.

Mr Mathieu said travellers between the UK and France were initially set to be exempt before the UK government changed its mind. He said operators now faced a three-week implementation period in the UK and the possibility that travel corridors could be introduced at some point, as well as reciprocal measures applied in France.

"If you are confused, I'm not surprised," said Mr Mathieu. "Believe me, we are tearing our hair out on both sides of the Channel. I sometimes wonder if the politics of quarantine have become more important than taking decisions designed to protect the health, welfare and livelihoods of us all. It's enormously frustrating."

Mr Mathieu said he hoped the round of cancellations would be the last.

"Summer is not cancelled yet," he said. "We can all still salvage something from this horrible year."

IN OTHER NEWS

Attica Group ferries certified for protection procedures

ATTICA Group, the largest ferry operator in Greece, has received certification for 10 of its vessels from Bureau Veritas under a new service aimed at helping businesses restart.

It is understood that the vessels are the first to receive BV's new "Safeguard" validation, introduced just last month to address "biological risks, as posed by coronavirus and other infections, providing procedures and measures to protect people". The issuance of the certificates comes as Greece has gradually lifted lockdown restrictions.

Full ferry services were permitted to resume three weeks ago, although the full conventional ro-ro passenger vessel fleet has been back in operation only since the start of June, according to industry representatives.

Cansi names former CSSC director as secretary-general

CHINA Association of the National Shipbuilding Industry has appointed a new secretary-general, the principal administrator of the state-backed group, according to a release.

Li Yanqing, the former director of International Department at China State Shipbuilding Corp, has replaced Jin Peng, who retired from the role that he had held since 2014.

Holding a master's degree in business administration from Tsinghua University, Mr Li is also a member of the standing committee of CSSC's science and technology committee and the chairperson of the ISO/TC 8 technical committee.

DP World to introduce autonomous vehicles at Jebel Ali Port

PORT operator DP World has teamed up with fellow Dubai-based autonomous vehicle, robotics and AI specialist DGWorld to equip Jebel Ali Port with a fleet of Autonomous Internal Terminal Vehicles.

The deal includes all related integration in the existing operation processes and infrastructure of DP World's flagship port. DGWorld will deliver and integrate their autonomous technology for the existing ITV fleet in multiple phases, increasing overall efficiency of the terminal and reducing the size of the currently used fleet, the company said in a press release. No contract value was disclosed.

DP World, UAE Region chief executive officer and managing director Mohammed Al Muallem said: "At DP World, UAE Region, we employ today's frontline technologies such as robotics, automation, Internet of Things, Big Data, virtual reality and cybersecurity to build and sustain our efficiencies."

Myanmar pioneers LNG receiving solution

FAST-GROWING Southeast Asian economy Myanmar has pioneered the use of a first-of-its-kind marine infrastructure to import liquefied natural gas cargoes, which would make possible the start-up of small-scale off-grid power plants within months from nominating their developer.

In early May, the 28,000 cu m LNG tanker *CNTIC Vpower Global* arrived with a cargo from Malaysia's Bintulu LNG plant to be used as a floating storage unit at the Thilawa port, a government official said in a

Facebook post. The small tanker is moored alongside a mobile filling platform to receive LNG imports.

CNTIC VPower, the owner of the tanker, was officially awarded last October three LNG-to-power projects that are due to come online in the first half of this year, according to a stock exchange disclosure.

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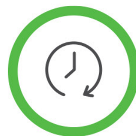

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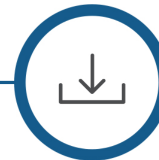

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