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Regulation is key to shipping's green push, Lloyd's List survey finds

REGULATORY ACTION IS now one of the most important factors for shipping's decarbonisation prospects, according to the first ever Lloyd's List shipping decarbonisation survey.

More than a quarter of the owners, operators and managers that responded to the survey identified decarbonisation as the greatest challenge to the shipping industry, followed by the impact of the ongoing coronavirus backdrop.

Conducted between mid-October and mid-December 2020, the survey amassed insights from shipping companies, charterers, investors, government representatives, non-governmental organisations and other stakeholders.

The pivotal role of policymakers and regulators in materialising shipping's decarbonisation ambitions has been apparent for some while, but the findings of the survey illuminate just how significant it has become.

Respondents across the board saw the "lack of clear, detailed regulations" as the single greatest potential barrier to decarbonisation, while the possible lack of proven viable decarbonisation solutions was also among the biggest impediments.

Fleet owners identified the International Maritime Organization and regional regulators as the two biggest pressure drivers for the decarbonisation of their operations. Investors were the third-largest pressure force.

Along the same lines, both fleet owners and non-owners see mandatory regulations as the single biggest motivating factor for future action on decarbonisation, with financial incentives following as a close second.

The position reflects the cornerstone of decarbonisation success, which is that regulatory certainty will help boost investment in the development and adoption of cleaner technologies.

The survey's results come ahead of a defining year in decarbonisation regulation and climate politics for shipping that could see regional policies outpace progress made on the international level.

In about six months' time, the European Commission will unveil its plan for adding maritime to the Emissions Trading System, the EU's carbon trading market. Though subject to political negotiations, it should result in a new market-based measure regional measure for shipping, a prospect widely loathed by the industry that wants global action taken through the IMO.

This year, the IMO is also set to finalise short-term operational and technical efficiency requirements that will also affect the existing fleet, where regulations thus far have focused on newbuildings.

These IMO measures are the early implementation of the its overarching commitments to slash shipping's total annual greenhouse gas emissions by at least 50% by 2050 compared with 2008, while reducing the fleet's carbon intensity by at least 40% by 2030 and aim for 70% by 2050.

Nascent action and ambition are already affecting business decisions. While 23% of the fleet owner respondents said the industry's decarbonisation ambitions have had no impact on their fleet investment plan, the remaining 77% said they have had to take relevant action, ranging from changes to their existing fleet to order delays and cancellations.

Owners said they are currently relying mostly on fuel optimisation technologies, coatings and slow steaming to improve their ships' energy efficiency.

The fleet's fuel composition will change drastically over the next 10 to 30 years. Some 20% of fleet owners believe their ships will be running on liquefied natural gas and as many anticipate they will use current marine fuels combined with carbon offsetting in 2030.

But those rates dwindle down to 5% for LNG and 7% for the carbon offsetting combination in 2050.

Meanwhile, the share of those owners expecting to be running ships on hydrogen and ammonia grew from 8% and 7% respectively in 2030 to 19% and 20% in 2050.

WHAT TO WATCH

Container lines: Profiting or profiteering?

RECENT complaints from shippers in China, Europe and the US have again raised questions over the performance and practices of container lines.

It is easy to see why cargo owners' hackles are raised. Freight rates are rocketing, with the Shanghai Containerised Freight Index last week reporting rates of over $4,000 per teu on Asia-Europe trades for the first time.

Alongside the high rates are a severe shortage of equipment and delays at ports and in inland distribution, all of which are causing additional costs. Shippers and forwarders are not a happy lot, and with good reason.

Laying the blame for the current crisis at the feet of container lines is convenient. They, after all, are the ones calling the shots and asking for the rates, even if much of the problem, such as overcrowded warehouses and congested ports, is beyond their control.

Some have gone as far as to say lines are profiteering from the crisis, making undue amounts of money from the suffering inflicted by the pandemic.

The calls for investigations and control of the lines seek to rein in their power and suggest that they are acting unfairly to take advantage of customers.

While the past decade of consolidation has seen the number of truly global container lines shrink to fewer than 10, grouped in just three major alliances, every previous investigation into carrier practices has failed to prove any collusion, price setting or market manipulation.

When carriers took capacity out of the market at the start of the pandemic, it was not to increase rates, but to survive.

As one line pointed out, a 20% fall in volumes in a month reflects a $200m loss of revenue. And blankings were being done at a time when cargo owners were frantically trying to cancel orders and seek storage in transit.

The rebound in demand in the second half of the year surprised everyone, but lines were quick to restore capacity. By the third quarter, deployed capacity was higher than it had been in 2019.

Even now, blankings in the lead up to Chinese New Year are virtually non-existent. Layups are at near record lows and charter rates at record highs as all available ships are pressed into service. That is hardly the way to manipulate a market.

There is no doubt that carriers have benefited from the surge in demand; third-quarter results for 2020 were the best in many years.

But that is a simple outcome of the laws of supply and demand and a basic tenet of capitalism. If there is an excess demand for a limited supply, those who want the supply most will pay more for it.

And having a few profitable quarters needs to be put in the context of having a decade of unprofitable quarters. Since the global financial crisis, carriers have struggled to pay for the cost of their capital, far less provide returns for their investors.

A stable, and profitable, container shipping sector should be welcomed. One doesn't need too long a memory to remember the carnage that came out of the collapse of Hanjin Shipping in 2016.

If carriers are to continue to invest in services and in new, environmentally friendly ships, they need to be able to pay for those.

Some perspective is also needed. Shippers balking at $4,000 per teu freight rates will remember that last October the SCFI spot rate to Europe was less than $1,100 per teu. In 2015, it went below $250 per teu. In the five years to the end of 2020, the average SCFI figure has been below $900 per teu.

Rates like these add only pennies to the price of goods when they get to shops, a remarkable benefit of containerisation. Moreover, the current high spot rates cover just a portion of the cargo shipped, with the majority going under contract arrangements.

Shippers allege that carriers are ignoring these commitments, but if market conditions were going in the opposite direction, with spot rates falling below contract rates, carriers would be accusing shippers of breaking their contract terms.

Lines have been trying for years to make container shipping less commoditised, and to have greater price predictability, but it takes both sides to achieve that.

The current crisis is just that: a crisis. This is the first time in the history of containerisation that the industry has faced a global pandemic. It is a mark of the maturity of the sector that, for the most part, goods are still being delivered.

As with all crises, this too shall pass.

OPINION:

Shipping's future must be more than fuels

AS WE embark on another year, we should admit that shipping has allowed itself to be backed into a corner, *writes Richard Clayton*.

We have become passive and reactive. Our forward planning seeks only to justify the industry's position rather than pushing at the boundaries of possibility.

Our masters are the Greta Thunbergs around the world, who appear not to recognise the role shipping plays in stimulating economic growth. They focus instead on the nasties being emitted from the smokestack and the ballast water pipe.

Just how narrow our options are became clear this week in a Mare Forum discussion on Designing the Ship of the Future.

This began with the first speaker setting out the three options: scrubbers, distillates, or LNG. The strengths and weaknesses of liquefied natural gas and its competitor fuels were then played out until, long after an hour had passed, a comment emerged

on the chat box complaining: “This is about propulsion and fuels, not about ship design.”

It was an observation that goes to the very heart of the industry’s malaise.

Under pressure from charterers, governments, counterparties, the mass media, and environmental activists, shipping’s leaders have targeted future fuels as the solution to all our woes.

Identify which fuel will get us closest to the goal while the zero-carbon end-state is under investigation; lay out the punishment for those who fail to comply; provide support for those who align themselves with the targets; move on.

In spite of all the science that has unveiled the size and scale of the challenge before us, shipping is as far from zero-carbon operations today as it was a year ago.

In fact, it’s worse for two reasons.

First, we are a year closer to the way points set out for us by the International Maritime Organization. Second, because those at the sharp end — the operators of ships expected to take worldwide delivery of suitable fuels — have seen the flaw in the argument.

Rather than rethinking their propulsion models, they are driving the discussion about ammonia, hydrogen, and synthetic fuels in the hope that it will all be seen as unachievable.

Unfortunately, the chance to discuss ship designs was consigned to the final moments of the webinar. We must not allow all discussions about 2021-2030 to be limited to fuels.

What progress is being made on composite materials for ship construction? Lighter accommodation blocks and hatch covers are an easy win.

What about changing trade patterns and the impact on vessel types? If society at large rejects diesel and petrol in favour of electric cars, what will that mean for the shipment of crude oil in VLCCs? If coal is gradually replaced as an energy source, won’t there be fewer bulkers?

More broadly, what changes are underway up and down the supply chain that must have an impact on shipping? How is cargo handling evolving, what impact has the coronavirus had on just in time container deliveries, when will charterers work with vessel operators and port managers to optimise ship arrivals?

Then there are smart shipping, quasi-autonomous shipping, and wind-assisted shipping. And what have we learned from the crew-change crisis about the importance of our seafarers? No discussion of future ship designs should overlook the fact, and it is a fact, that seafarers will continue to play a part.

The industry seems to be aware that the general public has a poor perception of shipping. They have been told we are dirty, noisy, and smelly. However, instead of explaining the innovation underway that will improve on each of these concerns, we focus on the ultimate fuel, the gold at the end of the rainbow.

Industry leaders are adept at speaking to the converted.

The need now is two-fold: to create a parallel discussion looking at non-fuel aspects of ship and supply chain design, and to engage with those outside the industry — not just with Greta Thunberg — who, apparently, are driving the agenda. Webinar anyone?

ANALYSIS:

Focus on dirtiest ships would bring emissions down faster

IT WOULD be better to focus on the most polluting ships rather than trying to impose greener fuels on the entire shipping industry, a Mare forum webinar heard.

Elizabeth Lindstad, chief scientist at Oslo-based research institution Sintef, said 80% of emissions came from just 20% of the fleet. That is about 20,000 ships.

In addition, it would be better to replace coal in electricity production, which would see greenhouse gas emissions fall by 20% rather than forcing the maritime industry to turn green, as this would only account for a 4% drop in overall global emissions.

So-called e-fuels such as e-hydrogen or e-ammonia are very expensive, which makes the argument for using liquefied natural gas more compelling. While

wind propulsion was starting to make sense, there remain challenges when loading or discharging.

“LNG is the best technology for two-stroke engines,” according to the scientist, who specialises in energy and transport.

Arista Shipping chairman Alexander Panagopulos, who is also founder of Forward Ships, called on the industry to focus on LNG as it was the cheapest option, and the fuel was better burned than not. Infrastructure was more widespread, as was availability, with South Africa most recently launching an LNG bunkering station, he said.

“Exotic” fuels only provided for a fraction of required emissions cuts, he added.

Owners were still ordering new ships with “pre-historic diesel engines” because they were afraid that their ships would be obsolete, he ventured.

End-users did not pay much attention to what fuel was being used on vessels, said Alex Haubert, manager of ocean freight at grains trader Amaggi, which charters bulkers for trades from South America.

Bills of lading do not currently carry any information about emissions and there was “a long way to go to bring awareness to end-users about their carbon footprint”.

While iron ore miners were more advanced in this respect, the next step for the grains industry had to come from the customer.

Indeed, global miner Anglo American said last year that it would add four LNG-fuelled bulkers to its chartered fleet, with delivery expected in 2023.

Port Hedland in northwestern Australia, the biggest iron ore terminal in the world, announced on Thursday that it has received its first LNG-fuelled bulker — the *HL Green* (IMO: 9869344) — which left the Samho shipyard in South Korea on December 29.

While LNG was “a great fuel”, it was not the end goal, and green fuels would only be around in the next 30 years, according to Harris Antoniou, founder of Advent Technologies and Neptune International.

Fuel cell technology, which could cut emissions by 40%, was “agnostic” to the type of fuel used, he said. This could be coming to market within the next few years, with fuel costs dropping to a tenth of where they are today.

While charterers did not want to pay more, and banks did not want to offer better rates, a catalyst was needed for change, he said, adding that it was the Amazons of the world, that had the wherewithal, who could enact this change, backed by public opinion.

How many vessels will be needed in future if the world moves to more regional trades, he asked rhetorically. How many tankers would be needed if electric cars become the norm?

Mr Panagopulos answered by suggesting a carbon levy could be the catalyst for change.

Public opinion was driving change but accuracy about measuring emissions was key, said Bureau Veritas’ commercial director Mathieu Philippe. He noted how data from sea trials had not been shared and questions had been raised from older studies that showed bulkers sailing at a speed of 16 knots.

The Sea Cargo Charter, set up by major charterers to record emissions, was also questioned by Arista Shipping’s chief executive.

“Is it designed to lower charter rates or is it an incentive to develop new technology?” he asked.

Shipowners Club to concentrate on small craft specialism in renewal round

SMALL craft specialist Shipowners’ Club will diversify risk through covering niche tonnage and by geographical spread rather than turning to new lines such as hull, chief executive Simon Swallow says.

The International Group affiliate will this year be looking for a 5% general increase, towards the bottom end of the range for its peers, and higher deductibles, as previously announced.

While a degree of resistance from brokers is only to be anticipated, that fact that all clubs are currently looking for higher premium income one way or another means that members are likely to take a realistic attitude on the matter.

"No one likes having to pay more. So, no owners are going to rub their hands in glee," Mr Swallow said in an interview to mark the 2021 renewal season.

"But provided you get the communication right through the broker network — which has been supportive — they realise owners have had many years of low premiums for what they get, and it is time we needed to make some adjustments."

Shipowners' recorded a 105% combined ratio last year, which means it is making an underwriting loss.

However, it remains within budget, and several rivals have slipped out somewhat higher.

In a climate of fewer but more expensive claims, record strains on the pool system and many clubs not breaking even, the need is to get combined ratios down to breakeven.

Some clubs have elected to do that by GIs, others by seeking more aggregate premium on a ship by ship basis. Shipowners' has opted for the first course.

"We believe it is fairer and more transparent — and the brokers prefer it — when we apply an across the board rise."

Shipowners' insures 33,000 vessels of many types, including those that other IG clubs often overlook, such as fishing vessels, yachts and barges. as well as dry vessels and tankers.

Most operate regionally. So, while claims may be spiking in one vessel type or region, they could be declining in another.

Shipowners' also provides specialist products, including specialist operations risk and contractual risk, which fall outside rules cover but address the specific risks faced by smaller vessels.

"That is the way small craft work," said Mr Swallow. "They could be towing today, doing a salvage tomorrow, something else the next day. We have to make sure we know of those risks, so we can give to members that diversified product. Alongside their traditional straightforward bog-standard P&I, they get all the other bells and whistles."

Because of its concentration on smaller vessels, Shipowners' often finds itself in competition with fixed premium insurers. However, fixed premium players are also finding the going tough, and are tending to increase rates.

Meanwhile, some clubs such as West of England are attempting to offset P&I losses through acquisitions, while the Scandinavians have for some years been active in commercial hull insurance commercially, with a view to subsidising mutualism.

"We have not gone out there and applied an aggressive strategy of diversification," said Mr Swallow. "We stick to what we do; P&I, FD&D, cover for specialist risks our vessels get involved in. But as we say to the ratings agencies, our diversification is to spread risks."

He rules out offering a hull product. Historically, Shipowners' P&I Club has worked with a number of hull insurers, with whom it has built strong relationships.

"They do what they do extremely well. Why should we want to start competing in that sector, when they are producers of business to us? At the end of the day, what is it we don't do? We don't do hull. That is a risk you need to place in the Lloyd's market."

Moreover, he believes there is little point in getting into hull without a broad spread of hull risk. Skuld and Gard have already achieved critical mass in this respect, but it would impossible for a new entrant to replicate that overnight.

This week saw the announcement of a strategic partnership with Fender Marine, the specialist marine underwriting agency based in Norway. It will focus on providing P&I for coastal operators across Scandinavia.

Mr Swallow also emphasises digital transformation, currently fashionable throughout the insurance sector.

The club has a 33% share in Jumar, an IT solutions company, which has supported development of target operating models for underwriting, claims and loss prevention.

"We have to do our business quicker, more economically, slicker. People want documentation quickly and accurately, and we have to adapt to the future," he said. "There are still so many archaic practices in our industry of P&I. We have to do it better, while never ever losing the personal service that is P&I."

But there are no plans for a merger, which some club chief executives now regard as inevitable over the next few years.

"When you start looking at economies of scale, you start scratching your head," said Mr Swallow. "Yes, IT possibly. Yes, office space, probably. We'll be working from home a lot more in future, but we still need bums on seats to manage claims and that isn't really going to change.

"You still need underwriters to underwrite risk. You still need to buy reinsurance. Would that be cheaper? Probably not. I struggle to see where those cost savings would come from."

Mr Swallow's renewal round strategy will centre on retention rather than growth, in line with it track record of retention rates of 98%-plus. But he insists he has yet to hear of any major accounts changing hands at this stage.

"There is an incredible amount of loyalty in the clubs among owners. I haven't heard of much going on, in terms of movement."

US targets cargoes produced by forced labour

TRANSPARENCY is now the watchword for compliance officers up and down international supply chains, especially as US Customs and Border Protection steps up its efforts regarding cargo produced under conditions of forced labour.

Ana Hinojosa, CBP's executive director for Trade Remedy Law Enforcement, told Lloyd's List that "CBP is the global leader in leveraging customs and border authorities to address forced labour in supply chains".

"Since the 1930s, our agency has taken robust enforcement actions to prevent goods made by forced labour from entering the US," she said, adding that her agency "will not tolerate" forced labour of any kind in US supply chains.

Underlining the point, in Fiscal Year 2020, CBP issued a record 13 detention orders on a wide variety of goods made by forced labour. During that same time period, CBP detained more than 300 shipments containing goods made by forced labour that were worth more than $50m.

Among the most recent of those actions are two Withhold Release Orders — one in September and the other in December — issued on palm oil from Malaysia, an industry that relies heavily on migrant labourers who are "at higher risk" of being used as forced labour.

"Forced labour is a human rights violation that subjects vulnerable workers to abuses such as physical and sexual violence, debt bondage, isolation, and restriction of movement," she said in the interview.

Not least, she observed that companies that exploit forced labour do so to produce goods below fair market value, which damages the US economy and hurts the competitiveness of legitimate businesses that respect fair labour standards.

The maritime industry can easily be affected by decisions of the CBP as shown by the recent ban on shipments of palm oil from Malaysia. Last year alone, one major ocean carrier transported more than half of Malaysia's 365 cargoes of palm oil to the US.

Ms Hinojosa said the US imported approximately $410m of crude palm oil from Malaysia last fiscal year. In other terms, she said, just over 30% of total US crude palm oil imports come from Malaysia, not including finished products that contain palm oil.

Ms Hinojosa detailed further effects of CBP bans on the maritime industry, saying that when the agency detains a shipment, there is usually "some impact" on the global supply chain, as the agency knows that most supply chains are now organised under a "just in time" concept.

"If a shipment has to be examined and then detained for three months, this impacts the efficiency of carriers, as their ability to discharge the goods may be delayed," she said.

"It is also possible that shipments en route may be refused by the importer, and there will be a need to reroute those shipments," she added.

Following established procedures, CBP personnel at US ports of entry may detain any shipment containing goods made wholly or in part by forced labour.

Importers whose shipments are detained have three months to submit conclusive evidence that the merchandise was not made by forced labour or to export the shipment.

"If the importer fails to act — or takes insufficient action — CBP may seize the shipment," she said, adding that in addition to civil penalties, repeat offenders may be subject to criminal investigation.

Under federal law, all US importers have a responsibility to exercise "reasonable care" and to ensure that their supply chains are free of forced labour.

By way of advice, Ms Hinojosa said ocean carriers and others up and down the supply chain need to know that "CBP is sending a clear message to the trade community: Know your supply chains".

"If a company seeks to send a shipment from one of the manufacturers covered by a Withhold Release Order, the carriers should expect that the shipments will be inspected and detained. Carriers should be prepared for this to take place," she said.

To aid in due diligence, Ms Hinojosa said there are "numerous resources" that the business community can consult to better understand the risks of forced labour in global supply chains.

Among the resources are the CBP's own webpage, as well as an app produced by the Department of Labour called "Comply Chain" which identifies business tools for labour compliance in global supply chains.

She also identified the US Bureau of International Labour Affairs as a useful resource for its list of 155 goods — and their 77 source countries — which are produced by child labour or forced labour in violation of international standards.

Ms Hinojosa drew attention to the Department of State as a further resource regarding forced labour, especially its Trafficking in Persons Report, which details the global trafficking of people into forced labour.

Another resource is the Xinjiang Supply Chain Business Advisory, which has been produced jointly by the departments of State, Treasury, Commerce and Homeland Security.

That document cautions businesses about the risks of supply chain links to entities that engage in human rights abuses, including forced labour, in the Xinjiang Uyghur Autonomous Region and elsewhere in China.

"Although there are limits to the operational information that we can share, the transactional side of CBP investigations is very detailed," she said. "CBP investigations typically involve tracing business entities and relationships and taking a detailed look at books and records."

But outside informants also help: "CBP continues to receive detailed information that supports our forced labour investigations. That information comes from a wide variety of sources, including US government agencies, non-government organisations, media reports, and firsthand accounts."

The price of getting caught can be high, she said, noting that there are reputational, financial, and legal risks associated with importing goods made by forced labour into the US, underlining that societal expectations are more than ever impinging on reputations and brands.

"The trade community should be aware that CBP will not tolerate forced labour in US supply chains," she said.

MARKETS:

New year, new box spot rate highs

SPOT freight rates on the major container trades have continued their relentless march north, with new historical highs at the start of 2021.

Figures from the Shanghai Containerised Freight Index show that after breaking the $4,000 per teu barrier in the final week of 2020, spot freight rates on the Asia-northern Europe trade lane jumped a further 8.8% this week, gaining $361 to hit a new high of $4,452 per teu.

Shanghai-Mediterranean rates were marginally higher too, gaining just 0.3% but still hitting a new record rate of $4,298 per teu.

The surge in demand in European trades has followed a similar pattern to that seen on the transpacific, which remains near its all-time highs, despite rates to the US west and east coasts slipping back slightly from the peaks they hit in the week leading up to Christmas.

The resurgence of the pandemic in Europe, coupled with tight equipment supply and strong consumer demand has helped lift rates, analysts say.

"The mutation of coronavirus re-tightened the situation of local countries," the Shanghai Shipping Exchange said.

"Thus, the stricter anti-virus measures also impacted the operation of supply chains and other aspects related. It stimulated the demand for daily necessities and medical supplies."

The speed of the rates increase on the major trades shows the extreme volatility in the market at the moment. At the end of October, spot rates sat at just over $1,100 per teu. By the beginning of December, this had doubled, and has since doubled again.

Drewry's World Container Index also showed steep rises across its reported trades, with the average composite index standing at $5,221 per feu, up 19.8% in a week and $3,652 higher than the five-year average of $1,569 per feu.

"Freight rates on Shanghai-Rotterdam surged 34%, or $2,276, to reach $8,882 for a 40ft container and those on Shanghai-Genoa gained 18%, or $1,282, to stand at $8,380 for a 40 ft box," Drewry said.

Drewry expect rates to remain high next week as well, with little to drive them down.

Strong demand for transpacific ocean freight is still causing congestion and delays at US ports, and remains the main driver of the global equipment shortage, according to analysts at Freightos.

"For most of the month, Asia-US rates remained at about the same level they hit in mid-September, when pressure from Chinese regulators reportedly kept carriers from increasing any further the rates that had climbed since June," Freightos said.

"Sustained demand for increasingly scarce empty containers and other equipment kept rates spiking on the other major ex-Asia lanes."

The sharp rise in rates across global trade lanes is meeting with increased resistance from carriers' customers, however. Chinese regulators are said to be preparing another 'consultation' with carriers, in a renewed attempt to cool off the sizzling freight rates amid mounting complaints from the country's shippers.

And European shippers have also called for the European Commission to examine box carrier pricing.

Chinese lessors see 7% drop in ship lending last year

CHINA'S leasing houses have experienced a meaningful slowdown in their lending to shipping for 2020 amid the coronavirus disruptions.

Ship lessors' drawdown — which refers to the accessed portion of the credit lines extended to their borrowers — shrank 7% from 2019 to $14.7bn, according to Smarine Advisors, an expert in facilitating vessel leasing deals.

The decline is better than an earlier forecast of 15% annual contraction, based on the half-year drawdown results, suggesting a pickup in performance in the second half. However, it is in sharp contrast to a 26% increase seen in 2019.

Major lenders Bocomm Financial Leasing and ICBC Financial Leasing each achieved a drawdown of more than $3bn in 2020. That represents a year-on-year growth for both companies, making them among the few lessors that have managed to buck the trend.

The second echelon, the $10bn club, consists of CCB Financial Leasing, CDB Financial Leasing, Avic Leasing and CMB Financial Leasing.

There was an increasing number of operating lease deals, in which the lessors intend to take on the risks of the vessel residual value after the charter hires, Smarine pointed out.

"Some leasing companies use the operating leasing model as a tool to invest rather than to finance."

Despite the slower drawdown, the size of Chinese lessors' total ship portfolio continued to grow.

As of the end of 2020, their ship assets rose 11.4% from the year-ago level to $66.5bn in terms of the value of financing. That is likely to help them keep expanding their market share in the global ship finance market, Smarine estimated.

Breaking it down to individual players, Bocomm Leasing and ICBC Leasing lead the top 10 list, with $13.8bn and 12.8bn of vessel assets, respectively, on their book.

CMB Leasing ($6.4bn) sits in the third place, trailed by Minsheng Financial Leasing ($5.7bn) and Cosco Shipping Leasing ($5.6bn).

"It remains to be seen what strategies the Chinese leasing lenders will take to seize the opportunities emerged from the expected economic recovery in 2021," said Smarine.

No respite as record broken at Los Angeles and Long Beach

THE number of vessels at anchor in San Pedro Bay reached a record this week as a conveyor belt of containerships collided with a fog bank that prevented ships moving to berth.

The Marine Exchange of Southern California, which monitors vessel movements in the waters surrounding the twin ports of Long Beach and Los Angeles, recorded 48 vessels at anchor at one point on January 7, of which 36 were boxships. This was a record in both cases.

Fog overnight had prevented six ships moving from the anchorage to berths due to poor visbility.

The exchange noted that while the number of containership arrivals was due to trend down over coming days, the arrival of vessels going to anchor exceeded moves to berths by 10 ships, putting additional pressure on the anchorage.

The anchorage and contingency anchorages off Los Angeles and Long Beach are already full, MXSOCAL said, and two vessels have already been directed to the contingency anchorage off Huntingdon.

It warned that over the next three days, the number of arrivals would exceed the number of ships moving from anchor to berth by 10 ships, meaning the Huntington anchorage would also be full.

Movements over the weekend should see three vessels shift to berth today, seven on Saturday and a further two on January 11.

By midday on January 7, there were still 34 containerships, comprising 230,000 teu at anchor off the two ports.

Of those, 12 are more than 10,000 teu, including CMA CGM's 16,022 teu *CMA CGM Marco Polo* (IMO: 9454436), which arrived at anchor on January 5.

The longest-held vessel remains SM Line's 3,3,14 teu *Singapore* (IMO: 9256224), which arrived on December 21

IN OTHER NEWS:

Average LNG spot rates continue rally to break $320,000

SPOT rates for the scarce liquefied natural gas fleet have broken $320,00 as growing demand for the commodity and limited vessel supply continue to prop up the sector.

Daily contracts for LNG carriers, most of which trade on longer term contract charters, averaged $320,870 on January 8 for a round voyage from the US Gulf to Europe, according to the Baltic Exchange. That was over $95,000 more than on January 5.

The much longer round voyage of the US Gulf to Japan also saw increased daily earnings to $228,486, while an Australia to Japan round voyage would cost on average $219,893, the exchange said.

CMA CGM's new Asia service offers boost to Oakland

THE port of Oakland is gearing up for more volume and faster trade with the arrival of three new cranes and a 'first-call' liner service operated by CMA CGM coming to the facility in mid-January.

"We're excited about this opportunity with CMA CGM's new express service from Yantian and Shanghai to Oakland," seaport director Bryan Brandes told Lloyd's List. "A first port of call here will bring new e-commerce business and expedite imports from Asia through Northern California."

Expedite is the operative word as Oakland has suffered delays in receiving its own cargo due to a backlog of ships in the ports of Los Angeles and Long Beach 400 miles to the south, rendering slower turn-around times.

Dalian Port Co changes name as consolidation progresses

DALIAN Port Co will be renamed as Liaoning Port Co as the company edges closer to finalising the takeover of a smaller neighbouring rival.

The Shanghai-listed company said in an exchange filing that the name change will fit its role and

purpose to promote port integration in Liaoning province, northern China.

The proposal to merge Yingkou Port Liability Co, unveiled in June 2020, was approved by the stock market regulators this week. DPC had expected to complete the deal early this year.

UK drops case related to Nave Andromeda incident

ALL charges have been dropped against the seven stowaways arrested at gunpoint after special forces stormed Liberia-flagged product tanker *Nave Andromeda* off the Isle of Wight last October, Hampshire Constabulary has confirmed.

According to a statement issued on the police force's website, the decision was taken by the Crown Prosecution Service, after additional evidence emerged during the investigation process.

Senior district crown prosecutor Sophie Stevens said: "The CPS has a duty to keep all cases under continuous review and after additional maritime expert evidence came to light, we concluded there was no longer a realistic prospect of conviction and discontinued the case."

Australia bans livestock carrier over hull breach

AUSTRALIA has imposed a two-year ban on a livestock carrier for endangering safety and the environment, the most severe ban it has issued.

The Marshall Islands-flagged, 1993-built, 3280 dwt *Barkly Pearl* (IMO: 9042295) was diverted to Geraldton, off mid-west Australia, in November when authorities spotted a large hole in its hull. It was not carrying livestock at the time.

The ship was issued a refusal of access direction notice under the Navigation Act 2012, which bans it from entering or using an Australian port for 24 months.

Greeks buy UAE tanker company

UNITED Overseas Group, a shipowning and investment company controlled by Peter Georgiopoulos and Leonidas Vrondissis, has taken control of Dubai-based United Arab Chemical Carriers.

The deal, subject to shareholder and regulator approvals, is structured as a reverse triangular merger, which will be the first such merger under the Companies Law of the Dubai International Financial Centre, according to an UACC statement.

Although financial details were not disclosed, the transaction is expected to be funded by Entrust Global's Blue Ocean Funds, represented by Morgan Lewis Bockius, and Stephenson Harwood as legal counsel.

Gulf rivals resume shipping links with Qatar

FOUR Gulf countries are set to resume shipping links with Qatar, following a diplomatic resolution to a dispute that has kept the gas-rich sheikhdom isolated within the region since June 2017.

Under a blockade imposed by Saudi Arabia, Egypt, the United Arab Emirates and Bahrain, cargo loaded from ports in Qatar had not been allowed to discharge in any of those four countries, and nor could cargo loaded from their ports be discharged in Qatar.

Vessels owned by Qatari companies were also barred from port calls. The restrictions were imposed after Qatar was accused of being too close to Iran and of support for terrorism. Qatar denies the allegations.

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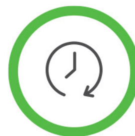

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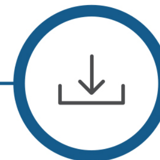

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