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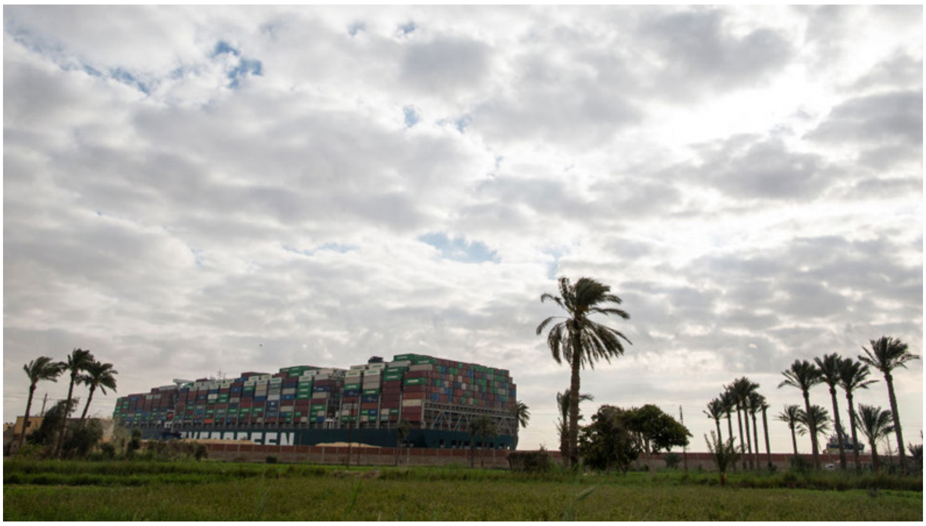
Exxon Valdez. Piper Alpha. Ever Given?



EXXON VALDEZ. PIPER Alpha. *Ever Given*?

The first two casualties brought about major overhauls in their respective industries that have had a lasting impact. Will the grounding of Ever Given, which has blocked one of the world's major arteries for several days and will bring severe disruption to global supply chains that is likely to continue well into the summer, have a similar impact on container shipping?

Most probably, yes.

For just as the *Exxon Valdez* oil spill in 1988 and the Piper Alpha oil platform explosion in 1987 were huge news stories in the mainstream media, the *Ever Given* casualty has dominated the headlines for much of the past week.

The sight of a huge ship straddling the Suez Canal has produced some gripping TV footage and brought out the armchair experts pontificating about whether these monsters are safe, and whether the waterway is fit for purpose.

Some of the questions will just be dismissed as ignorant, but others are justified.

Both the tanker and offshore industries were forced to change, for the good, after the *Exxon Valdez* and Piper Alpha disasters.

In the case of tankers, the US' Oil Pollution Act of 1990 brought in a new liability regime for tankers that also had to have pre-prepared contingency plans in place in the event of an oil spill, while double-hull vessels because the norm. Following the Piper Alpha blast in the North Sea in which 167 people were killed, the subsequent Cullen report set out the case for a new safety culture that has radically changed the oil and gas industries.

The *Herald of Free Enterprise* tragedy in 1987, when 193 passengers and crew were killed after the cross-Channel ferry left Zeebrugge with its bow doors open and water flooded the open car deck, was another casualty that resulted in tougher operational and construction rules for ro-ro ships

As far as container shipping is concerned, there is nothing intrinsically wrong with 20,000 teu-class ships that are now the workhorses of the Asia-Europe trades. The first of this generation came into service in 2013 and there are now more than 130 ships of up to 24,000 teu in operation. All have roughly the same dimensions of 400 m in length and 60 m wide, built with the Suez Canal in mind. The same is true for the Panama Canal where ships are designed with the size of the locks in mind.

The ships may be at their size limits for the two respective canals, but safety levels are high. *Ever Given* was the first ship to become wedged in such dramatic fashion, and what exactly happened is as yet unclear.

But what is clear is that the equipment to handle a casualty like this does not exist. It would probably have been impossible to remove some of the containers from *Ever Given* while it was still straddling the canal, despite an order from the Egyptian president, given the need for cranes big enough to reach across up to 24 rows of containers.

The industry has been acutely aware of this problem ever since ultra-large containerships first entered service more than seven years ago.

Container lines, P&I clubs, and emergency responders have all looked for solutions.

As Lloyd's List reported in 2015, a major incident was never a question of if, but when.

"At some stage, one of the new generation of containerships with capacities of 18,000 teu or more will have a serious accident, requiring cargo to be removed from a listing or burning vessel that may be some way from the nearest port or place or refuge. Yet no salvage equipment exists to deal with such a casualty. Emergency responders would have to hire cranes, tugs and barges from the offshore industry, if indeed there were any readily available in the vicinity that were not already fully employed elsewhere."

One idea put forward back then involved investment in a mobile crane system that could be mounted on containerships of all sizes, up to the very largest. The equipment would be stored in containers and kept on standby in Miami, ready to be flown anywhere in the world at very short notice, and transferred to a barge that would then head for the stricken ship.

The cost was estimated at around $20m initially. That compares with the price of a new ultra large containerships of some $150m, and the loss of a fully-laden 20,000 teu boxship of perhaps more than $2bn — although an exact figure may never be known for certain.

Yet nothing has happened since, leaving not just the container shipping industry but the global economy exposed when something goes as wrong as it has in the case of the Evergreen ship.

Now that *Ever Given* is moving and traffic will start to flow again, the grounding will fade from the headlines, but politicians and regulators are unlikely to forget.

Will those who order, build, own, and operate containerships, of whatever size, also be expected to have plans drawn up that can be quickly activated in the event of an emergency?

Of course, it will not be easy. An accident can happen anywhere in the world — the Indian Ocean, South China Seas, mid-Atlantic, north Pacific, in port, or a narrow waterway. If equipment is needed, where should it be located? This is the perennial problem faced by the salvage industry since it is impossible to predict where or when the next casualty may occur.

Nevertheless, the container industry needs to consider these issues, perhaps under the auspices of the World Shipping Council or Box Club, or in collaboration with the International Salvage Union, before new rules are imposed on it by the International Maritime Organization or non-maritime authorities.

Big ships bring many benefits in terms of economies of scale, but also carry immense risks that will have to be addressed, particularly at a time when lines are making so much money and so will not be able to plead financial hardship.

As well as a carbon levy, perhaps a salvage levy is required.

Investigation into Ever Given casualty begins

NOW the grounded *Ever Given* has been refloated, attention will turn to investigating what went wrong and the varying degrees of responsibility held for the casualty that led to the six-day blockage of the Suez Canal.

As *Ever Given* flew the Panama flag, the world's largest registry will undertake the most significant casualty investigation as required under international maritime conventions.

The conclusions and findings will be reported to the International Maritime Organization.

As yet, the registry has not made any statement on the timing of any investigations and when any preliminary findings could be available.

The Suez Canal Authority will likely run a parallel investigation, as will the containership's shipmanager, Bernard Schulte Shipmanagers, and the protection and indemnity club UK P&I, that will cover liabilities arising from the vessel being stuck.

Crucial to determining what went wrong will be data retrieved from the Voyage Data Recorder, the maritime equivalent of the airline industry's 'black box' in aircraft.

Lloyd's List understands the VDR has been retrieved and the data has been saved for investigators.

The shipmanagers have been asked to hand this over to a representative of the Panamanian registry when he or she has arrived in Egypt and is in a position to begin their investigation.

The representative was initially delayed by quarantine and immigration difficulties but is expected to board the vessel on Tuesday night from Ismalia, on the west bank of the Suez Canal, where the vessel was being towed.

There, statements and interviews from the crew will be taken, other information gathered and access to the VDR provided, at least three sources familiar with the investigation process told Lloyd's List.

There has been little insight into possible causes, and contradictory reports.

Two canal pilots were on board the vessel, which was fifth in the convoy transit at the time of the accident according to the vessel's shipmanager, which attributed the casualty to winds blowing *Ever Given* off course and was adamant there had been no mechanical or electrical failure.

The canal authority's executive initially said that winds were not responsible.

Lloyd's List determined that winds at the time of the accident were about 30 kts and navigation rules permitted a vessel this size to sail under such conditions.

BSM as well as the Japanese-owned shipowners and the UK P&I Club will also feed into this central investigation, as will the Suez Canal Authority.

BSM will fully co-operate with all authorities in any investigations, a company spokesman told Lloyd's List.

UK P&I said similar, with both declining to confirm whether their representatives had reached the vessel.

BSM declined to comment when asked whether or not there will be a crew change.

Marine insurers brace for major Suez claims

MARINE insurers are bracing for claims running to hundreds of millions of dollars in the wake of the grounding of *Ever Given* in the Suez Canal, according to senior figures in the sector.

Most of the pain will be felt by P&I Clubs, with the size of the bill certain to top the UK Club's $10m retention layer, and highly likely to top the International Group's collective $100m pool scheme cover and enter the reinsurance layer.

That represents close to the worst-case scenario at a time when the pool is already running at record levels, forcing hefty rate hikes for the past two years.

But most other marine insurance segments will also be on the hook, including hull and machinery and cargo.

From a legal point of view, the 2018-built, Panama-flagged, 20,124 teu *Ever Given* is owned by Luster Maritime/Higaki Sangyo, associated with Japanese company Shoei Kisen KK, and is on charter to Evergreen.

With the vessel being chartered, legally speaking any responsibility for the expenses of the recovery operation, any necessary repair bills and third-party liability rests with the owner rather than the Taiwanese boxship outfit, and thus with their insurers.

Broadly speaking, the insurance claims flowing from the casualty will break down into six components.

The extent of hull damage is unknown at this stage, but the early indications are that it is likely to relatively small, and the ship is unlikely to be declared a total loss.

For hull and machinery purposes, the vessel is covered in the Japan market, Shoei Kisen has told local media, although it did not reveal the identity of the insurer not in the public domain.

Given the value of the vessel, cover is likely to be in the $100m-$140m bracket. Best guesses from brokers suggest a claim in the order of $10m or so.

The second item will be salvage and other costs, including the cost of deploying eight tugs for a week or so, the cost of using mechanical diggers, and other Suez Canal Authority outlays. Nobody is venturing predictions at this stage.

Impact is likely to be limited from a cargo insurance perspective, as this type of cover does not customarily include delays. Moreover, if power was maintained — as seems to be the case — then reefer cargoes on board Ever Given will not have spoiled.

As Lloyd's List reported last week, delay cover will only kick in for those vessels that have taken it out. That is likely to apply to only perhaps one in ten of the more than 400 vessels now tailed back from the key waterway.

Some delayed owners may turn to Evergreen for compensation for perishable goods and penalties for delays, but the chances of successful litigation are uncertain.

Several top shipping law firms declined to comment, probably in the expectation of being retained in this connection.

General average is almost certain to be declared. Ever Given is already shaping up as the most complex GA claim of all time, with litigation potentially involving 20,000 teu and up to 20 cargo interests per container.

Finally, there is the question of damage to the canal itself, which may come in at tens of millions of dollars, making it the biggest item on the list.

There may be fines and a compensation claim for loss of revenue from the canal authority, preliminarily again thought likely to hit tens of millions of dollars.

Owners of the cargo on board the ship and on other ships stuck in the Suez Canal could have claims from the UK Club, the ship's P&I insurer, for any losses to perishable goods or penalties ensuing from missed delivery deadlines. These could prove legally contentious.

The UK Club declined a request for an interview, and a representative said that the marine mutual was not giving media interviews at this stage.

"The UK Club has insured the owner of *Ever Given* for certain third party liabilities that might arise from an incident such as this — including, for example, damage caused to infrastructure or claims for obstruction," the club said in a statement. "The vessel itself and its cargo will have been insured separately.

"While the UK Club is unable to comment on any confidential insurance or potential claim details, all valid claims will be considered by the vessel owner, the UK Club and its legal advisors in due course."

Asked to comment on the implications for the International Group pool, the IG's chief executive Nick Shaw said it was "too early to speculate".

OPINION:

Shipping's tech transition demands reality check

THE environmental discussion has long being a legislative side-table issue for shipping, *writes Richard Clayton*.

But as soon as money was involved, through the Poseidon Principles and the finance teams, "suddenly people started to see a financial interest in the environment, and it has taken off like rocket fuel," says Mark Cameron, chief operating officer at Ardmore Shipping.

This has exposed shipping's deep conservatism at many levels, he suggests.

Big corporations fail to back one technology or one fuel because the huge capital investment involved means professional reputations are on the line. Technology manufacturers are keen to sell their product, but less keen to work closely with clients to evaluate the benefits on a ship-by-ship basis.

Shipyards persist in discussing "meaningless terminologies" such as design speed and design draught for vessels that will never operate in line with such expectations.

"I think the whole ordering of ships in these shipyards needs to be turned on its head," says Mr Cameron. "We have to move away from thinking about a ship's operating characteristics."

Ardmore, an owner and operator of product and chemical tankers with a principle operating office in Cork, Ireland, and listing in New York, has stayed small and nimble enough to try out new technologies.

The company embraced the performance management capability developed by SkySails, a kites-for-ships manufacturer – although not the kites themselves. It has tested Mewis Ducts and propeller boss cap fins, with mixed results.

"We like to collaborate with the tech providers," Mr Cameron says. "Our board encourages us to do this. When we ask for funding, it's through a reasoned, robust process and pragmatic approach that asks what this technology will give us in return?"

The clearest example has involved hull coatings. In a trial, the company painted the full length of a ship's port side with a coating from one manufacturer, and the full starboard side with a coating from a rival manufacturer in order to measure performance in the same water conditions, anchorage time, temperature conditions, and wave impact.

This method removed any suggestion that operation conditions differed between coatings.

Results have not always matched expectations. In one trial, Ardmore replaced an old propeller boss cap fin on a ship with the upgraded version but found the performance improvement very hard to prove — at best 1%. "However good our measuring system, it's very hard to get more than that," Mr Cameron notes.

The company also works hard to understand the importance of the human element in reducing emissions.

"This is not what you are taught in school when you learn how to be a captain or chief engineer. It is evolved thinking. By putting equipment on board that allows human interaction in the monitoring system, we say 'this is the part you can play'.

"It is not about big data. It's about little data at the fingertips of the people who matter, who can make the change there and then."

Ardmore has launched an energy transition plan, which aims to anticipate a publicly-driven shift from fossil fuel cargoes to non-fossil fuel products and chemicals.

At the same time, it has formed a joint venture with private equity firm Maritime Partners and hydrogen-based start-up Element 1 Corp to develop methanol to hydrogen marine propulsion technology.

"This is really clever technology," says Mr Cameron. "It takes a relatively benign product, methanol, and removes both the complexity of compressed hydrogen and the toxicity of ammonia out of the equation. This product combines methanol with water in a two-thirds/one-third ratio; suddenly you have a great opportunity for a very efficient product."

A new branch of the business has been created under the name Ardmore Ventures, which will manage and develop investment in technologies for shipping. The methanol product is expected to be the first of many investments to bring new concepts to the industry and share them widely in a transparent way.

Mr Cameron believes there is much more interest in the 'eco' topic now.

"Fortunately, Ardmore is quite small, and it is a real advantage to be nimble in our decision-making."

ANALYSIS:

Tanker rates start to tick up on Suez blockage impact

TANKER rates are starting to inch up in response to the Suez Canal blockage, the impact of which will likely take weeks to fully clear.

Although the 20,000 teu containership *Ever Given* (IMO: 9811000) has been refloated after grounding on March 23, there is a backlog of more than 300 ships waiting to pass through the Suez Canal.

Several bulkers and boxships are rerouting via the Cape of Good Hope on the southern tip of Africa, which will add 10-15 days to a voyage.

Poten & Partners highlighted that suezmax rates are moving up in the Mediterranean.

Crude oil cargoes sold to Asian refineries might be resold to local refiners and thus be diverted, the brokerage said, adding that while additional crude could be sourced from the Atlantic market, it will take time to be delivered.

Cargoes from the Middle East Gulf could be sent via the Sumed pipeline, although at added costs, it said, adding that this would absorb tankers located in the Mediterranean that move cargoes from Sidi Kerir in Egypt to their final destination.

"As there will be less new tonnage coming into the area, local tanker rates could increase further in the coming days," Poten said in a note.

Last year, an average of about 45 laden suezmaxes passed through the canal per month.

Signal Group said there were currently about 30 tankers above 25,000 dwt waiting to cross the canal.

Most of the vessels in ballast "will decide to wait until the situation clarifies and, if fixed on a charter party, will likely get cancelled by charterers through protection clauses related to missing agreed upon laycan dates", it said in a note, adding that vessel supply on both sides of the canal and market rates will be affected.

It noted that Black Sea-Mediterranean aframax rates were leading the charge, with Worldscale 170 on subjects late on March 26.

According to the shipping service, a vessel crossing the Indian Ocean would take 14 days to reach Malta via the canal versus 33 days via the Cape. It costs about $300,000 for a laden aframax to pass through the Suez Canal.

Arctic Securities said that both crude and product tankers were benefiting from the canal issues.

It calculated that about 3m barrels per day of seaborne crude and oil products flow through the Suez, most of it northbound.

A week-long absence would be felt through accelerated destocking, despite European crude demand currently being weak, the Oslo-based investment firm said in a note. It added that prices would be supported if tankers were rerouted, given the additional voyage time, while a price arbitrage to Asia "would add more dynamics to West-East trade when Asian refinery demand revives".

Suezmaxes and gained 72% to average $14,400 per day, while long range two tankers surged 93% to $18,100 per day, according to Arctic.

Gibson shipbrokers highlighted how an LR2 trading from the Mediterranean to Japan would normally be available in Fujairah, in the United Arab Emirates, in 55-60 days' time, while the same vessel, were it to transit via the Cape, would not be available for business in the Middle East for 65-70 days.

"This example illustrates that depending on the duration of the delay, the route in question and typical trading patterns, position lists could feel the effects in a few months' time, as much as they will right now. Ultimately, longer voyages and increased delays will lead to higher vessel utilisation, which is undoubtedly positive for freight rates," it said.

The International Energy Agency noted how eastbound oil products dominate flows through the canal, with a total of 1.3m bpd transiting west to east, and 800,000 bpd going in the opposite direction.

Almost half of eastbound flows is fuel oil, for power generation in the Middle East or for marine bunkers, with the rest primarily consisting of naphtha and liquefied petroleum gas cargoes destined for Asian petrochemical crackers and Indian household consumption, oil analyst Kristine Petrosyan said in a note.

Westbound flows are mostly premium transport fuels, such as jet fuel and diesel for European importers from the more complex and better equipped refineries in the Middle East and Asia.

"With increased crude oil and petrochemical demand in Asia, the flows through the Suez Canal are likely to rise again," according to the IEA.

"The current incident with the canal shutdown is happening at a time when the world is still recovering from the pandemic, with ample crude and product storage, and this has helped minimise oil supply disruption and price reaction.

"But when the global economy and oil demand returns to normal levels, the Suez chokepoint will regain its importance."

US continues to see Jones Act as key for trade and security

THE US Merchant Marine Act of 1920, commonly known as the Jones Act, has a fair share of detractors who see it as protectionist policy designed to keep foreign-flagged carriers out of the US coastal transport trade.

But the legislation was designed primarily as an instrument to serve US national security, a point recently emphasised by President Joe Biden and his administration.

Soon after taking office, Mr Biden signed an executive order underlining his administration's staunch support for the Jones Act, including it as part of a broader effort to support the revitalisation of the country's manufacturing base.

"The President will continue to be a strong advocate for the Jones Act and its mandate that only US-flag vessels carry cargo between US ports, which supports American production and America's workers," a White House statement said.

The announcement drew widespread praise from leaders in the US maritime industry.

"We applaud President Biden and his administration for moving aggressively to grow the US maritime industry," said Tom Crowley, chief executive of Crowley Maritime Corp. "Working together we will put America on a road to recovery and prosperity."

The company has been working with the government for years, as demonstrated in February when the US Defense Logistics Agency Energy awarded Crowley Maritime a five-year contract to deliver military specification fuel to a government airbase on a remote island in Alaska.

Under the contract, Crowley will provide lightering and transportation of 4m gallons of fuel annually for the radar and aircraft refuelling station and its 180 personnel on Shemya, an island in the Aleutians.

The fuel will be delivered by the 55,000-barrel-capacity articulated tug and barge unit called the *Aurora/Qamun* now being readied for service.

The tug is under construction by Master Boat Builders of Bayou La Batre, Alabama. The barge is being built by Gunderson Marine, a wholly owned subsidiary of the Greenbrier Companies in Portland, Oregon.

Qamun's construction continues a Crowley-Greenbrier relationship that has produced ten earlier heavy deck-strength barges since 2007 to support offshore energy and other industries under the Jones Act.

"Our shared goal to supply the US with dependable, high-quality marine products and services was demonstrated in our work together on this Jones Act-compliant barge," said Greenbriar chief executive William Furman during the launch this month.

In December, Greenbrier Marine, a division of the Greenbrier Companies, announced the delivery of the OSG 205, a 204,000-barrel capacity oil and chemical tank barge to Overseas Shipholding Group.

It was the second tank barge that Greenbrier Marine produced for OSG last year after delivering barge OSG 204 in May 2020.

"This partnership complements both companies' dedication to supporting and strengthening the US Jones Act fleet," said Richard Hunt, general manager of Greenbriar's Gunderson Marine.

OSG has added to the number of Jones Act carriers in its fleet with the acquisition of four crude oil tankers built by General Dynamics' Nassco shipyard in San Diego, California, for BP's oil trade from Alaska to refineries on the US west coast.

In March last year it completed the purchase of three US-flagged crude oil carrier vessels from BP Oil Shipping Co USA and BP AMI Leasing Inc while entering into a bareboat charter for a fourth vessel.

OSG identified the bareboat charter as the 2004-built, 193,050 dwt *Alaskan Frontier* (IMO: 9244659) and named the three purchases as the 2005-built, 193,050 dwt *Alaskan Explorer* (IMO: 9244661), the 2006-built, 193,048 dwt *Alaskan Legend* (IMO: 9271432), and the 2005-built, 193,048 dwt *Alaskan Navigator* (IMO: 9244673).

"We have long viewed consolidation among owners of Jones Act tankers as an opportunity for OSG to build on its industry leading franchise in serving the distribution needs of domestic oil producers and refiners," said chief executive Sam Norton.

US shipping line Pasha Hawaii and the VT Halter Shipyard in Pascagoula, Mississippi, also have benefited from the Jones Act, working with each other to produce ships that serve both civilian and military needs.

Pasha Hawaii's first ship — the 2005-built, 12,561 dwt vehicle carrier *Jean Anne* (IMO: 9233167) — was constructed at VT Halter Marine with financial support from the federal government.

The *Jean Anne*, considered the first pure car and truck carrier of its kind to be built in the US, was financed under the federal Maritime Administration's Title XI programme, and was built in compliance with the Jones Act to operate in the domestic trade.

Pasha Hawaii has since added another VT Halter ship, the 2015-built, 24,750 dwt *Marjorie C* (IMO: 9619684), which normally operates with the *Jean Anne* along Pasha Hawaii's domestic trade routes between the Hawaiian Islands and the US west coast.

But recently both ships were called into service to transport military equipment for the US Marine Corps.

The *Marjorie C* delivered eight Bell Boeing V-22 Osprey aircraft from Joint Base Pearl Harbor-Hickam in Honolulu to Naval Air Station North Island in San Diego for use in military exercises in California.

For the same exercises, the *Jean Anne* also was utilised to transport eight military helicopters, including four Bell UH-1 Iroquois and four Bell AH-1 Cobras.

"The unique design of both *Marjorie C* and *Jean Anne* makes it possible to roll on and roll off oversized military equipment into a fully enclosed area with minimal dismantling or handling," said Pasha Group president and chief executive George Pasha IV.

BP, Crowley Maritime, Overseas Shipholding Group, and Pasha Hawaii are just a few of the companies that have ordered vessels from US shipyards such as

VT Halter Marine, Master Boat Builders, Nassco, and Greenbrier Industries.

But they illustrate that the Jones Act is not simply about protecting trade in the country's coastal waters. The Act is a policy that aims to maintain and develop America's maritime industrial capability as a matter of national security.

US Secretary of Transportation Pete Buttigieg summed up that thinking in Congress last week.

"The Jones Act ensures that we don't lose our domestic ship building capability," he said, adding that such a loss might leave the US in a situation where "Chinese-flag vessels" end up carrying "our domestic commerce on the Mississippi River or between Florida and New York."

"That obviously would have national security implications that are not acceptable. If we lose our national maritime industry, it might not return and the consequences would be devastating."

MARKETS:

Bulk carriers reroute to avoid Suez Canal delays

BULK carriers have started rerouting around the Cape of Good Hope as 87 vessels are stalled waiting to transit through the Suez Canal, according to Lloyd's List Intelligence data.

Around five panamax ships have considered taking the longer route following the grounding of the 20,000 teu containership *Ever Given* on March 24.

The containership has now been refloated, the Suez Canal Authority said, although it is not clear when the route will reopen to allow the backlog of waiting vessels to start moving again.

Data from Lloyd's List Intelligence automatic identification system tracking indicates that the Suez Canal-bound 83,987 dwt *Ledra* (IMO: 9591181) diverted mid-Atlantic on March 25 and is now heading towards the Cape of Good Hope.

The vessel was loaded with grains from Cargill's terminal in La Place in the US on March 16 and is destined for Singapore.

Another ship, the 2020-built, 81,567 dwt BBG Guigang (IMO: 9847413), diverted on March 25, also in the mid-Atlantic. The vessel loaded from the CSX coal terminal in Baltimore and is bound for Valletta in Malta, Lloyd's List Intelligence data shows.

The 76,015 dwt Katerina (IMO: 9256884), 76,596 dwt Jasmine A (IMO: 9342827) and 74,940 dwt Xi Jiang Yue (IMO: 9597331) have also been seen changing course as the vessel tailback lengthens at both entrances of the Suez Canal, reaching more than 429 ships after five days' closure.

BIMCO's chief shipping analyst Peter Sand said that although five panamaxes have diverted from the Suez Canal, there were another five heading on course for Port Said.

"In the Atlantic, for a panamax leaving a US port, it seems to be a 50-50 [decision] at the moment."

Still, the longer the canal is closed, the better it is for freight rates in the short and mid-term, he said. "The more ships get tied on in the waiting line on either side, the better, as it reduces the tonnage availability."

The route from New Orleans to Qingdao at 12 kts via Suez takes 49.5 days, via Panama around 35.2 days and via Good Hope is 54 days.

"What's also clear from this is that it is not the diversion from the US, or Australia for that matter, that make a whole lot of difference. It is diversions from the Black Sea, south Europe and north Europe," said Mr Sand.

One Singapore-based broker sees many other ship rerouting, even with the possible reopening of the Suez Canal. He expected the operation to clear the backlog of vessels to take some time.

Ports prepare for Suez surge

FOLLOWING the freeing of the grounded Evergreen containership that has been blocking the Suez Canal for the best part of a week, attention is now turning to the surge of imports that are due to arrive at Europe's shores as soon as vessels begin to transit the canal.

The 20,000 teu *Ever Given* (IMO: 9811000) remained held by the bow, but the Suez Canal Authority made a successful attempt to refloat and move the vessel yesterday and is optimistic traffic will resume soon.

Among those ships waiting to transit the canal are 100 containerships with an aggregated capacity of 1m teu, according to figures from Lloyd's List Intelligence

While some of that cargo is outbound or empties, on average 52% of canal capacity each week is northbound to Europe.

"From our perspective, it is going to be more chaos and more congestion," said Drewry senior ports analyst Eleanor Hadland. "If the canal had been running at capacity, you would just assume that everything was going to be a week late.

"More realistically there is going to be some element of catching up as they clear the backlog, which will lead to vessel bunching. That is a complete nightmare for all terminal operators."

Meanwhile, empty containers and exports will have been backing up at the terminal so there will not have been any respite from emptying out of the yards.

"The build-up of empty containers will be an ongoing problem, and we're going to see more of this vicious cycle of yard congestion," Ms Hadland said.

But the situation Europe is unlikely to lead to that of the US west coast, where ships have been forced to anchor off for up to two weeks while awaiting berths.

"The big advantage that Europe has is that it has more spare capacity," Ms Hadland said. "There are multiple port calls in a small range, compared the US west coast, where probably 70% of the cargo on a vessel is destined for Los Angeles/Long Beach and there is little spare capacity at other ports so the only option they had was to queue."

In Europe, however, carriers had the option of diverting to smaller, less busy terminals.

When Felixstowe became congested last year, for example, spare capacity was available at Dunkirk and Zeebrugge. But it is not ideal and does add to costs.

"If you are destined to Antwerp and you have a terminal available in Zeebrugge, it is not a complete disaster if the Antwerp cargo ends up in Zeebrugge."

The same was true Hamburg-destined cargoes being offloaded at Wilhelmshaven or Bremerhaven.

"Carriers have a lot more options up their sleeves, which is part of the reason we've not seen the congestion seen in the US."

Moreover, carriers have seen the problems caused by cutting and running, which has a knock-on effect.

"We are still seeing constraints on empties in Southeast Asia and in China so carriers will want to get empties back because they can only fulfil the demand if they have empties."

Nevertheless, the influx of cargo increases the likelihood of the congestion crisis rumbling on for longer, Ms Hadland said.

"There isn't much spare capacity in the system, partially due to demand and partially due to everything moving more slowly. The structure, capacity and slightly more limited demand picture in Europe means we won't get the US situation, but we're not starting from a great position."

One terminal operator said it was too early to tell what the full impact would be, but said that carrier schedules had been "all over the place" for some time, and for ports it would just mean more of the same.

The International Federation of Freight Forwarders Associations warned the disruption of the supply chain was expected to "worsen dramatically" over the coming weeks.

"Terminals will experience high congestion and the severe drop in vessel arrival and container discharge in major terminals will aggravate the already ongoing shortages of empty containers available for exports" it said in a statement last week. "High delays in shipments, increased costs, and product shortages are therefore expected."

Fitch warns Suez Canal blockage is ‘a large loss event’ for reinsurers

REINSURERS face an unspecified “large loss event” potentially reaching hundreds of millions of dollars as a result of the blockage of the Suez Canal by grounded boxship *Ever Given*, says Fitch Ratings.

The event will reduce global reinsurers’ earnings but should not materially affect their credit profiles, but prices for marine reinsurance will rise further in consequence, according to the ratings agency.

Initial assessments from the marine insurance community suggest that the overall bill will come in at hundreds of millions of dollars, with P&I taking the brunt of the pain.

Unknown Japanese hull and machinery underwriters and cargo insurers will take the hit on the salvage costs, the repair bill, and any general average claims.

Ultimately the scale of the losses will depend on how long it takes for salvage operations to be completed and for normal ship traffic to resume.

Another variable is the extent of any fines, penalties or compensation claims on operator Evergreen’s P&I club, the UK Club, which is not offering media comment on this stage.

The marine mutual may also face claims from cargo interests, especially if perishable goods are spoiled, and claims related to supply chain disruptions.

The casualty will almost certainly bust the UK Club’s $10m retention layer and enter the International Group pool scheme, which will see the burden up to $100m shared with the IG’s 12 other affiliates.

That will come as serious bad news for the IG, at a time when pool claims are at their highest level yet seen, and are widely blamed for steep rates hikes at the last two renewal rounds.

But after $100m — as most observers expect — the claim will enter the reinsurance layer, with the Fitch scenario seemingly taking this as read.

“It will add pressure to global reinsurers’ first-half 2021 earnings, earnings that have already been knocked by catastrophe events such as winter storms in the US and flooding in Australia, as well as by additional coronavirus pandemic-related losses,” Fitch added.

Global reinsurers last year reported heavy declines in earnings due to paid claims and claims reserves related to the coronavirus pandemic.

However, underlying performance improved due to significant price increases in non-life primary and reinsurance, and their capital positions remained very strong at end-2020.

“The sequence of catastrophe events in 2021 will put additional strain on commercial insurance and reinsurance markets, pushing prices even higher in an already hardening market.”

But the canal blockage does not change Fitch’s view that communicable disease exclusions in renewed treaties and a hardening market should lead to better results in the current year.

IN OTHER NEWS:

No security risks from impact of Suez Canal blockage

SECURITY consultants say it unlikely the blocked Suez Canal has increased the security risk to shipping.

Several shipping companies have reportedly contacted the US Navy fearing an elevated threat of piracy. More than 370 ships are waiting to cross the canal, meaning potentially more immobile targets.

But advisers said Yemen's Houthi rebels, who have attacked ships in the Red Sea as part of their war with Saudi Arabia, have not operated north of Jeddah and are unlikely to make it as far north as the Suez Canal.

Bunker secured for Japans first LNG-fuelled ferries

MITSUI OSK Lines, the Japanese shipping group, is tapping Kyushu Electric Power Co for the supply of liquefied natural gas as marine fuel for Japan's first pair of LNG-fuelled ferries.

Kyuden will provide about 50 tonnes of LNG each day to bunker the ferries using tank trucks out of Beppu port, a statement said.

Japan's Niya Corp will handle the trucking and bunkering operation. MOL's ferry operating arm operates under the name Ferry Sunflower.

Mozambique LNG project postponed amid port seizure

TOTAL SE has been forced to postpone work on a $20bn liquefied natural gas project after the seizure by jihadists of the port of Palma in Mozambique's Cabo Delgado province.

Many people are reported to have been killed following an attack on the town, which started on March 24.

According to Lloyd's List Intelligence, the port of Palma falls within a broad risk area already designated by the Joint War Committee. At the moment, there are no ships showing in the port of Palma.

Sembmarine gets contract for most remote UK offshore wind platform

SINGAPORE'S leading yard group Sembcorp Marine will build an offshore converter platform to be deployed in the middle of the North Sea for one of the largest wind farms being constructed in the world.

The group has paired up in a consortium led by GE Renewable Energy Grid Solutions to land the second-largest contract project owner RWE is dishing out for the offshore wind farm spanning 593 sq km off the northeastern UK, according to a statement.

The contract, valued at £600m ($827m), is for the turnkey construction and subseqeuent maintenance of a high voltage direct current system comprising both the OCP and an offshore converter station.

Classified notices follow