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Pandemic second wave and LNG supply glut imperil winter rates strength

LNG CARRIER RATES on routes from the US Gulf have topped $100,000 daily since October 23, data from the London-based Baltic Exchange show.

Rates hovered around $15,000 daily at the height of the summer lull, at the same time as demand for energy plunged worldwide on the back of coronavirus-related lockdowns.

US exports are viewed as a proxy for demand, with as many as 45 cargoes monthly cancelled in June and July. The pace of cancellations reportedly slowed and fell to under 20 in September, and reached two in October.

Reductions in output in exporting countries such as Australia and Malaysia helped US shipments recover, New York-based shipbrokers Poten & Partners explained in a webinar this week. A September fire that has shut Norway's Hammerfest LNG plant for a year also lifted sentiment.

"Across the major producing regions, you are seeing either level production or an increase as demand recovers heading into winter," the Poten & Partners spokesman said.

"Demand in Asia has held up pretty well even though you have seen declines in Japan and Korea, as these have been offset by very strong growth in China.

"The forward curve is signalling strong demand through the winter and into 2021."

Pushing rates higher is the Asian LNG pricing benchmark, JKM, that rallied to a one-year high in mid-October. The price of $6.613 per million Btu is almost three times the lows seen in April, data from price reporting agency S&P Global Platts show.

The US Gulf-based Henry Hub natural gas spot price has not shown similar resilience. It averaged $1.92 per million Btu in September, according to the US Energy Information Administration, rising to nearly $3 this month, strengthening the arbitrage to Asia.

Still, supply of LNG will continue to outpace demand over the northern hemisphere spring and summer, Poten forecast.

Australia, the US and Malaysia will all boost output, and high inventories across Europe remain to curb seaborne demand, alongside cheaper pipeline imports which would affect Turkey, Italy, Spain and China, the shipbroker forecast.

"It is fairly likely but by no means guaranteed that you will see some cargo cancellations in the US and that you will see other producers adjusting (output) as they did this year," the spokesman said.

"Not to the degree that we saw cancellations this year, but there will still be significant surplus going into the Spring and summer of 2021.

"We are going to be seeing a year that looks a lot like this year but not as bad as a surplus we had (this year)."

Despite the earnings rally of the past three weeks, spot rates for a tri-fuel diesel electric, 160,000 cubic metre LNG carrier have failed to achieve levels seen at the same time last year.

Rates were assessed at just under $100,000 daily, according to Norwegian investment bank Cleaves' latest weekly report. That compares with nearly $140,000 daily in October 2019, and almost $185,000 two years' earlier.

Global demand for LNG will rise by 5m tonnes in 2019 led by Brazil and China, Poten & Partners forecast. The growth is seen even as demand contracts in Europe by 5m tonnes next year.

Worldwide LNG trade gained 13% year-on-year to reach 354.7m tonnes last year, figures from the International Group of LNG Importers show. Some 34 percent or 119m tonnes traded on a spot or short-term basis, against which the spot LNG carrier rates are assessed and applicable.

The global fleet of some 580 LNG carriers are not the only tankers plying energy shipping trades that face an uncertain winter. A second outbreak of coronavirus is reintroducing restrictive and economically crushing lockdown measures across Europe, curbing the scale and pace of any energy recovery.

Crude and product tankers that normally rely on a winter spike in demand to meet increased consumption of gasoil and kerosene for heating in the northern hemisphere to lift rates have failed to gain traction.

The winter spike is more pronounced for LNG monthly shipments, especially in the US where LNG exports totalled just over 3m tonnes in September, data from Lloyd's List Intelligence show. That compares with 1.6m tonnes the prior month, and 2.8 million tonnes for the same month in 2019.

By contrast, some 28m tonnes was shipped from the Pacific Basin in September, which includes Australia and Russia. Middle East LNG shipments were at 16.1m tonnes, of which some 14m tonnes came from Qatar, according to Lloyd's List Intelligence.

WHAT TO WATCH

Carrier behaviour more important than credit ratings

A NUMBER of container lines with traded bonds have had their credit ratings upgraded as a reward for their successful management of the Covid-19 crisis, but they will need to ensure they do not fall back into bad habits if they are to maintain their newfound favour.

Maersk, CMA CGM and Hapag-Lloyd have all had their debt ratings upgraded.

Moody's raised its outlook on Maersk from negative to positive, while CMA CGM received the same treatment from Standard & Poor's, which also raised Hapag-Lloyd's ranking from B+ to BB-.

Better ratings alone do little to change the behaviour of carriers, but they can influence the cost of their debt.

“Bond ratings mean carriers pay more for their debt on the way down, so I would hope it means they pay less on the way up,” said Alix Partners director Jim Blaeser.

“A significant upgrade should be meaningful in relief to interest expenses if it is sustained over a period of time.”

He added that it was incumbent on carriers to maintain the better financial footing they had found this year, and to reduce their debt loads.

“If you look at what S&P said on CMA CGM, it is interesting that they will consider a further upgrade next year if CMA CGM doesn’t take on more debt to fuel fleet expansion or merger and acquisition activity,” Mr Blaeser said.

“If you read between the lines, it’s saying ‘we think you’re going in the right direction but don’t do anything silly’.”

There is a fear that, after the most unusual of years, carriers could do something silly.

The historical parallel is with 2010. Following the financial crisis, carriers reduced capacity but were caught out by a sudden inventory restocking following the crisis.

This surge in demand led to rates rising sharply, but instead of capitalising on it, carriers fought for greater market share.

“I think the carriers have done a good job on capitalising on a whipsaw in supply and demand. The parallel I would draw is with 2010, right after the financial crisis. After the container trades took a significant step back in 2008-2009, in the winter of 2010 the carriers got very aggressive about laying up capacity and there was a surprise restocking demand surge.

“Rating agencies are aligned with our point of view that the amount of debt taken on by these organisations to drive bigger ships and fleets, and ultimately fewer carriers through M&A, has run its course and can be extremely detrimental at this point,” Mr Blaeser said.

The consolidation that has taken place in the sector since 2010 should make the task of managing the rebound from 2020 much easier, but there were still downside risks.

“The question in 2021 is, will be is it a different story now or will we go back to the same old ways where everyone cracks open the champagne and we watch it fizzle out for the next five years and end up with another catastrophe?”

Things are different this time around in other ways too. The fleet orderbook is at an historic low, meaning the temptation to deploy tonnage will be less pressing.

“At the end of the day it is hard to beat the supply and demand dynamics and right now the carriers are being rewarded for getting it right,” Mr Blaeser said.

Nevertheless, he warns that this year has been unique and the outlook for demand in 2021 is obscured by political and economic uncertainty.

“Carriers have had a great year from an economic demand standpoint and it is great news for them,” Mr Blaeser said.

“But to see 2020 as an indication of what the future may be like in any market is probably foolish. We have to look to a more stable market, which God willing, we will enter in 2021. Between Covid-19 and all the geopolitical challenges going on in the world, hopefully 2021 will offer a better test ground for whether these lessons have been learned.

“The jury is still out.”

Gulf of Guinea pirates becoming ‘more professional’

GULF of Guinea pirates are becoming more professional and stopping them requires more co-ordinated action, security experts have said.

Pirates are launching attacks across a wider area and against more vessel types, with transnational organised crime groups playing a role in the region’s kidnap and ransom trade.

Kamal-Deen Ali, executive director of the Centre for

Maritime Law and Security Africa, told a Danish Maritime Days webinar pirates were also leaving a smaller footprint, escaping quickly while increasing their target range.

Dr Ali, a retired Captain in Ghana's navy, said the pirates' business model had shifted from cargo to ransoms. He called the trend "very, very worrying".

"If you analyse some of the individual attacks in the Gulf of Guinea, pirates have been able to do that in a very surgical way," he said. "They have adapted, but they have also become more professional."

Shipping had to better engage with Nigeria's navy and its maritime authority the Nigerian Maritime Administration and Safety Agency, he said. He added that other states could not help once pirates or their victims entered Nigeria itself.

But under-reporting of attacks, gaps in Nigerian enforcement and lack of communication between state security agencies hampered efforts to stop piracy, Dr Ali added.

Gulf of Guinea states were looking at law reform to better prosecute pirates. Nigeria was working on its first prosecutions under an anti-piracy law, but it remained to be seen if the political will existed for it to work.

Hans Tino Hansen, chief executive of Risk Intelligence, a Danish security consultancy, said Nigeria's government was grappling with strategic problems, including fighting Boko Haram militants, so fighting maritime crime "comes very low on their list".

Birgitte Markussen, the European Union ambassador to the African Union, added that incidents on the coast of the Gulf of Guinea were linked to armed groups in the Sahel region, though not Boko Haram itself.

Mr Hansen said the long-term solution would be to create jobs for people who otherwise turned to piracy in coastal areas. "That's not something that happens overnight, but that's what you need to address," he said.

Take BIMCO sale and leaseback template as roadmap, experts argue

BIMCO'S recently-published standardised term sheet for sale and leaseback transactions makes a useful starting point for deals, although the parties involved will still have to ensure a bespoke fit, according to two lawyers who made submissions during the drafting process.

Sale and leaseback arrangements have increasingly become the ship finance mechanism of choice for Asian banks since they stepped in to take up the slack left by European banks after the global financial crisis.

This was reflected in the make-up of the drafting committee, which included representatives from four Chinese leasing companies.

However, sale and leaseback is now making inroads into Europe, with non-bank entities dipping their toe in the market.

"[The BIMCO term sheet is] very useful in giving some structure to people who may not be familiar with leasing," said WFW partner Andrew Baird.

However — in the very nature of term sheets — the document is non-binding, and will tend to be used early in negotiating process. In practice, many leasing companies are likely prefer their own in-house wording.

The finished version broadly reflects the structure of two earlier BIMCO loan term sheets, known as SHIPTERM and SHIPTERM S, issued about two years ago. They apply to bilateral loans and syndicated loans respectively.

The Loan Market Association has also produced model sale and leaseback term sheets, although these are not shipping-orientated.

"I've not seen the BIMCO loan term sheets used too much, although they are a useful aide memoire for people," said Patrick Smith, another WFW partner.

"The new term sheet will provide some useful guidance about how to put a term sheet together, but it's not a silver bullet."

One problem has been that the nuances of sale and leaseback make it difficult to draw up a 'one size fits all' template.

All loan transactions essentially boil down to an obligation for the borrower to repay the loan and

once it has done, for the lender is obliged to release any security.

But what happens at the end of a lease varies. There is a broad distinction between finance leases, where the lessee takes residual risk and any upside benefit or downside loss, and operating leases, where the reverse is the case.

There are also important differences in rights and remedies in the case of default.

The BIMCO term sheet generally assumes English law as the governing law of the lease, with emphasis on sale and leaseback of second-hand tonnage rather than newbuildings.

It is aimed at single-ship deals and expressly does not attempt to address complexities which can arise from multi-ship deals, especially when the lessors and/or the lessees are special purpose companies.

The calculation of the termination sum and financial covenants are left to be completed in annexes.

The two lawyers also highlight the lack of defined terms as such and the use of BIMCO style of boxes, which they consider to sit oddly in a term sheet.

The also argue that it would be ill-advised for non-expert parties to use it without assistance in any but the simplest of transactions.

All that said, the document's utility should not be underestimated. As Mr Baird put it: "For a vanilla secondhand sale and leaseback transaction, this will give you all the right pointers to get you going."

OPINION

Why shipping's real leaders don't join coalitions

MORE than three out of every four maritime executives think former seafarers do not make the best leaders in maritime, according to a survey shared by Faststream Recruitment chief executive Mark Charman during Danish Maritime Days, *writes Richard Clayton.*

There are several reasons for this, he said. Leadership on board ship is hierarchical. Safety at sea is paramount, so systems and procedures have been developed to manage risk. Good leadership is critical to safety of the ship, its crew, its cargo, and the environment.

In business, leadership is collaborative. Leaders must be problem solvers and creative thinkers.

And there's more. Leaders on board ship are operational, in business they are strategic and commercial. In Mr Charman's words, on ships leaders tell, in the office leaders sell.

Ships are still male-dominated, offices are multi-gender. Further, there is the complexity of managing new generations who, not unreasonably, demand leadership that supports their aspirations.

Senior seafarers coming ashore often fail to make the transition from 'doing' to 'leading', Mr Charman added. "The problem is a lack of commerciality. Businesses exist to make a profit, however seafarers do not have a profit leadership experience."

Businesses seek well-rounded leaders who can motivate, inspire, create, support — and take difficult decisions and stand by them. In addition, added Helm Recruitment chief executive officer Stine Martinussen, they need to be empathetic, with good communications skills and an ability to adapt to changing situations. Good communications and adaptability skills should be common to both the sea and shore operations; Covid-19 has exposed flaws in some leaders' empathy in both environments.

Shipping is, of course, not limited to sea and shore. Leadership is also expected from our regulators, who are focusing on the environment in which ships operate. Whether this is appropriate is debatable.

In the past, shipping companies run by former seafarers embraced the look and feel of the ship. Today all companies have learned to attract a range of skills and talents both from within the industry and from beyond its boundaries.

This has far-reaching consequences.

Firstly, if leadership on board ship has different requirements from leadership in a ship-operating office, then it's likely there will be differences

between leadership of the ship and company and leadership of an entire transportation sector. The International Maritime Organization was not set up to be the voice or conscience of an industry, nor should it be so.

Similarly, in recent months there have been strong initiatives backed by bankers (Poseidon Principles), charterers (Sea Cargo Charter), and "decision-makers from across the shipping value chain" (Getting to Zero Coalition). These initiatives are all worthy and well-argued, but their success is the result of a lack of leadership in shipping. All three focus on sustainability, one element of shipping's future evolution.

Neither the International Maritime Organization nor large corporates driving the sustainability agenda should be seen as leaders for the industry. In truth, shipping as part of the broad logistics supply chain is constantly changing in its shape, its ambitions, its skill requirements, and its cadre of leaders. The plethora of associations, institutions, and alliances represent collections of likeminded groupings that often overlap in their remit.

The shipping industry has no leader, no leadership council, no leadership agenda. Some voices speak louder than others and some groupings are more powerful than others.

But at its heart shipping has always been fragmented. Leading the industry is like herding cats. Individual companies are fiercely independent, which is why they survive for many decades. Leadership of the shipping industry must recognise this as a strength rather than as a weakness.

The real breakthroughs in sustainable shipping will come from the maverick, the non-conformist, and the outsider not from a coalition of the great and the good.

If former seafarers are not the best leaders of their industry, cat herders have no chance.

No let-up on China tariffs by Biden or Trump

THE global maritime industry has been adversely impacted by the trade and sanctions policies of the Trump administration, as shown by the roiling of global supply chains and the arrest of ships on the high seas.

But with the presidential election now looming, the questions are whether Donald Trump will vary his use of tariffs in particular and how, or even whether, a Biden administration would use them.

The principal difference is that Joe Biden would prefer to work with allies, while Mr Trump is likely to continue his pursuit of policy goals to the exclusion of partners — much as he has in his first term.

However, there is no reason to believe that Mr Biden would be any easier on China, Mr Trump's main adversary when it comes to tariffs. But under a Biden administration, those tariffs might be eased or lifted over time, especially in consultation with Europe.

Both men are highly aware of the adverse impacts of trade with China, not least in terms of US job losses, estimated in the millions over the past 20 years.

"We estimate that import competition from China, which surged after 2000, was a major force behind both recent reductions in US manufacturing employment," said a recent report by the Society of Labor Economists.

"Our central estimates suggest job losses from rising Chinese import competition over 1999–2011 in the range of 2.0m–2.4m," the report's authors said. That was in 2016, and the numbers are likely to have risen since then.

Animosity towards China runs deep in the US. Neither presidential candidate is likely to say or do anything to antagonise working-class voters by going against that decades-long trend now or even after the election.

Tariffs and sanctions are usually considered as different instruments for different purposes. But under Mr Trump, tariffs have been imposed under national security provisions.

In a word, tariffs are as much weaponised as sanctions, a point made clear in 2018 when Mr Trump invoked Section 232 of the Trade Expansion Act of 1962.

Passed during the Kennedy administration, Section 232 authorises the US president to use tariff or other means to adjust the imports of goods or materials from other countries if the president "deems the

quantity or circumstances surrounding those imports to threaten national security”.

Citing national security concerns, on March 8, 2018 Mr Trump used the authority granted by Section 232 to impose a 25% tariff on steel imports and a 10% tariff on aluminium imports from a dozen countries.

Brazil, China, Costa Rica, Egypt, India, Malaysia, South Korea, Russia, South Africa, Thailand, Turkey and Vietnam all faced the new tariffs that US Customs and Border Protection began collecting two weeks later.

Since then, other tariffs have also been imposed on the European Union as well as EU member countries such as France and the UK.

China, of course, has become Mr Trump’s primary adversary and was the subject of an investigation under Section 301 of the Trade Act of 1974, resulting in five major tariff actions, with some two thirds of US imports from China subject to tariffs ranging from 7.5% to 25%. That is in addition to the steel tariffs.

Mr Biden is unlikely to be any easier on China than Mr Trump has been. He would simply not work alone, hoping to create even greater pressure on the Asian nation by working with allies.

“We’re either going to make policy or China’s going to make the… the rules of the road. We make up 25% of the world economy. We need another 25% to join us,” he said at the third Democratic presidential debate in Houston, Texas on September 13, 2019.

“The problem isn’t the trade deficit. The problem is they’re stealing our intellectual property. The problem is they’re violating the WTO dumping steel on us,” he said, in words that Mr Trump could easily agree with.

“In addition to that, we’re in a position where if we don’t set the rules, we in fact are going to find ourselves with China setting the rules. And that’s why you need to organise the world to take on China, to stop the corrupt practices that are underway.”

Mr Biden’s anti-China rhetoric plays well to the electorate, and he is unlikely to lift any tariffs imposed by Mr Trump. To do so would invite much hostility from that electoral base worried about job losses.

The key to his policy — and its major obstacle — lies in that remark that “we make up 25% of the world economy. We need another 25% to join us”.

If Mr Biden wants that other 25% to join in, then his administration would likely have to walk back some of those early trade sanctions imposed by Mr Trump on other nations, not least, members of the European Union.

Sanctions stance

Mr Biden’s attitude towards sanctions may also play a role in winning the support of the EU and other nations against China — especially sanctions against Iran. To the disapproval of EU allies, Mr Trump walked away from the nuclear accord of 2015 and unilaterally reimposed sanctions on Iran.

By contrast, Mr Biden favours diplomacy with Iran, as shown by his backing of the nuclear accord negotiated while he was vice-president under Barack Obama. He is most likely to work with allies in Europe to bring Iran back into the nuclear accord, dropping sanctions along the way.

Iran already has said it would welcome a US return to the landmark 2015 nuclear deal after the November 3 election provided Washington “guarantees” not to pull out again. That’s as close to saying it supports Mr Biden — without saying so directly to avoid accusations of interfering in the US vote. Europe will pay heed.

The chief effect of Mr Biden’s approach on tariffs and sanctions will likely be calmer seas ahead, while that of Mr Trump’s approach will be for the maritime industry to batten down the hatches for another four years.

ANALYSIS

Greek ferries feel the full brunt of pandemic

TO SAY that a year has not quite played out as expected is something of an understatement when it comes to the experience of the Greek ferry industry in 2020.

Companies entered the year braced for the challenge of compliance with the global sulphur cap and the market shakeout that this would surely trigger as some players suffered the full brunt of higher fuel costs — all too often the sector's undoing.

Of the major operators, Minoan Lines seemed to have stolen a march on its competitors by installing scrubbers last year on its three 37,000 gt ro-pax ferries serving Crete and Santorini.

The debt-free subsidiary of Italy's Grimaldi Group seemed well-poised to benefit from an expected further round of consolidation in the sector once fuel costs started biting.

The market's largest owner, Attica Group, started the year with some fresh liquidity after issuing a €175m ($207m) bond that, after repayment of €99m of debt, had proceeds left over towards investing in scrubbers for certain ships.

By July, it had completed installation of scrubbers on two of its ships, *Superfast XI* and *Blue Star Patmos*.

However, the spread of the coronavirus pandemic upended most expectations and, by all accounts, has halved passenger volumes in the course of the year so far.

Many vessels remained idle during the first half of the year and, despite a resumption of activity during the summer months, the market has remained depressed.

According to a recent report by XRTC Business Consultants, which has been covering the sector for many years, the industry is unlikely to survive the shock without support from public funding, either from the Greek state or the European Union.

The 2020-2021 winter would be "exceptionally difficult for the sector, as the revenues from the first half of 2020 and from the summer will not suffice to cover the operating costs", it said.

"The only way for the ferry companies to meet their obligations on a financial as well as an operating level would be a direct state or European grant to ensure their unhindered operation."

While the focus of the ferry sector has mainly been on applying new operating procedures to ensure the health of its passengers during the coronavirus crisis, as well as surviving the financial damage wrought by the pandemic, future challenges are not being entirely ignored.

The Hellenic Chamber of Shipping has instigated an analysis of the renewal challenge facing the industry, with the help of consultancy PwC.

The coastal maritime sector is estimated to contribute more than 9% of the country's gross domestic product, based on 2016 levels when it generated €16.1bn.

It serves 116 islands — the vast majority of them without an airport — and an island population of 1.4m inhabitants, as well as the country's tourism industry.

However, three-quarters of the fleet of 105 ropax vessels is already more than 20 years of age, with conventional ships the oldest, aged 28 on average. Of these, 13 are more than 40 years old.

The Chamber has called for the renewal process to begin immediately, given a likely development period of two to four years.

The analysis estimates that at least €4.5bn will be needed, based on preliminary estimates of two of the tranches of renewal, although the overall figure is likely to be much higher.

"The ageing fleet and the need for renewal are a vital issue for Greek and EU transport, which must be addressed," said the Chamber.

Replacement of the oldest vessels will have to be done through constructing new ferries of energy-efficient design and green technologies, while only vessels of less than 20 years old are likely to be candidates for retrofitting.

The Chamber will be exploring potential funding with EU officials, with an eye on grants under the Connecting Europe Facility and the Cohesion Fund's support for transport infrastructure projects, as well as loans from the European Fund for Strategic Investments and the European Investment Bank's Green Shipping Guarantee programme.

This article is part of a special report on the Greek shipping sector, which will be published online this week. The report is also available now to subscribers via the Lloyd's List magazine.

Major lines eye scrubbers or LNG for next mega ship orders

MAJOR container lines will either opt for scrubbers or liquefied natural gas dual-fuel engines to go with the next wave of ultra-large container vessels they are set to order from yards in the next two years, according to one container shipping expert.

"I expect Cosco, Evergreen and Mediterranean Shipping Co to go with scrubbers. Hapag-Lloyd and possibly ONE may go with LNG," Tan Hua Joo, a former founding editor of the Alphaliner newsletter, said.

Mr Tan, who is now an independent consultant, said that feedback from charterers and carriers pointed to a focus on 23,000 teu and 12,000 to 15,000 teu ships in the next newbuilding wave.

This affirmed a recent report on Lloyd's List that flagged these container lines as being in talks with shipyards.

Shipowners could be tempted by attractive newbuilding prices, now said to range between $143m and $148m for a 23,000 teu carrier, down from a figure in excess of $170m cited for newbuildings that entered service seven years ago.

Mr Tan estimates that this next newbuilding wave may mean hundreds of vessels being ordered with yards up until 2022.

MSC and Evergreen have already invested in scrubber retrofits.

When approached by Lloyd's List, Evergreen said that it is "studying various vessel types and will order or charter in the most suitable vessels, depending on market requirements".

It did not discuss plans for scrubber-fitted fleet.

MSC declined comment when probed on scrubber or fleet investments.

Shipowners have banked on a significant enough price spread between 3.5% high-sulphur fuel oil and 0.5% fuel oil very low sulphur fuel oil to persist to justify scrubber investments.

This price spread has not met many expectations, with the narrowing of the spread working against payback on scrubber investments in a pandemic-stricken year (see chart below).

Still, scrubber installations can be economical on larger newbuilding vessels, the analytics unit of leading energy pricing agency S&P Global Platts told Lloyd's List.

ONE's chief executive Jeremy Nixon has previously said the container line does not see scrubber fittings as its primary means of complying with the 0.5% cap on sulphur in marine fuels and other shipping rules.

Hapag-Lloyd, on the other hand, has gone ahead with retrofitting its first large containership, *Sajir*, with LNG-fuelling systems and could well be inclined to invest in more of such tonnage.

A Hapag-Lloyd spokesperson said the container line "regularly evaluates possible newbuilds in the ultra large containership category" but maintained that no decision has been made at this point. He declined to comment on the potential propulsion for such newbuilding plans.

Cosco and ONE had not responded to requests for comments at the time of publishing.

LNG marine fuel gains traction as France's Total orders four tankers

TWO Norwegian shipping companies will build four liquefied natural gas-fuelled aframax tankers for long-term charter to Total, the French energy company has announced, adding to the 227-ship orderbook for the alternative marine fuel.

Hafnia BW, the world's biggest product tanker operator, and Viken Shipping will each deliver two of the vessels to Total in 2023.

In addition to the 227 ships on order, class society DNV GL counts some 174 LNG-fuelled vessels

currently operating, with another 114 it classifies as "LNG ready".

Total has placed LNG — which it dubs the "least polluting" of all fossil fuels — at the centre of its future energy strategy. That is unlike other energy majors such as BP and Shell, which aim to be 'net zero' by 2050.

The four ships will join Total's time-chartered fleet, the company said. The company already has two LNG-fuelled very large crude carriers joining in 2022, it said.

Russia's Novatek also confirmed this week that it will charter six ice-class LNG carriers ordered by national shipping company Sovcomflot and Japan's Mitsui OSK Lines.

South Korea's Daewoo Shipbuilding & Marine Engineering announced the orders earlier this month, saying they would be delivered through July and December 2023. The charter period is 30 years, worth $4.2bn, a Sovomflot statement added.

The LNG carriers will be incorporated into Novatek's fleet, which also includes a further 15 LNG carriers that are being built in a joint venture with Sovcomflot at Russia's Zvezda Shipbuilding Complex.

These all are for deployment on the Arctic LNG 2 project in which Total is a stakeholder, as well as Chinese and Japanese energy companies.

South Australia ramps up hydrogen export ambitions

SOUTH Australia wants to tap its vast wind and solar resources to export clean hydrogen from three identified hubs.

Its state government has earmarked three hubs at Bonython, Adelaide and Spencer to export hydrogen to Asia and other regions.

The state is home to the largest electrolyser so far in Australia.

In July, a 1.25 megawatt Siemens Proton Exchange Membrane electrolyser was installed at the Tonsley technology hub.

This pilot project will draw on renewable energy to extract hydrogen through electrolysis for the purpose of blending with gas to supply to domestic customers.

State minister for energy and mining Dan van Holst Pellekaan said: "Hydrogen is shaping up as a game-changer in the fight against climate change and our aim is to get the cost down so that it's a commercially attractive option for heavy transport, power generation and use by industry."

Australian Hydrogen Council chief executive Fiona Simon said at a conference yesterday that the goal at national level is to bring the cost of hydrogen produced down to $2 per kilogram, down from about $6 per kg currently.

The Tonsley electrolyser is among more than a dozen pilot hydrogen projects highlighted in Australia's national hydrogen roadmap.

Britannia warns on higher pricing, but sweetens pill with cashback

THE Britannia Club will seek to raise unspecified additional premium income by pricing on a ship-by-basis rather than declaring a general increase, and will sweeten the pill with a $10m cashback for members, according to a statement from the marine mutual.

The move comes after West of England chief executive Tom Bowsher yesterday defended his club's 7.5% surcharge — effectively a GI — at the next renewal round, and predicted that most International Group affiliates will be looking to higher pricing one way or another.

A statement from Britannia yesterday described retained claims in the current year as within projections, but also noted that pool claims for the first six months of 2020/21 are at an all-time high.

"Successive years of low or no general increase rate rises have led to an imbalance between premium

and the cost of claims. The club will continue to redress that imbalance," it went on.

Members will continue to be underwritten individually to achieve an increase in estimated total call, but there will be no declared general increase.

Instead, rates will be adjusted to reflect individual claims records and risk profiles together with any IG excess of loss premium adjustments. There will also be small increases to deductibles.

A capital distribution of $10m will be made to members with ships on risk at midnight BST on October 20, 2020, bringing total of capital distributed since May 2017 to $95m.

The move has been made possible by the club's continuing strong capital position, Britannia said.

Felixstowe congestion spreading to London Gateway and Southampton

SIGNIFICANT congestion at Felixstowe has led port users to complain of operational damage and added costs, and has prompted freight forwarders to call on the UK government to intervene. This congestion has now spread to Southampton and London Gateway as carriers struggle with higher volumes and ports struggle to process empty containers.

French carrier CMA CGM last week imposed a $150-per-teu congestion charge at Southampton from November 1 and requested 40 ft high cube containers be returned to Portsmouth, adding to trucking costs.

A major forwarder told Lloyd's List major equipment shortages were delaying cargo departures and shifting bookings away from its usual weekly contracts. "We are having to go to the spot market to gain space with other carriers, costing up to $800 per 40ft HC more than the current FAK market," the forwarder said.

It said forwarders were frustrated at "short-term greed" of carriers, who were "playing games" by reserving space for premium ratepayers "instead of supporting long-term clients" with existing contact rates or space agreements.

Another forwarder said growing congestion at London Gateway and Southampton was partly because of the "Felixstowe debacle" and partly because the ports were "just very busy".

He said some performance problems were "down to poor management by the carriers/port to accommodate inbound empties in a timely manner", he said.

Hapag-Lloyd this week warned London Gateway customers that congestion in the berthing plan and container yard for all terminals was expected to last until mid-November.

"In recent weeks this has resulted in several port omissions, cut and runs and move count restrictions," it said.

The German carrier cited bad weather, abnormal increases in volume throughput, terminal productivity, transport shortages and added coronavirus precautions.

British International Freight Association director-general Robert Keen said BIFA members and their clients were suffering because of market circumstances, and the resulting responses by some container alliances and ports, that were beyond their control.

"The surcharges announced this week are just adding insult to the injury caused by the service providers, and are not justified," Mr Keen said.

A spokesman for DP World, which runs Southampton and London Gateway, said: "The UK is currently experiencing increased levels of inbound traffic into its port network. London Gateway and Southampton have evolved to support our customers' needs during this period and are operating effectively despite unprecedented inbound traffic. We continue to work with all our partners to maintain high levels of service."

IN OTHER NEWS

Eleven stowaways found on ro-ro at Southampton

ELEVEN Albanian stowaways were found on a Wallenius Wilhelmsen car carrier at Southampton three days after the stowaway incident on the product tanker *Nave Andromeda.*

The Singapore-flagged, 43,878 dwt *Salome* was travelling from Le Havre, France, Wallenius Wilhelmsen said in a statement.

"Having gained illegal access to the Le Havre terminal, the stowaways appear to have had third-party assistance in locking themselves in the loading compartment of a truck being transported on one of the cargo decks," Wallenius Wilhelmsen said.

"The stowaway search prior to departure was conducted by crew as per industry best practice."

Wallenius Wilhelmsen said it would investigate with the Le Havre port authority how the stowaways gained access to the port and vessel and "how the various stowaway checks failed to find evidence of illegal entry".

DSV Panalpina posts strong quarterly performance

GLOBAL freight forwarding and logistics group DSV Panalpina said market conditions were "better than anticipated" in the third quarter.

Robust cost management also played a part in producing a positive financial performance in the third quarter at DSV Panalpina, while the highlights of the three-month period also included the successful completion of the integration of Panalpina, the Danish operator underlined.

Third quarter operating profit before special items increased by 59.4% to DKK 2.725bn ($429.2m). The growth rate is in constant currencies and includes the merger and acquisition impact.

The outlook for earnings before interest and taxes before special items for the full-year 2020 was upgraded to DKr9.25bn earlier this month, compared with DKr8.2m-DKr8.7m previously.

IR Class expects Indian tonnage to grow on domestic demand

IN an era of high uncertainty for the shipping markets, there has been a measured but palpable increase in tonnage under the Indian flag.

The latest data shows that the Indian-flagged fleet saw an increase of 9.7% from 11.55m tonnes to 12.68m tonnes between March 2017 and March 2020. The figure covers all vessels, regardless of size.

"Recently, we have seen several vessels being added by our customers," executive chairman of Indian Register of Shipping Arun Sharma said in an interview with Lloyd's List. He expects further fleet augmentation by Indian owners to meet the growing domestic demands of the nation.

Indian shipowners have been augmenting their fleet with new and existing vessels in the recent past, he noted.

The increase in fleet was also largely incentivised by the following: A reduction in goods and services tax from 18% to 5% on bunker fuel used by Indian flag vessels, providing cargo support to the Indian shipping industry through the right of first refusal, allowing shipping enterprises based in India to acquire ships abroad and flag them in the country of their convenience, and the removal of licensing requirements for the chartering of foreign-registered ships to encourage the coastal movement of agriculture and other commodities.

Hunter sells VLCCs it bought back from Ship Finance International

HUNTER Group, an Oslo-based owner of very large crude carriers, has sold two vessels, leaving it with a fleet of five once the deal is complete.

The company said it sold the 2019-built *Hunter Saga* and *Hunter Laga* for an en-bloc price of $168.4m, with the deal expected to be completed in December, following delivery of the final vessel to its new owner.

The 300,000 dwt *Hunter Saga* has been employed in the spot market, while the *Hunter Laga* is on a time-charter, according to fleet data on the company's website.

While Hunter did not disclose the buyer, the vessels appear to have been sold to Adnoc Logistics and Services, a unit of Abu Dhabi's national oil company according to data provider VesselsValue.

The deal comes weeks after Hunter exercised its option to purchase back the vessels it sold in September last year to John Fredriksen's Ship Finance International in a sale and leaseback deal worth $180m.

Lloyd's Register launches decarbonisation centre

CLASSIFICATION society Lloyd's Register has launched a new centre for shipping decarbonisation.

The Maritime Decarbonisation Hub, as the centre is called, will focus on the "safe, sustainable and cost-effective decarbonisation" and the delivery of zero emissions vessels by 2030, in line with broader international efforts for the deployment of these ships.

"Through collaboration, producing and sharing evidence-based research, the Maritime Decarbonisation Hub will help steer charterers, owners and operators, financiers, ports, yards, fuel suppliers and regulators among others through the technically complex decision-making and robust investment considerations they will encounter during this transition towards industry transformation," LR said.

Classified notices follow

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For APAC contact **Arundhati Saha - Mobile: +65 9088 3628**
Email: Arundhati.Saha@informa.com

“STEMA BARGE II” – GENERAL LIMITATION DECREE

CLAIM NO. AD-2018-000112
IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
ADMIRALTY COURT

(1) SPLITT CHARTERING APS
(2) STEMA SHIPPING AS
(3) MIBAU BAUSTOFFHANDEL GMBH
(4) STEMA SHIPPING (UK) LIMITED
Claimants

and

(1) SAGA SHIPHOLDING NORWAY AS
(2) RTE RESEAU DE TRANSPORT D'ELECTRICITE SA
(3) ALL OTHER PERSONS CLAIMING OR BEING ENTITLED TO CLAIM DAMAGES BY REASON OF THE DRIFTING AND/OR DRAGGING OF ANCHOR OF THE UNPOWERED BARGE "STEMA BARGE II" ON 20 NOVEMBER 2016 AND/OR ANY CONSEQUENT COLLISIONS OR ALLISIONS
Defendants

TAKE NOTICE that on 28 September 2020 the Hon Mr Justice Baker granted to the First, Second and Fourth Claimants (“the Limitation Claimants”) a general limitation decree, and ordered by decree that by reason of the Merchant Shipping Act 1995:
(1) the Limitation Claimants are not answerable in damages beyond the amount of 5,309,200 Special Drawing Rights in respect of the loss, damage and delay caused to any property or to the infringement of any rights through their act or omission or through the act or omission of any person on board the vessel “STEMA BARGE II” (“the vessel”) in the navigation or management of the vessel when the vessel drifted and/or dragged anchor, and/or any consequent collisions and/or allisions on 20 November 2016;
(2) the limitation tonnage of the vessel ascertained in accordance with the said Act is 12,773 tons, and the amount of the Limitation Fund calculated in accordance with the said Act is £5,854,982.82 together with simple interest thereon from 20 November 2016 to 28 September 2020;
(3) the Limitation Claimants having constituted a Limitation Fund by way of a letter of undertaking in the amount of £6,191,219.97 on 25 September 2020, all further proceedings in any claim against them arising out of this occurrence be stayed;
(4) the Limitation Claimants do place advertisements identifying the claim and specifying the decree made and further specifying a period of three (3) months for the filing of claims and the issue of applications to set the decree aside;
(5) the sum of £6,191,219.97 together with simple interest thereon be rateably distributed among the several persons who make out their claims against the fund and that within 7 days of the time for filing claims or declarations the Admiralty Registrar will fix a date for a case management conference at which directions will be given for the further conduct of the proceedings.

FURTHER TAKE NOTICE that any claim against the Limitation Fund must be filed and/or any application to set aside the general limitation decree must be issued within three (3) months from the date of publication of this Notice. Any such claim or application must be filed/issued at the Admiralty and Commercial Registry, 7 Rolls Building, Fetter Lane, London EC4A 1NL (ref. AD-2018-000112).

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Virtual Greek Shipping Awards 2020

17th Annual Awards Ceremony

Friday 4 December 2020

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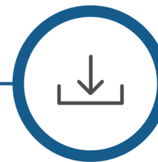

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