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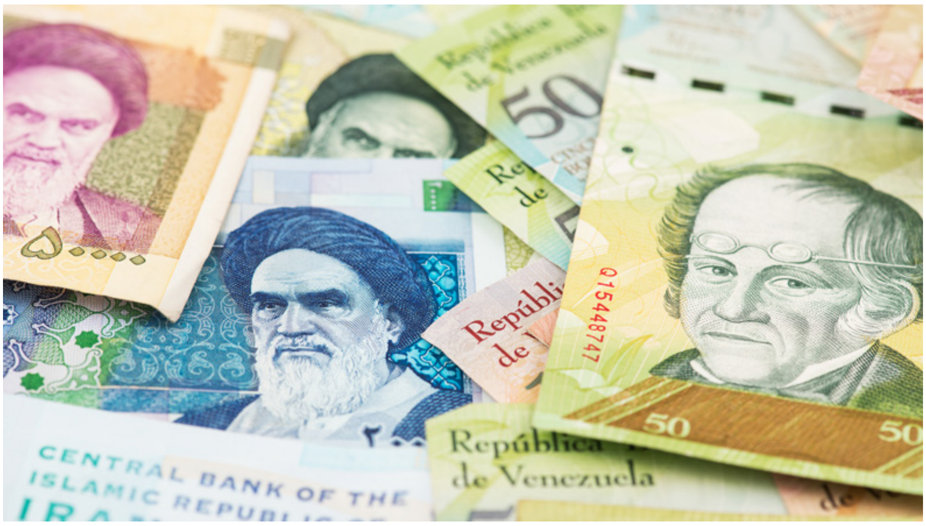
Greek tankers abort Venezuela trade as US moves to seize cargoes



THE GREEK OWNER of four medium range product tankers alleged to be carrying Iranian gasoline for Venezuela has spoken of his dismay at how vessels became embroiled in US sanctions.

Capt George Gialozoglou, the founder of Greece-based International Marine Services (IMS), was reacting after US lawyers obtained a warrant from a judge in the District of Columbia federal court to seize the gasoil cargoes being carried by the group's tankers.

Although the move will increase pressure on the Maduro regime in Venezuela, the legal action is based on alleged links between the cargoes and the Iranian Revolutionary Guard Corps, which Washington has designated a foreign terrorist organisation.

Capt Gialozoglou told Lloyd's List the vessels are now no longer heading for Venezuela. He denied the US allegations.

"We are not party to any conspiracy. We have nothing to do with the IRGC. It's a nightmare," Capt Gialozoglou told Lloyd's List. "In shipping we are small players — taxi drivers carrying cargo from one port to another, that's all.

"The vessels are all turning back. We are not going to break sanctions and we will obey the law. I always want to have a lawful cargo and a lawful destination and that is what I thought we had."

Documents filed in the court on July 2 alleged "a scheme involving multiple parties affiliated with the IRGC to covertly ship Iranian gasoil" to Venezuela.

The tankers, which are at least 20 years old, have been named as *Bella* (IMO 9208124), *Bering* (IMO 9149225), *Pandi* (IMO 9105073) and *Luna* (IMO 9208100).

All the vessels are flying the Liberia flag and are entered in the American P&I Club, according to Lloyd's List Intelligence. They are managed by IMS or offshoots Vienna Ltd and Palermo SA.

They are carrying a combined total of about 1.2m barrels of gasoline and are at various stages of their voyages from the Middle East Gulf to the Caribbean.

Pandi, a 1996-built medium range two vessel and the last of the quartet to be fixed, was shown by AIS transmissions to still be at anchorage at Khor Fakkan in the Uniyed Arab Emirates as recently as July 1.

The shipowner was unable to say what specific orders would be given to the vessels and was discussing the next step with the company's lawyers.

According to Capt Gialozoglou, on being given news of the warrant for the seizure of the cargoes, the tankers "immediately" changed course.

The charterer, Mobin International, was contacted but as of July 3 had not replied with instructions or explanations.

IMS had not previously done business with Mobin. "This was the first and last time," said the owner. "We did the normal checking and it was okay," he claimed.

In the legal action, the US contends that "according to a confidential source, Mobin International is associated with bank accounts also used for IRGC funds".

While the warrant for seizure has been issued, it is not clear how the cargo can be seized unless the vessels enter US territorial waters.

Three of the vessels have not switched on their Automatic Identification Systems (AIS) since May, according to Lloyd's List Intelligence.

The same month, in new guidance related to sanctions compliance, the US highlighted the disabling of AIS as being among a number of possible red flags for vessels trying to circumvent sanctions.

Capt Gialozoglou admitted that the ships had switched off AIS for parts of their voyage "for crew safety" due to transiting regions where there was risk of piracy and other potential security concerns.

"But AIS is for the public," he said. "Flag states and government, especially the US, knows where the ship is at any minute through [long-range identification and tracking]. They can see everything, you can't hide."

According to the US Justice Department, a warrant for arrest and civil forfeiture complaint are merely allegations. "The burden to prove forfeitability in a civil forfeiture proceeding is upon the government," it said. The warrant was issued based on "a probable cause showing".

Over the course of May, five Iran-flagged product tankers delivered gasoline to Venezuela.

Despite US threats to prevent the shipments at the time, the voyages were unimpeded, with a Venezuelan naval escort for each tanker as it entered the country's territorial waters.

OPINION

Digitalisation vs human intelligence; it's a matter of trust

A PATTERN seems to be developing in industry webinars — a pattern I welcome: an acknowledgement that however transformative our digital solutions become, there will always be room for the human element, *writes Richard Clayton*.

In a thoughtful discussion led this week by my colleague Anastassios Adamopoulos, which focused on how the maritime future will look after the pandemic, the right emphasis was brought to bear on the role of data. Executives were encouraged to support an experimentation with data — explore it, make it work, let the data tell you things you didn't know you didn't know.

But one comment, by the only speaker currently working within a vessel-operating business, stood out.

Peter Björkborg, who is responsible for sustainability and transformation at Stena Bulk in Gothenburg, called for the industry "to reach a certain level of maturity in terms of digital".

He said shipping "needs to trust information that comes from digital sources and not [only] from human sources." He added that, in his view, the future winners would be those who "will be able to combine digital intelligence and human intelligence".

Trust is not a concept that worries data analysts, although trust in data seems to worry just about everyone else. George Fuechsel, an IBM programmer in the early days, is generally credited with coining the term "garbage in, garbage out" as a way of reminding his students that a computer just processes what it is given.

A faulty output is more likely with a limited amount of data, so the way to avoid garbage is to generate masses of data. The more data, presumably, the higher the level of trust.

The mindset is shifting: the past five years have seen an exponential rise in the amount of data used across the industry. Analysis of that data is bringing insight into the way ships are performing and offices are being run in ways we never enjoyed before. Data is most in use where maritime companies work closely with other sectors that are driven more rigorously by data.

But that mindset shift has a long way to go. An audience poll revealed that only one in eight used data to aid emissions reduction, and another one in eight use it for voyage optimisation. Almost half of the respondents used data for 'competitive analysis and tracking'. Even more concerning, an early poll question discovered that almost one quarter of the audience was not using data at all.

None of the speakers seemed surprised by this finding. "Shipping has a traditional culture," explained Melvin Matthews, senior adviser at sponsor Orbit MI, a specialist in vessel management software. "Old timers at the top have seen so many booms and busts without changing the way they worked. The focus has been on improvisation, which is temporary, rather than transformation, which is sustainable."

There is a broad acceptance that digitalisation in shipping is a good thing but there is also an acknowledgement that it must carry a business value. After five years of digital maturity, the industry continues to struggle with whether man working with machine is more efficient, more productive, and more sustainable than man without machine.

The coronavirus pandemic has been the best impetus for digitalisation shipping has ever experienced. The task now is to ensure the right balance between machine intelligence and human intelligence.

ANALYSIS

Understanding the collaboration conundrum

LOGISTICS businesses have come late to the digital era. The sector is plagued with legacy systems and processes politely described by external observers as outdated.

Senior management seems to be split between those who understand the tremendous potential of analysing customer data and those who are waiting until a solution becomes unavoidable.

The way forward is through collaboration. However, participants at a recent Lloyd's List-hosted round-table discussion concluded that encouraging competitive businesses to share data is proving tough.

The concept of digitalisation has been difficult to put into practice.

Although it was initially heralded as the e-solution to all supply chain problems, companies trying to apply digitalisation to all their processes discovered that the outcome was not what they had anticipated.

The most successful companies have begun by taking an audit of what the business actually does; how it interacts with its many stakeholders; which parts of the business are efficient, and which are not; and determining where investment would have greatest impact.

Of all the stakeholders, the customer is king; without looking to the customer's needs, the logistics enterprise has no chance of making digitalisation work.

Participants agreed that data was fundamental to digital solutions. However, the many systems and processes used by logistics businesses generate flows of data that are often duplicated, usually need to be cleaned, can be overwhelmed by volume, and exist in formats that cannot be accessed swiftly and easily.

More than anything else, the lack of data standardisation throughout the logistics supply chain business hinders the work of data scientists.

Global data companies such as Amazon and Alibaba do not regard data as a department or division but as a mindset that pervades all levels and personas. They see customer-generated data as the key element of their business.

Indeed, the most effective logistics businesses have gained advantage by focusing on their customers' actual requirement, rather than simply using digitalisation to improve the way the business is run.

However, even data-driven businesses have come up against practical challenges.

These include finding data scientists to analyse customer data; convincing shareholders to invest in innovative technology that is unlikely to deliver significant results for two years or more; and agreeing to refocus the business itself to make best use of digital solutions.

The most effective way to tackle these issues is by exploring collaboration. Experience has shown that transformation is limited unless there is interaction with other businesses.

These businesses might be anything from start-ups with specific skills through to global supply chain players who recognise the strengths of the focused logistics enterprise.

As for investment in digitalisation, collaboration should begin by analysing the requirements of the business itself.

It was clear to many of the round-table participants that collaboration would achieve more if it involved companies from outside the logistics sector. So far, participants' experience has been mixed.

Larger data companies have been discouraged by logistics businesses' legacy systems and their lack of focus on their customer; they worry about investing in digital technology, only to find it is not compatible with other systems; and there is the traditional concern that sharing data with rivals would lose competitive advantage.

This is the essence of the collaboration conundrum. While the concept of a digital alliance is attractive to senior managers, the business model they are running regards any form of association as fraught with commercial danger.

So rather than seeking to form partnerships, logistics businesses have invested in digital technology to upgrade their 'business as usual', despite agreement that none of the players is large enough to go alone.

The aviation sector has formed a series of alliances because customers have put them under pressure to do so; the same pressure has not been brought to bear on the maritime side of the logistics sector.

And even as it is feared that Amazon, Alibaba and other customer-centric delivery businesses will inevitably disrupt the sector, investment has been held back by commercial sensitivity.

Round-table participants predicted that the logistics sector is overdue a transformation. The winners are likely to have already invested in digital technology and have drawn up a roadmap for closer alignment with customers.

Businesses yet to go digital, those not yet convinced of the value of data- and customer-focused investment and — the majority — that regard digitalisation as a way to upgrade traditional processes, face a challenging decade.

Both the early adopters and the digital laggards would do well to look beyond the logistics sector.

Universities, colleges and academies across the world are full of students who, if allowed to challenge the traditional mindset and if given the freedom to create their own supply chain solutions, could provide the roadmap for transformation.

This round table brought an unusual breadth and depth of insight to the discussion about the challenges faced by the logistics sector from digital disrupters.

Although the solution seems to lie in exploring collaboration in one form or another, the complexities of the logistics sector make simple collaboration hard to achieve.

Global fleet mostly following IMO fuel collection rules

MOST of the international fleet appears to have complied with regulations regarding fuel consumption data collection, according to the first effort to compile a global database.

The International Maritime Organization has seen more than 100 flag states submit the relevant data for 26,000 vessels, representing about 80% of ships that should have done so based on the Data Collection System regulation, a spokesperson told Lloyd's List.

IMO member states or the relevant recognised organisations working on their behalf were required to submit verified fuel consumption data for 2019 by June 30.

Shipping companies are meant to have submitted their data to flag states or the recognised organisations for verification by March 31. Ships were obliged to have verified statements of compliance with the Data Collection System onboard by May 31.

This is the first time the IMO is collecting the fuel consumption data.

The Data Collection System covers ships that are 5,000 gross tonnes and above. The database is meant to help inform future decisions on fuel and emissions regulations by the IMO, which will publish the database.

The identities of vessels on the system will be kept confidential. The IMO secretariat plans to publish initial statistics from the system, the spokesperson said.

Panama, the world's largest flag state, told IMO secretary general Kitack Lim in May that it was allowing a three-month extension to the deadline.

Lloyd's List understands that other flag states have not issued extensions of the deadlines.

The IMO said it is not common practice to respond to circular letters like the one Panama's delegation sent to Mr Lim.

"The secretariat cannot provide legally binding interpretations or grant extensions with regard to the provisions (regulations) in any of its conventions, including Marpol Annex VI, as this is the prerogative of the parties to the conventions and/or its annexes," the spokesperson said.

Panama has uploaded fuel consumption data of several ships on its register and continues to do so, the spokesperson added.

MARKETS

Dry bulk 'not out of the woods yet'

SCORPIO Bulkers' president Robert Bugbee sees global economic activity picking up, which is leading to higher dry bulk rates, but stressed that the market is "not out of the woods yet".

Until a cure can be found for coronavirus, or a vaccine developed, there was always the uncertainty about how long economies could stay open, generating demand for dry cargo commodities.

But, Mr Bugbee is an optimist, and expects to see a general improvement in rates in the second half of the year as the world continues to open up following coronavirus lockdowns.

Combined with that, many stockpiles on land have been run down, which will lead to restocking efforts, he said on an Arctic Securities webinar this week.

The company has a fleet of 50 ships in the kamsarmax and ultramax segments. It is more active in the spot market as one-year time-charters would have been fixed when rates were dismally low.

"Now is a good time to buy, or be involved in, any dry bulk company with a spot fleet," Mr Bugbee said, admitting that if he were pushed into it, he would buy into Norway-based 2020 Bulkers, as he "admires" the company's modern fleet.

But, he sees himself as more a seller than a buyer, even though the company has "lots of liquidity" and "great operating leverage".

In March, it sold two ultramaxes and one kamsarmax for $53.5m. A month earlier, it announced sale-and-leaseback deals for three of its vessels.

It has no renewal commitments and little drydocking expenditure, which is why "we're a good buy," he pointed out.

"We are built for a market that is weak," he said, adding that when a market rises quickly, such as in the capesize segment in June which trickled into other segments, it will have excess liquidity. With every $5,000 improvement in day hire, it will rake in an extra $20m per quarter.

For the US-listed Scorpio Bulkers, it is "nice" when a market moves up quickly, but it is not a must.

It is also in no rush to order newbuildings, nor is it looking at purchases in the secondhand market.

"I do not see us as buyers as it would not improve our performance," the executive said, adding that there was no incentive to own 20-30 more ships, unlike in the product tankers arena where scaling up would be beneficial.

"Public companies only own a fraction of the fleet, so no public company would be attractive on a fleet basis," he announced.

In terms of ordering new ships, he stated that publicly listed companies do not have the capital for the investment as they were trading below net asset value. In addition, the low market over the first half of the year meant that companies generally were "not awash with cash".

The secondhand market was getting busier, as inspections and surveys were now starting to take place following yard shutdowns. Asset prices were also rising.

In the product tanker market, Mr Bugbee, who is also president of sister company Scorpio Tankers, expects rates to take off quickly towards the end of the year, with an effective net fleet reduction keeping him positive, despite a current softening.

IN OTHER NEWS

CMA CGM launches decarbonisation coalition

CMA CGM, the French container shipping line, has teamed up with 10 partners to form a coalition to accelerate energy transition in transport and logistics.

"In view of the challenges facing the world, we must unite our strengths in order to accelerate the energy transition of the transport and logistics industry," said chief executive Rodolphe Saadé.

The coalition aims to accelerate the development of energy sources and technologies to address the challenges posed by "sustainable mobility in the transport and logistics industry by reducing emissions, fighting global warming and protecting biodiversity", CMA CGM said in a statement.

Calls to standardise shore power to start greening ports

STANDARDS for shore power must be set to start decarbonising ports just as standardising containers spurred globalisation.

DNV GL Energy chief executive Ditlev Engel said standardising shore power was "absolutely critical" to start cutting emissions from ports, citing how the setting of 20- and 40-foot container sizes transformed shipping of goods.

"We need to do much more going forward and to expand this standard into other domains… and also so the port will know how to invest," he said on a webinar.

PIL vessel targeted by pirates off Benin, five crew missing

FIVE crew members from a Pacific International Lines vessel have been kidnapped off Cotonou, Benin.

Heavily armed pirates boarded the Singapore-flagged, 27,378 dwt *Kota Budi* on July 2 and abducted five Chinese crew and fled in a speedboat. The incident occurred the day after nine seafarers were taken off Nigeria.

Dryad Global, a security consultancy, said the *Kota Budi* attack was the seventh off Benin this year and takes the number of seafarers kidnapped this year off West Africa to 78.

Cosco sets up maritime university

CHINA Cosco Shipping Corp has established a corporate university in Qingdao, one of the country's largest maritime cities, to cultivate talent for the industry.

Meanwhile, a research centre and vocational school for seafarers were set up under the same institution, according to a press release.

The so-called Cosco Shipping University will develop into a "base to train high-end talent" for Cosco Shipping and the "supporting platform for technological innovations and decision-making", said the company's president Fu Gangfeng.

Antong owners get China stock market ban

CONTROLLING shareholders of Antong Holding have received a lifetime ban from China's securities market after a serious breach of disclosure rules.

China Securities Regulatory Commission said Guo Dongze and his brother Guo Dongsheng, who respectively hold 35.76% and 18.56% stakes in the Shanghai-listed container shipping firm, were found responsible for a series of unreported loan guarantees, related party transactions and lawsuits, according to an exchange filing.

Former chief financial officer Li Lianghai, also involved in the misconduct, was prohibited from participating in the market for five years.

MPC Container Ships seeking bigger cash shot to avert covenant breach

MPC Container Ships has said it is now seeking a $27.5m cash injection, with $20m of that sum earmarked for its wholly owned subsidiary MPC Container Ships Invest in its capacity as bond issuer, after openly stating last month that it stands at risk of bankruptcy.

The move forms part of an effort to amend the terms of a $200m bond, so as to avoid any breach of covenant this month.

MPCC — which operates 68 smaller boxships in the 1,000 teu-3,000 teu segment — has admitted that it has been subject to liquidity pressure in the wake of the coronavirus pandemic. The company, led by chief executive Constantin Baack, is known to halve been in talks with creditors for some time.

UK quarantine easing is boost for ports and ferries

BRITAIN'S partial relaxation of quarantine controls is set to provide a lifeline to both ports and passenger shipping, which have been struggling to come to terms with the coronavirus pandemic, industry sources said.

The UK government has published a list of so-called 'transit corridors' with 60 countries deemed as low risk in terms of coronavirus transmission, including France, Spain and other countries in Europe with established ferry links to Britain.

Persons arriving from these countries will no longer have to go into self-administered quarantine for 14 days, as has been the case since June 8, with tough penalties for those flouting the rules.

Philippines grants freedom of movement for seafarers

MAJOR crew source country the Philippines has made a significant step towards solving the crew-change problem, opening a so-called "green lane" for seafarers, as widely suggested by many in the industry.

A Department of Foreign Affairs press release said the first "green lane" for seafarers in Asia to allow the free movement of seafarers and personnel across borders was created with the signing on Thursday of the Philippine Green Lane Joint Circular.

"With these guidelines, we are answering the call of the International Maritime Organization and the maritime industries, to put in place a framework for ensuring safe ship crew changes and travel during the coronavirus pandemic," said Foreign Affairs Secretary Teodoro Locsin Jr.

Port of Long Beach sets plan for recovery

THE port of Long Beach, like its competitors along the US west coast, has seen a decline in its cargo numbers in recent years, but especially since the opening of the widened Panama Canal.

Long Beach deputy executive director Noel Hacegaba is highly aware of the lost volumes and says "our number one focus and priority right now is on building our value proposition, to strengthen our competitiveness, and regain that lost market share".

He also knows the Panama Canal has its own limitations, and that it cannot accommodate containerships above 15,000 teu — a limit that presents a clear opening for his port.

Pacific Basin expects second-quarter loss on hefty impairments

PACIFIC Basin, a Hong Kong-based bulker owner, says it expects to post a loss in the first half due to a one-off impairment charge of $198m related to the company's older and smaller handysize fleet.

The impairment is due to the "uncertain market outlook" in the dry bulk shipping industry, it said in a statement.

Based on an internal review, the company expects to record a net loss of $212m to $227m in the first half versus the $8m profit it made in the year-earlier period. It does, however, expect to record a positive earnings before interest, tax, depreciation and amortisation figure of $75m to $90m.