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Maersk Tankers warns of 'more frequent and advanced' sanctions evasion

MAERSK TANKERS IS warning of more frequent and advanced attempts by Iranian-linked ships to circumvent US sanctions.

The Danish tanker operator spoke out after the company's risk management protocols failed twice in seven weeks, leading to two aborted two ship-to-ship transfers.

"We are seeing a higher frequency of advanced attempts to circumvent sanctions with parties hiding and fabricating information, leaving owners and managers in an increasingly difficult environment," said Anette Ryde, the company's general counsel.

Maersk Tankers earlier said it was unaware that cargo being transferred on to two of its vessels was of Iranian origin until notified by a Washington DC-based non-governmental organisation, United Against Nuclear Iran.

The Marshall Islands-flagged aframax tanker *Diamondback* (IMO: 9315446) which lists the AP Moller-Maersk Group as its beneficial owner, was about to undertake the STS with another aframax tanker, the Panama-flagged *Shanaye Queen* (IMO: 9242118) between January 23 and 26 at a Sohar anchorage, vessel-tracking data from Lloyd's List Intelligence shows.

The tanker operator also did not realise that the long range one product tanker *Ocean Schooner* (IMO: 9189110) was linked to deceptive, sanctions-evading practices until UANI provided the company with satellite evidence showing it had loaded at Iran.

Maersk Tankers-operated *Celsius Everett* (IMO: 9410870) had arrived at the Sungai Linggi anchorage off Malaysia on December 10, where it began the STS.

"It is unfortunate that we have experienced two such attempts within a short period of time," said Ms Ryde.

"They were different in nature, and so the additional measures we implemented following the first incident did not enable us to anticipate the second attempt.

"This shows that we need to further strengthen our already robust processes and procedures so we can proactively detect new and deceptive attempts in the future.

"We maintain a steadfast commitment to ensuring that the highest compliance runs through our daily vessel operations."

Lloyd's List has identified a subterfuge fleet of some 50 to 60 elderly tankers primarily operating in sanctioned Iranian and Venezuela trades.

Numerous ship-to-ship transfers, missing Automatic Identification System signals, alongside multiple ownership, flag registry and ownership changes are used to obfuscate the cargo origin and destination to evade sanctions.

"Iran goes to great lengths to hide the origin of its illicit oil shipments and often conducts multiple ship-to-ship transfers as a way to do this," said Claire Jungman, chief of staff at US-based United Against Nuclear Iran.

"In this instance, the cargo that was to be transferred to *Diamondback* was transferred to *Shanaye Queen* from another vessel that had picked up the cargo from an Iranian port.

"This technique makes it harder for companies to track the original origin of the cargo. It is not enough to just look at the recent behaviour of the tankers.

"Tanker companies need to be sure to obtain a comprehensive picture of the vessel's history, travel patterns, ties to illicit activities, actors or regimes and any potential sanctions risks associated with the vessel or its owners or operators."

Banks, charterers, shipowners, insurers, and flag registries are among a host of marine service providers implementing tighter risk compliance and 'know your customer' measures to counter sanctions-busting vessels.

The US has inconsistently applied penalties arising from sanctions breaches relating to Iran's shipping and oil sectors, including a six-month blacklisting of tankers owned by a subsidiary of China's Cosco, the world's largest shipowner.

Iran has established a hub-and-spoke logistics network to keep oil and refined products flowing to its key customers of China and Syria and avoid detection. Tankers shuttle between locations off Fujairah and Malaysia where STS transfers are undertaken, sometimes multiple times, before cargo reaches its final destination.

WHAT TO WATCH

China's shipyard orderbook at 12-year low

ORDERS at Chinese shipbuilders has dropped to a record low as the sector's prospects remain challenging, an industry body has said.

At the end of 2020, the backlog size plunged 12.9% year on year to 71.1m dwt, the thinnest since the 2008 global financial crisis, according to the country's Cansi shipbuilding association.

Most domestic yards have fewer than two years of work to keep their facilities running, it said in its annual report.

The situation comes amid a market downturn experienced by the global shipbuilding industry and exacerbated by the coronavirus pandemic and future marine fuel uncertainties.

Based on existing data, Cansi says Chinese yards have fared relatively well, winning more orders than their competitors in South Korea and Japan last year.

However, the health crisis continues to weigh on domestic performance despite China's quick emergence from lockdown measures, said the association.

"Delivery of imported equipment has been delayed while the entry of foreign visitors, such as owners, crew and service engineers has been suspended," it said.

There have been quarantine requirements for some devices from overseas since this winner, with the resurgence of infection both outside and inside China.

Restrictions on physical meetings has hampered the ability for yards to win new orders.

"In 2020, some companies managed to sign the contracts online thanks to the earlier negotiations [before to the pandemic]. But these types of orders have already drained," said Cansi.

It has called for state support and vessel investment from domestic interests.

It added that the trend has already emerged under Beijing's dual-circulation economic development strategy emphasising the stimulation of domestic demand. And that has been partly reflected in the contracting results published by the industry group.

One-fourth of the newbuildings Chinese yards won last year in dwt terms were ordered by compatriot leasing companies, while orders from owners specialising in domestic trade have also increase.

At the same time, while export orders fell 9.3% to 24.5m dwt, total orders only edged down by 0.5% to 28.9m dwt.

"[We should] take advantage of China's gigantic market size and complete industry chain and establish a multi-party collaboration mechanism led by the government and participated by industry players, including domestic trading companies, shipowners, shipbuilders and financial institutions," Cansi said.

Accelerating the transition to building greener ships is seen as another important response to the current market crisis.

Some Japanese yards are now signing orders for bulkers compliant with the Energy Efficiency Design Index Phase 3 requirements, according to Braemar.

These vessels will be equipped with conventional propulsion systems but fitted with multiple fuel-saving devices.

"With the US rejoining the rest of the world to make an effort to reduce environmental impact, shipping is taking notes an realising it has to change, too," said the brokerage in a report.

Cansi said that the global shipbuilding and shipping markets are shifting further towards eco-friendly vessels from those burning traditional fuel oils.

"We must ramp up the investment in developing the related technologies and sharpen our competitive edge."

Shipping advised to fund projects with the right payback

THE prospect of expensive loans should not deter shipowners with plans that can generate the right payback, a shipping finance expert says.

"Pricing is what it is," said Shreyas Chipalkatty, head of shipping at Citi. "It really doesn't matter what you pay if you've got the right strategy, unless you're paying way too high. It's really about strategy, not about capex."

Asian borrowers may be able to achieve 150 to 180 basis points over reference rate, but Europeans and Americans will have to dig deeper, he warned, without specifying ranges.

Mr Chipalkatty was speaking on a Marine Money London webinar this week, where the panel discussion on the outlook for ship finance agreed that the first quarter of 2020 had been characterised by nervousness, when the likely duration of pandemic remained unclear and banks pulled back to some expect.

Nevertheless, things worked out surprisingly well for shipping, particularly in the container sector, speakers observed.

Ian Webber, chief executive of New York-listed Global Ship Lease, said his company had pushed out all 2020 maturities in the course of 2019. That left its balance sheet relatively clean but meant refinancing some very expensive high-yield notes.

He described 2020 as "a game of two halves".

"The first half, in container shipping, very uncertain, nobody knew what was going on and our sources of finance were constrained. In the second half, there was significant recovery in the sector, as capacity was well-controlled and demand picked up. Banks were open for business and we could readjust our plans to refinance our bonds, which we did."

GSL borrowed $230m in secured bank debt, through a so-called unitranche hybrid structure

combining senior and subordinated debt in one loan, allowing it to announce a dividend and thus raise equity.

Torm chief finance officer Kim Balle said that for his company, last year was characterised by the roll-out of the IMO 2020 sulphur cap, followed by the onset of the pandemic, record high freight rates, and a second wave of coronavirus that saw increased margins. All in all, Torm ended year in extremely good shape.

Mr Chipalkatty said lenders saw two main groups as desirable borrowers; those who have done well in 2020 and those who want to move away from hydrocarbons, such as Scorpio Bulkers, which is ditching dry bulk in favour of offshore wind installation.

Some container liners are becoming ambitious in the logistics space, and after 2020, some of them sitting on cash piles and thus able to spend freely on smaller acquisitions.

But question is, what to buy and where, pointing to CMA CGM's decision to take a 30% stake in airfreight outfit Groupe Dubreuil Aéro last September. Banks will probably want to lend, because logistics is more highly rated than shipping, if over-backed right now

"Bank debt is here to stay. It is the cheapest form of capital available to most companies and that cannot go away. But being the cheapest form of capital, it must take the best slice of the risk," said Gaurav Moolwaney, executive director of shipping finance at Standard Chartered.

In general, plenty of capital is on the table for most projects, and it is up to good shipping companies to optimise their finance mix. Rather than go over the line in bank debt, leasing and bonds needs to come into consideration.

"There has to be a mix, I don't think there is a one-size-fits-all solution," he said.

Banks need to avoid getting caught up in the exuberance of the cycle just because one segment is doing well and need to weight up track records and balance sheet strength as well. That sounds commonsensical but is easier said than done.

Mr Webber said that GSL had kept its options open. Most of its debt is senior secured lending from smaller European banks and alt lenders.

While it has issued high yield debt, which proved necessary in 2014, it is undeniably expensive to do so, and it has since raised incremental capital through baby bonds and on the perpetual preferred market.

Thor Erling Kylstad, managing director of Smarine Advisors, said that leasing had seen tremendous growth during the past seven or eight years, is now a significant force in international ship finance, and will continue to be so.

Leasing companies grew their combined book to $66.5bn in 2020, from $55bn year before. Drawdown was $14.7bn, slightly down on the $15.8bn seen in 2019.

"The main conclusion is that volumes are high and Chinese leasing remained an important factor in the market, and that's going to be the case also going forward."

The events of 2020 may impact 2021, with continued growth but at a pace slower than would otherwise have been in evidence, with leasing companies more selective in choice of business.

Individual leasing houses different in size, focus, terms and conditions, target different clients, said Mr Kylstad.

"They will not be the saviour for everyone who doesn't get bank financing. But they will continue to serve a large part of the international shipping community.

Deals can be more highly leveraged and over longer tenor than bank lending, compensated by margins, which are typically 300 bp to 375 bp.

Stronger companies can look to less than 300 bp, weaker ones may have to pay into the 400s. Some leasing houses also offer fixed interest loans, which could be attractive to some.

Preferred deal sizes for smaller leasing houses are in the $20m to $75m–$100m bracket, while the larger players start at $75m–$100m and will run to the low hundreds.

While Chinese leasing house are mainly interested in financing new vessels, these do not necessarily have to be built in China.

Mr Webber pointed out that the maritime sector is tiny in comparison to the broader capital market,

and container shipping companies like GSL are less well understood than tankers and bulkers.

"But currently we love the capital markets. We were successful in raising high yield twice and we have been successful in raising equity twice," he said. "But pockets are not that deep. In our business, we can't agree to buy ships subject to finance. We have the capital available to move quickly to buy secondhand ships.

"That means we have to have the cash in our bank account or one our balance sheet. You cannot raise debt capital if you've got no assets, so that means quasi-equity or equity."

OPINION:

No big show for Zim IPO

HOPES that soaring freight rates and strong consumer demand would boost investor interest in the initial public offer of Israel-based container line Zim have been dashed after a lacklustre uptake, *writes James Baker*.

Zim had hoped to sell 17.5m shares at $16–$19, but the initial sale was downgraded to 14.5m shares at $15, raising $217m for the carrier. Underwriters have 30 days to take up another 2.2m shares at the IPO price.

But the share price fell on its first day of trading, and closed down 23% at $11.50.

The result will be a disappointment to Zim, which might have expected a better outcome following a strong set of results last year and the buoyant state of the container shipping sector.

Box lines are expected to release stellar results when they report their full-year earnings over the next few weeks.

Ocean Network Express today reported its results for the third quarter of its financial year, which ends in March, stating that it expected full-year profits to reach $2.5bn, up from an earlier forecast of $928m.

Earlier this week, Hapag-Lloyd said its operating profit would top $3bn after a strong fourth quarter boosted revenues.

Nevertheless, investors remain cautious of the container sector, which has burned many before. Maersk's share price, which rose 200% from its low point at the peak of the pandemic last March, has since fallen 16% in the past week on fears that freight rates may have peaked after the Shanghai Containerised Freight Index slipped back 0.2%, following a 0.6% fall last week.

Zim, however, could take comfort from the experience of Hapag-Lloyd, the last major carrier to go public. When it launched its IPO in 2015 its share price initially dipped from the €20 offer price.

They then went on to hit a peak of €186 last May, before falling back to their current €90 range, which is still 350% higher than at launch.

'The real surprise of 2020 is that cargo flow did not grind to a halt'

OVER the last few months there have been many articles and much commentary on the state of congestion in the Southern California ports, *writes Thomas Jelenic, vice-president of the Pacific Merchant Shipping Association.*

Much of the discussion has focused on the deluge of pandemic cargo arriving at the ports of Los Angeles and Long Beach.

With upwards of 30 container vessels at anchorage this winter, the delays being experienced along the entire supply chain have been cause for consternation by cargo owners and pontification by pundits.

In fact, most of the discussion has missed the point.

No other gateway in North America could have moved 17.3m teu in the face of a pandemic. The year 2020 should be remembered as a year when nearly everything went wrong, yet cargo is still flowing.

First, let us start with the strangeness caused by the pandemic. Everyone understands that there were record cargo volumes in 2020, but many do not

understand that 2020 was not a record year for San Pedro Bay.

That distinction is still marked by 2018 when cargo volumes exceeded the 2006 peak by 11%.

The year 2020 was also remarkable for spring's severe decline of cargo volumes and the late year surge that followed as retailers and manufacturers attempted to simultaneously re-stock shelves, respond to the pandemic-induced on-line shift in shopping patterns, and prepare for the holiday season.

The severity of the crash and the swiftness of the rebound was incredible.

From the low in March, cargo volumes grew by 85% to its monthly high in October. While the ports experience cargo volume seasonality every year, there has never been a year where volumes have fluctuated so dramatically.

Looking back to 2017, 2018, and 2019, the difference between the lowest month and the highest month was much lower: 37%, 44%, and 27%, respectively.

Without doubt, the pandemic caused chaos with the timing and flow of cargo volumes. The real surprise is that cargo flow did not grind to a halt.

The fact that cargo flow did not stop was not an accident.

From the beginning of the pandemic, the ports took immediate action to keep cargo owners informed while advocating to public officials on the importance and needs of the waterfront.

Marine terminals and labour modified work schedules to ensure proper sanitisation procedures could be put in place and took steps to minimise the risk of the pandemic on the waterfront.

After responding to the crisis by shrinking capacity, ocean carriers expanded capacity to meet the unexpectedly quick return of cargo demand.

While most headlines and trade journals focused on congestion and remarked on what had gone wrong, few focused on the amazing feat of what was being achieved.

In fact, nothing had gone wrong in the ports. Rather, the entire supply chain was suffering under the pandemic.

Through regular communication by port stakeholders, flexibility between labour and terminals, and simply hard work, the supply chain never buckled.

We should take a moment to appreciate and be thankful for the work put in by everyone on the waterfront. From the ocean carriers to the marine terminal operators to the ports of Los Angeles and Long Beach to the International Longshore and Warehouse Union, cargo flowed all year.

Our colleagues, especially the members of ILWU, have worked under the risk of the pandemic. Some have become sick; too many have died. In a year of crisis, the men and women on the waterfront ensured that the goods to protect us during a pandemic and keep our economy functioning were always available.

The impacts to the supply chain have been real, but there will be plenty of time to examine what could have been done to further mitigate the impact of the pandemic.

Many stakeholders will be looking for fault for years to come and some trade journals will question the reliability of Southern California's ports, pointing back for the next decade to the year the supply chain "buckled" in the ports.

In fact, no other gateway could have achieved what the ports of Long Beach and Los Angeles have achieved in a year of adversity. The ports of Los Angeles and Long Beach met the needs of the trade community, the local community, and the nation.

Piracy threat in the Gulf of Guinea 'is untenable'

DENMARK is one of the world's largest maritime nations and our maritime industry is one of the largest and most important export industries in Denmark, *write Trine Bramsen, Denmark's Minister of Defence, and Anne H. Steffensen, chief executive of Danish Shipping*.

Therefore, it is absolutely crucial that the right to free navigation be enforced on the world's oceans.

This applies to all ships regardless of nationality, and seafarers on board ships must be able to navigate freely without fear of being attacked or kidnapped.

Over the last year, we have unfortunately seen a marked deterioration in the security situation in the Gulf of Guinea, an area where Danish shipping transports goods exports totaling approximately DKr9.5bn ($1.5bn), including to Nigeria, Ghana and Ivory Coast.

The pattern of pirate attacks has changed character.

Up to 95% of all kidnappings at sea currently occur in the Gulf of Guinea. And approximately 40% of all reported pirate attacks worldwide now take place in the Gulf of Guinea.

As recently as January 23, *Maersk Cardiff* (IMO: 9529255) was attacked south of Nigeria, and on December 19 *Maersk Cadiz* (IMO: 9526459) was attacked by pirates in almost the same place. *Torm Alexandra* (IMO: 9466001) was attacked the previous month.

With help from Nigerian and Italian warships, the crews escaped from the incidents physically unharmed.

However, there is no doubt that the situation is extremely serious. And that the threat of piracy in the Gulf of Guinea is untenable.

The situation is extremely worrying and we take it very seriously. Action is needed so that we, through a joint international mission, can find concrete solutions to restore the safety and security of shipping in the area.

The Danish Ministry of Defence is already working on this, with new initiatives and by strengthening the Armed Forces' ongoing work in the region.

However, a lasting improvement in maritime security in the Gulf of Guinea also requires the coastal states to strengthen their own ability to deal with piracy in the long term.

The armed forces have been working for a long time on upgrading their current capacity-building efforts in the region.

For example, in January a liaison officer is being deployed to a French warship in the Gulf of Guinea to help increase understanding of the situation in the region.

Denmark can make a difference, but we cannot do this alone. There is a need for greater international attention to the region from our international partners

Some years ago, the world's pirate hot spot was Aden, off the coast of Somalia. This is no longer the case, and that is because we succeeded in a well co-ordinated international effort.

Our wish is that we can once again assemble an international presence that can restore security in the Gulf of Guinea.

Since the autumn, Denmark has taken the international driver's seat by bringing together interested countries in the framework of the 'European Intervention Initiative', a defence co-operation which addresses the possibilities for improving the security situation in the Gulf of Guinea.

Late last year the Minister of Defence reached out to a number of European defence ministers with a call to strengthen international maritime co-operation in the region.

This dialogue and co-operation will continue in 2021 under Danish leadership. When it becomes possible again, the Minister of Defence will take the initiative to meet with colleagues from a number of countries to personally engage them in the efforts for better maritime security in the Gulf of Guinea.

Furthermore, the Danish authorities and Danish Shipping have had good and constructive collaboration for a long time on the problems in the Gulf of Guinea, and we regularly discuss how we can co-ordinate our efforts.

As a result, Danish Shipping has encouraged its members to contact its partners and competitors in relevant countries, encouraging the countries' governments to prioritise the serious pirate situation in the Gulf of Guinea. In this way, Danish Shipping's efforts complement the Danish authorities' work to create greater international awareness of the serious situation in the region.

A common front from both the state and the private sector is key if we want to end the threat of piracy in the Gulf of Guinea. We are well under way and the constructive co-operation continues.

However, we must include the other maritime nations if the effort is to be successful.

We will and must do everything we can to ensure that seafarers can once again sail safely and securely in the Gulf of Guinea.

ANALYSIS:

Terminal automation is a 'process of evolution, not revolution'

WHILE it is important to forge ahead with digitalisation, the actual process of automation is seen as an evolutionary process, although digitalisation and better data quality will help speed things up.

"The development of level of automation is a gradual evolution rather than a rapid revolution," said Kalevi Tervo, global programme manager for intelligent shipping at ABB Marine & Ports.

He said the technology involved is not the only aspect of development as regulation and legislation, as well as commercial aspects also need to be developed.

"The industry will move forward with gradual steps which are sensible in terms of technology, business, legislation and customer value," he said in an interview.

ABB Ports' senior vice-president Uno Bryfors said within terminals artificial intelligence is used for identification of equipment to further enhance data quality which then feeds into customised services for customers.

"Digitalisation of all exchanges of data to/from container terminals is crucial for further process automation in the terminals," he said. "Data quality is especially important if preferential treatment is to be offered for individual containers, which will be required to attract high value goods.

"With the current rapid digitalisation of our entire industry, this will soon be of no concern."

In what seems to be a self-reinforcing loop, Mr Bryfors adds that "digitalisation is now accelerating automation and automation needs to respond to the higher customer expectations created by the digitalisation".

With terminals now having to deliver online real-time information, precise scheduling, and flexible and fast delivery at competitive cost, Mr Bryfors sees automated equipment and systems being required to deliver significantly higher throughput for a given size terminal within the coming years.

This in turn will lead to automation in various forms being deployed to a greater extent in all types and sizes of terminals as many now realize that to stay relevant they need to increase capacity and productivity, even more than anticipated just a few years ago, he added.

"Terminals increasingly introduce automation step by step as part of expansion and transformation of existing operations," he said, adding that the remote operation of quay side cranes is undoubtedly one of the biggest changes in terminal operations over the past 25 years.

"This is now spreading from Europe to Asia, especially in China where cabinless cranes are installed in several fully automated greenfield terminals."

Pandemic will not change global trade patterns

THE pandemic may lead to the manufacturing of some specialist goods being moved from China to closer to consuming markets, but there is unlikely to be any significant impact on global volumes shipped.

"We have seen examples where there have been calls, for security reasons, to not rely on China as the sole source of antibiotics, for example, so there might be some industries that think about it," said PWL Group managing director Christian Koopman. "But I do not think this will really influence transport on a large scale."

Speaking in a webinar, Mr Koopman, who is president of the German Shipbrokers' Association, said there had been a move in manufacturing from

China because of rising productions costs, but this had benefitted other Asian and southeast Asian manufacturing centres.

"There is a shift within Asia, but when it comes to nearshoring," he said. "I am much more doubtful because the logistics have become so entrenched."

But the pandemic had proved to some companies that they were too dependent on China alone, said Kuehnne + Nagel vice-president Otto Schacht.

"We are seeing a trend to diversify to Vietnam and India and not rely on China for 90% of their goods," he said. "We have seen it with textiles moving to North Africa and Turkey, which brings it closer to the market, but overall global trade, from a pure volume perspective, will not be affected.

"It may mean more smaller vessels on the Mediterranean trades, but it will still move by ocean."

Some of the change had already begun before the pandemic, following tightening trade restrictions between China and the US, said Hapag-Lloyd chief financial officer Mark Frese.

"We have to adapt to that," he said. "Sometimes we have to restructure our network to cope. We may see a bit of fragmentation on the supplier side that mean changes will occur, but it will not be on a large scale."

There would, however, be a move to increase inventory sizes that would have an impact on logistics, he added.

"As a container line we will adapt our network as necessary to that to offer what our customers need. We go where the cargo is. But the trade lanes from Asia to North America and Europe will remain the big part of the network for a long time."

The prospect of 3D printing, once seen as a threat to global trade, is also unlikely to have an impact on volumes.

"When I look at our top 1,000 customer and ask which of these products you could put into a 3D printer, there were very few customers which could do it," Mr Schacht said.

"Producing a sofa or garden furniture cannot be done. There are not that many products that we move in big volumes together with shipping lines that you could put in a 3D printer. There are some specialist applications but it will have hardly any influence on the global container trade."

MARKETS:

Hot box market turbocharges ONE's full-year forecast

OCEAN Network Express has significantly lifted its full-year forecast, having posted a stellar earnings performance in the third quarter of the financial year against the backdrop of the coronavirus pandemic.

The Singapore-based container shipping carrier expected net profits for the fiscal year ending March 31, 2021 to reach $2.5bn, compared with the previous prediction of $928m.

The forecast was beefed up by continued skyrocketing freight rates between October and December — even after the traditional strong peak season — boosted by the pandemic-led surge in demand for containerised products and a shortage of carrying capacity.

ONE reported $944m in net profits in the third quarter of the fiscal year, up from the year-ago level of just $5m.

"A steady recovery trend was observed in the global cargo volume," said the company in an announcement. "Severe shoreside and inland congestion became problematic due to a sharp increase in cargo volume and the resurgence of the Covid-19 epidemic caused turmoil within the entire global supply chain."

The company lifted 1.1m teu on the transpacific and 733,000 teu on the Asia–Europe trades in the period, up 11.6% and down 8.6% respectively year on year.

Vessel utilisation levels, however, improved significantly, with 103% and 102% headhaul rates respectively on the two trades compared with 93% and 92% a year ago.

ONE expressed cautious optimism about the remaining financial quarter, as it estimated it would see $900m in net profits.

"In the fiscal fourth quarter, seasonal factors such as lunar new year holidays or the resurgence of Covid-19 could affect demand. However, at present steady cargo volume is expected," it said.

Amid the global health crisis, the company added it has taken a set of ad hoc measures to alleviate the supply chain disruptions, including the enhancement of its digital platforms, introduction of extra sailings and persistent efforts to support crew changes.

At the end of December, ONE operates a fleet of 215 vessels, or 1.57m teu in carrying capacity.

It recently unveiled an expansion plan to charter in six 24,000 teu newbuildings to be delivered in 2023 or 2024 from compatriot owner Shoei Kisen Kaisha.

MOL posts higher profits amid stronger box and tanker markets

JAPAN'S Mitsui OSK Lines posted a profit attributable to shareholders of ¥64.4bn ($617m) in the third quarter of the fiscal year that ended December 31, 2020, up from a ¥48.4bn profit seen in the same period a year ago amid improved spot rates for the container business and a stronger tanker market.

Revenue for the period, though, shrank to ¥731bn in 2020 compared with ¥867bn in the same period a year before.

Its energy transport business posted ¥220bn of profit for the nine months ended December 31, marginally down by 0.2% from the previous financial year, while dry bulk profits were down by 45.5% to ¥162.8bn.

The tanker division as a whole was in the black, with profit increasing significantly year on year thanks mainly to the stable fulfilment of long-term contracts and favourable contracts secured by capturing the historic high-level charter rates in the market, MOL said in its earnings statement.

Meanwhile, Ocean Network Express, the company's equity-method affiliate, saw cargo movements remain at a high level, especially on Asia–North America routes, and given that containers were also in short supply in Asia, spot rates were much higher than the level seen a year ago.

The shipping conglomerate expressed optimism about the final quarter of the financial year and revised its forecasts for full year profits to ¥60bn significantly up from ¥20bn predicted in the second quarter.

However, it expects the very large crude carrier market to remain weak mainly because of the effects of Saudi Arabia's voluntary output cut, the slow recovery of oil demand amid the coronavirus pandemic, and the expected easing of port congestion in China, all of which will hamper market recovery.

MOL said that the product tanker market will also be weighed down by the slow recovery of oil demand amid the pandemic but is expected to improve as cargo movements are starting to recover.

In the capesize bulker market, port congestion in China caused by inclement weather and other factors is expected to continue tightening the vessel supply and the charter rate is anticipated to be stronger than usual in the fourth quarter of the fiscal year, it added.

"After these one-time factors resolve, however, the usual deterioration in the weather in Brazil and Western Australia will cause decline in iron ore shipments and the charter rate is expected to weaken."

Meanwhile, the panamax bulker market may weaken temporarily but is expected to remain steady, bolstered by active South American grain shipments, MOL projects.

The shipowner and operator also announced that it has consolidated its dry bulk business and will integrate its fleet of small and medium-sized bulker and wood chip carriers — consisting of about 130 vessels — into one business.

These include all dry bulk vessels of 10,000 dwt–100,000 dwt, but exclude those serving the steel manufacturers and domestic electric power companies.

A new company will be established based on a dry bulker arm, MOL Kinkai, to run the combined business and will be known as MOL Dry Bulk with effect from April this year.

The company also has plans to establish a Wind Power Energy business division to specialise in the offshore wind power business and its related business, to expand and accelerate these activities.

IN OTHER NEWS:

Asia–Europe ocean freight contract rates start 2021 with record rise
LONG-TERM Asia–Europe ocean freight contract rates have seen a record increase since the start of the year, figures from Xeneta show.

Import prices to Europe on the digital rates specialist's European shipping index have risen 19.3%, compared with December, to 132.67 points.

"This represents the largest monthly increase since the inception of the index, reflecting the unprecedented situation facing key trade lanes," the analyst said. "As a result of this month-on-month rise, the benchmark is up 12.5% compared with the same period of 2020."

China Merchants trims cost burden with asset impairment
CHINA Merchants Energy Shipping has taken advantage of a profitable 2020 to make many provisions for impaired vessels and charter contracts, a move that will help lower its future cost burden.

The Shanghai-listed wet and dry bulk shipping arm of China Merchants Group saw a Yuan1bn ($154.8m) reduction in the value of 16 very large crude carriers and nine ultramax bulkers, according to an exchange filing.

A total of $101.5m was written off for super-sized oil tankers built between 2008 and 2012, with the remainder for the ultramaxes built in 2012.

Cosco Shipping takes 20% stake in Jeddah terminal operator
COSCO Shipping Ports has entered into an agreement to acquire a 20% stake in Saudi Arabia's Red Sea Gateway Terminal in a deal worth $140m.

The Chinese company said the investment would lead to new infrastructure and facilities that will allow the terminal to become the largest logistics gateway, and the busiest container terminal, on the Red Sea.

Saudi Arabia's Public Investment Fund has also acquired 20% of the terminal for the same price.

Dwell times hit alarming highs in Southern California ports
DWELL times at the San Pedro Bay ports of Los Angeles and Long Beach have hit "alarming" highs, according to data released by the Pacific Merchant Shipping Association.

"Container dwell time at San Pedro Bay Ports continued the alarming rising trend we have witnessed in recent months," said Jessica Alvarenga, manager of government affairs for PMSA, which represents shipping lines and terminal operators on the US west coast.

"Volumes at the two ports were up in December and container dwell time followed suit with a 4.99-day average stay, up from 4.85 days in November and 4.78 days in October," she said.

Intercargo marks milestone with appeal to dry bulk owners
INTERCARGO, the dry bulk owners' association, has marked its 40th anniversary with a call for better regulation of the industry and a plea for owners to think twice before agreeing newbuilding orders.

Dimitris Fafalios, the group's chairman, told a webinar to mark the milestone that it was established in 1980 predominantly because of concern about dry bulk carrier losses.

One of the causes was that "class societies and inspections could not keep up with the increase in size" of bulkers.

Sulphur cap introduction drew little dissent, says IMO
THE introduction of the 0.5% global sulphur cap last year was carried out successfully, according to the International Maritime Organization.

Its introduction generated 55 complaints, said Roel Hoenders, the IMO's head of air pollution and energy efficiency.

"Given that more than 60,000 ships plied the world's oceans in trade last year, this was a remarkably low percentage of ships encountering difficulty in obtaining compliant fuel," he said.

Keppel OM restructures to exit rigs and focus on renewables
KEPPEL Offshore & Marine is splitting into three entities and drawing lines between slow and growing businesses to ride out a global energy transition.

Its management has also flagged the intent to divest some of its yard operations to reposition itself as a project developer and integrator.

This move comes as parent company Keppel Corp announced a full-year net loss of S$506m ($380m) after S$952m of impairments, the bulk of which were attributed to its offshore and marine arm.

Okeanis shares poised for debut on Oslo Bors
SHARES in Okeanis Eco Tankers are expected to begin trading on the Oslo Bors during the coming week.

The application by the Greece-based owner of 17 tankers to migrate from the Euronext Expand to the main board of the Oslo Stock Exchange was approved by the exchange's board on January 27.

The move is expected to "broaden access to equity capital markets to potentially fund further growth", according to Okeanis. The stock will be listed under its current ticker symbol "OET".

Scorpio continues fleet sell-off

SCORPIO Bulkers has sold its 30th vessel in four months as it continues to pursue an entry into the offshore wind market.

The US-listed company said it has entered into an agreement with Eagle Bulk to sell the 2017-built ultramax *SBI Virgo* (IMO: 9721994) for $15m in cash and a warrant for 212,315 common shares in Eagle.

Arctic Securities said that the warrant is effectively a stock consideration, meaning that the total purchase price for Eagle is about $19.06m.

Danaos lines up $300m bond issue

CONTAINERSHIP owner Danaos has said that it is launching a bond issue for up to $300m as part of a planned $1.25bn refinancing.

The New York Stock Exchange-listed owner of 65 boxships, including five vessels under its Gemini Shipholdings joint venture with founder and chief executive John Coustas, said that the senior unsecured notes, which will be offered privately, will fall due in 2028.

Proceeds will be put together with a new $815m secured loan and a new $135m sale and lease-back deal to pay off a "substantial majority" of the company's current senior secured debt.

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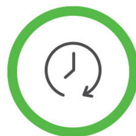

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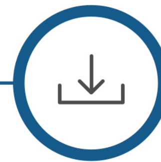

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