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Asia-Europe container freight spot rates hit new highs

CONTAINER SPOT FREIGHT rates from Asia to northern Europe have broken the $2,000 per teu level for the first time in a decade after rising by more than a quarter this week.

The Shanghai Containerised Freight Index reported rates of $2,091 per teu on the Asia-northern Europe trade. The last time rates were this high was during the "dead cat bounce" that followed the global financial crisis, when rates topped £2,100 per teu in May 2010.

Asia-Mediterranean rates rose slightly less this week, rising $422, or 23.5%, to their highest recorded level of $2,219 per teu.

But these rates may not set records for long, with rates reporting service Xeneta reporting spot rates reporting Asia-Europe rates coming into the service indicating levels of $2,100 per teu for December.

"The sky-high prices combined with full ships, record demand and lack of equipment have been a common problem on the trans-Pacific eastbound for the past few months," Xeneata said.

"The same issues are now observed also on the China to Europe trade. With no material change on the supply and demand components, we expect these prices to be sticky for the remainder of the year/peak season and possibly well into the new year."

Analysts at Platts noted that freight rates from north Asia to the UK had risen significantly and were expected to see further upside ahead of the new year.

"The deadline for the UK leaving the [European Union] customs union looms large and UK-based importers are seeking to fill warehouse space ahead of this event," Platts said.

"With fewer than 50 days to go until the UK formally leaves the EU customs union, and with the picture still murky as to what shape the future relationship will take, importers are seeking to bring in goods ahead of the deadline in an effort to be well prepared for a potential no-deal scenario, which would see the UK leave the customs union with no formal deal in place."

This had resulted in a significant spike in demand in recent weeks, leaving container rates from North Asia to the UK significantly higher, with carriers reporting front-loading of cargoes.

"On top of this increase in demand come logistical problems at UK ports, which are struggling to deal with the influx of demand, resulting in significantly longer wait times at UK ports, further affecting the rising freight rates," Platts said.

"Some carriers are imposing congestion surcharges on this route on top of the already rising base ocean freight rates."

WHAT TO WATCH

China agrees $1.5bn deal for additional Indonesian coal

CHINA has signed a memorandum of understanding to increase coal exports from Indonesia.

The deal is for $1.5bn worth of thermal coal to be supplied over the next three years, a statement from Indonesia's coal mining association APBI said. Talks were initiated several months ago.

In a virtual signing ceremony, the two sides agreed "a coal contract purchase" for 2021, it said. While it did not provide a volume, various media outlets pegged it at 200m tonnes.

The quantity of coal exports would be reviewed annually, according to the statement, which added that it was also necessary to establish a reference price index that could be "negotiated regularly".

The initiative by APBI "aims to agree on a long-term supply policy for coal export" as it seeks to strengthen bilateral trade between the two countries, it said.

According to Drewry estimates, Indonesia exports on average 30m-40m tonnes of thermal coal and lignite per month, of which 10m-12m tonnes heads to China. That equates to a monthly revenue figure of about $400m-$500m.

In the first nine months, it exported 93m tonnes to China, whose total thermal coal import needs are estimated at about 200m tonnes this year, while its coking coal imports are forecast to reach 58m tonnes.

In the January to September period, Indonesia's coal exports amounted to $4.9bn, a decrease from last year, due to the coronavirus backdrop, the statement said.

Market sources said the new coal deal could be a signal of China's shift away from Australian commodities as tensions rise between the two sides.

Precious Shipping's chief executive Khalid Hashim said that if the deal represents 200m tonnes over and above China's usual annual quota, it would be a "game-changer" for the freight markets. However, he believes that the additional volumes mentioned would be replacements for Australian shipments.

Increased volumes from Indonesia rather than Australia would be negative for dry bulk shipping, due to the shorter sailing distance involved, market sources said.

Australia, which produces high-quality coal, mostly exports the coking variety, used in steel-making, to China.

However, if tensions between Australia and China continue to deteriorate forcing China to source coking or thermal coal from places such as the US east coast or Russia, that would be a net positive for shipping as it would increase tonne-miles, the sources said.

Urgent consensus needed over decarbonisation

SHIPPING needs to climb a mountain pass before it can make it through to a decarbonised future, but there are opportunities on the other side once the transition is made.

"At the top level, we have to develop a narrative about how we transition from one valley today, where things are working well with fossil fuels, to another valley over the pass," said Bo Cerup-Simonsen, chief executive of the Maersk Mc-Kinney Moller Center for Zero Carbon Shipping.

"That pass is the biggest hurdle. I definitely think the solutions are in that other valley. With everything we are seeing now I think it is fully possible to have decarbonised shipping. The question is how do we actually transition from one system to another so we don't damage the people who have invested in assets and operations, and allow these players to transition to a new system confidently and in a safe manner."

Giving the President's Invitation Lecture at the Royal Institute of Naval Architects, Mr Cerup-Simonsen said that shipping had come a long way in the past 10 years with efforts to make shipping more efficient.

"I think the shipping community can be proud of the achievements that have been made over the past decade," he said. "But we have to look beyond efficiency and we are looking at some huge energy challenges."

The Maersk Mc-Kinney Moller Center for Zero Carbon Shipping was founded in June this year with the aim of accelerating the transition to climate-neutral shipping and bringing together various elements of the fuel supply chain.

"A lot of activity is ongoing and we see strong developments," Mr Cerup-Simonsen said. "But we need to accelerate this transition. No single company can do this alone because of the complexity and scale of the challenge ahead, and the fact that many players need to engage to make it happen."

Despite the efficiency gains made over the last decade, there was now urgency to make further reductions, he said.

To be carbon neutral by 2050 would require being at a point in 2030 where new ships were prepared for decarbonised energy sources.

"By the end of this decade we need to be ready to scale up both the ships and the shore-based infrastructure," he said.

"If you count back from 2030, and knowing from history how long it takes to get global regulation in place, how long it takes to get new technologies in place, you can see we are in a place of great urgency at this point."

Among the tasks ahead would be determining which future fuels were the front runners among the many options, and building out a portfolio of demonstration projects.

"Then we need a consensus around the transition strategy; how is this industry going to move away from a functioning status quo with competitive cost levels?"

By the end of the decade, it would be necessary to see investments scaling up significantly, both in order to prepare the existing fleet to take new fuel types, and also to have new ships built with zero-carbon capability.

"A big part of the solution is going to be thinking in terms of multi-fuel capability," Mr Cerup-Simonsen said. "We are going to need massive infrastructure and supply developments and all of that is most likely not going to be available by the end of the decade."

The first ships to come into service that were zero-carbon would likely be dual-fuel vessels, capable of switching between fossil fuels and zero-carbon fuels depending on what was available as refuelling infrastructure was built out and supply brought on stream.

"Shipping has a chance to play a part in the big changes ahead and we have a responsibility to do it," he said.

"The shipping community has shown in the past that we can collaborate across industries and sectors to create solutions that move the needle. If we put the solutions together in the right way, we can make the needle move again."

OPINION

Seafarers grow tired of being undervalued

MOST seafarers questioned by researchers working on a World Maritime University study admitted they had participated in or witnessed the fudging of records of work and rest hours so there is never any violation of regulations.

They do this, the report's authors allege, with the full connivance of shipowners and managers who employ them.

In the case of an accident or incident, evidence of manipulation of work/rest hours records would lead to questions about the due diligence of the shipowner to ensure the seaworthiness of the vessel.

But there is no evidence. Seafarers who cascade concerns about work hours violations, usually through the Designated Person Ashore, find career progression blocked.

The report, A Culture of Adjustment, exposes systemic abuse of seafarers by stakeholders at several levels of the industry. There is widespread under-manning of vessels, which is especially dangerous where ships call at several ports in quick succession; there is blatant manipulation of records; and at the root of this sorry state is "chronic mistrust" between ship and shore.

Underpinning all this is the job insecurity that is characteristic of numerous seafarers' working contracts.

This should not come as a shock, apparently, because "all maritime stakeholders seem aware of the existence of a culture of adjustment." And yet we are told ad infinitum that seafarers are key workers bravely going beyond the call of duty to keep world trade moving.

Coming under greatest criticism is the six hours on/six hours off rotation that fails to allow seafarers time for leisure and proper rest. The result is a crew that has not had time to rest before being called to go into action again.

The 1995 revision of the STCW Convention (which entered into force two years later) required a minimum of 10 hours of rest per day — meaning the possibility of 14 hours of work.

This was expanded in MLC 2006 to focus on rest to complement hours of work. Even so, the standard working hours limit for seafarers is almost double the eight hours set as a limit for shore-based workers.

Thus, the possibility of a 14-hour workday for seafarers appears to have become normalised as a standard.

Most experts find this position incredible. One non-governmental organisation observer described the current regulations as "not based on scientific evidence. It's a social agreement between parties at the International Maritime Organization… nothing to do with human psychology."

Another unnamed expert opined that no other industry would be allowed to get away with this. "The maritime industry is one of the most dangerous in the world and yet we run the most dangerous working hour regime."

In essence, recording work/rest practices has become a paper exercise to suggest compliance with regulations. Even some of the software programmes are deemed to be 'gamed for success' to ensure compliance with regulations and 'incentivise' crews to adjust their records.

Throughout the pandemic, shipping has become overloaded by virtue signalling. There is so much effort going into ensuring green targets are hit, efficiency is maximised, emissions are minimised.

While these should be encouraged, the very same shipping companies, managers, charterers, and bankers who pride themselves on getting to zero must not be allowed to blow smoke over abuse of seafarers.

Safety of the maritime venture depends more than it has ever done on dedicated seafarers who feel engaged and supported. Crews who feel trapped on board, unable to admit how many hours they really work and how little proper sleep they get, surely regard the lamentations about key workers as just so much blather.

ANALYSIS

Gulf states' economic blueprint may offer green energy solutions

THE start of a new decade is good time to launch a vision statement. It is a moment to set targets and goals, and to present the prospect of a bright future for the coming generation.

This time a year ago, several of the Gulf states revealed their visions for 2030 and beyond. They are a blueprint for economic diversification and, reading the writing on the wall, they lay the foundations for a world after crude oil.

Abu Dhabi's Economic Vision 2030 sees a transformation of the emirate's economy, with a reduced reliance on the oil sector and a greater focus on knowledge-based industries.

Kuwait's vision for 2035, branded 'NewKuwait', also sees the development of non-oil economic sectors, and envisions Kuwait as a future financial and trade hub of regional and international significance.

The Saudi Arabian vision for 2030 acknowledges the country's renewable energy sector is uncompetitive. To address this, the vision calls for a significant proportion of the renewable energy value chain to be localised in the Saudi economy, including research and development and manufacturing.

There will be a review of the legal and regulatory framework to enable private companies to raise their level of investment in the renewable energy sector. And in order to guarantee the competitiveness of renewable energy, there will be a "gradual liberalisation" of the Saudi fuels market.

These visions came before the coronavirus pandemic brought a year's delay to what were already busy diversification agendas. Future investment was to have been shifted away from the energy sector towards agri-foods, financial technology, and education because the momentum lay with diversification.

Now, one year into the new decade, it's time to revisit these visions. That's because it appears the Gulf states' future might still lie in energy.

Specialists in the energy sector believe that global demand for green hydrogen could displace about one-third of current global oil production by 2050.

The technology needed to convert solar energy into green hydrogen is complex but achievable. More troublesome will be storing green hydrogen and transporting it long distances to export markets. In one exploratory project, US and Saudi partners have agreed to invest $5bn to build a green hydrogen-based ammonia production facility powered by renewable energy.

The sheer cost of transitioning from an oil export economy to an economy underpinned by the export of green hydrogen will be huge. It will require Gulf state policymakers to define a national strategy for an alternative energy ecosystem.

New production facilities linked to a new infrastructure network, in turn linked to port hubs and specialised ammonia carriers will draw heavily on financial resources at a national level.

There has been a heavy focus throughout 2020 on alternative fuels for ships, with e-hydrogen and e-ammonia favoured over the long term. However, there has been less attention on the trade in these cleaner fuels, the port infrastructure, safe handling and storage.

What can be said with certainty is that the shipment of crude oil from the Gulf to the Asia Pacific region will steadily reduce in line with environmental concerns.

This is acknowledged in the various visions. What is less certain is what will replace oil and gas in the global energy mix. Perhaps the next iteration of the Abu Dhabi, Kuwait and Saudi 2030 visions will be less diversified and more focused on clean energy solutions.

Small-scale LNG on the brink of breakthrough

BREAK-BULK liquefied natural gas trade tied to off-grid demand is on the verge of taking flight, fuelling demand for import infrastructure and potentially hundreds of small-scale tankers.

Singapore-based LNG Easy, which facilitated Myanmar's first LNG imports, aims to bring into operation another landmark project mooted for Pakistan as soon as next year.

Earlier this week, it lined up a partnership with Karachi Port Trust and Pakistan Railways and is in talks with two supermajors for equity in the project.

LNG Easy's co-founder He Yiyong told Lloyd's List that the plan is to develop a supply chain allowing small parcels of the supercooled fossil fuel to reach off-grid residential and industrial customers so as to unlock latent demand.

About 80% of the country's population is not served by its existing piped gas network, he said.

This explains its over-reliance on imports of liquefied petroleum gas, which can be trucked in cylinders to remotely located end-users.

The project partners are looking to break up LNG shipped to shore into smaller parcels. These will go into either ISO tanks or road tankers to be either trucked or transported by rail across the country to customers.

"We expect to initially truck 300,000 tonnes of LNG across Pakistan and to grow such break-bulk demand to 5m tonnes by 2027," Mr He said.

He added that this project banked on a drive to replace LPG with cleaner-burning and more cost-competitive LNG.

LNG Easy is also pursuing break-bulk developments elsewhere in Asia, albeit with some variations to suit local geographies.

It was responsible for delivering a jetty-like infrastructure in Myanmar, which can be constructed and installed within weeks, to fast-track a project driven by Hong Kong-listed CNTIC VPower.

The project saw the first ship-to-ship LNG transfer off Myanmar from a larger carrier to a small tanker, which delivered the break-bulk cargo to the country.

Mr He viewed the current overcapacity in cargo and shipping markets as benefiting such projects, focusing on what he referred to as retail LNG.

Amid slower shipping demand, VPower was able to hire a large floating storage regasification unit from Höegh LNG on spot charter to serve as the mother ship for storing and transferring cargoes.

"We think this retail LNG model is workable for Vietnam, a country boasting 27 small-scale LPG terminals along its coastline," Mr He said.

LNG Easy co-founder Hans Hvide also flagged latent opportunities for such emerging trades elsewhere.

Mr Hvide cited Brazil, west Africa and east Africa as areas in which LNG discharge and distribution infrastructure is found lacking and would benefit from LNG Easy's MFP technology.

Mr He believes this emerging trade can spark shipbuilding demand for small-scale LNG tankers.

Tankers of under 10,000 cu m currently numbering 634, make up the bulk of LPG carriers.

This statistic provides a good gauge of potential small-scale LNG demand, he said.

Spike in empty containers leaving port of Los Angeles

RECORD high volumes and freight rates between the Far East and the US west coast have caused a spike in the number of containers leaving the port of Los Angeles empty in a rush back to the Far East, as freight rates are easily five times higher going from east to west than the other way around, shipping association BIMCO highlights.

In October alone, 325,980 empty containers left the port of Los Angeles, a 43.3% jump from October 2019.

Record high loaded imports of 506,613 teu in October, a 29% increase from last year, compared with only 2.6% growth in the number of loaded exported containers (143,936), mean that for every loaded container going out, 3.5 have come in.

Though the Asia to US west coast is far from a balanced trade in normal times, the past few months have made this imbalance even worse, as sky high freight rates and strong demand have incentivised carriers to return containers to Asia as quickly as possible, it noted.

For some, this has meant refusing backhaul cargoes, in favour of turning an empty container around as fast as possible; a rational decision when comparing a $754 per teu spot freight rate from the US west coast to Asia with the $3,913 per teu carriers can expect for a container going the other way.

"The unprecedented number of containers arriving in the US, and carriers' decision to forego backhaul volumes in favour of speed, is creating headaches for many stakeholders. This is for instance the case for US grain exporters who rely on the cheap rates to transport their cargo to the Far East," said BIMCO chief shipping analyst Peter Sand.

"The strength in US container imports can be attributed to robust consumer demand for durable goods, the restocking of inventories following the disruption earlier in the year due to the pandemic, as well as the upcoming holiday season."

IN OTHER NEWS

Shipping's cyber readiness mixed ahead of IMO deadline

SHIPOWNERS should look beyond mere compliance with the International Maritime Organization's upcoming cyber requirement to protect themselves from threats.

A Bureau Veritas webinar was told the industry's preparedness is mixed, with smaller companies still unsure what they need to do to comply. Bigger companies are further ahead than smaller ones and there is no one-size-fits all solution.

IMO2021 requires companies to cover cyber risks in their onboard safety management systems no later than their first annual Document of Compliance inspection after January 1.

DFDS starts ro-ro service linking Ireland to Europe

DFDS, the Danish ferry operator, will start a new freight ro-ro service between Rosslare and Dunkirk from January.

The service, designed to facilitate trade between Ireland and the Continent, is being marketed as "a cost-efficient alternative to driving through the UK".

The European ro-ro giant says the port of Dunkirk is a gateway to Ireland's top export markets — France, Belgium, Germany and Netherlands — and a host of secondary markets.

Pacific Basin buys four ultramaxes from Scorpio

PACIFIC Basin, a Hong Kong dry bulk owner and operator, has agreed to buy four ultramaxes from Scorpio Bulkers for a total consideration of $67m.

The companies announced the deal, which is expected to complete in the first quarter of 2021, in separate statements.

The deal is for the 2015-built *SBI Bravo*, *SBI Antares*, *SBI Hydra*, and *SBI Maia*.

Westports absorbs lockdown impact as volumes rebound

MALAYSIA'S main container terminal operator Westports saw throughput increase 6% year on year to 2.93m teu in the third quarter as global economic activities resumed after the earlier coronavirus-related lockdowns.

The increase, which was driven by both gateway and transhipment boxes, helped to make up for the weak performance in the first six months of the year, although for the year-to-date throughput fell 4% to 7.73m teu compared with 8.04m teu in the previous corresponding period.

Group managing director Ruben Emir Gnanalingam said the rebound in the third quarter had cushioned the decline during the first six months of the year as many countries emerged from the various forms of lockdown arrangements or movement restrictions previously imposed.

Intermanager elects Columbia's O'Neil as president

SHIPMANAGER association InterManager has named Mark O'Neil, chief executive of Columbia Shipmanagement, as its new president.

Mr O'Neil, who was elected during a virtual meeting this week, succeeds Bjørn Jebsen who has held the role since 2016.

Mr O'Neil "is keen to create a single industry standard through his ONE Approach, which centres on the belief of the strength of the collective voice when the maritime industry speaks to governmental and international institutions about maritime issues", InterManager said in a statement.

Keppel wins $75m FPSO conversion contract

KEPPEL Offshore & Marine has picked up a S$100m ($74.7m) floating production storage and offloading vessel fabrication and integration job from an unnamed repeat customer.

The company said in an exchange announcement that the conversion project is scheduled for delivery in the fourth quarter of 2022.

Recent previous customers for FPSO conversions have been Modec and Yinson. In July, Keppel O&M won a conversion contract from Modec.

Classified notices follow