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Bulkers leaving Australia for China drop sharply amid political tensions

BULK CARRIERS LEAVING Australia for China have dropped sharply during the past few weeks and are heading for an even bigger slump amid the growing and souring political tensions between the two countries, according to Lloyd's List Intelligence.

The number of calls per week on a rolling average is heading for 90, compared with more than 140 earlier in the year, data shows.

Timber from the Australian state of Victoria has been the latest commodity to be hit by a Chinese ban, potentially spelling hardship for bulker owners. In a blow to the market, coal had earlier been targeted.

Despite the coronavirus backdrop, China has seen bulker port calls surge in the year to date than the same period in 2019, Lloyd's List Intelligence experts Chris Palsson and Niklas Bengtsson said in a workshop.

Calls by those bulkers larger than 200,000 dwt, have climbed 32%, followed by the 100,000 dwt–200,000 dwt size, which increased 29%, mostly driven by China's record steel production for which iron ore and coking coal are needed, they said.

Meanwhile, 383 bulkers are currently idle, of which 124 have not been active for more than six months, which would indicate that these vessels may be waiting to head to the shipbreakers.

Fleet growth will slow to an average of 4.3% in the five years to 2024 versus a compound annual growth rate of 6.4% over the past five years, Lloyd's List Intelligence data shows.

Liquid bulk trade is, meanwhile, forecast to drop by 4% this year with a compound annual growth rate of 1.7% in the five years to 2024. That compares with growth of 4.7% per year in the previous five years, the analysts highlighted in the workshop attended by a select group.

With a modern fleet of crude oil tankers, at about 10 to 11 years, there was not much prospect for scrapping, and with a sizeable order book, at 484 ships, or 21% of the fleet, the analysts were bearish on very large crude carriers.

Idled tonnage amounted to 4.4%, with an average age of 19 years, the data showed.

The impact of coronavirus is clear when looking at port calls so far this year versus 2019, with a drop off in the Middle East Gulf and the US and a pick up in China. Surprisingly, Malaysia saw a rise of 113%.

WHAT TO WATCH

Trade tensions highlight reality of 'Australia-style' solutions

THWARTED in strenuous efforts to attain a Canada-style trade deal with the European Union — rather than the no-deal Brexit that now looks worryingly possible — the UK's Boris Johnson recently said that an Australia-style deal would do just as well.

As an Australia-style deal effectively amounts to 'no deal', the prime minister's statement immediately attracted widespread derision, not least because the EU doesn't have a trade deal with Australia, although talks are ongoing.

If the formulation means anything at all, it is as a euphemism for trading on World Trade Organization terms.

By contrast, Australia does have a trade deal with China, an economy in somewhat closer proximity than the EU, and on the yardstick of purchasing power parity, just as large.

ChAFTA — as acronym-obsessed bureaucrats have inevitably dubbed the China-Australia Free Trade Agreement — has been in place since 2015 and provides that 95% of Australian exports to the Asian country are to be tariff-free.

On paper, trade between the two partners should be devoid of friction. But that's not how things are working out in the real world.

As Lloyd's List reported this week, Beijing has suspended imports of timber from two Australian states, ostensibly to prevent the risk of plant disease.

Oddly enough, consignments of coal — not a commodity subject to plant disease, last time we checked — have also been held up at customs.

Impositions of non-tariff barriers are often more about politics than economics, and that certainly seems to be the case here.

As a strident recent editorial in the state-run China Daily makes plain, China is angry as hell at Canberra criticisms of its human rights record.

Canberra is not morally wrong to speak up; what is happening in Hong Kong and Xinjiang deserves to get it with both barrels.

Some major Australian exporters are now urging the government of Scott Morrison to escalate the matter through a formal complaint to the WTO.

The Geneva-based United Nations agency comes in for a lot of stick. The left habitually portrays it as an insidious mechanism for grinding the faces of the global poor in the interests of evil multinational corporations.

It is equally execrated by more zealous adherents of the free market right, for whom the very notion of tariffs is anathema in the first place.

Even for those in neither camp, the WTO is indisputably one of the most bureaucratic entities on the entire planet, making the EU appear the exemplification of direct democracy. Disputes tabled as long ago as 1995 have yet to be resolved.

But to paraphrase Winston Churchill, the WTO is the worst possible form of regulating global trade, except for all the other forms that have been tried from time to time.

From a shipping perspective, the most helpful way forward would be for Australia and China to settle their differences in expeditious fashion, so the bulk carriers can keep on carrying bulk.

If not, let the two sets of negotiators set aside the necessary Zoom screen time. To paraphrase Churchill again, trade jaw-jaw is always better than trade war-war.

Meanwhile, Downing Street is witnessing a certain amount of Cummings and goings. This was marked by the departure this week of director of communications Lee Cain and the exit of Boris Johnson's chief adviser Dominic Cummings with immediate effect.

Hopefully this will facilitate a speedy and mutual beneficial conclusion to Brexit talks. If nothing else, we have this week seen that Australia-style trade deals ain't all some politicians crack them up to be.

OPINION

Shipping's slow and steady path to a greener future

THE WAIT is over. After next week the international shipping industry will know what new emissions-cutting measures it will have to abide with starting in a few years, *writes Anastassios Adamopoulos*.

After a seven-month delay because of the coronavirus pandemic, the International Maritime Organization will host a virtual Marine Environment Protection Committee for talks on short-term measures that should have been wrapped up already.

The meeting will almost certainly approve a two-fold measure that IMO governments preliminarily agreed to last month, despite evident disappointment from some corners with the levels of ambition and their lax enforcement.

The MEPC will hope to claim some renewed success in trying to address greenhouse gas emissions in the short term, a timeline generally understood to cover the period until 2030.

Governments will also be able to move forward from what has been an arduous debate on measures that everyone accepts would be insufficient to fundamentally decarbonise shipping.

The new measure set for approval next week will impose both technical and operational efficiency requirements on ships.

On the technical side the measures will force existing vessels from 2023 to become more efficient, with owners potentially opting for technology retrofits and engine power limitations if they do not want to scrap inefficient scrapping.

This measure, widely known as the EEXI, has been criticised for having a minimal impact on emissions.

The International Council on Clean Transportation, a research body, said earlier this month that the EEXI would not cut CO2 emissions by more than 1.3% by 2030.

National delegations attending last month's IMO meeting agreed compromises that reduce the efficiency requirements even more for some types of ships, such as large tankers and bulkers, exacerbating concerns about the real efficacy of the measure.

Its support in the IMO, however, is widespread among the main shipping nations and it should go through.

On the operational side, regulators will agree to set carbon intensity indicators, targets based on an average performance baselines, for ships of 5,000 gross tonnes and above.

The measure would become mandatory in 2026, but IMO delegates scrapped an original proposal that would bar ships with poor performances from operating from 2029 or 2030 onwards.

This omission has led observers to not only question the ambition of the measure but also its enforcement and once again its efficacy.

The advent of these measures should in theory be a boon for scrapping, as owners decide in the coming years that some of their older tonnage does not deserve more retrofitting investment to meet the targets.

Yet how much more scrapping would really pick up, it is too early to tell. The IMO will figure out the calculation method for the carbon intensity targets for a later date.

The next MEPC meeting, in June 2021 will adopt the hybrid short-term measure, the final required act in the IMO's prescribed regulatory process.

A group of NGOs have warned that the measure does not do nearly enough to reduce emissions and that countries that support it will be giving up their right to preach to others about the need to act on climate change.

"No deal is better than a terrible greenwash deal — that pretends to regulate shipping's CO2 emissions but actually allows them to keep growing indefinitely," said John Maggs, president of the Clean Shipping Coalition.

NGOs are hardly alone in their discontent. Some major shipping companies and charterers, in private and in public, have signalled their dismay.

And yet, in the face of numeral concerns, sources involved in the negotiations are not expecting any improvements next week and vocal opposition is anticipated to be limited. Some islands developing nations, most prominently the Marshall Islands, one the world's three-biggest flag states, are expected to speak out.

That is unlikely to change the course of the debate.

The MEPC will also consider for the first time a high-profile proposal by industry associations for a $5bn research and development fund meant to power zero-emission shipping based on a mandatory $2 per tonne of fuel levy on all ships.

The shipping organisations have spent much of this year seeking to press upon observers and governments that is not a proposal for a carbon levy or tax and is strictly and R&D empowering activity.

"A number of governments are understood to be positive to the proposal, subject to addressing issues such as governance," BIMCO, a co-sponsor, said this week.

The sponsors have suggested a whole new architecture of the management of the fund, whereby it would be established by the IMO but run by an independent board and dedicated secretariat, thus placing it and the valuable money it generates beyond political control.

Putting the questions of the ensuing levels of R&D aside, if this new body is established one of its lasting legacies could be the provision of the framework for the introduction and administration of a carbon levy in future years.

The MEPC will not be making any decisions on whether it supports or rejects this landmark industry proposal. Next week, however, will reveal where different governments stand on this effort to create an apolitical finance-based organisation, in the context of an emissions debate that is anything but apolitical.

MEPC 75 will not generate much excitement and satisfaction will also be limited.

Its very happening and the decisive step to graduate beyond short-term measures and begin considering more consequential matters may be cause for celebration enough.

ANALYSIS

Chinese lessors to see 15% drop in ship lending this year

LENDING of Chinese leasing houses to shipping has decelerated substantially this year, a reflection of their heightened vigilance about the coronavirus pandemic's impact and geopolitical uncertainties.

Ship lessors' drawdown — which refers to the portion of the credit lines extended to their borrowers that actually get accessed — stood at $7.4bn in total for the first half of the year, and is expected to reach $13.5bn for 2020, according to data compiled by Smarine Advisors, an expert in facilitating vessel leasing deals.

The full-year projection represents a 15% drop in quantum compared with the drawdown figure in 2019. The decline signals a halt to a decade's fast expansion of the leasing companies in the global ship finance arena, where they have now become a major source of funding.

Smarine director James Chen told a recent Marine Money virtual forum that only very few lessors will hit their lending targets this year, while the remainder will have to accept the slowdown as a result of stricter risk control measures.

Eric Yang, head of shipping at Avic Leasing, said the travel restrictions brought about by the global health crisis had made it difficult for his team to develop new clients and conduct physical due diligence.

"Hence, we can only rely on our existing clients and the reputable owners," he said.

Meanwhile, the ongoing US-China strife and Washington's aggressive use of sanctions have increased his company's caution about liquidity risks as most of its assets and transactions are denominated in US dollars.

His counterpart at Minsheng Financial Leasing, Jerry Yang, described 2020 as "a difficult year" for his peers. "There are too many uncertainties like the pandemic and the US election," he said.

There have however been exceptions who have done well, such as the relatively new entrants.

SPDB Financial Leasing, which started its ship finance business in 2018, will see its vessel portfolio surge to $1.5bn by the end of this year from just $700m a year ago, according to its general manager of ship leasing department Yan Zhonglu.

Looking ahead, Minsheng's Mr Yang forecast the situation will improve in 2021, with the clarity of the US presidency and hopes of ending the viral epidemic.

Affected by "demanding" shipowners puzzled by future marine fuels, the prospects of newbuilding finance will remain challenging, he said. That said, more sale and leaseback deals are expected to emerge as his department prepares for a $1bn budget for drawdowns

Mr Yang from Avic Leasing was less optimistic, hoping to dial down his budget next year to reflect the virus' impact.

He also said China's dual-circulation economic development strategy — centred on domestic demand and facilitated by foreign trade — may reduce lessors' reliance on overseas markets and divert some of their funds to projects of compatriot shipowners or charterers.

That view was echoed by Rock Wang, deputy head of marketing and sales of ship leasing at Bocomm Financial Leasing.

He said his division would spend more efforts marketing domestically if the global coronavirus backdrop cannot be effectively curbed.

Nevertheless, the funding appetite of ship lessors, many of which are owned by large Chinese banks, will remain in place in the long run, Mr Chen from Smarine argued.

He said ship leasing was secured by valuable collateral, while serving China's increasing need to diversify its foreign exchange reserves, about one-third of which is held in US Treasury bonds.

"So long as China's economy continues to grow, why should the Chinese financial institutions stop the interest in ship finance? That is still better than financing solely based on credit."

MARKETS

Chinas trade dispute with Australian deepens with timber ban

BEIJING has suspended imports of timber from the Australian state of Victoria, China's foreign ministry confirmed on Thursday, expanding a trade clampdown that was earlier imposed only on timber shipments from Queensland.

Chinese foreign ministry spokesperson Wang Wenbin said customs officials had suspended imports of timber from the Australian state of Victoria from November 11 "to prevent the risks of plant disease".

He said that customs had found pests in timber imported from the state of Victoria. Several shipments from the state this year were found to contain bark beetles.

The ban is the latest in a series of restrictions and other trade barriers, including shipments of coal held up in customs in recent days, targeting Australian goods amid souring relations between the two countries.

The industry is keeping a wary eye on the developments although Australia's log exports are far behind New Zealand's.

Noting that Australia exports less than half the volume of logs as compared with New Zealand, Precious Shipping managing director Khalid Hashim suggested that as a less significant player, the ban would not have as dramatic an effect on the trade, which mainly employs geared handysize and supramax vessels.

"If New Zealand can increase its exports to China to fill the void from Australia, and Australia fills the void in the other New Zealand export markets that cannot be serviced due to New Zealand exclusively focusing on Chinese imports, then net-net nothing would have changed," said Mr Hashim.

He extended this argument to note that if substitution from New Zealand is not possible and log imports need to come from further away then this will be tonne-mile beneficial for owners.

Mr Hashim warned however that if trade barriers and the resulting price increases destroy demand then it would be a problem.

"If this increase in price is sufficient to destroy demand then it is a problem and trade volumes will shrink. That would be bad news for owners," he said.

A minor bulks broker said all the supramax vessels he deals with were exclusively in the logs trade. These will now have to look for other cargoes to find employment, putting pressure on freight rates.

Mr Wang meanwhile denied the action is part of the broader diplomatic row between the two countries and stressed that it was a legal issue and not a political decision, due to "hazardous insects" detected in a recent timber shipment from the state.

But he also suggested that Australia's outspoken stance on human rights issues in China was the "root cause" of current trade tensions and accused Canberra of "violating the basic norms of international relations".

"We hope Australia can... create favourable conditions for mutually beneficial bilateral co-operation in all fields," Mr Wang said.

China had also suspended timber imports from Queensland state from October 31 for the same reason, he added.

IN OTHER NEWS

Hapag-Lloyd benefits from rigorous cost management

A DOUBLE-digit fall in demand during the second quarter and a slight dip in revenues have not prevented Hapag-Lloyd's earnings rising by a fifth during the first nine months of the year.

"In this nine-month period, we have achieved a good result and strictly managed our costs while at the same time benefiting from improved market conditions in the third quarter," chief executive Rolf Habben Jansen said in a statement.

Net profit was 538m euros ($635m) in the nine-month period, compared with 297m euros in the year-earlier period. Earnings before interest, tax, depreciation and amortisation rose to $2bn during the first nine months, a 20.4% increase on the year-earlier period.

Long Beach container throughput hits record

THE Port of Long Beach has achieved its highest-ever container throughput figure in the month of October but executive director Mario Cordero says it is still too early to declare a sustainable trend.

"This October number is going to be a historical mark for us. It will be the first time the Port of Long Beach has exceeded 800,000 teu. That is a historical mark on a monthly calculation," he said in an interview.

Dockworkers and terminal operators moved 806,603 teu in October and broke the "best month" record set in September 2020 by more than 11,000 teu. Trade was up 17.2% from October 2019.

Greek dry bulk owners suffer tough quarter

GREEK dry bulk owners Pioneer Marine and EuroDry posted a difficult third quarter of the year as the pandemic continued to weigh on the sector.

Pioneer Marine posted a $2.1m net loss amid the coronavirus-hit market. The company has trimmed its fleet to 14 ships with the sale of the 2006-built, 28,671 dwt Fortune Bay, which it said raised $2.9m.

"There was extensive uncertainty relating to Covid-19 during the third quarter with the second massive wave significantly affecting businesses, countries and people worldwide," chief executive Jim Papoulis said in a statement.

Capital Gas 'in talks' with charterers as first newbuild arrives

CAPITAL Gas, the liquefied natural gas shipping arm of Evangelos Marinakis' Capital Maritime Group, has taken delivery of its first ship, the 174,000 cu m Aristos I.

The vessel is the first of seven LNG carrier newbuildings to be delivered to the Greece-based owner by Hyundai Heavy Industries between now and 2023. The vessel has been chartered to BP Shipping for a period up to 12 years.

BP has also chartered the second LNG carrier in the series and a third vessel, likely to be one of those delivered next year.

Classified notices follow

HM GOVERNMENT OF GIBRALTAR

Official Notice

Applications are invited for appointment as Maritime Administrator with the Gibraltar Maritime Administration. Applicants must by virtue of their citizenship, be entitled to take up employment in Gibraltar. The successful applicant will lead and manage all aspects and functions of the Gibraltar Maritime Administration. The post holder will require sound analytical skills, mature judgement, the ability to effectively lead and direct staff as well as the capacity to carry a significant work load, achieve targets and promote the services offered by the Gibraltar Maritime Administration.

Applicants would need to be:

a) A valid Master Mariner Unlimited STCW II/2 with at least 5 years' sea service or
b) A Chief Engineer STCW III/2 certificate of competency (Unlimited), with at least 5 years' sea service, or
c) A Naval Architect accredited by a recognised society, or
a) A holder of a relevant maritime-related university degree and have properly trained and qualified as a ship safety inspector.

In addition to the above prerequisites, applicants must have completed at least 5 years' service in a senior position with an internationally recognised maritime safety organisation.

The post holder will be familiar with the workings of the EU, International Maritime Organisation and the International Labour Organisation, the Classifications Societies and all the responsibilities of a modern shipping register and must be familiar with the legislation aspects of merchant shipping.

The post holder will also be required to supervise all matters relating to EU legislation (including Conventions and Treaties), Port State Control, Flag State Control and Common Areas.

The appointment is on contract terms, initially for three years. Salary will be competitive and commensurate with proven experience and relevant training. Further particulars may be obtained from the Ministry of Business, Tourism ,Transport and the Port via email on mbtt@gibraltar.gov.gi.

Application forms may be obtained from the Human Resources Department, 82-86 Harbour's Walk, New Harbours, Rosia Road, Gibraltar, (Tel No. +350 200 71911, email: humanresources.recruitment@gibraltar.gov.gi and from the Gibraltar Maritime Administration web site at www.gibraltarship.com.

These should be returned to the Human Resources Department via email together with a brief career resume to arrive not later than **Thursday 19th November 2020**.

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL

(POOLE HARBOUR OPENING BRIDGES) ORDER 2006

PROPOSED Closure of Back Water Channel – Poole Harbour

NOTICE IS HEREBY GIVEN that Bournemouth, Christchurch and Poole Council (''the Council") propose to temporarily close the Back Water Channel for the full width in accordance with the powers granted by Section 17 of the above Order to execute works to the bridge structure.

The Back Water Channel will be closed to all vessels that cannot pass under Twin Sails Bridge when in a closed position. The channel will still be available to low air draft vessels, the height clearance displays will show the available air draft.

The channel will be closed from 10:30 Monday 7 December 2020 until 06:30 Monday 14 December 2020.

J McLaughlin MSc MCILT MIHT, Head of Growth and Infrastructure, Room 159,
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BH15 2RU

Dated: 9 November 2020