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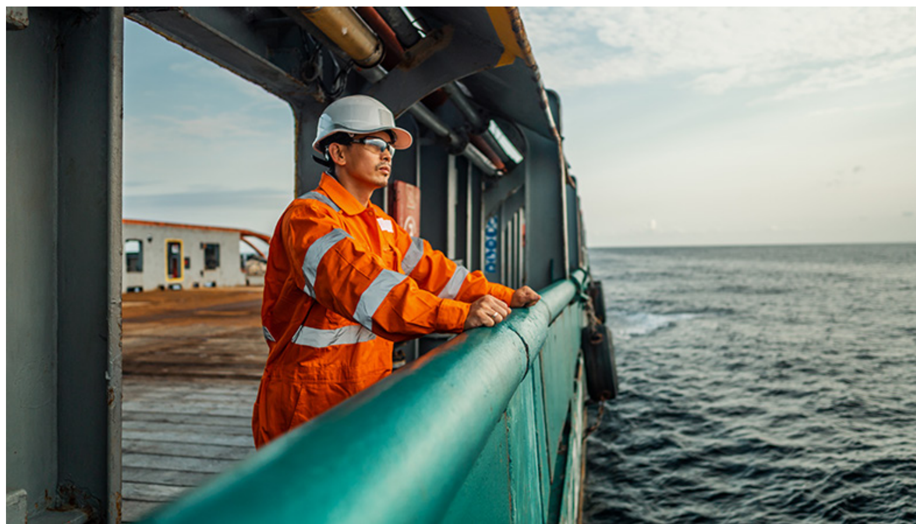
Crewing costs soar as shipping's spat with airlines leaves seafarers stranded



COSTS RELATED TO crew changing have soared by about 150%, with some flights to Asia from Europe up to five times higher than usual, if they are available at all, according to shipmanagement association InterManager.

The global logistics challenge of trying to change over crew amid constantly changing and inconsistent travel, quarantine and health regulations in key supplying and entry hubs, as well as a lack of commercial flights, has affected some 40% of the world's 1.5m seafarers.

Only a quarter of crew changes have gone ahead since March, according to latest estimates, with 300,000 seafarers stranded on ships with expired contracts and a further 300,000 unemployed and unable to relieve them.

Quarantine costs for several days while awaiting test results or for longer periods were adding an extra $4,000 per person in some countries, with additional tests, higher-costs flights, accommodation, transport and personal protection equipment blowing out budgets for shipmanagers and owners, InterManager secretary general Kuba Szymanski told Lloyd's List.

InterManager is collating information about the additional costs, showing that flights, if they could be found, were double usual fares, with some as much as €3,000 ($3,400).

"Fares are slowing dropping as flight options are slowly rising," he said. "The biggest share (of costs) is quarantine."

The disconnect between shipping and aviation has emerged as a key issue as shipmanagers and crew operations departments at shipping companies at the coal face look to repatriate crew.

"One of the challenges here is that is that governments have not opened up their borders yet for scheduled service," said Miami-based Chris Podolsky, general manager North America, from Global Marine Travel.

"If they have, they're only limiting a very small number of flights in. So the airlines are not able to reestablish their schedules the way they want."

Mr Podolsky said he was moving "a fraction" of normal volumes of crew, for ten times the effort and at significantly greater cost.

The operational, commercial and regulatory challenges were significant, he added.

A Filipino crew member signing off in Rotterdam, for example, would be tested before getting off the vessel, tested again before flying at the airport and resumes the same testing procedures again upon arrival at Manila, as well as quarantine costs in both countries.

Chartering aircraft meant "incredible amounts of paperwork" to organise he said, explaining a recent flight to Manila from Amsterdam involving 210 crew from 65 ships and 15 different companies.

"We had to gather fit-to-fly certificates from every crew member. There had to be spot checks throughout. The airline wants you to sign the charter agreement and that means putting down a very large non-refundable amount on the charter without you having the assurances that you're going to be able to fly.

"We did not get the final clearances for these crew members until within 12 hours prior to the flight leaving.

"If any one of these companies had bailed out at the last minute, or found alternate means they're not obliged to pay for those seats until we've got a signed charter contract and an agreement with them to go.

"So how do you herd cats like this together; to get them off of all of these different vessels, get all of this put in motion on the chances that it's not going to happen because somebody's going to fall out?"

Maersk repatriated seven of its seafarers on July 16 from the containership *Rhine Maersk* via Panama. They disembarked at the Panama Canal to take connecting flights to Amsterdam and Copenhagen. A similar repatriation in Panama happened on July 12 for 13 crew who caught a humanitarian flight.

Stories of crew taking as many as five flights and several weeks to arrive home are now emerging, while others refuse to leave their ship for fear of being exposed to coronavirus are now emerging.

Crew costs comprise about half of the operating capital expenditure for vessels, according to the BDO annual OpCost survey.

Wages accounted for about 80 percent capex s with provisions and 'other' expenses — which cover travel — making up the remainder.

"Shipping is now getting around to a new normal," one shipping accountant told Lloyd's List. "For the past few months, it has all been very reactive, but that period is over. This industry is incredibly resilient and while it's clearly been very tough on seafarers, owners and managers are doing the best they can."

Additional costs vary depending on the country, according to InterManager. There were increased flight costs in the US but other costs remained unchanged. Hotel costs for quarantine purposes awaiting test results were rising, with some crew managers booking business class tickets in order to get confirmed seats.

WHAT TO WATCH

China ports tighten reefer containers control amid virus concerns

PORTS in Southern China have imposed restrictions on handling of reefer containers amid concern that imports of frozen food are testing positive for coronavirus.

The move could lead to an increase in costs of logistics and time for custom clearance, according to industry sources.

In a customer advisory, Hapag-Lloyd listed about 20 affected ports in the Pearl River Delta region.

Some, such as Guigang and Wuzhou, issued a blanket ban on reefer containers, while some, such as Da Chan Bay in Shenzhen, prohibited inbound or transhipment refrigerated boxes.

Others, including Zhuhai Hongwan and Zhongshan Waimao, banned certain types of frozen foodstuff, such as meat or fish.

Earlier this month, China's customs authority said it was suspending imports from three Ecuadorian suppliers of frozen shrimp after detecting coronavirus in cargoes at Dalian and Xiamen ports.

Tests on the frozen shrimp and inner packaging were negative but the General Administration of Customs said the container environment and outer packaging of the goods were at risk of contamination.

Two of the three companies claimed the virus was only found on the walls of the container and that China was exaggerating the health risks.

The latest cases were found in Yunnan province, where three out of the 2,750 samples were tested positive earlier this week, according to a statement by the local health bureau.

Before that, China also suspended meat imports from several foreign plants due the outbreak at those facilities.

China began testing imported fresh and frozen food last month after the coronavirus was found on a chopping board used to cut salmon in a Beijing food market that reported an outbreak among workers there.

In response, many Chinese ports have tightened their inspections over reefer cargo.

The customs authorities at Hongwan port, for example, have ordered nucleic testing for all reefer containers. This could lead to extra costs of Yuan1,500 ($214) per box, including additional handling and barging charges as well as testing fees, according to port sources familiar with the matter.

In Nansha, Guangzhou, certain frozen foodstuff — such as pork, chicken feet and fruit — are still allowed to be imported, but the port has ramped up the sampling rate, leading to slower cargo movement.

One port manager in the PRD region said in some cases, although there was no written announcement, local customs or government officials might just have issued verbal bans at ports where reefer volume was small.

"Yunfu, for instance, is a small city with zero infection among the people there," the person added. "It's a hard-earned achievement they probably don't want to risk for just a few reefer containers."

Health and food safety experts in China have tried to alleviate some of the concerns, claiming that the possibility of frozen aquatic and meat products being the source of spreading coronavirus is extremely small.

Li Ning, a researcher at China National Center for Food Safety Risk Assessment, told a recent press conference that there had been no evidence that people can get contracted from food.

OPINION

Sights set on strong leaders as Singapore's maritime sector faces testing times

A WEEK after a general election called amid the most serious global pandemic in recent memory, a yawning gap has emerged in the political leadership in charge of Maritime Singapore and the country's larger transport sector has emerged, *writes Hwee Hwee Tan*.

In the aftermath of a historic result that led to Singaporeans voting in the opposition into a record number of seats, while allowing the ruling People Action Party to retain majority control over the parliament, incumbent senior minister of state for transport Lam Pin Min lost his seat.

Along with co-ordinating minister for infrastructure and transport Khaw Boon Wan, who chose not to run, Dr Lam will now be out of the government. Mr Khaw had announced in June that he would be retiring from politics after 19 years.

In Singapore, as in many other countries with deep maritime traditions, the transport portfolio is a tricky one that is often shunned. But in the wake of the coronavirus outbreak and its effects at multifarious levels, it is proving to be critically important.

Mr Khaw stepped up and answered a call four years ago to take on what has long been deemed as the 'hot potato' transport portfolio and the challenge of tackling legacy lapses in Singapore's mass rapid transit system that have besieged his predecessors.

That left Dr Lam, as one of two anointed senior ministers of state for transport, to front maritime matters during his term of service.

The Maritime and Port Authority of Singapore has long been regarded as a well-functioning regulatory body prior to and during Dr Lam's reign.

The coronavirus pandemic, however, has made apparent the reality that the sector responsible for driving cost-efficient international trade flows, now grapples with issues and challenges calling for greater jurisdictional powers.

The crew change issue is a case in point. While the MPA has taken commendable steps to allow crew changes to take place in Singapore, there have been limits to what it can achieve within an inter-agency framework.

Changing crews is a core maritime operation. However, this basic function has yet to fully normalise in Singapore and many other places.

Shipyards in Singapore also face the uphill task of normalising operations following months of lockdowns imposed on dormitories housing foreign workers.

A rise in coronavirus infections among this demographic was a prominent issue in the recent election.

Here again, the policy-makers have been obliged to prioritise public safety concerns over that of maritime-related businesses or functions.

What has not been communicated well enough to the general public is that the maritime sector — seafaring and shipyards included — is an enabler of trade, a key driver of the economy in Singapore and the larger Asia region.

Shortly after the election outcome was announced, Singapore posted a 41% slump in its gross domestic product for the March to June quarter. It is heading into a recession, with global trade slowing to a crawl over those three months.

At a micro level, the average Singaporean would have also felt the pain as supermarkets could not offer as wide a variety of goods during the height of the pandemic-led disruption.

Thus far, it could be argued that the pandemic has emphasised the importance of a functioning maritime sector, although this message clearly has not been delivered to Singapore's electorate.

Given that the coronavirus backdrop has caused widespread disruption across many sectors in ways that have never been seen before, every progressive step the maritime sector takes now calls for higher powers of jurisdiction. The successors to the key transport portfolio will need to be equal to the task at hand.

Beyond these immediate pandemic-related concerns, two key transitions impacting the sector — decarbonisation and digitalisation — also call for strong leadership at the transport ministry.

These issues often involve the ability to collaborate on the international stage and experience with foreign affairs, requisite attributes maritime players would be looking for in the incoming office-bearers.

Succession in political leadership, however, has generally been challenged by the limited talent pool that typically answers the higher call of public duty.

Transport and maritime rarely rank highly among portfolios when it comes to assigning talent to ministerial positions.

However, the ruling elites in Singapore should take heed from the recent GDP numbers that trade and the supporting maritime sectors pull their weight in the country's economy.

What is more, potential incoming office-bearers in the transport ministry should also consider the possible boost to their political careers if they can effectively relate the importance of the two related sectors to the man on the street.

ANALYSIS

First tanker calls at US Gulf export terminal

AFRAMAX tanker *Minerva Libra* was the first to load on Friday at the new South Texas Gateway Crude Export Terminal at Corpus Christi, Texas, one of two in the US Gulf now able to accommodate very large crude carriers.

The shipment on the 2007-built tanker is a further signal that shale exports from the US Gulf are facing fewer constraints than Middle East Gulf producers, even as production (excluding Alaska) dipped 15.5% since February.

The terminal is linked to the 700-mile EPIC Crude pipeline operating at 600,000 barrels per day capacity from Crane, Texas, as well as the new Phillips 66 new, 900,000 bpd Grey Oak pipeline, from the Permian, which began commercial operations in April.

The additional pipeline capacity from shale-producing regions to the US Gulf — a major constraint to rising shipments until the coronavirus pandemic — has ensured that exports have dipped at a much slower rate than production.

The 670,000 Cactus II pipeline that began in late 2019, as well as the EPIC Crude and Gray Oak pipelines all connect to terminals in Corpus Christi, bringing more than 2m bpd of additional capacity to the Texan port.

South Texas Gateway will have 3.4m barrels of storage capacity and another 5.2m barrels is under construction as well as a second dock due to open later this year, according to US-based oil consultancy RBN Energy.

About 1.25m barrels can be partially loaded on a VLCC — which has a 2m barrel capacity — which will increase to 1.5m once dredging is completed next year.

When storage is factored in, RBN Energy estimates this will give the terminal some 800,000 bpd capacity, making it one of the largest in the US Gulf.

Operator Buckeye Partners owns 50% of the new terminal, with Phillips 66 Partners and Marathon Petroleum each having a 25% share.

Only the deepwater Louisiana Offshore Oil Port can fully load the biggest tankers, with Asia-bound cargoes normally reverse-lightered from aframax tankers at designated anchorages offshore to overcome port logistics.

US field production of oil averaged 11m bpd for the week ending July 10, according to the US Energy Information Administration.

That compared with a peak of just over 13m bpd seen at the end of March, just before a cascading series of country lockdowns saw oil prices and demand plunge.

While US production has dipped by 2m bpd, crude exports have dropped by 600,000 bpd. Since April, exports averaged 2.9m bpd, EIA data show. That compares with 3.5m bpd over the first quarter.

Over June and July there has been a dramatic 4m bpd collapse in exports from countries in the Middle East Gulf as Saudi Arabia, Iraq, the United Arab Emirates and Kuwait all agreed production cuts over May through to July to stablise oil prices.

Minerva Libra was chartered by ExxonMobil to ship the 70,000-tonne cargo to northwest Europe, which along with China, is now one of the biggest buyers of the light, sweet shale oil.

Corpus Christi and nearby ports exported 1.5m bpd in the first half of 2020 according to research by RBN Energy. In 2018, exports from this region were running at about 440,000 bpd.

“Growth in export volumes would not have been possible without expansions at the [Corpus Christi] port’s five older crude-handling marine terminals and development of the four new export-focused terminals that have come online in the past 10 months,” RBN Energy said in its latest report.

These are the Eagle Ford Terminals which first loaded in September 2019, EPIC Marine Terminal (December 2019), Pin Oak Corpus Christi (April 2020), and now South Texas Gateway, according to the consultancy.

Los Angeles port expects cargo volume to drop 15% in 2020

THE Sino-US trade war and the coronavirus outbreak have taken their toll on cargo throughput at the port of Los Angeles, which executive director Gene Seroka sees as part of a decades-long downward trend that needs reversing.

The key to reversing the trend lies in adopting a more balanced approach to the port's trade strategy, relying on increased exports to counter the long-standing loss of imports to competing facilities, he says.

He sees the current downturn as coming from the trade war followed by the pandemic.

"We began to see the trade policy out of Washington impact us in the latter part of 2018 and full year 2019. And now the double hit of the pandemic and the trade policy is in clear focus, with levels of cargo volume not seen since the great recession," he told a press conference this week.

The port is moving "about 80% to 85% of our normal cargo volume that we would witness at this time of year. And given the calamity that has been caused by both the trade policy and the pandemic, I will take that for right now."

It moved 691,475 teu in June and that, given the circumstances of the trade war and pandemic, "we're not in bad shape" for the month. He also balances this year's downturn against last year's historic high.

"I will take this number during the midst of an unsettled trade war and the global pandemic that we were working through today up against last year, which was our best June in the 113-year history here at the port of Los Angeles."

Mr Seroka said the port will be at levels for the remainder of 2020 at or below those of the 2008 recession, coming in below 8m teu, a figure which, if accurate, "will equate to about a 15% drop in cargo volume compared with 2019".

He thinks inventory throughout the US will continue to be solid as "the retail, home improvement communities, and other folks that we shop and dine with for takeout service are very well prepared".

There will also be "a little bit of replenishment" through the distribution network of warehouses and facilities that move cargo to the store level, but he says key seasonal moments are just not happening.

"What we are seeing is a miss on just about every season we normally catered to in this business, fast fashion or spring fashion, as we would call it has come and gone without real impact," he said.

Then, too, he mentions the all-important back-to-school season, which will not be "anywhere near what we've witnessed in the past".

The traditional peak season, which would normally start up in the month of August will also be "relatively flat just simply because you and I are not out at the stores on a regular basis".

Apart from the trade war and pandemic, Mr Seroka also sees cargo volumes potentially on the decline owing to other factors such as a recent 4.2% rise in terminal fees to be levied on trucking firms.

"What we hear directly from the cargo owners is it is all of these fees that add up and assist them in deciding to move cargo through a four corners strategy or port diversification programmes," he said.

Mr Seroka has created a West Coast Competitiveness Team to "dissect every cost" in order to find "efficiencies in everything we do" to ensure the continued business of cargo owners.

The loss of cargo to competitors is nothing new, he said, noting that the erosion really began with the "unfortunate labour lockout of 2002" — an event that has triggered a 20% loss in the port's market share over the past two decades.

Then, too, he notes that "we have continued to see cargo owners diversify their shipments through different gateways" due to the "very heavy" regulations imposed in connection with "environmental concerns".

Against this long-term loss of port container volumes Mr Seroka has proposed a new emphasis: "While we must scrape and chase for every import container, I think our real opportunities lie in the export markets.

"If we can better balance our trade compared with what we have historically been known for, I think we can reduce our cost to serve, which may make us, if I'm right, a more attractive trade gateway for the logistics decision maker".

Shipping embraces decarbonisation start-ups

RAINMAKING, a venture development firm, says it has completed its first six-month cycle of a programme that aims to encourage shipping companies to partner with decarbonisation start-ups.

So far 45 partnerships have emerged from this first cycle, ranging from artificial intelligence-based solutions to potentially test-bedding new sustainable fuels, according to Tarun Mehrotra, the company's director for trade and transport.

"While the shipping industry tries to understand the pathways to decarbonisation, it is our belief the best way to move the needle on decarbonisation is to have a portfolio approach," he said.

The partnerships in the Rainmaking programme include Cargill, DNV GL, Hafnia, Mitsubishi subsidiary MC Shipping Ltd, Shell, Vale, and Wilh. Wilhelmsen Holding.

The process began with 1,200 start-ups from 70 countries. Rainmaking reported these had funding worth a total $14bn. The partners narrowed them down to 145 that underwent full due diligence screening and 51 of those moved on to the next round.

"Here, each start-up pitched their proposed decarbonisation solution, with those deemed most likely to succeed subsequently allocated partnerships with collaborating companies," the company said.

The partnering corporations work together to decide who should make it on to the next stage.

At this stage of the process, the corporations do not acquire equity stakes in the start-ups they partner with, but instead share expertise and resources.

The programme will run to the end of 2022 and identify more than 3,000 high-impact tech start-ups, culminating in a final shortlist of over 100 scaleable pilot schemes and ventures.

"Each will seek a solution to the issue of carbon emissions in the shipping industry, with the ultimate goal of achieving industry-wide CO_2-neutral status," says the company.

A second six-month cycle will begin this August, targeting those start-ups that can offer new decarbonisation pathways.

"The shipping industry is just beginning to see a lot of interest from tech entrepreneurs and our belief is that six months is a long time for new solutions to be on the horizon. Especially when you are talking about deep-tech and AI-enabled solutions," Mr Mehrotra said.

He said the corporate partners would not only apply their learnings from the first round, but also take into consideration how decarbonisation can be intertwined with coronavirus recovery efforts.

Rainmaking, which has pledged to invest $7.2m in promising decarbonisation start-ups and is one of the co-investors of a Singaporean decarbonisation initiative, is open to having more corporate partners on board for the programme.

Mr Mehrotra said it was now looking at how it can expand to adjacent industries that have an interface with the shipping industry, such as land transport.

MARKETS

Marine insurers factor in coronavirus uncertainty

LIKE every other sector of the maritime industries, marine insurance will just have to wait to find out how coronavirus will impact its activities in the long term.

Otherwise, headline trends are a mixed bag, some of them favourable and some of them not.

Coronavirus has already led to a reduction in the number of sailings, and if the worst projections for world trade bear out, that tendency will prevail for at least the next few years.

That will mean reduced cargo volumes, and thus reduced premium volume on cargo insurance.

Most cruise industry commentators do not foresee a return to normal until at least 2022, which points to a drop in another key source of marine insurance premium income.

Shipping's ongoing crew change imbroglio is yet another cause for anxiety. There are bound to be liability implications from the deterioration to the mental and physical health of seafarers now working tours of duty beyond what is probably the legal limit.

Once they are back to work, the stresses many have suffered could mean an increase in casualties attributable to human error.

Reduced or delayed statutory surveys and port inspections could lead to unsafe practices or defective equipment going undetected, while cargo damage and delay are likely as supply chains come under strain.

Delays to essential maintenance and servicing raises the chance of machinery damage, which is already one of the major drivers of marine insurance claims, responsible for up to one in three of overall accidents.

But the potential 'upside' of the pandemic — if even the use of such a term can be forgiven — is that fewer sailings and a shift towards slow steaming will tend to generate fewer claims. To sum up, we will only know the big picture when the numbers are in.

Broadly speaking, hull insurance has experienced perennial soft markets for the past two decades, with some signs of hardening in the past 18 months or so, largely on the back of the Lloyd's 'Decile 10' purge on underperformers.

Among the larger players, regional offices have also come under greater scrutiny from corporate headquarters, leading to greater consistency in rating and approach.

We have also seen a secular trend to safer shipping, as illustrated by the recent annual review from Allianz Global Corporate & Specialty, which highlights the fact that actual and constructive total losses last year stood at a record low for the second year in succession.

But even this is not unalloyed good news. While there have been fewer large claims of late, the increased size and technical sophistication of ships means that such claims as do occur are frequently more expensive.

There are also concerns about a spate of fires on containerships, and questions are starting to be asked about car carriers, ro-ros and PCTC vessel types.

Misdeclaration of cargoes is another live issue, with some carriers demanding fines from cargo interests they deem at fault.

And of course, attritional claims have not gone away. Allianz found that the number of reported shipping incidents increased by 5% in 2018 to 2,815.

Some insurance commentators think the coronavirus backdrop may turn into the largest ever reinsurance event. But the reinsurance market is sufficiently sophisticated to look at nuanced insurance lines such as marine liability, and decide whether or not any such specific market is loss-making before looking to increase rates.

Almost every P&I club has seen its combined ratio drift out to over 100%, and sometimes well over that level.

That does not necessarily mean that clubs are losing money, with investment returns more than offsetting underwriting losses in most cases. Most if not all clubs actually saw their free reserves increase for this reason.

Even so, many clubs were notably keen to raise premium income, with some opting for a seeming 'going rate' 7.5% general increase last year, and other opting to extract more money on the basis of individual claims records.

However, there is some evidence that they have had difficulty making the rises stick. Rates did harden, but only in the order of 3%.

It also seems that 'club hopping' is a thing of the past, with few examples of sizeable fleets changing hands ahead of the annual 20 February renewal deadline.

Most club executives are studiously non-committal when asked about pricing strategy for the current policy year, insisting that they cannot make a call before we see how the coronavirus crisis plays out. But noticeable reductions look unlikely at present.

Marine insurers are also increasingly looking to digitalisation, for the same reasons as the rest of the insurance industry.

Finally, the wild card for 2020 is probably cyber risk. We now have a number of confirmed instances in the maritime industries, and fair grounds for suspicion that many more cases are occurring, even if people do not want to talk about them.

Some marine insurers, including mutuals, are responding by offering specialist marine cyber products on a commercial basis.

TEN eyes expanding its presence in VLCC sector

TSAKOS Energy Navigation is looking for opportunities to acquire further very large crude carriers, its chief executive has said.

“Given the size of our group we should have at least five VLCCs,” Nikolas Tsakos said. “This is something we will do when the time is right.”

Mr Tsakos said that TEN could take the plunge for VLCCs “even without employment” lined up in advance.

The Greece-based owner has grown almost exclusively through newbuildings and in recent years has only placed fresh shipbuilding orders when backed by long-term charters.

This policy was intended to contribute to reining in industry overcapacity but has left TEN free also to pursue resale opportunities for vessels already under construction.

The New York-listed company currently has two VLCCs, the 2016-built *Ulysses* and the 2017-built *Hercules 1*, among a fleet of 63 tankers on the water.

The owner also has two liquefied natural gas carriers, plus an order book consisting of one one LNG carrier, two suezmaxes and up to three suezmax shuttle tankers.

At present, the order book for new tankers is relatively modest. Mr Traskos said that new ordering was slow “not only because of financial reasons, because it does not make economic sense, but more for technical reasons”.

He compared the situation with the early 1990s when, he said, owners remained uncertain about future tanker design requirements before the need for double hulls was clarified.

“Right now, no one knows which engine to put on their ships,” he said on a Capital Link-hosted webinar.

Some owners had taken options to configure for dual fuel or LNG, but Mr Tsakos, who was chairman of Intertanko from 2014 to 2018, expressed doubts that this would be “the answer” to decarbonising the industry.

“I have the feeling that main engine technology of existing ships will develop soon, so before the hydrogen design we will have existing design ships that will be burning better fuels, which will not require more newbuildings,” he said.

Mr Tsakos saw the tanker market “normalising” from later in the third quarter or fourth quarter this year.

VLCC rates had been holding up more strongly than for smaller sizes because of a higher number of big tankers remaining on storage duty, he said.

While TEN’s tanker fleet is evenly split between crude and product tankers, many of the latter are currently trading “dirty”, with just 13 carrying refined product cargoes, mostly on long-term contracts, he said.

A recent order for up to three DP2 suezmax shuttle tankers was backed by charters of up to 15 years from a European end-user, Mr Tsakos said. For each vessel, the deal included a firm five-year charter period and two further five-year options.

Lloyd’s List has already reported that the contract has been awarded to Daehan Shipbuilding and the tankers are for charter to Portugal-based Galp.

Mr Tsakos also said that the company was “in final negotiations” to potentially seal a charter of five to 15 years for its LNG carrier newbuilding, which is for delivery in 2021.

Asked whether TEN could be more of a “pure play” for investors by spinning off specific segments of the fleet into separate vehicles, Mr Tsakos said that TEN would “stick to the model we have as a diversified tanker and energy-shipping fleet.”

Rio Tinto sees China demand recovery

RIO TINTO, one of the world's largest miners, said that conditions in China improved through the second quarter, following coronavirus closures, and "appear to be stabilising".

"While employment and trade uncertainties remain, the construction and infrastructure sectors are performing well; house prices and stock markets are also recovering, lending support to consumer confidence," it said in a production report.

The miner added that while China's demand for iron ore continues, the recovery in Japan and Europe is yet to begin meaningfully, and is "likely to be subdued when it does".

Rio shipped 159.6m tonnes of iron ore from its Pilbara complex in Western Australia in the first half of the year, up 3% from the year-earlier period. The figure includes volumes sent to its portside trading facility in China.

It expects total iron ore shipments this year in a range between 324m and 334m tonnes. That compares with 327m tonnes shipped in 2019.

Maritime Strategies International said there was "evidence for stronger support" in the capesize market, in particular from China's stimulus packages, which would boost rates in the second half of the year from the first six months.

The average weighted capesize time charter on the Baltic Exchange inched up to $25,085 per day at the close on Friday from $24,387 on Wednesday, stemming a decline. The market was at $27,644 a week ago.

Braemar ACM said that "tonnage supply, albeit augmented still by early ballasters, remains comparatively tight, and an influx of mid-week demand, including cargoes with July laydays, initially offered encouragement of a firmer trend in the offing".

Rio Tinto also said blocks 3 and 4 of the Simandou iron ore project in Guinea, West Africa, were "progressing well" in collaboration with its partners.

"A scope of work has been prepared to enable selected China-based design institutes to update the infrastructure elements of the project including the design of its designated trans-Guinean rail line and to assess shipping methods," it said, without elaborating.

Meanwhile, the automotive sector is showing initial signs of recovery from a very low base, Rio Tinto said. That was supporting demand for aluminium value-added products.

To date, there has been limited impact on bauxite demand, it said.

China's copper concentrate market remained favourable, according to Rio Tinto, although the US market was weaker due to Covid-19 supply disruptions.

It added that while the US and Europe have started to reopen and recover, a second wave of infections remained a key threat for advanced economies.

IN OTHER NEWS

Wärtsilä profit drops 51% in second quarter

WÄRTSILÄ, the Finnish technology company, reported a 51% drop in quarterly operating profit as it said operations continue to be affected by the coronavirus outbreak and the measures taken to contain the global pandemic.

It said the health crisis will "materially impact" the demand for its solutions and services as well as the financial performance in 2020.

"The full financial impact cannot be quantified at this time, as it will depend on the duration and severity of the measures taken to contain the virus spread, and the pace of the eventual market recovery in different geographies," it said in a statement.

First Gen shortlists LNG storage bidders

FIRST Gen Corp has taken the next step in plans to charter a floating storage and regasification unit for its liquefied natural gas terminal in Batangas.

The Philippines power generation company said its FGEN LNG Corp unit had selected the respective units of BW Group, GasLog and Hoegh to participate in the FSRU tender process.

BW LNG and Hoegh are prominent in the market, while GasLog is a relatively new entrant to the space.

Yemen tanker spill would be 'four times worse than Exxon Valdez' — UN

THE United Nations is holding talks with Yemen's government for the necessary approvals to gain access to an abandoned decaying oil tanker in the Red Sea.

There are fears that Safer, which is loaded with 1.1m barrels of crude oil, could cause an environmental, humanitarian and economic disaster.

The UN Security Council was this week given an update on the condition of the vessel by Inger Anderson, head of the UN Environment Programme, and Mark Lowcock, emergency relief co-ordinator.

BNP Paribas becomes world's largest shipping bank

FRENCH lender BNP Paribas has become the world's biggest shipping bank, according to new research by Petrofin Research that also suggests the global shrinkage in bank ship finance may be slowing.

Even though some portfolios remained to be wound down, such as those of DVB Bank and Nord LB that have announced their withdrawal from the industry, the decline in ship finance being provided by western banks "appears to have run its course," Greece-based Petrofin concluded.

Altogether, the top 40 banks financing the industry had a combined portfolio of $294.4bn at the end of 2019, down from $300.7bn a year earlier and the lowest total since the research house started monitoring portfolios in 2008.

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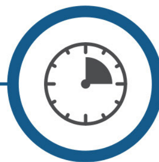

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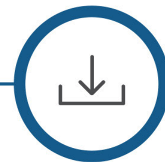

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