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Euronav future-proofing with ammonia suezmaxes



WITH A \$58.6M QUARTERLY loss and forewarnings of a difficult market ahead, Euronav attracted as much interest about environmental issues from analysts during its quarterly conference call as it did about the tanker market and short-term commercial issues.

The crude tanker owner has garnered attention this week for spending \$113m on a newbuild suezmax pair that could run on liquefied natural gas and ultimately on ammonia if structural adjustments are made to the ship that will allow it to hold the zero emission fuel. The pair will be delivered in January 2022.

Chief executive Hugo De Stoop said the company's decision to aim for the ammonia option was to future-proof the ships, given the environmental pressures that exist on owners.

Euronav benefited from the fact that it has its own ship management division, housing engineers who have been considering fuel options for some time.

With no low carbon solution for deep-sea tramp shipping available today, shipowners are forced to decide whether they should order conventional ships with possible to retrofit later, order dual fuel-capable ships today or just wait for dual-fuel ships with ammonia capabilities.

"We feel... that the order book will continue to be restrained as long as a technology is not clearly being selected by a sector such as the tanker sector," Mr De Stoop said.

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for the two suezmaxes until the use of ammonia is both feasible and in demand.

“As far as the ammonia is concerned, we don’t believe that it will be possible before 2023, potentially 2024. So don’t expect to see that hitting the water before that time,” said Mr De Stoop.

Ammonia bunkers are now around three times the price of very low sulphur fuel oil, he said, which offers an impediment to the demand for the use of the fuel by shipping customers.

He anticipates that with faster adoption of the technology and increase in green ammonia production globally, the price of the fuel will drop by the time the company decides whether to adopt it in its ships.

Ammonia retrofits for LNG-fuelled ships to pick up in 2030s

SHIPS running on liquefied natural gas will first switch to ammonia, even if the hype appears to be louder about the promise of hydrogen as the leading next-generation fuel, one leading class society has held.

This transition is expected to pick up from the 2030s, when the first retrofits from LNG to ammonia look set to take place, DNV GL’s regional manager for Southeast Asia, Pacific and India, Cristina Saenz de Santa Maria shared during a press webinar.

The class society has already seen a trend of newbuilding LNG-fuelled vessel orders being placed with ammonia retrofit options.

But shipowners are not likely to undertake the conversion of ocean-going tonnage unless they can be assured of fuel availability.

That would call for the development of large-scale ammonia supply chain, which may take more than a decade drawing on the industry experience so far with LNG.

The company was also asked about the prospects of partnering with customers on deals like the oil shipment that Occidental completed last week using carbon offsets, which allowed it to label the voyage as carbon neutral.

Mr De Stoop said Euronav had been previously approached by Occidental about conducting a carbon neutral voyage, but did not go into details. Euronav was studying Occidental’s carbon neutral voyage and that it is seeing conversations begin with customers about similar collaborations on cargo deliveries, he said.

“We believe and hope to a certain extent that will be more popular going forward,” said Mr De Stoop.

DNV GL is also maintaining a previous forecast suggesting that hydrogen — despite being touted as drawing billions of investment dollars — would not command as a direct share as large as ammonia in the marine fuel mix by 2050.

It qualified this, however, by saying that hydrogen may still feature as a feedstock going into production of ammonia and other next-generation marine fuels under consideration.

This view has gained traction among some shipowners.

Norway’s Eidesvik Offshore has set out to pilot the use of ammonia on its offshore supply vessel *Viking Energy* (IMO: 9258442).

The OSV, which runs on diesel, will undergo a retrofit scheduled for completion in 2024.

Eidesvik has cited one widespread view that ammonia will still trump hydrogen as the fuel option for North Sea supply routes and other longer voyages as its reason for doing so.

WHAT TO WATCH

Can freeports boost the UK’s post-Brexit trade?

NO PRESSURE, guys. All your freeport needs to do is reverse a century of structural decline in some of

the country’s most disadvantaged areas and decisively boost the post-pandemic British economy,

and we'll give you a few months to do it, *writes David Osler.*

While the lengthy tender document uses somewhat more formal legal language, those are effectively the key criteria on which bids for the coveted status will be judged after the deadline for applications on February 5.

The expectation is that around two dozen ports, port clusters and even airports will submit proposals, including some of the biggest names in the sector, such as Milford Haven, Grangemouth, Dover, Southampton, London Gateway/Tilbury, Hull, Port of Tyne and Teesport. Felixstowe and Harwich has already reportedly submitted a bid.

And who wouldn't want the rather attractive package of incentives on offer?

The perks for those who make the cut include favourable customs duties and processing, suspension of VAT, business rates relief, zero national insurance contributions, enhanced capital allowances, simplified planning and development rules and stamp duty reliefs.

In return, hopefuls must show how their plans would boost trade and investment, create jobs, and foster innovation and technology.

The idea of freeports has been kicking around in policy circles for several years. It was first mooted by the chancellor, Rishi Sunak, at that time a new intake Tory backbench MP, in 2016.

After two subsequent Conservative election victories and Mr Sunak's rapid rise to Chancellor of the Exchequer, freeports are now a central plank of the government's so-called levelling-up agenda for regeneration in disadvantaged areas.

It is clear that Mr Sunak has high hopes for his brainchild, recently insisting: "Our new freeports will create national hubs for trade, innovation and commerce, levelling up communities across the UK, creating new jobs and turbocharging our economic recovery."

It is also clear that he wants to see at least some of them up and running as soon as possible, and certainly by late 2021.

There has even been endorsement from the prime minister himself. In his speech on moving into 10 Downing Street two years ago, Boris Johnson stated: "So let us begin work now to create freeports that

will drive growth from thousands of high-skilled jobs in left-behind areas. Let's start now."

In the real world, things aren't quite as simple as that. There is an obvious tension on whether selections should be made on the basis of where freeports make most sense from a logistics standpoint or whether they offer the biggest boost to ailing local economies.

In addition, not all economists are convinced they represent a silver bullet solution for high unemployment. Some contend that they will simply attract jobs that would have gone elsewhere anyway, and consider them tantamount to an open invitation to tax avoidance.

Only 10 places are officially available. But industry sources argue that you can't have too much of a good thing, and that the restriction is artificial. They are privately hopeful that more than that number will be awarded free port standing.

Tim Morris, chief executive of the UK Major Ports Group, points out that Westminster is committed to seeing one free port each in Scotland, Wales and Northern Ireland, with basic maths implying that seven slots are available in England.

"A simple tot-up of the locations talked about shows how much pressure that number of seven is under," he said.

"The government has given itself some wriggle room by saying it will look at exceptional bids over the cap but has signalled that it's a high bar and that there won't be many exceptions

"Meanwhile, Scotland has said it will push forward with its variant and the jury is still out on Wales and Northern Ireland."

Phoebe Warneford-Thomson, policy manager at the British Ports Association, said her organisation had been pushing for free ports for some years, despite its usual reluctance to see government intervention in the ports market.

"We hope the government will assess each bid on its merits and not place an arbitrary cap on numbers. We absolutely expect that there will be more than 10 compelling bids.

"We do hope this isn't the end and government will look at how ports can continue to be at the heart of industrial policy, to the benefit of the entire port community and not just the 10-plus."

Among the most heavily-touted bids is from the Thames Freeport consortium, which brings together the ports of London Gateway and Tilbury with the Ford engine plant at Dagenham, with cross-party support from local MPs.

Anyone familiar with the surrounding area will know had badly it could use the 25,000 jobs the backers insist they will create through the introduction of renewable energy, construction materials processing and fabrication, industrial manufacturing, distribution and logistics and next generation of automotive technologies over an area of 1,700 acres.

Forth Ports has confirmed that it is putting in a bid for Grangemouth, near Edinburgh. Parts of the town rank among the most deprived in Scotland, so any economic stimulus will again be hugely welcome.

Mr Morris is confident that where ports get together with local businesses, they will be able to deliver on the government's ambitions. People only have to look at the scope and ambition of some of the bids, he insists.

"It's remarkable how the freeports idea has developed, as port operators but also others like major manufacturers and local economic development groups have got stuck in to developing their plans," he argues.

"A discussion even six months ago on free ports would probably have painted a picture of warehouses behind fences on disused industrial sites. Where we are now is true coalitions and co-operation, genuine focus on aspects like skills and environmental improvement and a range of different business models."

ANALYSIS:

Boxship owners fix for longer periods to lock in gains

CONTAINERSHIP tonnage owners are seeking to lock in the high rates being achieved from charterers in the current booming market, but still expect the next two years will be strong for the sector.

"We are facing a difficult situation of supply and demand," Danaos chief operating officer Iraklis Prokopakis said during a webinar event. "But every fixture we did yesterday, there is a better fixture the next day."

"The market is very strong. All indications are that demand will remain strong for the next couple of years, with a good charter market and box freight market."

Charter rates were being held up by strong demand across the container shipping sector.

Constantin Baack, chief executive of MPC Container Ships, said there was a combination of volume backlogs and catchup, paired with congestion and equipment shortages.

"Chinese New Year will take a different form this year, with less inactivity in terms of production of goods," he said. "That will add to the current order backlog in terms of volumes, which will add some dynamics that will also affect the charter market."

A lack of available ships was also helping to prop up the market, according to Aristides Pittas, chief executive of Euroseas.

"Demand will continue to be strong and supply for the next two years is constrained," he said. "New ships coming to the market will be no more than 10% of the fleet, which is not that much if you take into account scrapping and slippage. If demand develops as expected we should be in for a couple of good years."

Figures from one brokerage index show that average charter rates have more than doubled since their lowest point in June and that fixture lengths have gone from an average of four months to over 12 months.

Jerry Kalogiratos, chief executive of Capital Product Partners, warned that now was a lock in the high rates for longer periods.

"Right now, there is a bit of a flattening curve on charter rates," he said. "Now is the time to be locking in for longer. There is the risk that tomorrow will be a better day, but supply is artificially restricted because of Covid. This won't be lifted anytime soon, but when it is the equilibrium will be slightly lower."

He added that the market would stay in the current environment, but was unlikely to go too much higher.

“It won’t mean a much worse market, but freight rates are unsustainable. Importers are thinking twice about importing outside contracted volumes and are looking to load containers in multipurpose vessels. It might last for a while but you cannot go very wrong if you fix for a longer period.”

Non-operating owners were among the first to suffer when the pandemic began, with carriers returning any ships on flexible charter terms as they blanked large numbers of sailings

But that was less of a concern for owners now. Mr Baack said any current blankings were now due to structural issues caused by Covid-19, rather than lack of demand.

“There are instances where equipment availability simply triggers a blank sailing,” he said. “But more vessels are now on longer-term charters and redeliveries are not such an option for carriers, not only because the rates are up but because the periods have increased, especially on the smaller vessels that are more flexibly used by lines.”

MARKETS:

Euronav says freight rate pressure to last through 2021

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EIA: US energy use will take years to reach pre-pandemic levels

THE US Energy Information Administration expects the country's total energy consumption to return to 2019 levels by 2029, but also said this forecast "is highly dependent on the pace of the US economic recovery".

If the US undergoes low economic growth, energy consumption may not return to 2019 levels until 2050, the EIA said.

"It will take a while for the energy sector to get to its new normal," said EIA acting administrator Stephen Nalley as he presented the government agency's Annual Energy Outlook report on Wednesday afternoon.

"The pandemic triggered a historical energy demand shock that led to lower greenhouse gas emissions, decreases in energy production, and sometimes volatile commodity prices in 2020," he said.

Still, amid uncertainty, the US continues to be an important global supplier of crude oil and natural gas.

US crude production recently topped out near 13m bpd at the end of 2019 before dropping during the pandemic and it now sits at an estimated 10.9m bpd, according to the EIA.

The EIA reference case sees US crude production rising above 13m bpd by 2025, peaking at 13.88m bpd in 2034, and holding steady while slowly beginning to fall in the latter half of the 2030s.

The growth is driven almost entirely by shale oil, in particular the Permian Basin, where crude production is expected to rise from 4.3m bpd now to 5.3m bpd by 2025.

But in a longer-term, low oil-price scenario, crude production may have peaked for good at the end of 2019, and US output could fall below 10m bpd after 2030.

Domestic natural gas production is forecast to return to pre-pandemic levels starting in 2023.

In the long term, production continues to grow during the entire projection period, driven by end-use consumption and opportunities to sell natural gas internationally through liquefied natural gas exports.

Shale gas and associated natural gas from oil plays are the primary contributors to this long-term growth.

More than half of the growth in shale gas production between 2020 and 2050 will come from shale gas plays in the Appalachian Basin in the East region, and most of the remaining growth comes from plays in the Gulf Coast and Southwest regions.

Due to the drop in crude oil production, associated natural gas also decreased in 2020 because of the relatively low crude oil and natural gas prices.

The EIA projects associated natural gas will return to 2019 levels in 2024 and then steadily increase at a modest rate until 2050, primarily driven by increased drilling in the Permian Basin.

In the long term, because of expected increases in international demand for natural gas, the EIA expects US LNG exports to more than double between 2020 and 2029.

IN OTHER NEWS:

Seasonal lull hits bulkers but agri-commodities provide support

WITH China slowly moving into holiday mode, the seasonal lull has taken hold of the dry bulk freight market and unsurprisingly,

fixtures in the Pacific region are few and far between.

Indeed, according to a Singapore-based broker, most of the vessels have ballasted to the Atlantic

region as freight rates in the Pacific dropped due to weather-related disruptions across Australia and China, which resulted in cargo cancellations caused by port closures

combined with limited enquiries owing to lunar new year holidays.

“It is only expected to get worse before it gets better,” he said.

Hamburg Süd chief executive Vespermann steps down

LONG-serving Hamburg Süd chief executive Arnt Vespermann is to stand down after more than 20 years at the Maersk-owned container carrier.

He will be replaced by chief commercial officer Poul Hestbaek, who has been with the company since 2004.

Dr Vespermann, who oversaw the company’s acquisition by and integration into Danish carrier Maersk in 2017, will stand down by the end of the first quarter.

Westports volumes drop slightly on lockdown impact

WESTPORTS, the dominant operator at Malaysia’s main port of Port Klang, saw container throughput fall slightly to 10.5m teu in 2020 from a record 10.9m teu the year before.

The company said the drop was because container volume and demand was affected by the various forms of lockdown across the world.

Similar to other major container ports however, Westports reported a recovery in the fourth quarter, where throughput came in at 2.8m teu, almost flat from 2019. The operator said that, like many ports across the world, it had experienced above-average container yard utilisation and some yard congestion during the period.

Abandoned bulker crew on hunger strike over unpaid wages

THE crew of an abandoned bulk carrier have been on a hunger

strike for almost a month due to unpaid wages by the Qatari owner.

Six of the 20 seafarers aboard the *Ula* (IMO: 8102414), which has been stationed at the port of Shuaiba in Kuwait since April, have had to be hospitalised to regulate blood pressure and sugar levels, according to a statement from the International Transport Workers’ Federation.

The crew, who have not been paid for 11 months, have been on hunger strike since early January, and have been surviving on water alone, the ITF said. “They are at risk of dying.”

Castor Maritime buys first kamsarmaxes

CASTOR Maritime has lost little time buying additional bulkers on the secondhand market after completing its most recent fundraiser.

The Nasdaq-listed owner has agreed two separate deals, bringing the fleet to nine vessels compared with six panamaxs at the end of 2020.

Castor acquired its first capesize last month and has now agreed deals for its first kamsarmaxes, underlining a turn towards larger bulkers.

Samsung Heavy wins orders for another 13,000 teu pair

SAMSUNG Heavy Industries has said it has won a contract to build another pair of 13,000 teu containerships, following the two announced in the past week.

Similar to the previous deal, the Won232bn (\$208m) worth of orders was also signed with what the Seoul-listed shipbuilder described as a buyer in Oceania.

The vessels are scheduled for

delivery by the end of March 2023.

Singapore arbitration body and Baltic Exchange sign collaboration deal

THE Singapore Chamber of Maritime Arbitration and Baltic Exchange Asia have signed an agreement to deepen collaboration.

Through the agreement, both organisations will provide a framework to achieve a sustainable, long-term relationship. Co-operation will include cross-promoting each other’s events and offering preferential registration rates to each other’s members.

Among key features of the deal, SCMA will promote the use of the Baltic Exchange Asia’s escrow service, while Baltic Exchange Asia will offer the services to SCMA members at competitive rates.

Caribbean refinery restart to boost compliant fuel supply

A REFINERY in the Caribbean which will produce compliant low-sulphur fuels to meet increasing demand for transportation fuels has resumed operation after being idled for eight years.

The Limetree Bay facility, on St Croix in the US Virgin Islands, can store 34m barrels in 167 storage tanks and has deepwater access to 11 docks including the offshore SPM buoy, which can load and discharge vessels up to very large crude carrier size.

It is controlled by EIG Global Energy Partners, it is equipped with a crude oil processing capacity of more than 200,000 bpd, the renovated refinery has officially resumed operations and started production as well as commercial sales of refined products.

'Fraudulent' website targets North Group

AN ITALIAN website purporting to be North Group's Irish subsidiary North of England P&I DAC is fraudulent, the Newcastle-

based marine insurer said.

Appropriate action to have www.northofenglandpel.com deactivated has been initiated, it added.

"If you receive any unusual or unsolicited emails for which you are unsure of their origin, please contact your normal North Group contact for further guidance," the club said.

Classified notices follow



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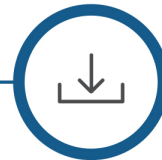
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