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An inconvenient truth: Flags failing

REGISTRIES REPRESENTING 12 African, Pacific and Caribbean countries flag 75% of tonnage identified by Lloyd's List as evading US sanctions and shipping cargoes of Iranian or Venezuelan crude.

Belize, Cameroon, Comoros, Cook Islands, Djibouti, Palau, Samoa, São Tomé and Príncipe, Sierra Leone, St Kitts and Nevis, Tanzania and Togo collectively flag 14.6m dwt of the 19.9m dwt fleet of subterfuge tankers. Vietnam registers a further 10, accounting for just over 1m dwt.

The subterfuge fleet has evolved and enlarged over the last 18 months as Iranian and Venezuelan interests seek to circumvent US sanctions on their oil and shipping sectors.

The insurance and classification status of as many as 130 tankers is unclear, raising significant safety and environmental risks given all tankers are operating in busy chokepoints of the Middle East Gulf and Singapore Strait, or in Venezuela and the Caribbean.

Most tankers are aged over 20 years and purchased over the last two years by anonymous owners who then begin a practice known as flag-hopping, one of many deceptive practices used to obfuscate regulatory scrutiny.

Flag-hopping — the repeated changing of registries, often alongside the formation of different companies and new names — is the most obvious tactic

Like a game of cat and mouse, vessels frequently reflag, mostly using the same group of little-known African and Pacific country registries, always keeping one step ahead.

Owners of the subterfuge fleet exploit the weakness of these registries, which are often poorly resourced or have management sub-contracted to private companies that can fail to make basic checks for eligibility.

Flag-hopping means even Panama, the world's largest registry, appears flat-footed and reactive rather than proactive. A total of 26 tankers representing 4.1m dwt on Lloyd's List's subterfuge fleet list are currently registered to Panama.

Sold to unknown beneficial owners in October 2019, *Sea Breeze* (IMO: 9257503) shows how the game works.

Panama de-flagged the vessel in June 2020 when it was known as the *Free Sea*. The 73,004 dwt, 2003-built product tanker immediately moved flag to the Cook Islands and was renamed *Jag Lara*.

By October the tanker had again reflagged, shifting to Djibouti with its latest name, and taking on a third technical shipmanager, Peridot Ship Management in Mumbai, India.

Peridot is also listed as the technical manager of another anonymously-owned, Djibouti-flagged aframax tanker, *Saint Nicholas* (IMO: 9229362) involved in sanctions trading. Peridot's website has been suspended and the company could not be located.

Ownership data show *Saint Nicholas* left Greece's Constantinos Martinos family in late December, when the vessel's flag changed from Malta and classification society switched to the Indian Register of Shipping.

This complexity makes tankers harder to track by the sanctions regulators they seek to avoid. Officials within institutions such as the US Treasury's Office of Foreign Assets Control have little maritime knowledge and complexities of tracking subterfuge shipping practices have proved difficult for several of the institutions seeking to impose sanctions.

As recently as February 3, the US Department of Homeland Security and Federal Bureau of Investigation erroneously identified three flag-hopping tankers in connection with a forfeiture order of nearly 2m barrels of Iranian oil filed in a US court.

The Department of Justice filing mistakenly confused the flag of the suezmax tanker *Sarak* (IMO: 9226968) as Marshall Islands, one of the world's largest registries and regarded as one of top five in terms of quality and regulatory standards.

Records show the tanker has been flagged with Iran since January 2019 and is sanctioned by Ofac.

Another Iran-flagged suezmax, *Sonia I* (IMO: 9357365) — named in the filing as receiving an Iranian cargo — was mistakenly identified with its former flag of Panama.

Lloyd's List has approached the US Department of Justice for comment.

Adding to confusion the third tanker, Cook Islands-flagged *Ethan* (IMO: 9293741), was named as *Lubov* — a previous name with a former (Comoros) flag, which it left in October.

The filing said *Ethan* engaged in spoofing its location to disguise loading an Iranian cargo in June 2020.

Ethan is one of three very large crude carriers and two product tankers now flagged with the Cook Islands and engaging in patterns and practices of behaviour identified as deceptive and sanctions-busting.

The Cook Islands registry said in an email to Lloyd's List that it actively enforces compliance, including screening and other investigative methods, to identify any practices that might endanger safety at sea. It was investigating all vessels and would respond once that was completed.

The registry said it was preparing to de-flag *Ethan* and another VLCC, *Laka* (IMO: 9203253), unless new certificates are received shortly because Bureau Veritas withdrew class from both ships between late December and early January.

Along with *Ermis* (IMO: 9203265), *Garin* (IMO: 9081825), and *Cavalier* (IMO: 9108647), all five tankers passed the Cook Islands' vetting process, according to the registry.

Subsequent checks by Lloyd's List showed that three of the tankers were not entered into the P&I club that the owners gave to the Cook Islands.

While such gaps in due diligence are seen across many flags, most act to remove tankers if independent evidence is provided and is corroborated. Satellite images for vessels undertaking ship-to-ship transfers of Iranian crude

while Automatic Identification System signals are switched off provide the irrefutable proof on which most, but not all, registries act, Lloyd's List has learned.

Panama, as well as Belize, the Cook Islands, Gabon, St Kitts and Nevis, and Tanzania registries have all purged subterfuge ships, only for them to reappear with other registries.

The latest safe havens appear to be the Cameroon and Djibouti registries, which have welcomed flag-hoppers from Gabon, the Cook Islands and Panama.

WHAT TO WATCH:

EU is about to push the first-ever fuel carbon intensity measure on shipping

SHIPS calling at European ports may soon have to source and operate on less carbon-intensive fuels under a new plan that actors across the board are warning will have major impacts while receiving insufficient attention.

A proposal by the European Commission will likely force shipowners to use fuels with lower carbon intensity, introduce an efficiency credits-trading system and impose zero emissions at berth for some ships, people with knowledge of the situation say.

If successful, it would lead to the first standard on the carbon intensity of a fuel in shipping and would put the responsibility on shipowners and operators to ensure they have the lower carbon fuels to meet the criteria.

The rules would be implemented through the European Union's Monitoring, Reporting and Verification system, the platform where all ships of 5,000 gt and above calling at ports in the European Economic Area need to report their annual CO2 emissions and fuel consumption data for their EEA-related voyages.

This is a separate initiative from the EU push to include maritime into its carbon cap and trade system, the Emissions Trading System, which shipowners have largely accepted and are engaging with, despite some opposition.

The commission's proposal, known as FuelEU Maritime, is led by the Directorate-General for Mobility and Transport and is expected to be published some time in March. The push to include shipping in the carbon market, led by the Directorate General for Climate Action, is expected in June.

While the ETS has received notable scrutiny and attention, both opponents and proponents of the FuelEU Maritime told Lloyd's List that shipping companies and the industry in general are not paying sufficient attention to this regulation.

They believe this proposal to control the carbon intensity of shipping fuels is in fact more consequential than shipping's inclusion in the sysrem.

The FuelEU Maritime proposal will seek to regulate the carbon intensity of the fuel on board a ship rather than the energy efficiency performance of the entire vessel, three sources that are familiar with the plan told Lloyd's List.

It would require ships calling at an EEA port to use a fuel that is less carbon intensive than fuel oil by a certain percentage.

This is a fundamental break with current and aspirational global regulations, which target the emissions efficiency of the entire ship and not just the fuel it uses.

The hope is that the rules can generate both a reduction in emissions and act as a strong incentive for the acceleration in development and adoption of low carbon fuels and technologies by the shipping industry.

The Union of Greek Shipowners, the most powerful shipping group in Europe, has concerns about the plan and the impact it would have on shipowners.

"The FuelEU Maritime seems to be built on the flawed and impractical approach that a fuel standard should apply to economic operators rather than to the supply side," UGS president Theodoros Veniamis said.

The concerns voiced by Mr Veniamis and other stakeholders echo those raised by the industry

ahead of the introduction last year of the 0.5% global sulphur cap; that a regulator — in that case the International Maritime Organization — is imposing a fuel standard on shipowners who have no control over fuel production and the broader supply chain.

"This would be comparable to asking car users to use a specific fuel mix that is not yet widely available on the market," Mr Veniamis said.

A proponent of the plan, however, argued there is no international energy authority that can impose such standards on fuel producers across the globe.

The commission also appears to want to impose a zero emissions at berth rule for certain ships at EU ports, likely from 2030 onwards, eventually expanding it to all vessels.

While this goal-based standard for the fuel carbon intensity appears to be well established, there are several elements of the FuelEU Maritime plan that are not yet finalised.

A crucial one is the level of the fuel's required carbon intensity improvement and it is also unclear exactly when the rules would begin to apply.

Sources said the commission has suggested that they could begin to apply from 2030 onwards. Another alternative is for the rules to start earlier, for instance in 2025, with a smaller required carbon intensity requirement that would increase incrementally.

The plan is expected to be fuel-neutral, which means a vessel could use whatever fuel it prefers to meet the target.

But both supporters and critics of the FuelEU Maritime agreed that if the rules began applying sooner rather than later, much of the industry would be forced to use biofuels, a prospect that neither side appears too content with due to both the controversial nature and limited availability of certain types of biofuels.

Mr Veniamis said that decarbonisation requires a new generation of zero carbon fuels and technologies that do not exist and whose development needs a technologically neutral approach by policy makers.

"Moreover, the greening of fuels is the responsibility and area of expertise of the fuel suppliers and energy providers who must provide the international shipping industry with safe and fit for purpose maritime fuels available worldwide," he said.

Another key unknown is whether the commission will decide to apply the standard on each individual vessel or as an average across a company's entire fleet.

The FuelEU Maritime proposal could also include a new trading system of efficiency credits.

Companies that outperform the fuel carbon intensity standard could sell credits to underperformers who can buy them to call at EEA ports without being in violation of the rules.

Proponents of this system have argued that it would allow the industry to move together even though some parts of the industry will most probably move faster than others when it comes to technology and fuel adoption.

The argument is that sectors like the liner industry, which has more reliable fuel sources due to its fixed voyage schedule and therefore has greater predictability will perform better than tramp shipping, which has no fixed structure, is more fragmented and often lacks the budget to spend on new technologies and more expensive fuels.

So container line companies would be the ones to spend more on the expensive fuels and technologies to comply with and even outperform the standards, allowing them to sell their efficiency credits to tramp shipping companies, which instead of paying for expensive fuels and technologies, buy these allowances.

But such a scheme would be "dangerous" because container line companies would effectively benefit from tramp shipping financing, an industry source familiar with the proposal argued.

There is also a more fundamental question of structure.

If the commission ends up endorsing this credits-trading idea, a entirely new system would need to be set up to facilitate it because it does not exist today. Just like the FuelEU Maritime itself, this credit trading would be independent of the ETS and maritime's position within it.

It is also unclear to people familiar with the proposal if it will be an EU regulation or a directive; while a regulation will need to be negotiated with the European Parliament and with EU member states, a directive would require even more time to come into effect because each member state would need to transpose it into their own national legislation

Neptune leads the way, but will everyone follow?

THERE is a disconnect at the heart of the shipping industry that has spiralled into a full-blown humanitarian crisis at sea with no end in sight.

What is being said publicly too often does not align to the reality of what is happening in practice.

Despite the best efforts of international organisations, unions, companies and some governments to resolve the issues that have left hundreds of thousands of seafarers stranded working on board ships well beyond the expiry of their initial contracts, the situation is getting worse not better.

Travel bans in response to new strains of coronavirus make every planned crew change a moving target subject to rules that change arbitrarily on a daily basis and are applied unpredictably.

What government say one day and what specific government departments do the next day are rarely consistent. In most major port states, ministries of health, security and immigration are still routinely at odds with the peaceably more understanding noises being made inside transport departments which rarely wield sufficient political clout to align efforts.

But this crisis cannot be attributed solely to bureaucratic conflicts.

Safe crew change plans with seafarers recognised as key workers have been proven to work, but the reality is that they are being applied inconsistently by a fragmented industry that is nowhere near a uniform gold standard in such matters.

Some owners are making extraordinary efforts to rotate crew despite an estimated tripling of crew change costs over the past year barely accounting for the cost of the current chaos. But too many are either unwilling or unable, and as is often the case the industry is dividing itself into the good, the bad and the barely compliant.

The solemn pledges from those agreeing that this crisis requires a shared responsibility are too often at odds with the routine refusal of charterers to fix ships with crew change commitments, lest they be found liable for costly delays courtesy of seafarers who are contractually not their problem.

These issues are not black and white. Those seeking to scapegoat all charterers ignore the practical complexity of the situation and the genuine efforts being made by many. The assumption that all shipowners are going above and beyond for their crew is sadly not always the case, but it is thankfully true of many.

The Neptune Declaration, a pledge that has now been signed by over 500 companies from across the supply chain, is a positive exercise in aligning industry efforts and recognizing shared responsibility. It addresses the right topics and the added corporate heft and visibility it lends to existing international efforts seeking resolutions daily to ease the burdens on crew can only be welcomed as a good move.

Whether it will succeed where so many other efforts have failed to put an end to the crew change crisis without any risk to the general public health now sits with those chief executives who have signed the declaration.

Addressing the gap between what they are pledging and what is being delivered is now the priority. Those 500 companies must be held accountable and seafarers are looking for deeds not words.

But it is also time to face the reality that there is no silver bullet here and even if the puff of press releases being pumped out in support of the Neptune Declaration were to translate into tangible action, this crisis would not be resolved.

The unpalatable truth is that, for now at least, seafarers have been left bearing the brunt of pandemic constraints and this is what maintaining a global supply chain looks like.

The lingering concern at the back of everyone's minds is that there is another crewing crisis yet to emerge that will hit when those seafarers currently at sea do get home, many will decide not to return to work.

ANALYSIS:

Unclear picture on first weeks of EU asbestos ban enforcement

THE European Union ban on asbestos on ships appears to be seeing only light touch enforcement in its early days due to a backlog of ships needing to conduct inventories and practical difficulties caused by the pandemic, according to industry sources.

However, the full picture remains unclear, and although the European Commission has sanctioned a softly-softly approach in the first instance, there are unconfirmed reports of fines for some owners, notably in Italy.

Meanwhile, the presence of deadly substance in at least trace amounts – and sometimes considerably more – still requires action from many owners, both in readiness for when the rules eventually are made to stick and to prevent legal action further down the line, a hazmat specialist has warned.

Legally speaking, the EU Ship Recycling Regulation (EU 1257/2013), known as EUSRR, and its UK equivalent, the Merchant Shipping and Other Transport (Environmental Protection) (Amendment) (EU Exit) Regulations 2019 both came into force from 1 January.

These instruments provide that all ships of 500gt and above calling at EU or UK ports or anchorages, irrespective of flag, need to have undertaken an inventory of hazardous materials (IHM) survey.

Non-EU or UK flagged ships must also carry a so-called statement of compliance issued after verification of the IHM by either the flag state or a recognised organisation.

Penalties for non-compliance include warnings, detention, dismissal or even exclusion of vessels from the ports or offshore terminals under EU jurisdiction.

But Nick Walker and Rachael Davidson of law firm WFW highlighted anecdotal evidence from June 2020 that of the approximately 35,000 vessels required to comply EUSRR , over 10,000 had not begun the necessary work to acquire IHM certification.

As a result, there was substantial lobbying of the European Commission for an extension to the deadline for compliance, to allow for the unprecedented delays caused by Covid-19.

"On 20 October 2020, the Commission issued a notice setting out guidelines on the enforcement of obligations under the EUSRR relating to the IHM requirement for vessels operating in EU waters, which propose a harmonised approach temporarily for a limited period of six months after the entry into application of the IHM-related obligations, until 30 June 2021," they said in an email

"It remains to be seen how individual member states approach enforcement of the IHM requirement or indeed how many vessels have managed to complete the work to become IHM-compliant".

Just how big the problem is was made clear in a presentation by Kevan O'Neill of Lucion Marine to an industry webinar last week, in which he said that of 597 inspections his company had conducted in the two years to December 2020, asbestos was found in 332 cases.

All told, it was discovered in 3,641 items, with some 84 of them in the highest risk category, requiring immediate remedial attention.

Lucion's asbestos discoveries were generally in lower risk categories, such as gasket materials and composites, Mr O'Neill said in a telephone interview today

On the other hand, his statistics are based on indicative rather than comprehensive surveys, so not every flange was sampled.

Thanks to legal thresholds, asbestos measurements below 0.1% by mass are considered asbestos free, to eliminate risk of cross-contamination from earlier inspections.

But most of the positive results were at a significantly higher level than 0.1% and therefore do come with legal consequences.

For practical purposes, other factors than simply the level of asbestos content have to be taken into consideration.

"Low-level regular exposure offers greater risk than high-level sporadic exposure," he said.

"If it's low intensity but high frequency, when you're in the location every day, that poses a greater risk than if you are in a heavily-contaminated room once a year."

Asbestos was once a commonplace building material prized for its fire resistant and heat insulation properties. But it has been widely outlawed since it emerged that inhalation caused deadly lung diseases, most notably mesothelioma.

It was widespread on ships built prior to 2002, before SOLAS introduced a ban on its use with some limited exceptions. An outright ban commenced at the start of 2011.

Asked why asbestos is still in such widespread use despite an ostensible prohibition for the last decade, Mr O'Neill said that many problems arose from the legal definition of 'asbestos free'.

Some components manufactured in the Far East can contain as much as 15% asbestos and still be marketed as asbestos free. In a handful of cases, components purchased by European buyers in good faith have been found with an asbestos content as high as 20%.

"We need to be pragmatic about it. It is a big problem in the industry. It needs to carefully considered without causing alarm.

"There is an occupational risk, but as long as it is managed effectively, it is fairly easily controlled."

Practical steps here include the enclosure of components known to contain asbestos, with regular background air monitoring and an ongoing management plan until the asbestos can be removed.

Extreme weather in the Pacific needs more research, say scientists

CLIMATE scientists in Southern California think the storm that hit the 2010-built, 13,092 teu *Maersk Essen* (IMO: 9456783) in the Pacific Ocean on January 16 was part of a phenomenon known as an 'atmospheric river'. Some 750 containers were lost in the incident.

The phenomenon, which is described as a "plume of precipitable water vapour", extended from Hawaii to California, also prompting 17 of 38 vessels to leave anchorages off the ports of Los Angeles and Long Beach to ride out the storm on January 26.

"It is a really fascinating case," said Dr Forrest Cannon, from the Centre for Western Weather and Water Extremes at Scripps Institution of Oceanography at the University of California, San Diego.

He told Lloyd's List: "The conditions experienced by *Maersk Essen* in the tail of that rapidly developing cyclone and strong atmospheric river were part of a system, an overall regime that was really dictating the weather on the west coast.

"And we saw the impacts associated with that and several different flavours over the next week or two, including a high wind event that was related back to the original development of atmospheric rivers in the central and western Pacific."

On the day of the "high wind event", conditions in San Pedro Bay were forecast to be 55 knots of wind and 5.2 m swells.

Kip Louttit, executive director of the Marine Exchange of Southern California, which issued the alert, said many scheduled movements did not happen due to the storm.

"We cannot recall a more complex situation, with this many vessels and this bad a wind and sea condition, for such a sustained period of time," Capt Louttit told Lloyd's List, referring to the number of ships at anchor — higher than any other time in the history of the two ports.

While the high number of ships anchored off the two ports is new, the adverse weather conditions are not. The warning issued by the Marine Exchange was based on 25 years of research by climate scientists.

According to the US National Oceanic and Atmospheric Administration, an agency of the Department of Commerce, atmospheric rivers can disrupt travel, induce mudslides and cause catastrophic damage to life and property.

NOAA cites the example of an especially strong type of atmospheric river called the Pineapple Express because moisture builds up in the tropical Pacific around the Hawaiian Islands and can hit the US west coast with high winds, heavy rain and even snow.

The storm that hit *Maersk Essen* off the Hawaiian Islands and disrupted ships' schedules made landfall

about 150 miles to the north of San Pedro Bay, drenching the central California coast with rain, and then turning into a snowstorm that blocked mountain roads — as had been predicted.

Estimates of damage caused by the phenomenon in California include a $21m impact on trucking when two highways were blocked by a single day's snowstorm in 2019, and flood damage of more than $1bn a year over several decades.

In a statement, AP Moller-Maersk said *Maersk Essen* was about 450 nm north of the Hawaiian Islands, which put the ship in the midst of the atmospheric river then gathering momentum, with ocean swells rising up to 6.5m in the area.

After *Maersk Essen* was pummelled by the storm, Maersk sought suitable port options to berth the vessel. On January 21, the ship was directed to Lazaro Cardenas, Mexico, because of the need for a "lengthy stay" at port to remove damaged containers and repair the ship.

"We explored all alternative port call options on the US west coast from Tacoma to Los Angeles/Long Beach — and none were deemed feasible due to berth availability," Maersk said.

Until now, the attention of climate scientists has been on the impact of atmospheric rivers after they reach land. However, the scientists also acknowledge the potential to direct their research into the impact atmospheric rivers have at sea, long before they approach land.

Dr Cannon told Lloyd's List that researchers have gathered much information from the Pacific Ocean region through the use of aircraft dropping "hundreds" of buoys into the waters below.

Still, virtually all that information is directed towards the interests of stakeholders on land, not at sea.

"I am funded to look a lot at what happens with precipitation over California. We have got stakeholders who want to know about flood risk locally. They want to know about hazards and water supply questions like that," Dr Cannon said.

Given the events of January off Hawaii and Southern California, Dr Cannon is surprised that there "isn't a lot of research that has been done in terms of the shipping and navigational aspects of atmospheric rivers".

MARKETS:

Container volume collapse not as bad as feared

GLOBAL container traffic in 2020 came in at just 1.2% lower than in the previous 12 months despite the upheaval of the pandemic.

Following the initial coronavirus outbreak which led to box volumes slumping in the second quarter of the year, the liner industry feared the worst with high-end projections of a double-digit drop in business for the full year.

However, as demand for consumer goods rose incrementally through the summer months and the peak season powered on beyond its traditional September close and into the fourth quarter, the sector saw a turnaround capped off by spiralling rates, which are expected to have led to record revenues across the board.

The latest official figures from Container Trades Statistics show last year's volumes at 168.2m teu compared with around 170m teu a year earlier.

In the first six months global volumes came in 6.6% lower year on year, before totals surged in the second half, climbing 4.3% higher. Volumes in the fourth quarter rose 5.7%, including a 4% hike in December, the latest reporting period.

"China drove the recovery pattern as its economy reopened way before other countries. Our regional exports from the Far East, 56% of the total, show this clearly," said CTS, adding that 95.2m teu was exported from the region in 2020, down just 0.4% on the previous year's tally.

In addition to resurgent Intra-Asian trade it has been the transpacific route that has stolen the headlines.

Unprecedented demand in the second half of 2020 for services to North America from the Far East caught carriers short and led to an equipment shortage and port congestion, a situation that then

spiralled globally as carriers struggled to meet demand for empty containers to shift goods.

CTS data shows transpacific trade even in the face of the pandemic at 20.1m teu was a rise of 7.3% year on year, as the shift in consumer spending from services to goods helped turbo-charge demand.

In December, headhaul transpacific trade was up 20.3% on the corresponding month of 2019.

The only other trade to report growth from the Far East was to Australasia & Oceania, with volumes rising 6.4%, according to CTS.

Despite clawing back traffic in the second half of 2020, there was a marked dip in Asia-Europe volumes for the full year.

Although volumes gained momentum in the latter stages of 2020, the annual total of 15.8m teu fell short by 5.5% on the previous year. There was, though, better news on the return leg, with Europe-Asia box numbers up 0.3% on 2019 levels.

CTS said that all other deepsea export trades from Europe were down over the year.

Meanwhile, the CTS Global Price Index, measuring both spot and contract rates, reached a year high of 93 points in December, a level not witnessed since the beginning of 2013.

The equipment shortage experienced on the major trades toward the end of 2020 coupled with rebounding volumes put slot space at a premium, sending spot prices through the roof. The Shanghai Containerised Freight Index recorded new highs for both the Asia-Europe and transpacific trades.

On the CTS index, rates have followed suit. In December, the index from Far East to North America climbed to 127 points, and to 114 points on the Far East to Europe route.

Since the turn of the year, spot rates have showed little sign of let up with supply chain bottlenecks still to subside under relenting demand.

The latest SCFI shows spot rates to Northern Europe from China climbing slightly to $4,324 per teu this week and relatively unmoved on the China-Mediterranean trade at $4,332 per loaded 20 ft unit.

On the transpacific, prices to the US east coast from China rose to $4,800 per feu, while falling marginally on the China-US west coast to $4,076.

With Chinese New Year fast approaching, volumes should begin to tail off as factories in the country close shop. This should grant carriers an opportunity to remove the slack in the supply chain and reposition empties to suit.

Carriers have limited blank sailings during the traditional slow season in a sign they are looking to get a grip on the supply/demand imbalance currently rocking the market.

Shippers will be hoping this finally brings some rate respite.

Hapag-Lloyd warns of cargo disruptions into second quarter

A SLOWDOWN in cargo liftings over the Chinese New Year may help to take some of the heat off the current disruptions in the supply chain, but shippers face several more months of delays.

"Chinese new year will help a bit because there will be a couple of weeks with fewer boxes loaded in Asia, but I anticipate is will be well into the second quarter before we get back to a normal situation," Hapag-Lloyd chief executive Rolf Habben Jansen said in a call to customers.

"Terminals are facing phenomenally higher volumes. We should be realistic here. There is such a surge of volumes that it will take time to work it out."

The large number of ships waiting off Los Angeles and Long Beach, for example, would have a knock-on effect, as it would now take longer for the ships to get back to Asia, which meant they are delayed again.

Mr Habben Jansen pointed to the uneven distribution of demand across 2020 and early 2021 as the cause of the disruption.

Initial expectations were of a fall in volumes of about 10% during the year, which were later reduced to a decline of 3%. The latest figures from Container Trades Statistics indicate volumes across the year fell by only 1.2%.

But the bulk of those volumes were carried from the third quarter onward.

"From the fourth quarter the market went crazy and demand was way ahead of what we saw in 2019," Mr Habben Jansen said.

"That has caused a lot of difficulties for everybody. There has been tremendous pressure on global transportation infrastructure, causing significant capacity constraints and delays."

One of the most visible disruptions had been in the supply of empty container equipment, but this was also a result of the congestion and inland delays.

"When we look at container utilisation, the time a laden box is actually in use, a difference of 6% doesn't appear to be a lot," Mr Habben Jansen said. "But it means we need more containers to carry the same amount of cargo."

The average time a container was in use had increased by three days in the fourth quarter and was up by five to six days now, he added.

"For every day that a container is held, for a company like Hapag-Lloyd we need extra inventory of around 35,000 teu," he said.

Production of containers had declined during the pandemic and would take time to get back to previous levels, with an even longer delay before those boxes entered circulation.

Hapag-Lloyd had added 325,000 containers to its fleet and had moved 200,000 containers on dedicated empty loaders, but container supply remained tight in some markets.

"The message here is that there are definitely container shortages because of congestion in ports, but in reality we need more several million more boxes industry-wide," Mr Habben Jansen said.

"It will take some time to get those produced. We are not out of the woods just yet."

Demand takes off for LNG bunker vessels

NORWAY-BASED Kanfer Shipping has acted on its long-term view that charter opportunities for liquefied natural gas bunker vessels are ripe for the picking and has placed orders for its first pair of ships.

"The LNG bunkering market is now developing quickly as more proposals are being tabled for the construction of LNG-fuelled vessels," managing partner Stig Hagen remarked in an interview with Lloyd's List.

"These vessels are not necessarily meant for long-haul Asia-Europe trades, but could be targeted for regional markets, say the Caribbean or Americas."

That feeds an even greater need for regional LNG bunkering hubs and ship-to-ship transfer infrastructure, he suggested.

Kanfer has penned a letter of intent with China's Taizhou yard for two LNG bunker vessels to be delivered in the first half of 2023.

Mr Hagen revealed that talks have already been ongoing, with clients pursuing projects calling for six to eight LNG bunker ships to be deployed across the world.

The time charters under consideration average between seven and 10 years, ranging to as high as above 10 years in some cases.

"A memorandum of understanding could be signed as early as next month for the ship charters on the newbuilding pair commissioned to Taizhou," he said.

He would not name names but pointed to enquiries coming from among others, traders, ports and infrastructure providers who are looking at facilitating LNG bunkering.

During a separate interview with Lloyd's List in the past month, Singapore-based bunker craft operator Hong Lam Marine indicated its intent to branch out into LNG.

LNG bunkering is a still nascent industry. It appears to be on the brink of breaking out, having come a long way from the earlier days when it drew interest primarily from supermajors and national oil companies including Shell, Total and Qatar Petroleum.

Having built large LNG portfolios in recent years, major trading houses could well be keen to diversify demand for the "molecules" they own, observers said.

Still, the LNG bunkering business is not exactly one for the fainthearted, not least taking in the record rise in Asia LNG prices at the start of this year.

Asia JKM LNG benchmark prices shot up to more than $30 per million British thermal unit in January, way above historic lows of below $2 per mmBtu seen during the summer of 2019.

This may cast a shadow over LNG-fuelled shipbuilding projects banking on low prices for the super-cooled fuel.

"Short-term price volatility is without a doubt still a risk for the LNG trade," Mr Hagen conceded.

"But there is no cartel trying to control global LNG supply unlike the case for oil, which remains subject to the Organisation of the Petroleum Exporting Countries' production calls," he countered.

Bunkering businesses — whether linked to oil or built on LNG — would nonetheless call for investments in infrastructure "at the right locations" and maintaining "competitive cost structure" to stay viable.

Kanfer has touted its LNG bunker newbuildings as being far more cost-effective, shaving as much as 50% off capex when benchmarked against "gold-plated" ones, including those operated by Shell and NYK.

Kanfer's LNG bunker vessels also stand to be among the first of their kind to come equipped with LNG and battery electric propulsion, Mr Hagen said.

IN OTHER NEWS:

More abandoned seafarers go on hunger strike
CREW on another abandoned ship have gone on hunger strike in protest of their working and living conditions, Lloyd's List has learned.

Four seafarers from Azerbaijan on the edible oils tanker *Captain Nagdaliyev* (IMO: 9575307) have been on hunger strike for five days now.

The Malta-flagged vessel was reported to have been abandoned in March last year, according to the International Transport Workers' Federation. Nine of the crew have since been repatriated.

Korea Shipbuilding terminates $890m VLCC orders
KOREA Shipbuilding & Offshore Engineering has said orders for 10 very large crude carriers have been cancelled due to a failed initial payment from the buyer.

The $890m-worth of deals to be split by two subsidiary yards were signed in November 2020 with an unidentified shipowner. Three of the vessels were to be built by Hyundai Samho Heavy Industries, with the remainder by Hyundai Heavy Industries.

Zhonggu Logistics firms up 10 boxship orders at Yangzijiang
CHINA'S Zhonggu Logistics has firmed up orders for 10 4,600 teu boxships with Yangzijiang Shipbuilding as part of its $700m fleet expansion spree.

A formal shipbuilding contract has been signed between the domestic-focused container shipping company and compatriot privately run builder Yangzijiang, a source with direct knowledge of the deal has confirmed to Lloyd's List.

While margins for the yard are relatively thin, the contract is denominated in Chinese yuan, which helps remove the exchange rate risks, according to the person.

Stena Line aims for zero-emission ferries by 2030
STENA Line says it hopes to run two electric ferries between Gothenburg and Frederikshavn by 2030.

It said it would present outline specifications for the battery-powered Stena Elektra concept within a year and order the first vessel by 2025.

It has joined an initiative with Volvo Group, Scania and the port of Gothenburg to try to cut 70% of the port's emissions by the end of the decade.

FSL Trust posts fourth-quarter loss after impairment charge
A REDUCED fleet and a non-cash impairment charge led First Ship Lease Trust to a fourth-quarter loss for 2020.

The Singapore-listed trust posted a $2.2m net loss for the quarter, but reported a net profit of $6.2m for the full year.

During last year, it sold its three containerships as well as three of its tankers, enabling it to prepay $23m in debt and distribute $79.6m to unitholders.

Titan LNG charters in NYK bunker tanker
TITAN LNG, an Amsterdam-based bunkering outfit, is

boosting its active liquefied natural gas bunkering fleet by bringing on board a third tanker on charter from Japan's NYK Line.

Both parties have signed a multi-year charterparty that will take effect from this month for NYK's now solely owned LNG bunker vessel *Green Zeebrugge* (IMO: 9750024).

NYK took full control of the vessel, previously named *Engie Zeebrugge*, after its joint venture with Engie and Mitsubishi Corp was dissolved.

US files lawsuit to seize Iranian oil on board Greek tanker

THE Joe Biden administration has filed a lawsuit alleging that all oil on board the 2010-built, 298,763 dwt *Achilleas* (IMO: 9398072) is subject to forfeiture based on US anti-terrorism laws.

The complaint, a civil forfeiture suit, filed with the US District Court for the District of Columbia, claims a scheme to ship Iranian oil covertly to an overseas customer involved "multiple entities" affiliated with Iran's Islamic Revolutionary Guard Corps and the IRGC-Qods Force.

"The US Attorney's Office for the District of Columbia will continue working with our law enforcement partners to stem the flow of illicit oil from Iran's Islamic Revolutionary Guard Corps and Qods Force," acting US attorney Michael Sherwin said.

Brave Maritime agrees LPG and bulker deals worth over $100m

BRAVE Maritime, the Greece-based family company headed by shipowner Nicholas Vafias, has agreed deals worth about $106m for a new 40,000 cu m liquefied petroleum gas carrier and four handysize dry bulk carriers acquired on the secondhand market.

The LPG carrier, contracted from Hyundai Mipo Dockyard in South Korea for about $50m, is scheduled for delivery at the start of 2023.

The contract provides for the LPG carrier to be built with dual-fuel capability.

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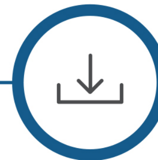

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