Tuesday June 16, 2020

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

**LEAD STORY:**
Hin Leong: Half of fleet idled as oil trader seeks buyers

**WHAT TO WATCH:**
More Greek owners drop Venezuelan calls

**ANALYSIS:**
V.Group chief says seafarer repatriation 'still far too slow'

Transpacific box rates surge could be temporary

**MARKETS:**
Australia slows LNG exports amid health crisis

**IN OTHER NEWS:**
London P&I back to black on higher premiums

Cosco's tanker arm offloads non-core assets

APL England owner ordered to recover lost containers

CEVA Logistics agrees deal to expand in Africa

MOL and NYK to test coastal autonomous vessels

Tata Power divests three capesizes in $213m block deal

# Hin Leong: Half of fleet idled as oil trader seeks buyers

SOME 45% OF the internationally trading Ocean Tankers fleet remains idled off Singapore or Malaysia, as vessels owned by its shipping affiliate, the troubled oil trader Hin Leong, are placed for sale by court-appointed judicial managers.

The privately-owned, Singapore-based energy trader disclosed $800m in unrecorded futures trading losses in late April, before filing for bankruptcy protection.

Ocean Tankers operates a fleet of some 150 tankers, including smaller product tankers and tugs for Singapore's fuel oil and bunker sector, in which it was a leading player. Vessel-tracking shows that some 34 of Hin Leong tankers over 15,000 dwt are not trading, comprising nearly half of the entire fleet.

Most are at anchor off eastern Malaysia, or off Singapore, and have not left that area for the last six weeks, according to data from Lloyd's List Intelligence.

They include seven very large crude carriers, five aframaxes, three panamax tankers, and 15 medium range and handysize tankers, data show.

The inability of the vessels to trade, for whatever reason, is the clearest sign yet that the fleet is likely to be divested by the judicial managers and Ocean Tankers is unlikely to survive any restructuring in its current format. While vessels remain inactive, Ocean Tankers is failing to secure revenue-generating charters in a relatively buoyant market for product and crude tankers.

Charterers were said to be wary of the Ocean Tankers vessels, with at least one VLCC, *Pu Tuo San*, seen drifting for nearly six weeks in the ocean between Indonesia and Sri Lanka after news emerged of the Hin Leong troubles.

Sale and purchase brokers are quietly seeking potential buyers for the fleet, which includes 18 VLCCs, 12 long range two or aframax tankers, five long range one vessels, and 28 medium range-to-handysize tankers. There are also smaller-sized product tankers and tugs taking total fleet size to 150, or 8.89m dwt, according to Lloyd's List Intelligence data.

Court documents have indicated plans to sell "non-core" vessels, without disclosing what was considered "core", in order to reduce debts.

The Ocean Tanker vessels join the second-hand tanker market at the same time as Maersk Tankers is testing appetite for the sale of up to 25 tankers.

Second-hand tanker values have dipped slightly over the last month, amid uncertain demand for crude and oil products and fears a second virus outbreak will return economies to lockdown.

Five-year-old aframax tankers are valued at $40.5m, according to the Baltic Exchange, compared with $40.7m when lockdown began in the US and Europe over March.

## WHAT TO WATCH

# More Greek owners drop Venezuelan calls

TWO more Greek tanker operators that have been active in transporting Venezuelan oil exports have turned their back on the trade under pressure from Washington.

Dynacom Tankers and NGM Energy have both told Lloyd's List they will not be loading Venezuelan oil cargoes under current conditions and both issued public statements to that effect.

The moves followed a similar statement made by compatriot Greece-based company Thenamaris last Friday.

Earlier this month, the US stung each of the companies, along with a fourth Greece-based operator Chemnav Shipmanagement, by blacklisting a tanker from each of their fleets for participating in the Venezuelan oil trades.

NGM, which describes itself as a commercial manager, already had "a rigorous compliance programme in place, performing sanctions due diligence on all sensitive trades, with the assistance of specialist external counsel", the company said.

It added: "In the light of the escalation of US trade sanctions against entities engaged in trade with Venezuela's energy sector on June 2, NGM has implemented a strict policy against servicing vessels intending to call at Venezuela or to load cargo of Venezuelan origin in the future, absent express US authorisation."

The company said that it was "fully co-operating" with the US authorities to ensure it remains in compliance with all applicable sanctions rules and policies.

It was also working with the US "to reach a timely resolution of the June 2 sanctions action against Sanibel Shiptrade Ltd and *Voyager I*".

These were the sanctioned corporate entity and the vessel "for which NGM has provided commercial management services".

Dynacom Tankers, one of the world's biggest private tanker managers, also pledged to shun Venezuelan cargoes until a political change.

"Dynacom Tankers is committed to refraining from any future business involving Venezuela until there is a change in regime," it said.

The words already have been put into action at sea, with vessels turning away from the Venezuelan coast.

Dynacom's very large crude carrier *Boston* was last week described as sailing for orders after spending days close to Venezuela. A company spokesperson verified that the vessel would not call at any Venezuelan port.

Elsewhere, NGM said that *Commodore*, a 20-year-old commercially managed VLCC that had been en route to Venezuela, was "immediately diverted away from Venezuela, and will not return to that trade".

Earlier, Thenamaris said that its policy was now to prohibit lifting any crude oil from Venezuela "for as long as US sanctions against Venezuela remain in place".

According to Lloyd's List Intelligence data, the three companies combined are linked to more than one quarter of the tanker tonnage that has loaded in Venezuela in the past 12 months.

Many expect the US action against tankers to have a wider deterrent effect, however.

Other leading owners in the Venezuela trade have so far declined to make public comment, but at least some are thought to also be distancing themselves from the trade.

---

**ANALYSIS**

# V.Group chief says seafarer repatriation 'still far too slow'

WHILE immigration and health authorities are starting to open up, much more needs to be done to speed up the repatriation of seafarers, according to V.Group chief executive Allan Falkenberg.

In the three months to June 13, V.Group repatriated more than 7,300 seafarers, comprising 89 nationalities, from 662 ships. Almost 2,000 seafarers were flown home in the past week alone. It is estimated that there are about 200,000 seafarers currently still stranded at sea.

"The backlog is huge, and it will take a long time to get the situation sorted," Mr Falkenberg told Lloyd's List from Manila.

The company acted swiftly in March to set up a command centre that was responsible for communicating with ships, seafarers, seafarers' families, and the shipmanagers' own customers.

Some of these messages were generic, and some were specific to each ship. A round-the-clock crew support centre was strengthened to act as the hub of information for seafarers, and to provide a fast response at any time of day.

"We very quickly realised there was only so much we could do for ourselves," said Mr Falkenberg. "We needed the industry to lobby decision-makers, to make them understand what seafarers do." He said it became clear that unless action was taken quickly, seafarer repatriation would develop into a crisis.

"That is where we are now, three months later. Our foresight became a reality."

Initial discussions with the International Chamber of Commerce, Intertanko, Intermanager and others received a good response.

"But there has been a period of time with little action to support all those great statements. We need action now. Shipowners, managers, and unions are all on the same side of the table. Governments must become involved," Mr Falkenberg said.

There have been positive moves. V.Group has been working closely with Wilhelmsen Ship Management, Inchcape, Synergy Marine Group, Magsaysay, Philippine Transmarine Carriers, and others to work directly with immigration authorities in certain countries.

Yet a significant obstacle has been the authorities' inflexibility on visa processing. "Seafarers are key workers," said Mr Falkenberg. "Why is it so difficult?"

Sri Lanka is among the handful of governments working closely with the maritime industry.

"Everyone is talking about Sri Lanka, which could be a key location for crew change, but no commercial airlines are flying into Sri Lanka, and none would do so just for seafarers," he said.

Among the airlines most responsive to seafarers' needs has been Qatar Airways. Mr Falkenberg said the airline had proved itself flexible when needed and has operated many flights since March. "Qatar has tried to keep the wheels turning, not only for seafarers but also for other essential workers, and that has helped us."

It has taken a great deal of time and effort to repatriate even a few thousand seafarers. The company runs a separate risk assessment for each seafarer wanting to go home, balancing the mental fatigue on board a ship and the needs of a seafarer's family against the safety issues of travelling through airports and on airplanes.

V.Group prepared all its crews on March 17 with a message saying repatriation would be avoided for a period of four weeks, unless it was an emergency. "If that situation arose," Mr Falkenberg said, "we would do everything in our power to get you back."

It has been a very difficult call to take. "We are not doctors; this is not our expertise. We have ensured there are experts on call around the clock."

V.Group has signed an agreement with Compsych, the American provider of employee assistance programmes, to host a mental health hot line with associated online tools, to help the crew on board.

About 30% of seafarers are now overdue repatriation; the projection is 45% will be overdue by the end of June if the pace does not increase.

"My message is that there needs to be an active dialogue [with government and authorities] to help them understand the processes involved in getting seafarers home and bring others on board. The maritime industry should play its part," said Mr Falkenberg, "but, at the same time, they have to keep their end of the bargain."

# Transpacific box rates surge could be temporary

SPOT freight rates for container shipments from China to the US west coast jumped by a third last week as a temporary surge in demand came up against a shortage of available capacity.

The Shanghai Containerised Freight Index reported rates up $623 per feu to $2,755 per feu, an increase of 29.2% on the previous week.

Sea-Intelligence noted there had been a "very steep" upturn in rates in recent weeks.

"The spot rate was relatively stable around the $1,400-$1,500 per feu level last year, but has now deviated very sharply from that norm," Sea-Intelligence said.

"Following the Chinese New Year, and the virus outbreak in China, the rate bottomed out in the first week of March. Since then, the rate has increased by no less than 102%, slightly more than a doubling."

The rate has increased by $1,077 feu in the past three weeks, slightly more than the $1,000 per feu rate increase most carriers had announced for June.

"This development clearly shows a very strong market situation on the transpacific," Sea-Intelligence said.

Analysts at Platts said utilisation levels were in some instances at over 100%, leading to some cargo being rolled.

Carriers have also begun short-term reinstatements of blanked sailings to cope with the volumes, with Sea-Intelligence noting that the amount of blanked capacity had fallen sharply.

"This indicates that the carriers clearly believe there is sufficient cargo in the very short term to fill those vessels," it said.

But it warned that a "significant degree" of the demand came from excess cargo that had already been rolled over.

"This in turn also means that the development cannot be seen as strong demand," said Sea-Intelligence. "The excess cargo that needs to be moved is a consequence of the high level of cancelled capacity in recent weeks. At best, the situation can therefore be described as the demand drop not being as severe as initially assumed by the carriers."

It added that the level of blankings in the near future remained high, indicating carriers did not expect the current situation to persist "beyond the immediate future".

"The only logical conclusion to draw from this is that the transpacific trade is subjected to a temporary surge of cargo, leading to sharply spiking spot rates and re-instatement of capacity," Sea-Intelligence said.

"This effect is mainly confined to west coast cargo, and the carriers' behaviour towards blank sailings indicate that they for now believe this effect to be present only for the coming two weeks, whereas we will revert to the 'new normal' level of blank sailings."

## MARKETS

# Australia slows LNG exports amid health crisis

AUSTRALIA'S liquefied natural gas exports have held up on year in May, but many of its cargoes saw delays in their deliveries in yet another sign that the coronavirus backdrop is placing a dampener on demand for the supercooled commodity.

Australia-focused research consultancy EnergyQuest estimated that 41 LNG cargoes loaded from the country's export projects have either been slow-steaming or waiting on final destination calls at anchorages from May through to early June.

A cargo from Chevron's Wheatstone LNG plant was hovering off Dampier on Australia's west coast for almost three weeks before heading out to Manzanillo, Mexico, the consultancy said in its May report.

Lloyd's List Intelligence data showed LNG tanker *British Mentor*, which has been holding the Wheatstone cargo, is now due to arrive at Manzanillo late this month.

To date, cargoes are still seen floating off Australia's west coast for an extended time.

The LNG tanker *Prachi*, which called at Chevron's Gorgon LNG plant in late May, has yet to receive final orders for its next port of call.

A second carrier, *Northwest Sanderling*, has anchored off Dampier for at least seven days and is only due to call at Kisarazu in Japan towards the end of this month.

Australia's LNG exports were almost flat on year in May at 6.4m tonnes following near-record shipments of 6.8m to 6.9m tonnes posted for March and April, according to EnergyQuest.

Buyers of LNG from the Australia Pacific LNG plant in Queensland state have exercised downward quantity tolerance, which allows them leeway to substitute certain numbers of contract cargoes with purchases on the spot market.

Planned or extended maintenance at APLNG and a second plant along the west coast, Ichthys LNG, have also held back exports, the consultancy said.

## IN OTHER NEWS

**London P&I back to black on higher premiums**

LONDON P&I Club reversed a deficit, reporting an operating surplus of $5m for the 2019/20 financial year, boosted by higher premiums and investment returns.

However, the marine mutual's combined ratio was at 137%, slightly below the previous year's record 140%, signalling London P&I is paying more in claims than income earned in premiums for a third consecutive year.

Free reserves have increased to $173.9m the club said in a circular, up from $168.8m for the previous 12-month period, ending February 28.

**Cosco's tanker arm offloads non-core assets**

COSCO Shipping Energy Transport has agreed to offload about Yuan400m ($56m) of non-core assets in a series of related party transactions.

The Shanghai-listed oil and gas shipping firm said in an exchange filing that the deals would help it focus on its main business and "optimise its assets structure".

All of the sold assets were held by Cosco Shipping Tanker (Dalian), a very large crude carrier subsidiary that was previously sanctioned by the US for involvement in shipping Iranian oil. The sanctions were lifted in February.

**APL England owner ordered to recover lost containers**

AUSTRALIAN authorities have directed the owner of the vessel *APL England* to search for and recover containers that it lost overboard in bad weather off Sydney last month.

The Australian Maritime Safety Authority identified an area of about 1000km2 based on drift modelling and container sightings, where it said the lost boxes threatened safety and the environment.

The Singapore-flagged, 5,506 teu *APL England* was reported to have suffered a temporary power loss in rough seas on May 24, leaving 50 boxes lost and another 74 damaged on board. It had been travelling from Ningbo, China to Melbourne.

**CEVA Logistics agrees deal to expand in Africa**

CEVA Logistics is expanding its operations into Africa with the acquisition of a majority stake in AMI Worldwide, a third-party logistics provider.

The deal, announced on Monday and effective from July 1, gives the Switzerland-based company a presence in 41 countries on the continent and 1,000 AMI employees.

"They will provide a platform for further investment and expansion throughout the continent, with the objective of offering CEVA's customers a seamless network, facilitating cargo movement within Africa and strengthening trade ties with the rest of the world," CEVA said in a statement. No value relating to the deal was disclosed.

**MOL and NYK to test coastal autonomous vessels**

MITSUI OSK Lines and NYK Line are in a race to test unmanned ships with the support of the Nippon Foundation.

Both Japanese shipping giants announced their own plans today to conduct demonstration voyages in coastal waters, backed by a funding programme named MEGURI 2020 under the grant-making organisation in the country.

With subsidiaries Mitsui E&S Shipbuilding and Furuno Electric, MOL plans to conduct demonstration voyages of their autonomous sailing operation system, from unberthing to berthing. Tests will start in 2020.

**Tata Power divests three capesizes in $213m block deal**

INDIAN power company Tata Power has sold three capesize bulk carriers to Oldendorff in a $212.8m block deal to reduce debt and shore up its finances.

The company said its Singapore-based unit Trust Energy Resource sold *Trust Amity*, *Trust Agility* and *Trust Integrity* in a package that includes long-term contracts of affreightment with Oldendorff for the transportation of coal to India. The vessels will be taken over within the next three weeks in China and Europe.

"The sale of our shipping assets announced today is in line with our long-term plans to reduce debt and raise funds to invest in our future growth plans, including expanding our presence in the renewable energy business," said Tata Power chief executive officer and managing director Praveer Sinha.

# Classified notices follow