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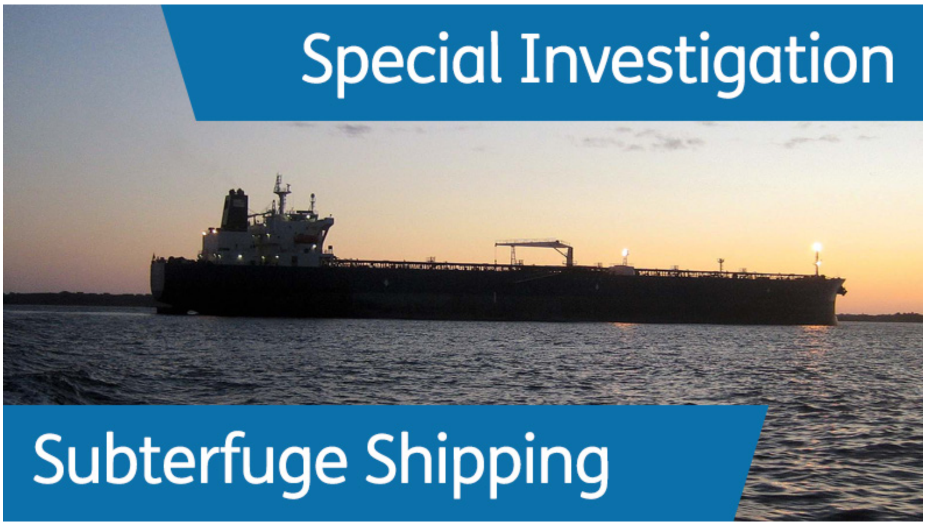
Subterfuge shipping investigation: The quiet class purge



FIFTY-SEVEN TANKERS in the subterfuge fleet — a group of vessels identified by Lloyd's List to have been engaged in evasive activity linked to the shipping of sanctioned Iranian and Venezuelan oil — had their class withdrawn or suspended over the last 12 months.

Lloyd's List has been unable to identify any replacement provider of technical and safety oversight for these vessels — a situation that raises serious questions about liability should any of these tankers, most of which are elderly and have overdue surveys, be involved in a casualty or oil spill.

Eighteen are vintage very large crude carriers with an average age of 21 years, a time when enhanced structural, machinery and pollution prevention checks are required.

There are a further nine suezmax vessels, 18 aframax and six panamax-sized tankers, as well as three smaller product tankers aged 22 years or over, of some 47,000 dwt. Deadweight tonnage for the 57 vessels totals 9.5m dwt.

Classification societies provide a little-noticed but crucial layer of accountability upon which flag administrations rely.

These organisations ensure vessels' compliance with common technical rules, standards and international regulations and conventions that are integral to their seaworthiness and safe operation.

Along with recognised organisations, class societies undertake the surveys and inspections on behalf of flag administrations. Marine insurers, oil traders, charterers, as well as port authorities are among those who rely on the accuracy of this information.

The 57 tankers were nearly all suspended over the last year by the 12 members of the International Association of Classification Societies that cover 90% of the world's fleet, analysis by Lloyd's List shows.

The absence of known, up-to-date certificates for these Iranian and Venezuelan-linked ships is one of the many regulatory shortfalls demonstrated by the subterfuge fleet that is keeping oil worth billions of dollars flowing while evading US sanctions.

They form part of some 150 tankers with no obvious links to Iran or Venezuela that have shipped oil from these countries in the last 12 months.

The class purge has targeted a sub-set of 130 ships, all bought by beneficial owners who could not be identified over the last 18 months, then immediately deployed in sanctioned trades.

"We are aware of a pattern of vessels taking themselves outside insurance and class cover and registration with the larger more established flags often associated with a change of ownership," said a spokesperson from Lloyd's Register.

"LR monitors the official sanctions lists and where vessels are subject to applicable sanctions as a result of non-compliant activity, or LR requirements are breached, then LR takes the necessary compliance action."

The society confirmed it classes seven tankers named by Lloyd's List as part of the subterfuge fleet but has removed another four. The total number stripped from LR class could not be disclosed for commercial reasons, the spokesperson said.

All the tankers also appear to operate outside the Ship Inspection Report Programme, known as SIRE, a database of 8,000 tankers that benchmarks their safety standards.

Charterers and traders worldwide shun tankers without SIRE accreditation, leaving owners consigned to a regulatory 'no mans' land' limited to a dangerous shipping sub-sector where safety and technical compliance is not necessary.

In addition to class removal, three quarters of the 130 tankers also had multiple changes of flag over the past 12 months, a practice known as flag-hopping. Cameroon, Djibouti, Tanzania and Togo are among the little-known and poorly managed registries where the subterfuge fleet landed.

Shifting to these flags frequently triggers withdrawal or suspension by IACS members, often because owners fail to notify them.

DNV GL classes some 21 vessels that have been identified by Lloyd's List as shipping either Iranian or Venezuelan crude.

Recently DNV GL suspended or withdrew class from another seven, according to the society. The most recent, China-flagged VLCC *Xing Ye* (IMO: 9590058) occurred on February 5.

Xing Ye loaded a cargo of Venezuelan crude in late November and then sailed for China via Indonesia, a rarely observed VLCC route that avoided the normal Singapore Strait.

"DNV GL takes very seriously its commitment to regulatory compliance — including adherence to the rules of international trade sanctions," an emailed statement to Lloyd's List said.

"If compelling evidence is received that a vessel is found to be in breach of international trade sanctions, DNV GL will in every circumstance take swift and appropriate action. This can include class suspension or withdrawal."

The American Bureau of Shipping has removed at least five tankers since last August, based on analysis of its public database, and classes another seven.

One of the the remaining seven is the 2002-built VLCC *Anahi* (IMO: 9273337), listed as classed by ABS in its database on February 7, under a prior name, *Amfitriti*.

The Tanzania registry de-flagged the tanker for its links to Iranian shipping, registrar of ships Khalfan Salim Omar told Lloyd's List.

The VLCC ticks all the boxes for subterfuge trading: a vintage tanker bought by unknown owners eight months ago, reflagged twice since its sale last June, and with unclear insurance coverage.

The tanker was flagged with Tanzania in October after three months with St Kitts and Nevis, and last signalled its location via Automatic Identification System on December 3.

ABS said: "ABS complies with all US and international laws, rules, and regulations.

"ABS conducts surveys aimed at verifying a vessel's conformance with rules or statutory obligations.

"We are not involved in the operational aspects of the approximately 12,000 vessels in ABS class; however, we assess compliance with US sanctions as information becomes available to us and we have cancelled class on certain vessels previously."

The Indian Register of Shipping and Bureau Veritas are other IACS members to have withdrawn or suspended class.

IRS has removed 10, most in the last six months.

Bureau Veritas kicked out three tankers after they were blacklisted by US regulators last month and removed another last year after satellite evidence emerged showing that it called in Iran.

Research showed at least six of the 57 tankers had class withdrawn for overdue surveys, although reasons are not always provided.

LR suspended class for *Phoenix X* (IMO: 9233789) in January after the vessel's sale in October was not reported and surveys were overdue.

Over January the vessel sailed to offshore Venezuela, where it remains.

Although overdue surveys and class withdrawal raise significant safety red flags, tankers continue shipping millions of barrels of crude and spend protracted periods at anchor near busy waterways off Singapore and Malaysia.

DNV GL removed the 2000-built, Cameroon-flagged tanker *Liberty* (IMO: 9207027) on January 18 for overdue surveys.

AIS signals show the vessel loaded a cargo via ship-to-ship transfer at the Sunnai Linggi anchorage after this period, and then sailed on to Ningbo, China, where it remains at anchor.

Of the 15 tankers flagged with Cameroon in the subterfuge fleet, 11 have been removed by IACS members since last July, Lloyd's List checks show.

Tankers escape port authority and agency scrutiny because they tend to avoid calling at ports, instead relying on ship-to-ship transfers to load and discharge.

Vessel-tracking reveals that Iranian-linked tankers shuttle to and from Iran or Iraq. Some tankers spoof signals so as to appear in one location when they are in another to avoid detection.

A series of ship-to-ship transfers at anchorages off Fujairah, Malaysia, or Indonesia take the cargo for onward voyage to China.

For Venezuelan cargoes, STS areas are seen off several Caribbean islands, as well as Togo's capital Lomé, and the same waters off Malaysia.

Fraudulent papers from recognised organisations have also been detected. One Panama-based entity listed as providing two certificates on behalf of a small African-flag administration told Lloyd's List the information was false.

Some of the vessels seem to be taunting regulators. The LR-classed, Djibouti-flagged *Mirame* (IMO: 9227948) means "look at me" in Spanish and is a frequent lifter of Venezuelan crude.

Aframax tanker *Colon* (IMO: 9503574) was sold by national oil company PDVSA in September to a company called Lowest Point Incorporated, which reflagged to Togo from Venezuela. The class and P&I insurance for this ship, like so many in the subterfuge fleet, is unknown.

Tanzania de-flags four Iran-linked tankers

THE Tanzanian International Ship Registry said it deflagged four tankers for their involvement in ship-to-ship transfers of sanctioned Iranian oil.

A fifth tanker that remains with the flag is also under investigation

Very large crude carriers *Anahi* (IMO: 9273337) and *Laval* (IMO: 9246279) as well as aframaxes *Xenia* S (IMO: 9165542) and *Elisa Sea* (IMO: 9199828) have been removed.

Owners falsely claimed another VLCC, *Penny H* (IMO: 9102239), was flagged with Tanzania but has never been with the registry, an email from Khalfan Salim Omar for the registrar of ships said.

The registry was responding after a Lloyd's List special investigation revealed that small African, Caribbean and Pacific countries flagged nearly three quarters of the 130 tankers identified as engaging in deceptive shipping practices and linked to sanctioned oil trades.

Tanzania was the latest refuge for flag-hopping tankers that move from registry to registry as part of a series of deceptive practices to evade sanctions penalties.

The group of tankers were switching off vessel-tracking transponders upon clearing the Strait of Hormuz to avoid detection while loading crude from either an Iranian port or via ship-to-ship transfer in the Middle East Gulf.

They were tracked sailing to anchorages off Malaysia or Indonesia for STS transfer to another tanker for onward voyage to China.

Laval joined Tanzania around October after the vessel was kicked out of the Gabon registry under its former name *Giessel*, also for shipping Iranian crude. Owners are unknown. *Elisa Sea* had moved from the St Kitts and Nevis registry to Gabon, to Tanzania, changing names each time.

Anahi was removed from the St Kitts and Nevis flag, also in October.

The Cook Islands registry is also preparing to deflag two VLCCs after Bureau Veritas withdrew their class, *Ethan* (IMO: 9293741) and *Laka* (IMO: 9203253).

Both ships are tracked undertaking voyages to and from the Middle East Gulf to anchorages off Indonesia, Singapore and Malaysia and engaged in practices identified by the US administration as sanctions busting.

WHAT TO WATCH:

Pool claims at record high at nine-month stage

INTERNATIONAL Group pool claims are at a record high for the nine-month stage of the claims year, according to a financial update from Steamship Mutual.

The IG does not divulge the amount involved, but it is known to have reached $300m — again a record level — at the six-month mark, with payments trebling for some P&I clubs.

The underlying cause here is spate of recent major casualties, and while much of the sting will be felt by reinsurers, the pool layer runs from $10m to $100m, and is the responsibility of the clubs themselves.

As a result, IG affiliates are on the hook for the Wakashio grounding and other expensive incidents, such as those involving Höegh Xiamen, New Diamond and Gulf Livestock 1.

Steamship's circular informs members that after nine months of the P&I financial year, which runs to February 20, the club's own incurred claims, including coronavirus liabilities, remain marginally higher than at the same point in 2019/20.

"IG Pool claims remain higher after nine months than in any previous year," it says. "This is largely attributable to the high level of losses reported in the first six months of the year. The club's own prior year claims have developed broadly in line with original projections, but this has been offset by adverse pool claims development in the 2019/20 policy year."

Given the strains on the pool system for the last two years, Steamship's projected combined ratio for the current 2020/21 financial year remains in excess of 100%.

However, investment returns in the 11 months to January 2021 are described as "significantly higher" than originally projected, which may give it the ability to mitigate future premium hikes.

This year it is seeking a 5% general increase.

Discussing the impact of coronavirus, Steamship said that projections for the 2020/21 and 2021/22 policy years include prudent provisions for the impact of Covid-19 upon claims and premiums.

In the current year, 2020/21, the development of incurred coronavirus claims is in line with expectations.

Steamship has focused throughout the year on providing support to members in their response to the pandemic, including a programme that offers free support to crew members in terms of mental health and general wellbeing.

The club's combined owned entry was 91m gt at January 20, 2021, with an owned and chartered entry of 164m gt.

The International Group has been approached for comment.

ANALYSIS:

Hamburg dismay as Maersk continues to dilute status of German unit

HAMBURG's tight-knit maritime community has expressed dismay at further erosion of the city's influence within the shipping world as Maersk continues to dilute the autonomy of its Hamburg Süd subsidiary.

The announcement last week that Poul Hestbaek was to take over as chief executive from Arnt Vespermann, who had been with Hamburg Süd for more than 20 years, came only a short time after another setback for Hamburg.

Maersk has decided not to extend the lease on Hamburg Süd's prestigious head office in Hamburg when it expires in December. Instead, the workforce will be relocated to the same premises as Maersk's own Hamburg-based staff, fuelling speculation that Hamburg Süd will eventually be fully absorbed into the Danish parent company.

"The writing's on the wall," one well-connected Hamburg source told Lloyd's List. "The situation isn't good."

Others have voiced similar views. Speculation is rife among Germany's shipbroking community that change is afoot.

One prominent broker told Lloyd's List that there is increasing evidence that more control is being switched to Copenhagen

"It seems inevitable that Hamburg Süd's name will eventually disappear altogether, but there is growing concern this could happen in a matter of weeks," they said.

Another Hamburg-based source said, however, that the Hamburg Süd brand remained well regarded among customers but that it was likely that more back-office support and operational functions would be taken into Maersk

"Hamburg Süd is likely to be slimmed down to just a marketing and operational organisation for Hamburg, and for marketing the Hamburg Süd brand. Hamburg Süd has a good reputation for being close to its customers but slimming it down so much will mean it becomes more like Maersk. Maersk's reputation for personal customer care has slipped a lot."

But he would not exclude the idea that Hamburg Süd could eventually follow brands like Safmarine and P&O Nedlloyd, which Maersk did do away with.

"It would make sense to have one company; the question is just when. It would be an outcry in Hamburg if the name was lost, but it has happened before."

But there was little likelihood of Hamburg Süd being moved in to Maersk's Copenhagen headquarters, he added.

"Being present in this very important port, in this very important market, sitting in the country that is the largest exporter in Europe. The question is what departments do you need here. You would need customer service and operations, but would you need all these others like accounting and HR?"

But a spokesman for Hamburg Süd said that the change of leadership and location at the company was nothing to fear.

"For us — and most important for our customers — this means continuity. Poul Hestbaek is a real front-line man, and many customers around the world know him personally."

The collocation of Hamburg Süd with Maersk was "nothing special" and had happened in other locations, but would not mean any changes to customers and Hamburg Süd would continue with its close relationships with its relevant customer groups.

"That's our value proposition and that won't change by working in the same office because we will keep Hamburg Süd teams for all front-line functions," he said. "This is more about becoming one family on the inside."

AP Moller-Maersk, which is expected to report bumper profits when it publishes its 2020 results on Wednesday, has been ruthless in the way it has integrated acquisitions during the past 20 years or so as it expanded to become the world's largest containership operator.

Familiar and well-respected brands, from Sea-Land Services and P&O Nedlloyd, to Damco and Safmarine only a few months ago, have all been axed.

When Maersk announced plans to buy Hamburg Süd from the Oetker family in 2016, it agreed to retain the German line's brand name, and to lease the Hamburg head office for at least five years. Maersk also promised light touch integration.

In the intervening period, many activities and responsibilities have been transferred from Hamburg to Copenhagen, while Hamburg Süd staff numbers have gradually declined, mostly through natural attrition rather than any large-scale layoffs.

Hamburg Süd operations in Hamburg are understood to be mostly focused on sales and marketing these days, but for now the brand name looks safe. That reflects Hamburg Süd's long-established presence in the South American trades where it is a highly regarded line with a loyal customer base.

But for Hamburg, the $4bn sale of Hamburg Süd to Maersk was yet another sign of the Germany city's waning power and influence over the past decade, underlined by the disappearance of many shipowners in the wake of the collapse of the KG system. That had enabled shipping funds to order ships on a speculative basis, driven by tax breaks rather than genuine market requirements. Many subsequently collapsed when the container trades were hit by huge surplus capacity following the 2009 financial crisis and contraction of cargo volumes.

Germanischer Lloyd, the influential Hamburg-headquartered classification society that merged with Norway's Det Norske Veritas in 2013 to become DNV GL, is also about to vanish under a rebranding exercise. From March 1, the new name will be DNV.

As home to one of Europe's largest ports, top container line Hapag-Lloyd, and many more shipowners, shipbrokers, ship agents, lawyers and other maritime professionals, Hamburg remains one of the world's top shipping hubs.

Nevertheless, there is concern in Hamburg circles that Hamburg Süd will eventually go the same way as Safmarine, which was retained solely as a brand for many years after all decision making had been transferred from its Antwerp headquarters to Copenhagen, until Maersk concluded last year that it no longer brought added value and dropped the name altogether.

MARKETS:

Slow Brazil soyabeans harvest will limit export activity

A SLOW soyabean harvest in Brazil, which has lagged behind the previous year's records, will limit export activity in the short term, according to analysts.

"Farmers in the major production regions throughout the interior and southern parts of Brazil still face immature crops with limited pod setting before they will start a significant harvest ramp-up," said Danish grains consultancy BullPositions.

Brazil's largest production region of Mato Grosso is estimated to produce more than 35m tonnes of soybeans, but harvesting is about two weeks behind last year's schedule, and far below average progress, the consultancy's managing director Jesper Buhl said.

In the Parana region, Brazil's second-largest production region, about 20m tonnes is estimated to be harvested, but "crop conditions and maturity are the least developed observed in the past five years, limiting harvest progress".

"With a late start to harvesting in major regions and an expected slow harvest progress in the coming weeks, the exportable supply of soybeans is expected to be weaker in the coming weeks than compared with 2020," he said in a note, however adding that total Brazilian soybean production in 2021 is expected to reach a new record of 129m to 133m tonnes, boosted by significant increases to the planted area.

The late and slow harvest will therefore negatively impact export activity intensity in February, and move volumes to March and later months, he added.

At the same time, China's consumption is growing, according to BullPositions, with all grain imports at 132m tonnes in 2020, an increase of more than 32m tonnes compared with 2019, and 65m tonnes higher than in 2018 when an outbreak of swine flu forced a mass culling of the country's pig population and the trade war with the US was at its most intense.

The US Department of Agriculture expects that Chinese imports will continue to grow as its pig herd recovers, to an estimated 143m tonnes of mixed grains and oil seeds. That is a rise of 20m tonnes from the previous record reached in the 2019/20 marketing year.

Oslo-based marine insurance provider Skuld also highlighted the delays in Brazil's harvesting of soyabeans, which could present logistical challenges for trading companies.

Although February's port line-up suggests shipments of some 8.5m tonnes, it would be difficult to achieve those volumes, it said, adding that January's exports slumped by 96.5% versus the same month in 2020.

As a result, many vessels scheduled for January ended up being delayed to February, increasing "pressure on Brazilian ports and raising concerns about the payment for demurrage", it added.

Drought during sowing then turned to excessive rain during harvesting, raising questions about grain quality because of excess moisture, Skuld noted, citing external analysis, although this is restricted to specific areas.

Terminal congestion wreaks havoc on transpacific container capacity

THE continuing congestion in Los Angeles and Long Beach led to the loss of nearly 650,000 teu of available capacity on the transpacific route in late 2020, making it even more difficult for shippers to find space for US-bound cargoes.

Figures from Sea-Intelligence show that delays in arrivals at the San Pedro Bay ports increased significantly in the fourth quarter of last year.

"It is evident the delays in 2020 were much higher than in the previous years," the analyst said.

Nearly 26.7% of the late vessels during the year were seven to 14 days late. Another 3.3% were more than 14 days late, compared with previous years when the figure peaked at 0.3%.

"There is no question in our minds that the vessel delays in 2020, especially in the fourth quarter of last year, exacerbated by port congestion, are unnaturally high," Sea-Intelligence said. "We are, of course, in uncharted waters here with the coronavirus outbreak and the subsequent pandemic, the aftermath of which is still being felt on major global trades."

On average, delays per vessel in the fourth quarter of 2020 stood at more than seven days for ships calling at Los Angeles/Long Beach. The impact of this was to add another week to every transpacific voyage if it were not ameliorated by faster steaming or subsequent port calls.

"To maintain weekly service departures, carriers would have needed to add another vessel to the service, vessels that they do not have at present, as everything that can float is pretty much deployed already," Sea-Intelligence added.

Combined, the amount of capacity taken out of the transpacific by lost sailing days amounted to 646,000 teu, or 7.6% of total existing capacity, during the second half of 2020.

"If the reports of congestion in the Pacific Northwest are even close to what we are seeing at Los Angeles/Long Beach, then we are talking about the potential slot loss of the equivalent of nearly a million teu in the second half of 2020, just in the Asia–North America west coast trade lane."

The delays, compounded by the lack of available spare tonnage, were now causing even more problems as carriers were forced to cancel sailings because of a lack of capacity.

This was being done, "not with the intention of taking out capacity, but because of the lack of available vessels to maintain weekly sailings", said the analyst. "It is than hardly any wonder why carriers are blanking sailings, as there are no available vessels that can be repositioned to serve the transpacific."

IN OTHER NEWS:

DP World claws back lost volumes in fourth quarter

STRONG momentum in the fourth quarter helped DP World post volumes for 2020 akin to the previous year, leaving the group well placed to deliver a 'relatively stable' full-year financial performance.

The Dubai-based port operator reported container throughput numbers across its global portfolio of terminals of 71.2m teu, little changed from 2019.

Chief executive Sultan Ahmed Bin Sulayem said a strong end to the year resulted in "flat growth," comparing favourably against an industry that is estimated to be down 2.1% on 2019 levels.

HPH Trust volumes weather pandemic impact

HUTCHISON Port Holdings Trust has managed to post full-year volume growth at its terminals in 2020 after business rebounded from the adverse impact of the pandemic.

The Hong Kong-based container port operator, responsible for parent company HPH's terminal facilities in South China, saw volumes climb 2% year on year to 23.7m teu.

It is the latest port operator to report a turnaround in its fortunes after the second half of last year saw a surge in demand for consumer goods.

Myanmar coup affects crew at Petronas project

THE military coup in Myanmar has sparked concerns regarding the wellbeing of almost 200 crew working on the Yetagun oil and gas condensate project operated by Malaysia's national oil company, Petronas.

Responding to reports of crew being stranded at the offshore project, Petronas said that it has already stepped up efforts to provide, via an unnamed contractor, essential supplies for about 155 workers on board a barge attached to the producing project.

"Another 36 workers working for the contractor and two Petronas employees were already transported to nearby hotels for rest and recovery on shore while observing Covid-19 quarantine requirements," a statement issued by the NOC on Sunday said.

VLCC attacked off Gabon

AN ATTEMPT by pirates to board a very large crude carrier off Gabon failed, according to a monitoring group.

UK security firm Ambrey reported the Bahamas-flagged, 2005-built, 318,669 dwt *Seaking* (IMO: 9292187) was attacked early on February 8 about 70 nautical miles west-southwest of Port Gentil.

A mothership launched a small craft and four criminals tried to board with ladders but were unable to climb the ship's 15.4m freeboard.

Greek tanker escapes attack in Gulf of Guinea

COMBINED chemical and oil tanker *Sea Phantom* (IMO: 9326653) was boarded by pirates off Equatorial Guinea during the weekend, with Lloyd's List Intelligence reporting the attack was unsuccessful and the vessel had arrived safely at port in Malabo.

The 2008-built, Greek-owned *Sea Phantom* had reported that it was under attack by pirates and they had boarded the vessel 85 nautical miles northwest of Mbini, Equatorial Guinea on February 6.

Lloyd's List Intelligence said the number of perpetrators was unknown and the crew retreated to the citadel while Cameroon and São Tomé maritime authorities were informed.

NYK jumps on dual-fuel VLGC bandwagon

KEY Japanese line NYK is the latest to commit to building dual-fuel very large gas carriers, announcing it has ordered its first two liquefied petroleum gas dual-fuel VLGCs from Kawasaki Heavy Industries.

Both vessels are due to be delivered in 2022. No contract price was disclosed.

The move is in line with NYK's goals announced earlier this year to further integrate environmental, social and governance goals into its management strategy. The company said that in future NYK will provide customers with a low-carbon transportation mode, and contribute to the reduction of environmental loads and the realisation of a sustainable global society by promoting the development of an eco-friendly fleet.

Sustainability criteria for alternative fuels unveiled

THE Sustainable Shipping Initiative has released criteria to help assess the sustainability of alternative fuels.

Its new white paper outlines 13 issues shipping should consider to make sure it accounts for the full economic, social and environmental costs of the future fuels the industry needs to help it decarbonise.

These include lifecycle emissions, the source of carbon and hydrogen used, impacts on air and water quality, safety, food and labour security, resource and land use, and ecological impact.

Classified notices follow