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Middle East leads steep fall in global crude tonne-mile demand

EVEN THOUGH MANY OIL producers reversed voluntary or agreed supply cuts in July, this was the month in which the sharpest falls in tonne-mile demand were noted since the coronavirus outbreak decimated oil demand worldwide.

Global crude tonne-mile demand plunged by 18.6% in July to 8.17trn miles compared to the same period last year, according to data compiled by Lloyd's List. June was 11.1% lower month on month, analysis of Lloyd's List Intelligence figures show.

The steepest falls over June and July were recorded from the Middle East and West Africa, which rely on mostly on very large crude carriers and suezmaxes to export crude to destinations primarily in Asia, Europe and the US.

Preliminary August data suggests that month-on-month drops in global tonne-mile demand will be of the same magnitude as July.

Tonne-mile demand, which measures volumes carried by distance travelled, is seen as a proxy for demand for crude tankers.

Analysis shows that tankers shipping from countries that are members of the Organisation of the Petroleum Exporting Countries were employed on the most affected routes, while least tonne-mile disruption was seen for crude shipments from the US, Brazil and the North Sea.

In the seasonally weaker third quarter, August rates for very large crude carriers have plateaued to average $10,400 daily, while suezmaxes are slightly higher at $10,993, according to the London-based Baltic Exchange.

Aframaxes, at $6,380 daily, are barely above operating costs and most of these earnings for all tanker types are below owners' breakeven rates.

Spot rates are between 4.85% and 7% of the record levels recorded for tankers seen over April, when an oil price war between Saudi Arabia and Russia saw exports rise sharply, boosting tanker demand and pushing earnings to new highs.

Demand for transport fuels quickly plunged by one third thereafter at the height of the Covid-19 pandemic, and Opec countries and allies quickly introduced supply cuts to control oil prices which slumped to 21-year lows.

However, the resulting crude price contango then deployed as much as 12% of the trading tanker fleet for floating storage, partly sheltering them from the impact of slowing shipments and fewer tonne miles as refineries cut runs.

Amid lower prices, China also ramped up purchases, with record imports and refinery runs over June and July.

The twists and tumbles seen through the prism of tonne-mile demand paint a story of two halves, in which tankers are caught up in the battle for market share between Opec and non-Opec countries.

As Opec output reached 30-year lows, tonne-mile demand figures reflected non-members gaining market share at the expense of those in the cartel.

In the US and Atlantic trades generally, the falls were less extreme and the rebound swifter, especially for the US and Brazil. Middle East crude tonne-miles for July were measured 15.7% lower on the prior-year period with June levels down 19.2%, to 288.5bn.

By contrast tonne-mile demand from the US in July had already returned to near pre-pandemic levels, at 83bn tonne-miles for exports of 2.98m barrels per day. That is a 7% rise from July's 2019 level although it was 10bn tonne-miles below March 2020 figures and 8.5% down from exports tracked by Lloyd's List Intelligence three months earlier.

Combined tonne-mile demand for Brazil and the US show numbers higher than 2019 volumes every month throughout 2020 despite the pandemic-induced cuts in exports. Both countries exported greater volumes of crude than they did 12 months ago, even as shipments declined month on month over the second and third quarters as demand fell.

Tonne-mile demand for the two countries increased by 41% in April compared to the prior-year period and was the highest recorded in records going back to 2012. This was the month the International Energy Agency dubbed 'black April' and the low point of the pandemic-induced demand falls.

Tonne-mile demand for Brazil and the US was tracked at 148.86bn tonnes in April, compared to 105.9bn tonnes a year earlier.

In the Middle East Gulf, Saudi Arabian tonne-miles over April were measured 39% higher than 12 months ago, as more than 10m bpd was tracked shipped from the kingdom in a short-lived price war. That swiftly fell to a multi-year lows in June and July when tonne-miles slumped year-on-year by 18% and 16% respectively.

When adding Kuwait, Iraq and the United Arab Emirates, overall tonne-mile demand from the Middle East Gulf saw falls of a similar scale. Over May and June some 4m bpd of exports were removed from the market, equivalent to 60 fewer very large crude carriers.

While tonne-miles dipped in the region, floating storage has remained persistently high globally since May. About 40% of tankers from panamax ships to VLCCs tracked at anchor for 20 days or more are at anchor off China, after port and storage logistics were overwhelmed by record exports in June and July.

The pace and scale of unwinding floating storage is crucial to any earnings rebound in the fourth quarter, when refineries boost production of middle distillates including gasoil for the northern hemisphere winter. But inventory drawdowns may be further hindering any ramp-up of tonne miles over August, even though a further 2m bpd is estimated to be returning to global supply, measured at 90m bpd in June by the IEA.

Tonne-mile analysis shows that where rebounding crude demand is rising as well as volumes is another factor that will determine how earnings will perform in the final three months of 2020.

WHAT TO WATCH

Green ship finance now accounts for 10% of market and growing

GREEN and sustainable models of ship finance are now taking a 10% share of the overall market and will continue to grow, possibly under regulatory pressure, according to analysis by Stephenson Harwood.

While there is currently no obligation on banks to provide a minimum percentage of green or sustainable finance, the law firm expects this be addressed at the national and European levels.

This could be achieved through incentives such as reduced capital charges for lenders hitting targets and greater Export Credit Agency support for domestic yards building new ecoships.

While the trend towards green ship finance is still clearly led by European financiers, Japanese banks are now getting involved, and lenders from other Asian countries are expected follow.

Green financing proper mostly takes the form of a green tranche within a wider facility or an up-size facility to finance a particular piece of kit for a vessel, such as scrubbers, ballast water treatment systems or propeller cap fins, or to cover R&D expenses.

Facilities for entirely green purposes have been focused on liquefied natural gas-fuelled vessels, which on current orderbook trends are likely to become more prevalent.

Sustainability-linked financing is slightly more common, while still representing only a small percentage of deals.

Facilities are primarily used as working capital or revolving credit facilities and have been popular among liner companies.

The most common target used is the reduction of greenhouse gas emissions at a faster rate than the IMO target.

There have also been some green and/or sustainable bond placements, especially in the New York markets.

The best-known lending framework is the Poseidon Principles, published in June 2019, which mandate disclosure of the climate alignment of ship finance portfolios, which can then be measured against International Maritime Organization emissions targets.

Some 18 banks representing $150bn of shipping loans have signed up to date, although the first set of published results showing fuel consumption data across the relevant banks' mortgaged fleet has yet to be published.

The European Investment Bank also sponsors a €750m ($879m) green ship finance project, launched in 2016, and designed to support both greener newbuildings and the environmentally friendly retrofitting of existing ships to comply with the new regulations.

In May 2009, the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships came into regulated scrapping, and avoid any unnecessary risks to human health, safety and to the environment. Similar measures were later taken in the European Union.

Crew calls to helplines jump amid health crisis

CALLS from seafarers to helplines have spiked since the coronavirus pandemic started.

The International Seafarers' Welfare and Assistance Network said it has assisted more than 24,000 seafarers with coronavirus-related issues since January, and has dealt with 2,015 cases.

Iswan's project manager Caitlin Vaughan said on a recent webinar that at the peak of the health crisis — from April to May — the welfare charity dealt with more than 2,000 calls and messages in just one month from seafarers and their families. In April alone, its seafarer helpline handled over 600 new cases — triple the number in the same month last year.

Mental health issues are now in the top five reported cases related to the coronavirus, Ms Vaughan said. That compares with being sixth or seventh in a typical year. There has also been a notable increase in the number of seafarers needing professional support from the charity's network of clinical psychologists.

Seafarers have reported experiencing worries about their health as well as their family's amid the coronavirus pandemic. They have reported feeling anxious and stressed about finances, extended time on board vessels, and the uncertainty of how and when they can get home is adding to their concerns.

The Mission to Seafarers, another charity, said it has had a total of 910 conversations since April 20, with 370 requests for assistance.

The highest number of interactions have been from India and then the Philippines, said director of advocacy and regional engagement Ben Bailey, adding that requests have ranged from accessing SIM cards on arrival in port, to speaking to a chaplain for spiritual support.

"There are also serious justice and welfare cases that have been raised, such as allegations of abandonment, and families seeking support related to lost or deceased seafarers," he said, adding that in the last month, the charity's teams have dealt with the aftermath of one suicide and worked with a seafarer who was experiencing suicide ideation.

It is difficult to get accurate numbers of suicides as it is not always reported or made public, Mr Bailey said.

"We need to see flag states and companies reporting this information and making it much more widely available to ensure seafarers are able to get the support and recognition they need to protect their well-being," he added.

Cases of abandonment

Meanwhile, the International Labour Organisation — the UN agency that sets global labour standards — has recorded 166 cases of ship abandonment since the start of 2017.

Of those, 21 were reported this year, with only four resolved. Nine were Liberia-flagged vessels, while six were Panama-flagged. Bahrain, Malta, Dominica, Comoros, Saudi Arabia and Spain represented the others.

Last year, 33 cases were reported, according to the ILO database. Panama-flagged vessels topped the list with six, followed by Togo with four, and three each from Liberia and Belize. Of the total, five cases were reported as resolved, while one was disputed.

In 2018, 47 cases were reported, with 15 resolved and seven disputed, while in the year before, 65 cases were reported, with 27 resolved and 16 disputed.

The Sailors Society said the majority of the ships had between eight and 20 seafarers on board. The most frequent nationalities of the abandoned seafarer cases included countries with "large regions of deprivation" such as India, Ukraine, Indonesia, Russia and Syria.

"As well as unpaid wages, a number of the seafarers reported appalling conditions, from no food or water on board, to holes in their ships," according to the charity. Crews also lacked medical treatment.

"Many seafarers caught up in abandonment come from some of the world's most deprived communities and look for jobs at sea as a route out of poverty," the charity's chief operating officer Sandra Welch said on its website.

"They're particularly vulnerable to unscrupulous manning agents of shipping companies, who place them on dangerous vessels, pay them a pittance or withhold their wages, and have no interest in their welfare."

Wakashio master arrested in Mauritius

THE master of *Wakashio*, the bulker at the centre of the Mauritius oil spill, has been arrested. He is 58-year-old Sunil Kumar Nandeshar, from India, local police said on Tuesday.

"We have arrested the captain of the vessel and another member of the crew. After having been heard by the court they have been denied bail and are still in detention," Inspector Siva Coothen told Reuters.The master has been charged with endangering safe navigation.

Lloyd's List understands that the second person arrested is the ship's chief officer, although that is unconfirmed by official sources.

Capt Nandeshar had extended his six-month contract by three months on May 1, nearly two months before *Wakashio* ran aground on a coral reef off Mauritius, a spokesman for Japan-based owner Nagashiki Shipping told Lloyd's List on August 17.

The vessel had deviated from a major shipping lane bypassing the island in the Indian Ocean, and spilled more than 1,000 tonnes of bunker fuel, breaking apart over the weekend, creating a major environmental and ecological disaster in the pristine waters off Mauritius.

The trading lane sailing past Mauritius is a key seaborne route for iron ore shipments to China from Brazil, which supplies about one third of the country's 1bn tonnes of imports each year.

The master had held this rank for 24 years, according to the vessel owner.

There were unconfirmed reports that the vessel deviated closer to the shoreline to secure wifi as part of birthday celebrations at the time of the accident. The Panama Maritime Authority said earlier in August that the vessel deviated because of adverse weather conditions.

The owner of *Wakashio* has been contacted for comment.

OPINION

Baseball project undermines maritime business at the port of Oakland

THE port of Oakland risks losing its status as a reliable partner in the shipping industry due to continued uncertainty over the disposition of Howard Terminal, a 55-acre site sought by the city's baseball team for a new ballpark.

For more than a year, the Oakland Athletics baseball team has promoted plans to move from its present location at the Coliseum, about six miles south of the port, to a proposed new location at Howard Terminal within the port itself.

When the project was first announced, Dave Kaval, president of the Oakland A's, spoke as if the proposed sports facility would fit seamlessly into its new environment on the waterfront.

"We are excited to build a bold, iconic ballpark at Howard Terminal. This design will allow us to blur the boundaries of a traditional ballpark and integrate into the surrounding neighbourhood."

But the excitement is not shared by members of the city's maritime community, who believe the facility will disrupt the working waterfront instead of integrating with it.

Worse, they fear the ballpark project will adversely impact the US west coast port's image as a responsible trading partner in the global maritime industry.

"Oakland is a trading partner with many other cities, certainly around the Pacific," says Michael Andrews, terminal manager of Everport Oakland. But he says Oakland is sending a "mixed message" to the world.

"My primary customer thinks it's a little bit ludicrous, wanting to grow international trade but at the same time contemplating building a ballpark in the heart of our industrial port area," he says.

"Are they really the trade partner they want to be to Shanghai, to Hong Kong, to any number of overseas ports or do they want to abandon their position as a significant international port on the west coast?"

Mr Andrews says: "The world is watching. This is not happening in a bubble locally. There are, you know, concerned and interested parties across the seas and around the world."

High among the concerns is the ability of larger vessels to access the port of Oakland, as the planned ballpark will adversely impact the turning basin for ships — especially as they gain in size over the years.

Ed DeNike, president of SSA Containers, says the baseball project threatens his company's $1bn investment, agreed long before the Oakland team made its plans known.

"Our concern is that we negotiated a long-term contract just a couple of years ago that's going to guarantee the port more than $1bn in the next 10 years", he says, but "nothing was said about this ballpark during that two-year period that we were negotiating".

He says that SSA handles "most of the business in the port" with 20 to 25 ships a week that increasingly are between 13,000 teu and 20,000 teu — ships that already have "a very difficult time" in the port's turning basin on the inner harbour channel.

"When we signed the lease at the Oakland International Container Terminal, it was our intent to execute long-term contracts with the various international carriers," he says.

But now "none of them are willing to sign a long-term contract with us because they're not sure what size ship they can get in anymore and that's a legitimate concern that they have".

He says the Oakland Athletics have agreed to create a larger turning basin, but that is "impossible" to do any time soon as the permitting process could take eight to ten years before any work even begins.

In the meantime, the current turning basin would be impossible to use due to the number of small pleasure craft that are expected to congregate in the waters off the terminal — exactly in the turning basin.

Unfortunately, Mr DeNike says, there will be no recourse for the big ships that need to turn as the US Coast Guard advises that "there is no way legally that anyone can prevent those small boats from going in there".

The Oakland Athletics offered assurances that such clusters of small boats would not happen. But Mr DeNike sensed a contradiction when "they had a big rendering on a wall that showed the ballpark with all the little boats out there".

He observes that "it's not going to work" when ships 1,300 ft-1,500 ft long try to turn faced with "small little boats" at anchor in the basin. Not only will the carriers not be able to turn, but also they won't even expose themselves to the "liability" of their ships going into that basin.

"So, we cannot attract anyone to commit to that port as long as that baseball stadium is supposedly going to be there," he says. "We just feel that we were misled when we signed that $1bn contract with the port when we weren't informed that this was happening.

"That's our main issue."

The Athletics recently stepped up their efforts to obtain the 55 acres of prime waterfront property at the port by filing a lawsuit against the California Department of Toxic Substances Control.

Mr Kaval said the lawsuit filed in Alameda County Superior Court accused the department of a "failure to impose and enforce environmental law" against Schnitzer Steel, which does bulk and container shipping of scrap metals from its own yard at the port.

Attacking a member of the city's maritime community seems a far cry from Mr Kaval's pledge to "integrate into the surrounding neighbourhood".

That won't endear him or his project to the shipping industry.

From the News Desk: Wakashio disaster raises questions over compensation and crewing

THE Panama-flagged, Japanese-owned 203,130 dwt *Wakashio* has spilled more than 1,000 tonnes of fuel oil into the Indian Ocean after splitting in two on August 15. It had run aground near Point d'Esny on the southeast coast of Mauritius on July 25.

The vessel is owned and managed by Nagashiki Shipping Co, and time chartered to Mitsui OSK Lines. When it ran aground, it was known to have approximately 3,800 tonnes of very low sulphur fuel oil and 200 tonnes of diesel oil on board.

Around 3,000 tonnes had been recovered from the vessel and transferred to small tankers by August 12, according to a statement by MOL.

The circumstances surrounding the grounding of the vessel remain unclear. Last week, the Panama Maritime Authority said the vessel was forced off-course due to adverse weather conditions but admitted that as of Monday it had not yet viewed the voyage data recorder to understand the sequence of events leading up to the grounding.

It is understood that representatives from Panama have made their way to Mauritius to carry out a full investigation, although it could take months for all the formalities to be completed to determine a cause.

The International Maritime Organization, which sent a technical expert to the site last week, said that until it had a full casualty investigation report, which is mandatory following total loss of vessel or life, or major environmental damage, any comments on why or how the incident occurred would be speculation.

AIS tracking data

Lloyd's List Intelligence vessel tracking data, however, shines some light on the crucial three-hour period on July 25 when *Wakashio* deviated from a major shipping lane passing by the island to ground itself off Point d'Esny, which is home to some of the most expensive properties in Mauritius.

Analysis of the vessel's Automatic Identification System data show that around midday GMT the vessel's navigational pathway was the same as taken by 78 other bulk carriers over 15,000 dwt during 2020.

The trading lane sailing past Mauritius is a key seaborne route for iron ore shipments to China from Brazil, which supplies about one third of the country's 1bn tonnes of imports each year.

Wakashio's next AIS signal at 1343 hrs GMT showed it navigating much closer to the Mauritius coastline. No other bulk carriers had taken this pathway so close to the shore while traversing the Brazil–China route via the Indian Ocean, according to AIS data interrogated going back to January 2018.

The master, first officer and chief engineer noticed the vessel had stopped moving and was stranded at 1925 hrs local time, the Panama Maritime Authority reported on August 16. That was 1525 hrs GMT, which is nearly two hours after the vessel had first deviated from established shipping routes.

The authority said "it was necessary to perform various manoeuvres to change course due to the state of the sea".

Lloyd's List was also told by Japan-based owners Nagashiki Shipping that three of the 20 crew on board the vessel had been on extended contracts due to the coronavirus-led restrictions surrounding crew changes, although it is not possible to determine at this stage if factors such as fatigue had any impact on the grounding.

The master of the vessel extended his six-month contract by three months on May 1, nearly two months before the vessel grounded on July 25 off Mauritius, a spokesman for Nagashiki Shipping told Lloyd's List, but it is unclear what roles the other two crew members, who had both been on board for more than a year, occupied.

Compensation

Another concern for Mauritius and its vital fisheries and tourism sector is the extent of the compensation they are likely to receive for the spill.

Total compensation could come in as low as $18m, according to Martin Hall, leading lawyer at Clyde & Co, because the spill is not covered by the standard industry scheme for laden tankers.

Instead, any compensation claims for *Wakashio* seem set to be dealt with under the 2001 Bunker Convention, Mr Hall argues in an article for Lloyd's List.

This provides for mandatory third-party insurance cover, in practice provided by P&I clubs, allowing third-party clean-up and pollution losses from bunkers to be made directly on the insurers. But owners are entitled to limit liability in accordance with the Convention for Limitation of Liability for Maritime Claims 1976, or as amended.

Compensation is based on the gross tonnage of the vessel, which in this case appears to be 101,932 tonnes, which would entail a cap of around $18m.

Many countries have now enacted a 1996 Protocol to the CLC, under which higher limits are obtainable. However, Mauritius has not signed the 1996 Protocol, under which Mr Hall believes it would have been entitled to about $43m.

A representative of the International Tanker Owners Pollution Federation, a not-for-profit concern that specialises in oil spill response, added: "We have two technical staff on site supporting the government on the response and shoreline clean-up. But it is a bit early to know the magnitude of any claims arising and hence, the extent to which the Bunker Convention limit may or may not be breached."

Rusting tanker

Finally, while the amount of oil spilled from *Wakashio* is relatively low compared to other spills around the world, the abandoned tanker *Safer* off Ras Isa in Yemen has 1.1m barrels of oil on board.

Put into context, the *Wakashio* oil spill would represent less than 1% of what is at stake if *Safer* and its attached pipeline start leaking. The growing threat has prompted the International Maritime Organization to draw up a contingency plan should access to the vessel continue to be barred by the Houthi rebels battling the Saudi-backed government for control of the country.

The Houthis control the area surrounding the ship and have not given permission for UN inspectors to assess the state of the 45-year-old vessel

The 406,648 dwt tanker has sat idle since 2015, reportedly over a disagreement on how the money should be spent when its oil is sold. However, there are doubts about the oil's value amid possible contamination and the falling global oil price.

"Given the Red Sea currents, the oil will be visible from the Bab-el-Mandeb Strait to the Suez and Gulf of Aqaba," Ian Ralby, chief executive of IR Consilium, a security consultancy, said.

"Ships will not be able to avoid it, putting pressure on owners and operators to decide if they want to risk the optics of spreading the spill by traversing the sea and incurring the costs of cleaning the hulls of their ships. This matter should be of concern for shippers."

ANALYSIS

Drop in energy demand will see offshore fleet contract

NEW orders in the offshore sector will shrink to only 17 vessels in 2020, according to the latest Lloyd's List Shipbuilding Outlook, which is the lowest level since before 1970, when accurate records began. But new orders are expected to recover gradually thereafter and reach 123 vessels by 2024.

Oil exporters are freezing the development of crude and natural gas deposits, and they are idling offshore drilling rigs as energy use slows because of the coronavirus pandemic. Oil producers worldwide are cutting spending and putting projects on hold as the plunge in prices curtails profits.

The global active offshore drilling rig count for June 2020 was 65 units lower than in June 2019, according to Baker Hughes' monthly rig count.

There were 208 offshore drilling rigs actively exploring or developing oil or natural gas worldwide in June 2020. The number of rigs averaged 225 for the first half of 2020, which is a decrease of 21 compared with the first six months of 2019.

Latin America was the only region that saw its offshore rig count rise. Europe and North America saw their numbers halved.

Although prices for Brent crude have more than doubled since late April, demand is only returning slowly.

Offshore fleet capacity

In July 2020, the offshore fleet had a total capacity of 98m dwt, divided between 11,725 individual ships. Fleet growth overall was moderate over the past five years at almost 1.3% annually, measured in number of vessels.

However, during the 2020–2024 period the offshore fleet is forecast to shrink at the average annual rate of 0.6%. This is because the strained market will trigger more removals, with 158 vessels forecast to be sent for demolition in 2020, which is level with 2019.

In 2020–2024, total new contracts are forecast at 372 ships, 286 vessels less than in 2015–19, while offshore removals will almost double to a total of 811. The largest increase in removals will be in the platform supply vessel segment, in which demolition will grow by 210 vessels to 327.

Anchor-handling tug removals are forecast to increase to 263 vessels over the next five years, 60 vessels more than in the previous five-year period.

There will only be growth in the production/storage segment at an average annual rate of 0.4% each year, but that will be offset by a decline in other offshore segments.

The highest rate of decline will be in drilling sector that is set to shrink on average by 1.1% annually.

This is followed by PSVs with a decline rate of 1% and by AHTs with compound annual growth rate of -0.5%.

The current orderbook stands at 298 vessels, which is an all-time low. By 2022, the orderbook is forecast to shrink even further to only 144 vessels. Because of the low orderbook, we will see weaker deliveries in the coming years.

The oversupply of rigs in recent years has reduced the numbers of orders and thus we will see a decline in deliveries going forward. In 2020, a total of 160 offshore vessels are expected to be delivered and in 2022, deliveries will drop to only 53 vessels, which is the lowest since 1995.

In 2023 and 2024, deliveries are expected to remain below 100.

Service vessels

As of July 2020, the service fleet stood at 23,516 ships (16.4m tonnes), of which 17,365 (75%) are tugs, which account for 33% of capacity at 5.4m tonnes. There are only 1,539 dredging vessels in the service fleet, but since they are relatively large, their aggregated tonnage is 4.6m (28%).

The service fleet is forecast to grow at an average annual rate of 1.1% to reach 24,704 vessels in 2024. Across the service segments, search and rescue, and patrol vessels will have the highest average growth rate (2.3%), followed by tugs (1.1%) and workboats (0.7%).

There are 676 service vessels on order (2.9% of the current fleet). However, given that there will be higher number of deliveries than new orders in 2020, by the end of the year the orderbook is forecast to shrink to 533 vessels, which is an all-time low.

Given the low orderbook, the deliveries will be weak in the years ahead. Deliveries of service ships will drop from 345 vessels in 2020 to 290 in 2021.

In total, 1,820 service vessels will be delivered in 2020–2024. Of those 1,196 will be tugs, which is 270 fewer (down 18%) than in the previous five years. Dredging ship deliveries will decrease by 48 vessels (down 35%) to 90 in 2020–2024.

The service fleet is quite old, with an average age of 25.8 years. Research vessels are particularly old, with an average age of 32 years. In 2020, 93 vessels will be removed from the fleet, which is also an all-time high. Service vessel removals are forecast to increase further, to above 100 vessels in 2022–2024.

The removals of service vessels are forecast to strengthen significantly. In number of vessels, the removal forecast for 2020–2024 stands at 516 vessels, which is 294 more than in 2015–2019.

MARKETS

Golden Ocean ups charter coverage due to market uncertainty

GOLDEN Ocean, a Norway-based dry bulk company, has increased its charter coverage as it sees uncertainty remaining in the sector amid the coronavirus pandemic.

"While we believe that the recent improvement in rates reflects the diminishing impact of Covid-19 on the underlying demand for dry bulk commodities, uncertainty persists in the near term," the company's chief executive Ulrik Andersen said.

"We have therefore increased our charter coverage for the balance of 2020, although we maintain enough spot exposure to meaningfully participate in the strong rate environment expected," he said, adding that this "balanced commercial approach" will ensure healthy cashflows and an increase in its liquidity.

"Additionally, the significant one-off capital expenditures related to scrubber installations and the non-cash impairments that impacted our results in the first half of the year are behind us," he noted, and the recent market strength will directly benefit its results in the second half of the year.

The US-listed company posted a net loss of $41.3m in the second quarter of 2020 compared with a loss of $33.1m in the same period a year earlier, it said in a statement.

It recorded a loss of $5.6m from its investments in SwissMarine, while reporting an unrealised mark-to-market loss of $2.2m on shares in Scorpio Bulkers. It meanwhile made a gain of $300,000 from its investments in TFG Marine, its bunkering venture with Trafigura and Frontline, in which it has a 10% stake.

Golden Ocean, a unit of billionaire John Fredriksen, has 78 vessels in its fleet, of which 67 are owned and the rest are chartered-in. It completed the final eight of 23 planned scrubber installations in the second quarter of the year.

The company said it has faced challenges related to crew changes because of many port restrictions and quarantine measures. That has resulted in its crew members staying on board for longer periods.

It warned that it may experience additional off-hire time as a consequence.

The company also said it has joined the Getting to Zero Coalition, as part of its commitment to enhancing environmental, social and governance matters. The group, comprises of more than 110 companies within the maritime, energy, infrastructure and finance sectors, aims to develop commercially viable zero emission vessels by 2030.

BHP warns of slowing growth outside China

AUSTRALIAN mining giant BHP expects most economies to contract during 2020 as they are still battling the coronavirus pandemic, with the exception of China.

This would mean a decline in global steel production, with solid growth in China offset by a steep fall in the rest of the world.

"While the outlook for 2021 remains uncertain, within the scenarios that we consider, our base case has the world economy rebounding solidly during the year," BHP said, while reporting a more than 4% drop in its annual profits.

"There will, however, be considerable variation at the country level," it cautioned.

"Even with this rebound, our base case is for the world economy to be 6% smaller than it would otherwise have been in the 2021 calendar year."

The world's largest listed miner said it did not expect China and the member states of the Organisation for Economic Co-operation and Development to return to their pre Covid-19 trend growth rates until 2023, with developing economies outside East Asia likely to take longer.

BHP chief executive Mike Henry said in a release that the potential for fresh waves of coronavirus infections in key markets was weighing on the miner's demand outlook for 2021.

Meanwhile, BHP expects steel production to decline by 6% for crude steel and by 3%-4% for pig iron.

China's demand for iron ore is expected to be lower in the second half of this year than it is today as crude steel production plateaus and the scrap-to-steel ratio rises, BHP noted.

That is bad news for capesize owners as shipments of raw materials for steel-making would slow down for the rest of the year.

The miner anticipates that global steel production will expand slightly faster than population growth in coming decades, with a plateau and then a slow decline in China, offset by growth in the developing world, led by India.

IN OTHER NEWS

Suppliers call on associations to end payment frustration

SHIP suppliers and service providers are seeking closer collaboration with shipowners' and managers' associations to address a long-running complaint about delayed payment.

The concern has nothing to do with the coronavirus pandemic, President of the International Shipsuppliers and Services Association Saeed Al Malik, told Lloyd's List. "This is a structural problem that was there even before I joined ISSA 28 years ago."

He said individual suppliers and service providers could not go to each and every shipowner to ask for payment for a delivery that was overdue. "The best thing would be a Memorandum of Understanding between shipowners' associations, such as BIMCO, Intercargo, and Intertanko and ISSA."

He is calling on shipping associations to create gentleman's agreements whereby members of each association would respect the code of ethics that governed business dealings. "We need to start with an agreement so we can approach the association and say: your member is not respecting the terms of our agreement."

RCL second-quarter profit jumps on better rates

INTRA-Asia feeder RCL's second-quarter results show that the good profits reaped by the slew of container lines that have reported so far is not limited to just the big mainline carriers, as lower costs and higher rates pushed it to an almost twenty-fold jump in net profit of Baht215m ($6.9m) compared to Baht11m in the previous corresponding period.

While acknowledging coronavirus had adversely affected shipping demand, RCL said it took measures to mitigate the impact, such as by putting on special port calls and extra voyage arrangements for available cargo.

As a result, even though volumes fell 15% to 465,000 teu and revenue fell 9% to Baht3.93bn, freight income improved by 8%, and contributed significantly to the bottom line.

MISC wins first FPSO project in Brazil

MISC has won a long-term floating production, storage and offloading vessel charter, operation and maintenance contract from Petrobras for the Libra block in the Santos Basin.

The Malaysian energy logistics player said in a press release that it had accepted a Letter of Intent from the Brazilian oil company for a 22.5-year charter of the Mero 3 FPSO, its first deepwater FPSO project in Brazil, but did not disclose financial details.

The Mero 3 FPSO is expected to begin operation in the first half of 2024.

Noting that it had taken two years to gain a foothold in the Brazil market, one of the biggest for FPSOs in the world, MISC president and group chief executive Yee Yang Chien said: "Marked by this achievement, we are ushering a new era for MISC by undertaking a complex project with a huge investment that will ultimately lay the foundation for future international projects."

Norwegian DNV GL employee held suspected of spying for Russia

A NORWEGIAN employee of DNV GL has been remanded in custody for four weeks on suspicion of spying for Russia.

The man, in his 50s, was arrested on Saturday as he met an alleged Russian intelligence officer in an Oslo restaurant, Associated Press reported. He reportedly denies wrongdoing.

The man, who has not been identified, faced Oslo district court judge Helene Andenaes Sekulic at a closed hearing on Monday, AP reported. He admitted received money, but denied the information he gave the alleged Russian officer was sensitive, Norway's NTB news agency said.

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