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Can a bipolar tanker market find equilibrium in 2021?

AFTER A YEAR of extreme volatility, tanker markets begin 2021 with little certainty of how demand for seaborne oil and refined products looks in a post-pandemic world.

The incredible highs and lows of 2020 translated to record rates and record profits, quickly followed by desperately poor earnings — some touching 11-year lows.

Over the final quarter of 2020, rates on most routes equated to sums that barely covered operating expenses, as the coronavirus pandemic's second wave again dented oil demand and slowed the pace of recovery.

No significant rebound in tanker earnings is expected until October 2021 or until a vaccine is widely distributed, tanker owners told investors when providing guidance during third-quarter earnings calls in November.

A fragile recovery may be under way in the oil sector but any forecasts for crude and refined products demand in 2021 come with significant Covid-related caveats.

The pandemic is not only accelerating a shift to greener fuels or natural gas, but home-working and other lasting changes in consumer behaviour suggest an imminent peak or plateau in oil consumption.

Lost volumes from 2020 are not going to be fully replaced in 2021.

Seaborne crude exports contracted by an average of 8.4% to 48.2m barrels per day in the first 11 months of 2020 compared to 2019 levels of 52.6m bpd. That is equivalent to removing 4.5m bpd from the market, which translates to two very large crude carriers and one aframax tanker in fewer cargoes loading daily, Lloyd's List Intelligence data shows.

Overall crude demand will be 8.8m bpd lower year on year, to average 91.3m bpd in 2020, based on the most recent International Energy Agency forecast. Demand is forecast to rise to 97.1m bpd in 2021.

Unlike the dry bulk sector, where China's voracious appetite for iron ore, coal and grains has buoyed a recovery in freight rates, this nation alone offers little respite for tankers. So far, China's swift economic rebound has not compensated for lower crude imports registered in North America and Europe, areas of highest demand destruction.

China accounts for one fifth of seaborne oil imports but nearly two thirds of the world's coal and iron ore shipments by sea. Port congestion arising from record monthly crude imports at best provided a brief cushion to tanker spot rates mid-year.

Persistently high global inventories still need to draw further for the oil market to rebalance and cargo volumes to rise.

Furthermore, Russia is vying with Saudi Arabia for leading market share in China, which has implications for seaborne volumes. Russia-China imports gained 17% in 2020, all shorter voyages with implications for tonne-mile demand. Tonne-mile demand measures volumes carried by distance travelled and is a proxy for demand for tankers.

Preliminary figures show 2020 Middle East Gulf volumes from the Organisation of the Petroleum Exporting Countries suppliers are down 10.4% year on year, at 15.8m bpd. Tonne-mile demand is 10.9% lower.

Against this backdrop, Opec and its allies will, at best, return 2m bpd in production over 2021's first quarter, beginning with 500,000 bpd in January. The addition equates to one more aframax loading daily.

The so-called Opec-plus agreement between 23 oil-producing countries removed 9.7m bpd from the market in May 2020 to address freefalling crude prices at 21-year lows. So far, 2m bpd has been returned, in July 2020.

Libyan exports are unlikely to lead to any rates rally. Over November and December, exports from the North African country, which is not subject to the Opec accord, returned to about two thirds of last year's 1m bpd. This was at the same time as secondary lockdowns were seen across Europe.

Earnings for the aframax and suezmax tankers that operate on this route remained moribund as refiners that typically buy these grades cut throughput.

With oil prices rallying on news of a vaccine, competition between Opec oil producers, US shale producers and other non-members, such as Brazil and Norway, will intensify. Brent crude was trading around $50 per barrel in mid-December, up 58% from May lows, and is now near prices that indebted shale producers in the US need to break even.

Investment in Permian-to-US Gulf pipelines boosted exports from the region to a record 3.4m bpd in February 2020 before they slumped. Despite shale producers' indebtedness that has crimped production, the pandemic merely slowed the pace of export growth and has placed a premature cap on what was the fastest-growing crude export trade route.

Product tankers see eastern promise and western decline

Product tankers rely on the dislocation between where refineries are located and where demand lies for profitable operations.

At least 18 refineries have announced closures since Covid-19-related lockdowns decimated demand for gasoline, jet fuel and diesel, mostly in the Atlantic Basin. On paper, this is positive.

However, about 20m bpd out of 79m bpd of global crude distillation capacity remains idle, based on latest IEA estimates. With the exception of Pacific routes, spot rates for medium range tankers, the workhorse of the product tanker fleet, have not exceeded operating costs since October 2020.

Refinery profits to produce transport fuels from crude have gained from 16-year lows seen in mid-2020, with November gasoil cracks up 45% since June. Yet global utilisation remains around 74%, compared to 84% in 2019, latest IEA figures show.

East of Suez routes are doing better. Shutdowns in the Philippines, Japan and Australia boosted cargoes on medium-range routes from China over November.

West of Suez, lockdowns are having a deleterious impact on refinery output. UK refineries' production levels are typical of northwest Europe and the Mediterranean, with most recent statistics showing utilisation some 20% lower year on year.

The UK was the first to roll out a nationwide vaccination programme in early December 2020, but lockdown restrictions are not seen ending for another four to five months.

Given that two thirds of global crude demand destruction is linked to lower diesel, jet fuel and gasoline consumption, that is significant for product tankers in key Atlantic markets.

Higher utilisation and refinery margins in 2021 will rely on the pace at which driving, flying and manufacturing activity resumes and how quickly this reduces surplus diesel and jet fuel inventories.

Global consumption of petroleum and liquid fuels is forecast at 98.2m bpd in 2021, according to the US Energy Administration. That is up 5.8m bpd from 2020 levels. The EIA puts consumption at 92.4m bpd in 2020, a fall of 8.8m bpd from 2019.

Alongside China, rising exports are seen from the US Gulf, one of the major exporting hubs. Shipments of refined products are just 6% lower than February 2020 levels, EIA data show.

However, this figure incorporates propane and propylene shipments, which have benefited from very strong Asian demand on the chemicals and plastics industries, which are manufacturing personal protective equipment.

Chinese exports of middle distillates and gasoline for mainly Asian consumption are threatening market share from Middle Eastern and Mediterranean refineries, curbing tonne-miles.

The price of carbon

Investment delays will keep the orderbook low in 2021, so long as technological uncertainty over future fuels and decarbonisation remains. Despite the dearth of orders, this offers little short-term respite for the tanker sector, and muddies the medium-term outlook.

Yes, the fleet-to-orderbook ratio is very low; but technical and operational measures for carbon-intensity reduction for existing and newbuilding vessels to meet decarbonisation targets have not yet been agreed by the International Maritime Organization.

New regulations to be passed at the IMO in 2021 require indices to lower carbon intensity and emissions that will potentially result in retrofitting and equipment expenses alongside operational changes.

The UN body's tardiness has emboldened European regulators to press ahead with their own emissions trading system, which will include shipping.

Ammonia-fuelled engines and other alternative fuels are yet to be commercially available, but dual-fuel and LNG-powered vessels are being ordered as a means of transition.

During the pandemic, European and US oil companies committed to net-zero carbon emissions, without fully specifying how they will reach these goals. Nevertheless, this signals a reassessment of the future shape of tanker shipping.

In its annual energy review, BP was one of the first oil companies in 2020 to even suggest that 2019 might represent peak oil demand.

Transport fuels account for 40% of demand for global crude.

Electric vehicle sales grew in 2020, while sales of cars with internal combustion engines plunged.

The greatest take-up of electric cars is in Europe and the UK, which accounts for some 8%-10% of global demand of land transport fuels, and has emissions and efficiency targets. In November 2020, the UK said it would phase out sales of ICE cars by 2030.

The prospect of ammonia-powered tankers shipping crude oil to refineries in 15 years' time appears even more incongruous.

Sanctions and geopolitical surprises

The incoming US presidential administration of Joe Biden must clean up the geopolitical dirty laundry left behind by Donald Trump. Any removal of sanctions on Iran and Venezuela will have major repercussions for tanker owners.

Once sanctions on Iran are lifted, at least 78.5m barrels of crude stored on 48 Iranian-flagged tankers will be released to the market, before any lift in export volumes is seen. If most of these vessels resume trading, rates will be under even further pressure.

There is also a subterfuge fleet of elderly tankers operating in sanctioned trades using so-called deceptive shipping practices to escape detection and penalties.

These have been bought on the secondhand market by Iranian or Venezuelan interests over the past 18 months and include some 60 to 70 very large crude carriers, suezmaxes and aframaxes, Lloyd's List estimates.

Post-sanctions trading or sale may be difficult for many of these vintage ships, making them excellent scrapping candidates.

This should offset the addition of other tankers to the global trading fleet, though to what extent depends on timing and the pace of a global economic recovery.

Traders using floating storage between April and September 2020 helped prop up spot tanker rates early in the pandemic.

The release of tankers into an already depressed, overtonnaged market as demand for gasoil, gasoline, diesel and jet fuel remained poor is why rates have not lifted over the seasonally stronger fourth quarter.

How much crude can be released to the market? Iran exported 2.4m bpd and Venezuela 1.4m bpd in 2018, before the imposition of sanctions on their oil and shipping sectors.

Iran's production is now 45% lower, at 1.9m bpd, Opec sources report.

Venezuelan oil exports have been decimated by US sanctions and are currently less than one-fifth of their pre-sanctions levels, while production is at 80-year lows. Significant foreign investment will be needed to compensate for decades of underinvestment and poor maintenance from national oil company PDVSA.

Cargo is king

The old shipping adage that cargo is king has never been more relevant for 2021. Talk of fleet-to-orderbook ratios at 20-plus-year lows for the tanker sector cannot alleviate the immediate oversupply of ships that has arisen from fewer cargoes.

The lowest fleet-to-orderbook ratio is seen for crude handysize tankers, at 2%, according to Braemar ACM data. The ratio is estimated at 8% for medium range tankers, 12% for suezmax tankers, and 9% for VLCCs, data from the London-based shipbroker show.

Fleet growth remains steady. Deliveries for 2021 are forecast at 127 crude carriers and 192 product tankers, with the fleet growing by 1.9% by number of ships, according to Lloyd's List Intelligence estimates.

The world orderbook for crude oil carriers is at 87m dwt and 468 ships, data shows. Product and chemical tankers account for 497 at 25m dwt. This is second to dry bulk carriers, at 137m dwt.

Closures at recycling yards during the pandemic's first outbreak, higher rates in 2020's first half and a rise in elderly tankers sold for sanctioned trading saw recycling dip to a 22-year low.

Recycling is expected to rebound in 2021 but the pace of recovery again depends on rates and earnings trajectories and an improved scrapping steel price.

For the first time ever, the future of tanker shipping in 2021 appears to lie in the hands of big pharma.

How quickly the clouds over the tanker market that also hover over the 2021 outlook dissipate will depend on how fast and how widely vaccines are distributed, and by how much strengthening Asian economies can offset those faltering in the west.

WHAT TO WATCH

UK plans to rival Singapore are more proposal than policy

PUBLICLY, the UK shipping establishment is not commenting on leaked strategy documents aiming to turn London into a post-Brexit maritime rival to Singapore.

Privately, there is flurry of back-pedalling as officials point out that the confidential plans drawn up by the UK Ship Register were more proposal than policy and yet to get anywhere near ministerial consideration.

The draft proposals, which included a shake-up of existing tonnage tax arrangements and counting offshore vessels as 'ships' for tax purposes after Britain's departure from the European Union next month, had been confidentially circulated to a select number of UK shipping companies and bodies, but then leaked to the Financial Times.

While the substance of the plans appear to be a natural extension of previously stated ambitions from the UK flag to review its strategy, the timing of the leak and the somewhat inflated headline media interpretation of the proposals have created an unwelcome focus on UK plans to deviate from EU rules next year — a divisive topic in the context of current EU Brexit negotiations.

"To ensure the most competitive business environment for maritime in the UK, it is natural that consideration is given to various future scenarios," read the diplomatic statement issued by the promotional trade body Maritime UK.

The UK Chamber followed in a similarly non-committal fashion, refusing to comment on leaks, but pointing out that not being bound by EU rules necessitates discussions "exploring options to enhance the UK as an international hub for shipowning and shipping business".

"As far as we know, these proposals are not government policy, and are very much within the 'blue sky thinking' stage of policy development," explained the Maritime UK statement.

Uncertainty over the UKSR's post-Brexit standing has seen a substantial outflux of tonnage over the last couple of years, with the departure of around a third of tonnage including heavy hitters such as CMA CGM, which pulled 49 of its ships from the UK last year "in light of Brexit and to avoid any uncertainty in the period with our fleet status and regulations". That in turn resulted in a government U-turn on the UK policy that had previously targeted a doubling of the flag size to 30m gt.

But Britain will no longer be bound by EU rules on state aid and subsidies after Brexit, which will enable the government to boost incentives for owners to register in Britain.

The UKSR has made no secret of its ambitions to grow the flag, albeit from a significantly diminished base, and following a root and branch review last year had started setting out plans to achieve the quality standards they had set themselves along with a recalibrated growth strategy of 12.5%.

The fact that the proposals had been drawn up proactively by the UKSR and were being circulated to key stakeholders suggests that review process was coming to a positive conclusion.

Internally, the UKSR's vision to become "the world's best performing international flag" had gained traction and support from a client base that had consistently rated the quality of UK operations, even amid Brexit uncertainty. While the report's repeated reference to Singapore as a comparator is likely to have raised a few eyebrows, nobody can fault the ambition of the report's authors.

Maritime, relatively speaking, had been enjoying a rare period of high-profile status within UK government until two successive changes in shipping ministerial positions stymied momentum.

Successive reports trumpeting the £46bn ($56.9bn) contribution the UK's maritime sector makes to the country's economy had finally woken up the UK Treasury to the significance of shipping's importance, so while far from policy, the leaked plans offer an insight into the proposed direction for the Red Ensign post-Brexit.

The cadet training obligation under the current tonnage tax regime is seen as a major disincentive, and one suggestion is for the state education system to train cadets directly, under a scheme that could cost £30m.

Another possibility is enabling floating production, storage and offloading vessels and drilling rigs to come under the UK tonnage tax regime, which is not allowed under EU rules.

Both the DfT and the UKSR declined to comment on the leaked proposals or the likelihood that they will now, as intended, be considered by ministers to take forward as a policy proposal.

ANALYSIS

Ship finance bounces back after Deutsche Bank retrenchment

SHIP finance remains intact after radical restructuring at troubled Deutsche Bank, with a much-diminished but cleaner book, its global head of transportation has argued in a rare interview.

The intervention comes after chief executive Christian Sewing last week flagged that DB was through the worst of the major retrenchment programme underway for the last two years, which has seen it ditch equities trading and offload over $300bn in assets, not to mention 18,000 jobs.

The strategy was necessitated by recurring scandals since the global financial crisis, with a litany of woes including $2.5bn in fines for its role in the Libor-fixing scandal, accusations of widespread sanctions busting, and a $150m settlement for failing to monitor its relationship with the late sex offender Jeffrey Epstein.

But improved trading performance is now evident for the bank as a whole, and a major ratings agency has removed its previous negative outlook.

Richard Moody declined to specify the size of DB's current shipping portfolio, which for the first time in many years did not feature on the 2019 list of the world's top 40 shipping banks published annually by Greek research outfit Petrofin.

In part, this is down to its $1bn-plus sell-off of shipping loans in 2018, including still-performing loans as well as the kind of toxic debt which many peers were keen to get shot of at the time.

The most likely figure for the extent of current lending appears to be somewhere below $2bn, less than a fifth of the Petrofin estimate for 10 years ago and far less than the $5.9bn seen at the smaller Hamburg Commercial Bank.

Mr Moody discussed the extent of DB's involvement with shipping in the past, which concentrated on German and Greek owners, KG funds, boxships and offshore.

"DB made a deliberate decision to refocus and restrategise its shipping business. That involved becoming much more focused on which borrowers we would lend to, and tidying up our legacy book, tidying up our provisioning.

"We emerged from the shipping crisis in a much better position, being much fitter and leaner."

The transformation commenced with the most irredeemable shipping on DB's 'bad bank' non-core unit, followed by sales mentioned above.

"We were one of the first banks to sell in a proactive and organised manner. Up to that stage, what you had seen was piecemeal sale of assets, $50m here, $100m there.

"We packaged everything together, ran a competitive auction and launched it to the market, and since then you've seen other banks doing the same."

The release of capital created room for new business, and the book has since been broadly stable, which probably could not have been achieved without the reset.

Ship finance activity has not been restricted to lending, and also includes M&A, high yield bonds and trade finance. However, the shipping desk now has fewer clients, in line with wider DB policy.

As a result, old school (and usually smaller) clients that simply want to borrow $100m for a ship and pay it back over a number of years are out of favour, with preference for clients who seek to borrow larger sums and are in the market for other products.

"We really didn't want to be one of 25 lenders in a syndicate and not really be meaningful," said Mr Moody. "A view was taken that our capital could be better used in a more strategic manner."

Exposure to shipping as proportion of the balance sheet is low in proportion to rivals such as HCOB or NordLB, and will remain so.

"That metric is important to how we think about this. Yes, we're a bigger bank and could probably absorb more.

"But we deliberately don't have a high proportion of exposure in one sector — whether it's aviation, infrastructure or commercial real estate — compared to the overall lending book."

DB is also sees itself as more multinational in outlook than German peers, with substantial business in north America and Asia-Pacific, and is seeking to grow in the latter region.

Another distinction, as Mr Moody sees it, is DB's consideration of the entire logistics chain.

"When we think about shipping, maybe the more appropriate word to use is 'marine services'. We work with our infrastructure colleagues, who finance not only project finance transactions, but also port and terminal acquisitions.

"When you're talking to a big liner carrier like MSC or OOCL, the dialogue is not only about the next generation of boxships, but port terminals. The dialogue is multidimensional."

Shipping fund has seen record year ahead of new environmental strategy

AFTER raising $925m within eight months, Blue Ocean Funds is closing in on a record year and preparing for the launch of a new environmental strategy that will target greener ships and projects.

The $1.2bn alternative finance fund that belongs to asset manager EnTrust Global has already committed over $600m in shipping deals in 2020 to date.

Svein Engh, senior managing director and portfolio manager of Blue Ocean Funds, said that by the end of the year it would have completed between 15 and 20 transactions.

"It will be our biggest year in terms of deployment but also fundraising," he told Lloyd's List recently.

With a lending business that turns over around every three years, the fund is primarily focused on senior secured lending, with 85% of its portfolio comprising senior secured lending, but it does engage in some junior lending and a little bit of preferred equity.

"We are looking to provide equity in leasing solutions for assets. In other words, acquiring assets typically in a joint venture that will be fixed long term to end users," he said.

Mr Engh believes equity is absent in the shipping industry, with private equity having retreated and shipping stocks broadly underperforming — with the exception of the past few weeks. Banks' attention has already been limited to primarily large corporates and he does not expect that model to change anytime soon.

"Banks have been even more restrictive throughout the pandemic and that has opened up opportunities that we typically have not seen in a normal situation," Mr Engh said.

Blue Ocean's lending targets are the conventional shipping segments — dry bulk, tankers and containerships — with the fund taking a counter-cyclical approach and usually focusing on those sectors that are in the lower half of their cycle.

But the fund is also on the precipice of launching a new distinct green strategy, driven both by incoming environmental regulations and increasing customer demands for sustainable supply chains.

"Our belief is that the shipping industry needs to focus on this more than what it has. Which means the entire fleet has to transition into greener solutions and greener assets over time," he said.

Shareholder, political and regulatory demands have seen established financial institutions vow to take the climate implications of their business decisions into consideration.

In shipping, major lenders have been disclosing their portfolios' alignment with global decarbonisation targets.

As part of its own strategy, Blue Ocean Funds will branch out to other sectors like ferries, offshore wind support vessels and even the fishing industry, but will maintain a clear focus on owning the floating equipment themselves.

"Anytime we are looking at an investment it must entail assets that are greener and they have to have long-term fixed employment," Mr Engh said.

The new green strategy is meant to complement rather than infringe on its existing lending business.

Mr Engh was tight-lipped on the details of the strategy, but said it would be officially launched, with a first deal expected to be done soon.

"Our strategy is to help the industry transition into the future and make an impact while also generating strong returns for our investors. We do think that goes hand in hand," Mr Engh said.

The decarbonisation pressures and ambitions mean shipping needs to change urgently to satisfy these demands.

"So the owners have a difficult decision to make: should we start right now, or wait and see if a long-term zero carbon solution arrives? Our mindset is that we should start to improve right now," Mr Engh said.

OPINION

Why we should all be concerned about seafarer mental health

MENTAL health at sea is the elephant in the room. No one really wants to talk about bullying or harassment, loneliness or anxiety. But it's there, and many are increasingly worried that it's getting worse, *writes Richard Clayton*.

There are many strands to mental health. While every individual case should be taken separately, those who study this sector think part of the problem stems, ironically, from significantly improved communications.

Seafarers can contact family members far more than they used to, and hear the joys and sorrows of family life, but can't contribute in any meaningful way. And when seafarers join ship, they bring the stresses of home life into an environment where it's not cool to discuss them. Suppressed anxiety is dangerous.

Ship masters are part of the problem and also part of the solution. That's understood. But what about further up the corporate tree? Are executives, decision-makers and bean-counters also part of the problem? Can the stresses felt by an individual seafarer be traced up to a corporate culture that is, ultimately, designed by senior managers who have never been to sea?

The Covid-19 experience has been instructive for those of us who are on shore. Lockdowns can be survived if there is an end in sight but there's nothing worse for mental health than being trapped in a limited space, with dependents, and no light at the end of the tunnel. Imagine being a seafarer trapped for 11 months or a year, uncertain about when escape will come and what kind of reception they will get at the airport.

Humans are social animals. We not only enjoy each other's company, we thrive on it. Digital solutions have tremendous value but we mustn't underestimate the value of talking through our problems. It sounds so non-technical, and therefore old-fashioned. But getting seafarers to talk is the very first step to building a holistic approach to mental health.

This year will be remembered for the tremendous effort put in by crew managers around the world in helping to ease the humanitarian crisis of seafarer repatriation. However, just as 'long Covid' describes the effects of coronavirus long after the patient has left hospital, neither should we forget that the mental health effects on seafarers who have suffered from anxiety will extend long after they get back home.

The year 2021 is shaping up to be the year when decarbonisation will be taken seriously and the year digitalisation wll begin to have a meaningful impact on smart shipping. The year must also see seafarer mental health taken much more seriously.

MARKETS

Tonnage providers celebrate with a boxship bonanza

THE boxship charter market has seen a "once in a decade" moment during the second half of 2020 as charter rates have risen at a rate not seen since 2003-2004.

Alphaliner's Charter Index has doubled over the past six months, in parallel with the Shanghai Containerised Freight Index, reaching 115 points, a level not seen since 2011.

Once again, it is soaring exports from China that have supported the rise in both freight and charter rates. In the early 2000s, China's recent entry into the WTO saw a boom in exports from the country that acted as a shot in the arm to container demand.

This time around, China is again the source of the products in high demand as the pandemic forces a change in consumer habits and drives spending on containerised freight.

The charter market remains busy despite the tight availability of available tonnage. However, the fast rise in charter rates observed over the past few weeks is slowing down.

"Larger ship sizes seem to be reaching a plateau while in the smaller segments conventional 2,500 and 1,700 teu units are also seeing rates levelling off," Alphaliner said.

"Only the 3,500 teu tonnage, as well as fuel-efficient 2,500 teu 'Chittagongmax' and the 1,700 teu 'Bangkokmax' units and smaller vessels of 700 teu-1,000 teu are seeing a continued rise in charter rates."

The pause in the rate rise in the larger sizes could, however, be just temporary, considering the ongoing supply squeeze, it added.

Owners were successfully securing long-term employment for vessels, especially in the larger sizes, with a continued high number of fixtures concluded for periods of 24 months. The proportion of 12-month charters at healthy rates in the smaller sizes remained also significant, Alphaliner noted.

"The macro economic environment remains meanwhile favourable with a continued high cargo demand on most routes, and ever rising freight rates," it said.

Carriers had been completely surprised by the rise in cargo volumes, driven by e-commerce in the context of the pandemic.

"Full ships are piling up off Californian ports, and a container shortage might not be resolved before the end of January at the earliest," Alphaliner said.

Meanwhile, carriers were refusing backhaul cargo in order to reposition empty boxes from Europe to Asia to benefit from soaring rates that have topped $3,000 per teu on Asia-Mediterranean routes.

"Cargo is piling up in Chinese warehouses, as all ships are already fully booked for the next two to three weeks," Alphaliner said.

Winter rally drives Australia east coast LNG to new high

EXPORTS from liquefied natural gas projects on Australia's east coast set a new record in November as Asia spot prices for the supercooled fuel soared to a two-year high, boosted by stronger winter gas heating demand from a cold front projected in North Asia.

East coast projects shipped 32 cargoes or 2.13m tonnes in November, eclipsing the previous record set at 2.05m tonnes in October, according to a monthly update from Australia-focused EnergyQuest.

Gladstone Ports Corp data showed an increase in east coast exports to China to 1.6m tonnes in November, up from 1.2m tonnes in October and 1.3m tonnes for the same month last year.

Expectations of a colder than expected winter in China and South Korea contributed to a further hike in Asia spot prices to $11.10 per million British thermal unit seen for front-month delivery in January, the highest since September 2018.

Two of the largest projects on the east coast, the Australia Pacific LNG and Gladstone LNG projects, shipped three spot cargoes each in November.

China's Sinopec and South Korea's Kogas, as respective partners in APLNG and GLNG, are entitled to equity shares of LNG output from the two projects.

Outages at export projects on the country's west coast have helped to boost demand and prices on the spot market.

Supermajor Chevron is battling with downtime at one of its Wheatstone LNG platforms after restarting production at the second train of Gorgon LNG in late November.

Total-operated Ichthys gas project also saw output decline, EnergyQuest noted.

The ongoing winter rally drove utilisation of east coast plants, comprising those at a third mega project, the Queensland Curtis Island LNG, to unprecedented levels.

On an annualised basis, these plants operated at at 25.9m tonnes in November, exceeding for the first time their combined nameplate capacity of 25.3m tonnes.

IN OTHER NEWS

BW Group becomes largest shareholder in Navigator Holdings

BW GROUP has acquired a 39.1% stake worth $197m in Navigator Holdings and become the largest shareholder of the New York-listed operator of handysize liquefied petroleum gas carriers.

The Singapore-based shipping conglomerate paid $9 per unit for the shares held by private equity firm WL Ross & Co, representing a 9.4% premium to the recent share price.

The deal will see the owner of the world's biggest very large gas carrier fleet extending its reach to the smaller LPG tanker segment.

Navigator operates a fleet of 38 semi or fully refrigerated liquefied gas carriers, which transports petrochemical gases, such as ethylene and ethane, LPG and ammonia. The company also owns a 50% stake, through a joint venture, in an ethylene export marine terminal at Morgan's Point, Texas, on the Houston Ship Channel.

Eight crew kidnapped by Gulf of Guinea pirates

EIGHT seafarers are reported abducted from a vessel within the waters of the Gulf of Guinea, according to maritime security analysts Dryad Global.

The Cameroon-flagged, 11,990 dwt general cargo vessel *Stevia* (IMO: 8107000) was boarded 28 nautical miles southwest of the Nigerian port of Brass, the report said. The ship was sailing to Abidjan from Port Harcourt.

Another five crew were reported kidnapped on December 15 from the Cameroon-flagged, 710 dwt cargoship *Cap Saint Georges* (IMO: 7322529).

So far in 2020, *Stevia* is the 27th ship boarded and 130 crew have been kidnapped, based on reports from Dryad.

The Gulf of Guinea has emerged as the world's piracy hotspot over 2019 and 2020, with more than two thirds of all attacks occurring in waters off Nigeria, Togo, Cameroon and Benin.

Russian miner to boost Elga coal exports to China

RUSSIAN mining company Elgaugol has signed a strategic co-operation agreement with Fujian Guohang Ocean Shipping in an effort to boost coal exports to China, according to a company release.

The move comes as the Chinese government has lifted import restrictions for the commodity from foreign countries, other than Australia, to compensate for reduced domestic production.

Elgaugol is the developer of the Elga coal project, which sits on one of the world's largest deposits of high-quality coking coal in the Republic of Sakha, Russia.

The company, part of the business empire owned by Russo-Armenian telecommunications magnate Albert Avdolyan, said it aimed to ship 15m-18m tonnes of coal to China next year, 20m-24m tonnes in 2022 and 30m tonnes from 2023.

Surging ship calls bring record containerised cargo to California ports

A SURGE in the numbers of boxships on the transpacific crossing is boosting throughput at California's container ports, with double-digit increases seen in Los Angeles and Long Beach for the month of November.

The number of ships going into the San Pedro Bay ports of Los Angeles and Long Beach has nearly doubled in recent months, but that has created delays for vessels heading north and caused reduced throughput figures for Oakland.

The Port of Los Angeles processed 889,746 teu in November, an increase of 22% from the year-ago period. A combination of increased consumer spending, holiday shipments and replenishment of warehouse inventories has resulted in an unprecedented surge of cargo in recent months, officials said.

"After 11 months of year-on-year cargo declines, we've now stitched together four consecutive months, August through November, of year-on-year growth. During this period, the monthly teu average is almost 930,000 units," port executive director Gene Seroka told a news conference on Wednesday.

Shell charters four newbuild LNG carriers

SHELL has signed charter agreements with three owners for four newbuilding liquefied natural gas carriers to be built at South Korean yards.

These 174,000 cu m vessels are scheduled for delivery from mid-2024, according to a release by Shell Tankers, a unit of the energy major.

The owners involved in the deal are Norway's Knutsen OAS Shipping, South Korea's Pan Ocean and JP Morgan Asset Management.

According to stock market filings released by Seoul-listed Korea Shipbuilding & Offshore Engineering, the fresh tanker tonnage will cost about $186m per vessel.

They will be built by KSOE's two subsidiaries, Hyundai Heavy Industries and Hyundai Samho Heavy Industries.

Norden shifts exposure from tankers to bulkers

NORDEN is continuing to shift its exposure from tankers to dry bulk.

The Danish owner and operator sold the 2009-built medium range product tanker *Nord Pearl* (IMO: 9428372) and the 2008-built handysize tanker *Nord Butterfly* (IMO: 9448310).

The company has also purchased two secondhand dry bulk carriers — one supramax vessel to be delivered later this month, and a kamsarmax to be delivered in April 2021, it said in a statement.

It did not identify the buyers of the tankers, nor the sellers of the bulkers. Financial details were also not disclosed.

"For the next 12 months, we see more favourable market conditions and potential upside in the dry cargo market, as the world economy gradually recovers following Covid-19," the company's chief executive Jan Rindbo said.

TOTE Services cut steel at Philly Shipyard for new training vessels

TOTE Services and Philly Shipyard have held a steel-cutting ceremony for the new National Security Multi-Mission Vessel, a ship that has been under development for a decade to use in training and humanitarian efforts.

US Secretary of Transportation Elaine Chao said the new state-of-the-art, modern, school training ship would be a "tremendous addition" to the US Flag fleet and would also be available to respond to disaster relief efforts.

Officials said the steel-cutting ceremony marked the initial major construction milestone for the first "purpose-built, state-of-the-art training vessel" for America's state maritime academies.

They also said construction of the NSMV would help recapitalise the nation's maritime training fleet and strengthen the US's industrial base while directly supporting more than 1,200 shipyard jobs in the Philly Shipyard.

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Cumbria County Council

Port Of Workington Manager

Salary: £57,024 - £59,621

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The ideal candidate will have extensive management experience in a Port (or similar) environment and have strong operational, health and safety and commercial acumen. The Port Manager has overall responsibility for the general management of the port operations and safety, working closely with the Place and Enterprise Team and Commercial Development Lead to maintain the working relationship with existing Port users and proactively attract business. We have ambitious plans for the Port of Workington to become a key centre for growth, technology and innovation within the UK's growing offshore and energy sector to help us achieve a Zero Carbon Cumbria.

The Port Manager reports directly to the Port Duty Holder – the Executive Director for Economy and Infrastructure.

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To find out more about this the Port of Workington and about this fantastic opportunity, please watch this short recruitment video:
https://youtu.be/3rO6kc0xpDA

Interview Information

Closing date – 24 December 2020
Interview date – 7 January 2021

Due to the coronavirus, we are operating virtual interviews. This will preferably be undertaken using the Microsoft Teams software, which is currently free for new users, however if there are any issues with accessing this technology, we are happy to discuss alternative arrangements prior to the interviews.

Options will be discussed with candidates once they have been invited to the interview stage of the process, and if you have any concerns or adjustments are needed, we are happy to discuss.

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