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## Greek tankers removed from US' Venezuela blacklist



FOUR GREEK-OWNED TANKERS that have run foul of US sanctions against Venezuela in recent weeks have been given parole.

Two of the vessels, the Thenamaris-managed very large crude carrier *Seahero* and the NGM Energy-linked *Voyager I*, were among four tankers sanctioned by the US treasury department's Office of Foreign Assets Control (Ofac) on June 2 in a move widely interpreted as a warning shot to shipowners continuing to lift Venezuelan oil cargoes.

The two tankers had been on Ofac's list of "specially designated nationals," known as the "SDN list," for the past month.

Removed along with them are the Chemnav-managed aframax *Delos Voyager* and the Eurotankers-managed aframax *Euroforce*, both of which were blacklisted just two weeks ago.

Thenamaris was first to acknowledge the development, saying that its VLCC had been removed from the list after "full co-operation" with the US authorities. The vessel's registered owning company had also been removed.

The company said it had "always placed the highest priority on regulatory compliance, including international trade sanctions."

In addition to halting any further carriage of crude oil from Venezuela for as long as US sanctions apply, Thenamaris said it had "further enhanced its compliance controls, including its sanctions protocol and associated internal processes."

Similar steps, notably declaring a halt to any further trading with Venezuela, have been taken by other owners to have their vessels wiped off the blacklist.

Tankers operated by Dynacom and Chemnav Shipmanagement, that were among the four blacklisted on June 2, were removed from the SDN list on June 18.

The relatively swift removals of the vessels from the blacklist will have underlined the upside to co-operating fully with US sanctions, according to observers.

“It certainly could be viewed as a stick-and-carrot approach. The US government will view these companies more favourably if they demonstrate a

commitment to establishing a comprehensive compliance programme and implement internal controls to prevent them from doing business in jurisdictions that the US has targeted for sanctions,” said experts at US law firm Seward & Kissel recently.

Attorneys Bruce Paulsen and Andrew Jacobson told Lloyd’s List that there was “every reason to believe” that Ofac and other US governmental agencies will continue a “full-court press on the shipping industry” in Washington’s effort to further pressure the Maduro regime.

“As the US and Ofac intensify pressure on Venezuela, we expect to see more companies take a risk-based approach in doing business in, and with, Venezuela,” they said.

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## WHAT TO WATCH

# XRTC warns of ‘new wave’ of bad loans

MOST ship finance providers believe banks are strong enough to withstand the effects of the coronavirus epidemic but at the same time are wary of an explosion in non-performing loans (NPLs), according to a new survey.

XRTC Business Consultants said that in many cases banks had taken steps to reduce the amount of red ink in their loan portfolios, but financiers taking part in the poll feared that the coronavirus crisis will cause “a new generation” of NPLs.

While this was rated as likely to be the pandemic fallout’s strongest effect on the ship finance market, financiers also suggested there will be significant pressure to reduce the financed portion of asset values and to increase the cost of finance.

An overall reduction of ship finance was rated only fourth as a potential effect of the pandemic.

That was mainly because the vast majority of vessels are now being funded not by banks but by “different sources”, XRTC said.

“It seems that a new wave of bad loans is on the way,” said the consultancy. “Most of them are expected to originate from recently restructured loans which will turn nonperforming again.”

This meant that “the main job of banks and services in the coming months will be to contain the spread of bad credit,” said XRTC.

When asked to rate the effects of the pandemic on the shipping industry, financiers marked lower freight rates as the top concern, followed by supply chain disruption, with general travel restrictions and crew changes in third and fourth places.

Other worries included “ongoing concern” for small shipping companies and potential state intervention and new regulations.

Financiers were strongly biased towards larger companies as clients, with 60% of respondents preferring fleets of more than 10 vessels and 33% focusing on fleets of at least 25 vessels.

Four out of five respondents agreed that banks are “much stronger” than they were at the outset of the global financial crisis in 2008 and had sufficient capital and liquidity “buffers” to weather the coronavirus crisis.

Even more — 84% — saw consolidation in shipping increasing as a result of the pandemic.

Opinion about whether digital disruption would be the overwhelming key to the industry in the post-coronavirus era was, however, evenly split.

About 95% of the respondents were active in conventional mortgage-backed ship lending but more than 60% were also providers of corporate loans and about one quarter had been involved in leasing.

XRTC Business Consultants conducted the poll between May 10 and May 20, taking in institutions in 10 countries — China, Cyprus, France, Germany,

Greece, Japan, the Netherlands, Norway, the UK and the US.

## Dry bulk FFA trading set for record on 'crazy' year for volatility

THIS year can be categorised as a “crazy year” for volatility, according to leading forward freight agreement brokers active in the dry bulk market.

With volatility in the capesize sector seen at 142%, versus iron ore at 34%, the FTSE 100 index at 33% and the gold market at 18%, there has been “a lot of interest in the freight derivatives market,” according to Freight Investor Services founder John Banaszekiewicz.

Speaking on a Baltic Exchange webinar, he said that it was likely that, looking at overall figures so far, 2m cleared lots would be traded this year. That would be a new record.

While the previous record was in 2008 at 2.4m lots traded, 60% represented over-the-counter deals, while only 40% was cleared.

The anticipated new cleared record this year would mean a sharp rise in FFA activity, which would represent two thirds of the underlying physical market size, which saw 3.2bn tonnes traded in 2018, according to Unctad statistics. It recorded main trades of iron ore, coal and grains.

Capesize FFA volumes were up 16% to 316,186 lots, while panamaxs gained 11% to 378,919 lots, helped by new grain routes, the FIS founder said. Supramaxes meanwhile saw volumes surge 44% to 128,827 lots and options rose 25% to 176,413 lots.

Last year, FFA volumes exceeded 1.63m lots, up 11% from 2018, according to Baltic Exchange data. One lot is defined as a day's hire of a vessel or 1,000 tonnes of ocean transportation of cargo.

Iron ore prices, currently at about \$101 per tonne, were the biggest factor driving spot capesize rates, Mr Banaszekiewicz noted.

There have been a number of risk factors this year such as trade war considerations, low physical rates, and unknowns related to coronavirus, according to Oldendorff's senior freight analyst Anthony Humberston.

Macro-economic conditions also added to the higher volume, said Simpson Spence Young's executive

director Greg McAndrew, who added, however, that the market was expecting a “big correction to come” with the fourth quarter cape futures about half the value of the current spot price.

Even the calendar years were pricing in the low-teens, he said, showing the steep backwardation in the market.

Earlier in the year, market participants had been caught short on physical freight and on FFAs and were scrambling to cover themselves, according to Philippe van den Abeele, chief information officer at Consortium Capital.

Average dry bulk earnings are 33% below the 30-year trend, according to Optima Shipping Services head of analytics Angelica Kemene.

Coronavirus had changed the demand dynamics, she said, with global economies contracting by 4.9%, according to IMF figures, steeper than forecasts in April.

China's stimulus packages, mainly aimed at infrastructure projects such as 5G networks and charging points for electric vehicles, were welcome, she said. While China's steel output was expected to exceed 2019 levels, its iron ore imports would likely be in line with last year.

But the coal trade would be hit in China and India, she advised, with Indonesian exports likely to drop to 435m tonnes this year from 472m tonnes in 2019.

In the secondhand market, buyers were looking for assets in the five- to nine-year-old category and the 10-14 year age group, she said, as prices were still “cheap”, although higher than the all-time lows in 2016.

Fleet growth was expected to be 3% this year, the analyst said, assuming slippage of about 37%, although a contraction of 1% was expected in 2021.

In the first half of the year, 8m dwt went to scrapyards, while 60% of the orderbook had started construction.

# Vessel attacked with explosives, nine kidnapped

PIRATES attacked an oil production vessel off Nigeria using explosives, kidnapping nine Nigerian nationals.

The attack on Thursday takes the total number of seafarers kidnapped so far this year in the West African region to 72 this year — a 51% increase from the same period last year, according to security consultancy Dryad.

While the reported figures vary between security agencies, the West African security situation is increasingly becoming a concern for shipping operators. Though piracy overall has decreased globally, the Gulf of Guinea now accounts for 90% of maritime kidnappings, according to the International Maritime Bureau.

The Singapore-flagged, 274,333 dwt floating production, storage and offloading vessel *Sendje Berge* was attacked by armed men at the Okwori Terminal at about 0420 hrs.

Owner BW Offshore said the incident had ended and none of those still on board were physically injured. The company said it was co-operating with local authorities represented by the Nigerian Navy. It did not confirm if explosives were used.

Dryad Global, a security consultancy, said the manner and target of the attack were unusual for the region.

It was understood a decoy vessel was used to distract security vessel *Hudson Capt Elendu* while another two vessels approached and boarded with a hooked ladder on the half-hoisted gangway.

It said further reports indicated explosives were used during the attack. “Whilst unable to be verified, the use of such weapons, particularly grenades and rocket-propelled grenades, has thus far not been seen in wider piracy reporting in West Africa and has more in common with attacks perpetuated by militants.”

Dryad said militant groups in the Niger Delta had recently made statements condemning the government. It said a group operating under the auspices of the Coalition of the Niger Delta Agitators had publicly withdrawn from a ceasefire with the government.

Kidnap of foreigners by militant groups was not unusual for the Niger Delta but was less common offshore, Dryad said. If confirmed as a militant act, hostage negotiations would likely focus on political concessions.

“Kidnap reporting within 2020 is currently tracking at 51% higher than that of 2019 across the same time period,” Dryad said.

BW Offshore said *Sendje Berge* was on contract to Addax Petroleum. It said it would provide more updates as more information became available.

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## OPINION

# Successful collaboration needs focused leadership

COLLABORATION — the art of ‘working together’ — is easy to say, but much harder to put in place, writes Richard Clayton.

Most of the transportation sector is commercially driven and has little incentive to work together. No party can progress until all parties agree to collaborate. And that’s the problem.

Like the aviation, automotive and logistics sectors, shipping has come up against a series of issues of global significance that can only be addressed through working together. Yet stakeholders are

psychologically opposed to offering any benefit to a rival.

With climate change universally accepted as an ongoing challenge of the highest order, shipping must seek a solution to its emissions output.

With coronavirus paralysing much of the world’s transport networks, shipping must find ways to get seafarers home. And with lack of diversity so evident across the sector, shipping must rethink recruitment, training and retention in light of its future needs.

Suddenly collaboration is being proclaimed as the key to sustainability and decarbonisation; to safety and environmental protection; to coronavirus-free travel and fair trade.

Businesses must learn to work together — or they will be left behind.

That will not be easy, as the contributors in this special report reveal. However, before we tackle how the industry can collaborate, we must agree on why we should collaborate.

Shipping is similar to other sectors of transportation in that, over time, it evolves.

Containerisation has fundamentally altered world trade over the past 60 years. It forced collaboration

between ports, rail, road, manufacturing, safety and handling equipment — essentially, in every aspect of trade.

It did not begin with ships; it began with trucking. Yet we cannot think of shipping today without noting the significance of the humble box.

That collaboration around the container took years to seep into every economy. In the early days, it was a business risk that might have failed. Success was not inevitable until it gained critical mass.

Containerisation began as a business venture that grew through collaboration. The driver was not collaboration itself, but the need to move items of breakbulk cargo in a safe and secure way around the world.

## Seafarers are key workers — they should be treated as such

SHIPPING has spent the past five years debating whether the tidal wave of smart technology will bring either partially- or fully-autonomous operations, *writes Richard Clayton*.

Officers and ratings can expect to see at least some of their work being done better by an algorithm created by a computer geek in Scandinavia.

This has made for tricky discussions about how the next generation of seafarers should be attracted to join the industry.

Then came coronavirus.

Industry leaders have spent the past two months debating how to get government decision-makers to recognise seafarers as the backbone of the global economy. After working very hard to diminish the status of humans in the loop, shipping has been handed a humanitarian crisis no smart solution can solve.

There are several misunderstandings to be resolved here.

The first is that, while the words smart and autonomous were used interchangeably until a couple of years ago, technology leaders are at pains now to keep them at arm's length.

The International Maritime Organization's Maritime Safety Committee has identified four degrees of

automation, only the last of which requires humans out of the loop. Shipping is probably still at level one, where smart technology is on board to provide decision support. Level two, where ships are remotely controlled with seafarers still on board, is making slow progress.

The second misunderstanding is that with the rapid advance of connectivity, critical decisions have been transferred from ship to shore.

The role of the officer has changed and will continue to change with each piece of technology installed. And as responsibility is transferred, there is less reason for the industry to regard seafarers as key workers, second-line responders, the backbone of the global economy.

That is, until coronavirus stopped seafarers leaving their ship at the end of their contract, and prevented other mariners replacing them. Seafarers are either key workers or they are not: the industry can't have it both ways.

The third misunderstanding is that many seafarers have worked on board for 20 years or more. Although shipping company offices have welcomed ex-chief engineers and former first officers, many experienced shipping professionals are lost to the industry because the recruitment process only begins when they come ashore rather than on the day they are taken on.

Seafarers are increasingly seen as splitting their careers between ship and shore. “In five years’ time,” said one webinar speaker this week, “some of the crew will be working from the shore office. Part of the technology solution will be done from shore.”

This suggests that even when working with a smart ship in a smart office, humans will still be very much in the loop.

There are plenty of examples of city transportation systems running with a mix of humans and

technology. Some are fully automated, others have a human driver.

The solution depends on local circumstances and requirements. The fourth misunderstanding about the future of shipping is that ships, ports, and logistics must inevitably have humans fully in the loop or fully out of the loop.

Coronavirus, while introducing the repatriation crisis, has only interrupted a shift in emphasis that was already well underway.

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## ANALYSIS

# Economic outlook: Seaborne trade facing pandemic hit

THE domestic economies of many countries will shrink to numbers last seen five years ago and in some cases even further back. The world economic growth forecast from the International Monetary Fund points to a decline of 3.4% year on year in 2020.

The US economy is forecast to contract by 5.2%, the eurozone by 8% and in Japan by 5.1% this year. In India the economy is forecast to shrink by 4% in the current financial year, while in the UK, the economy shrank by a record 20.4% in April.

Meanwhile, Chinese GDP is forecast to grow by 1.3% in 2020, following growth of 6.1% in 2019.

These are just forecasts, however, and many analysts believe that we will have a sharp upturn in 2021.

While there are many reasonable arguments for that, it will be dependent on there not being any more national-level lockdowns if the virus starts to spread again.

Due to these economic circumstances, seaborne trade will see negative growth in 2020 for the first time since the financial crisis in 2009.

Total trade volume in 2020 is forecast to fall by 3% versus 2019. In 2021 though, growth will rebound to 5% and in 2022-2024 Lloyd's List Intelligence forecasts a yearly growth of 3%. That gives a compound annual growth rate over 2020-2024 of 2.4%, compared with 3.7% in the 2015-19 period.

Dry bulk will fare slightly better in 2020, only decreasing by 1.9%, mostly due to the Chinese dominance as importer of dry bulk.

For liquid bulk, 2020 volumes will be 4% lower than in 2019, held up by floating storage of crude oil. Container volumes are set to decrease by around 4% as well but is dependent on a less severe second wave of the virus outbreak than the first one.

A drop in the consumption of energy commodities as a result of the economic downturn is having a knock-on effect in terms of demand for seaborne transportation and this will continue in the months ahead.

According to the International Energy Agency's latest report, oil demand in 2020 is expected to fall by 8.1m barrels per day, the largest fall in history, before recovering by 5.7m bpd in 2021.

Transportation fuels are forecast to be under pressure the most in 2020 as lockdowns in various countries, but particularly the US, Europe, India and the Middle East, will reduce demand for gasoline and jet fuel, as air travel and distances travelled will decline significantly compared with 2019.

On a more positive note, oil demand recovered rapidly in March-April in China, while in India demand rose sharply in May.

Global oil supply fell by 11.8m bpd in May, driven by a record Opec-plus cut and economic shutdowns in the US, Canada and elsewhere. It is forecast that supply will fall by 7.2m bpd in 2020, followed by a modest increase at 1.7m bpd in 2021, if the Opec-plus cuts ease and Norway, Brazil and Guyana increase deliveries.

Crude oil prices rebounded in May from the low levels seen in April, as market fundamentals

improved significantly over the month. The oil market was strongly supported by a reduction in the global crude oil surplus thanks mainly to the production adjustment agreement by the Organisation of the Petroleum Exporting Countries and participating non-Opec countries.

In May, Brent oil rose by \$5.80, or 22%, to average \$32.40 per barrel. On June 24, Brent stood at \$42.80 per barrel.

Natural gas continued its downtrend into June to trade below \$1.80 per million British thermal units. According to Gas Infrastructure Europe, inventories ended the month around 73% full, compared to 60% last year.

Lower demand due to lockdowns added to already high inventories as a result of warmer-than-average winter temperatures. The International Energy Agency expects global natural gas consumption to drop by a record 5% in 2020.

However, prices are expected to recover with the easing of coronavirus-induced restrictions and with a forecast for a relatively hot summer demand increases for cooling.

Travel restrictions and national lockdowns have had a significant impact on the ferry and cruise sectors.

The cruise industry is at a virtual standstill currently. Port calls in mid-May were around 220 in comparison with 1,500 in 2019. A dramatic fall of 85%.

Carnival, the world's largest cruise company, is said to be spending around \$1bn a month to maintain its fleet. Several governments have issued 'no sail' orders and even more countries are not letting cruiseships into their ports.

The vast majority of the 32m passengers that the Cruise Lines International Association projected would cruise in 2020, up from the record 30m last year, will not be on board.

## Globalisation to be reshaped by coronavirus

THE coronavirus pandemic is more likely to reshape globalisation than kill it off, according to a new report.

World trade was slowing in 2018 as protectionist policies were put in place and the US-China trade war ramped up, and the lockdown measures

The halt on operations is due to last until at least August with ships deserted in harbours in what is known as "warm lay-up", in which systems are kept running and the ships are ready to go. However, of the cruiseships not in use, almost 25% have decided to turn off their AIS.

However, there are some positive signs. The cruise industry has overcome a variety of health challenges in the past, including norovirus, Sars and Mers, and has experience of getting back to business.

It also has an abnormally loyal customer base. The industry says bookings for 2021 are almost at the same level as they were this time last year. Many regular cruisers will return, but new ones will also have to be added in order for annual growth to continue.

Meanwhile, although it is difficult to get a true picture of the situation, Lloyd's List Intelligence estimates weekly port call by ferries globally were down by around 40% year on year by mid-May.

In Europe, ferry services are starting to pick up again as borders reopen and the summer tourist season stutters to life again, although the severe drop in demand seen in recent months has made some services unviable.

But it is outside of Europe where increased demand for ferry services is likely to be strongest. Non-European ferry services are predominantly used for transporting passengers in a commuting sense, such as in between islands and the mainland or to cross river mouths in large cities.

This type of ferry business is bound to increase as populations increase in Africa and Asia, as predicted by the United Nations, and such cities get more and more crowded.

The only real threat to these ferries is where a tunnel or a bridge is built, and that will not happen everywhere. So, in general, the long-term future for ferries is bright.

introduced as a result of the coronavirus outbreak seems to have put the brakes on globalisation.

However, the Economist Intelligence Unit believes the alternatives are expensive and would take time and effort to get right. A mixed approach is thought to be more credible.

“As multinational companies adapt to the current climate and build resilience into their operations, retreating from international commerce is unlikely to be desirable or profitable,” the research and analysis division of the Economist Group says in a report titled *Down But Not Out?*

Some investment may go towards reshoring, nearshoring and stockpiling, as well as into technologies to facilitate these processes.

Reshoring, one of the more extreme options for limiting supply-chain exposure, carries the risk of shutting companies off from essential markets while denting the potential to sell competitively at home.

Automation and 3D printing could offer workarounds to facilitate reshoring. However, these technologies are not available for all industries and, the EIU believes, “it could be some time before they are”.

Nor can stockpiling be seen as a long-term option. “Stocking the right parts or products in the right quantity from the right source in a sustainable and cost-effective manner is far from an intuitive process. It is especially daunting for industries like consumer electronics, whose components become outdated quickly,” the report observes.

Regionalisation was not very successful even before the pandemic. To give one example, Mexico is a

## Many hands make light work in the push to digitalisation

IF THERE is one area in which the shipping still has much to learn from the rest of the world, it is digitalisation.

The industry has often been compared, unfavourably, with industries such as banking and aviation, which for decades have been implementing digitalisation programmes that have led to the seamless online banking and ticketing that we all know and use today.

Shipping, on the other hand, has been slow to the party. Until recently, it was a sector heavily reliant on paper-based business processes and, while multiple fronts have been opened over the years and many a conference session has discussed the issue, shipping remains less connected and less digital than it could be.

That was certainly true up until the coronavirus pandemic hit the global economy — and simple tasks

low-cost production hub close to the US that offered nearshoring opportunities. However, relations between the two countries remain tense as President Trump continues to push a protectionist and anti-immigration agenda ahead of the US elections in November.

Meanwhile, Mexico’s response to the coronavirus crisis has been slow and ineffective, “making it a questionable alternative to Asian economies whose recoveries are occurring much more rapidly”.

The report suggests there will be a greater focus on diversifying supply chains away from a single country and instead throughout a region. This trend is already taking place in Southeast Asia, with countries such as Vietnam benefiting as interest shifts from China.

Well-resourced companies will be better placed to build redundancy across multiple points in their operations. They also may benefit from having the capacity to act more slowly and deliberately, ensuring that their investments are equipped to pay off in the long term and respond to future crises.

“Policymakers and country investment promotion offices would be wise to appeal to firms as they look for sustainable and diversified solutions,” the report concludes. “The result could well lead to a new chapter for globalisation, with international commerce stretching more fully across the globe.”

such as releasing a paper bill of lading became fraught with danger.

The pandemic had “dragged the horse to water, stuck its head in the water and made it drink from the digitalisation trough,” according to Mark O’Neil, chief executive of Columbia Shipmanagement.

“Covid caused the digitalisation asteroid to hit earth and all of the dinosaurs were wiped out,” he said. “All of our businesses have been dragged kicking and screaming into the digital age. Digitalisation is with us, whether we like it or not.”

Shipping, however, has little institutional knowledge of digitalisation. Alan Murphy, chief executive of consultancy firm Sea-Intelligence, says that one of the problems with early efforts to digitalise was that the focus was on the shiny technology, rather than the business case for the technology.



The crucial lesson to learn from these previous attempts was that it was important not just to focus on the “brilliance” of the technology.

“It should be clear that if this was purely a matter of technology, we would have already seen the complete digitalisation of the industry,” said Mr Murphy. “The ‘old’ technology used previously did indeed work — it got the job done. Yet that was insufficient to result in success.”

To achieve success required collaboration beyond the service being offered, he said.

Mr Murphy pointed to online freight portals, for example, which post dynamic spot rates. These required that carriers change their internal processes for setting prices in the first place to match such an environment. No service could be successful without access to those carriers.

In a wider sense, however, collaboration must go beyond even these inter-company arrangements.

Thome chief executive Olav Nortun said most of the focus in new technologies is to look for improvements and incremental innovation.

“No business possesses all the knowledge or expertise, so we need to be active in seeking out partners,” he said.

He pointed to places such as Singapore, where Thome is based, which had expertise and a global network of connectivity, with access to the top talent and research organisations.

“There is a multiplication of opportunities to co-invent with partners,” Mr Nortun said. “We spent

time with the national university of Singapore, which has resources we don’t have and have no intention to have.

“We seek where they are in academia. We have spent time with tech ventures, looking for start-ups and accelerators that look at things we don’t look at — those who can actually help in solving the challenge, whether it is big or small.”

Thome reciprocates the partnership by offering a testing ground for the solutions being developed, which allows technologies to be moved on to their next stage — and allows the company to find part of the solution it is looking for.

“Building this type of capability is the good type of partnership we’re looking for,” he said. “This is the crux of it, as none of us have all the solutions.”

In container shipping, perhaps the best example of collaboration in operation has been the TradeLens blockchain platform, which was jointly developed by Maersk and IBM.

Despite initial concerns that the system would lack traction, given its development by the largest company in the box shipping sector, the ecosystem has now grown to include around 60 carriers, forwarders and terminals. That gives it a critical mass that in turn makes it of even greater use to those that use it.,

If shipping is to continue on its journey towards digitalisation — and there is no question but that it must — individual companies will have to learn to co-operate and collaborate to build processes where the whole is greater than the sum of its individual parts.

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## MARKETS

# Ghost of overcapacity haunts container shipping

MOVES by container carriers to take tonnage out of the market have helped support freight rates during the crisis, but the fall in demand caused by the coronavirus pandemic has laid bare a decade long issue of overcapacity in the box shipping sector.

The temporary lay-up of ships and the return to owners of chartered tonnage has offered a

temporary relief, but the buying sprees of the past decade will still lead to problems in the years ahead, according to BIMCO.

The last three years of the past decade had seen the capacity of the containership fleet grow by 75% while volume demand grew by just 46%, leaving the market in a worse condition at the end of the decade than the start, the analyst said.

“As in the other shipping sectors, the past decade saw a worsening of the fundamental balance in the shipping market,” said BIMCO’s chief shipping analyst Peter Sand. “This led to a challenging outlook even before the Covid-19 crisis. With demand set to fall this year, while the fleet continues to grow, 2020 will prove a painful year for carriers, even if freight rates are held up by record high container ship idling.”

Despite growing containerised freight volumes over the decade, the rate of growth declined in the second half of the decade, falling from 13.7% in 2010 to just 1.8% in 2019, while supply growth fell from 8.5% to 3.3%.

The biggest change was in the number of ultra-large containerships on the water across the decade and the increasing average size of the fleet.

The delivery of up to 30 ULCs a year in the latter part of the decade has left a shadow of overcapacity over the market, limiting the potential growth for freight rates, and highlighting the importance of cost cutting, Mr Sand said.

## Floating storage rises to near record

FLOATING storage levels rose to reach the second-highest on record for the week ending June 29, as more very large crude carriers were added to those already at anchor in Singapore, outpacing volumes on smaller tankers that ended their deployment of refined products.

Some 291.8m barrels of crude and clean products are being temporarily stored on 227 tankers, according to Lloyd’s List Intelligence. That is the second-highest level on records going back to 2009, with the most seen four weeks ago, at 292.4m barrels on 232 ships.

Methodology incorporates ships from panamax-sized tankers and larger, at anchor for 20 days or more.

This week’s tally breaks down into 31.9m barrels of clean product and 260m tonnes on 209 tankers storing crude and dirty products, data show.

When Iran-flagged vessels that cannot trade are removed from the tally, total floating storage is at 219 tankers with 214m barrels. Tankers are concentrated off Singapore and Malaysia and China. There are some 23 tankers that have been waiting outside Chinese ports to discharge for more than 20 days, based on Lloyd’s List Intelligence data.

“The stagnation in freight rates towards the end of the decade is testament to the pressures the container shipping market is facing,” he said. “The focus on cost cutting that has been prevalent in recent years will continue as ULCs, able to offer a lower cost per teu than smaller ships, continue to be delivered in the coming years.”

The past decade had already brought increasingly challenging market conditions with more cutthroat competition, overcapacity, and greater consolidation of the main carriers. Major cost reductions were leveraged through the “unrelenting pursuit” of economies of scale, Mr Sand said.

But as growth exceeded demand, freight rates came under pressure, eroding carriers’ operating margins.

“For a ULC to deliver its promised economies of scale, it needs to be able to fill up its slots. This has proven difficult due to the crises and may well continue in the future, with fleet utilisation likely to remain under pressure.”

Floating storage data is closely watched in the tanker market, as the scale and pace of volumes unwinding will impact rates and earnings for the global tanker fleet, with these tankers added to those already trading.

The already over-tonnaged market means VLCC earnings fell dramatically over June as the Organisation of the Petroleum Exporting Countries slashed production and exports, especially from benchmark routes of the Middle East Gulf to Asia.

The cuts through to July equate to two fewer VLCCs needed in the region every day. Spot fixtures were seen at 123 last month, according to Tankers International, the shipping pool that tracks the information. That was well below average levels. Tankers International estimate there will be 147 fixtures in July.

Some 12% of VLCCs trading are now used for floating storage, with the figure at 11.7% for suezmax tankers and 6.7% for aframax ships, according to the data.

Smaller tankers are typically used for clean storage, which has been first to unwind, partly because of degradation issues and also inventories being used by refineries as they adjust utilisation levels to better reflect future demand.

# VLGC supply-demand pressure seen continuing

VERY large gas carrier supply-demand balance could come under some pressure during the rest of the year and in the first half of 2021, according to Poten & Partners.

This is mainly because US production dropped dramatically in April and May on the back of two black swan events, the demand shock from coronavirus and the global lockdowns, and the supply shock from the Saudis turning the taps on full blast in March, which was later rolled back on the Opec-plus grouping's decision to cut crude production.

Unfavourable arbitrage economics to ship US barrels to the East and to Europe-Mediterranean regions coupled with naphtha back in the feedstock basket, weighed on US exports thus creating a long list of waiting tonnage struggling for fewer cargoes, in both the key loading regions.

Yet the market is expected to improve from the second half of 2021, Poten LPG consultant Shantanu Bhushan said on a webinar. Banking mostly on the quicker than expected recovery in US shale production, which recovered around 40% of the lost volumes in June when compared to April and May this year, Mr Bhushan pointed out that there are many reasons for "cautious optimism".

He noted that global seaborne LPG trade was just shy of 111m tonnes in 2019 which Poten expected to increase by an average annual growth rate of 2% during the 2019-2021 period at the start of the year.

However, with the changed environment, Poten expects less than a 1% increase this year largely due to coronavirus lockdowns and the crude oil price crash which has led to lower production in key supply regions.

"Looking ahead into the rest of 2020 and 2021, we do not expect to see a significant increase in global seaborne supply of LPG with total exports at slightly above 111m tonnes in 2020 and less than 113m tonnes in 2021," he said. "If the pandemic situation worsens and there is a second wave of lockdowns, we may see a decline in seaborne supply."

## Drydocking to provide support

Although prevailing market sentiment in the VLGC segment indicates softer near-term freight markets Poten's LPG shipbroker Peter Stebbing pointed out that drydockings will continue to play a supportive role for freight rates over the next 18 months.

"Despite the efforts of some owners to obtain waivers to defer five-year drydocking cycles, we understand this has not been possible, meaning the 80 VLGCs delivered in 2015 and 2016, are due for a drydock in 2020 and 2021."

He said there are also a further 40 earlier-built ships and BW LPG's 12 VLGCs set for dual-fuel retrofits which are also scheduled for drydockings during the same period.

"We could actually see over 30% of the global VLGC fleet dock in 2020 and 2021," he conceded.

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## IN OTHER NEWS

### China renews policy to cut port fees

CHINA has extended a policy to reduce part of the country's port charges amid continued pressure on its trade sector.

The Ministry of Transport cut port dues on cargo and port security fees by 20% between March 1 and June 30.

The authority said in a statement this week that the mandate would remain in place until the end of

this year to further alleviate financial burden for pandemic-stricken cargo owners.

### Irish Sea goods will need customs declaration after Brexit

GOODS moving from Britain to Northern Ireland will require customs declarations as well as the completion of security and transit forms after Brexit, according to a PowerPoint presentation from Her Majesty's Revenue and Customs.

The stipulations apply whether or not a trade deal has been reached with the European Union by January 1 next year.

The development comes after earlier assurances from Prime Minister Boris Johnson and other senior politicians ruling out any so-called 'border in the Irish Sea'.

### Shipping lagging on energy technology innovation, says IEA

SHIPPING would need to put 36

ammonia-fuelled vessels into service every month to meet any net carbon zero emissions targets, the International Energy Agency said.

The industry's "technology readiness" was only at the demonstration phase for ammonia-powered vessels, underscoring a series of recent reports indicating shipping is nowhere near reducing its reliance on fossil fuels.

Shipping aims to reduce greenhouse gas emissions by 50% by 2050, although individual countries have set lower targets.

#### **UK Ship Register tops Paris MoU performance white list**

UK SHIP Register has topped the 41-country white list published by the Paris Memorandum of Understanding, the Atlantic port state control umbrella organisation said.

Four other Red Ensign Group flags also make the cut, along with national flags such as Norway, Denmark, Japan and Germany, and major open registries including the Marshall Islands, Liberia, Cyprus and Panama.

But India, St Vincent and the Grenadines, Tuvalu and Switzerland have been placed in the intermediate grey list category, with 13 flags including Belize and Palau categorised as black list. Two black list flags – Albania and the Comoros – are designated as high risk.

#### **Stolt-Nielsen prepares for tougher times ahead**

STOLT-Nielsen, the Oslo-listed chemical tanker owner, has cut spending and increased contract coverage, expecting a challenging third quarter and a long economic downturn.

The company expects a fall in deepsea activities as coronavirus shrinks the global economy. But it said a slowdown in new chemical tonnage entering the market, higher demand and positive movements in the product tanker market should improve fundamentals for the next few years.

It said the tanker orderbook had decreased to 5% in June from 7% the same time last year. It expected demand growth to absorb the fleet growth, while new chemical production in the US Gulf and Middle East Gulf was expected to increase chemical shipment demand.

#### **Cosco firms up orders of LNG tanker trio**

COSCO Shipping Energy Transportation, the oil and gas shipping unit of state conglomerate China Cosco Shipping Corp, has firmed up orders for three liquefied natural gas carriers at Hudong-Zhonghua Shipbuilding.

The price for the 174,000 cu m trio was set at \$185m each, with delivery scheduled for October 31, 2022, January 31, 2023 and April 30, 2023, respectively, according to an exchange filing.

The ordering plan was first unveiled in April, when Lloyd's List reported that the project was linked to US LNG exports.

#### **Shipping social partners pledge co-operation on crew change crisis**

SHIPPING'S social partners will continue their efforts to work together to overcome the crew change crisis that has left hundreds of thousands of seafarers stranded worldwide, trade union leaders and employer representatives said.

Guy Platten, secretary-general of the International Chamber of

Shipping, said that co-operation was needed to bring 200,000 seafarers stuck on ships back home and to get a further 200,000 onto the ships who were currently waiting ashore.

Seafarers are sometimes missing family weddings, the birth of their own children and the funerals of friends, and this is taking a mental and physical toll.

#### **UK maritime agency extends cadet training funding**

UK CADETS whose training has been interrupted by the coronavirus pandemic will see their funding through the Support for Maritime Training scheme extended by up to three months, the Maritime and Coastguard Agency has announced.

The move will allow them to gain their Certificate of Competency within the 150-week SMaT funding period, while developing their knowledge and skills through online learning, the agency said.

Cadets will be able to claim if they have been unable to obtain their certificate because of a delay in taking an oral or written exam caused by lockdown restrictions, or if Standards of Training, Certification and Watchkeeping convention safety courses were unavailable for the same reason.

#### **Seatrade secures retrial in vessel scrapping case**

SEATRADE, the reefer shipowner, faces a retrial in the Netherlands over its 2018 conviction for illicit waste shipment in connection with European Union ship scrapping rules.

The Hague Court of Appeal ruled that the conviction by the Rotterdam District Court was not

safe after the impartiality of one of the judges came under question.

Seatrade was fined and two of its directors banned 12 months for violating the EU's Waste

Shipment Regulation when scrapping four of its ships in 2012.

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## Classified notices follow



### **Looking to publish a judicial sale, public notice, court orders and recruitment?**

For EMEA please contact **Maxwell Harvey** on **+44 (0) 20 7017 5752**

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For APAC contact **Arundhati Saha** - **Mobile: +65 9088 3628**

**Email: [Arundhati.Saha@informa.com](mailto:Arundhati.Saha@informa.com)**

## **KINCARDINE OFFSHORE WINDFARM LIMITED (KOWL) – THE ENERGY ACT 2004**

### **NOTICE OF APPLICATION FOR SAFETY ZONE SCHEME DURING CONSTRUCTION AND MAJOR MAINTENANCE OF THE KINCARDINE OFFSHORE WINDFARM**

#### **THE ELECTRICITY (OFFSHORE GENERATING STATIONS) (SAFETY ZONES) (APPLICATION PROCEDURES AND CONTROL OF ACCESS) REGULATIONS 2007 – STATUTORY INSTRUMENT 2007 no 1948**

Notice is hereby given that Kincardine Offshore Windfarm Limited (KOWL) (Company Number SC475345, Registered Office at CMS Saltire Court 20 Castle Terrace, Edinburgh EH1 2EN ) has applied for consent from Marine Scotland as set out in the Energy Act 2004 and the Electricity (Offshore Generating Stations) (Safety Zones) (Application Procedures and Control of Access) Regulations 2007 (SI No 2007/1948) for safety zones for the previously consented Offshore Renewable Energy Installation known as the Kincardine Offshore Wind Farm.

Kincardine is applying for 500 metre (m) safety zones around each structure (Wind Turbine Generator or Offshore Substation Platform) whilst construction works are in progress (as indicated by the presence of a construction vessel). Full details are available in the safety zone application document (download links / access details provided below).

The safety zone application is available to download on the Kincardine Offshore Windfarm website <https://pilot-renewables.com/> Any person wishing to make representation regarding the application should do so in writing to the **Scottish Ministers, c/o Marine Scotland – Licensing Operations Team, Marine Laboratory, PO Box 101, Victoria Road, Aberdeen, AB11 9DB** or [MS.MarineRenewables@gov.scot](mailto:MS.MarineRenewables@gov.scot) stating the name of the proposal and nature of their representation, not later than 28 days from the date, or latest date of this notice.

#### **Fair Processing Notice**

The Scottish Government's Marine Scotland Licensing Operations Team (MS-LOT) determine applications for marine license under the Marine (Scotland) Act 2010, the Marine and Coastal Act 2009 and Section 36 consents under the Electricity Act 1989 (as amended). During the consultation process any person having an interest in the outcome of the application may make a representation to MS-LOT. The representation may contain personal information, for example a name or address. This representation will only be used for the purpose of determining an application and will be stored securely in the Scottish Government's official corporate record. Representations will be shared with the applicant and/or agent acting on the behalf of the applicant, any people or organisations that we consult in relation to the application, the Directorate of Planning and Environmental Appeals should the Scottish Ministers call a PLI and, where necessary, be published online, however personal information will be removed before sharing or publishing.

A full privacy notice can be found at

<https://www2.gov.scot/Topics/marine/Licensing/marine/PrivacyNotice> . If you are unable to access this, or you have any queries or concerns about how your personal information will be handled, contact MS-LOT at [ms.marinerenewables@gov.scot](mailto:ms.marinerenewables@gov.scot) or Marine Scotland - Licensing Operations Team, Marine Laboratory, 375 Victoria Road, Aberdeen, AB11 9DB.

Due to the ongoing Corona-19 Virus Kincardine Offshore Windfarm cannot display a public notice as best fits the requirements, however please contact:

Kincardine Offshore Windfarm  
The Silver Fin Building  
455 Union Street  
Aberdeen  
AB11 6DB

If you have any questions or queries regarding the on-going project, please do not hesitate to contact KOWL



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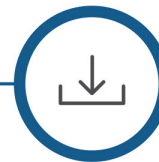
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