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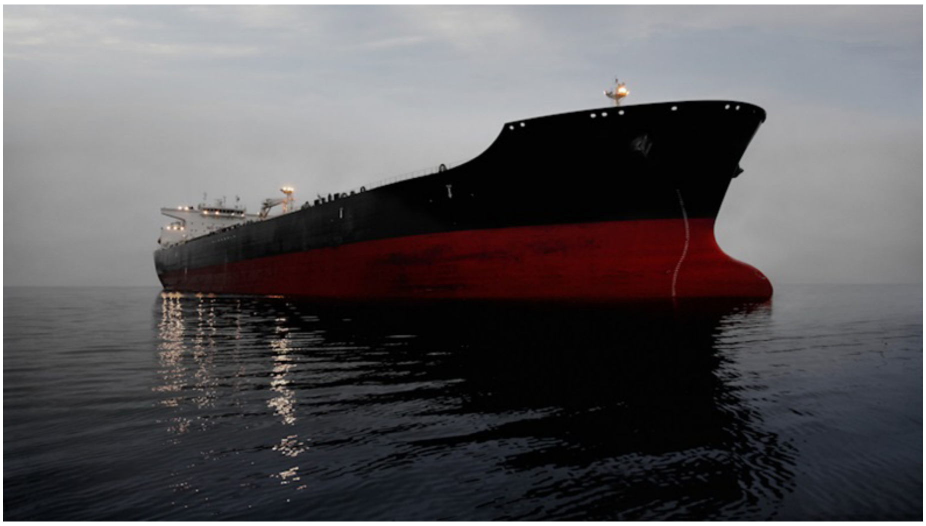
Sanctions-busting shipowners exploit 'vulnerable' P&I Clubs



OWNERS OF TANKERS linked to shipping sanctioned Iranian and Venezuelan crude are exploiting vulnerabilities in P&I clubs outside the International Group to secure insurance covering third-party liability.

P&I Clubs are now reviewing voyages and ownership of more than a dozen tankers including Lichtenstein-based Maritime Mutual Insurance Association (NZ) Ltd and British Virgin Islands-headquartered The Anglo & Eastern Ship Owners P&I Club Ltd.

They are among four clubs listed by flag registries of Panama, the Cook Islands and Tanzania as providing cover to some of the 130 tankers identified by Lloyd's List as engaged in evasive or deceptive shipping practices associated with Venezuela's and Iran's oil and shipping sectors.

None are members of International Group of clubs that provide cover for 90% of the world's fleet. All are listed as approved P&I clubs on the flag registries' websites.

The Maritime Mutual P&I Club, which has at least six tankers entered, said it has not heard from the beneficial owners after learning of the vessels' links.

"Our procedure in the event of such inquiries is to contact our members or the vessels managers for their comments," said Lichtenstein-based director Paul Rankin. "Regrettably however no such response has yet been received to date. No system is flawless and is therefore vulnerable to a certain extent.

"We believe no P&I Club has the resources to check on the day-to-day movements of the thousands of vessels insured by them."

Two clubs told Lloyd's List that coverage rules included sanctions clauses that void any liability if vessels are involved in sanctions-busting.

That means certificates issued by these P&I clubs that cover civic liability for oil pollution, bunker oil pollution damage and wreck removal are invalid.

At least three of the tankers insured with Maritime Mutual are very large crude carriers with capacity to each ship 2m barrels of crude, worth around $126m at current oil prices.

Anglo and Eastern P&I, known as the AE Club, said it had terminated coverage for two tankers pending further investigations.

The VLCC *Phoenix X* (IMO: 9233789), also known as *Vlad*, and suezmax tanker *Alexei* (IMO: 9234642) both have gaps in vessel-tracking while off Venezuela, with changing drafts suggesting they are undertaking ship-to-ship transfers in the region.

The AE Club had completed sanctions screening using "international software" according to an email from the club, sent by Capt Karel W.

Owners also had to sign a declaration stating they would not breach any sanctions and that trading areas and cargoes be declared in advance, he said.

The AE Club said on its website: "Security is provided by the distinguished commercial insurance company and a Certain of Underwriters at Lloyds' London and therefore we enjoy the credit ratings assigned to (Moody's) A1, Outlook is Stable."

The Maritime Mutual-entered tankers included the Cook Islands-flagged product tanker *Garin* (IMO: 9081825), and Panama-flagged ships *Ocean Schooner* (IMO: 9189110), *Eminence I* (IMO: 9111175), *Bonanza 10* (IMO: 9222699), *Impalas* (IMO: 9171448), and *Stribog* (IMO: 9180152).

Mr Rankin said the association had previously terminated coverage of several tankers for suspicious activities. He said that this was normally after the vessel was de-flagged and that was because registries were in the "front line".

"We believe our pre-entry due diligence procedures are no different from other internationally recognised P&I Clubs," he said. "These include disclosure of full details of beneficial owners and the experience of the vessels management personnel, proposed trade etc.

"Naturally these include full sanctions checks on the vessel, owners and managers."

The QBE Asia P&I Club did not respond to inquiries about the 1995-built Cook Island-flagged product tanker *Cavalier* (IMO: 9108647).

A fourth P&I club, the East of England, is also linked to owners of tankers shipping Iranian crude. Despite its name, the association is registered in the Seychelles and managed from Cyprus, with the website registered to a company in Bulgaria.

There has been no response to company's only contact methods, a 24-hour 'emergency' number and an email address over the past week.

The website was amended on February 12 to remove reference to the association having "primary quota insurance at Lloyd's up to $100,000,00" with a main layer of up to $25m placed at Lloyd's through Lloyd's brokers.

WHAT TO WATCH

Renewal round 'not genuine hard market', says broker

THE current renewal round cannot be characterised as a genuine hard market despite apparently determined efforts by most clubs to secure premium increases in the order of 5%-10%, according to the managing director of the marine and cargo division at a top broker.

The comments from Mark Cracknell, of Marsh JLT Specialty, cut across received wisdom on the subject, with most rival brokers and club chief executives seemingly happy to use the term.

Mr Cracknell agreed that International Group affiliates were trying to push rates up in a more concerted way than seen in recent years.

However, in the run up to the February 20 annual deadline, they are meeting with varying degrees of success and not all are getting what they ask for, he said

But Stephen Hawke, managing director of P&I broker PL Ferrari & Co, offered a different perspective.

For the first time in years, general increases have meant general increases rather than an arbitrary starting point for negotiation, he said.

Pressure for rate hikes have been generated by the coronavirus pandemic, volatile investment returns and increasing strains on the IG pool, which hit an all-time high at the halfway mark and is almost certain to bust the half billion dollar barrier once all the claims are in.

As a result of such factors, the spectrum of 2020-21 P&I premium rises runs from 5% at Shipowners, Steamship and the American Club to 7.5% at West and 10% at Standard, London, the UK Club, Japan Club, Swedish Club and North.

Two clubs have said they will seek additional premiums via ship-by-ship pricing, with Gard aiming between 2.5%-5%. Britannia is seeking high single digits in terms of percentage points.

Pressure has also been coming from ratings agencies, not least Standard & Poor's, which has over the last year put four A-rated clubs on negative outlook, and from capital requirements imposed by regulatory agencies.

On top of the GIs, clubs are also imposing penalty increases on owners with safety records deemed poor, with some facing bills up to 20% higher than last year for a type of cover that is a prerequisite for most port calls.

But just because a club has announced its intention to impose such and a such a GI, that does not make the matter a done deal, Mr Cracknell maintained. There is still negotiation to be conducted, and that is a broker's job.

"We've had various underwriters characterise this as a hard market. We've pointed out that this P&I market doesn't have any of the characteristics of a hard market," he said in an interview. "A hard market is usually defined as one where reduced capacity pushes prices up and that's not the case with P&I at the minute.

"Capacity is elastic to the extent that it is required, and people are still competing very aggressively for new business."

Even the strains on the pool do not justify big increases, as additional payments should be met from investment returns, which are likely to remain strong, barring any unforeseen market events.

Marsh itself has a large mixed book of business including owners with both good and bad records, making impossible to specify the average rate actually achieved.

Mr Cracknell is no stranger to industry controversy, and is noted in particular for his advocacy of consolidation in the P&I sector.

In a report published by Marsh in 2019, he argued that the 13 clubs that make up the International Group should reorganise themselves to no more than eight, enabling more efficient use of capital and thus lower pricing.

PL Ferrari & Co's Mr Hawke took another view, contending that clubs are now better positioned to specify how much more money they want. In particular, underwriters no longer have as much flexibility to cut deals.

With everybody looking for more money, it is pretty much pointless to think about changing clubs on cost grounds alone, he said.

"One of the functions of a hard market is that clubs take the view that if an owner isn't prepared the requisite renewal increase or penalty increase, they can leave. It's better for the club to have a poor performing member somewhere else than take on those liabilities for the future at the wrong price."

Brokers tend not to recommend changing clubs, except in extremis, and normally owners only change for service-related reasons, such as poor claims handling.

"Because renewal is the only time you can do that, it tends to focus things on renewal and therefore the pricing mechanism. But largely owners don't change clubs because of the pricing, although they might be very unhappy about it. There's probably wider unhappiness that underpins it."

The current price hikes have been extensively trailed, and so should not come as a shock to owners who have been following the market and have been properly advised, he said.

Numerous P&I club chief executives have justified higher rates recent interviews, with American Club's Joe Hughes describing higher pricing as an 'inescapable imperative' and Stale Hansen of Skuld predicting a new cycle of rate hardening.

Antwerp and Zeebrugge ports agree to merge

BELGIUM's major ports of Antwerp and Zeebrugge have agreed to merge.

The two cities said the combined Port of Antwerp-Bruges would be Europe's "most important container port", its largest for vehicle transhipment and one of its largest for break bulk, with a total transit capacity of 278m tonnes a year.

The two cities have discussed merging the ports, which are about 100 km apart, since 2018.

Antwerp's container volumes rose 6.8% in 2019 to just under 11.9m teu, while smaller Zeebrugge handled 1.8m teu. Rotterdam, Europe's biggest container port, handled 14.8m teu in 2019.

Antwerp is also strong in break bulk and chemicals, while Zeebrugge is important for ro-ro and liquefied natural gas in Europe.

The cities said the merger would let the port respond faster to the trends of energy transition, innovation and digitalisation, including as a hub for importing hydrogen and looking at carbon capture and storage.

"By joining forces, we are on the way to becoming Europe's global port," Antwerp Port Authority port alderman and chair Annick De Ridder said.

"The ports of Zeebrugge and Antwerp are, to a large extent, complementary. Working together will make us more resilient to external challenges."

Zeebrugge Port Authority chair Dirk De fauw said: "By combining our own strengths with the qualities offered by Antwerp, we will be able to do more and do it better."

The proposed leadership structure will see Mr De Ridder chair the combined port authority with Mr De fauw as vice-chair. Antwerp Port Authority chief executive Jacques Vandermeiren is the nominated chief executive officer.

The unification process is subject to competition approvals and will take a year to finalise. The cities said transparent long-term agreements would be drawn up to lead and manage the port.

ANALYSIS:

Lunar new year brings some joy for bulkers stranded in China

WHILE many dry bulk shipowners await a resolution to the diplomatic standoff between China and the Australia, around three ships were allowed to discharge coal last week at Tangshan and Caofeidian ports in north China — reportedly as an act of goodwill by the country.

Flourish Power (IMO: 9631266) had been sitting at Tangshan anchorages since June 1 last year. It moved to Tangshan port on February 10 and left the port on February 14 with a draught of 7.9 m compared with a figure of 14.5 m a week ago, Lloyd's List Intelligence vessel-tracking data shows.

Double Delight (IMO: 9738806) has been in Tangshan anchorage since June 24, having left Gladstone in early June last year, but it appears to be heading to Vietnam after discharging its cargo in the past week and is expected at port on February 17, according to Lloyd's List Intelligence.

The third vessel, 2010-built *Hong Hing* (IMO: 9563615), has been discharging coal and is expected to head to another Chinese port, Shidao, following a long wait of eight months.

Meanwhile, the National Union of Seafarers of India announced that the first batch of Indian seafarers who had been stuck at a Chinese anchorage for more than six months on board the bulker *Anastasia* (IMO: 9625970) are finally back in India and able to reunite with their families.

A Singapore-based trader told Lloyd's List that although there are no fixed criteria for the vessels to be allowed to discharge Australian coal, he believes that as these ships were waiting since June last year, an effort has been made by the Chinese authorities to release the vessels and crew members on board.

He expects to see more vessels discharging their cargoes in the coming weeks.

Still, there are about 46 bulkers that remain stranded in China's anchorages with Australian coal because of the political spat.

Of those waiting to offload cargoes, there are six panamaxes, 25 post-panamaxes and 15 capesizes, Lloyd's List Intelligence data shows.

Meanwhile, many shipowners have diverted their ships in search of alternative markets.

Taho American (IMO: 9846055) has been in Baiyuquan anchorage since October 26, having left Hay Point in early October, but it looks to be heading to Newcastle and is expected at the port in early March, Lloyd's List Intelligence vessel-tracking data shows. It has a draught of 14.5 m.

Excel (IMO: 9630793) is headed to Singapore after waiting in Chinese waters from October 24. The vessel seems to be still loaded with cargo, with a draught of 17.1 m.

Buenos Aires (MO: 9539248), on the other hand, is heading to Manila from Caofeidian anchorage and is expected to reach the Philippines on February 21.

According to official port data, the Australian port of Gladstone in Queensland has not shipped any coal to China in the past three months. Instead, the cargoes have been directed to India and Japan. However, the country shipped coal to Pakistan for the first time in nearly six years and to Argentina for the first time in 18 months.

The Australian Bureau of Statistics data showed that Australia exported 387,000 tonnes of coal to China in December 2020, plunging from 9.06m tonnes in the same period a year ago.

Hijacked mothership's piracy spree ends with nine kidnapped

PIRATES have kidnapped nine crew from a fishing vessel hijacked last week and used as a mothership to mount other attacks.

The Gabon-flagged *Lianpengyu 809* (also known as *Lianpengu 809*) was hijacked on February 8 about 83 nautical miles west-southwest of Port Gentil, Gabon, according to the International Maritime Organization.

It was then used as a mothership as pirates tried to board the very large crude carrier *Seaking* (IMO: 9292187) from a speedboat the same day, but were unable to scale its 15.4-metre freeboard.

They also chased and fired at the Spain-flagged liquefied natural gas carrier *Madrid Spirit* (IMO: 9529276) while underway 49 nm southwest of the island of São Tomé and Príncipe the same day.

Six attackers in a speedboat approached the ship and fired towards the bridge but returned to the tuna boat after 45 minutes of failing to board the gas carrier.

On February 9, the pirates sailed further north and attacked the Panama-flagged chemical tanker *Maria E* (IMO: 9337822) about 112 nm northwest of São Tomé and Príncipe.

Her 15 crew hid in the citadel and steered the ship towards São Tomé and Príncipe. The pirates left the ship.

The International Maritime Bureau alerted regional authorities and a Portuguese warship escorted *Maria E* to where a patrol boat from Equatorial Guinea could take over protecting it.

The IMO has since reported pirates kidnapped nine of the *Lianpengyu 809*'s crew, leaving five on board to sail the vessel back to Gabonese waters. Gabonese authorities intercepted the ship on February 12 and are now investigating the attack, the IMO said.

A security consultant said it was possible the same group of pirates were also responsible for the February 6 boarding of the Greek chemical and oil tanker *Sea Phantom* (IMO: 9326653).

British security firm Protection Vessels International wrote: "The threat level in the region continues to be severe and the tale of the *Lianpengu* is one that the maritime community should take as a warning.

"No vessel is impenetrable to a pirate action group, let alone one emboldened by recent successes and able to operate with impunity."

MARKETS:

NYK orders four LNG dual-fuel car carriers at China yard

NYK Line is continuing with its commitment to switch all its newbuilding pure car and truck carriers to being powered by liquefied natural gas with a four-vessel contract with China Merchants Jinling Shipyard (Nanjing) Co Ltd.

The vessels will be delivered from 2022 to 2023 and are set to be deployed on the Japanese line's Europe-Middle East services. No deal value was released.

NYK Line announced in October 2020 that it planned to move to LNG as a marine fuel for all its newbuilding pure car and truck carriers in the next decade.

Concluding this newbuilding contract for these four vessels is in line with NYK's plan to replace current vessels with around 40 newly built LNG-fuelled pure car and truck carriers over the next decade.

It aims to meet its environment management target, which is to reduce CO_2 emissions per tonne-kilometre of transport by 50% by 2050, the company said in a press release.

The latest batch of vessels will be the first in the world to use WinGD's X-DF2.0 iCER main engine, which consumes less gas and reduces greenhouse gas emissions by cutting methane emissions from exhaust gas by approximately 50%.

Further, the vessels will be equipped with battery hybrid technology, which will improve fuel efficiency by mitigating main engine and electrical generator load fluctuations through the support of batteries.

NYK claims that the use of LNG fuel, along with new technologies and improvements such as battery hybrid technology and hull modification, will contribute to a reduction of sulphur oxide emissions by 99% compared with ships fuelled by heavy fuel oil, a 96% reduction in nitrogen oxide emissions and a 40% cut in CO_2 emissions.

Seaspan orders 10 boxships backed by Zim charters

SEASPAN Corporation has ordered 10 15,000 teu dual-fuel liquefied natural gas containership newbuildings at Samsung Heavy Industries on the back of a 12-year charter with Zim.

The vessels are scheduled to start being delivered in the first half of 2023 and will be deployed on Zim's Asia-US east coast trade, the companies said in separate press releases.

This is Seaspan's first investment in LNG-powered containerships. The newbuildings are expected to be financed from additional borrowings from sustainability-linked financing, as well as cash on hand.

The deal value was not disclosed but Samsung said it had signed a deal to build five vessels worth Won781bn ($707m).

Zim president and chief executive officer Eli Glickman meanwhile noted that this was a milestone agreement for the company, valuing it at more than $1bn.

He thinks it will enable the container line to meet growing market demand on the Asia-US east coast trade while helping to address environmental issues related to the industry and meet customer demand to reduce CO_2 emissions.

Seaspan chairman, president and chief executive officer Bing Chen said: "We are expanding the scope of our customer solutions by elevating our focus on lowering the impact of emissions, which will result from the adoption and addition of LNG-powered vessels to our fleet."

IN OTHER NEWS:

Abandoned crew prepare to head home
FOUR Azeri seafarers stuck on board an edible oils tanker off Lebanon since being abandoned in March in the past year are getting ready to head home.

The crew of the Malta-flagged *Captain Nagdaliyev* (IMO: 9575307) went on hunger strike earlier this month in protest of their working and living conditions, Lloyd's List reported.

The four men have had their coronavirus tests and are awaiting the results, said the International Transport Workers' Federation Arab co-ordinator Mohamed Arrachedi.

IMO pays tribute to former communications chief
THE International Maritime Organization has paid tribute to Lee Adamson, its long-time head of public information services, who has died, aged 62.

Kitack Lim, the organisation's secretary-general, offered his thoughts and prayers for Mr Adamson's family and friends following his death on February 14.

Mr Adamson, who joined the IMO in 2000, retired from the global maritime regulator last year after being diagnosed with a brain tumour.

CMA CGM launches service to Oakland from China
CMA CGM marked the beginning of its first direct vessel service to the port of Oakland with the arrival of the 2010-built, 3,650 teu *Africa Four* (IMO: 9451965).

Port of Oakland is the first US stop for vessels in the company's new weekly Golden Gate Bridge service from China.

Ships in the service will sail directly from Shanghai, Yantian and Kaohsiung to Oakland and then call Seattle before returning to China.

Kidnapped containership crew released after three weeks
FIFTEEN crew kidnapped from a Turkish containership in the Gulf of Guinea have been freed after 21 days in captivity.

German shipmanager Borealis Maritime and Turkish operator Boden Denizcilik said the crew of the Liberia-flagged, 2007-built, 2,824 teu *Mozart* (IMO: 9337274) were safe.

They were kidnapped on January 23 about 100 nautical miles northwest of the island of São Tomé and Príncipe while sailing from Lagos to Cape Town. Azerbaijani second mechanic Farman Ismayilov was shot dead in the attack.

Lauritzen Bulkers to open new Hong Kong office
LAURITZEN Bulkers is opening a new office in Hong Kong in April to be headed by Xiao Zhong as general manager.

“This move is done in line with our ambition to grow the activity and the strategy to further increase our client base with Chinese owners and industrial clients in the region,” said Lauritzen Bulkers chief executive officer Niels Josefsen in a press release.

The Danish minor bulks specialist's main office in Asia is now in Singapore. The dry bulk unit of J. Lauritzen, which was spun off into a separate entity last year, last opened a new office outside its Copenhagen base in Dubai in 2019.

Malaysia's second FLNG starts production
MALAYSIA has become the first country in the world to pump liquefied natural gas from two floating production facilities concurrently.

On February 6, the *PFLNG Dua* (IMO: 9739185) facility drew its first gas from the Rotan field off the Sabah state, Malaysia's national oil company Petronas said in a statement.

It is the second FLNG to have come online in Malaysia and the first to be deployed in a deepwater gas field.

Classified notices follow