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Maersk throws money at crew repatriation effort, but expects no quick fix



MAERSK HAS MANAGED to repatriate a couple of thousand seafarers in recent weeks, but group chief executive Søren Skou warned on Wednesday that “it will be a while” before the crew change crisis is resolved.

Speaking on a conference call following the release of the Danish group's second quarter of the year results, Mr Skou said that the “single biggest challenge” faced during the pandemic “has been the difficulty in getting our seafarers relieved when their tour of duty was up due to travel restrictions, closed borders and lack of flights”.

It is a problem that cannot be tackled alone, Mr Skou added, with Maersk working hard to resolve these issues in collaboration with its primary flag states — Denmark, Singapore and Hong Kong. “We continue to battle this problem,” he said.

Mr Skou also said that, although home leave for many of those working on Maersk ships was overdue, he did not expect the container line to be hit by strikes or any other industrial action that would impact fleet operations.

“I believe our crews on board understand that we take this problem very seriously, and that we are spending a lot of money to help them get home for their vacations and to see their families,” he said.

Around 6,600 seafarers are serving on Maersk ships at any one time, and at the peak of the emergency in July, some two-thirds had come to the end of their contracts and were due to take leave. However, they were unable to head home because of disembarkation and travel

restrictions that were brought in across the world as the coronavirus pandemic spread. The same constraints are preventing replacement crews from joining ships.

In recent weeks, Maersk has managed to change some crews, with the number now down to around a third of its seafarers who are out of contract. “We are making progress every day,” said Mr Skou.

Steps taken by Maersk include booking hotel capacity in Mumbai and Manila, where seafarers can be quarantined and given health checks, before being flown to Denmark on chartered planes and then transferred to ships calling in Europe’s Schengen Area.

“The whole process includes strict safety protocols, with multiple tests at all stages of the journey to protect our people and surroundings from further spread of the virus,” said Mr Skou.

Maersk has also made crew change arrangements in Hong Kong and Singapore.

Although Maersk is now managing to repatriate some of its crew, albeit fairly slowly, many other shipowners and operators do not have the clout or deep pockets of the world’s largest containership operator, leaving huge numbers of seafarers effectively stranded at sea long after they were due to go ashore.

WHAT TO WATCH

Wakashio owner stands behind crew after arrest of master

NAGASHIKI Shipping, the Japanese owner of the capesize bulker that ran aground off Mauritius, says it will support the crew and their families while awaiting judicial decisions after the arrest of two of the ship’s officers.

The announcement on Wednesday comes after the master of *Wakashio* was arrested on Tuesday, alongside the vessel’s chief officer, on charges of endangering safe navigation.

“We sincerely apologise for causing a great deal of inconvenience to everyone involved, including everyone in Mauritius, due to this grounding accident and oil spill,” the owner said.

Panama-flagged, 203,130 dwt *Wakashio* struck a coral reef off Mauritius on July 25 and later broke apart during the weekend, leading to a massive oil spill that has created a serious environmental and ecological disaster in the pristine waters of the island nation in the Indian Ocean.

Nagashiki estimated that around 30 cu m of lubricating oil and residues remained on board in the stern section of the vessel as of August 17.

In a separate statement, Intercargo urged the flag state and all involved stakeholders to investigate the environmental tragedy both transparently and in depth, and to release the findings as a matter of urgency.

“We are relieved that the crew was safely evacuated, and that any loss of life has been avoided in this tragic incident,” said the association of dry bulker shipowners. “As an industry we must ensure such accidents are avoided especially in busy sea lanes, which pass through pristine environmental habitats and island nations, where people are dependent on marine life and tourism.”

Meanwhile, the ship’s charterer Mitsui OSK Lines said it will dispatch an additional team later this month to help clean up the pollution.

The Japanese shipping line added it had also sent oil-recovery equipment that was expected to arrive on August 21.

A team of six employees of MOL already arrived at the accident site on August 12.

Between the lines: Carriers up third-quarter capacity in anticipation of volume recovery

ALTHOUGH the coronavirus pandemic is still in the headlines, with fears of an incoming

second wave, it is seemingly becoming less of a concern within the realm of container

shipping and the supply-side planning of shipping lines.

This is evident by the lower number of blank sailings, very high year-on-year capacity growth for the third quarter of 2020, and the aggressive reinstatement of previously blanked sailings in recent weeks, with a demand resurgence looking increasing likely — especially on the transpacific.

Figures 1-4 show the number of blank sailings in weeks five to 44, both actual past blank sailings and those scheduled at time of writing (August 14, 2020) on the transpacific and Asia–Europe trade lanes.

To distinguish between “normal” Chinese New Year (CNY) blank sailings and those attributable to the pandemic, we have designated all blank sailings announced or scheduled before CNY on January 25 as CNY blank sailings.

Blank sailings announced from CNY until March 13 are labelled as “Coronavirus (China) blanks”, as these were mainly caused by a supply-side disruption in China and neighbouring countries.

Blank sailings announced after March 13 have been labelled “Global pandemic blanks”, as these blank sailings were caused by a drop in demand in destination regions, rather than a shortage of production in China.

On the transpacific, blank sailings have come to a standstill in recent weeks, with only one blank sailing scheduled in the upcoming 12 weeks on the Asia–North America west coast and three on Asia–North America east coast.

On Asia–Europe, however, carriers are still blanking sailings, but these are in the form of service suspensions attributed to 2M’s AE2/Swan on the Asia–Northern Europe trade and AE20/Dragon on the Asia–Mediterranean.

However, from week 40 and onwards (the fourth quarter of 2020), there are no blank sailings on either trade lane, as 2M has not yet made an announcement on the aforementioned service suspensions beyond the third quarter of the year.

If the suspension continues, there will be a baseline of one blank sailing on each Asia–Europe trade lane in the fourth quarter as well.

Pandemic pattern

In the middle of the pandemic blank sailings, a peculiar pattern in both the timing of

announcements in blank sailings and the share of the alliance capacity being blanked emerged, whereby it looked as if Ocean Alliance was blanking less than the other alliances — seemingly using the pandemic to steal market share.

Digging into it, we found out that capacity market shares had been relatively flat and Ocean Alliance was not, indeed, stealing market share.

The explanation was in the differences in average vessel sizes. 2M and The Alliance were increasing their average vessel sizes, while Ocean Alliance was keeping it steady. The “extra” blanked capacity share from 2M and The Alliance was effectively cancelling out a capacity injection, due to the increased vessel sizes.

However, when we looked at the sub-component trade lanes, there were some interesting observations.

Focusing on just 2020, Figure 5 shows the alliance capacity market shares on the Asia–North America west coast trade lane, while Figure 6 shows the same for the Asia–Northern Europe trade lane.

After the initial volatility because of the coronavirus outbreak, 2M is increasing capacity market share on Asia–North America west coast, seemingly at the expense of Ocean Alliance.

On Asia–Northern Europe, however, The Alliance seems to be gaining capacity market share from 2M. The slight increase for 2M at the end of the period will be wiped out if it announces an extension to AE2/Swan’s current suspension.

With the currently low level of blank sailings, what does this mean for third quarter of the year capacity deployment?

Carriers’ capacity deployments in the three-month period are slated to outpace 2019 by a considerable margin on the transpacific; are slightly higher on Asia–Northern Europe; and are contracting by a considerably higher margin on the Asia–Mediterranean trade.

Figure 7 shows the third-quarter, peak season, year-on-year changes in capacity on the transpacific and Asia–Europe trades, with the 2020 outlook based on scheduled capacity in the current week 33 and how it looked at the start of August (Week 31, 2020).

On one hand, we can see how bullish the carriers are in terms of capacity deployment for the third quarter

and how optimistic they are for a positive demand scenario; on the other, we can also see how aggressively they are upping the capacity on some trades from just a few weeks earlier.

The Asia–North America west coast trade is slated to grow by 10.1% in the third quarter of the year compared with last year, up by nearly two percentage points since week 31, while the Asia–North America east coast trade is slated to grow 12.6%, up by 0.6 percentage points from week 31.

Double-digit growth

This is the first time in the analysed period that both transpacific trade lanes are seeing double-digit, year-on-year growth.

On the Asia–Europe trade, carriers are less optimistic, as Asia–Northern Europe is slated to grow 1.1% in the third quarter of 2020, up from a 0.5% contraction as of week 31.

The Asia–Mediterranean, on the other hand, recorded no change in the third quarter outlook through to week 31, and is still slated to contract by 9.2%.

The carriers may not be wrong in their optimism when we look at the most recent demand-side data.

Sulphur cap not all smooth sailing, survey reveals

SHIPPING continues to experience fuel quality and safety problems in the wake of the sulphur cap transition, an industry survey suggests.

Members of BIMCO, the International Chamber of Shipping, Intertanko and Intercargo reported problems such as increased sludge deposits, higher wear and tear, and off-spec fuel.

The survey ran from February 24 to May 6 with results drawn from 192 responses. Most were from companies' shore-based personnel, such as technical, fleet and bunker departments.

A total of 62% of respondents experienced increased sludge deposits in the fuel oil system, including more sludge discharge from the ship's separators. Some 32% saw wax appearance in the fuel system, and 31% had operational issues from increased wear and tear of cylinder liners, piston rings or other components amid increased catalytic fines — hard aluminium or silicon oxide particles — in the fuel oil.

Figure 8 shows the January–June 2020 annual changes in Container Trade Statistics' demand data on both a global level, as well as for imports into North America and Europe.

We can see that the peak pandemic impact was in April (except for in North America, where we saw a further contraction in May), followed by a very drastic improvement in May/June, with the rate of decline cut in half in June.

Global volumes “only” declined by 5.1% in June against last year, while North American and European imports contracted by 5.8% and 4.9%, respectively.

This improvement was also corroborated when we looked at North America west coast port volumes, as laden imports declined by “only” 7.3% year on year in June 2020 from a trough of 17.9%; and total throughout declined by 9.8% from a trough of 18.7%.

While the improvement is clearly visible — and possibly the reason for the optimistic capacity scenario on the transpacific trade — we must not lose sight of the fact that the impact of coronavirus on the first half of 2020 has been dire and the global market still lost 5.7m teu compared to the first six months of 2019.

Of those surveyed, 22% said fuel oil had been debunkered because of fuel properties, while 21% had problems with fuel injection, poor ignition or incomplete combustion.

18% had fuel oil pump seizures and 10% experienced loss of propulsion and/or black out because of fuel.

The survey's authors said its results suggested the IMO 2020 switch to 0.5% sulphur fuel “has not been without problems”.

“As fuel oil properties are fluctuating, quality and safety problems will continue to be a challenge for the global shipping industry,” it said.

BIMCO marine environment manager Christian Bækmark Schiølborg told Lloyd's List none of the problems shown were new to the industry. “What has changed is how frequent the problems seem to appear,” he said.

Mr Schiolborg said the sulphur cap transition had been a success, with very few inquiries eight months after its implementation on both compliance and operation.

“However we were expecting quality issues with the new fuel types and that it would take time for people to learn how to effectively manage these fuel types,” he said.

Mr Schiolborg said in many situations where bunker was off-spec, it was left to the crew to handle any problems such as increased sludge or wax. Ships had

typically left port long ago by the time their commercial fuel sample results came back.

“At that stage, the crew can either try to get the best out of the fuel they have received, by settling, heating and purifying, or they can try to arrange debunkering if possible.”

Mr Schiolborg said BIMCO supported the obligation for countries to establish and enforce bunker licensing schemes for all suppliers approved to deliver fuel oil within their jurisdiction.

OPINION

Time to ensure shipping is not out of sight, out of mind

WHEN the world came to a standstill, the shipping industry carried on. Planes were grounded, trucks stopped moving, economies were shuttered, and yet the food, medicine, PPE, energy and just about everything else that keeps the world going was delivered thanks to shipping’s resilience and reliability.

That story barely registered in the mainstream media.

The seafarers that should have been recognised as essential workers and revered as heroes for keeping the world moving were ignored by governments, creating a hidden humanitarian crisis at sea.

That situation continues to get worse, not better and few journalists beyond the industry’s press are asking questions. And yet the industry has continued to adapt, collaborate and innovate in response and kept the global economy from collapse as a result.

Shipping had a serious image problem long before the economic tsunami of coronavirus, but it has exposed the lack of agency within the industry to leverage its role as the backbone of the global economy.

Too often shipping remains out of sight, out of mind and while we impotently bemoan this sea blindness internally, too few of us are prepared to put our heads above the parapet and speak out.

Shipping has positive stories to tell. It is more essential than ever that we tell those stories.

The adaptability and sheer determination of companies and seafarers to keep the world moving is a theme that has run through Lloyd’s List’s reporting this year, which is why we are using the Lloyd’s List Awards to create a platform for those stories to be told.

We have set aside the traditional awards portfolio for 2020 to recognise the exceptional circumstances in which the maritime industry has found itself as a result of the pandemic.

A revised list of categories and criteria has been created to recognise not only high standards in maritime, but also the resilience and innovation shown by the industry in the face of unprecedented adversity.

These are challenging times, but there are positives to take from this global shock.

The Lloyd’s List Awards are an opportunity to showcase those advances and start to raise the profile of shipping as the world’s essential industry.

The awards themselves, of course, will adapt to the circumstances we find ourselves in.

Due to the impact of the coronavirus pandemic and the likelihood many winners and sponsors may not be able to attend the Lloyd’s List Awards in London in December, we have created a unique, week-long programme to recognise shipping’s resilience and innovation in 2020, culminating in a networking dinner.

Lloyd's List will announce winners during the week, through a multi-platform content programme comprising articles, podcasts, discussions with judges, "fireside" chats with senior executives to explore their wins and interviews with sponsors.

The programme of content will culminate in a socially distanced networking dinner at the Royal Lancaster Hotel in London on December 8, providing a safe and enjoyable evening for those who can travel, to network with peers and celebrate the end of the most difficult and disruptive year most of us have ever encountered.

Details about the specially adapted categories and the international panel of industry judges who will be deciding the winners this year can be found here.

The shipping industry is crying out for genuine leaders, innovators and stories to guide the way through a period of seismic change.

The Lloyd's List Awards are more necessary than ever, precisely because they reward successful endeavour in the face of seemingly intractable problems.

So we urge you to wear your laurels with pride. Modesty is falsely applied in a world casting about for answers to tough questions and shipping needs you to showcase your story.

Enter the Lloyd's List Awards today and show the way forward.

ANALYSIS

China's record imports: Miracle or mirage?

RECORD imports of dry bulk commodities seen by China in the second quarter of the year indicate that the sector has turned the corner.

While the rest of the world plunged into recession due to the pandemic, China has been trying to dig itself out of a steep economic slump.

China has been the shining light — and, according to shipbroker Braemar ACM, dry bulk demand has become ever more dependent on the world's second-largest economy.

China imported 659.6m tonnes of iron ore over the past seven months of the year, up 11.8% compared to the same period a year before.

The Asian giant's coal imports from January to July totalled 200m tonnes, up 6.8% year on year and just 99.58m tonnes short of 2019's total imports.

For soyabeans, imports in the first seven months rose 18% year on year to 55.14m tonnes.

Yet are these apparent record shipments into China the real deal — or just a form of fool's gold?

Analysts argue that there will be a recovery in the dry bulk segment in the second half, but it will not be as strong as in previous years.

"Surely the clever Chinese merchants are buying when prices are right?" BIMCO's chief shipping analyst Peter Sand said.

"[Or] maybe China is building a buffer ahead of a tougher stance against Australia," he suggested.

Mr Sand added that Chinese iron ore imports did not grow in the past two years as steel makers relied heavily on scrap metal for their electric arc furnaces to grow production rapidly.

"So why this sudden move?" he asked.

Mr Sand also believes that the Covid-19 recovery picture China has been painting is not quite as fine and dandy as it has been made out to be.

"I would suspect China stimulus to boost domestic employment and domestic production in mines et cetera. Apparently, that is not what's going on.

"If coal mines were all back at full normal, why would China import 13m tonnes extra? A small amount to the scale of domestic production, I know that — but still China is not buying anything out of pure mercy and philanthropy."

Yet he agreed that the dry bulk sector would see solid demand from China until a new normal is reached.

Mr Sand expects Chinese import growth to ease at some point in the second half of the year, as the country gradually recovers from the virus.

Iron ore

Overall, the steel industry has borne the brunt of a coronavirus-led downturn this year, except for China.

Chinese domestic steel demand has been boosted by mega infrastructure projects, such as airports and rail links, which were scheduled pre-pandemic.

More recently, there has been an uptick in steel procurement for infrastructure projects supported by the special bonds issued in May by the provincial governments.

The Chinese steel market has become such an outlier in the global economy that it has become a target for other steel-producing countries to sell to, with China becoming a net importer of steel for the first time in 11 years in June, according to Braemar.

Robust steel output naturally drove a boost in Chinese iron ore imports, which reached a record 113m tonnes in July, making up for lower sales into other steel-producing countries.

Meanwhile, restricted supply from some of the major exporters also saw China pulling in ore from atypical suppliers.

For example, China's imports from India over the second quarter trebled year on year to 12m tonnes, hauled mostly on supramaxes, the shipbroker noted.

Looking forward, Braemar forecasts China's 2020 steel output to surpass 1bn tonnes, which will be around 2.5% higher versus 2019.

"This incorporates a gradual tapering off in output in the later months of this year, with weaker external demand for steel keeping margins in check and the usual seasonal winter pollution controls."

New York-New Jersey beats out Long Beach as number two US box facility, claims report

THE Port of New York-New Jersey has overtaken California's Port of Long Beach as the number two container facility in the US, according to an economic impact report released by the New York Shipping Association.

"In terms of container volume, in 2019, the port was both the largest operation on the Atlantic coast and the second-largest container port in the United States," said the report produced by the North Jersey Transportation Planning Authority.

The NJTPA report said the region's maritime facilities handled nearly 7.5m teu, up from 6.3m

Mining giant BHP also expects Chinese demand for iron ore to be lower than today as crude steel production plateaus and the scrap-to-steel ratio rises.

Coal

China's coal imports rebounded in the first half of the year but since then have slowed because of exhausted import quotas as the economy tries to incentivise domestic producers.

Economic growth drives the demand for power generation and industrial production in China, as does the demand for coal imports.

While these equations appear linear and straightforward on the surface and should induce further imports, in reality, the demand for coal — and, by extension, demand for its transport on ships — is ebbing away as Chinese authorities seem unwilling to grant additional allowances for imports.

Beijing had already been stepping up curbs on coal imports since June, through lengthy processing and import quotas as the nation looks to bolster its coal industry.

Further discouraging the demand for coal in China, new hydro power capacity is scheduled to be brought online soon and existing hydro output is being buoyed by the recent heavy rainfall, Braemar said, adding that it expects Chinese seaborne coal demand to remain subdued for the rest of the year.

"We forecast second-half 2020 coal imports to come in around 25% lower year on year," it conceded.

teu in 2016 and 5.8m in 2012. They also handled 578,000 vehicles, as well as 50m tons of cargo and nearly 102,000 tons of breakbulk cargo.

The port of Los Angeles remains the country's number one facility with throughput of 9.3m teu in 2019, but PNYNJ might get an argument over the number two spot as Long Beach recorded more than 7.6m teu in 2019.

Whether it ranks number two or number three in the national port standings, however, PNYNJ has seen remarkable growth in recent years — more

than enough to mount a serious challenge to its west coast rivals.

NJTPA chair Kathryn DeFillippo said her organisation focused on maintaining and improving infrastructure for all users, including the roads and rails that keep freight moving through the region.

She said the NJTPA report “highlights the impact those investments have on our region’s economy, including supporting more than 100,000 new jobs since 2016”.

The report said that cargo and passenger flows efficiently handled in 2019 would not have been possible without the “significant investments” made in the port from 2014 through the end of 2019.

It said that public agencies and private port operations invested close to \$2.9bn, including roadways, \$1.48bn; terminals, \$1.05bn; rail, \$224m; and waterside developments, \$131.8m.

“The investments reshaped and repositioned the port to meet 21st century needs,” the report said, noting that the largest single investment was the raising of the Bayonne Bridge to enable the passage of larger vessels.

Additional significant investments were made in terminal buildings and berths, cargo handling equipment, intermodal rail infrastructure, roadways, security, and information systems.

The investments have enabled the port to handle “the new larger neo-panamax vessels and expedite the efficient movement of cargo throughout the region and North America”.

Investments

NYSA president John Nardi said the public and private investments have modernised PNYNJ into a

national leader and have proven their worth by “sustaining the efficient movement of goods at a critical time”.

Sam Ruda, PNYNJ director said: “Keeping the port fully operational as an essential business designated by the federal and state government and supporting these jobs... is even more important now during this period of economic uncertainty.”

The coronavirus outbreak has clearly created some economic uncertainty for PNYNJ, which reported a 7.44% downturn in year-to-date loaded container imports through the end of June 2020 compared with the same six months a year earlier.

According to the August Global Port Tracker, a monthly report produced by Hackett Associates for the National Retail Federation, PNYNJ’s containerised imports decreased by 0.7% in June to 264,000 teu, a 12.5% fall from June 2019.

But the GPT sees a brighter outlook in the coming months, with a forecast uptick of 2.5% in imports between July and December versus January through June. While that’s up over the first half of 2020, the figure is still 1.8% down compared to the 4.3% gain between the same two periods of last year.

GPT also said PNYNJ’s import volume in the second half of 2020 is forecast to decrease by 9.0% to 1.75m teu versus the equivalent period of 2019, while its import volume in the first half of 2020 is forecast to increase by 4.3% versus the equivalent period of 2019, with 1.78m teu.

Overall, GPT said the forecast import volume for PNYNJ during 2020 is 3.46m teu, representing an 8.2% decline from 2019.

MARKETS

Maersk lifts profits outlook with an eye on post-Covid recovery

MAERSK, the world’s largest ocean box carrier, says that it expects to post an operating result even higher than previously anticipated for 2020, as volumes “progressively recover” in the third quarter.

Considering the coronavirus pandemic, Maersk suspended its full-year guidance in March with the full impact on trade flows unclear. In the previous month the Danish group said that its earnings this

year were forecast to be around \$5.5bn, before restructuring and integration costs.

However, upon the release of its second-quarter results, the container shipping giant has reinstated its guidance and expects earnings before interest, tax, depreciation and amortisation to be \$6bn-\$7bn. This again is before restructuring and integration costs are taken into account.

Maersk did, though, state that its new guidance was subject to “significant uncertainties related to the Covid-19 pandemic and does not take into consideration a material second lockdown phase”.

“The guidance is also subject to uncertainties related to freight rates, bunker prices and other external factors,” it added.

In terms of volumes, Maersk now expects a “mid-single digit” contraction, while organic volume growth in its ocean volumes is expected to be in line with or slightly lower than the average market growth.

The revised forecast comes after Maersk reported a significant improvement in its operating result for the second quarter of 2020.

Maersk chief executive Søren Skou said the result marked the eighth consecutive quarter with year-on-year improvements in operating earnings.

“The continued improvement in operating results were driven by strong cost performance across all of

our businesses, lower fuel prices and higher freight rates on ocean and increased profitability in Logistics & Services.”

The group’s ebitda increased 25% across all business segments to \$1.7bn, which again was higher than its \$1.5bn June forecast.

As expected, the coronavirus crisis hit container volumes hard in the three-month period.

Maersk reported a 16% drop in volumes carried by Maersk Line and 14% slump in APM Terminals’ liftings, contributing heavily to a 6.5% fall in group revenues.

However, revenues were partially offset by increased revenue per move at its terminals as well as an improvement in freight rates, which carriers industry-wide have been able to uphold due to astute capacity management during the pandemic. Maersk reported a 4.5% advance in its average freight rate to \$1,915 per feu during the second quarter.

This helped Maersk’s profit for the second quarter grow to \$427m from \$141m in the corresponding period of 2019.

Mr Skou said that following with a “strong result and a strong balance sheet” the group was “well positioned to financially and strategically come out stronger of the crisis”.

Australia ships first LNG to Chile

AN oversupply of liquefied natural gas in Asia is seen as forcing cargoes from Australia to venture to new markets as far away as Chile.

An LNG shipment from Queensland Curtis LNG plant arrived on board the 170,000 cu m tanker *Sevilla Knutsen*, at Quintero, Chile on August 15, Lloyd’s List Intelligence data showed.

This marked Australia’s first LNG export to Chile, which has historically sourced most of its LNG imports from the Atlantic Basin, according to Australia-focused research agency EnergyQuest.

EnergyQuest viewed this shipment, which entailed a voyage of over 13,500 nautical miles, as reflecting oversupply in Asia.

It linked this long-haul shipment to a portfolio contract for 3m tonnes per annum of supply from 2009 to 2030 between GNL Quintero and BG, which has been acquired by Shell.

Shell owns a stake of over 26% in QCLNG, which the energy giant is considering divesting.

Wholesale gas prices in Chile averaged \$6.50 per million British thermal units in 2019, according to the International Gas Union.

By comparison, LNG spot cargoes for front-month loading in October traded at \$4.22 per mmBtu on Tuesday.

Wallenius Wilhelmsen keeps lid on costs as volumes start to return

Car carrier operator Wallenius Wilhelmsen said it hoped to weather the pandemic with significant cost cuts as volumes fell 45% in the second quarter of the year.

The company said it had likely passed the worst of the crisis and expected volumes in the third quarter of 2020 to be down 25% year on year, although recovery would be uneven.

The Scandinavia-based company put 15 vessels in cold layup, up from 10 earlier in the year. It redelivered vessels, cancelled sailings, cut speeds, and delayed scrubber fits and loan repayments to adjust to sharp falls in volumes across the world.

“As the pandemic and its impact on people, societies and business around the world continues to evolve, we have successfully taken a range of actions to ensure safe workplaces, adjust capacity, reduce costs and protect our cash position,” said chief executive Craig Jasienski.

“Though the future remains unpredictable, we are encouraged to see volumes beginning to return and are now focused on supporting our customers through the market recovery while maintaining tight cost control.”

The company said excess capacity would last for some time. But it hoped the crisis would remove

some, with nine car carriers recycled in the second quarter of the year and 15 scrapped this year across the global fleet.

Mr Jasienski told a conference call about 20% of the fleet was still laid up and 32 more vessels were expected to be recycled.

The company posted a net loss of \$69m as revenue fell 40% year on year to \$606m.

Its adjusted earnings before interest, tax, depreciation and amortisation was better than expected at \$104m, down only 8% from the previous quarter, amid much lower fuel costs and better rates from carrying high and heavy cargo.

The car carrier also strengthened its cash position from \$451m to \$539m. But it put aside \$55m for claims related to antitrust investigations.

The company’s fleet stood at 117 vessels at the end of the quarter, down from 123.

Arctic Securities said the adjusted earnings result exceeded expectations “by a landslide”.

Danske Bank added it “shattered all estimates and fears for the quarter and delivered a surprisingly strong cashflow”, predicting shares would rise 10% or more.

IN OTHER NEWS

Golden Ocean's Ulrik Andersen takes 'wait-and-see stance' on newbuildings

GOLDEN Ocean's newly appointed chief executive Ulrik Andersen is eyeing developments in fuel technologies in order to guide his decisions on newbuildings.

“We are in a wait-and-see stance,” he tells Lloyd’s List. “Not passively waiting, but actively monitoring the developments in new fuel types and regulations.”

Noting with satisfaction that “tremendous” research and development efforts are being

made to decarbonise the industry, he says: “Today, there is no widely adopted or future-proof solution available, which is holding most owners back from ordering.”

Two of the main pillars of the company's strategy are digitalisation and environmental, social and corporate governance, says Mr Andersen, “both of which we believe are key if Golden Ocean is to stay a market leader in dry bulk shipping”.

Zim nets highest earnings in a decade
CONTAINER line Zim enjoyed its highest three-month profits in a

decade in the second quarter of 2020.

The Israel-based company reported on Wednesday that it recorded a \$25.3m net profit between March and June, marking a 394% increase compared to the same period in 2019.

The stark improvement came despite a 4.7% decline in revenue, which stood at \$795.1m in the second quarter of the year.

Norden sets up joint-venture with Synergy for tanker management
NORDEN, a Danish shipping company, has set up a joint

venture with Synergy Marine Group to handle the technical management of its owned tanker fleet.

"In-house technical management is incompatible with Norden's transition to a trading-oriented business with large and frequent fluctuations in the number of ships owned," it said in a statement.

While Norden has delivered "safe, reliable and cost-efficient technical management" of its owned fleet for many years, it "does not provide the commercial flexibility required nor economies of scale to invest in digitalisation of technical management, where Synergy is a leading provider of digital solutions", it added.

Synergy has managed the company's dry cargo fleet since September last year.

Greek seafarer dies after bulker blaze in the Arabian Sea

ONE seafarer has been killed and one has been injured in a fire that broke out on a bulk carrier in the Arabian Sea.

The Greece-flagged, 92,485 dwt bulker *Faneromeni* suffered a fire while in the Arabian Sea early on Wednesday morning. A 55-year-old Greek second engineer died and a 26-year-old Greek third engineer was injured with breathing problems, the Hellenic ministry of maritime affairs and insular policy confirmed to Lloyd's List.

The crew managed to put out the fire and the injured seafarer's life is not in danger, a spokesperson for the ministry said. While ships in the surrounding region have been notified of the incident, the spokesperson said they are still far from the vessel and it is unclear when one will be able to arrive to assist.

AlixPartners advises Xihe court-appointed supervisors

ALIXPARTNERS has emerged as another notable consultancy firm enlisted to work on the convoluted restructuring of a sprawling trading and shipping business empire founded by Singapore-based tycoon, OK Lim.

The American consultancy, which is best known for its work in turning around businesses, has embarked on its new role advising the court-appointed supervisors or interim judicial managers of five Xihe Group entities from Grant Thornton Singapore.

The AlixPartners' team led by managing director Lim Lian Hoon, who is a former senior executive of Neptune Orient Lines with decades-long logistics and supply chain management experience, will advise the IJMs from Grant Thornton on relevant Xihe fleet matters, sources said.

CIMC ownership shake-up on the cards as Cosco sells stake

CHINA International Marine Containers says its second-largest shareholder Cosco Shipping wants to sell its stake in the company, raising prospects of an ownership restructuring of the container manufacturer and offshore rig builder.

Two other shareholders, Broad Ride Ltd and Promotor Holdings Ltd, had also made the same proposal, according to an exchange filing.

The sale could potentially lead to a change of its largest shareholder, said Shenzhen and Hong Kong-listed CIMC, adding that the deals are not yet certain and still pending regulatory approvals.

DP World expands India footprint with feeder acquisition

GLOBAL ports operator DP World

has further expanded its logistics footprint in India by acquiring feeder and trade operators, as part of its strategy to become an end-to-end supply chain solutions provider.

DP world via Unifeeder, which it acquired in 2018, has confirmed that it is buying Transworld Feeders and Avana Logistek, including its subsidiary Avana Global.

It is also acquiring Transworld Feeders, the Indian coastal and international container feeder shipping operations of Shreyas Shipping and Logistics, excluding vessels and bulk operations, DP World said in a statement on Wednesday.

The deal value has not been disclosed and is subject to regulatory approvals.

Diversification helps Braemar overcome Covid slump

BRAEMAR said diversifying its business had helped it weather the Covid-19 downturn as it reported a strong first half for its shipbroking and advisory units.

Volatility in the tanker markets in March and April drove up spot and charter rates, helping Braemar's shipbroking business, while performance at its sale and purchase, dry cargo and Braemar Atlantic dry forward freight agreements improved as the oil imbalance and economic shocks eased.

In a trading update the London-listed broker said it recruited four product tanker brokers from Lightship Chartering for its new Geneva office. It said the division's overall revenues for the first five months of the year were above last year's and would likely meet expectations for the full year.

Oil companies body offers remote inspections of tankers due to coronavirus

THE oil industry has agreed to offer remote inspections of tankers as a temporary option to prevent the spread of coronavirus.

The Oil Companies International Marine Forum has decided to add the remote option for the Ship Inspection Report Programme, which is the standardised risk assessment charterers use to vet tankers before hiring them.

The OCIMF announced on Tuesday evening that it was adding remote inspections to its offering to allow for continued inspections without putting inspectors' health at risk.

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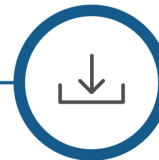
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