

**LEAD STORY:**

Indian ports hold Chinese shipments amid rising tensions

**WHAT TO WATCH:**

DFDS cuts 650 jobs to adapt to new market conditions

Extended LNG dual-fuel payback time limiting newbuilding orders

**ANALYSIS:**

Freight rate increases mask regional variations

Time is right for fledgling Guinea shipping line

**MARKETS:**

Hopes for lifting of Libyan oil blockade

Australia expects LNG export earnings to fall 26%

**IN OTHER NEWS:**

Castor Maritime raises funds for fleet growth

Gulf of Mexico grain export terminal repairs delayed

Norden orders four ultramax bulkers

Trafigura renews US financing in deal worth \$4bn

Bunker Holding expects unpredictable year as profit doubles

Navios boxship loses containers off Australia

Signal to proceed with new dry bulk coverage

## Indian ports hold Chinese shipments amid rising tensions



**RISING TENSION BETWEEN** India and China over a border dispute is causing import consignments from China to face hurdles at Indian ports.

Lloyd's List has learnt from port agents that over the past week, customs authorities have indicated to importers that there will be delays in clearing Chinese shipments without citing any reasons.

There have not been any written or verbal instructions from the Customs or Central Board of Indirect Taxes and Customs authorities that all Chinese imports should be physically inspected.

However, industry participants pointed out that large consignments of electronics parts, machinery, and a wide range of consumer goods imported from China have been lying at Mumbai and Chennai ports for the past few days, awaiting detailed checks. These includes imports that are normally eligible for automatic fast-track clearance.

According to Indian media, even some goods already cleared and loaded on to trucks for transport to warehouses were stopped from leaving the ports and recalled for further examination.

One port agent said that the delay in clearance is because the imports are being sanitised due to the coronavirus outbreak. This is time-consuming work, especially with the current shortage of labour in ports.

Meanwhile, many exporters fear that China could retaliate against the holding up of its consignments at Indian ports by delaying Indian cargo at Chinese ports.

Transport and micro, small and medium enterprises minister in India Nitin Gadkari has urged commerce and trade ministers to remove roadblocks for the quick release of goods at ports, arguing that these shipments have reached India on payments already made by Indian importers and if delayed further will harm Indian businesses.

Between April 2019 and February 2020, China accounted for about 14% of India's total imports, the main items being components for smartphones and automobiles, telecoms equipment, plastic and metallic goods, active pharmaceutical ingredients and other chemicals, local media reported.

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## WHAT TO WATCH

# DFDS cuts 650 jobs to adapt to new market conditions

FERRY operator DFDS' decision to cut 650 jobs is due to the severe fall in demand as a result of the coronavirus backdrop and to prepare for "the new reality", according to chief executive Torben Carlsen.

The Danish company said it plans to combine some sales operations, focus its ferry division on freight transport, optimise port terminal and haulage operations, and other structural changes amid "a downsizing of various functions".

"The adaptation to the new market conditions will regretfully lead to around 650 employees leaving DFDS in the coming months, 200 of whom are employed in Denmark," it said in a statement.

Mr Carlsen told Lloyd's List the job cuts were split roughly 60/40 between sea- and land-based positions, and many related to passenger services.

He said the UK's ferry aid package "ended up not supporting our Channel service" because of the way it was set up. He said he would have liked to see the scheme tailored for ro-pax carriers and hoped "there will be some sharing of the losses".

Mr Carlsen said he was in talks with the Department for Transport, which was keen for the company to continue lifeline ferry services, adding that the UK and Danish furlough schemes had "been excellent" through the crisis.

While the Danish scheme was extended to the end of August, the company chose to exit it to carry out the more thorough restructuring of its business. This included a "major reorganisation in our IT setup" and gearing the business towards couriers and freight forwarders.

Mr Carlsen said the company would focus on safe transport for customers rather than entertainment and market ferries as a safe alternative to flying.

"We've simply adjusted our concepts and our approach to this new reality," Mr Carlsen said.

The restructuring is expected to save the company up to Dkr250m (\$37m), with "a positive financial impact" of DKr50m-DKr75m for the year, as well as one-off DKr100m redundancy cost, it said.

"Our initial response to coronavirus has been successful," Mr Carlsen said. "We now take further steps to restore long-term growth and efficiency. At the same time, we continue to monitor new opportunities that may arise."

Coronavirus lockdowns have severely impacted Europe's ferry trade, with some operators calling for government aid as freight carriage failed to offset lost passenger revenue.

DFDS, which runs about 70 mostly ro-ro and ro-pax ships in the English Channel and the Baltic, Mediterranean and North seas, in March cancelled two routes and suspended its financial guidance.

In May, it reduced its outlook for earnings before special items to DKr2bn and warned this could "change significantly" in the second half of the year.

DFDS reopened the Oslo – Frederikshavn – Copenhagen route on June 25 after the border between Denmark and Norway reopened. Reopening of the Amsterdam – Newcastle route and English Channel services would depend on the easing of UK and European Union travel restrictions.

It said it would exit the Danish furlough scheme on June 29 and would release its second-quarter results on August 12.

# Extended LNG dual-fuel payback time limiting newbuilding orders

MARINE fuel price spreads equate to between a 10- and 12-year payback for shipowners investing in liquefied natural gas dual-fuel technology for a large newbuilding tanker, according to shipbroker Braemar ACM.

Based on current prices, very low sulphur fuel oil equates to about \$170 per tonne more than LNG marine fuel. A very large crude carrier newbuilding using dual-fuel technology costs about \$17m more than a similar, non-scrubber VLCC, the shipbroker said in its weekly report.

“Today’s longer payback cycle increases the level of residual value risk of LNG dual-fuel tankers,” the report said. “The simultaneous fall in newbuilding prices goes a long way in reducing the exposure from that risk. Despite all the reasons why LNG is today not expected to offer the savings we thought it might six months ago we still believe LNG dual-fuel represents an attractive investment for large tankers,” the report added.

LNG has emerged as the main marine fuel alternative for international ships to meet environmental targets to decarbonise shipping over the next decade but uptake of dual-fuel technology has been slower than expected.

Environmental criticism of LNG as a fossil fuel amid the lack of any scalable green alternative has hindered newbuilding orders as owners await for technology in marine propulsion to evolve.

One sixth of tanker deadweight contracted last year was LNG dual-fuelled, according to the report. This year just over 20% of newbuilding tankers ordered were dual-fuelled.

There are 13 LNG-fuelled vessels over 5,000 dwt, according to Lloyd’s List Intelligence data. A further 27 are operating with gas turbine/diesel electric technology, data show.

Braemar ACM also noted that the delivered price of LNG as a marine fuel will fall as bunkering infrastructure and availability evolves, especially in Asia.

Shipyard designs are also improving, with lower-cost, more pragmatic designs offering savings, especially in the containership sector, which leads in uptake of this technology.

“This rise in Asia’s spot LNG supply and the capacity to deliver it for use as marine bunkers will drive a reduction on the cost of the LNG dual-fuel kits onboard,” the report said. “LNG dual-fuelled VLCC tenders in recent years have specified bunker tanks large enough to provide a range of 18,000 nm to 20,000 nm on gas mode.

“The need for such a large range, and tanks large enough for required LNG volume, will surely reduce if LNG bunkers can be sourced more frequently and reliably on the vessel’s route, like we soon expect them to be. This is crucial because fuel tanks make up for nearly a third of total LNG dual-fuel capital expenditure.”

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## ANALYSIS

# Freight rate increases mask regional variations

THE success of carriers in maintaining freight rates has not been achieved across the board and some trade lanes are showing signs of weakness as volumes continue to fall.

“It is clear, that from a global perspective, freight rates have increased significantly during the pandemic outbreak, and especially when measured against rate levels last year,” said analysts at

Sea-Intelligence. “Furthermore, this has happened despite a decline in fuel prices, which under normal circumstances would add negative pressure on ocean rates.”

The transpacific headhaul and Europe-Asia backhaul, in particular, had seen rates surge over the past couple of months as carriers aggressively removed capacity.

But that did not mean that all trade lanes had been so successful, Sea-Intelligence said.

It pointed out that China-Middle East spot rates had halved since mid-March, and rates to South Africa and South America had also seen severe drops.

While global container shipping demand in the first four months of the year was down 8%, there were sharp regional differences in performance around the world as the pandemic progressed.

Container Trades Statistics chief executive Peter Webber noted that while container demand growth had risen steadily over the past few years, the coronavirus crisis “has stopped that in its tracks”.

“There is hardly a trade lane that has escaped its impact,” Mr Webber told a webinar held as part of the Global Liner Shipping series of events. “On the Asia-Europe trade lane [the pandemic] has had a brutal effect on volumes. So far this year 4.6m teu has been shipped, 14% down on last year.”

In March, the export region that contracted the most compared with the year before was the Far East, which fell by 12%. In April, the export region with the largest year-on-year contraction move westward to the Indian sub-continent and the Middle East.

“The latest volume of 736,000 teu is 32% down on last year,” Mr Webber said. “The region is the fourth largest exporting region, accounting for 7%-8%. Export volumes to Europe in April were just 121,000 teu, just over half of what it was in March.”

New forecasts published last week by the International Monetary Fund are likely to increase the distinctions between different regions.

Global GDP is forecast to drop by 4.9% this year and rebound by 5.4% in 2021, bringing the world

## Time is right for fledgling Guinea shipping line

AMID rapidly changing market dynamics, the Guinea Shipping Corp would seem to be in the right place at the right time and it believes it has some advantages, albeit in what is still a tough environment.

The company was set up 10 years ago in a joint venture with Guinea’s equivalent of a maritime department.

economy back to 2019 levels by the end of next year. In Europe, GDP is expected to fall by 10.2% this year.

“From a container shipping perspective this creates a significant problem, as this is the area from which demand is needed to derive cargo to the new generation of ultra-large container vessels,” Sea-Intelligence said.

“The International Monetary Fund projection – if it turns out to be correct – is telling us that the current low demand levels are likely to persist for a while. Consequently, the high levels of capacity withdrawals are also likely to persist. This is a view that is also backed up by the actual capacity withdrawals thus far seen in the third quarter.”

The IMF figures indicate that economic activity in the US, Europe and South America will be lower in 2021 than it was in 2019.

“This does not indicate a substantial pick-up in terms of container volumes, and carriers will be heading into a multi-year period of continued aggressive capacity management, if they intend to avoid a costly rate erosion,” Sea-Intelligence said.

It added that the success of carriers on the mainlane trades could be attributed to some extent to the alliance partnerships in which they operate.

“This would also imply that the main carriers might come to the conclusion that the model of consolidation, which works well in the main east-west trades, should also be applied to these other trades,” Sea-Intelligence said.

“Consequently, we might expect a development over the coming years, of increased consolidation pressure on the north-south and regional trades.”

But according to executive chairman Bernt Meldgaard Christensen, the conditions in the country were not stable. The mining sector was not mature and there were insufficient procedures in place for the nascent shipping company to succeed in that environment, he said.

This has changed dramatically recently as a number of factors have aligned to make a viable business case.



Chief among this is the new mining code, which mandates that the state has the first right of refusal to ship 50% of all the mined commodities of each mining concession in Guinea.

The other big change is in market conditions, which have turned in Guinea's favour because of bans on bauxite exports in other major producers.

It is estimated Guinea will export some 66.2m tonnes of bauxite in 2020.

It is, however, the former factor that Mr Christensen sees the most promise in. "This was the key premise on which GSC was initially founded," he told Lloyd's List.

Alluding to the troubles the West African developing nation has faced for many years, Mr Christensen added: "After years of improving mining and investment practices, the Guinean government is now confident to take the steps for implementing this provision in such a way that it will assist rather than hinder the plans of mining concession holders."

While reiterating that what amounts to a de facto cabotage policy on mineral exports, is not meant to upset existing contracts but rather will be a service to help all mining concessions that are coming up for production, he pointed out that GSC is building a platform to fulfil this service.

Indeed, it is the development of the local human resource base through the support of the Guinean government that GSC is billing as its competitive advantage. The company is "fundamentally committed to providing the critical new skills and opportunities for local workers".

Mr Christensen remains vague about precisely how this platform will be built, with its involvement in options for capesize shipments seen in the unspecified future.

"GSC will hopefully be involved in ocean freight but we anticipate that this will take a couple of years," he said, adding that "we have our own options for capesize shipments but this project is further down the line for us"

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## MARKETS

# Hopes for lifting of Libyan oil blockade

Tanker owners are closely scrutinising developments in Libya where any lifting of the five-month blockade on crude exports will offer respite to the aframax and suezmax markets where earnings on most routes remain below operating costs.

Libya's National Oil Corp said on Monday it "was hopeful that the regional countries behind the blockades would lift it, after weeks of negotiations".

Exports have plunged from around 1m bpd through 2019 to less than 10% of that level since forces loyal to military commander Khalifa Haftar closed off exporting terminals in mid-January.

Production was estimated at 80,000 bpd in May, according to the International Energy Agency.

Aframax tankers transport some 60% of cargoes lifted from Libya and suezmax tanker around 35%, with most shipments to Mediterranean refineries in Italy, Spain and France, Lloyd's List Intelligence data show.

Six cargoes shipped from four of Libya's nine terminals this month, compared with 53 shipments in the year-earlier period, according to the data.

Libya's lost cargoes are acutely felt in the market now that global seaborne exports have nosedived and floating storage and discharge delays that propped up rates through April have eased.

Middle East Gulf countries alone cut shipments by as much as 4 million bpd so far this month, equivalent to nearly 60 very large crude carriers.

Lifting Libya's port blockade and restarting oil production at the closed El Feel and Sharara fields would ease the over-tonnaged aframax market, where cross-Mediterranean rates were assessed at levels between \$1,400 to \$2,499 per day.

Rates have fallen 92% over the month and compare to the record daily average of over \$83,000 assessed by the Baltic Exchange in late April.

The civil war in Libya pits the UN-based Government of National Accord (GNA) supported by Turkey and Qatar against Haftar's Libya National Army backed by Egypt, Russia, the United Arab Emirates and Saudi Arabia. Mercenaries from both sides are now gathering at Sirte, a strategic post near export terminals controlled by the LNA.

“NOC confirms there have been ongoing negotiations to resume oil production over the past several weeks between the GNA, NOC and regional countries, under the supervision of the UN and the US,” the company said in a statement on its website.

“The corporation is hopeful that those regional countries will lift the blockade allowing NOC to resume its vital work for the benefit of all the Libyan people.”

## Australia expects LNG export earnings to fall 26%

LOWER liquefied natural gas prices are expected to drag Australia's export earnings into the red, but its shipment volumes look set to hold up over another 12 months into the pandemic-triggered macroeconomic disruption.

In a published quarterly report, the Australian government forecast a sharp fall of 26% in export earnings to A\$35bn (\$24.1bn) for the coming fiscal year ending June 30, 2021.

This came after the resource-rich country posted estimated LNG exports worth A\$47bn for the 2019-2020 fiscal year, 4.6% lower year-on-year as low prices offset higher export volumes.

Australia exported 79m tonnes of LNG for the 2019-2020 fiscal year, 4.3m tonnes up from 2018-2019, estimates in the quarterly report published by the Department of Industry, Science, Energy and Resources showed.

The ramp-up of the Inpex-operated Ichthys project off northern Australia during its first full

The LNA controls Ras Lanuf, Es Sider, Brega, Zuetina and Marsa el Hariga terminals, according to the IEA. Es Sider is the country's largest.

As well as being involved in Libya's civil war, Russia, Saudi Arabia and the UAE are among more than a dozen oil producers who have agreed to curb production by 10 million bpd over May, June and July. The deal aims to arrest oil price falls after demand collapsed from the coronavirus pandemic.

year of production supported growth in export volumes.

Save for Shell's Prelude floating LNG, Australia's export projects also did not go offline or slash output, unlike their counterparts in the US.

In February, Prelude FLNG entered a hiatus due to technical issues and remains offline, with no official restart date announced.

Assuming the Prelude FLNG resumes production from this September, Australia's LNG exports are expected to edge up to 80m tonnes in 2020-2021, the report said.

But oil prices and Asia spot prices have fallen to multi-year lows, weighing on the earnings of Australia's LNG exports, which are generally contracted based on oil-linked indices.

Australia's LNG export earnings may range between \$29bn and \$37bn in 2020-2021, down by A\$10bn from the last forecast provided in March, the report said.

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## IN OTHER NEWS

### Castor Maritime raises funds for fleet growth

CASTOR Maritime, the Nasdaq-listed dry bulk carrier owner that is seeking to add to its current fleet of three panamaxs, has raised \$20.7m.

The amount grossed from the upsized underwritten public offering included full exercise of an over-allotment option granted to the underwriter, Maxim Group.

On top of this, 59.1m warrants, each exercisable for one share at a price of \$0.35 each, could generate up to \$20.7m additionally for the company.

### Gulf of Mexico grain export terminal repairs delayed

AGRICULTURAL commodity trader Archer Daniels Midland said one of its prime US terminals for the export of grains will remain offline until next year

owing to delays in repair work on the facility.

Construction at ADM's terminal in Reserve, Louisiana, one of three facilities the firm owns in the Gulf coast state, will not be completed until early 2021 as high water conditions have affected the construction schedule.

“We informed customers several months ago that we expect the

repairs to be complete in early 2021, and we remain on track to have the terminal back online during that time frame," ADM said.

#### **Norden orders four ultramax bulkers**

NORDEN has ordered four ultramax dry bulkers as it bets on demand recovery and seeks to take advantage of low asset prices.

The Danish bulker and tanker owner said it would be buying four 61,000 dwt newbuildings from Nantong Cosco Khi Ship Engineering Co, the joint shipbuilding venture between Cosco and Kawasaki Heavy Industries.

No financial details of the deal were disclosed. The ships are expected to be delivered during 2022. They will not have scrubbers.

#### **Trafigura renews US financing in deal worth \$4bn**

TRAFIGURA Trading, a wholly owned unit of Trafigura Group, one of the world's largest commodity traders, has renewed its North American credit facility despite "challenging market conditions".

North America chief financial officer Rodney Malcolm said the successful refinancing "allows us to continue to secure market

opportunities and grow our energy-related assets".

Despite a strong oversubscription, the company said it decided to "slightly reduce" the one-year facility from \$4.4bn to \$4bn because of a lower financing need in the lower-priced commodity environment.

#### **Bunker Holding expects unpredictable year as profit doubles**

BUNKER Holding, the global bunker supplier, has reported record full-year profit.

Earnings before tax was \$155.2m on revenue of \$10.9bn for the 12 months ending April 30, it said in a statement.

Profit was double the previous year's \$77.3m on revenue of \$10.6bn. This included the period when the 4m barrels per day marine fuel market switched over to lower-sulphur marine fuel on January 1 as part of lower emissions targets set by the International Maritime Organization.

#### **Navios boxship loses containers off Australia**

A NAVIOS boxship has lost three or more containers in rough weather off Australia's southwestern coast, according to reports.

Lloyd's List Intelligence reported the Liberian-flagged *Navios Unite* was travelling from Fremantle to Adelaide when it lost the boxes south of Augusta, Western Australia in the early hours of June 26.

The 2006-built, 8,200 teu vessel continued its voyage. Three containers were later spotted drifting, Lloyd's List Intelligence said.

#### **Signal to proceed with new dry bulk coverage**

SIGNAL Group has confirmed its intention to introduce coverage of the dry bulk market this year as its market platform and shipmanagement businesses continue growing despite the coronavirus pandemic.

"During the time of disruption and tremendous economic uncertainty caused by the Covid-19 outbreak, Signal achieved one of its most productive and creative periods," said the Ioannis Martinos-led group.

Signal's aframax pool had grown to 27 vessels from 13 pool partners through organic growth as well as through an alliance with Heidmar that started in January this year.

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OCIMF is recruiting for an experienced strategy implementation contractor to work with the Forum for approximately 2-3 days a week to manage the implementation of our new strategy. Initially the contract will run until the end of March 2021, with the option to extend for up to a further 9 months. We would like the contract to begin as soon as possible.

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**How to apply**

Visit <https://www.ocimf.org/organisation/recruitment.aspx> for full details about the role and how to apply. The closing date for expressing interest is **Wednesday 8 July 2020**, with selection discussions planned for Monday 13 or Tuesday 14 July 2020. All prospective candidates must be able to prove their eligibility to work in the UK.

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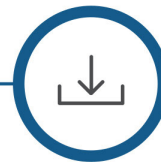
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