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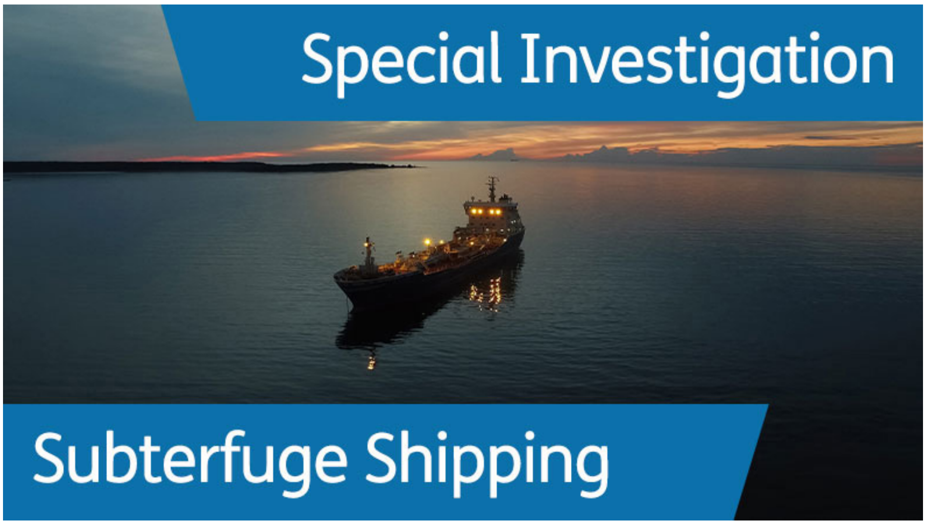
Revealed: The subterfuge tanker fleet keeping Venezuelan and Iranian crude flowing



THE 21-YEAR-OLD AFRAMAX tanker *Aurora* (IMO: 9183295) has changed flags and owners twice and gone by three different names since being sold last September by former Greek owner Thanassis Martinos.

Despite this unusual ownership pattern, the Cameroon-flagged vessel maintained one technical manager after the sale, a Seychelles-based entity named Berylicious Ltd for which scant details are recorded.

As well as these red flags, the ship's P&I coverage and class were both withdrawn last October. Replacement marine service providers for both are not listed on any shipping databases.

Not only is *Aurora* plying international trades to ship sanctioned crude in some of the busiest waterways, but also there are a further 64 similar vessels all engaging in the same unsafe practices. These vessels collectively carry billions of dollars' worth of oil and operate outside of the established international framework of maritime regulation with no real accountability in the event of an environmental or safety disaster.

Welcome to the world of subterfuge shipping, a shady place that has evolved over the past two years, inhabited by a fleet of elderly tankers keeping oil and refined products flowing to and from Venezuela and Iran.

Despite unilateral US sanctions, most of the tankers have so far evaded any penalty from US regulators even though research shows they have engaged in a range of shipping practices that the country's administration has identified as deceptive and evasive.

Only a handful of vessels show direct links to companies, people or vessels that have been blacklisted by the US Office of Foreign Assets Control since sanctions were imposed on Iran and Venezuela's oil and shipping businesses more than two years ago.

The 65 tankers have been revealed during a Lloyd's List investigation into subterfuge shipping and are among some 150 ships that vessel-tracking shows have carried oil from Venezuela or Iran in the last 12 months.

This is done either via ship-to-ship transfer at locations worldwide or by lifting directly from ports in those countries.

None of the subterfuge fleet are flagged in Iran or Venezuela and most lack clear or obvious links to these countries.

The tankers were purchased during 2019 and 2020 by a number of disparate, anonymous owners and immediately deployed on trades carrying sanctioned crude.

The average age of the 65 tankers for which P&I coverage is not listed is 19 years, data show.

These include 24 very large crude carriers, five suezmax vessels, 25 aframax tankers, five panamax or long range one vessels and another five medium range product ships, data show.

They have little in common except the anonymous and complex patterns of flag registration, ownership and shipmanagement.

This has involved companies and registries in countries as diverse as the United Arab Emirates, India, Ukraine, Samoa, Togo, Cameroon, Seychelles, Sierra Leone, Cook Islands, Russia, Belize and Tanzania.

Of the 150, 65 are no longer entered with the 13 P&I Clubs that are members of the International Group, which covers 90% of the global fleet.

This leaves their insurance status uncertain, even as the tankers are regularly calling at offshore anchorages in Iraq, Fujairah, Singapore, Malaysia and Indonesia, and ports in China.

As with *Aurora*, class societies have withdrawn services for a dozen or so of these vessels for which the insurance status is uncertain over the past 12 to 18 months. But unlike P&I clubs, many of the biggest names have continued providing class.

There is no suggestion that any of these class societies are breaching US sanctions.

The shipping structures not only exploit the typical regulatory loopholes, but also have risen in complexity and volume over the last nine months. At least four tankers are linked to fraudulent registries, raising insurance implications for the ports and anchorages at which they are calling.

The very large crude carriers *Elva* (IMO: 9196644) and *Dazzle* (IMO: 9203277) have reported their flag registry as Samoa. The Pacific nation does not have an international registry, and companies have been noted offering registration without authorisation from Samoa, according to the International Maritime Organization.

Two other VLCCs, *Ceres 1* (IMO: 9229439) and *Judy II* (IMO: 9224295) are flagged with São Tomé and Principe, another registry over which the IMO has signalled concerns.

The sanctions-busting tactics deployed by Iranian and Chinese-linked vessels during 2019 and 2020 have been copied and extended to Venezuelan flows in the last 14 months.

This accelerated last year after the US sanctioned six Greek tankers linked to four prominent Athens and Piraeus families.

Until then Greek-owned tankers dominated, and were chartered to lift about 80% of Venezuelan crude. Owners' decisions to withdraw from the trade lane after the sanctions scare resulted in subterfuge tankers stepping in to fill the gap, using many of the same tactics borrowed from the Iranians to disguise the origin and destination of cargoes.

These include switching off Automatic Identification System transponders for the majority or entirety of the ballast and laden voyage sectors and loading ports, as well as multiple ship-to-ship transfers, forged bills of lading and fake loading lists.

In past months photos have emerged of at least two VLCCs roughly painting over their vessel's name at Jose Terminal, Venezuela, to avoid media scrutiny while they load.

The most recent ship implicated was the VLCC *Calliop* (IMO: 9248485). It has had two different beneficial owners recorded since September, including one for 24 days, when it was previously known as *Calliope*.

For Iranian cargoes, subterfuge tankers often signal Basrah, Iraq, as their destination upon entering the Middle East Gulf.

The tanker goes dark while an STS is undertaken at the offshore anchorage with “Iraqi origin” oil from a tanker carrying Iranian crude.

In other cases, the vessel’s signal is missing for three days at the Iraqi anchorage while it secretly sails for Iran to load, and then returns back to Iraqi waters to resume transmitting signals and onward voyage.

Ship agents’ arrival lists in Iraq reveal these tankers are not scheduled to receive any Iraqi cargoes, underscoring the AIS deception.

Other vessels in the subterfuge fleet can be tracked to transhipment and storage hubs at Fujairah, the Sunnai Linggi anchorage off Malaysia, as well as West Africa off Lomé, Togo.

They are deployed for cargo transfer to other vessels as part of a shipping logistics chain that can involve as many as three different vessels, shuttling two and from the STS hubs.

Refineries in China and Syria are the major destinations.

Before sanctions were reimposed by the US, Iranian exports regularly exceeded 2m barrels per day.

December and November volumes were tracked at 480,000 bpd on some 30 voyages monthly, according to Lloyd’s List Intelligence data. This figure does not fully account for subterfuge fleet activities.

Venezuelan exports dipped to 280,000 bpd in December and 230,000 bpd in January.

Aurora was one of the estimated 23 tankers that loaded crude from Venezuela last month, vessel-tracking data show.

After its AIS signal stopped at the Strait of Gibraltar on September 23, it re-emerged on January 1 off Curaçao, a popular STS loading area used by national Venezuelan oil company PDVSA. The four-month gap remains unexplained.

The tanker’s intermittent signals show it is now traversing the Cape of Good Hope and sailing behind another Cameroon-flagged, Berylicious Ltd-managed tanker, *Tsar Vladimir* (IMO: 9213313).

This aframax tanker also appears to have loaded around Venezuela, although the vessel-tracking shows it in the Trinidad and Tobago area with missing AIS signals for 10 days from the Strait of Gibraltar, and then 12 days after arriving near the Caribbean islands. This is a common tactic to obfuscate the actual loading location.

Berylicious Ltd has technical and ISM management of three aframaxes all flagged with Cameroon, with single-entity Marshall Islands registered ownership companies. Like the other two tankers, *Orion*’s (IMO: 9131357) P&I provider and coverage has been withdrawn since October and is now unknown.

WHAT TO WATCH

Disagreement on ship prices stalls newbuilding market

ORDERING activity is being slowed by a gap between owners and yards over the expectations of ship prices, brokers have said.

The tanker newbuilding market remains lacklustre, according to Braemar.

“There is still a very wide price gap between builders and buyers compromising the difference,” it said in its latest weekly report.

In the containership sector, new inquiries are growing despite pricier offers from builders, but “the potential for making a deal is limited,” the brokerage suggested.

Braemar also noted the rumour about Evergreen’s tender for 20 15,000 teu vessels, although the final decision has not yet been announced.

The Taiwanese carrier is reportedly planning to split the orders between Japan’s Imabari Shipbuilding, South Korea's Samsung Heavy Industries and China's Hudong-Zhonghua Shipbuilding.

"Across all sectors, [the] newbuilding market is holding steady, this trend seems likely to continue for some time," said Braemar.

The situation comes as shipyards, under strain on the cost side, are forced to mark up their products due to more expensive raw materials and a weakening US dollar.

The monthly China Newbuilding Price Index, which tracks ship prices at domestic yards based on inputs from 21 broking houses, moved up by 1.7% in January from December.

Leading the momentum is the dry bulker index, which expanded 2% over the period.

Prices for ship plate have jumped by $100 per tonne over the past few weeks, while the value of the yuan against the US dollar is reaching 30-year highs, said one of the brokers.

As a result, some of the orders, for which a letter of intent had been signed towards the end of 2020, now face the prospect of losing millions of dollars in value, while price renegotiation is being resisted by owners.

"Chinese yards are expected to keep digesting the increased costs for the first quarter of the year and at the same time to be squeezed by the price competition from South Korea and Japan," said the broker. "Their order winning will be tepid except for a few deals from domestic owners."

Mark-ups for most dry bulker newbuildings are between by $1m-$1.5m per ship due to the sharp increase in steel prices and the exchange rate, according to another CNPI broker.

Others pointed out that the continued uncertainties over environmental regulations and future marine fuels remained the most important factors dampening the appetite for fresh tonnage as owners simply cannot decide on the choice of propulsion systems.

Myanmar's oil and gas sector may withstand US sanctions

RENEWED US sanctions may well hold back Myanmar from fulfilling its promise as one of Southeast Asia's fastest growing economies.

But the threat of economic censure from the administration of President Joe Biden as a result of Myanmar's latest military coup is not expected to bring the country's oil and gas activity to a complete standstill.

The US stance is not likely to hold back China from exporting oil products to Myanmar, however.

Neither will it stop China from importing gas from Myanmar through pipelines that were in operation long before Aung San Suu Kyi came to power.

Ms Suu Kyi, who in 2015, won Myanmar's first openly contested election in 25 years, has once again been put under house arrest.

This week's coup has so far had the effect of turning up the heat on bilateral relations between the US and China.

The Chinese are far from the only ones to have backed Myanmar's oil and gas sector when the country was last subject to US sanctions.

France's Total and Malaysia's Petronas operate the Yadana and Yetagun fields from which gas has long been extracted primarily for exports to China and Thailand.

Renewed US sanctions, however, could certainly hurt investments in new projects and pull back one still nascent sub-sector in Myanmar.

The Southeast Asian country has recently emerged as a liquefied natural gas importer.

Its demand for LNG is underpinned by off-grid power generation projects feeding on the super-cooled fossil fuel which are backed by foreign investors.

Poten & Partners manager for consulting Will Pulsford remarked: "Political turmoil will make it harder to get a new project through final investment decision, particularly where the revenue source is from a government entity or where sanctions may be imposed."

Hong Kong-listed CNTIC VPower is to date the sole project developer to have already imported LNG to power two such plants in Myanmar.

VPower, which is backed by Chinese state interests, may well stay put in Myanmar, just as PetroChina, Total and Petronas did through the previous round of US sanctions. Washington lifted sanctions in late 2016.

LNG spot prices, though coming off from record levels at the start of this year, are nowhere near multi-year lows seen during the summer months of 2020.

This has not served to support the viability of small-scale LNG-to-power projects and the poor economics will be further hampered in Myanmar given the prospect of economic sanctions.

Myanmar ports said to be operating normally

PORTS in Myanmar remain open and customs clearances have resumed following the military coup, though airports remain closed, according to a report from North's correspondents in the country.

"There are no reported issues with the discharging of cargo, however there may be delays on loading due to some warehouses being reportedly seized and closed, although there is no official information on these closures at this time," Spica Services added.

Airports have been shut down and all domestic and international flights are cancelled for the foreseeable future, which will impact on any planned crew changes in Burma.

Trafigura said it was monitoring the situation closely after the military took control of the country. The company says its priority is the safety of its employees.

Some 7,000 Burmese seafarers are currently on overdue contracts as a result of the crew change crisis, according to International Maritime Employers' Council chief executive Francesco Gargiulo.

Meanwhile, global commodities trader Trafigura said operations to transport oil-products by road from its Puma Energy Asia Sun terminal near Yangon had been temporarily suspended by way of a safety precaution.

Puma Energy said on Wednesday that its terminal and depots remained operational and it was ready to serve its customers as required.

The US is expected to target Myanmar's oil and gas sector for sanctions, although this is unlikely to hit burgeoning trade ties with China.

ANALYSIS:

Data whizzes are winners in shipping's digitalisation next phase

ONE of the key differentiators of the users of technology in shipping is the access to information and data and what is done with it.

To a large extent, this draws the line; it is what could potentially be the bridge between the current and next phases of digitalisation in shipping.

On one hand is the so-called low-hanging fruit, or the more easy-to-access technology that has seen some adoption because it quickly delivers benefits such as cost savings, access to new trading opportunities or greater convenience and efficiency.

This includes trading platforms, cloud-based services, and apps-based solutions on mobile devices, and covers the range of maritime activities from container shipping to procurement and pilotage services to bunkering.

Meanwhile, the next phase will see the integration and application of more disruptive technologies, such as data integration and analytics and increasing use of automation and autonomous operations.

Many conversations with start-ups and industry players now revolve around integration. One of the main by-products of the digital revolution in shipping is the generation of huge amounts of data, from engine performance to weather and speed.

The question is what to do with it — and this is the crux of the challenge facing shipping in the next phase of digitalisation.

"Once an industry tackles the digital information barrier, the next opportunity it looks to solve is how to obtain actionable insights with the data, as too much data leads to information overload and fatigue," says Shaun Hon, director of venture builder Rainmaking Transport.

Giving an indication as to where these opportunities might lie, he tells Lloyd's List: "As supply chains become more data-driven, we will need algorithms to help filter the right data to look at and optimise an outcome that we would like."

Anglo-Eastern Ship Management QHSE and training group managing director Pradeep Chawla goes so far as to say the next test of the best shipmanagers will be who goes about the process of digitalisation the best.

"The industry is now just past the hurdle of collecting data and is in the phase of making sense of that data," he says.

For example, he notes that Anglo-Eastern's fleet optimisation system from Wärtsilä already has 364 of its ships on it and the process of bringing the whole fleet on board will continue.

"Combining different data points, we can apply machine learning to make sense of the huge amounts of data coming ashore," Capt Chawla says, adding that he sees this trend increasing rapidly in the next five to seven years.

Another major trend for the future is automation. This applies to multiple aspects of the shipping industry, from the supply chain to autonomous vehicles and vessels.

Coming from his perspective as the founder of Plug and Play Supply Chain at another tech accelerator and venture fund, Plug and Play Tech Center, Mike Zayonc gives the example of TuSimple, a company in which UPS has a stake.

This company is developing a network of routes for autonomous trucks in the US, as well as another start-up, Autobon.ai, which is using AI-powered hardware in tractor-trailers.

One Sea ecosystem lead Paivi Haikkola cited developments in South Korea and Japan as being very encouraging, with the former's Won160bn ($130m) in government investments to boost the domestic eco-friendly and smart-shipping industry. Its goal of achieving a 50% global market share by 2030 is particularly ambitious.

Ms Haikkola says, however, that automation in shipping should not be looked at as a jump straight into unmanned vessels, as there is a whole range of applications in between — some of which are already well on their way.

"From One Sea's point of view, it is a step-wise process and we will see these technologies coming into use step by step," she said.

This ranges from proven technologies, such as remote engine monitoring and other sensor equipment, to anti-collision and remote navigation systems. Each will build upon the other to gradually lead to more automation on board.

There is a vast range of operating profiles and ship types, from simple coastal ro-ros to oceangoing ultra large container vessels, Ms Haikkola says.

"We always start from the basis of meeting transportation needs and solutions will be different but we are going to see automation in all of these, just with different kinds of solutions."

Anglo-Eastern's Capt Chawla agrees and ventures that while the first phase of automation on ships will take place within the next five to 10 years, it will be at least 30 years before we see fully autonomous vessels with no crew on board.

What he calls the level one unmanned bridge will apply to vessels sailing more than 200 nm from shore and, at the outset, will include applications such as anti-collision systems and autonomous navigation. Only when these are proven and there is sufficient confidence in them will automation on board progress.

This is echoed by ABB Marine & Ports global programme manager for intelligent shipping Kalevi Tervo.

"We already have examples of commercial applications of augmented reality and AI to improve the situational awareness of the ship crew in terms of navigational safety," he says.

Yet while vessels operating in national waters will progress faster towards a higher level of automation, Mr Tervo says the same trend is not being seen in the short term in international oceangoing shipping.

"In these vessels, we see the gradual development towards assisting technologies and semi-automated functionalities, where the human is actively in the loop, but the systems will help in making better decisions and more accurate control of the vessel," he notes.

Mr Tervo predicts that in both international and national vessels, the improved connectivity will gradually enable more decisions, planning and management on shore, making the landside crew more integral than the role of those on board the vessel.

"The shipping industry does not need disruption — it needs a thoughtful approach to adopt new solutions if we truly want to advance the industry as a whole," Rainmaking Transport's Mr Hon stresses.

Shipping takes its first collective cyber security steps

SHIPPING may well be targeting zero-emission ships and developing autonomous vessels, yet when it comes to cyber security, the maritime industry is still seen as a child taking its first steps.

Only a few weeks into implementation of the International Maritime Organization's 2021 cyber security rules, the sector has embarked on its early collective process of protecting itself.

"Shipping is at the start of its cyber risk management journey. The basics have to be there," says North P&I Club loss prevention director Colin Gillespie.

The basics are, indeed, now there, as rules and guidelines offered by the IMO, the biggest industry associations, as well as several leading classification societies have collectively set the mould for what the minimum expectations are from a company — not just shipowners — in the maritime sector.

The IMO 2021 resolution, in particular, has been viewed by some as a watershed moment for the sector. It asks shipowners and managers to implement cyber risk management into vessel safety management systems by the time of their first document of compliance audit in 2021.

"The biggest benefit of the cyber IMO 2021 resolution is that it increases the awareness of cyber security," says DNV GL group leader for cyber safety and security Jarle Blomhoff.

"It forces every company to consider the risks — and it forces them to start working on it."

Most companies have begun implementing cyber security into their information security management and they are working on being better at cyber security, according to Mr Blomhoff — though if really scrutinised, one would likely find shortcomings in all companies.

"However, the ISM is built up around continuous improvement and most companies have now started that journey to build cyber resilience into their safety management system," he says.

The sources of threats against shipping companies' onshore operations are familiar; emails, fake calls and viruses are some of them.

On the vessel itself, while improper use of USB drives and emails are still causes for concern, Mr Blomhoff notes that the poor segregation of systems on board can also cause harm to the ship's control operations.

This becomes especially important given the broader push to digitalise operations.

Major and highly publicised cyber security breaches seen in shipping over the past couple of years, namely those against Maersk and CMA CGM, have alerted those who have been — willingly or not — oblivious to the cyber risks to which shipping companies are susceptible, as well as to the possible damage.

Mr Gillepsie agrees that high-profile cyber security incidents and regulatory efforts have led to a stark increase in awareness during the four to five years he has been dealing with cyber risk, to the point that he believes it is now almost universal.

"There aren't really any companies out there that don't know they have to manage [the risk]," he says.

IMO 2021 will act as a useful floor for the minimum expectations from the industry. As in most areas, the variance in the action taken will be great — especially now.

Budgets, experience, culture, the perceived levels of threat and the degree of sophistication in both IT systems and connectedness of command and control systems on board vessels will be key drivers in these disparities.

Mr Blomhoff observes that IT infrastructure in offices of shipping companies is similar to other industries, whereas the IT systems are not as modern and their control systems are immature when it comes to cyber security.

That is changing, even if the levels of action differ significantly case by case.

Container and cruise companies are seen putting more efforts into safeguarding their operations compared to other shipping segments, because they are considered more attractive cyber-attack targets.

The IMO 2021 resolution offers little detail on the specific action that companies should take to protect themselves.

Maritime regulation has proved effective in protecting lives, changing behaviours and overall improving this business on the back of both safety-based initiatives and environmentally focused policies.

Yet cyber security is not defined by rigid threats that can be dealt with by a set of very specific remedies.

"It is very difficult to give detailed guidance because every company's set-up is different and the threat picture changes quite quickly," says Mr Gillespie.

That makes it very difficult for the authorities or anybody setting guidelines to give anything more than a framework that companies can use and adapt to their operation.

Mr Blomhoff also notes that cyber regulation has to be adapted to different segments and vessel complexities.

"However, everyone should build a minimum level of compliance and security barriers," he says.

If regulations can only go so far in affecting change, they can help set expectations and the potential financial fall-out in the future may depend on them.

Mr Gillespie says at the moment, cyber security-related claims are practically non-existent from a P&I perspective.

The potential, though, is there and there are systemic risks with which insurers would be concerned, such as certain equipment being hacked and subsequent claims.

Augmented awareness, more rules and the potential proliferation of threats also mean more responsibility for shipping companies and perhaps less room in the future for understanding and insurance coverage.

That cyber is being seen as a developing risk and a threat which could catch anyone off guard has cultivated a greater level of tolerance, according to Mr Gillepsie.

That may dissipate as regulation kicks in and there is a base level of compliance that is expected.

"The more regulations are in place and the more companies are expected to manage these risks, the less tolerance we might see for payments," he says.

Counting the cost of port congestion

THE liner shipping industry is facing unforeseen heavy port congestion and vessel delays worldwide, Alphaliner reports, putting its focus on the San Pedro Bay ports of Long Beach and Los Angeles.

It says the worldwide situation is adding to the "severe lack" of tonnage, forcing carriers to blank sailings from China just at the time when these sailings could be generating "record" revenues.

"The twin US ports of Los Angeles and Long Beach are the worst hit as they are receiving unprecedented volumes of imports just at the moment when Covid-19 has reduced the number of dockworkers and truckers," Alphaliner said.

"Over 1,000 dock-workers in California tested positive for Covid-19 at the start of this week, up from 694 cases on 17 January," it says.

The analyst identified 41 container ships at or near to the San Pedro anchorages awaiting a berth at the beginning of this week, equivalent to a total capacity of 336,500 teu.

Including the 27 ships already at berth on February 1, the total container fleet currently in the Los Angeles-Long Beach area represents a capacity of "no less than 579,100 teu," it said.

Waiting times for container ships now often exceed a week. In order to continue to offer weekly sailings, carriers are being forced to extend the round voyage time of their services by at least a week, necessitating an extra ship per service.

For the 29 transpacific loops currently serving Los Angeles-Long Beach, liner operators need to find an extra seven very large containerships of 14,000 teu, 15 neo-panamax ships of 8,000 to 11,000 teu and seven units of 3,400 to 6,500 teu.

Chartering these 29 ships at current market rates in order to keep the services running would amount to a collective daily chartering cost of $1.42m, according to Alphaliner estimates.

This extra cost is, however, purely "hypothetical" as the charter market remains sold out, it reported

"The real cost of port congestion for the carriers is the loss of revenue from sailings that have to be cancelled due to a lack of tonnage," it says.

A typical very large containership taking a load of 4,000 40 ft containers with spot cargo between Shanghai and Los Angeles would generate revenue of $16m from the head-haul voyage alone.

Apart from the loss of revenue, the blanking of sailings also reduces the possibility to reposition empty 40 ft containers back to China on the backhaul voyages.

All liner operators have added capacity on the transpacific in the past six months except ONE, which came in at minus 8.8%.

Alphaliner said the Japanese carrier had moved some capacity to the Asia-Europe trade, but this has been more than compensated for by the alliance partners Yang Ming, HMM and Hapag-Lloyd, which have increased their capacity above the market average of 15%.

MSC has increased its weekly nominal Asia-North America capacity the most, rocketing up by 81.4%. The Geneva-based carrier has launched several new services outside the scope of the 2M VSA with Maersk with ships of up to 15,000 teu.

This also explains why MSC currently has the largest number of big ships — seven neo-panamaxes and one megamax — in the Los Angeles-Long Beach area, Alphaliner said.

MARKETS:

Vessel operating costs at highest since 2007

VESSEL operating costs across all the main cargo carrying sectors have increased at the fastest pace since 2007.

Costs rose by 4.5% in 2020, compared with the usual 2%, according to analysts on a Drewry webinar this week. It was the third consecutive year of increase.

The experts say operating expenses will soften as the impact of the pandemic recedes and as shipowners find ways to manage costs.

Drewry's analysis looked at 47 vessel types and 88 cost elements. The main findings were published at the end of 2020 in the Ship Operating Cost Annual Report. Data is gathered from a wide range of personal surveys, financial and other sources.

Manning costs, which represent 50% of total opex, saw a rise of 6%, the largest increase for 12 years. The health crisis had a significant impact in this area.

Rhett Harris, senior manning analyst, said the increase compared with a normal average rise of 1%. While rating costs were in line with collective agreements, officer remuneration was "much more market-driven".

The pandemic not only added costs of air fares, hotels and living expenses incurred in getting seafarers to and from their ship, plus extended tour bonuses, it also increased the officer shortfall. In a limited market, this influences remuneration.

Drewry anticipates this shortage will grow in each of the next five years — although Mr Harris suggested there might be a short-term solution with so many cruiseship officers awaiting further employment.

There were hikes in insurance, stores and spares, repair and maintenance, and management and administration costs. Senior market analyst Latifa Igbinosun warned of higher insurance costs in future years to cover additional coronavirus-related claims.

The need to send spare parts by air pushed the cost of spares up by 3%, although this was tempered by a fall in the cost of lubricants.

There was also a major leap in drydocking costs, up 5% because of the pandemic. As yards were forced to close in the early months of 2020, both scheduled and unscheduled maintenance were concentrated in the second half of the year, Ms Igbinosun said.

She added that there was likely to be greater pressure to manage expenses this year as costs related to complying with environmental regulation kick in.

Looking ahead, the analysts said uncertainty would drive tighter cost control. The biggest risk will be fast-rising insurance costs "which are expected to accelerate on rising claims". Elsewhere, operating cost increases are likely to remain below inflation for the next five years.

Martin Dixon, head of research products at Drewry, concluded that much of the work on these forecasts was made in late 2020, before vaccines were available.

Some of the expectations might be extended longer than anticipated, he said. However, Drewry believed a total opex rise of 1.3% was likely for 2021, with insurance costs rising faster.

No easy solutions to supply chain congestion

THE container shipping sector has responded to calls for the US' Federal Maritime Commission to address the congestion issues on America's west coast.

In a letter to the FMC, California Lieutenant Governor Eleni Kounalakis asked the US regulator to ensure agricultural exports from the state were not affected by higher costs and delays to shipping.

The letter suggested moves including the suspension or reduction of detention and demurrage fees and removal of congestion surcharges.

In reply, however, the World Shipping Council, which represents the majority of the major container lines, and the Pacific Merchant Shipping Association, which represent west coast terminal operators, reiterated their call for closer co-operation between all elements of the supply chain.

"These issues affecting California are the result of unprecedented and unpredictable disruptions to the international supply chain caused by sudden and radical changes to the demand for goods due to the Covid-19 pandemic," the organisations wrote in a letter to Ms Kounalakis and seen by Lloyd's List.

"As inland transportation, port and warehousing operations have been hit by lockdowns, labour shortages and volume overloads, the positioning, use and return of containers within the global supply chain has slowed.

"Carriers and other supply chain participants are working to improve access to container equipment through the repositioning of empty containers along with the purchasing, leasing, repairing, and dispatching all available containers."

The letter added that the impact of the pandemic had affected everyone, and there was no singling out of agricultural exporters in California.

Ms Kounalakis' letter had singled out almonds, pistachios and walnuts as examples of commodities that had suffered from export constraints, but the WSC and PMSA pointed out that December 2020 export volumes for these commodities were higher than those of December 2019.

The response also warned that the remedies suggested by the lieutenant governor could worsen the situation.

"The proposal to suspend or reduce detention and demurrage and other charges would create a disincentive for cargo interests to move import cargo off of marine terminals or to promptly and efficiently unload import cargo from containers and return those containers for further use," the letter said.

"Creating such disincentives to keeping cargo and equipment moving would reduce the availability of containers for use to carry US import and export commodities. Similarly, using marine terminals as storage facilities as opposed to transit points would increase congestion and slow the movement of cargo."

It discouraged getting the regulator involved in "the operational and commercial details of the complex relationships among the users and providers" of ports.

"We instead encourage closer dialogue amongst all parties in the supply chain to understand and collaborate to address the challenges we all face during the Covid-19 cargo surge."

Separately, Ocean Network Express chief executive Jeremy Nixon said operational challenges were continuing to strain global supply chains.

"The situation has been exacerbated by landside delays and port infrastructure challenges," he said.

"Despite our efforts, we anticipate that bottlenecks will continue to persist until the landside situation improves."

He added that ONE had all its available ships and equipment in service.

"We hired extra charter vessels and arranged extra empty-dedicated sailings to balance surplus empty equipment to unexpected high demand areas, and also procured additional empty containers," Mr Nixon said.

"Despite our efforts, we anticipate that bottlenecks will continue to persist until the landside situation improves."

IN OTHER NEWS:

BIMCO to develop AIS switch-off clause to meet US concerns

A charterparty clause aimed at tackling abuse of automatic identification systems by sanctions busters will be issued within months, according to shipping trade association BIMCO.

The measure, to be published in May, comes after the US Office of Foreign Assets Control last year urged the industry to develop contractual provisions in the form of a so-called AIS 'switch-off clause'.

This would allow shipowners, charterers and operators to terminate work with any party that demonstrates "a pattern of multiple instances of AIS manipulation."

NYK and K Line boost earnings prospects

JAPAN'S shipping majors NYK Line and Kawasaki Kisen Kaisha have lifted earnings prospects, backed by their container shipping venture Ocean Network Express.

The move comes after Mitsui OSK Lines, another parent of ONE, also revised upwards its full-year forecast in a financial report last week.

Both NYK Line and K Line predicted ¥20bn ($190m) net profits previously for the fiscal year ending March 31, 2021. Now the surplus has been adjusted to ¥90bn and ¥65bn, respectively, by the two companies.

Crowley Solutions wins Alaska contracts from US

THE US Defense Logistics Agency Energy has awarded Crowley Solutions a five-year contract to deliver military specification fuel to the Eareckson Air Station on the remote Aleutian Island of Shemya, Alaska.

The DLA Energy manages the global supply chain for the US Army, Marine Corps, Navy, Air Force, Space Force, Coast Guard, 11 combatant commands, and other federal agencies, along with partner and allied nations.

Under the contract, which begins this year, Crowley will provide lightering and transportation of 4m gallons of fuel annually for the radar and aircraft refuelling station and its 180 personnel.

Jan De Nul dredgers first to receive ultra-low emissions notation

FIVE trailing suction hopper dredgers operated by Belgium's Jan De Nul Group have been given the new ULEV (ultra-low emission vessels) notation by Bureau Veritas.

The notation recognises the vessels' design, which includes the installation of a two-stage catalytic filter system enabling the dredgers to outperform the tightest low emissions operational policies.

It is BV's newest recognition for ultra-low emission vessels and can be assigned to ships that exceed existing MARPOL requirements for lowering pollutant emissions.

Euronav aims to have newbuild suezmax pair ammonia-ready

EURONAV, the crude tanker owner, is to buy two new suezmax tankers and have them capable of running on ammonia.

It said it was buying the pair in a resale deal worth $113m from an undisclosed owner. The vessels are currently under construction at Daehan Shipyard in South Korea and will be delivered in January 2022, the company said.

The ships will be scrubber-fitted and will have the "structural rotation" to be ready to run on liquefied natural gas, according to Euronav.

Iran to release crew of South Korean tanker

IRAN has said it will release the crew of the South Korean chemical and oil tanker *Hankuk Chemi* (IMO: 9232369) following a request from Seoul after a month of talks.

Iranian state media said the "humanitarian move" would involve 19 seafarers, but not the captain.

But the legal case against the ship and its captain will continue and it is not clear if the ship itself will be released.

FSL Trust clinches charter renewals for five product tankers

FIRST Ship Lease Trust has clinched renewals of up to eight years for five product tankers with bareboat charterer James Fisher Everard.

The small clean tankers have all been trading as part of a 16-strong JFE-operated fleet carrying petrol, diesel, kerosene and biofuels around the European coastline.

The contract renewals are for the 5,420 dwt pair *Shannon Fisher* and *Solway Fisher*, and for the 4,400 dwt tankers *Speciality*, *Seniority* and *Superiority*.

Seafarers killed in separate incidents during storms

ONE crewman has died and three others were injured after their bulker was hit by waves during a storm in the Atlantic.

The 2014-built Malta-flagged *Giulia I* (IMO:9638135) hit "an extremely high wave" on January 30 as it headed to Bizerte in Tunisia from Virginia in the US, according to Lloyd's List Intelligence.

Separately, at least four seafarers died when the general cargo vessel *Arvin* (IMO: 8874316) which was carrying fertilisers sank near Bartin, Turkey, during a storm on January 20.

Classified notices follow

CLAIM NO. CR-2020-003059

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES LIST (ChD)

IN THE MATTER OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED

AND THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION EUROPE

AND IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE

NOTICE IS HEREBY GIVEN that on 29 January 2021 Mr Justice Michael Green made an order (the "**Order**") under Part VII of the Financial Services and Markets Act 2000 ("**FSMA 2000**"):

1. sanctioning an insurance business transfer scheme providing for the transfer to The Britannia Steam Ship Insurance Association Europe ("**Britannia Europe**") of the whole of the insurance and reinsurance business of The Britannia Steam Ship Insurance Association Limited ("**Britannia**") (the "**Scheme**"); and

2. making ancillary provisions in connection with the implementation of the Scheme pursuant to section 112 of FSMA 2000.

The business to be transferred by way of the Scheme comprises:

1. all insurance and reinsurance contracts in respect of which Britannia is the insurer or reinsurer;

2. Britannia's outwards reinsurance contracts; and

3. all other contracts, assets and liabilities of Britannia whatsoever,

(the "**Transferring Business**").

The Transferring Business, save for that which is administered in Japan by or on behalf of Britannia acting through its branch in that jurisdiction (the "**Japan Business**"), will transfer from Britannia to Britannia Europe on 20 February 2021.

Policyholders may have a right under the law of the relevant EEA state to cancel their policy as a result of the Scheme within 21 days from the date of this publication, or such other period (if any) as the law of the relevant EEA state provides. If you are a policyholder and have any questions about your policy or the transfer, or wish to exercise any right you may have to cancel your policy with Britannia, please contact Phillippa Smith at Tindall Riley (Britannia) Limited on +44 (0)20 7407 3588 during normal office hours.

The transfer of the Japan Business from Britannia to Britannia Europe will take place on 20 February 2022, subject to the authorisation and approval of a corresponding branch established by Britannia Europe, which is expected to occur by late 2021, and a further order of the High Court of Justice of England and Wales confirming the transfer.

A copy of the Order can be obtained free of charge by writing to Phillippa Smith at Tindall Riley (Britannia) Limited, Regis House, 45 King William Street, London EC4R 9AN or by e-mail to BritanniaPartVII@tindallriley.com

Alternatively, a copy of the Order and other documents in relation to the Scheme can be downloaded from Britannia's website at https://britanniapandi.com/part-vii-transfer.

Solicitors for The Britannia Steam Ship Insurance Association Limited and The Britannia Steam Ship Insurance Association Europe, Holman Fenwick Willan LLP, Friary Court, 65 Crutched Friars, London EC3N 2AE, United Kingdom, +44 (0)20 7264 8000, ref. RWH/WJR/667.46.

04 February 2021