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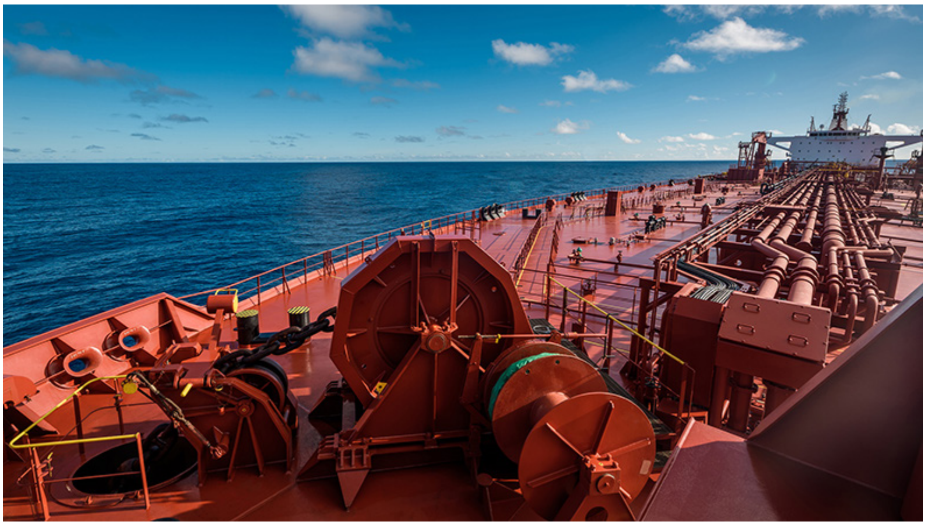
Crude Greeks decide it's time to go very large



TO THE GENERAL public most ships have the look of behemoths, but even within the industry ordering a brand-new very large crude carrier is one of the quickest ways you can make a statement.

Greek owners, who are the dominant owners of crude oil tankers and own about a quarter of the world's fleet of 800 or so working VLCCs, have made their own statement by penning a flurry of orders in recent months. But about what?

A wide range of impulses can be projected on to those various recent orders. Here they may reflect the fulfilment of childhood dreams, or there a revisiting of family tradition.

More conventionally, some moves seem to reflect a determination to stay in the game, a commitment to renew a fleet, or a will to be among the first to use cleaner fuels.

Considering the suffering of tanker owners from low earnings recently, the orders can be considered countercyclical, which generally goes hand-in-hand with lower prices on a historical scale.

Another common feature this time round appears to be an eye on fast-diminishing slots at the relatively few yards in the Far East that construct VLCCs.

"Countercyclical does not necessarily always guarantee success. It is an important point that everyone needs to understand," said Evangelos Pistiolis whose Central Group ordered four VLCCs in February from Hyundai Heavy Industries to follow a prior four contracted with the same builder last year.

"You have to order the right thing as well, and everyone else is trying to do it too."

Mr Pistiolis burst on the scene as a young owner in 2004 with the flotation of TOP Tankers in the US and after initially making his reputation with suezmaxes has recently been ordered suezmaxes and medium-range product tankers with Hyundai Group yards. These will be his first VLCCs.

"Vs have always been my favourite vessel and at last it was the right moment," he told Lloyd's List. "But for me whenever Vs are at the low end of the price range and you can get a good deal from the yard it's a safe bet, as long as you can sustain yourself through the painful times."

Boom and bust

VLCCs can justly be seen as the ultimate avatar of shipping's boom and bust fortunes but Mr Pistiolis is among those who feel their time is coming.

"It's important that we obtained a good entry price level, but also the end of the Covid story will bring a boom," he said.

The first two of the eight newbuildings, already named *Julius Caesar* (IMO: 9912244) and *Legio X Equestris* (IMO: 9912256), have been chartered to Trafigura from delivery in early 2022 for three years with two separate annual extension options.

Stakes of 35% in each of the pair have been sold to Mr Pistiolis' Nasdaq-listed company, nowadays branded as TOP Ships.

The owner said that he was "close" to arranging time charters for the second pair of newbuildings but that he also wanted to leave open the chance to resell one or more vessels in the series if, as expected, the value of VLCCs takes off in the near future.

That is partly contingent on supply and while fleet growth across the tanker sector has been relatively stagnant in recent years, the capacity to build new tonnage fast in the VLCC sector is particularly constrained with orders for large containerships, in particular, and to some extent liquefied natural gas carriers hogging precious construction berths.

Central believes its most recent four-pack was the last such bloc of slots available for 2022 deliveries and multiple industry sources suggest that owners ordering even now will struggle to get VLCCs before late 2023 or even early 2024.

Another Greek owner to double its VLCC orderbook early this year was Latsco Shipping.

It booked two, also at HHI for delivery in the second half of 2022. They follow an initial pair ordered from the yard last November.

For the Latsis family shipping group, led by Paris Kassidokostas-Latsis, it is a first move into the biggest tankers since grandfather John Latsis acquired some of the world's largest tankers in the 1980s.

Latsco has been expanding in recent years but until now the focus had been on product tankers and gas carriers.

"You can say it is an old stomping ground for the group," said Latsco chief executive George Margaronis. "At the same time we think there is still a considerable runway ahead for fossil fuels, especially when they are being carried by the most eco and environmentally friendly ship."

Scrubbers installed

As with Central's and the vast majority of the VLCCs ordered by Greeks the Latsco quartet is expected to be installed with exhaust gas cleaning systems.

Exceptions include four 320,500 dwt tankers that the Angelicoussis Group, Greece's biggest owner of VLCCs, ordered in February from Samsung Heavy Industries through its tanker arm Maran Tankers.

The dual-fuel vessels will be among the first VLCCs able to burn liquefied natural gas when they emerge from the yard in 2023. If a reported series cost of $415m is to be believed, this is reflected in a price differential of about $12m to $13m with conventional VLCCs ordered about the same time.

Maran is also in the throes of renewing its fleet. Lately the 20-year-old *Maran Cygnus* (IMO: 9227479) became the sixth of its older VLCCs sold since late last year.

The only other Greek owner to have ordered so many is Athenian Sea Carriers, which currently controls an all-VLCC fleet of six vessels. It booked a quartet late last year at Hyundai Samho Heavy Industries that are all scheduled for delivery next year.

The lack of prompt slots may go some way to explaining why another leading Greece-based VLCC player, Capital Maritime & Trading, recently clinched the acquisition of the first two of Athenian's quartet. The deal was confirmed by sources familiar with the contracts.

If resale deals offer one potential route for determined owners to get their hands on new VLCCs if the optimum time for contracting with a yard is deemed to have passed, Navios Maritime Acquisition has created its own VLCC renewal pipeline through different means.

Since 2018 the Navios Group tanker arm has agreed 12-year bareboat charters with de-escalating purchase options for a total of four newbuilding Japanese VLCCs, the first of which, named *Baghdad* (IMO: 9876414), was delivered last October.

The second and third 310,000 tonners are due for delivery this year, with the fourth tanker to follow in 2022.

In each case, the bareboat charter-in agreements reflect an implied price of $84.5m per ship and Navios is chartering the vessels out at $27,816 daily for 10 years, with an optional five-year additional period at $29,751 per day. The structure is said to provide an annual free cashflow of about $5m for the company.

However, it is not only multiple ship orders from the leading VLCC players that suggest it is has been a good bet for those that can afford it, at least in recent months.

Samos Steamship, one of Greece's oldest traditional shipowning outfits, has placed an order for a 301,000 dwt VLCC from a Japanese builder. The vessel is expected to be delivered in the first quarter of 2023.

The move is likely to be seen at least in part as a potential replacement for the company's sole VLCC on the water, the Universal-built Kokkari, which it has had since delivery in 2008 and which will be 15 years when the new tanker joins Samos' fleet.

Altogether, Greeks have about $2.8bn worth of VLCC tonnage on order and control 30% of segment's current order book of about 100 vessels.

WHAT TO WATCH

Ever Given operator launches claim against registered owner

EVERGREEN, the operator of the boxship that blocked the Suez Canal, has launched legal action against the vessel's registered owner in the Admiralty Court in London, according to limited information in the public domain.

The nature of the claim against Luster Maritime UK, a company associated with the vessel's beneficial owner Japan's Shoei Kisen Kaisha, will not be published until Evergreen has acknowledged the filing.

That typically takes up to 14 days from the date of filing.

The claim comes after an earlier move from Shoei Kisen, which has issued Evergreen with an Admiralty limitation claim in London under the Merchant Shipping Act 1995, related to liabilities and compensation that may occur due to the grounding.

HFW, a leading shipping law firm, is acting for Shoei Kisen, which has declared general average.

James Turner QC, barrister at 1 Kings Bench Walk chambers, pointed to media reports that the action from Shoei Kisen is a so-called ADM1 form, a type of 'writ in rem' which is to say a writ against a thing rather than a person or 'writ in personam'.

Although they can be taken out against other forms of property, in the shipping context they are usually issued against named ships.

"In plain English, it creates a type of security right that can be enforced against a ship," he said.

Crucially, the document can only be served on a ship when it enters the relevant jurisdiction, and the vessel Ever Given would have physically to call in an English or Welsh port in order for this to do done.

A call in any other common law jurisdiction – even Scotland, which has a separate legal system – would necessitate service of the local equivalent claim form.

While Ever Given is scheduled to arrive in Felixstowe later this month, Shoei Kisen has the option of covering its bases with simultaneous equivalent writs in other countries.

Once a claim form has been issued, subsequent transfers of ownership of the ship do not affect the claimant.

“If you issue your ADM1 form today and the ship is sold tomorrow, you can still proceed to serve the ship if it does turn up in your jurisdiction, arrest it and get security,” Mr Turner said. “If it was sold today and you issued your claim form tomorrow, you can’t claim against it, other than a relatively narrow band of claims, such as collision and salvage.”

The contractual relationship between Shoei Kisen and Evergreen is widely assumed to be that of owner and demise charterer, which is customary in container shipping, especially where ships take on the charterers’ paint job, as in this instance.

Owners are of course not at risk of a vessel being sold against their will. The most likely reason to issue an ADM1 form against a demise charterer is on account of dispute over possession of the ship, or because redelivery is imminent.

Stephen Askins, a solicitor with Tatham & Co, speculated that Evergreen as a carrier will be facing claims from cargo interests and may therefore be seeking indemnity from the owners.

“The unusual thing is that this is being done in the Admiralty Court rather than under an arbitration clause in the charterparty, which suggests to me that the contract between Evergreen and the owners is subject to English law.”

He also pointed out that the casualty is now a common law salvage claim, with no Lloyd’s Open Form signed.

As salvors, Smit will have a claim against the head owner and against the cargo interests, as the cargo is the salved property. As owners, Shoei Kisen will also want GA security against the cargo interests.

“No-one will want all the boxes to be discharged until the cargo interests have given security, and that’s a nightmare with these huge boxships.”

ANALYSIS

Stena Bulk unveils five-step plan to decarbonise by 2050

STENA Bulk, the Swedish tanker company, has unveiled a five-step plan to decarbonise by 2050 as it transitions to a more sustainable fleet.

The company began offering customers low-carbon shipping options last year with up to a 100% cut in CO2 emissions, which was partly achieved through the use of biofuels.

It also involved an internal carbon emissions offsetting programme, which has allowed the Gothenburg-based company to offer low-carbon options on any voyage, regardless of ports and specific ships used.

From next year, the company plans to launch the first of three carbon neutral-ready, methanol-fuelled vessels in collaboration with methanol producer Proman.

The vessels, which will also be able to operate on very low sulphur fuel, are expected to come into service 18 years ahead of Stena Bulk’s ambition to become one of the first carbon neutral vessel operators in the world by 2040, it said in a statement.

“The Proman collaboration will directly support the achievement of Stena Bulk’s second organisational milestone, which will require every new ship in the Stena Bulk’s fleet from 2030 to come with a road map to be upgraded to carbon neutral status, either by retrofitting new technology or switching to carbon-neutral fuels,” the company said.

“That road map should be fully realisable, achievable and pre-planned from day one.”

The third marker involves the recently unveiled vessel design — the InfinityMAX concept — which is the company’s take on zero emissions, self-sufficient and flexible seaborne transportation. It expects to have a similarly designed ship on the water by 2035 at the latest.

By 2040, it aims to meet the fourth target in its decarbonisation plan by becoming a fully carbon-neutral tanker operator, which will be achieved by having a combination of zero-emissions ships, ships running on carbon-neutral fuels, and the carbon emissions offsetting programme.

The company will achieve its final milestone in 2050, when it is targeting becoming a fully net-zero emissions business, it said, adding that it will not only take accountability for its operations and the indirect emissions connected to the business, but also for the cargo carried by its vessels.

That means that by 2050, all cargo carried by the Stena Bulk fleet will need to be climate neutral, which will become a shared responsibility between Stena Bulk and its customers, it said.

"The shipping industry collectively faces a challenge where we must consider how we alter our entire energy needs," said chief executive Erik Hånell. "In order to decarbonise, the maritime community must take risks, push sustainability boundaries, and embrace a partnership approach that enhances collaboration between industry partners and customers.

"The set of decarbonisation targets and wider road map that we are presenting today is another example of Stena Bulk's commitment to a sustainable shipping future, and we are immensely proud to be one of the first industry players to propose a plan that makes our own net-zero journey tangible, achievable, and measurable.

"This is a challenging and demanding path ahead of us that we remain prepared and eager to explore, and we look forward to working across the sector to achieve our goals."

CMA CGM backs biomethane in decarbonisation push

CMA CGM is backing biomethane as part of its commitment to become a carbon-neutral company by 2050.

The French carrier said it will be directly investing in the production of biomethane and offering customers the option to use biomethane, a move it expects will significantly reduce greenhouse gas emissions.

The owner and operator of 566 containerships said it will support the production of 12,000 tonnes of biomethane annually. That volume would be enough to supply two 1,400 teu liquefied natural gas-powered boxships running from St. Petersburg and Rotterdam for an entire year.

"It is major step forward towards carbon neutrality," said CMA CGM chief executive Rodolphe Saade during a virtual UN event on ocean sustainability.

CMA CGM said that biomethane, which is also known as renewable natural gas, combined with its own dual-fuel gas-power technology can reduce well-to-wake GHG emissions — the fuel's emissions throughout its supply chain from its production all the way to final consumption by the ship — by at least 67% compared with conventional fuel oil.

GHG emissions reductions from the ship alone can reach up to 88%, the company added.

"CMA CGM intends to push ahead with the development of this energy source by investing in biomethane production facilities and studying the viability of liquefaction processes so that biomethane can be rolled out as a shipping fuel," it said

From May 2021, its customers will be able to select that the ships carrying their goods run on biomethane.

"This initiative will allow us to deploy services on intra-European trades and essentially the Baltic Sea," said Mr Saade.

Biomethane can be produced by removing carbon dioxide and other pollutants from biogas, which itself is produced via anaerobic digestion of organic matter. Biomethane can also be produced through the gasification and methanation of biomass, such as animal and plant waste.

"This energy source represents a fine example of how the circular economy can work while benefiting the agricultural sector," said CMA CGM, which is among the strongest advocates of LNG as a fuel in the shipping industry and will have 32 LNG-powered ships by 2022.

LNG can almost completely eradicate particulate matter, sulphur and nitrogen oxide emissions and reduce CO_2 emissions from ships by around 20%. Its critics oppose the investment and long-term commitment to what is a fossil fuel and fear the potential for slip of unburned methane from LNG engines.

Bio-LNG is effectively liquefied biomethane and so can be directly used in LNG engines.

CMA CGM has previously spoken of its desire to mobilise the biomethane market. It has cut CO_2 emissions per container-kilometre by 49% compared with 2008.

The company cut its overall CO_2 emissions by 6% in 2019 and 4% in 2020. It aims to be carbon neutral by 2050.

Everfuel to supply hydrogen for zero-emission shipping

EVERFUEL, a Danish energy provider, has preliminarily agreed to supply hydrogen as a bunker fuel to a European shipowner aiming to operate zero-emissions ships.

The company said it has signed a memorandum of understanding with an unidentified Norwegian–German shipping company to deliver hydrogen and to develop the planning, installation and operation of a fuelling solution for the company.

"The intent is to establish firm contracts for long-term hydrogen supply and offtake to projects under development by the undisclosed partner which aims to become a leading zero-emission shipping company in Europe," it said.

The partnership will start as early as 2023 and the first hydrogen-powered ship would use around one tonne of hydrogen per day.

"The two parties are developing technical and commercial information and maturing the commercial and operational framework, including identification of potential fuelling sites and permitting processes required for investment decision," Everfuel said.

Everfuel chief executive Jacob Krogsgaard was not immediately available for comment.

The Oslo-listed company is vying to develop a European-wide offering of hydrogen supply and fuelling solutions by 2030, focusing on heavy duty vehicles and other industries.

As part of this plan it has hydrogen stations operating, planned and under construction across Scandinavia and has an electrolyser plant — the technology used to produce green hydrogen — under construction in Denmark.

Everfuel says that it plans to provide the maritime sector with hydrogen initially out of the Danish town Fredericia.

MARKETS

Tanker demolition fails to hit targets

SPOT rates for crude and product tankers will end 2021 at levels that are double or even triple earnings seen for most sizes over the depressed first quarter, according to Jefferies.

The New York investment bank's estimates rely on rapid oil demand growth over the second half of the year, alongside a significant ramp-up of tanker scrapping to keep net fleet growth in check and lift rates.

Improved global economic activity amid an easing of lockdowns as more people are vaccinated will arrest a "muted" first half for product tankers, Jefferies said in its Maritime Shipping Quarterly report.

Crude tanker rates were also expected to "remain subdued" over the first half of 2021, as land-based oil inventories drew, reducing demand for shipments.

But rates would then pick up over the final six months as demand rapidly recovered, said Jefferies.

Projected net fleet growth for crude tankers would be between two and three percent in 2021 and 2022, it said.

The bank forecast very large crude carrier spot rates would average $30,000 daily this year and finish the final quarter at $47,000.

That compares with an average of $13,000 daily estimated for first quarter, $20,000 for the second and $40,000 for the third.

That fourth quarter forecast is 102% higher than the value of forward freight agreements for VLCCs over that same time period, and four times what sentiment suggests the tankers will be earning in the third quarter on the benchmark Saudi-China route.

The bank projects suezmax rates will average $13,000 per day in 2021, down from $28,750 per day in 2020.

However, the fourth quarter forecast of $20,000 is more than three times the $6,000 average estimated the tankers earned for the first quarter,

Jefferies' forecasts for medium range product tanker rates were closer to current sentiment seen in the futures freight market.

Medium range tanker rates were estimated to average $15,000 over the final quarter, up from $6,000 in the first quarter.

These estimates were in line with current values of fourth-quarter forward freight agreement contracts on the US Gulf-Rotterdam route, Baltic Exchange assessment data show.

"Rising global demand for refined products coupled with geographic dislocation of refining capacity this year should help lead to increased ton-mile demand," the report said.

"We remain positive on the supply side of the market as the current orderbook-to-fleet ratio remains near the lowest on record."

Assumptions in the forecast rely on scrapping to reach double levels of the last four consecutive quarters while shipyard slippage rates are estimated to be between 15% to 20% on newbuilding deliveries.

Despite poor tanker rates over the first quarter, scrapping of tankers has been lower than anticipated, as few owners sold vessels for demolition even as steel prices gained.

Optimistic Jefferies banks on tanker second-half rally

Lockdowns across subcontinental countries that are the destination for nearly all the world's tonnage for recycling are expected to shut or limit yard capacity over the next month or two.

Jefferies forecasts that the total crude tanker fleet will end 2021 at 477.2m dwt, with net growth at 2.1%. In 2022 the fleet is projected to grow by 2.9%.

That assumes some 6.9m dwt is removed from the crude tanker fleet while the equivalent of 15.9m dwt is added in newbuildings.

The global fleet of product tankers is estimated to grow by 2.8%, to 179m dwt and rise by another 1.8% in 2022.

In 2021, some 1.9m dwt will be scrapped and 6.8m dwt added to the fleet, according to Jefferies estimates.

IN OTHER NEWS

Cargoship in tow as salvors avert grounding off Norway
NORWEGIAN authorities have averted a grounding and oil spill after salvors managed to tow the unmanned listing yacht carrier Eemslift Hendrika (IMO: 9671486) to the western coastal city of Alesund.

A Smit Salvage crew were able to board the ship by helicopter and connect it to two tugs, BB Ocean (IMO: 9196503) and Normand Drott (IMO: 9447964), at its bow and stern.

The Norwegian Coastal Administration had said it would postpone the mission but changed plans at 1900 hrs amid fears the ship could drift ashore overnight.

Container tracking gains traction with adoption of standard
FIVE of the nine major container lines that make up the Digital Container Shipping Association have agreed to adopt its track and trace standards, paving the way for better cross-carrier visibility of cargoes.

Published at the beginning of the past year, the standards can be implemented by carriers, shippers and third parties to enable cross-carrier shipment tracking using a common terminology for data and events.

By using an application programming interface and establishing a fixed set of events, carriers and customers can use the same tools for track and trace, rather than have bespoke connections to a wide variety of external parties. The data model ensures track and trace data definitions are consistent for all users.

Kogas orders LNG bunker vessel
KOGAS, the South Korean wholesale gas monopoly, has commissioned Hyundai Heavy Industries to build a second vessel to join its liquefied natural gas bunkering fleet.

The newbuilding vessel pegged at 49.8bn South Korean Won ($44.5m) is scheduled for delivery by the yard in 2023.

Kogas has on hire the 2020-built *SM Jeju LNG 2* owned by Korea Line.

MAN to develop four-stroke ammonia engine
MAN Energy Solutions, a German engine maker, will develop an ammonia engine as part of a German government-backed initiative.

The company said the three-year AmmoniaMot project would define the steps needed to produce a dual-fuel, medium-speed, four-stroke engine capable of running on diesel and ammonia.

Four-stroke engines are typically used for smaller coastal ships, while bigger, deepsea ships use two-stroke engines. MAN has already announced it would deliver ammonia-fuelled two-stroke engines by 2024.

Classified notices follow