Monday December 21, 2020

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

Shipping just got a taster of the disruption yet to come

IT IS ENTIRELY possible to read the runes and make a strategic play in the shipping market based on the supply and demand dynamics of 2020.

However, as we have been arguing for several years now in these annual market outlooks, context is key and much of shipping's future fortunes rests on factors that have little to do with ships.

In a year where we have all become armchair epidemiologists courtesy of coronavirus, we suggest there are useful lessons to be learned from the evolution of scientific knowledge as we consider shipping's prospects from here on.

Science does not change its paradigm overnight. Copernicus did not immediately convince peers that the sun was the centre of the cosmos; Einstein's ideas, relatively speaking, took a while to take hold.

Younger scientists take a new paradigm forward. As the American philosopher Thomas Kuhn put it back in the early 1960s "a new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it."

Paradigm shifts are a messy business and don't happen in a big bang. But the evolution of established thinking cannot be taken as a constant for any generation.

The relevance of such laboured analogy is to point out that while the shipping industry needs to sustain its business as usual operations amid an increasingly volatile set of market and macro risks, there is also a pressing need to consider the longer-term context.

The twin tectonic shift of decarbonisation and digitalisation, combined with an established trajectory towards transparency and corporatisation, all promise near-term disruption and require a wholesale mid-term rethink of the industry's established business models.

For shipowners, this is multi-tasking on a generational level.

However, let's consider 2020 first, before we tackle the epoch shift awaiting us.

One could easily write off 2020 as an anomaly — a flock of black swans swooped into view and disrupted everything. And it would be true, to a point.

In tankers, 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. In containers a $20bn loss has been magically turned into a $14bn stellar performance as the world isolated itself and required shipping to deliver the tools of what we are temporarily calling the new normal of remote working.

The summaries of 2020 will all dissect China's early recovery as the first major demand driver to grow since the coronavirus pandemic crashed through the global economy, and take a position on the underlying uncertainties that await in 2021. But the shipping specific story will be the low orderbook and the insulation that provided shipping compared to previous economic crises.

Perhaps the real anomaly this year is that supply, more by luck than design, is manageable having hit a 30-year low point due to a combination of dwindling finance availability and hesitancy from owners looking at the low-carbon transitional options.

This is the first time for decades that the supply side has become so muted. Sale and purchase activity is low, few vessels are being ordered and few vessels are being scrapped.

Valuations have suffered, equity capital is scarce and expensive, while banks are still, generally speaking, in retreat from shipping. Fewer newbuilds and a subdued sale and purchase market is no bad thing given past mistakes, and anything that can finally put a nail in the coffin of speculative boom and bust shipping cycles should be welcomed warmly as a sensible step towards a more sustainable future.

Yet a low orderbook doesn't save a market — you need demand return to recalibrate the fleet even before we consider the thorny issue of decarbonisation deadlines and dynamics. And that's where we still have no real certainty.

While large parts of the global economy have staged a better recovery from the first wave of the pandemic than initially anticipated, global seaborne demand was initially decimated and overall volumes are expected to decline by 4%-5% in 2020 compared to 2019 volumes.

Most forecasts predict that the lost volumes will be restored sometime during the next 12-18 months, but the effects of the second wave of the pandemic are difficult to predict.

The macro-economic wonks have all upgraded forecasts for 2021 following recent positive vaccine developments and expect the average quarterly GDP growth rate to be the strongest since 1978. Yet this will only be enough to return global GDP to pre-crisis levels. So, it's unlikely to feel like the best year in more than four decades.

Which is why this year cannot be considered out of context with what happens next. For all the 'urgent' debate within the International Maritime Organization and industry forums, uncertainty pervade every aspect of shipowner's strategic thinking right now.

Difficult decisions to be taken today, amid the apparently anomalous circumstances of Covid and the uncertainty of a global economy requiring urgent decarbonisation.

"Buying ships today that won't be delivered for two years and last for 25 years is a risk when we do not know exactly what fuels we will be using from 2030," explained AP Moller-Maersk chief executive Søren Skou during a recent earnings call.

His statement summed up the shipowner dilemma more succinctly than the petabytes of data analysis available charting carbon intensity of trade vs the existing trajectory of shipping emissions.

The inconvenient truth is that shipowners are in a race to be second when it comes to decarbonising the global fleet.

First movers risk expensive early obsolesce while laggards looking to profit from an uneven transition risk being left behind by rapidly changing market requirements that are increasingly running ahead of protracted regulatory timelines.

The Goldilocks risk approach — not too soon, not too late — accepts that the shipping industry will have limited agency in the pace and scope of the global energy decarbonisation transition, but assumes the basic aim of maximising energy efficiency of the transitional fleet in a bid to buy time for viable zero carbon fuel substitutions and infrastructure to emerge.

However, the transition to a zero-carbon future represents a generational risk for shipowners who require a centrist position, maximising flexibility both in terms of asset investment and business models.

Short-term risk is associated with the existing fleet struggling to stay ahead of carbon efficiency metrics that will increasingly eliminate tonnage and some owners from the market.

That process will spur a mid-term green order boom to account for the transitional fleet replacement requirements that cannot be met via retrofits. The most significant mid-term risk for shipowners in this period lies in the longevity of designs which are already dividing owners.

While some of the advanced guard are betting on transitional dual-fuel and tri-fuel tonnage options, the majority are assuming conventional fuel eco designs will sustain them ahead of the Annual Efficiency Ratio curve of carbon emissions long enough to leapfrog gas as a transitional option heading directly into ammonia or hydrogen designs. That division is already starting to shape the strategic outlook of the transition.

Looking further to the horizon, more challenging issues arise as owners require increasingly integrated partnerships with long-term cargo interest commitments to bridge the price gap between carbon and zero-carbon fuels.

That, in turn, assumes a significant shift in the competitive landscape of vessel ownership and long-term we anticipate ESG capital requirements will increasingly favour the stability of consolidated fleets matched against long term cargo interests, eliminating much of the generational privilege felt by traditional ownership models.

The discussion then is a question of how you see that scientific paradigm shift. Are we mid evolution, or on the cusp of revolution?

In 20 years' time, will we look back at those who have made it and conclude it was the companies that followed the structured path, making incremental changes with the aim of consistent improvement in mind?

Or will the companies carrying seaborne trade look back at the failed analogue, carbon-fuelled business models that preceded them and wonder how the previous generation got it so wrong for so long?

WHAT TO WATCH

2021: Europe's year for shipping's regulations

THE year 2021 will see shipping's emissions regulations take a consequential turn, with the prospect of regional regulations becoming a fact of life.

With two International Maritime Organization environmental committee meetings scheduled for 2021, the global maritime regulator should be tying up loose ends before embarking on what could be an uphill battle to deliver the regulatory coup de grâce.

The IMO will have to finalise the short-term GHG emissions measure it approved this year, pending an important impact assessment on countries, if it were implemented.

Though the measure that brings in energy-efficiency requirements on existing ships in 2023 and mandatory carbon-intensity requirements from 2026 is widely expected to be adopted next year, the outstanding finishing touches are far from procedural.

The levels of the carbon-intensity indicators and the guidelines for their calculation still need to be defined. Their finalisation next year will allow us to fully assess the potential efficacy of the stringency of the measures.

The dust settling on the short-term measures means governments at the IMO will have to confront far more daunting decisions.

The elephant in the room, the market-based measures on ships, is not only gaining significant traction within an industry that is accepting its fate, but now also has open backing from governments in the European Union and the Pacific. Other countries, such as Japan, have also signalled their willingness to begin MBM talks.

The resistance, however, is still strong and the negotiation of MBMs will be far harsher and more politicised than others in the IMO's history.

Regardless of its form, an MBM is a money-extracting policy or, on the flipside, a revenue-generating tool. Agreeing on how those costs and revenues should be allocated and used will require time, willingness to compromise and diplomacy.

Some governments will even oppose starting talks on MBMs and/or other longer-term measures in 2021.

Even if the talks on MBMs begin next year, do not expect governments to make any agreements in 2021 and potentially not even in 2022.

Some will argue this slow procedure is necessary to maintain unity among member states and facilitate as many needs as possible. Critics, who are already displeased with the pace of decisions out of London, will claim the IMO is displaying typical behaviour that, when applying to climate crisis response, amounts to inertia, they feel others should take the reins.

And, lo and behold, others are about to pounce...

For all the high stakes being played in London — hopefully in person, rather than online — the most important developments for global shipping next year will likely come out of Brussels, where the European Union's ambitions on control of shipping emissions and the industry's capability to influence them will become clear.

The European Commission will unveil its proposal to include shipping in the EU Emissions Trading System in 2021, following an ongoing impact assessment.

With a strong commitment to bring the maritime sector into the EU carbon market, the commission will have to decide whether it wants that to cover all voyages to and from the bloc, only domestic voyages — or some compromise between the two.

The commission will also need to take a position on whether it should be charterers or shipowners that pay the cost — a crucial and divisive issue for the container line and tramp sectors.

The Japanese and South Korean governments have spoken out against the ETS, as has China's shipping industry.

Whatever the commission's final decision, it will have an impact not only on shipping's financial pockets, but the pace of global emissions negotiations.

It could spur on other regional jurisdictions to develop their own emissions measures and — just as importantly — set the precedent for who is responsible for paying the cost of market-based measures when those arrive.

Negotiations with the European Parliament and the council, which represents EU governments, may not conclude until 2022. However, the commission's position will be influential in these.

The EU should also begin negotiating the parliament's proposed own amendments for the Monitoring Reporting and Verification regulation, the bloc's emissions data collection system.

Among its core recommendations is that all ships falling under the MRV should comply with a minimum 40% carbon-intensity improvement by 2030, likely compared with the years of 2018 and 2019.

In this proposal, the parliament has also demanded that shipping be included in the ETS in 2022, without any free allowances and with domestic and international voyages covered.

However, the commission does not support the idea of lumping the ETS and the MRV together — and the fact that it is rolling out its own ETS plan suggests the parliament's ETS ambitions may be cut short.

In a non-emissions measure coming out of Brussels again next year, ships calling at EU ports will need to have an inventory of hazardous materials on board, a requirement that is part of the EU Ship Recycling Regulation.

Asia-Europe spot rates breach $3,000 per box

SIZZLING container shipping spot markets have shown little sign of cooling, with the latest Shanghai Containerised Freight Index surging to new highs.

Rates on the Shanghai-Northern Europe trade increased 6% week on week to $3,124 per teu on Friday, setting a new historical record for the trade, while tripling its level seen in late August.

Prices for freight destined for Mediterranean ports also showed strong momentum, up 4.9% to $3,223 per 20 ft box.

Transpacific rates edged down 1.2% to $3,900 per feu on routes to the US west coast, whereas rates to the US east coast rose by a further 1.5% to $4,874 per feu.

The movements come amid soaring exports from China as a pandemic-led change in consumer habits drives spending on containerised products.

At the same time, equipment shortages continue to be an issue, putting further pressure on freight rates.

"The macro economic environment remains favourable, with a continued high cargo demand on most routes, and ever rising freight rates," Alphaliner noted earlier this week.

The consultancy added cargo was piling up in Chinese warehouses due to a lack of containers available, and "all ships are already fully booked for the next two to three weeks".

Shanghai Shipping Exchange, composer of the SCFI, said in a report that cargo volume on Europe routes remained high in recent weeks, with vessels leaving Shanghai close to full utilisation.

"Meanwhile, the shortage of container boxes also cascaded to this service routes which further intensified the situation of insufficient capacity supply."

It said most carriers implemented a new round of general rate increases after mid-December against the backdrop of the strong market fundamentals.

The markups have also been extended into the chartering market, with rates in the second half of the year rising to a level not seen since 2003-2004.

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

However, analysts have warned that carriers and owners might not be able to repeat such a fortune for next year.

Sea-Intelligence Consulting chief executive Lars Jensen has told Lloyd's List that container shipping would suffer should the pandemic stay out of control next year and lead to an economic slump.

On the other hand, a quick recovery would also be a unfavorable outcome as people could revert to spending on services rather than goods.

OPINION

UK ports: Shipowners, shippers, and shoppers need answers

UK port chaos is nothing new, as those who remember the National Dock Labour Scheme, which effectively provided dock workers with a job for life, will testify, *writes Janet Porter*.

Margaret Thatcher's government eventually repealed the scheme in 1989 but prior to that, Felixstowe had been established in an unlikely part of the country as a non-unionised port in order to avoid the threat of industrial action that frequently brought the waterfront to a standstill.

Two years later, Hong Kong's Hutchison bought Felixstowe in the world's first cross border acquisition of a port. Indeed, it took many more years before global port operators started to emerge. In most parts of the world, ports were, and in many cases still are, owned by the state or local municipality.

In Britain, there is an extraordinary range of port owners, ranging from private equity investors and foreign corporations, to families and trusts, which are independent statutory bodies.

As an island nation, the UK has hundreds of ports and harbours around its coast. Most are little more than small quays for leisure craft, fishing boats, or local ferries, but the country also has several major ports that provide vital links with the rest of the world.

Abolition of the controversial NDLC was expected to bring an end to the UK's frequent bouts of disruption that threatened the country's imports and exports. But within a few years of the end of the scheme, there was widespread concern that Britain could have insufficient port capacity as investment lagged well behind trade growth.

Since then, though, there has been a huge amount of investment in new UK port facilities, led by DP World's giant London Gateway on the north banks of the Thames, which is now handling about 1.5m teu a year, with plans to eventually expand to annual 3.5m teu capacity.

Nearby, Tilbury opened a new terminal in the past year, while in the north-west of the country, Liverpool2 on the River Mersey is another recently completed berth. And there have been many more investments in bricks and mortar, cargo handling equipment, and software systems designed to speed up the movement of freight through the port.

Which brings us to now, and the gridlock in UK ports that has hit the headlines in recent weeks. Rarely before has there been so much TV footage of piles of containers and massive lorry queues, as pundits warn of food shortages and delayed Christmas deliveries.

What has gone wrong?

The easy answer is to blame Brexit and the rush to move cargo in or out of the country before new border controls come into force on January 1. That is certainly a fair explanation for the jams around the ro-ro ferry ports such as Dover. But it hardly explains why the container ports are so congested.

The big containerships calling at Felixstowe, London Gateway, or Southampton have mostly arrived from Asia, not mainland Europe.

There has certainly been a surge in cargo, reflecting a mixture of stockpiling and a big increase in spending on consumer products by those who have been unable to take their usual overseas holidays, or weekend trips away, go to the theatre or eat out.

A shortage of lorry drivers has also compounded the problem, with supermarket home deliveries probably adding to the pressure on the road haulage industry.

And the UK is not alone in this capacity crunch. In southern California, there are currently 19 containerships at anchor outside Los Angeles and Long Beach waiting to berth. Congestion in some ports has got so bad that some lines are not taking any new Asia-northern Europe bookings in December.

Those who have run ports say it is a very fine tipping point between a well-functioning terminal and the descent into chaos, as the quayside becomes so packed with containers that it is almost impossible to reach the right one to load onto a ship for export or on a truck for onward delivery to a warehouse.

Felixstowe was the first UK port to become over-run a few weeks ago, and as ships diverted to other facilities such as London Gateway, or dropped off cargo in Rotterdam or Antwerp, so the problem spread.

But is there also a management issue here? Many would say yes.

A ship takes five or six weeks to sail from Asia to Europe. Surely that leaves plenty of time to plan for a cargo spike

Should port managers have been more prepared and made sure there was sufficient labour and berth space?

The UK ports have defended their position pointing to "unprecedented pressures" on the global supply chain and Brexit blockers, but there has also been talk about whether profit-driven port owners have made excessive cuts and are not as prepared as they might be. The unexpected is, after all, never entirely unpredictable in shipping

That debate is for another day, but UK ports — and particularly those handling containerised cargo arriving from non-EU countries — really will have some explaining to do to their customers, the big container lines, as well as carriers' customers, the shippers whose customers are the UK general public.

While the ports have dismissed the calls this week for a government inquiry, arguing "the issues are well understood and there is no case for significant intervention", that doesn't seem to be cutting it with those companies caught up in the congestion.

After so much money spent in new facilities over the past decade, it doesn't seem an unreasonable question for them to ask, how could this happen?

ANALYSIS

Low fleet growth lifts dry bulk spirits

WHILE many dry bulk market participants are optimistic — bullish, even — about 2021 prospects, given low fleet growth amid expectations of rebounding demand post-coronavirus, some are citing concern because of the uncertainty related to this recovery, combined with ongoing geopolitical tensions.

Demand growth pegged at somewhere in the region of 4%-5% was positioned against fleet growth of 2%: a scenario that is supportive of higher freight rates next year.

In 2020, bulk commodity demand is seen contracting, pulled lower mainly by global coal trades, and mirroring estimates for the global economy. The International Monetary Fund sees a drop of 4.4% in global GDP this year, rebounding by 5.2% in 2021.

China was the only country to record growth this year and the lift seen in dry bulk rates in the second half of the year is testament to that, with port calls way above that of the past year, according to Lloyd's List Intelligence data.

The country's stimulus policy, aimed at infrastructure projects, saw steel production soar, leading to higher imports of iron ore and coking coal, key ingredients in the steel-making industry. It also saw higher soyabean imports as its pig herd gradually recovered from devastating swine flu.

According to Arrow Research, China is charging ahead, with the rest of the world trying to catch up. It expects a "healthier" supply-demand balance next year but it does not expect "outsized gains" because although the recovery is gaining momentum, headwinds persist.

In October, China produced 92.2m tonnes of steel, up 12.7% on the same month last year, according to statistics from the World Steel Association. The global total rose 7% as some countries recovered.

In the first 10 months of the year, China's output was 874m tonnes, up 5.5% versus the same period in 2019, while the global total shrank by 2%.

Given China's dominance and importance in dry bulk trades, all eyes will be on Beijing's next Five-Year Plan, which is due to be approved and detailed in early 2021.

Pretty nice year ahead

2021 should be "pretty nice" for dry bulk owners, said Shipping Strategy's founder Mark Williams.

The dry bulk market has been on a four-year cycle, and the downturn that started in 2016 should have ended in 2020, were it not for the pandemic. That could mean a slight delay in the start of the new upcycle, the UK-based consultant said, adding that he expects a peak to occur in the latter half of 2022.

"Everyone is excited about a post-coronavirus recovery, seen as a 'super-bump', with latent demand coming to the fore," he said.

While China's steel industry is of paramount importance, Mr Williams said he would be interested to see what China's coal policy will be, given the trade tensions of late that have seen it ban coal from Australia. It also inked a $1.5bn deal with Indonesia, a potential sign of Beijing moving away from its largest trading partner.

Oslo-based Cleaves Securities also noted how China's economy was normalising, evidence of which lay in record steel production and a drop in steel and iron ore inventories.

Cleaves' research head Joakim Hannisdahl does, however, see seasonal factors weighing on the market in the first quarter, while annual consecutive gains are expected until at least 2023, based on a record low orderbook. Dry bulk was his top pick within shipping.

"We expect that Chinese authorities' stimuli efforts will continue into 2021, and believe that a net restocking will follow as soon as the global commodity market finds a new equilibrium at a higher supply level," he said. "This could be highly supportive for dry bulk shipping."

Higher iron ore exports from Brazil and Australia gave some respite to the dry bulk market this year, and the hope is that volumes can continue that trend in 2021.

Brazil's mining giant Vale is looking to steadily resume operations following the aftermath of the Brumadinho dam collapse in early 2019, which forced the closure of several mining sites.

The miner said it was targeting iron ore production in the 315m-335m tonnes range in 2021, lower than analysts had expected. That compares with a downward revision to 300m-305m tonnes this year. It is aiming for output of 400m tonnes by the end of 2022.

Australian supplies could reach 897m tonnes next year from 875m tonnes in 2020, which itself is a rise of 4% from 2019, Cleaves estimates.

While headwinds for coal trade remain, strong demand for agri-products and minor bulks, including bauxite, should bode well for the market.

The optimistic sentiment has reached shipowners, with all leading listed companies citing strength in 2021. They are also bullish for the long-term prospects of the sector.

Maritime consultants Drewry is expecting higher earnings across all segments, according to its base case scenario, with the one-year time-charter rate for a capesize forecast at $17,100 per day in 2021 versus $14,900 this year.

Similarly, panamaxes are forecast to achieve $11,900 per day next year from $10,500, while supramaxes should fetch $11,100 compared with $9,800. Handysizes, meanwhile, should increase by $900 on year to average $9,900 per day.

Word of caution

Shipping association BIMCO is, however, urging caution.

Its chief shipping analyst Peter Sand expects another challenging and trying year to come, given the steep commodity import drops across advanced economies in 2020, combined with the uncertain path of trade tensions and questions about the pace of recovery, in view of new daily coronavirus infections.

He advised patience until at least 2022 for some seasonal normality to return.

While an expected increase in iron ore exports from Brazil was "an upside" for the market, promises by Vale in the past have been "disappointing" due to various incidents that have curtailed output.

The one overwhelming factor in dry bulk's favour is that the pace of fleet growth is expected to slow to 2% in 2021, marking the lowest increase in capacity since the turn of the century, according to Mr Sand, who anticipates demand growth at 3% to 4%.

BIMCO expects 23.5m dwt to be delivered in 2021, versus demolitions in the range of 5m-10m dwt.

"To some extent, the fall in bunker prices has protected dry bulk earnings from performing even more poorly than they otherwise would have done this year," he said, adding that he expects a "slow" recovery in 2021.

Lloyd's List Intelligence also forecasts lower fleet expansion over the next few years, with a compound annual growth rate of 4.3% from 2020-2024, dropping to 3.6% in the five years to 2029. That compares with 6.4% in the 2010-2019 period.

Views on the market recovery are based on continued restrained ordering of new vessels, but higher freight rates during an expected upcycle that may lead to higher contracting, tipping the supply-demand balance once again.

MARKETS

Coal demand peaked in 2013, IEA says

THE International Energy Agency said that global coal demand will continue to slide after a partial recovery in 2021.

Consumption of the commodity, largely seen as polluting, is estimated to have dropped by 7%, or more than 500m tonnes, between 2018 and 2020 as renewables and cheaper gas ate into its share, the Paris-based agency said in its annual coal report. The magnitude of the slump is unprecedented, it said, based on its records that date back to 1971.

This year, overall demand, which peaked in 2013, is expected to slip by 5% as the coronavirus impact reshaped the market, and it would have been steeper had it not been for the strong rebound in China in the second half of the year. That compares with a drop of 1.8% in 2019.

"2020 was a very special year, hit hard by electricity demand and industrial output," said the agency's director of energy markets and security Keisuke Sadamori.

In the first half of 2020, demand dropped 9% year on year, while in the second half, demand recovered partially, down by just 2%, which was less drastic than expected, he said, adding that before the pandemic, the IEA had expected a small rebound this year.

"We have since witnessed the largest drop in coal consumption since the Second World War," he said on a webinar to launch the report.

Based on an assumption that global economies will recover, the IEA expects a rebound in coal demand of 2.6% in 2021, led by China, India and southeast Asia.

Meanwhile, higher natural gas prices and electricity demand will see a uptick in demand from the European Union and the US next year, the first growth spell in almost a decade, before a structural decline sets in once more, according to the IEA.

By 2025, global coal demand is forecast to flatten out at about 7.4bn tonnes, it said, with trends varying by region, with the Association of Southeast Asian Nations countries becoming the third-largest coal-consuming region, surpassing the US and the European Union.

In China, coal demand is reaching a plateau, the IEA said, adding that it will need to review its assumptions following the release of the Chinese government's 14th five-year plan early next year.

Power generation makes up 55%-60% of the country's coal demand, which is a quarter of global demand, but increasingly wind, nuclear, solar and biomass is making up the mix.

China has pledged to reach carbon neutrality before 2060, and this needs "a long-term roadmap to enable the smooth transition for the economy, which consumes 4bn tonnes of coal each year," the IEA said.

In 2020, some countries pledged to cut coal use in the coming years, namely South Korea and Japan, while Vietnam, Bangladesh and the Philippines have downsized planned coal expansions, and Egypt has gone further, cancelling plans for coal development.

"There has been a rapid growth in renewables as the world is working hard for clean energy solutions, but it will take a long time to get out of this reliance on coal," Mr Sadamori said, adding that coal continues to be a reliable source for steel-making, with no realistic replacement.

"There is no sign that coal is going to fade away quickly," he said.

US Gulf Coast refineries see reduced need for imported crude, consultant says

US GULF coast refineries are now reaching their capacity to process light sweet crude oils, and – barring any investment to boost that capacity – have a much-reduced need for imported supplies due to ample domestic production.

According to consultant RBN Energy, the change has been wrought by the increasing availability of "favourably priced, mostly light sweet oil from shale basins within and near the Gulf Coast region".

That availability of domestic supplies not only has enabled Gulf refineries to reduce imports but has also encouraged them to "reconfigure their facilities and operations to enable increasing volumes of light sweet oil to be refined."

The situation underlines a reversal in the petroleum trade that has taken place since 2005 when marine terminals along the Gulf Coast were importing more than 6m bpd of crude oil.

By 2019, the same refineries were importing fewer than 1.7m bpd, a fall of nearly 80% due to the historic rise of US shale oil production in the intervening time.

US domestic oil production increased during that period due to horizontal drilling and hydraulic fracturing, methods of releasing oil from deposits in impermeable shale and limestone rock, also known as "tight oil".

In addition to the domestic production of so much tight oil, RBN said the decline in Gulf Coast oil imports has been occasioned by "big changes" in the crude slates at refineries in states of the region.

That region is one of five in the US called Petroleum Administration for Defense Districts, or PADDs. The Gulf Region is PADD III, and includes Alabama, Arkansas, Louisiana, Mississippi, New Mexico, and Texas.

PADD III has half of the oil refining capacity in the US, with the vast majority of its 58 refineries located in Texas and Louisiana where, according to RBN, the changes in configuration have taken place.

Those changes have enabled “the swapping out of light sweet crude from overseas with favourably priced light sweet crude from the Permian and other US shale play”.

According to RBN, PADD III has been “flooded” with increasing volumes of light sweet crudes produced in the Eagle Ford, the Permian, and other US shale plays.

“That increasing domestic production has, to a large degree, replaced the light sweet oil that the Gulf Coast had long been importing from the North Sea, Africa, and Saudi Arabia, among other places,” it said.

Gulf Coast crude oil imports from OPEC have been falling steadily over the past several years, from 3.1m bpd in 2010 to fewer than 500,000 bpd in 2019.

“What’s left, as far as imports go, is largely a mix of mostly medium and heavy crude oil that PADD III refineries cannot get from domestic sources such as the offshore Gulf of Mexico,” RBN said.

While OPEC accounted for almost 60% of total crude oil imports into the Gulf Coast ten years ago, in 2020 the cartel has supplied less than 25% of the total.

Mexico used to send an average of some 1.2m bpd in 2010, but even that’s down to an average of just 630,000 bpd in 2020.

“While imports from OPEC and Mexico have been sliding, imports from Canada have tripled since 2010, from around 160,000 bpd that year to some 470,000 bpd in the first nine months of 2020,” RBN said.

Other non-OPEC countries account for the rest of US imports — an average of around 330,000 bpd so far this year, with most of that coming from Russia and Colombia.

In 2010, domestic crude accounted for only 27% of the oil being refined in PADD III, with various grades of imported crude oil — mostly heavy sour — accounting for the rest.

By 2019, however, US wells produced around 80% of PADD III’s crude slate, with imports making up the remainder.

Importantly, RBN claims that PADD III refineries have been approaching their physical limits for processing a higher proportion of light sweet crude oil.

The consultant says that any significant increases in light sweet crude oil processing capacity would potentially require additional capital investment – an eventuality it considers unlikely.

“Given the continued Covid-related weakness in demand for refined products and low refinery utilisation rates — which have been hovering around 80% in PADD III in recent weeks — such investments seem unlikely,” RBN said.

“That suggests that any further crude-slate shifts in the Gulf Coast region are likely to be minimal, at least for the foreseeable future.”

IN OTHER NEWS

MOL steps up safety measures to prevent another Wakashio

MITSUI OSK Lines, or MOL, as the Japanese shipping company is known, says it has stepped up internal measures to prevent any future accidents akin to the *Wakashio* (IMO: 9337119), which grounded on a coral reef off Mauritius in July, causing widespread pollution in pristine waters.

“In taking these measures, MOL continually works to establish a system that it can implement with vessels, shipowners, and other concerned parties, and to further improve the level of safety in overall supply chains that are jointly provided,” it said in a statement. MOL had chartered the 203,130 dwt bulker from a unit of Japan’s Nagashiki Shipping.

MOL has pledged to spend ¥500m ($4.8m) on upgrading systems and improving safety awareness. This includes training in how to use global electronic nautical charts using all scales, without requiring purchase of the chart; improving shore-side communications; and installing cameras on the bridge of all its vessels.

The company plans to address "the lack of awareness of regulations on safe navigation and insufficient performance" while enhancing its 24-hour monitoring system. It also wants to be involved in the process of selecting senior officers.

Grieg Star and Wärtsilä plot first green ammonia tanker in 2024

NORWEGIAN shipowner Grieg Star and Finnish technology company Wärtsilä will build the world's first tanker that both carries and is powered by green ammonia.

The two companies announced that the vessel, named *Green Ammonia*, will be launched in 2024 and is the first major project of Grieg Edge, Grieg Star's innovation hub.

However, Grieg Star told Lloyd's List the zero-emissions vessel is still in the technology development phase and is too early to discuss issues such as where the ship will be built and how much it will cost.

The companies will receive NKr46.3m ($5.39m) in funding from Norwegian funding scheme Pilot-E.

Despite the early stages of the project, Grieg Star said "several heavyweight industrial partners" have established letters of intent with the companies and the ship's final design, size, and volume will depend on the market and end-users.

Star Bulk acquires ER Capital capesize trio

STAR Bulk Carriers has clinched a deal to buy three 10-year-old capesize bulkers from ER Capital Holding for a combination of shares and cash.

The sellers will take 2.1m common shares in Star Bulk as well as $39m in cash that the company is seeking to finance through a five-year loan with a leading financial institution.

The company's shares had closed on Thursday in New York at just over $8 per share.

Greece-based Star Bulk has form in using its stock to expand its fleet through mergers and acquisitions, but had not acquired anything since absorbing 11 supramaxes in a deal done back in May 2019.

Despite this, chief executive Petros Pappas recently told Lloyd's List that the company was "diligently preparing for the future as our intention is to grow further but in a composed and organised manner and with an eye to 2030."

The three ER capital acquisitions are all 180,000-tonners built in Hyundai Heavy Industries in 2010 and retrofitted with exhaust gas cleaning systems.

Delivery of the *ER Bayonne*, *ER Borneo* and *ER Buenos Aires* will bring the Star Bulk fleet to 119 vessels, of which 117 have scrubbers installed.

The fleet includes 17 newcastlemaxes and 22 capesizes.

According to Star Bulk the purchase price for the trio of acquisitions was based on net asset value.

Rio Tinto names Jakob Stausholm as chief executive

RIO TINTO, one of the world's largest miners, has named Jakob Stausholm as its new chief executive

Mr Stausholm, who has been the chief financial officer with the miner since September 2018, assumes the new role from January next year.

He has taken over from Jean-Sebastien Jacques, who will step down from his role as chief executive from next month and leave the group at the end of March 2021.

A former Maersk group financial chief, Mr Stausholm has more than 25 years' experience working in senior finance roles in Europe, Latin America and Asia. Before joining Maersk in 2012, he served several well-known brands including ISS, Woodside Petroleum and Royal Dutch Shell.

Eastern Pacific Shipping to invest in nine tech start-ups

EASTERN Pacific Shipping will invest nine start-ups in its second MaritimeTech Accelerator programme backed by US seed funding firm Techstars.

The start-ups, hailing from Belgium, Denmark, India, Israel, New Zealand, Singapore, Spain and the US have been selected from over 1000 applications.

They will embark on a mostly virtual 90-day mentorship-based journey culminating in a Demo Day in February 2021, offering products covering robotics, machine vision, VR, AI, fuel efficiency, and more.

"Each startup has the potential to advance the maritime community forward, especially when it comes to sustainability, health, and safety." said Eastern Pacific in a release.

The Singapore-based shipowner said the coronavirus has highlighted an urgent need for the maritime sector to accelerate innovation efforts with the implementation of new technologies.

SPD Leasing orders kamsarmax sextet for compatriot operator

SPD Financial Leasing, a relatively young but fast-growing Chinese ship lessor, announced it has ordered six kamsarmax dry bulkers at Nantong Cosco KHI Ship Engineering.

Lloyd's List understands the fresh tonnage will be chartered to compatriot operator BG Shipping, a subsidiary of state-owned Beibu Gulf Port Group that runs a key gateway port and trading hub in South China.

Price of the 82,000 dwt ships were not disclosed, but brokers estimated they cost about $27m each.

The deal comes shortly after another newbuilding project signed between the Chinese lessor and port-backed shipping company in October for four 61,000 dwt ultramax bulkers to be built at the same yard.

Ambulance 'first' highlights ongoing shipping aid for Greek health system

A FIRST negative pressure ambulance has been put into service in Greece, courtesy of a dry bulk shipping company, as the country strives to bring a second wave of the coronavirus under control.

The new Peugeot Boxer, a donation of M/Maritime under the umbrella of the Greek Shipowners' Social Welfare Company, or 'Syn-Enosis', was handed over to the central Athens branch of the National First Aid Centre, known as EKAB, on Thursday.

Numerous countries have expanded their fleets of negative pressure ambulances since the outbreak of the pandemic but until now none were available to Greek emergency responders.

It is understood that M/Maritime, a growing Athens-based manager of bulk carriers, hopes that the donation will help call attention to the lack of such ambulances and others may follow suit.

Classified notices follow

Port Of Workington Manager

Salary: £57,024 - £59,621

Cumbria County Council has an exciting opportunity for a Port Manager to provide leadership and operational management for the Council owned Port of Workington.

For those looking for a new position, Cumbria has so much to offer. The Port of Workington is strategically located at the mouth of the River Derwent, on the south side of the Solway Firth and at the edge of the beautiful Lake District National Park. There is no better place to work and live.

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.

If you are looking for a career that inspires and are ready for a diverse and challenging role, then come and join us here in Cumbria. Please contact Angela Jones, Executive Director Economy and Infrastructure on 07917882992 for more information.

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.

What we can offer you
Cumbria County Council is a modern, vibrant place to work offering a range of staff benefits, including:
*Excellent training and development offers
*Flexible working opportunities
*Opportunity to join the Local Government Pension Scheme
*Various perks and discounts schemes, including money off your phone contract and local gyms
*Competitive rates of pay

'Like' Cumbria County Council Jobs on facebook to keep up to date with the latest job searching tips, news and opportunities.

Lloyd's List
Maritime intelligence | informa

VIRTUAL EDITION

GREEK SHIPPING AWARDS 2020

CONGRATULATIONS TO ALL OUR WINNERS!

Dry Cargo Company of the Year **Atlantic Bulk Carriers**
Shipbroker of the Year **Seaborne Shipbrokers**
International Personality of the Year **Guy Platten**
Next Generation Shipping Award **Suzanna Laskaridis**
Shipping Financier of the Year **Alpha Bank**
Passenger Line of the Year **Attica Group**
Technical Achievement Award **Psyctotherm**
The Safety Award **Venlys Maritime Specialisation Services**
Seafarer of the Year **Capt. Apostolos Apostolakis**
Piraeus International Centre Award **Onex Shipyards**
Achievement in Education or Training **National Technical University, Athens**
Tanker Company of the Year **Okeanis Eco Tankers**
Ship of the Year **"Excelerate Sequoia"**
Greek Shipping Newsmaker of the Year **Michalis Sakellis**
Lloyd's List Intelligence Big Data Award **Metis Cyberspace Technology**
The Sustainability Award **Typhoon Project**
Lloyd's List/Propeller Club Lifetime Achievement Award **Athanasios Martinos**
Greek Shipping Personality of the Year **Anna Angelicoussi**

Thank you to all our Viewers, Sponsors, Supporting Organisations and Members of the Judging Panel for your contribution to the success of the ***17th Annual Greek Shipping Awards.***

Event Sponsor: ClassNK

Champagne Toast Sponsor: CCS China Classification Society

Welcome Reception Sponsor: Vernicos Scafi Tugs & Salvage Group of companies