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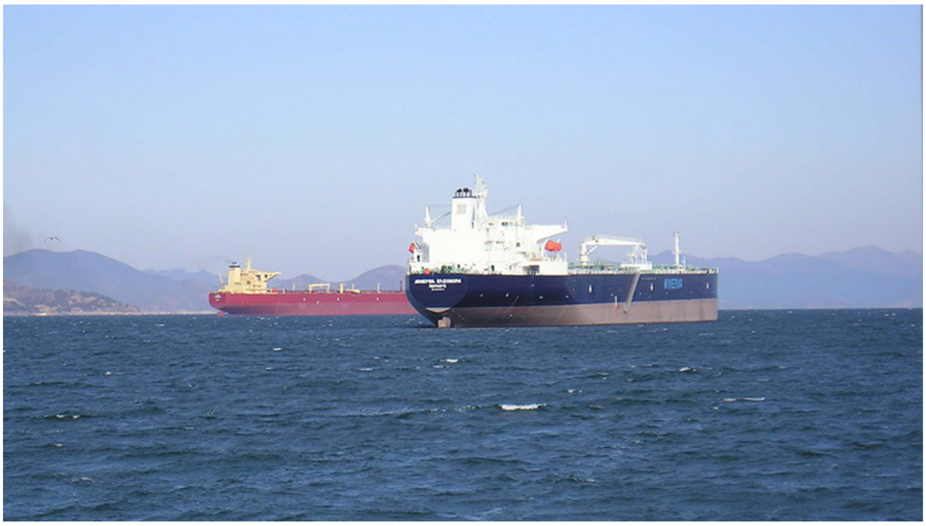
Libya export resumption looks uncertain



THE SECOND AFRAMAX tanker in eight months to load at Libya's Es Sider terminal remains at anchor even as tentative signs emerge that oil production will resume this month in the north African country after being offline for most of 2020.

The Greece-flagged *Minerva Eleonora* was chartered by Hess to load an 80,000-tonne cargo on September 10, according to vessel-tracking and fixture information compiled from Lloyd's List Intelligence.

Although arriving on that date, the tanker has not moved, with the delay reflecting continued political uncertainty.

Libya's national oil company lifted a force majeure on ports and facilities it said were secure, on Saturday.

The force majeure has been in place at some ports in Libya since January.

Es Sider is the largest of Libya's nine export ports and with the exception of one cross-Mediterranean shipment on the aframax *Kriti Bastion* in July, no cargoes have been shipped since a port blockade began in January.

The *Minerva Elenora*'s last Automatic Identification System signal was on September 20. It is not certain whether the vessel has switched off its transponder or whether there are difficulties in receiving the satellite signal.

The port closures removed some 940,000 barrels per day from the global crude markets in 2020, as well as a key source of employment aframax and suezmax tonnage in the Mediterranean markets.

The oil market is closely watching for any indicators that Libyan oil exports can resume, amid fears this will add to an oversupply as a second wave of coronavirus lockdown measures in European and American countries stalls any rebound in demand.

Five shipments were tracked shipping crude or condensate cargoes from Libya last month, data from Lloyd's List Intelligence show.

Until civil unrest closed ports, Libyan shipments to refineries in the Mediterranean and Asia employed some 588 tankers over 2019, according to the data.

The UN-backed Government of National Accord and the Libyan National Army are fighting over oil production and port assets across Libya.

The eastern terminals, including Es Sider, are controlled by the LNA, which imposed the port blockade.

Any movements by *Minerva Eleonora* as the country's various tribal chiefs talk about any export resumption and restarting of production might indicate whether the eastern ports blockade remains in force.

WHAT TO WATCH

OSM takes over Fredriksen's shipmanagement business

OSM, the Norwegian shipmanager, has agreed to acquire SeaTeam Management, the shipmanagement unit owned by John Fredriksen-backed firms.

In a statement, OSM said the acquisition from tanker owner Frontline and bulker owner Golden Ocean is expected to be completed in the next 30 days, subject to "definitive documentation".

At present, Singapore-headquartered SeaTeam manages 51 vessels and has 2,000 employees, while OSM manages about 600 ships and has 15,000 employees, making it one of the largest shipmanagement firms in the world.

"The acquisition of SeaTeam will further reinforce OSM's position in Asia, where more than 100 vessels will be managed out of Singapore," OSM chief executive Bjoern Sprotee said.

"OSM will thereby have two equal and highly competent management organisations in northern Europe and Singapore respectively, servicing its customers in these regions."

No details on the terms of the acquisition were released.

OSM did not immediately respond to requests for comment.

Frontline chief executive Rober Hvide Macleod said the company has a trusting relationship with OSM and is comfortable handing over its vessels' management to it.

"This transaction demonstrates Frontline's ongoing commitment to maintaining a lean organisation without diminishing the earning capability of our tanker fleet," he said.

Golden Ocean said the deal would allow it to consolidate its shipmanagement services and focus on its core business "of owning and managing modern large-sized dry bulk vessels," according to chief executive Ulrik Anderson.

ANALYSIS

Education key to container packing concerns

POORLY packed containers and misdeclared dangerous goods are the bane of the container shipping sector. One bad box can literally sink a ship.

But the contents of a container are an area over which container lines have almost no control.

A sealed box is delivered to a port and craned onto a ship, with the verification of its contents done, if at all, by parties unrelated to the container line.

Analysis by cargo insurer TT Club estimates that up to 66% of incidents related to cargo damage are caused or exacerbated by poor packing processes.

And when things go wrong, not only are the consequences expensive — TT Club puts the cost to the transport industry at in excess of $6bn a year — but they can be fatal.

“Poor packing kills people,” said World Shipping Council vice-president Lars Kjaer.

Mr Kjaer, whose organisation represents the majority of large container shipping lines, was speaking at an event to promote the Cargo Integrity Group, a collaboration between the Container Owners Association, the Global Shippers Forum, the International Cargo Handling Co-ordination Association, TT Club and the WSC.

The aim of the group is to promote better adherence to the Code of Practice for Packing of Cargo Transport Units (CTU Code), which was introduced in 1997 by the International Maritime Organization, the International Labour Organisation and the UN Economic Commission for Europe.

While detailed — it runs to 127 pages, including annexes — the CTU code is a non-mandatory circular.

“The encyclopaedic approach of the CTU Code sets out the principles, but is undeniably wordy and cannot address all possible cargo types in a way that can be readily applied in practice,” said TT Club risk management director Peregrine Storrs-Fox.

The groups involved in the CIG have been promoting the CTU Code within their spheres of influence, he added.

“Sadly, wherever we have gone we’ve found woeful ignorance of the code.”

That ignorance has been behind the formation of the CIG and a push to increase awareness of the main tenets of the CTU Code.

The initial steps of providing a quick guide to the CTU Code and a packing checklist, may seem minor, but the CIG hopes they will be the first of many and will provide a trickle-down effect of educating those at the front line of packing containers.

“What is being presented here is something that has been developed by a group representing interests across the supply chain and therefore outreach and dissemination of information is highly important,” Mr Storrs-Fox said.

“The way that this is passed down to others is inevitably something of great concern, and we have spoken to other key stakeholders across the industry to help reach out to a wider audience than we can ourselves.”

This is not the first time efforts have been made to push for greater adherence to the CTU Code.

The TT Club’s ‘Cargo Integrity’ programme has been running for several years with the same goal of promoting awareness of proper packaging.

But as the increasing number of containership fires reported indicates, this has not necessarily been a roaring success.

Previous attempts to secure safety features in box shipping have led to legislative measures, but the CIG prefers education to regulation.

“The question is how we reach the parts that others can’t reach,” said ICHCA safety adviser Richard Brough.

The preferred method was to cascade information down to those doing the packing instead.

“Lines and freight forwarders are looking for good simple information that they can pass on to their counterparties, and that is what we have produced here,” Mr Storrs-Fox said.

Capt Brough said the move is seen as being proactive.

“We shouldn’t just wait for governments to come and hit us with a big stick,” he said. “We should use our own carrots to make sure our suppliers make the change so the message gets through.”

One problem is that legislation, in many parts of the world, does not exist to enforce packing rules and there is no auditing or enforcement.

“Something as internationally regulated as the Verification of Gross Mass is not being monitored,” Capt Brough said. “Governments do not have the resources and are expecting the industry to look after itself.

“If the UK was to do all the inspections it should do to comply with its obligations, it would need to recruit another 1,500 inspectors. The resources are not there to do that, so we do need the industry to accept its roles and responsibilities."

Mandatory weighing of containers was introduced through the IMO following the failure of attempts to persuade shippers in many parts of the world to follow voluntary best practice guidelines.

In 2008, the WSC and International Chamber of Shipping published the Safe Transport of Containers by Sea guide aimed at cargo interests.

The advice set out was a direct response to the MSC Napoli grounding the previous year, and the discovery that 20% of the containers on board that had remained dry were at least three tonnes over their declared weight. The collapse of a container stack on another ship had also caused alarm.

However, amid concern that the message about the importance of accurate container weight declarations was not getting through to those who packed them, the industry turned to the IMO for legally-binding regulations. These were drawn up in co-operation with leading shipper groups including the GSF, but enforcement remains a serious challenge.

The status of another initiative to improve containership safety remains unclear.

In 2018, Lloyd's List disclosed that chief executives of several top container lines were working on a new effort to stamp out cargo abuses.

Little has been heard of that move since, but Mr Kjaer said the CIG's initiative was not the conclusion of concerns that council members had about container safety.

"This is just one of a plethora of initiatives that we at the WSC have been asked by our principals to become involved in," he said.

Low retail inventories boost transpacific demand

A STEEP and sudden decline in retail inventory levels is likely to be behind the buoyant demand picture on the transpacific container trades, but the recovery could be short-lived as stock levels adjust to the new normal.

An analysis of US Census Bureau data by Sea-Intelligence shows that the impact on the pandemic on inventories in the US has been the most extreme since measurements began in 1992, and have affected manufacturing, wholesale and retail stocks.

"All are showing declining inventories in July, although it is also apparent that the retail sector is seeing the largest decline," Sea-Intelligence said.

The impact this time was larger than that seen in the US recession in 2001 and following the global financial crisis in 2009, with a much steeper and faster fall.

The inventory-to-sales ratio, which shows how much stock is being held relative to sales activity, showed a slow, gradual decline prior to the pandemic.

"In essence, they were in a slow process of reducing their inventories relative to their sales," Sea-Intelligence said.

But as the pandemic affected the market, the ratio initially jumped sharply as sales stagnated, but this was quickly reversed.

"By June, the retailers' inventory levels had bottomed out, but the wholesalers and manufacturers were still seeing the relative inventory levels decline."

By comparing inventory ratio patterns this year to those in 2009, Sea-Intelligence noted that the impact of the pandemic had been much more sudden than during the previous crisis.

"For manufacturing and wholesalers, we essentially see the same pattern," it said. "The pandemic impact is of the same magnitude as the financial crisis, but it happens much faster. Similarly, following the peak impact, both manufacturers and wholesalers see the impact disappear back down to the pre-impact level, much more rapidly than in the financial crisis."

But for retailers, the impact had been more severe, with the inventory-to-sales ratio jumping to 15% above the baseline level, compared with only 9% in 2019.

"After the peak, the retail inventory levels drop much more sharply than in the financial crisis — basically to a level 20% below what we saw in 2009."

This sharp drop in inventory levels was likely behind the huge demand surge on the transpacific, which has seen spot freight rates break records for eight consecutive weeks.

"Retail inventory-to-sales ratios have dropped far more than during the financial crisis, and it therefore is highly likely that efforts to rebuild the inventory levels back to normal are currently under way, as it seems unlikely that retailers can suddenly operate with inventories at 15-20% less than just a few months ago, when compared to the retail sales," Sea-Intelligence said.

"If this is the case, we know inventory changes are strong drivers of container volumes, but we also know that such a driver is not permanent."

It also warned that the strong volume growth on the transpacific had to be seen in the context of a pandemic-induced recession, even if that recession were not as deep as originally forecast.

"Add to this the extreme uncertainty surrounding the continued developments of the pandemic and the US election thrown into the mix, and we should be extremely vigilant to monitor for any sudden and rapid shifts in economic trends."

MARKETS

Pandemic disruption fans fuel instability concerns

SHIP fuel stability concerns have risen as bunkers are being held in inventory for longer before consumption due to the economic slowdown caused by the pandemic-led health crisis.

The Fuel Oil Bunker Analysis Service, the bunkering advisory unit of classification society Lloyd's Register, has raised fresh alerts about off-specification fuel oil blends complying with the 0.5% sulphur limit imposed by the International Maritime Organization.

Fuels with sediments exceeding levels outlined in one International Organisation for Standardisation, known as ISO, bunkering standard have resurfaced in the Amsterdam-Rotterdam-Antwerp region.

This has triggered warnings about the risks of sludge building up in engines of ships bunkered with such fuels if they have not been stored or handled properly.

Fobas global manager Douglas Raitt pinpointed two trends that are contributing to heightened concerns about off-specification sediment levels in marine fuels, both a function of weaker markets.

On the one hand, slower demand has seen crude and oil products spending more time in storage.

Meanwhile, some ship operators have also taken advantage of low prices to selectively top up their onboard fuel tanks with more bunkers than needed when calling at major ports.

For example, Singapore posted higher year-on-year bunker sales in April and May.

But Mr Raitt warned that compliant fuel oil blends are generally more paraffinic and do not have as long a shelf life as products categorised as high sulphur fuel oil, or 3.5% sulphur fuel oil.

"Ship operators must come to grips with the reality that to minimise fuel instability risks, they should [ideally] use the compliant fuel oil blends procured immediately," he said.

The Lloyd's Register expert alluded to the way in which currently used compliant fuels are generally blends of high sulphur fuel oil with distillates.

Former regional manager for the International Bunker Industry Association Simon Neo said that components going into these blends would 'split' over time in the same way that palm oil-mixed cooking oil blends left on the shelves for too long at supermarkets would do.

Mr Neo, who now runs an independent consultancy, argued that compliant fuel oil blends should be tested before final consumption if they have been stored for three weeks or more.

Bunker players have sought to mitigate such risks.

Equatorial Marine Fuels executive director Choong Zhen Mao said the top five physical supplier, which is active out of Singapore, has taken to 'pre-testing' fuels, including on their total sediment potential, before they are delivered to clients.

Ship operators also need to take adequate measures once they take delivery of the fuels.

Mr Raitt pointed out for instance that whether it be in onshore storage or ship fuel tanks, paraffinic blends require heating to certain temperature levels to cap sedimentation risk.

"Ship operators should also be mindful of sticking to the 'first-in-first-out' inventory rule — prioritise the use of bunkers purchased earlier before drawing down on others," he added.

Project cargo surveyors finding pandemic workarounds

SOME project cargo surveys were missed in the early days of the pandemic, but workarounds based on videoconferencing have since been discovered, the International Union of Marine Insurance conference has heard.

John Pope, head of project cargo services for AqualisBraemar, said that the immediate impact of the health crisis resulted in the closure of many prefabrication yards and manufacturing facilities.

Most offices either switched to working from home or operating on minimum staffing levels, he said.

"Many vessel bookings were cancelled and shipping schedules were changed at short notice. There were also substitutions to vessels and last-minute changes to stowage plans as shippers and freight forwarders responded to a changing situation."

Even where vessels were available and facilities open, access for surveyors was sometimes restricted on account of social distancing requirements.

Government restrictions on travel and flight cancellations limited international travel, while surveyors frequently had to quarantine both on travelling out to and on returning from a survey.

Initially there were delays in delivery of project cargo to sites, especially where favourable marine conditions are an important consideration.

In addition, the sudden downturn in global economy and the slump in demand for oil also impacted the project cargo sector.

"The consequences of this have been delays to ongoing projects and deferment of commencement dates for new projects until quarter two or 2021 at the earliest," said Mr Pope.

"Ongoing projects have experienced an escalation in costs caused by changes in working practices with social distancing requirements. Additional costs have also been incurred by delays in project cargo, or the need to divert the cargo to temporary storage."

Some surveys were inevitably missed, and to provide risk mitigation controls for underwriters, new ways of working had to be found.

These included more detailed method statements and risk assessments, allowing for more in-depth review of proposed operations where a surveyor cannot attend. Where possible, surveys are waived for routine and repetitive operations.

Remote monitoring is possible by WhatsApp communications and photographs, and platforms such as Microsoft Teams and Zoom. Lashings can be viewed in detail remotely, while talking live to personnel on the ground.

The Joint Cargo Committee has also amended survey warranty wording to allow for situations where surveyor cannot attend in pandemic situations.

IN OTHER NEWS

South and Central America targeted for zero-emission fuel production

CENTRAL and South America are in a prime position to take on the production and supply of zero-emissions fuels for ships according to a study.

It says the region is a strong candidate for the development of electrofuels, due to untapped energy potential and the level of trade that circulate through them.

As well as having one of the world's key trading arteries in the Panama Canal and some of the world's most important ports, the region exports around $1trn worth of goods each year and imports just as much, according to the study commissioned by Washington DC- based environmental non-profit organisation Ocean Conservancy.

US warns box lines against transpacific collusion

CARGO insurance loss ratios have hit "deeply concerning'' levels and are likely to develop adversely, the International Union of Marine Insurance conference has heard.

But more optimistically, there are tentative signs of firming rates after two decades of soft markets, Munich Re's Sean Dalton, chair of the IUMI cargo committee, told delegates at the virtual event.

He said global cargo insurance premiums totalled $16.5bn in 2019, representing a small 1.5% reduction on the previous year. However, exchange rates, trade and other market conditions make direct comparisons difficult.

ITF warns against cutting corners on safety

OWNERS and flag states have been warned against cutting corners on safety and to avoid cuts to crewing numbers and rest time becoming a permanent effect of the pandemic.

An International Transport Workers' Federation, known as ITF, report accused employers of exploiting the coronavirus crisis to "steal time from seafarers and shift an increasing number of hours from rest to work".

It said companies deliberately undermanned their ships then demanded more work from the remaining crew, who feared for their jobs if they complained.

MISC lines up Mero 3 FPSO bounty for Chinese yards

MISC, the Malaysian shipping line, is finalising contracts with Chinese yards for the construction of its biggest floating production, storage and offloading vessel.

The company was awarded a letter of intent in August for the supply of an FPSO, dubbed *Mero 3*, that will go on a 22.5-year charter off Brazil with Petrobras starting from the first half of 2024.

MISC's chief executive Yee Yang Chien said the company is looking to commission Chinese yards and contractors for the engineering, procurement and construction of *Mero 3* by the end of this year.

Singapore's crew-change fund gets boost

A CREW change fund set up by Singapore has received a boost with additional funding from international groups.

The International Transport Workers' Federation, known as the ITF, and the International Maritime Employers' Council have jointly contributed $500,000 to the Singapore Shipping Tripartite Alliance Resilience Fund, dubbed SG-STAR, to support countries that adopt best practices for crew changes.

"We have all the procedures in place for safe and dedicated passage, but unfortunately what we do not have is control over crew change in other countries," said Singapore Shipping Association president Caroline Yang.

Intercargo calls for impact assessment of ETS inclusion

DRY bulk shipowners' association Intercargo has called for an impact assessment of the move to include the shipping industry in the EU's Emissions trading Scheme.

The association was following its tanker sector counterpart Intertanko and other international shipping bodies that panned the decision by the European Parliament last week but, if anything, was even sharper in its language.

The industry's pleas for collaboration had been "ignored", it said, and the decision showed "how distanced the thinking of European decision-makers is from the global dimensions of the shipping sector."

BIMCO launches 'first' standard contract for sale and leaseback deals

SHIPPING organisation BIMCO has launched the industry's first contract template for sale and leaseback agreements amid an upsurge in usage of this form of financing.

The Copenhagen-based association, which represents not only shipowners but charterers and a wide range of other maritime industry entities, said that the new term sheet, entitled 'Shiplease', was intended to make negotiating sale and leaseback deals easier and cheaper for all parties.

It said that the document was applicable to both operating leases and financial leases and was a "one size fits all form" that could be adapted to the specific needs of each transaction.

Maersk halts bookings to Sydney amid port strikes

MAERSK has halted imports to Sydney after a strike by port workers caused delays and diversions.

The world's biggest shipping line said it would immediately suspend bookings from Asia, Europe, the Middle East, Africa, and the Indian subcontinent after experiencing "significant delays from proforma schedule".

In a note, it said the "difficult decision" was taken to remove uncertainty for its customers' supply chains and help handling of its vessels calling at Sydney.

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