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Suez Canal remains blocked despite efforts to refloat grounded Ever Given



THE SUEZ CANAL remains closed following the grounding of a fully laden Evergreen-operated 20,000 teu containership on Tuesday, blocking traffic on one of the world's most important waterways.

Despite reports that the 2018-built, Panama-flagged *Ever Given* (IMO: 9811000) had been partially refloated, the vessel's technical managers BSM have confirmed that the vessel remains grounded.

An email seen by Lloyd's List and sent by the GAC Egypt SCT Coordinating Office to the China Shipowners' Association this afternoon said that the vessel was partially refloated and currently alongside the Suez Canal bank side.

"We are still waiting confirmed information for the towing direction. Convoy and traffic will be back to normal within [a] very short time as a soon as the vessel is towed to another position," read the email, which was based on information given directly from the Suez Canal Authority early on Wednesday.

A spokesman for BSM, however, described the reports as "inaccurate" and confirmed that the vessel has not moved. Lloyd's List Intelligence AIS tracking also confirms that *Ever Given* has not moved since it ran aground 151 km north in the Suez Canal at 0540 hrs GMT on Tuesday, turning sideways and causing a backup of nearly 100 other ships.

Several attempts to release the vessel using tugs have so far failed.

The latest update from Leth Agencies said that *Ever Given* remained grounded and in same position as this morning.

“Efforts to refloat the vessel have been conducted by the use of eight tugboats, without much progress,” it said.

“Traffic remains suspended with no new or projected changes. As of 1745 hrs, we have received information that two dredgers are underway. They are expected to commence their efforts around 2000hrs.”

The *Ever Given* salvage contract is a joint contract between Smit and Nippon Salvage Co, and a Lloyd’s Open Form has been signed.

It is not clear what caused the grounding. Initial reports suggested that *Ever Given* had experienced engine trouble, but a spokesman for BSM, the vessel’s technical managers, confirmed that an initial investigation has ruled out any suggestion of mechanical or technical failure.

Evergreen said that “gusting winds of 30 kts” caused the container ship to deviate from its course, leading to the grounding.

“Evergreen has urged the shipowner to investigate the cause of this accident, and work closely with Suez Canal Authority and related agencies to refloat the stranded ship as soon as possible,” it said in an emailed statement.

BSM was unable to confirm reports that the vessel had been hit by a strong winds.

The financial implications of an extended Suez Canal blockage are significant. According to Lloyd’s List Intelligence tracking data around 165 vessels representing 13m dwt are currently either waiting at either end of the canal or blocked from exiting.

That total includes:

- 41 bulk carriers (2.9m dwt) including six capes and 20 panamax and supramaxes. Two bulk ore carriers
- 24 crude tankers, including three VLCCs and nine suezmaxes
- 33 containerships, including four of 197,000 dwt-plus (including *Ever Given*) which puts them in the 20,000 teu category.
- 16 LPG or LNG carriers
- 15 product tankers including three long range two ships. These will likely be carrying 90,000-tonne cargoes of jet fuel or diesel to Europe or the Mediterranean.

- Eight vehicle carriers

Containerised goods represent around 26% of total Suez traffic and in value terms delays will be significant. Rough calculations suggest westbound traffic is worth around \$5.1bn daily while eastbound traffic is worth \$4.5bn

Previous groundings in the Suez have seen smaller vessels get into trouble, including the 12,562 teu *MSC Fabiola* (IMO: 9447847), which blocked southbound transits for two days in 2016, and the 9,971 teu *Maersk Shams* (IMO: 9726669), in the same year. That vessel was refloated on the same day with little disruption.

It is unclear how long any operation to clear *Ever Given* will take. High spring tides due in the next couple of days may help ease the situation, but any effort to pull the ship off will require care.

An alternative will be to dig out a wide ‘turning circle’ in the soft sand banks that line the canal, but that too will take time and equipment.

But it may also be necessary to lighten the vessel, which will require a more complicated salvage operation. Given the size of the ship and the fact that it is fully laden, efforts to remove containers using a crane barge will be challenging.

Shipping lines that use the canal will now have to make the decision whether to stick or twist, either waiting for *Ever Given* to be moved and the canal to reopen, or reroute around the Cape of Good Hope to avoid the canal.

“All shipping companies therefore have to weight their options right now,” Sea Intelligence Consulting chief executive Lars Jensen wrote on LinkedIn.

“How long do they expect this process to take? If they are optimistic on the timeframe, they should proceed as per normal and just get delayed a few days.”

If they were more pessimistic about the outcome, they should already be contemplating diverting vessels around Africa on Asia-northern Europe and Asia-US east coast services, he added.

“This will take approximately one week more than the Suez routing — and also burn more fuel. In the pessimistic case, however, there is another effect. The longer the canal is closed, the larger a queue of vessels will be lined up to transit. This can create a backlog meaning that additional waiting times must

be anticipated even when the canal does open up again.”

But he warned that the grounding of a similar-sized ship, the 19,000 teu *CSCL Indian Ocean* (IMO: 9695157), on the Elbe in 2016 took six days to re-float.

If the canal does reopen quickly, vessels waiting now should be able to make up time without too much disruption to the supply chain, which is already weighed down by port congestion and inland transportation delays.

A longer disruption, however, could lead to even more pain for shippers.

There were 1,519 vessel transits of the Suez Canal in February, 392 of which were containerships, according to the latest available data. On average, that is over 50 ship transits and 14 containership transits per day, so any delay in reopening the canal could quickly escalate in terms of delays.

“We don’t need this,” said Green Consulting chief executive Lars Green. “The uncertainty is already becoming a serious problem including for eastbound routing, which last time was tried before westbound, since transit time is not considered as important. But this is the westbound peak season for key commodities so is really bad timing.”

Ever Given was fully laden en route from Yantian, China, to Rotterdam.

Suez grounding likely to generate big insurance claims and extensive litigation

THE boxship grounding that forced the shutdown of the Suez Canal is set to constitute one of the most significant casualties of recent years from a legal and insurance perspective, despite no loss of life or pollution, according to legal experts.

A series of major insurance claims are in prospect, possibly involving general average on a vast scale, and there is also potential for long-running litigation from third-party owners, they say.

With *Ever Given* still in the process of being salvaged and the full facts yet to come in, any conclusions are provisional at this stage, and opinions on precisely what happens next differ from lawyer to lawyer.

As a rule, the Suez Canal Authority undertakes salvage work itself and only looks for help from big

BSM confirmed all the crew are safe and accounted for and that there have been no reports of injuries or pollution.

Ever Given is owned by Japan’s Shoeni Kasei Kaisha and chartered to Taiwanese line Evergreen. It is classed by ABS and insured by the UK Mutual Steam Ship Assurance Association.

“Hopefully it won’t be too long but from the looks of it that ship is super stuck,” said Julianne Cona, an engineer on board the 2007-built, 6,188 teu *Maersk Denver* (IMO: 9332999), which came to a halt just behind *Ever Given*.

“They had a bunch of tugs trying to pull and push it earlier but it was going nowhere,” she said on Instagram, adding that after *Ever Given* grounded the ship behind hers lost power and “almost hit us, so it’s been a fun day”.

Earlier, shipping agents GAC reported that “a container ship en route from the Red Sea to the Mediterranean ran aground at km 151 in the Suez Canal at about 07.40 hours local time this morning [March 23]. The vessel suffered a black out while transiting in a northerly direction.”

“The ship was fifth in the northbound convoy. None of the vessels before it were affected, but the 15 behind it were detained at anchorages waiting for the canal to be cleared. The southbound convoy was also blocked,” GAC said.

name international salvors when it accepts a job is beyond its capabilities.

A Lloyd’s Open Form has been signed and that a joint salvage contract has been agreed with Smit and Nippon Salvage, Lloyd’s List understands. It is not known what services will be performed under the LOF.

The vessel was at the time of writing wedged at bow and stern and given its fully-laden condition ex-China, there was talk that some containers may have to be removed to facilitate the operation.

The most likely outcome here is that some sort of salvage claim will be advanced by the Suez Canal Authority, which will have to be paid by the vessel’s owners prior to leaving Egyptian waters.

Egypt is what one source euphemistically dubbed a challenging jurisdiction, and may regard the incident as an opportunity to bring in some foreign exchange.

The owners will in turn claim from their hull insurers. The key question is whether or not they will seek contributions from cargo interests by way of general average.

This in turn depends on whether or not there is a so-called 'GA absorption' clause in the hull policy, which is not at this stage known, and if so, what limit is specified.

Under a clause such as this, owners and therefore their insurers agree to pick up the GA bill under a certain cap, typically \$500,000 or \$1m.

If there is no GA absorption clause, or there is one but the cap is exceeded, cargo interests and thus cargo insurers are on the hook.

"You've got 20,000 boxes here, and one container could have 20 cargo interests," said Martin Hall, head of marine casualty at Clyde & Co and a leading light in the Forum of Insurance Lawyers. "If there is GA, collecting security is going to be a massive task."

There is also ample room for dispute between the client charterers, the slot charterers and cargo interests, he added.

After that, there is the matter of any civil or criminal penalties imposed upon the owner by the canal authority. The imposition of a fine is seen as highly probable, and unlikely to be nugatory.

A civil penalty would usually fall on the P&I club involved, which in this instance is the UK Club,

according to Lloyd's List Intelligence. Clubs also often meet the legal expenses of contesting the scale of apparently unreasonable civil penalties.

But they only reimburse criminal penalties in the most exceptional circumstances, primarily where other mutual members feel an owner has been unfairly scapegoated.

Fines in excess of \$10m — again, probable — would surpass the individual club retention layer and fall on the International Group pool scheme.

That will be bad news for IG affiliates, as the pool is already running at all-time record levels, and is seen as the driving force behind the sharp rate hikes witnessed over the last two years.

Finally, there is the issue of whether ships stuck in a queue as the result of the grounding would have a claim, either against the club or on their own business interruption policy.

The consensus here is that such claims would be difficult to prove. With no damage to either other cargoes or other vessels, any claims would be speculative, and commensurate with the length of any delays.

Another senior shipping lawyer, who preferred not to be named, expects to see off hire cases lodged by other vessels caught up in the fallout.

"Charterers may say to owners, we're not paying for you to sit around. Or they may have to pay hire and look to insurers to recover it. Insurers may have a claim against *Ever Given*. You can certainly see the potential for a substantial ripple effect, almost 'satellite' cases that could follow on from this."

ANALYSIS:

Coal trade flows see reshuffle

COAL trades are being reshuffled following the political standoff between China and Australia, with longer sailing distances adding to the positive sentiment driving dry bulk freight rates.

China has turned to Indonesia and South Africa for volumes, while Australia has switched supplies to India and Japan, according to shipping association BIMCO.

Between last December and February, China's imports showed a rise of 9.5m tonnes, or 13%,

compared with the year-earlier period. However, taking into account just the two months of 2021, the comparison shows a drop of almost 40% on-year.

In February, imports were at 20.8m tonnes, compared with 20.4m tonnes in January. That compares with 39.1m tonnes reported in December.

Indonesian exports to China rose 53% in January this year, with shipments to India falling by 32%, according to BIMCO analysis. Overall, its exports grew 0.8% reaching 38.5m tonnes.

China has “suddenly appeared back on the data” in terms of South African exports, with 1.5m tonnes shipped in December and January, versus several years of “no meaningful exports”, said Peter Sand, the association’s chief shipping analyst.

South African exports to India have meanwhile fallen by some 75%, while shipments to Pakistan are also lower compared with the corresponding period in 2020.

Overall, exports from South Africa fell 45% to 3.7m tonnes.

While these two countries are exporting more to China and less elsewhere, Australia is filling the gap with increased exports particularly to India, Mr Sand said.

Although overall exports from Australia were down 7.3% to 30.5m tonnes in January compared with the year-earlier period, exports to India rose by about 92% to 7.1m tonnes. Shipments to Japan increased by about 8% to a record 10.5m tonnes, according to BIMCO. There were no flows to China from the 8.2m tonnes shipped in January 2020.

Colombian coal has not been first choice for China, due to pricing, as well as supply issues related to lockdowns, industrial action and operational issues.

The increased sailing distances are having a positive effect on freight rates, which have hit multi-year highs, also due to congestion and higher demand for shipping grains and minor bulks.

Although global coal volumes dropped 4.5% in the first two months of 2021, Torvald Klaveness expects to see year-on-year growth in coal trades from April, resulting from a low base seen last year.

China, which has been sourcing coal from Russia and South Africa, along with Indonesia, has also increased coking coal imports from the US, with about 1m tonnes shipped from December to February, up from 150,000 tonnes per month in 2020.

With Australian coal to China virtually at zero, but up 28% to the rest of the world, and Indonesian coal down by 24% to the global market, excluding China, which was up 33%, a “reshuffling of trades is evident here”, said Peter Lindstrom, head of research at Klaveness.

MARKETS:

Seanergy says outlook for capesize market is ‘very strong’

SEANERGY Maritime, the capsize bulker owner, predicts an extended period of strong market conditions after emerging from a “short-lived” negative fourth-quarter.

“We believe the outlook for the next two years is very strong, supported by solid demand driven by a considerable growth in infrastructure projects in the post-Covid era,” said chief executive Stamatis Tsantanis.

The vessel supply outlook was also “very favourable,” he said.

The newbuilding order book was lower than at any time in the last 17 years and the benign supply picture would be amplified by the “catalytic effect” of upcoming environmental regulations.

During the first quarter of 2021, the fleet has been earning a daily time charter equivalent of about

\$16,000 per vessel, or 89% higher than in the first quarter last year, the company reported.

In February Nasdaq-listed Seanergy completed a \$75m equity offering which has been used to facilitate \$33.6m in debt repayments and fund acquisition of three additional Japanese-built capsizes.

Those vessels are expected to be delivered in the second quarter, increasing the fleet to 14 ships.

Fourth-quarter revenue declined 23% to \$21.3m as results “were affected by a short-lived softening of the market,” Mr Tsantanis said.

Greece-based Seanergy posted a net loss of \$2.3m including one-off charges related to a financial restructuring that has significantly reduced its overall debt.

This compared with net income of \$3.1m in the fourth quarter of 2019.

IN OTHER NEWS:

Trafigura backs new global emissions levy proposal

TRAFIGURA is backing efforts at the International Maritime Organization to impose the first global carbon levy on ships.

The commodity trader, which has been an outspoken supporter of stricter emissions measures for shipping, has welcomed a proposal by the Marshall Islands and the Solomon Islands to put a \$100 per tonne of CO2 equivalent levy on all ships by 2025.

Trafigura global head of fuel decarbonisation Rasmus Bach Nielsen said that the proposal was significant because it pushed the carbon levy agenda forward.

First ship-to-ship LNG bunkering for boxship takes place in Singapore

THE world's busiest bunkering hub has carried out the first ship-to-ship transfer of marine liquefied natural gas to an ocean-going containership.

CMA CGM's 15,000-teu *Scandola* (IMO: 9859129) received 7,100 cu m of LNG from bunker tanker *FueLNG Bellina* (IMO: 9859636) during the landmark ship-to-ship transfer, according to a joint statement.

The 2020-built boxship also loaded and discharged cargoes while being refuelled with LNG, marking another first in Asia.

Santos awards major FPSO contract to BW Offshore

BW OFFSHORE has won a contract from Australia's oil and

gas producer Santos for the supply of a floating production, storage and offloading vessel.

This award calls for the construction and deployment of one of the world's largest gas production floaters at the Barossa gas field off northwestern Australia.

It spells progress towards a final investment decision for potentially Australia's first major liquefied natural gas-linked field development in recent years.

US Coast Guard loses pilotage exam case

THE US Coast Guard violated federal law in denying a master the right to sit for an examination that would allow him to register as a shipping pilot, according to the ruling of a federal court judge.

"Plaintiff Capt Matthew Hight brought this suit after the Coast Guard denied his request to take the written examination necessary to become a registered pilot under the Great Lakes Pilotage Act," said Washington DC District Court Judge Amit Mehta.

Capt Hight told the court the USCG action violated the Administrative Procedure Act which addresses the procedural formalities that US government agencies must follow in decision-making.

Winson denies connection with North Korea oil trade

WINSON Group has denied

allegations linking its shipping business to oil deliveries to North Korea.

In a statement issued to Lloyd's List, Winson's executive director Crystal Tung said the firm behind a 38-strong tanker fleet would not violate sanctions against North Korea or other countries.

The group had maintained strict internal compliance policy and all operations, including ship-to-ship transfers, complied with existing international regulatory requirements, the statement said.

TEN signs charters worth \$150m for LNG trio

TSAKOS Energy Navigation has agreed a long-term charter for a liquefied natural gas carrier under construction at Hyundai Heavy industries as the tanker owner's latest results underline that the LNG sector remains an important contributor to its business.

The owner is bullish on the possibilities of the tanker sector benefiting from a rebound as strong as that which has lifted earnings for containerships and dry bulk carriers.

The LNG newbuilding, which will be named *Tenergy*, brings the company's LNG fleet to three vessels alongside 65 tankers, including one suezmax shuttle tanker scheduled for delivery next year.

Classified notices follow

THE MARINE AND COASTAL ACCESS ACT 2009 AND THE ELECTRICITY GENERATION STATIONS (VARIATION OF CONSENTS) (ENGLAND AND WALES) REGULATIONS 2013

APPLICATION FOR: A Section 36 variation request to extend the date of the commencement of works at the Perpetuus Tidal Energy Centre (PTEC) by 5 years until 2026

Notice is hereby given that Mr Mark Francis, Perpetuus Tidal Energy Centre, 5 Fleet Place, London, EC4M 7RD, has applied to the Marine Management Organisation to undertake a regulated activity under Part 4 of the Marine and Coastal Access Act 2009.

The application is to:

- Extend the date of the commencement of works at the Perpetuus Tidal Energy Centre (PTEC) by 5 years until 2026

Copies of the environmental statement or environmental statement supplementary information may be viewed on line in the Public Register at www.gov.uk/check-marine-licence-register

Representations in respect of the application should ordinarily be made by:

- Visiting the MMO public register at https://marinelicensing.marinemanagement.org.uk/mmofox5/fox/live/MMO_PUBLIC_REGISTER/search?area=3 and accessing the 'make a comment?' section of case reference MLA/2014/00563/2;

However, we will also accept representations via the following formats:

- By email to marine.consent@marinemanagement.org.uk; or alternatively
- By letter addressed to Marine Management Organisation, Lancaster House, Hampshire Court, Newcastle upon Tyne, NE4 7YH

In all cases, correspondence must:

- Be received within 42 days of the date of the first notice (25 March 2021);
- Quote the case reference; and
- include an address to which correspondence relating to the representation or objection may be sent.

The Marine Management Organisation will pass to the applicant a copy of any objection or representation we receive.



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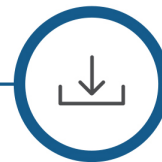
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