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Floating storage and subterfuge oil trades pose earnings drag for tankers

LIFTING US SANCTIONS on Iran's oil and shipping sector could release more than 140 tankers to regular trading as vessels used for floating storage or subterfuge trading return to markets.

Lloyd's List Intelligence analysis shows that 49% of the 21.4m dwt in panamax-sized tankers and larger currently being used for clean and dirty floating storage are owned by state-owned Iranian companies.

Floating storage has tumbled 56% from the July 2020 high of 254 tankers totalling 48.7m dwt.

A further 104 tankers totalling 16m dwt are deployed in subterfuge trades without protection and indemnity coverage from the International Group of 13 clubs that insure 90% of the world's fleet.

These vessels — most of which have unknown or anonymous owners — are involved in shipping at least 400,000 to 500,000 barrels per day in US-sanctioned Iran-origin crude, according to information compiled by Lloyd's List.

Shipments involve other National Iranian Tanker Co tankers that are not being used for floating storage, typically via a series of ship-to-ship transfers at offshore anchorages in the United Arab Emirates, Malaysia, Iraq and Indonesia

Floating storage and subterfuge shipping accounts for some 6.3% of the existing live fleet of tankers of 55,000 dwt and above, data shows.

Iran-flagged ships account for 33 very large crude carriers and five suezmaxes in floating storage for 20 days or more for the week ending February 28, totalling some 10.9m dwt, Lloyd's List Intelligence data shows. There are 2,726 tankers of panamax-size and above currently trading.

The release of so much tonnage would weigh on tanker earnings, even as the easing of sanctions potentially adds as much as 2m bpd — equivalent to one additional VLCC loading every day — to export trades.

Earnings for the global fleet of crude and product tankers have been below operating expenses for most of 2021 amid a surplus of tonnage and fewer cargos as north America and Europe fail to return to pre-pandemic crude demand levels.

Of the 19 crude tanker routes assessed by the Baltic Exchange, seven are showing negative time charter equivalent rates. Just three are above levels needed to cover basic operating expenses.

On the clean side, four of the 19 routes have negative time charter rates and 11 are assessed lower than operating expenses.

Negative earnings are partly due to rising oil prices which are at 13-month highs and have pushed up bunker costs.

The timing sanctions relief is uncertain, although the Biden administration has pledged to overturn the Trump presidency's "maximum pressure" campaign on Iran.

Iran's foreign ministry on Sunday rejected overtures to open talks with the US over the terms of any re-engagement in a nuclear deal that would end sanctions. Iranian presidential elections are being held in four months, adding to the political sensitivities.

WHAT TO WATCH

From scrapping to sanctions-busting

WHEN Saudi Arabia's national tanker company sold two vintage crude carriers for scrap more than two years ago, the shipowner never imagined the vessels would instead continue trading Iranian crude.

Yet, at an age when other very large crude carriers are being dismantled on the beaches of Pakistan or India, the 24-year-old *Penny H* (IMO: 9102239) is reborn and anchored at Malaysia's Malacca lightering zone.

The Panama-flagged *Peron* (IMO: 9102277) also has a second life. The vessel now shuttles Iranian crude to and from China from both Malaysian and Indonesian waters upon receipt of cargoes from other tankers via ship-to-ship transfers.

The former Bahri-owned tankers are at the centre of a subterfuge shipping network linking tankers delivering US-sanctioned crude to China from Iran via Malaysia. Some 300,000 barrels per day to 400,000 bpd is estimated to be shipped this way, evading US penalties.

Along with *Penny H* and *Peron*, a host of elderly tankers sold to cash buyers for recycling have re-emerged in these sanctioned trades. (The US reimposed sanctions on Iran's shipping and energy industries in late 2018.)

Furthermore, in the maritime industry's own version of identity theft, other tankers have masqueraded as long-scrapped vessels, hijacking old International Maritime Organization numbers and altering transponder signals to mimic dead ships.

These subterfuge shipping practices have diverted elderly tankers normally destined for subcontinental scrapping, helping push demolition rates in the sector to 23-year lows in 2020.

The aged fleet of some 125 vessels are solely engaged in shipping Iranian and Venezuelan crude. The average age of the vessels is 19 years — a time when most owners typically would scrap ships, especially when charter rates for tankers are at the lowest in a decade.

Data transparency has revealed this network, which is characterised by ownership opacity and a host of evasive shipping practices. Buying tankers from cash buyers is just one of many tactics that defines this complicated network.

Like *Penny H* and *Peron*, Lloyd's Register withdrew classification of the 21-year-old, Panama-flagged very large crude carrier *Impalas* (IMO: 9171448) last year, noting that the vessel was sold for recycling.

These VLCCs now inhabit a regulatory “no-man’s land” since their sale for demolition. Greek shipowner John Angelicoussis sold *Impalas*, then known as *Maran Castillo*, in December 2019.

Nothing is known about the new owner, except an address provided by a Hong Kong shelf company, Impala Shipping Ltd.

However, ownership links can be inferred when tracking where the VLCCs deliver Iranian-origin cargoes after undertaking STS transfers off Malaysia.

During the past 12 months, *Impalas* and *Peron* have called at Sinopec’s Dongjiakou and Daxie Dao terminals and at berths owned by Qinqdao refinery.

Both vessels also discharged cargoes at CNPC’s Dalian refinery and the Xianrendao oil terminal at Yingkou port in the north of China.

Peron also called at Sinopec’s Rizhao terminal.

Sinopec is the government-owned China Petroleum and Chemical Corp, and the largest charterer of tankers on the spot market.

CNPC, or Petrochina, is also state-owned and, along with Sinopec, accounts for more than half of the country’s refinery capacity.

Penny H is a veteran of sanctioned trading. The VLCC — formerly known as *Wu Xian* — was first identified by Lloyd’s List in April 2019 as central to a fleet of six Chinese-owned VLCCs shuttling crude to and from Iran via Malaysia for onward transfer to China.

Later that year, the vessel was sanctioned by US regulators for its links to Iran and remains blacklisted.

Bahri had sold the VLCC in November 2018. At the time, it was reflagged to Palau — a registry typically used by cash buyers to sail ships to recycling yards for their final voyage.

A month later, *Wu Xian* reflagged to Panama and recommenced trading. After this, the vessel registered in São Tomé and Príncipe and changed name.

By mid-2020, the unknown owners falsely claimed the vessel was flying the Tanzanian flag.

For the past 12 months, in its new incarnation as *Penny H*, the VLCC has been sitting at the Malacca anchorage, undertaking STS cargo transfers with Iran-linked ships.

Most are conducted with Automatic Identification System signals switched off to evade detection.

Classification and flag registry are unknown, as is the status of P&I insurance to cover liability for oil and bunker spills.

The Panamanian registry is now investigating Impalas, noting intermittent AIS signals, a common tactic used to obfuscate the origin and destination of cargoes.

Trawling through these changes adds fresh layers of detail about the modus operandi, as well as links to other tankers bought for shipping Iranian crude.

The former registered owner of *Penny H* was Marshall Islands company Gemini Marine (No.6) Ltd, Lloyd’s List Intelligence data shows.

This matches the structure used for several other sold-for-scrap vessels briefly managed by Green Ocean Ship Management Private Ltd, based at Mumbai, India.

Current ISM management appears linked to another two elderly VLCCs in the subterfuge fleet, the Dijbouti-flagged *Latin Venture* (IMO: 9206035) and Honduras-flagged *FT Island* (IMO: 916675).

The hunt to divert scrapped tonnage for trading remains in play. The latest scrap-to-trading tanker identified is the Liberia-flagged *Victory 1* (IMO: 9422988).

Cash buyers Last Voyage DMCC, an affiliate of Indian recycler Priya Blue Industries, bought the 2009-built aframax tanker at a court auction last July.

The technical and ISM management was assigned to Machtrans Ship Management, a company often involved in managing vessels on their last voyage to a scrap yard.

Shortly afterwards, the registered owner changed to Czar Shipping, according to P&I provider, West of England P&I.

Instead of heading for the scrap yard, *Victory 1* re-emerged in Dubai in December and sailed for Sharjah’s outer port limits in the United Arab Emirates.

Vessel tracking reveals that on January 27, the tanker conducted an STS there with product tanker *Ella IX* (IMO: 9246138), which had previously loaded Iranian-origin crude.

Carrying sanctioned cargo voids any insurance policy liability for oil or bunker spills, yet *Victory 1* sailed directly to China via the Singapore Strait, the world's busiest waterway.

The tanker was at anchor at the Huahai Energy Laizhou terminal as of February 25.

Priya Blue did not return an email from Lloyd's List seeking comment on *Victory 1*'s movements.

Despite the lack of ownership visibility, the cross-referencing of data provides greater transparency about these and other tankers that typically fall outside regulatory scrutiny.

Port calls — or the absence thereof — as well as flag and ownership changes, vessel-tracking and STS arrangements all reveal more about a vessel and its purpose than the anonymous beneficial owner ever intended.

Yangzijiang Shipbuilding targets $3.5bn in orders

YANGZIJIANG Shipbuilding expects to continue its order-winning momentum this year, bolstered by strong appetite for fresh tonnage in the containership sector.

The China-based, Singapore-listed company aims to reach a $3.5bn order target for 2021, mainly from by boxship deals, according to CGS-CIMB Securities analyst Lim Siew Khee.

"Management is confident of achieving $3bn in new orders by March 21," she said in a report, suggesting a batch of orders will soon be landing in the next few weeks.

But the "prudent" full-year target also implies "a more subdued momentum in [the second and third quarters of 2021] due to rising competition from Chinese peers aiming to gain market share", she said.

About three-quarters of the $1.3bn new orders that Yangzijiang has won this year are containerships, highlighted by a sextet of 24,000 teu linked to charters from Mediterranean Shipping Co.

The situation comes as both liner shipping carriers and tonnage providers have been returning to yards since late last year amid a freight market boom, while analysts expect such demand has yet to end.

Meanwhile, interests in dry bulker orders, another sector Yangzijiang is prominent at, are also perking up.

"With bullish chartering rates, newbuilding inquires and ordering activities for dry bulkers have started to increase." said Shanghai-based Forcoean Shipbroking in a note.

The brokerage added that the rise in secondhand prices and lack of suitable tonnage for sale is also prompting investment in new ships.

Such a rebound in newbuilding markets would allow Yangzijiang to "cherry pick", selecting only good quality contracts and clients, said Ms Lim from CGS-CIMB.

"[Yangzijiang] guns for sizeable contracts with a series of 10 or more units to reap economies of scale and preserve margins," she said.

The shipbuilder posted 19% decline in net profits year on year to Yuan2.5bn ($386.8m) for 2020. The result is below analysts' expectation as a result of extraordinary losses, including those from foreign exchange and asset impairments

Its shipbuilding margin during the fourth quarter of 2020 also dipped to 24% from 27% in the previous quarter, partly as a reflection of higher steel price.

But the analyst estimated the profitability this year would be stablised by the high portion of containership orders that enjoy better margins than dry bulkers.

OPINION:

Why the master is ultimately responsible for the safety of shipping

FOR a ship's bridge team, the port section is the most important part of a voyage, *writes Richard Clayton*.

It's at this stage that any shortcomings in training and misunderstandings in communication can quickly lead to safety issues. However, it is also the point at which a new dynamic is introduced — the pilot.

Listening to a Britannia P&I club webinar that addressed a master's responsibilities when a pilot is on board, I was on that bridge, alert to the approaching channel, waiting for the advice to reduce speed, hearing the quiet and calm instruction and the response to that instruction.

The relationship of a master and bridge team to the pilot — who has ventured out into the estuary in rough weather, in the early hours of the morning, clambered up a rope ladder, and now joins a team of men and women none of whom he knows — is critical to the success of the entire venture.

But as Neale Rodrigues, divisional director for loss prevention at Tindall Riley Marine, manager of the Britannia club, made very clear, "the pilot knows local conditions but the master knows the ship".

This is so obvious it is often overlooked, sometimes even by those on the bridge

There are two parts to this statement. If there was any doubt, Capt Richard Barnes underlined: "As master, I expect to have complete authority to act for the safety of the ship and the people on board."

The master is liable for the pilot's actions, and therefore must take responsibility for questioning a pilot's instructions where necessary, or indeed a pilot's failure to instruct.

"Every ship behaves differently," said Capt John Simpson who, like Capt Barnes, has many years' experience as both master mariner and senior pilot.

The interchange between master and pilot must go far beyond the basic passage plan and address the quirks and foibles of the ship.

Does steering fail immediately the engines are cut? How does this particular ship manoeuvre in a current? The pilot has been trained to tease information out of a master, just as the master should be adept at teasing information from the pilot.

"We should all be part of the solution, not part of the problem," said Capt Simpson.

Occasionally there are three in this relationship: master, pilot and management. Mr Rodrigues, Capt Barnes and Capt Simpson spoke with certainty about the master–pilot relationship, and they were equally firm about the relationship between the master and the management.

"The master has the authority; no one should prevent master taking any decision that affects the safety of the ship," said Mr Rodrigues. "In my opinion, if you trust the master enough to be in control of the ship, let him run the ship. If the master needs help, let him ask for it."

There are cases where the master's authority is not always clear-cut, which is very disappointing, said Capt Simpson.

"The master should have authority from the pilot within the safety management system," he said. "There isn't a place on a pilotage passage for a master to be ringing up [the company's management] to take a third tug when two have been ordered, if that's what the pilot advises.

"Sometimes these decisions have to be taken by the master. Navigation is difficult enough. He shouldn't have additional pressure on him."

The webinar covered old ground. Let's hope that master, pilot and management team learnt nothing from it. I suspect it was a timely reminder to all three parties that it does no harm to repeat what should already be locked in place.

It is also to be hoped that this webinar achieved something more: shipping often talks to itself as if ships and seafarers are peripheral. They are not. To paraphrase: industry leaders have a view of the planet but the bridge team sees the waves.

Platform launched to expand maritime's digitalisation

A COMPANY has been formed in the UK with the goal of driving digitalisation and sustainability in shipping.

Blue Alliance Partners will help some of the most innovative companies focused on the maritime industries to roll out their products in a global marketplace.

It aims to provide a 'go-to-market' platform for maritime tech companies with viable products that may otherwise struggle to find markets, especially outside the home country of the developer.

Although currently a UK company, it is already working on arranging representation in "all major shipping hubs" around the world with an expectation that by the end of 2021 a number of international offices will have been opened.

It will initially act as a sales conduit, but the founders see it as a possible future conduit for arranging financing for maritime tech innovators and even for making the group's own equity investments in the field.

Blue Alliance emerges out of frustration that digitalisation in shipping has not progressed faster.

Chief executive Jan Wilhelmsson said the industry was "having a hard time" keeping up with developments and understanding what worked best.

One reason why shipping was trailing behind in technology uptake, he said in an interview, was "people often see shipping as a zero sum game and it's not".

"It's important to understand that you can't actually generate more freight revenues by adding technology, but technology brings value in terms of efficiencies and there is money in that for everybody," he said.

At the same time, the most innovative tech companies were often small and typically they were unable to scale themselves globally.

"Individually and collectively we had been looking at a lot of small tech startups from an investment perspective and a pattern emerged," said Mr Wilhelmsson, a master mariner with 28 years of experience in shipping including spells as vice-president of Wallenius Wilhelmsen and chief digital officer of the Navig8 Group.

"Many of them are good companies with a good product," he said. "They may start to get some traction, but when it comes to marketing themselves globally it almost always does not work."

Such companies generally lacked the funding and network to do more than open a small number of outposts each manned by a single sales person, which was a recipe for frustration and a high turnover among sales representatives in a sector where building trust is vital and lengthy sales negotiations are the norm.

"It does not make sense to have all these different one-man shows — they are part of a bigger canvas," Mr Wilhelmsson said.

Blue Alliance aims to offer a collective solution, drawing on its own widespread industry contacts and its own network to distribute the cost of marketing among numerous alliance members.

It also intends to identify the best technological solutions for leading shipping entities as digitalisation ramps up under pressure from new environmental legislation.

The new company will be looking at a long list of possible product segments, such as tools for enterprise resource planning, fintech, performance monitoring, machine learning, crewing and weather routing, along with other areas.

"We want to make sure we are not wasting the time of operators or owners by bringing them stuff that is not really ready yet," he said.

The company is ambitious to become, "within a couple of years", the kind of trusted, go-to umbrella for solutions that exist in other industries.

Co-founders behind the venture include tech entrepreneur Henrik Dahl, who is a board member and former interim chief execuive at Stormgeo, and solicitor Anastasia Papadopoulou.

Mike Powell, who has headed operations at the likes of BP, Glencore, Maersk Tankers and Union Maritime is also on the team, as are Western Bulk chief digital officer Martine Hjelle and Joern

Springer, an entrepreneur in tech for port infrastructure and recently senior director of Hapag-Lloyd's fleet support centre.

"We have experience covering every aspect, and every market sector from ro-ros to containers, dry bulk and tankers," said Mr Wilhelmsson. "We think we can bridge the gap from both sides."

According to Blue Alliance, the partners' experience is that start-up tech firms fail to penetrate the global shipping market in "roughly 80% of the cases".

It estimates that it can effectively market a firm's products for between one-third and one-half of the cost required for a firm to set up its own modest representative office.

In addition to the UK, Blue Alliance already has "feet on the ground" in Japan where last week its first trial was launched, presenting products from two European tech companies to shipping companies.

Next it will be looking to expand to the US, South Korea, Singapore and the United Arab Emirates.

To avoid issues arising from representing head-to-head competitors, the company will probably insist on "limit exclusivity so that each office geographically can only represent one provider in each product segment. There will be an element of 'first come, first served,'" Mr Wilhelmsson said.

While putting the emphasis on technology that has thorough proved itself, Blue Alliance also sees a role for itself with emerging technology that "may not be quite there yet."

Mr Wilhelmsson said: "We can also help these companies but in a different way, to graduate into a full member as the product matures. We want to be transparent with owners and managers about what is guaranteed to work as described and what is promising but still emerging."

ANALYSIS:

China set to remain at centre of supply chains

FOR shippers importing from China, the past few years have been difficult and increasingly expensive.

On top of the tariffs imposed by the Trump administration, China itself has ceased to be the source of low-cost manufacturing that it once was.

"The cost of labour increasing in China over the past 10 years, which has quadrupled in many cases," said Daniel Krassenstein, global supply chain director at packaging manufacturer Procon Pacific.

Speaking at the Journal of Commerce's TPM conference, Mr Krassenstein pointed out that the cost of environmental compliance and welfare taxes in China had also increased

"What you're seeing is a natural increase in costs as China has moved up the curve, which has happened in other supply chain shifts," he said. "Japan was faced with this in the 1970s."

This had already led shippers to look for alternatives to move production out of China to Southeast Asia, South Asia, or even to Mexico and in some cases reshoring it to the US

But replicating the China model in a new country was not simply a matter of "flicking a switch", Mr Krassenstein warned.

Much of the manufacturing that was being done in countries such as Vietnam, for example, was simply the assembly of finished goods for export, using components and raw materials coming from China.

"That causes stress on the upstream supply chain, which causes delays," he said.

"As a result, the product being exported to the US can be delayed before it has even been manufactured."

This could be overcome with the expansion of inventory to avoid those bottlenecks, but this again added costs.

"An American company with its own buying office in Asia, and with enough buying power, is dictating the country of origin of manufacturing," Mr Krassenstein said.

"If their costs are going up by 10% due to unanticipated supply chain problems, they may

prefer to absorb the cost of keeping manufacturing in China."

There were also questions about managing operations in south Asia and southeast Asia.

"Do you set up a whole new regional headquarters? Without boots on the ground you are asking for trouble. If a forwarder has a container, port or gate issue and a decision has to be made on a contingency plan you need eyes on the ground in the right time zone to address it."

Chinese suppliers were good at dealing with exceptions, he said.

"Chinese exporters have an understanding of US ports and logistics," Mr Krassenstein said.

"Getting a cargo from Vietnam to Chicago has many options but having familiarity with US business culture, which the Chinese have, means they know the value of transparency and communication when you encounter a delay."

South and Southeast Asian exporters were "not so forthcoming" in working with a buyer on finding a joint solution, he added.

"The problem then becomes exaggerated because by the time the US buyer becomes aware of a delay, it is already too late and you're now looking at airfreight costs or order cancellations."

The other key advantage of China, despite rising costs, was its proven logistics system.

"It is easy to ship a 40 ft box from Shanghai to Los Angeles," he said.

"You could have port congestion issues in LA but as long as you have a week built into your schedule you can work around that. It will still be 12 to 20 days to get a cargo from Qingdao or Shanghai to Los Angeles or Long Beach."

With manufactures based in less developed centres, there were often transhipments involved in getting containers exported.

"You could end up going via Suez, but you could also end up with transhipment," Mr Krassenstein said.

"Feeders are sometimes skipping calls and the long-haul ship could be full by the time your cargo gets there. You can then get a delay that was not built into your supply chain model."

Transparency vital for charterers' low-carbon shift

TRANSPARENCY is becoming increasingly integral for shipping to serve environmental, social and governance objectives.

Vessel performance and efficiency are key focal points, with transparency on emissions data more important than ever before, given the low-carbon goals set by regulators.

Major charterers are leading the charge, but there is a long way to go in changing overall sentiment.

The Sea Cargo Charter was set up in October last year, with 17 signatories who are required to report emissions from their chartering activities on an annual basis, with climate alignment scores published. Two more companies have since joined.

"Transparency is the key to making a difference, of bringing about change," said a group spokesman. "It is an important piece in the decarbonisation puzzle."

The first report is due in the summer, using figures from 2020. Data can then be built up that will shape decisions.

Cargill, a global commodities trader, who was one of the initial signatories, said transparency was a key theme in its sustainability report last year and will feature again in this year's report, due to be published in May.

Initiatives such as RightShip, which focuses on safety, and ZeroNorth, a Maersk Tankers start-up on vessel performance optimisation, also "creates more transparency and, as the world gets increasingly digital, we expect this to keep growing", said a Cargill spokeswoman.

Global container line Maersk used to have a ranking system that was based on manual data input, but it is working on "a more holistic, automated digital set-up", which will broaden the scope from a bunker data focus to also include indicators of operational, commercial and safety performance, according to a spokesman.

Trafigura, another commodities giant, said it has routinely requested fuel use and emissions data as part of its contractual terms with owners after completion of each voyage, alongside the standard incident and safety reporting.

As one of the founding signatories to the Sea Cargo Charter, it is working on this data collection becoming an industry standard. It is also running a trial with RightShip to analyse vessel efficiency, while it manages the data for all of its bareboat and time-chartered fleet internally.

"The drive towards transparency of emissions data from shipowners, as well as market carbon levies and lower carbon fuel technologies, will in turn drive changes in requirements from shipowners," said a company spokesperson. "It is a journey and we haven't yet reached the end destination on this challenge."

Owners have historically been disinclined to share information with counterparties, due in part to issues of mistrust. However, technology has a role to play in bringing owners and charterers together.

Cheniere Energy has said it plans to provide cargo emissions data to its liquefied natural gas customers from 2022.

The company's "cargo emissions tags" are designed to enhance environmental transparency by quantifying the estimated greenhouse gas emissions of LNG cargoes from the wellhead to the delivery point. It will use operational data from its Sabine Pass and Corpus Christi liquefaction facilities as part of its analysis.

"Cheniere is ideally positioned to collaborate with domestic and international value chain participants to provide improved transparency and advance the global transition to a lower-carbon future," said chief executive Jack Fusco.

"A change is afoot in shipping, with decarbonisation and transparency working together to democratise the industry, as people share information about the performance of vessels," said co-founder and chief executive of DeepSea Technologies Roberto Coustas, who is based in Athens.

"Currently, there is no real tangible incentive for owners to share their performance information. For shared data to be meaningful, it has to be accurate and trusted," he said.

This is the first year the company has been working together with owners and charterers, helping them make collective decisions using a third-party platform.

"Technology is bridging the gap between them and can have a major positive impact on both."

For Thai dry bulk owner Precious Shipping, however, transparency initiatives are considered a farce.

The company was looking into a design for an ultramax that would run on methanol, cutting the carbon footprint by 8% and removing all other issues such as particulate matter and sulphur oxides.

However, major charterers who were approached did not fully support the move, and were only willing to pay a "small premium" for the cleaner vessel versus using standard fuels on a five-year charter, despite the owner having to pay vast sums upfront for the investment in the new technology.

"As a result of such a disappointing outcome, we have slowed down our exploratory foray into lower carbon footprint ships, as the 'big boys' will not pay for that pleasure, nor give you a long enough time charter cover to recoup your costs," the company's chief executive Khalid Hashim said.

"No matter how many existing initiatives are there, or are on the horizon, if the charterers are not willing to pay a premium for future-oriented ships, I am afraid that none of these initiatives make any real difference except to pay lip service to the 'green credentials' of such charterers," he ventured.

Meanwhile, container shipping line Ocean Network Express said in a survey conducted last year that climate change ranked sixth among 17 key sustainability topics, including customer service, marine pollution, container and cargo safety, human rights and ethical business conduct.

"Inquiries on decarbonisation and impact on climate change are on the increase, and high attention by our customers is one of our motivations to accelerate environmental commitments," the company said.

It uses an internal tool to calculate CO2 emissions per teu per trade and shares the data with customers as needed.

ONE also monitors and measures the productivity of all its terminals, and collaborates with some by

enhancing communication and data sharing so both parties can improve efficiency.

It is clear that transparency has been driven increasingly by decarbonisation efforts, and investments in new technology and reporting will likely be scaled up within the next five years, according to Mr Coustas.

"For the industry to really change, the mentality of both owners and charterers on what technology means has to change. The challenge is to shift the current connotations of technology so that owners and charterers realise that it can be a win-win situation. That's the only way that meaningful change can happen, at the pace that we envision."

Why ESG must go much further than climate change issues

THE policies and procedures that have come to be known as "ESG" are not new in themselves.

Certainly, many of the factors within the environmental, social and governance categories were in place long before the coronavirus pandemic struck. Increasing cncern for climate change, modern slavery and the executive pay gap has generated media headlines for at least two years.

What has changed for global business — and for companies across the maritime sector — is that the rise of ESG issues has coincided with a shift in corporate influence from directors and shareholders to stakeholders.

It may be a consequence of the after-effects of the financial crisis and high-profile corporate failures — both of which led to a loss of trust in business — converging with the climate emergency.

This led to greater emphasis on stakeholder governance issues, and on the way in which directors fulfil their duty to take stakeholder interests into account in their decision making.

Maritime stakeholders in this context are a broad cast of characters that includes employees, customers, suppliers, the wider community such as people living around a port, and the environment.

ESG is, therefore, much broader than climate change and the environmental impact of shipping. Until now, the 'E' has been the dominant element of ESG — it is no surprise that the Poseidon Principles focuses on promoting "responsible environmental stewardship" throughout the maritime value chain.

Shipping's impact on the environment is measurable — the sector is thought to be responsible for up to 3% of the world's greenhouse gas emissions.

Yet how deeply do shipowners dig into the ethnic diversity of a suppliers' employees? Would a charterer question a contract to trade cargo that might damage the environment or a local community?

The rise of what is termed "stakeholder capitalism" is expected to seek reasons behind business practices that fail to meet expectations. And it is clear that investors are urging company directors to pay attention to all the elements of ESG.

There are important reputational aspects here, not only for whether companies have ticked the necessary boxes, but for how investigations are carried out.

The key to ESG is neither the "E" nor the "S" but the "G". Governance is at the heart of ESG: to do it well, directors must get the governance right.

In addition to understanding the purpose of the business they lead, directors should reflect on who will be impacted by the decisions they make.

And because there is a growing perception that companies which have embraced ESG — or at least started to push beyond environmental considerations — are well-run companies, there is an equally strong perception that these companies are likely to thrive in the long term, and are therefore a good investment.

One legal observer described ESG as "bringing humanity back to business".

It is an evolving picture. According to a European Union survey of businesses in the logistics supply chain, conducted in 2020, only about a third of businesses undertake supply chain due diligence on human rights or environmental impact — and most of those only assess first-tier suppliers.

Most respondents accepted they were much more reactive to problems in the broader supply chain than proactive. Audits of the supply chain are

infrequent — and even when discovered, issues rarely go beyond board level.

Graham Stuart, a partner in law firm Baker McKenzie's London office, said it is noteworthy that most respondents in the EU study felt that "voluntary approaches to addressing environmental and human rights issues in supply chains have failed to change sufficiently for the better the way in which businesses manage their responsibilities".

Respondents were in favour of mandatory, enforceable, cross-sectoral EU due diligence laws "to ensure legal certainty, a level playing field, and a single harmonised standard for business relationships through the supply chain".

Even where companies say they have taken ESG on board, it is clear that due diligence checks are basic, contractual obligations are unspecific, and supplier monitoring is usually missed.

"Given this uneven response, a key area for business is to determine how much they need to do — and, as they move to a more regulated ESG world, what risks do they face if they don't do enough," Mr Stuart observed.

There is limited desire for ESG enforcement by governments and regulators. More likely, enforcement will be 'encouraged' by activist shareholders, non-government organisations, and by other businesses within the supply chain.

While hard enforcement in the form of fines might be imposed where environmental guidelines are breached, maritime businesses should not ignore the impact of "soft" enforcement, which has consequences for customer trust and brand value.

The influence of shareholders in boardrooms and at AGMs is growing, especially when combined with media and lobbying initiatives.

The aim will be to persuade both publicly listed and private companies to do better than merely achieve the minimum standards.

There have been developments during the coronavirus pandemic within the European Union to include legislation on mandatory human rights and environmental issues.

Essentially, businesses will be expected to collect information on specific risks and impacts in their supply chain, to take action to mitigate risks, and to report on steps they take.

Whether regulated or not, the momentum behind ESG issues forms a critical part of a hardening of attitudes to transparency in business.

The culture of responsible business begins in the boardroom — but it should not end there.

Directors are responsible for cascading a culture of compliance throughout their company, with due diligence running beyond the first tier of suppliers, both upstream and downstream.

Staff on the ground should make ethical decisions that reflect consideration for environment, social and governance issues because these decisions impact both positively and negatively on brand value, reputation and investment opportunity.

MARKETS:

Swedish Club is biggest relative gainer yet in renewal round

THE Swedish Club has emerged as the biggest renewal round winner yet, boosting its owned tonnage to a record level of 56m gross tonnes.

The figure represents a gain of around 6m gt on last year, when the owned book was at 50m gt according to brokers' reports, marking a clear double-digit gain in percentage points terms.

Combined owners' and charters' entries were 88m gt, implying a drop in charterers' tonnage from 36m gt to 32m gt.

"The club is proud to have achieved its highest-ever retention rate of members at renewal," said managing director Lars Rhodin. "As a mutual, we thank our members and business partners for this

vote of confidence in the club and how we do business together."

The outcome points to a strong year for Scandinavian marine mutuals, with Gard cementing its position as the biggest International Group affiliate thanks to renewal rate of 99.4%.

Gard added a record 17m gt to its book during the past 12 months, the bulk of it in the renewal period, bringing total owners' mutual tonnage to 246m gt.

Meanwhile, fellow Norwegians Skuld clocked up entered mutual tonnage growth of 5.5% to 101m gt.

Market speculation suggests much of that uptick is down to the unconfirmed decision by Hong Kong's Wah Kwong Maritime Transport to switch from Standard to Skuld.

Among the Nordic clubs' British-based peers, Steamship Mutual also did well, picking up 5.8m gt. But the UK Club, North and Standard have all admitted or at least strongly implied net departures.

BW LPG positive on medium-term VLGC market

BW LPG, the Singapore-based shipowner, says medium-term very large gas carrier market remains positive driven by short-term vessel supply factors.

Despite the temporary correction in freight rates in late January, the Oslo-listed firm said that the liquefied petroleum gas segment is supported by a resilient level of US LPG exports in 2021, a gradual recovery in the Middle East LPG exports, inefficiencies mainly related to dry docking and Panama Canal transit delays, all of which is likely to offset fleet supply growth.

Due to the current market weakness the company, however, plans to bring forward six scheduled dry dockings and two special surveys.

Around 11 VLGC remains to be retrofitted with dual-fuel LPG propulsion engines, out of which eight ships are scheduled in 2021 with the first likely to enter the yards in mid-March this year.

Demand for LPG remains strong, according to BW, because of growing retail demand for cooking and heating purposes in addition to near-term completion of several propane dehydrogenation plants in China.

BW LPG reported a full-year net profit of $244m in 2020 compared with $273m in the same period a year earlier.

Time charter equivalent income amounted to $551m on the back of V-shape recovery in VLGC freight rates, supported by robust US LPG exports, widening LPG price arbitrage because of strong heating demands from Asia, and long-waiting times for transits at the Panama Canal.

Crew contract overruns have been trending down, with a higher than normal number of crew changes completed in the fourth quarter of 2020, the company said.

US exporters look to guarantees for shipments

THE pandemic has been a "disaster" for US exporters, who have been badly affected by the breakdown in the containerised supply chain as much as those seeking to import goods.

"It is safe to say that 2020 can be categorised as a year of extremes," said April Zobel, export traffic manager at agricultural goods exporter The Andersons. "In February, when the pandemic first started wreaking havoc on the supply chain, we saw record vessel blankings.

"I remember a day when one carrier cancelled 3,000 teu that we had booked. It was Valentine's Day and I was not feeling the love."

But even with the rapid turnaround in box shipping that has seen all available ships deployed, there has been little relief for exporters, she told the Journal of Commerce's TPM conference.

"Three out of every four boxes leaving Los Angeles and Long Beach are empty," she said. "Coupled with the number of vessels that are sitting at port across the network, it has really become a disaster for the US exporter. Every stakeholder in the agri-business and more broadly in the US export sector is feeling the impact."

Agricultural exporters have had to be flexible to manage the situation, Ms Zobel said.

"Being diverse in sourcing export products can help but is not always an option for every agri shipper or exporter. We are being dealt with so many problems over where the equipment is or when it is going to become available."

But one solution that showed promise, however, was working with carriers to look at some guaranteed shipments.

"We've focused on how to work in guarantees with our carriers," said Ms Zobel. "I've been a big supporter of the New York Shipping Exchange and I think that is a place we as shippers need to look at. It might not always be a solution for the entire programme but I think that in a good portion of business we need to rework how we contract."

Contracts had to be meaningful, she said.

"Whether it's through the NYSHEX platform or something else, it is important for the shipper and the carrier to have mutually beneficial contracts, in the off season as well as in the peak times."

The Andersons had committed a number of boxes a week to its carriers in return for commitments of space and equipment.

"There are penalties involved on both sides of the party if they don't meet those obligations and there is a third party to adjudicate that process," Ms Zobel said. "Having a reliable contract allowed us to be pretty successful in this environment."

The carriers with enforceable contracts in place had proved to be the most creative when it came to solving issues such as the congestion on the US west coast.

"We told them we didn't want to force the penalty on them if there was another solution to move the cargo," she said. "Switching to the east coast was an easy solution for us."

This process would remain in place in a post-pandemic environment, she added.

"Carriers are suffering from myriad problems so we need to be creative. We'll enter the new contracting season with a question to most of our carriers, which is: where do you want the equipment to come from and where is your vessels capacity? We'll build our programme around that."

But there had to be commitment to provide the contracted service, she said. "Your relationship matters, but a contract with mutually agreeable terms that has some teeth matters even more."

IN OTHER NEWS:

Israel links Iran to vessel explosion
ISRAEL has accused Iran of being responsible for an explosion on the Ray Shipping car carrier *Helios Ray* (IMO: 9690547) in the Gulf of Oman last week.

"This was indeed an operation by Iran. That is clear," Prime Minister Benjamin Netanyahu told Israeli public broadcaster Kan.

Mr Netanyahu sidestepped a question on whether Israel would retaliate. But he said: "Iran is Israel's biggest enemy. I am determined to fend it off. We are striking it all over the region."

Keppel to be compensated for port closure
SINGAPORE conglomerate Keppel Corp said it expects to book a gain of 183.5m Chinese yuan ($28.4 m) from its share of a compensation because of the closure of the Port of Lanshi in Guangdong province.

The local government has agreed to pay 438m Chinese yuan to compensate Keppel Logistics (Foshan) Co. for closing the port to make way for redevelopment plans, a regulatory disclosure issued by Keppel Corp said.

It comes a year after Keppel Telecommunications and Transportation agreed to divest its entire stakes in both the Foshan unit and Keppel Logistics (Hong Kong) to Sinoway Shipping for S$39m ($29.3m).

Japanese ship finance firm launches $57bn green fund
ANCHOR Ship Partners, a Tokyo-based investment company, will launch a $5.65bn fund to aid decarbonisation efforts in the shipping sector.

The move to join a private sector push to help reach net-zero emissions by 2050 comes as other companies step up their financing of ships involved with liquefied natural gas, either carrying it, being fuelled by it or providing LNG bunkering services.

The fund will purchase new LNG-powered LNG carriers, which it will lease to ocean-going lines including Nippon Yusen, Mitsui OSK Lines and Kawasaki Kisen.

MOL expands data-sharing initiative to 180 ships

MITSUI OSK Lines, the Japanese shipping major, said it will expand its data-sharing programme to more of its fleet.

The move is part of the company's Fleet Optimal Control Unified System Project, which aims to enhance vessel safety and protect the marine environment with the analysis of data collected by sensing items on board and on shore at a high frequency.

MOL and Ship Data Center (Ship DC), a subsidiary of Japanese classification society ClassNK, have agreed to share the data from several vessels to about 180 ships through the so-called IoS Open Platform.

Torm buys eight MR tankers for cash and shares

TORM, a Danish product tanker owner, has agreed to buy eight vessels for $82.5m in cash and the issuance of 5.97m shares.

The medium-range vessels with chemical trading capabilities were bought from Team Tankers Deep Sea and are scheduled to be delivered during the second and third quarters of this year, it said in a statement.

They were all built at the Brodotrogir shipyard in Croatia between 2007 and 2012. Based on broker valuations, the market value of the acquired vessels is about $148m, Torm said.

Israel clears Minerva Marine tanker over bunker spill

ISRAEL has cleared aframax tanker *Minerva Helen* (IMO: 9276561) of any connection with a 1,000-tonne bunker spill that polluted the coasts of Israel and Lebanon last month, vindicating initial strident denials from the vessel's manager.

The search for the vessel responsible will now continue, the government said, with 10 ships inspected so far as part of the probe.

According to a statement published on the Israeli government's website, a team from Ministry of Environmental Protection and the Israeli Shipping and Ports Authority conducted an investigation on board *Minerva Helen* while alongside in Piraeus at the weekend in full co-operation with Greek officials.

Ports viewed as the model hub for shipping's digital future

PORTS are the most likely locus for data sharing operations needed to overcome obstacles in containerised supply chains.

However, standardisation, security and cost of information sharing remain paramount, said Virginia Port Authority chief executive Stephen Edwards.

The current supply chain data flow works "exceptionally well", he told the Journal of Commerce TPM21 conference. "We interact very well with our partners in the supply chain and that transfer process from ship to rail, rail to ship, ship to truck, truck to ship for the most part works very, very well."

Vessel attack fabricated to mask security lapse

AN UNIDENTIFIED maritime security company falsely claimed two people were killed in a pirate attack in an apparent attempt to cover up its failure to provide escort.

Maritime Domain Awareness for Trade – Gulf of Guinea (MDAT-GoG), the UK-French navy piracy reporter, last week warned a security escort vessel was attacked about 40 nm south of Brass, Nigeria.

An initial report by security firm Dryad Global said two Nigerian Navy guards were killed. It has since emerged there was no attack and the ship was never there in the first place.

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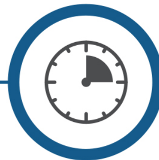

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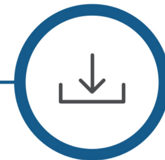

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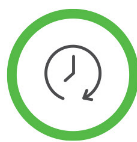

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