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## Freight rates push derivatives trading to 12-year high



ECONOMIC TURBULENCE AND volatile freight rates are rapidly increasing trade in forward freight agreements — a little-understood and under-used mechanism to hedge against rising or falling vessel chartering costs.

Freight derivatives volumes in 2020 showed a year-on-year gain of 31% for crude and refined products freight and 19% for dry bulk, according to the Baltic Exchange, against whose physical assessments the trades are settled.

FFA volumes totalled some 1.5 billion tonnes of freight for the dry bulk sector and reached 600m tonnes for crude and refined products in 2020.

The financial contracts allow buyers or sellers to fix the future price of freight to hedge against volatility and are used as a risk management tool.

Volumes are the highest in 10 years for the tanker sector, and the most in 12 years for dry bulk, analysis of Baltic Exchange figures show.

“The tanker FFA market is a product of volatility and 2020 was certainly a turbulent year,” said Tom Stockton, a broker at Clarkson Platou Securities and chair of the FFA wet brokers’ association. “But will this volume drop away if the tanker markets are less volatile in 2021?”

“Volatility certainly helps, but the tanker FFA market’s growth is a story of medium-term development, not just a busy 2020. We’ve seen consistent growth since 2017.”

Trading in wet and dry FFAs has not fully recovered from the 2008 collapse of the commodities super-cycle with billions of dollars lost by traders and shipowners as freight rates dramatically plunged.

Speculative players including banks and funds left the market and greater regulatory oversight ended over-the-counter trading which had dominated, leaving a diminished sector.

While volumes in 2020 do not suggest any return to these heady days, traders and operators have increased buying and selling FFAs, and some banks have returned, according to Mr Stockton.

The tanker chartering frenzy that triggered skyrocketing rates in March led the FFA revival for wet paper in 2020, although overall volumes traded were still 60% lower than dry freight derivatives.

“Growth has come from banks returning to the market, consistent support from trading houses and assorted new market participants,” he said, adding that newly established trading routes for very large crude carriers shipping oil from the US Gulf to Asia also increased buying and selling from the US.

“The majority of activity is still driven by London and Europe, as financial institutions and owners enter the market, either as new or returning participants.”

Rising volumes and higher freight forward values have boosted the London shipbroking sector where most of the world’s FFA business is done. The futures contracts — from which a percentage in commission is taken — were concluded at some of the highest levels in several years for the wet sector in 2020’s first half.

A rebound in dry bulk rates over the last quarter of the year also helped generate additional income.

Another measurement of the acceptance of FFAs as a risk management strategy is reflected in the percentage of paper trading volumes against physical seaborne trade.

Despite oil futures trading at many multiples of the physical market, 2020 volumes for tanker freight are likely to have represented just under 19% of the seaborne volumes, Lloyd’s List analysis shows.

Some 3.2m tonnes of crude, refined products and liquid gases were shipped in 2019, according to figures from the United Nations Conference on Trade and Development. Extrapolating this for 2020, wet FFAs comprised 18.7% of the physical market, compared with 14.5% the previous year.

That number fell as low as 8.1% in 2016 — a moribund freight market for crude and product tankers, with the absence of volatility failing to spur paper derivatives contracts.

Dry bulk FFAs last exceeded physical volumes shipped in 2008 but quickly dropped after the global financial collapse.

Based on Unctad data for seaborne coal, iron ore and grain shipments, 2020 FFAs represented 48.5% of the market, up from 42.5%.

So far in 2021 low and flat tanker earnings have curbed the buying and selling of FFA contracts, with volumes about a third of levels seen in the first half of 2020.

Dry FFAs are faring better as bulk carrier earnings rally, with more than 113,000 lots reported to the Baltic Exchange through to January 18. A lot equals 1,000 tonnes of freight or one day’s time charter equivalent.

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## WHAT TO WATCH

# Is there still competition in liner shipping?

THE state of competition in liner shipping is easily misunderstood, *writes Olaf Merk, ports and shipping administrator at the International Transport Forum.* The traditional monitoring tools of competition regulators, such as market shares of ship operators or variations of such measures, only tell part of the story.

The reason is that the real market power is hidden behind a well-developed system of consortia. These

are co-operation agreements between carriers to share vessels. Global alliances can be considered bundles of consortia and are also considered in this analysis.

There is a huge number of consortia: the major container carriers were active in hundreds of consortia covering 194 different trade corridors worldwide in the third quarter of 2020.

This becomes clear from analysis of a unique dataset by MSD Transmodal that contains deployed ship capacity of container carriers on all of their liner services.

This dataset has been developed using the MDST Containership Database also used by the UN Conference on Trade and Development for the Liner Shipping Connectivity Index (LSCI) and by the World Bank for the Logistics Performance Index (LPI).

Thanks to this database, it is now possible to provide more certainty on consortia on trade corridors to and from Europe. This is relevant for several reasons.

First, whereas the Federal Maritime Commission requires carriers to file their consortia that touch the US market, the European Union Directorate-General for Competition does not have information on how many consortia exist within the EU market and on trade lanes to and from Europe.

With this new database, we will now be able to establish how many consortia touch European ports, and monitor how this will change over the next years.

This is all the more relevant, since the EU has a special regulation, the Consortia Block Exemption Regulation (CBER), which gives liner companies more freedom to co-operate than generic EU competition law allows.

According to that regulation, carriers can use consortia to jointly adjust their ship capacity and exchange data with other carriers on a variety of issues. This is not without risks.

Carriers could use consortia to engage in profit maximisation via joint capacity management. The new database can be linked to other databases, including on trade data, services performance and connectivity, which allows the assessment of the impact of an increased level of concentration.

Finally, it should be noted that the EU's Consortia Block Exemption Regulation only applies to consortia that do not exceed a threshold of 30% market share, calculated as the sum of market shares on a trade lane of the operators that co-operate in a consortium.

A report by the International Transport Forum in 2019 indicated that most of the consortia on trades to and from Europe were likely to exceed the

threshold, but that this was not possible to know with full certainty considering the way the regulation is formulated and the lack of data collection on consortia.

The report advised the European Commission – among other things – to clarify its provision on the threshold and to initiate data collection on consortia and their effects. In 2020, the commission instead extended the Consortia Block Exemption Regulation to 2024, without any changes or conditions.

The new database will be able to clarify which consortia are still covered by the CBER and which ones exceed the threshold, and are thus no longer covered.

A first look at the data reveals high levels of concentration. Out of the 20 trade corridors identified to and from Northern Europe, all corridors were operated by one or more consortia with market shares higher than 30%. This was the same for the Mediterranean.

Even more dramatic was how 14 out of the 20 trade corridors to and from the Mediterranean (representing 54% of total estimated loaded teus) had consortia with market shares larger than 50%.

On some trade corridors the market share of a consortia actually exceeds 80%.

The share of independent operators, not co-operating in consortia (and not operating within an alliance), has become marginal. They have market shares of at least 5% in seven out of 20 corridors to and from Northern Europe (30% of total demand), which means that they have a market share below 5% on the 13 corridors representing 70% of demand.

In comparison, liner shipping to and from both the US west coast and US east coast appears to be more competitive, with considerably fewer consortia with market shares larger than 50%.

Moreover, the US east coast has a larger share of independent operators than is the case in Northern Europe, Mediterranean and the US west coast.

In addition, it should be noted that all the major carriers co-operate with each other via sets of overlapping consortia that are supposed to compete with each other.

Fair enough, consortia compete with other consortia on most trade corridors, but members of competing

consortia on one corridor (eg North Asia-Mediterranean) co-operate in other consortia on other corridors that might be related (say intra-Mediterranean).

In Europe alone, the top nine carriers are involved in hundreds of different consortia, in addition to their co-operation in three global alliances. The interlinked consortia are the institutional expression of the close commercial ties between carriers, where interests are getting synchronised rather than competitive.

## Tight bunker fleet seen disrupting scrubber economics

TANKERS used for refuelling ships with 3.5% high-sulphur fuel oil are no longer as readily accessible in Singapore, the world's busiest bunkering hub.

This will weigh on both the yields from and operations of scrubber-fitted ships, which consume HSFO and thrive on cost savings from alternatively having to burn fuel blends that comply with the International Maritime Organization's 0.5% sulphur cap, which came in a year ago.

Delivered premiums for HSFO were mostly trending above those for 0.5% sulphur fuel oil, or very low-sulphur fuel oil, six months after the regulatory cap took effect, according to assessments by pricing agency Argus Media.

An analyst with the agency said that this premium, which is a function of bunker tanker availability, may further increase for HSFO should demand for the fuel rebound along with an expansion in scrubber fittings.

Those with knowledge of the marine fuel market echoed that opinion, flagging other indicators that reflect how the bunker supply chain in Singapore has moved on from bunkering HSFO.

HSFO made up nearly two thirds of marine fuel supplied out of Singapore in 2019.

Last year, VLSFO overtook HSFO as the fuel choice for most ships, accounting on average for more than half the marine fuel sold in the top bunkering hub.

Ships trading in Asia, including those fitted with scrubbers, have gravitated towards bunkering in Singapore, where varied fuel types are deemed more widely available.

This web of consortia provides carriers with the knowledge and capabilities to adjust ship capacity rapidly in line with changing demand — and to an extent that they manage to improve profitability in the process, as seen during the coronavirus crisis.

Competition authorities should do well to not only look at market shares of individual operators, or alliances, but also to take the emerging reality of interlinked consortia into account. The data is now available.

But bunker tankers active in Singapore have also swung towards carrying VLSFO rather than HSFO.

“Tankers bunkering HSFO now average fewer cargo turns each day compared to VLSFO,” said Choong Zhen Mao, executive director at Equatorial Marine Fuel, a logistics company.

Not surprisingly, many supermajors and physical suppliers have shunned HSFO bunkering, as other observers pointed out.

However, trading houses eyeing profits from arbitrage may still choose to buck the trend.

Glencore was seen deploying over a dozen tankers to supply HSFO in Singapore earlier this month, according to sources. The trading group did not confirm or comment when approached by Lloyd's List.

One trader raised the possibility that opportunists may well seek an advantage from tighter fleet availability to “corner” the HSFO bunker market.

However, he suggested that Trafigura and Minerva — as newcomers granted bunkering licenses to operate in Singapore only last year — were expected to support regulatory calls to bunker cleaner alternatives to HSFO.

That said, if Glencore has indeed expanded its HSFO bunkering exposure, it would certainly raise the availability of the fuel type on the spot market, albeit at prices deemed profitable to the trading group.

Shipowners should nonetheless couch their bets on scrubber-fitted tonnage preferably by securing bunker tankers ahead of time even at a renowned hub such as Singapore, marine fuel suppliers said.

# Dry bulk owners see positive start to the year

DRY bulk owners are optimistic of signs of a possible reversal of the decade-long market slump.

Speaking on a Capital Link webinar, senior executives cited signs of first quarter of the year strengthening and the promise of an active Chinese New Year.

Beijing has announced a new year that may span several months, according to Grindrod Shipping's head Martyn Wade, which means factories will remain open, providing stable demand opportunities for dry bulk shipping.

Meanwhile, higher US infrastructure spend will provide a bonanza for dry bulk shipping because of demand for steel and cement, while Chinese demand for grains, especially soyabeans, will be "incredibly positive" for the sector.

The spat between China and Australia, which has tied up bulkers, was "fantastic" for the market, and "long may it last", he said, as trade patterns allowed for longer distances such as Australian coal moving into Europe, India and Bangladesh instead of China, and Colombian and South African coal heading into Asia rather than Europe.

The La Niña weather pattern bringing severe winter to the Far East was also helpful, increasing demand for coal shipments, and boosting ultramax employment from the Black Sea.

China may also be looking to diversify iron ore supply away from Australia, with Brazil three times as far, and Africa twice as far, said Hamish Norton, president of US-listed Star Bulk Carriers.

"It is great for dry bulk when people take inefficient routes," he said, adding that high oil prices also benefit the sector, as there is pressure to slow ships down, a trend that should continue in 2021.

A widening fuel spread to about \$100 per tonne will allow Star Bulk to recoup the rest of its investment costs in scrubbers this year, because of an expectation of higher demand for jet fuel and other transportation fuels, Mr Norton added. The company had already recouped half its costs from previously hedged fuel spreads.

Loukas Barmparis, president of Safe Bulkers, said it would take about four years to recoup its scrubber costs at a fuel spread of \$65 to \$70 per tonne, without hedging.

About a quarter of the dry bulk fleet will have been fitted with scrubbers, he said. Of that, 50% will be on capesizes, and 10% on ultramaxs.

Shares in dry bulk companies have doubled since early November, mainly linked to an increase in asset prices.

However, private equity has been seen selling off shares in dry bulk companies, which was ascribed to a specific time frame for investments, according to Mr Barmparis. Shipping companies do not tend to have exit strategies, he noted, adding that there were opportunities for investors as profits would start being built again.

"It is only the start, and shipping will have its day again" Mr Wade said, as this time round, there are fewer newbuildings with no more capital expenditure on scrubbers, so investors will be rewarded by a share price rise and dividend payments.

Aristides Pittas, chief executive of Greece-based EuroDry, expects 2021 to be a year when stock prices will be trading closer to net asset values. With the period between 2000 and 2010 extremely good for dry bulk companies, and the following decade very weak, he expects the new decade to take a more middle ground, thanks to controlled ordering.

Newbuilding orders were being curtailed by uncertainty and instability related to future regulations about fuel and engine types, Mr Norton said.

His company was looking at everything to comply with environmental, social governance, investigating technologies such as alternative fuels or hybrid power generation onboard or modifications to the rudder or propeller. It was paying a lot of attention to the carbon-intensity of the fleet, and had a vessel performance monitoring department, looking at weather-routing and speed optimisation.

While Mr Wade expected higher levels of scrapping this year due to high demolition values, with Bangladesh reportedly offering \$500 per light displacement tonne, Mr Pittas anticipated lower vessel removals due to the stronger markets.

Although the extra costs of repatriating seafarers have been absorbed, this year should continue to see increased operating costs because of airfares and hotel accommodation for quarantine, according to Mr Barmparis, who had deviated ships to the Philippines last year to enable crew changes.

## ANALYSIS:

# Can nuclear option solve shipping's emissions problem?

THE vision of “atomic battery” company Core-Power is large, but based on a small package.

Its product is technically — and less dramatically — known as a marine Molten Salt Reactor, which the company aims to commercialise and mass manufacture as a solution for transport and industry.

It will do this via a consortium that includes Bill Gates-backed TerraPower, which is developing new nuclear energy concepts, Southern Company, the second largest power company in the US, and Orano, a nuclear services company.

Core-Power chief executive officer Mikal Bøe describes the heart of the system as a small, modular, scalable nuclear power unit that is 95 times more efficient than conventional light water nuclear reactors, leaves minimal waste, has a lifetime fuel cycle of up to 30 years and running costs that are lower than using marine gas oil and liquefied natural gas.

To illustrate his point, he cites several figures such as the fuel consumption and emissions data for an average capesize on a Brazil to Japan round voyage.

The contrast in consumption comes to approximately 3,300 tonnes of fuel oil and slightly over 11,000 tonnes of emissions for the capesize, compared to 1.1 kg of both consumption and waste for the MSR, if it was to power the same journey.

But beyond just being a replacement fuel, Core-Power's MSR concept also envisages providing clean power to produce green hydrogen and ammonia. Mr Bøe has also floated the idea that with so much power on tap on the vessels, they can be used to do reverse cold-ironing, and provide power to port infrastructure on shore while they are at berth.

While billing it as a specific solution that could be the zero emissions energy solution that the ocean transportation industry needs to meet the International Maritime Organization's decarbonization targets, Mr Bøe does acknowledge it faces challenges.

“The implications of the MSR for transport and industry could be transformational, as we seek to

build scale-appropriate technology and broad acceptance of modern and durable liquid-fuelled atomic power to shape the future of how we deal with climate change,” he said.

He claims that the IMO's targets can be met if 70% of the 3,000 largest vessels that emit 45% of all emissions switch to MSR power and 10% to 20% of smaller ships are converted to using green hydrogen and ammonia.

Setting aside the elephant in the room of the general aversion to the concept of nuclear power, Mr Bøe admits initial cost is a big factor. As MSR technology is still at the prototype stage and not yet in commercial production, the price is difficult to estimate.

As an indication, Core-Power is currently seeking \$30m in funding as it works towards building the first trial unit. The consortium was selected in November 2020 to take part in the US Department of Energy's Advanced Reactor Demonstration Programme to build a prototype MSR as a proof of concept for a medium-scale commercial grade reactor.

Even with \$90m in funding, partly from the Department of Energy, the programme's total cost is expected to rise to \$170m. A significant portion of the outstanding funds will be allocated to intellectual property, regulatory and corporate development work.

Costs are expected to fall once the MSR goes into mass production, dropping about 60% to 70% from the initial system costs once the 300-unit threshold is breached. Mr Bøe plans to get around this hurdle by marketing an integrated propulsion system on a leasing basis, because the initial cost, which comes mainly from the fuel, is high and the fuel itself will far outlast the vessel it is powering.

He has set 2024 as the first milestone target, when the company will have its first reactor, will have sought approval in principle for its designs from classification societies, and will have completed a digital twin of its integrated propulsion system.

When this milestone is reached, the task of gaining regulatory approvals from the myriad agencies

involved will also be under way as the company starts taking its first orders.

Mr Bøe projects \$24bn in revenue and a 2.6% market penetration rate by 2035 on the back of the first sales starting to come in by 2026/2027.

He is confident the venture has an important role to play in helping the maritime industry to decarbonise.

## New guidance targets the persistent problem of boxes overboard

WHILE the number of containers lost annually from boxships may be a small fraction of the total carried, there is still room to improve the stowage and lashing on vessels.

Figures from the World Shipping Council show an average of 1,380 containers were lost overboard each year between 2008 and 2019.

“That doesn’t look like a big number given the annual number of containers being shipped, but it is not insignificant,” said Yves Vandeborn, loss prevention director at Standard Club.

“What we see from the statistics is that the frequency is going up, the value of claims is rising and the fines for ships that lose containers overboard are increasing,” he said in a webinar.

In an effort to bring the issue into focus, Standard Club has issued its Master’s Guide to Container Securing, which is designed to aid ship operators on the best practice for lashing and stowage.

“The guide is to provide sufficient insight to stow, lash and carry containers safely,” said chief surveyor Kirk McGregor. “As a first principle, the stowage needs to be properly understood and adhered to.”

“When ships are approved to carry containers, the stowage position is taken into consideration carefully with regards to the forces expected to be acting on that ship.”

While a ship’s cargo securing manual acts as the statutory document detailing the approved lashing equipment and the stowage positions approved and permitted, it was rare for containers to be stowed in the same configuration as encountered in the manual, Capt McGregor said.

“It has not been done before because before IMO 2050 came out, there was no actual demand for it,” he said.

“But now it’s clear to be compliant, you will either need reactively to keep up with the regulations or look at something radically different such as MSR technology,” Mr Bøe concluded.

“As surveyors we attend ships as part of our role within loss prevention. Through our ship reviews, we have observed that ships’ crews do not consult the cargo securing manual and do not use onboard lashing software.”

He called for better adoption of stowage software and tighter adherence to lashing maintenance.

“Lashings are robust, but portable equipment can be handled roughly by stevedores so needs to be checked regularly for damage, with specific maintenance required,” he said. “It is crucial that lashing gear is in good order, and damaged and non-approved equipment is removed from service.”

Will Leschaeve, a senior naval architect at marine consultancy Brookes Bell, warned that while software was useful, it required training to understand its potential uses.

“In my experience of looking at claims, a CSM is probably not really enough guidance,” he said. “Having software onboard and knowing how to use it is the best way to handle proper stowage.”

Container losses came into focus again at the end of last year with the loss of around 1,800 boxes from *ONE Apus* (IMO:9806079) in December. That incident was followed by the loss of 36 containers from Evergreen’s *Ever Liberal* (IMO: 9604160) at the beginning of this month.

“When we look at claims from losses overboard, they are at low frequency and do not occur that often,” Capt McGregor said. “On average, we are recording less than 1% of the total number of claims in a year.”

“But importantly, the number of claims is not reducing and the value of these claims can make up

as much as 11% of total claims for container claims and are in millions of dollars.”

Mr Leschaeve said that in one study of the causes of cargo losses, 30% of respondents reported losing containers overboard.

“It is something most operators will have come across, he said. “Of those, 50% were associated with lashing, stowage and misdeclared weights. All of those things should be avoidable through current regulations and following guidelines.”

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## MARKETS:

# BHP cuts coal guidance but raises iron ore forecast

MINING giant BHP has reduced its coal guidance for its full financial year as a number of events impacted production.

Thermal coal, used in power generation, has been cut to a range between 21m and 23m tonnes, from its previous guidance of 22m-24m tonnes, BHP said in an operational review for the six months ended December.

The decrease was mainly due to a strike at the Cerrejón operations in Colombia, which impacted 1.5m tonnes of output.

The industrial action, which started at the end of August over pay and compensation, has been resolved with a new collective labour agreement, BHP said, adding that output has been ramping up since the first week of December.

Production for the half-year dropped 68% to 1.4m tonnes, with the full-year figure expected at 6m tonnes from its previous guidance of 7m tonnes.

In New South Wales, Australia, thermal coal production fell 7% to 6.9m tonnes due in part to weather-related interruptions combined with reduced port capacity at Newcastle following damage to a shiploader in November.

# VLGC rates steady despite Panama Canal rule change fleet issues

PANAMA Canal policy changes for liquefied petroleum gas tankers and fleet dry docking requirements will continue to strengthen very large gas carrier freight rates this year, according to Poten & Partners.

Highlighting the market inefficiencies, the shipbroker said in a webinar that these were positive

Guidance for the full 2021 financial year however remains unchanged at between 15m-17m tonnes.

Volumes of coking coal, used in steel-making, from Queensland were impacted by “significant wet weather” and unplanned maintenance, BHP said.

Production slipped 5% to 34m tonnes in the half-year versus the year-earlier period.

The full-year figure is expected at the lower end of its 71m-77m tonnes range.

“We continue to monitor for any potential impacts on volumes from restrictions on coal imports into China,” BHP said.

Iron ore guidance has been increased to 245m-255m tonnes for the full financial year, mainly due to the restart in December of its joint venture Samarco operations in Brazil following a five-year halt due to a dam collapse that killed 19 people.

Samarco, which is a venture with Brazil’s mining giant, is expected to add 1m-2m tonnes to the volumes in the 2021 financial year.

Output from its Western Australian Pilbara operations remain unchanged at 276m to 286m tonnes for the full year.

flashpoints which would likely offset any risks from a decline in US LPG production and the newbuild deliveries expected this year.

Poten’s LPG shipbroker Peter Stebbing said that due to the increased waiting times in the Panama Canal, smaller owners and trader relets without pre-booked slots might prefer to target the Middle East and



West Africa loading cargoes rather than ballasting towards the US Gulf on speculation.

“We believe this should increase the time charter earnings or west premium for US Gulf loading cargoes over the Baltic.”

He added that old-style panamaxs, and the major owners holding significant number of pre-booked slots for neo-panamaxs, would have firmer itineraries and therefore would be able to program their vessels with fewer waiting days for US Gulf cargoes than non-booked vessels in 2021.

“Charterers will view these ships with firmer itineraries as more attractive, and we believe owners may be able to command a premium for these vessels in the spot market.”

If freight were to see a significant downwards correction, we may also see owners choosing to ballast to the US Gulf via Cape or Suez. Still, with the market trading at almost \$100,000 per day time charter earnings, even considering the current waiting time at Panama the economics of the longer haul ballast did not currently make sense, he conceded.

“One thing is for certain – the Panama Canal will continue to be both a blessing and a curse for VLGC owners, as scheduling issues will cause plenty of headaches for chartering managers, but will also remain one of the key factors supporting freight rates over the next couple of years,” Mr Stebbing said.

He said that the canal rule changes will only have a significant impact from 2022 onwards.

This is because 450 northbound slots and 185 southbound slots have already been pre-booked for neo-panamax VLGCs for 2021 prior to the new ruling that came into effect on January 5.

Meanwhile, dry dockings will continue to play a supportive role for freight rates as some 70 VLGCs still need to undergo dry dockings in the next 12 months.

“The dry-docking programme, in addition to Panama Canal delays, remain the most supportive factors for freight rates this year, and are the main reasons why we remain optimistic on the shipping markets, despite the risks to US LPG supply,” Mr Stebbing said.

The high number of vessel deliveries this year presents potential headwinds for the segment combined with lower US LPG exports.

With one VLGC already delivered in 2021, and a further 19 vessels still expected to hit the water by the end of this year, Poten expects the VLGC fleet to increase by around 7% this year.

While most of these orders are due to deliver in the second half of 2021, the heavy orderbook remains one of the most significant risks to freight rates, the brokerage said.

Poten’s LPG consultant Shantanu Bhushan noted that if the coronavirus outbreak was not brought under control, US LPG production might decline by 5%-7% this year, resulting in exports falling to 43m tonnes, from slightly over 44m tonnes in 2020.

And in the most pessimistic case, it could drop to 41m tonnes, he said.

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## IN OTHER NEWS:

### **Greeks spent \$36bn on secondhand acquisitions last year**

GREEK shipowners topped the charts for secondhand vessel purchases last year but were reserved about penning newbuilding orders, according to records maintained by shipbrokers.

Habitually the most active nationality in the sale and purchase market, Greeks dominated in the dry bulk and tanker sectors, spending \$1.9bn

on 147 bulkers and well over \$1.4bn on 61 tankers, Allied Shipbroking’s statistics at year’s end showed.

This was almost double the amount spent by Chinese owners in either sector, but Chinese buyers outspent Greeks, albeit marginally, on containership acquisitions.

### **KSOE wins \$79m VLGC order from compatriot KSS Line**

THE order momentum for very

large gas carriers continues, with Korea Shipbuilding & Offshore Engineering announcing a Won87.5bn (\$79m) deal with compatriot South Korean shipping company KSS Line to build a liquefied petroleum gas carrier.

The 91,000 cu m dual fuel vessel to be built by its Hyundai Heavy Industries unit is scheduled to be delivered during the second half of 2022, KSOE said in a press release.

The deal also includes options for more similar-sized LPG carriers, KSOE said, adding that with rising freight rates, it has seen a steady stream of inquiries for these types of vessels.

### **PIL debt revamp calls for over 85% equity dilution**

PACIFIC International Lines in a plea for support from creditors to stave off liquidation, revealed that its founding family is backing the debt proposal on the table calling for dilution of equity held by existing shareholders to less than 15%.

The proposal, which remains contingent on a favourable vote from the creditors, calls for the Teos to part with a majority economic interest in their family-controlled container shipping group to the incoming white knight, Heliconia Capital, according to regulatory disclosure.

Temasek-linked Heliconia has agreed to pump \$600m of equity and debt into PIL.

### **Pacific Basin names Fruergaard as chief to replace Berglund**

PACIFIC Basin, a Hong Kong owner and operator of dry bulk vessels, said it had appointed Martin Fruergaard as chief executive to replace Mats Berglund.

Mr Berglund, who has been in the post for nine years, is stepping down to return to his native Sweden.

His successor will assume the role in July after he relocates to

Hong Kong from Denmark, the company said in a statement.

### **Port of Los Angeles offers incentives to boost terminal throughput**

PORT of Los Angeles executive director Gene Seroka has announced two new measures aimed at improving the speed of drayage trucks through terminals at the Southern California facility.

The announcement came as the two San Pedro Bay ports – Long Beach and Los Angeles – continue to experience an extraordinary backlog of ships at anchor and awaiting berths.

“Ports are more fluid when trucks move quickly in and out of the gates and more productive when a truck delivers one container and leaves with another in a single trip,” Mr Seroka said.

### **Scorpio sells another two ultramaxs for \$35m**

SCORPIO Bulkers, the US-listed owner looking to exit the sector, has agreed the sale of two more ultramaxs.

The deal for the 2015-built *SBI Leo* (IMO: 9705146) and *SBI Lyra* (IMO: 9705158) was with an “unaffiliated third party” for about \$35m, Scorpio said in a statement.

The vessels will be delivered during the first quarter.

### **Trump imposes maritime-related sanctions in final act**

THE outgoing administration issued a flurry of fresh sanctions on maritime assets in connection with Russia, Venezuela and Iran,

coming on the eve of Donald Trump’s departure from office.

The Department of State on Tuesday announced that it was imposing sanctions on the Russia-based entity KVT-RUS and identifying the 2010-built, 32,219 dwt pipelayer *Fortuna* (IMO 8674156) as blocked property.

It said KVT-RUS was being sanctioned for knowingly “selling, leasing, or providing to the Russian Federation goods, services, technology, information, or support for the construction of Russian energy export pipelines” – in particular, Nord Stream 2.

### **Port of Long Beach sets annual container throughput record**

THE port of Long Beach moved more than 8.1m teu in 2020, setting a record in the face of economic uncertainty due to the Covid-19 pandemic and the trade war with China.

“I want to thank our frontline workers on the docks who kept cargo moving during this unprecedented moment in history, ensuring the safe, secure and timely delivery of vital medical equipment and consumer goods,” said POLB executive director Mario Cordero.

Long Beach ended 2020, its busiest year on record, with 8.11m teu moved, an increase of 6.3% over 2019. Imports rose 6.4% to 3.99m teu, exports were up 0.2% to 1.48m teu, and empties increased 9.9% to 2.64m teu.

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## **Classified notices follow**

***Department for Business, Energy and Industrial Strategy***

**HORNSEA PROJECT THREE OFFSHORE WIND FARM**

**THE INFRASTRUCTURE PLANNING (ENVIRONMENTAL IMPACT ASSESSMENT) REGULATIONS 2009**

**NOTICE OF A DECISION ON AN APPLICATION FOR AN ORDER GRANTING DEVELOPMENT CONSENT FOR EIA DEVELOPMENT**

The Secretary of State for Business, Energy and Industrial Strategy (“the Secretary of State”) gives notice under regulation 23(2) of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 that a determination has been made on an application made by Orsted Hornsea Project Three (UK) Limited (“the Applicant”) for development consent under the Planning Act 2008 (“the 2008 Act”) for Environmental Impact Assessment development.

The Hornsea Project Three Offshore Wind Farm comprises up to 231 wind turbines with an electrical capacity above 100MW and up to 2.4GW; up to three offshore accommodation platforms; up to twelve offshore transformer substations; up to four offshore High Voltage Direct Current (“HVDC”) converter substations; up to six subsea offshore High Voltage Alternating Current (“HVAC”) booster stations; up to four surface offshore HVAC booster stations; subsea inter-array electrical circuits; a marine connection to shore; a foreshore connection; an onshore connection to an onshore substation; and the connection from there to National Grid’s existing Norwich Main substation.

The Secretary of State has determined, following consideration of the report of the Examining Authority which conducted an examination into the Application, that development consent should be granted and has decided, therefore, to make an Order under sections 114, 115, 120 and 149A of the 2008 Act.

The statement of reasons for deciding to make an Order granting development consent, which has been prepared by the Secretary of State under section 116 of the 2008 Act and regulation 23 of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009, containing the content of the decision, the requirements imposed in connection with the development, the main reasons and considerations on which the decision is based including relevant information about the participation of the public, a description of the main features to avoid, reduce and offset any major adverse effects of the development and information regarding the right to challenge the decision and the procedures for doing so, is published on the Planning Inspectorate’s web-site:

<https://infrastructure.planninginspectorate.gov.uk/projects/eastern/hornsea-project-three-offshore-wind-farm/>

The statement of reasons contains the information required by regulation 23 including information regarding the right to challenge the decision and the procedures for doing so.

Hard copies of the decision documentation will also be available to inspect at the Planning Inspectorate’s offices (by appointment using the contact details below).

The Planning Inspectorate  
National Infrastructure Directorate  
Temple Quay House  
Bristol  
BS1 6PN

To make an appointment for inspection of the documents contact the Planning Inspectorate on 0303 444 5000 or email [NIEnquiries@planninginspectorate.gov.uk](mailto:NIEnquiries@planninginspectorate.gov.uk) .

Copies of the Secretary of State’s decision letter and the text of the Order can be obtained by writing or sending an e-mail to the Planning Inspectorate. No charge will be made for this service.



**Inspector of Marine Accidents, Engineering – MAIB (Marine Accident Investigation Branch)**

**Salary: £74,485**

**Southampton**

Do you have extensive senior management experience at sea and ashore in an engineering role?

If so, we have a rare opportunity to join the Marine Accident Investigation Branch (MAIB) to investigate marine accidents.

**About us**

The MAIB is an independent organisation within the Department for Transport. Based in Southampton, the Branch is responsible for investigating accidents and incidents involving UK vessels anywhere in the world, and any vessels within UK territorial waters, with the aim of improving the safety of life at sea and the avoidance of accidents in future.

**About you**

You will be an integral part of a multi-disciplinary team of inspectors responsible for investigating a wide range of marine casualties to determine their circumstances and causes.

Your key responsibilities will include:

- deploying to accident sites and leading investigations
- collecting evidence and interviewing witnesses
- conducting detailed analysis in order to identify safety issues and draft recommendations
- writing investigation reports and safety bulletins
- giving evidence at inquests and fatal accident inquiries

You will already have extensive senior management experience at sea and ashore in an engineering role.

You will be expected to apply sound judgement and strong leadership skills, and to be empathetic when dealing with next-of-kin or others seriously affected by marine accidents.

You will be highly motivated and assertive, inquisitive and a critical thinker. You must be able to work under pressure and be comfortable working in a team or independently. You will require considerable diplomatic skills and be able to engage colleagues and external stakeholders in the discussion of new, unfamiliar or controversial concepts.

You will have excellent verbal and written communication skills, be capable of producing accurate and clear written reports to challenging deadlines, and have good presentation skills. You must also be computer literate.

<https://www.civilservicejobs.service.gov.uk/csr/jobs.cgi?vxsys=4&vxvac=90447>

**Closing date: 29 January 2021**



## **Inspector of Marine Accidents, Nautical – MAIB (Marine Accident Investigation Branch)**

**Salary: £74,485**

### **Southampton**

Are you an experienced nautical professional seeking an opportunity to make a difference in the investigation of accidents at sea?

If so, we have a rare opportunity to join our Marine Accident Investigation Branch (MAIB) to investigate marine accidents, and we would love to hear from you.

### **About us**

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Apply here: <https://ad.doubleclick.net/ddm/clk/486602570;293487326;r>

**Closing date: 29 January 2021**



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