Friday July 24, 2020

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

LEAD STORY:
Coronavirus: Hong Kong under pressures to suspend crew changes

WHAT TO WATCH:
China's congested ports boost floating storage as oil imports hit record

Health screening failures threaten crew change cause

OPINION:
Yard Talk | Tie a knot and hold on

ANALYSIS:
Box port throughput shows signs of stabilising

MARKETS:
India eyes crude oil storage in US

IN OTHER NEWS:
DP World set sights on Indian carrier Shreyas Shipping

Fleet agrees LNG carrier management deal with GTT

US port group's volumes decline 16.4%

Australia cracks down on container handling after spate of losses

Coronavirus: Hong Kong under pressure to suspend crew changes

SHIPPING ASSOCIATIONS IN Hong Kong have advised their members to suspend crew rotation in the city, where new cases of coronavirus infection have hit a record high.

The move comes as several cargo ships are reportedly being quarantined in local anchorages as more arriving seafarers are found to have contracted the virus.

The struggles for local authorities and the maritime community between facilitating crew changes and battling the health crisis was implied in a circular sent by the Hong Kong Liner Shipping Association to its members earlier this week.

"In view of the sharp increase in cases being reported in Hong Kong in the last couple of weeks... HKLSA has been in discussion with the HK government on what we can do to help minimize further infections, and how we can help ensure sufficient medical resources and space are being made available for local residents," said the group.

"The Hong Kong government continues to be supportive of international guidelines and recommendations on safe and efficient crew change while [at the] same time balancing concerns with the growth [in] new cases.

"Despite the existing protocol that has been put in place for crew change in Hong Kong, we have experienced cases where infected crew have come through Hong Kong and are adding to the strain on Health Department resources."

The move comes after the Singapore Shipping Association issued a circular noting several cases in the past week of crew arriving in the city state with coronavirus symptoms, such as severe high temperatures.

The HKLSA said while it had no authority to enforce any temporary halt of crew changeover, it had agreed with the government on a recommendation for its members to minimise the activities in the city in the coming several weeks.

The suspension will last from July 22 to August 22, 2020, while exemptions will be allowed between July 22–26 for any arrangements already scheduled or for compassionate humanitarian cases, according to the circular.

Lloyd's List understands that a similar advisory note has also been sent by the Hong Kong Shipowners Association to its members.

A person familiar with the matter said the associations were under pressure because they had previously strongly recommended that the government ease restrictions on crew changes — moves which have been blamed for contributing to the latest surge of infections.

Hong Kong confirmed 543 new cases, including 480 classified as local, over the past week, following 256 cases (207 local) the previous week.

The Asian maritime hub was among the frontrunners in opening its border to crew changeovers to support this crucial element of international trade.

It allowed vessels without cargo operations to change crew shifts at its port in early June, soon after it exempted seafarers entering the city from quarantine measures.

The government tightened the rules on July 10, with the introduction of mandatory virus tests for incoming seafarers travelling via Hong Kong airport.

But the measure appears not to have been sufficient to safeguard crew on arriving cargo ships from being infected with the virus, according to a report on July 23 from local news outlet HK01.com.

Citing an email sent by a Marine Department officer to local shipping firms, the report listed six vessels that are currently under 14-day quarantine near Lamma Island after crew members on board tested positive for the virus.

The alleged vessels are CMA CGM Rossini, MSC Kerry, Vantage, Alisa V, Darya Ganga and Rosa. They arrived in Hong Kong between July 11–17.

Except for Alisa V and Darya Ganga, the quarantined vessels are containerships, according to Lloyd's List Intelligence data. Among them, Vantage is owned by Greece's Costamare and chartered to Evergreen.

Lloyd's List has sought comment from the Hong Kong Marine Department and the three liner carriers involved.

Sources said at least one vessel was known to have been prevented from leaving port and asked to anchor in Hong Kong waters for 14 days to sit out a quarantine period after a signing-on crew member was found to be infected on arrival at the airport.

He was prevented from joining the vessel, believed to be the 36,440 dwt dry bulker Darya Ganga, and sent for treatment and isolation on shore. The vessel was nevertheless not given clearance to leave the port.

It is unknown why the vessel was not allowed to leave. Its owners are understood to have lost a fixture due to the delay.

The vessel came to Hong Kong from Yangjiang in mainland China on July 16 and has been anchored there since.

The latest incidents have also sparked concerns that the restrictions on crew changes in Hong Kong may soon return to the level before the previous relaxation, although there has been no official announcement yet.

Similar worries have been felt in Singapore, another major Asian maritime hub. The Maritime and Port Authority noted a rising number of cases of crew joining their vessels in the city state and testing positive for the coronavirus.

The Singapore Shipping Association has urged that more care must be taken in adhering to protocols or the whole process of crew rotation risks being suspended.

WHAT TO WATCH

China's congested ports boost floating storage as oil imports hit record

PORT congestion in China is keeping floating storage volumes elevated, with 309m barrels of crude and products on 250 tankers for more than 20 days.

Preliminary figures show 39 of the 250 laden vessels are at anchor off Chinese ports, according Lloyd's List Intelligence analysis.

China imported record volumes of crude during June and July as refineries maxed out purchases made months earlier when oil prices were at 21-year lows.

Refineries there also processed record volumes over the past two months, exceeding 14m barrels per day. Although some crude went to storage, the pace of rebounding domestic demand and flatlining exports means that excess refined products also quickly filled land-based tanks.

Rising congestion means tankers calling at China are employed for longer than expected. In turn that has helped prop up the market for very large crude carriers, even as rates for smaller vessels have already slumped to unprofitable levels on many routes.

Analysis of laden tankers at anchor for periods of less than 20 days also reveals that China and Singapore have the highest number of vessels at anchor as well.

Lloyd's List Intelligence methodology covers tankers from Panamax to VLCCs at anchor for 20 days or longer.

Floating storage hit a record 311m barrels in early June and has topped 300m barrels for four of the past seven weeks, data shows.

Some 47 tankers are either owned by Iran's National Iranian Tanker Co and sanctioned by the US or linked to Iranian owners.

A further dozen tankers that loaded in Venezuela are also in floating storage off Singapore and Malaysia as US sanctions on the South American company's oil and shipping sector make it difficult to offload cargoes.

Persistently high floating storage and port congestion in China are two signs that oil and refined products demand is not accelerating from the March-through-May troughs as quickly as anticipated.

While some Chinese crude purchases went into storage, so has excess refined products, quickly filling up land tanks, as exports of gasoline, diesel and jet fuel plunge on poor intra-Asian demand.

Preliminary July figures for Chinese crude imports are at some 16m bpd.

That figure is likely distorted by the number of VLCCs in the Asia region which have yet to signal a destination and may eventually arrive in nearby countries and be removed from the final tally.

Despite this, it is clear that July imports will hit a new record for a second consecutive month, following June's 12.6m bpd figure.

Health screening failures threaten crew change cause

A FAILURE to adhere to coronavirus protocols could severely set back the industry's progress on crew change, the International Chamber of Shipping has warned.

Responding to "alarming" reports of some seafarers and companies not taking 14-day quarantine rules seriously, the group said "regrettable instances of noncompliance" risked undermining the progress on persuading governments to allow crew repatriation.

Its comments came after Singapore shipping agency GAC flagged tampering of test results and reports of rising numbers of crews joining vessels and testing positive for the coronavirus.

Shipping associations in Hong Kong have advised their members to suspend crew rotations amid a spike in cases, Lloyd's List reports today.

"It's undeniable that shipmanagers and crewing agents who do not follow the protocol guidance are risking the safety of our seafarers and those around them," said chamber secretary-general Guy Platten.

"The very reason these protocols were produced were to ensure that crew change can be undertaken safely, minimising the risk of transmission to seafarers and the public alike."

Mr Platten said most shipowners went to extraordinary lengths to safely repatriate crew and this was only possible if governments adopted the protocols.

OPINION

Yard Talk | Tie a knot and hold on

WE know the shipbuilding market is terrible, but it must be desperate if the president of Imabari Shipbuilding had to make a public call for "some form of state support".

The Japanese yards and their government used to be strong opponents to the meddling of state power in this business sector.

It is unclear how they will react to Yukito Higaki's appeal, made during a press conference, but the predicament facing the country's largest builder cannot be ignored.

Imabari only won new orders for 26 ships in the past fiscal year ended March 31, 2020 — about one third of the volume a year earlier. Its revenue also took a hit because of low-priced orders amid increased competition from Chinese and South Korean rivals, said Mr Higaki.

And the results have yet to reflect the impact of the coronavirus pandemic that emerged later in the year. Now ship prices are likely to slide further as demand for newbuildings remains sluggish, according to Braemar.

"Soon the cost of idling large capital assets will far outweigh that of idling yard workers. Tough decisions will have to be made: close or continue," the brokerage said in a recent report. "For sure, to book the large remaining number of 2022 berths, pricing will have to come off further."

Data from the Japan Ship Exporters' Association shows the backlog of domestic yards had contracted for 15 consecutive months to a 23-year low as of the end of June.

"If circumstances continue as they are, Japanese shipbuilders will not be able to keep standing up," Mr Higaki warned.

If there is any source of relief, at least one can be sure that yard executives in South Korea and China are not scratching their heads any less.

The three South Korean majors — Korea Shipbuilding & Offshore Engineering (formally known as Hyundai Heavy Industries), Samsung Heavy Industries and Daewoo Shipbuilding & Marine Engineering — have only achieved 13.8%, 6% and 20% of their 2020 order targets, respectively, for the first six months of the year.

Demand for traditional cargo ships is muted, while the offshore market, where they used to generate high revenue, is almost dead amid low oil prices. The trio are still pinning their hopes on a raft of contracts for liquefied natural gas carriers to ramp up the percentage completed in the second half, albeit with a challenging outlook.

In March, Clarksons forecast 50 LNG carriers would be ordered in 2020, down from 88 predicted in September last year. Only five have been placed so far this year.

Rather than firm orders, the much-ballyhooed deal with Qatar for more than 100 LNG tankers has turned out to be a slot-booking agreement spanning seven years. These distant newbuilding flows cannot quench the current thirst for work.

Even if LNG projects in Mozambique and Russia generate demand for orders this year, this will still not be nearly enough for South Korean yards to hit their targets.

It does appear that the Chinese builders are faring relatively well. Between January and June, they bagged newbuilding deals totalling 3.5m compensated gross tonnage, versus 1.2m and 600,000 by their South Korean and Japanese competitors, according to Clarksons.

However, they can't rest easy, either. Firstly, the 3.5m cgt is still an 18% decline compared with the same period of last year. And a bigger threat comes from the escalating tensions between the world's two largest economies, the US and China.

The Pentagon in June put China's largest shipbuilding group, China State Shipbuilding Corp, on a list of the country's companies deemed to be owned or controlled by Beijing's military, opening them up to potential additional US sanctions.

The builder's two leasing units, CSSC (Hong Kong) Shipping and CSIC Leasing, could also be affected. Sources close to the companies said they had already started internal assessments on the fallout from Washington's potential punitive measures.

Meanwhile, major Chinese banks, including their leasing arms, were looking at the possibility of being cut off from US dollars or losing access to US dollar settlements, according to a Reuters report earlier this month. The alleged institutions also included ICBC Financial Leasing, China's top shipping lessor and a committed financier for newbuilding projects at domestic yards.

The recent closure of the Chinese consulate in Houston, Texas, following escalations between the naval forces of the two countries in the South China Sea, can only deepen the malaise.

Even South Korean and Japanese builders might not feel positive about these ominous signs. Some of them have orders financed by the Chinese lenders, too. More importantly, the US–China decoupling will strike yet another blow to the virus-battered global economy, and it is bound to further dull investors' appetite for new vessels.

ANALYSIS

Box port throughput shows signs of stabilising

PORTS are showing signs that the worst impacts of the coronavirus pandemic are retreating.

The latest bi-weekly Port Economic Impact Barometer shows a progressive improvement in three of the four survey questions asked of the world's ports.

"With generalised lockdowns now limited, the return of vessels and the lower numbers of blank sailings continue, although at a slow pace," the report said.

"For the first time since starting the measurements, the percentage of ports reporting that the number of containership calls corresponds to a normal situation has exceeded the 50% threshold."

Some ports that had experienced a decline of the number of container ships calls reported that further improvement is emerging, with several certain that they will soon return to similar numbers of ship calls as in the corresponding period last year.

"At the same time, maritime trade volumes have also started to increase, as several economies, or major parts of them, have returned to operations and increased number of transactions," the report said.

The report, which is produced by the International Association of Ports and Harbors in conjunction with the World Ports Sustainability Project, coincides with similar statements from a number of individual container ports.

Rotterdam, Europe's largest container hub by capacity, reported throughput for the first half of the year that showed a steep fall in volumes during the peak of the pandemic.

It reported a 7% decline in volumes in the first six months of 2020, after losing 20% of its scheduled services in May and June. But the fall in volumes was less pronounced that the decline in the number of vessel calls because of the increased size of ships calling at Rotterdam.

"The negative economic impact of the Covid-19 pandemic is being felt worldwide," said Port of Rotterdam Authority chief executive Allard Castelein. "It should therefore come as no surprise that throughput volumes in the past six months were considerably lower than in the same period last year. On the positive side, the throughput volumes in the second quarter turned out to be better than initially expected."

Antwerp, in Belgium, had a similar experience, but even managed to increase volumes during the first half of the year.

"Container traffic increased in the first quarter of the year, but from April onwards felt the effects of cancelled sailings," the port said. "Nevertheless, container throughput recorded a slight increase of 0.4% in the period January–June 2020 compared to the same period last year."

The number of ship calls decreased at Antwerp as well, but this was compensated by more volume per ship and additional calls on top of the scheduled sailings.

Professor Theo Notteboom, who co-authored the International Association of Ports and Harbors report, said that the full or partial reopening of economies and initiatives to secure flows along maritime supply chains, had benefited ports.

"The adopted responsive measures and the endorsed adjustments in port operations have contributed to the success of most ports to remain operational while securing safety of workforce, providers and users," he said.

MARKETS

India eyes crude oil storage in US

INDIA plans to store its crude oil in the US strategic petroleum reserves, both to build up an overseas oil stockpile and for trading to benefit from any price rises.

According to Dharmendra Pradhan, India's minister for petroleum and natural gas, and minister for steel, India and the US on July 17 signed a preliminary agreement to co-operate on emergency crude oil reserves, which included the possibility of India storing oil in the US emergency stockpile.

The minister said that this mainly applied to US-produced oil which India will buy, according to local media. He added that once access to the facility was made available, India, depending on its needs, could either bring the oil home or sell it on the open market.

However, the modalities of available capacity and pricing will be worked out when the talks reach the final stages.

Voyages from the US Gulf to India take about 40 days, so tanker owners would enjoy a boost to tonne-miles if India imports US crude when domestic demand recovers.

For India, gaining access to the US SPR would help to bring price stability and energy security while mitigating risks related to geopolitical disruptions.

An acute lack of space at India's strategic oil reserves had earlier forced Indian refiners to seek floating storage as an alternative.

India has a relatively small SPR, at 39m barrels, while the US SPR, held in four caverns on the US Gulf Coast, currently has capacity for 714m barrels.

US energy secretary Dan Brouillette said that the India pact could mirror a recent plan America had made with Australia, which in April committed to spending about $60m to build an emergency oil stockpile, first by buying crude to store in the US SPR.

India is the fourth-largest export destination for US crude.

"Between 2017 and last year, US crude oil exports to India rose nearly 10-fold to almost 2.5m barrels per day. Between March 2016 and May of this year, 68 LNG shipments of over 234bn cu feet were exported to India," added Mr Brouillette.

IN OTHER NEWS

DP World set sights on Indian carrier Shreyas Shipping

PORT operator DP World is set to bid for Shreyas Shipping and Logistics and Avana Global Logistek from Dubai-based Transworld Group.

Mumbai-listed Shreyas Shipping is the Indian-flagged vessel-owning unit of Transworld Group, which has a fleet of 13 ships and is the largest privately owned operator on the Indian coast. Avana Global Logistek is the freight forwarding arm of Transworld Group.

The deal, if successful, would be DP World's third acquisition in the container feeder segment in two years, since it ventured into the business with the aim of building an end-to-end logistics capability by offering integrated services.

Fleet agrees LNG carrier management deal with GTT

HONG KONG-based Fleet Management has signed a global services agreement with gas containment specialist Gaztransport & Technigaz as it manages the construction of six very large ethane carriers at Hyundai Heavy Industries and Samsung Heavy Industries.

The tie-up will boost Fleet Management's capabilities in vessel construction and management of liquefied natural gas carriers and vessels installed with GTT cargo containment systems.

It is understood that Fleet will also go on to manage the fleet of 98,000 cu m VLECs which is currently being built at the South Korean yards. It had been reported earlier that MISC purchased the vessels from Zhejiang Satellite Petrochemical for $726m and sealed a 15-year sale and leaseback deal with the Shanghai-listed petrochemical company.

US port group's volumes decline 16.4%

THE Northwest Seaport Alliance is underway with redevelopment of its Terminal 5 facility in the port of Seattle, but faults in the key West Seattle High-Rise Bridge now pose a threat to completion of the project.

The news came as the port announced declining throughput figures for June, saying it handled 287,036 teu, a 16.4% decrease compared with June 2019. Full imports declined 15.1%, while full exports decreased 8%.

For the first half of 2020, overall container volumes declined 18.3% compared with 2019 as the NWSA handled a total of 1.56m teu in the year to date. Full imports declined 18.3%, while full exports decreased 9.3%.

Australia cracks down on container handling after spate of losses

AUSTRALIAN maritime authorities are to target container shipping with a new inspection campaign designed to reduce the number of boxes lost at sea.

"We have seen the serious consequence of improper cargo securing arrangements in the form of tonnes of plastics and other debris washing up on our beautiful beaches and floating in our oceans," said Michael Drake, acting general manager of the Maritime Safety Authority.

"Rusted cargo securing points, improper lashings and exceeding stack weight limits have all contributed to these incidents and ship operators should be on notice that non-compliance will not be tolerated in Australia."

Classified notices follow

M/V MAERSK HONAM – FIRE ON 6 MARCH 2018
NOTICE OF GENERAL LIMITATION DECREE

In The High Court of Justice of England and Wales
Business and Property Courts
Queen's Bench Division
Admiralty Court

AD-2020-000024

BETWEEN

MSC Mediterranean Shipping Company SA

Claimant

and

(1) Becton Dickinson Medical (S) Pte Limited

(2) All other persons claiming or being entitled to claim damages by reason of the fire on board the "MAERSK HONAM" in the Arabian Sea on or about 6 March 2018

Defendants

BY A GENERAL LIMITATION DECREE made on 15 July 2020, the High Court of Justice ordered that by reason of the provisions of the Merchant Shipping Act 1995 (as amended) the Claimant is not answerable in damages beyond:

a) **123,308,412** Special Drawing Rights or GBP **138,430,128** in respect of loss of life or personal injury; and
b) **61,654,206** Special Drawing Rights or GBP **68,206,267** in respect of all other claims (including, but not limited to, any claims in respect of the loss, damage and delay to any property or to the infringement of any rights);

caused through its act or omission or through the act or omission of any person on board the vessel "Maersk Honam" in the navigation or management of the "Maersk Honam", when she suffered the casualty in international waters on or about 6 March 2018.

The Court also ordered that all further proceedings in any claim against the Claimant arising out of the aforesaid casualty be stayed.

The Claimant was not the operator of the "Maersk Honam". A Limitation Fund has already been constituted in respect of this casualty by the provision of a Letter of Undertaking from the vessel's owners' P&I Club, the Standard Club, to the Court in accordance with the Order of Mr Registrar Kay, dated 10 September 2019 in case number AD-2018-000156.

TAKE NOTICE THAT in accordance with the Decree parties intending to file a claim against the Limitation Fund or to issue an application to have the Decree set aside have until **30 September 2020** (being a date at least 56 days after the publication of this advertisement) to do so. Any such claims or applications must be filed in The High Court of Justice (Queen's Bench Division – Admiralty Court), Ground Floor, 7 Rolls Building, Fetter Lane, London EC4A 1NL (Claim No. AD-2020-000024). Attention is drawn to the provisions of CPR Part 61, including rule 61.11(15) which concerns service of any statement of case.

For the avoidance of doubt, this advertisement and the Decree are without prejudice to the question of liability for the casualty and their contents are without prejudice to, and do not affect, any and all rights that the Claimant may have, including in relation to limitation and/or time bar.

Ince Gordon Dadds LLP
Aldgate Tower
2 Leman Street
London
E1 8QN
IanChetwood@incegd.com; CharlesOConnor@incegd.com
Reference: IAC/CRKO'C/8295/8837

Solicitors for the Claimant

Enforcement Officer Risto Sepp sells the vessel named "OCEAN SPIRIT" IMO 8325793, located at Vene Balti Port, Tallinn, and belonging to "img EHF" of Iceland at an oral auction.

Claim of DAN Bunkering serves as grounds for conducting the auction.
The auction begins on **25.08.2020 at 14:00**. The auction shall be conducted in the offices of "Ühinenud kohtutäiturid" at Rävala pst 5, Tallinn, VII floor.

Starting bid of auction is 750,000 euro.

Persons having the right to maritime claims are to submit such claims no later than on **10.08.2020** with substantial grounds.

Any additional information concerning auction or vessel details or inspection of the vessel sold at the auction is possible on arrangement with the Enforcement Officer.
A request must be submitted by **e-mail** buroo.sepp@taitur.net or by **phone +372 53 48 34 83**.