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Rejecting LNG as a marine fuel 'is not yet feasible'



A WORLD BANK call to dial back investments on the marine use of liquefied natural gas — a fuel battling increasing doubts regarding its green credentials — has been dismissed by some industry leaders.

Panellists at the opening of Singapore Maritime Week representing owners, charterers and shipbuilders support switching to LNG as one plausible, interim solution to a transition to a low-carbon transition, sooner rather than later.

The World Bank last week called on authorities worldwide to curtail existing and avoid new public policy support for LNG bunkering, questioning its real environmental benefit and added costs.

BHP chief executive Vandita Pant counter-argued that the maritime industry risk evolving into “a laggard” if it chose not to act first with LNG and other options on the table and wait for “a perfect solution to come”.

The mining giant has awarded time charters for the world's first newcastlemax bulkers to Eastern Pacific Shipping.

LNG is nonetheless, only one alternative fuel that BHP hopes to embrace in its shipping operation.

BHP has unveiled last week its first trial use of sustainably sourced biofuel on an ocean-going bulker.

As a leading charterer of dry bulk tonnage however, the mining firm chose to “try all different things” rather than sitting still, starting first with those that are “commercial and scalable” at present, said Ms Pant.

This is a stance that MISC, Malaysia's leading shipping line, took when it first made a calculated bet through its AET Tankers subsidiary to commission the construction of LNG-fuelled Aframax tankers in 2017.

Back then, one debate that contributed to World Bank's call last week, had already held back on building fleet to run on the fossil fuel.

Some researchers have cautioned against potential slips of unburned methane, a far more potent greenhouse gas than carbon dioxide, from the LNG value chain.

Methane can cause 86 times more warming than CO₂ over a 20-year period, and 36 times more warming in 100 years.

Methane emissions accounted for around just 0.5% of international shipping emissions in 2018, according to the fourth IMO GHG study. But they also grew by more than 150% from 2012 to 2018, as the use of LNG and dual-fuel engines increased too.

MISC chief executive Yee Yang Chien described the fleet building plan, which was subsequently expanded, as "a high-risk bet" considering too that LNG bunkering infrastructure was "sorely lacking".

But MISC went on to land charters for these vessels and other shipowners soon followed suit.

Nearly 16% of newbuildings on order — excluding LNG carriers — will be powered by LNG, Mr Yee noted, quoting one industry estimate.

What mattered more to the MISC chief, as he pointed out, is that the shipping line has not dragged on its feet to take the first step towards decarbonisation.

For all its unresolved methane concerns, the marine use of LNG still holds promise in reducing carbon dioxide emitted from powering ships with conventional fossil fuels.

A recent study by pro-LNG group SEA/LNG found that the fuel can reduce lifecycle emissions, which include all those from the fuel's production to its final consumption by the ship, by up to 23%.

LNG can also nearly eradicate emissions of black carbon, a much shorter lived but also much more warming pollutant than CO₂. Black carbon accounted for around 7% of international shipping emissions in 2018, according to the IMO's fourth GHG study.

Nonetheless, the World Bank warned that overall the temporary use of LNG in shipping would offer "moderate GHG benefits to GHG disbenefits".

Simon Kuik, who heads up research at Singapore's leading yard group, Sembcorp Marine held that LNG boasts a "well-developed" supply chain, far more advanced compared to those for marine ammonia and hydrogen.

Ship-to-ship LNG bunkering for ocean-going tonnage is now possible at two key bunkering hubs, Singapore and Rotterdam, and also in the US Gulf of Mexico.

Mr Kuik highlighted the use of carbon capture, which has bolstered LNG green credential in the power generation sector.

Maritime players have already embarked on research for carbon storage systems on board vessels.

Ms Pant separately argued that policy makers should not "underestimate" how far and fast the industry would go to advance technology tackling methane concerns.

The carriers BHP has agreed to charter in from EPS will come equipped with engines capable of capping methane slippage to negligible levels, she said.

Charterers and tonnage providers have looked beyond LNG and invested on developing ammonia as one among next-generation marine fuels.

Mr Yee said that MISC is aiming for an incremental approach that it has taken with LNG for other future fuels.

The idea is to "break down the larger problem to smaller parts" so "we can afford to stomach the risks of failure", he said.

MISC is a founding partner of a now six-party initiative aimed at developing an eco-system backing up the supply of ammonia as a marine fuel.

One initial goal set for this collaboration is to demonstrate it is feasibility to run an ammonia-fuelled vessel within the next five years.

The intent is to subsequently promote wider application by looking at retrofitting existing vessels to run on ammonia, added Mr Yee.

WHAT TO WATCH:

Evergreen blocked from offloading cargo from Ever Given

EFFORTS by Evergreen, the operator of *Ever Given*, to have the vessel's cargo separated from the ship in any legal action have failed.

The 20,000 teu *Ever Given* (IMO: 9811000) was arrested by Egyptian authorities, pending settlement of the Suez Canal Authority's almost \$1bn claim for compensation, after the grounding of the vessel shut down the key waterway for six days last month.

In a statement released on Friday, the Taiwan-based line said it was investigating the possibility of the vessel and its cargo being treated separately, so that it could remove cargo to other vessels, allowing it to continue to its destination.

But according to a spokesman for Evergreen, the Egyptian courts have since clarified that both the vessel and its cargo are under arrest and the company's request has been denied.

"Evergreen had been investigating a possible transfer of cargo, but the plan didn't get past the first legal hurdle," the spokesman said.

Evergreen Marine UK honorary chairman Maurice Storey confirmed to Lloyd's List that the line had formally requested permission from the SCA to offload containers and asked if they could be transferred to another ship.

It also remains unclear how Evergreen would have managed any offloading of cargo while the ship was in Egyptian waters. Neither Port Suez nor Port Said have sufficient draft for the fully laden ship to come alongside, which would have meant a complicated process to try to remove containers from the vessel while it remains in the Great Bitter Lake.

The decision will come as a blow to customers of Evergreen and its Ocean Alliance partners with cargo on board, which will now be delayed until a resolution is found regarding the SCA's claim, the size of which has dismayed the insurance industry that will foot the bill.

Industry sources put real cost of the salvage and damage to the canal at a much lower \$250m.

ANALYSIS:

Iran's 'rogue armada' of sanctions-skirting tankers revealed

OVER 100 tankers and gas carriers said to be part of Iran's "rogue armada" of sanctions-skirting ships have been identified by a US non-governmental organisation.

The Washington DC-based United Against Nuclear Iran says the 115 vessels are distinct from the state-owned Iranian fleet of tankers but are performing the same role as they exploit regulatory loopholes to ship millions of barrels of Iranian oil.

The list was included on the UANI website to accompany a blog about the rising number of tankers now deployed on sanctioned trades involved in the practice of flag-hopping.

Frequently changing registries is one of many tactics used to avoid detection, with smaller flags from impoverished African countries or poorer Caribbean

or Pacific regions targeted because of their low oversight and lack of maritime technical expertise.

While many trading houses and data analytics providers may keep internal lists of risky vessels, this is the first-known list made freely available.

UANI has been extensively tracking and identifying sanctions-busting vessels using regular methods alongside alternate satellite and radar aperture technologies.

These can identify ships loading and undertaking ship-to-ship transfers while Automatic Identification System transponders are switched off to avoid detection.

One of the tankers, Panama-flagged Aframax *Bright Sonia* (IMO: 9213296) has engaged in three STS

transfers of Iranian crude between October 2020 and April, according to the organisation.

It calculates the trades were valued at \$91m, “with a big chunk of these proceeds will end up disbursed for regime terrorist funding, Iranian proxy wars and Iran’s malign intelligence activities”.

Panama “seriously abrogated its responsibility” by keeping the vessel flagged, according to the organisation, which said the country’s maritime authority was first alerted of the tanker’s activities seven months ago

The authority has been approached for comment.

The tanker’s commercial operator, Darya Shipping based in Gurgaon, India, which also manages another three tankers on UANI’s list, was not able to be contacted for comment.

The list has grown to 115 vessels from 70 ships five months ago, the group said.

The additional ships involved in subterfuge trading confirms Lloyd’s List research showing Iranian crude imports by China has grown substantially in the past four months.

Most of the additional tankers were recently purchased on the sale and purchase market by anonymous buyers with cheap, elderly tankers near the end of their commercial life selected for quick cash sales.

China is projected to import without penalty between 1.1m and 1.3m barrels per day of Iranian-origin crude in April, using the listed tankers

Some 750,000 bpd of Iranian crude was tracked to China during February and March, according to vessel-tracking information compiled by Lloyd’s List using data from Lloyd’s List Intelligence.

Oil tanker demand ‘to contract by most in 11 years’

OIL tanker demand is poised to shrink by the most since 2009, according to Cleaves Securities’ second-quarter assessment of the sector’s prospects for the remainder of 2021.

The 4.8% contraction is the most since demand fell by 7.7% in 2009 in the wake of the global financial crisis.

These figures are generally said to be higher than levels seen mostly throughout 2020 when estimates roughly coalesced at between 400,000 bpd and 600,000 bpd.

Of the tankers on the UANI list, 37% are flagged with Panama. The organisation has sent Panama 10 letters in eight months with three from 46 vessel of concern removed as a result, it said

St Kitts and Nevis, Tanzania-Zanzibar International Registry of Shipping, and companies that run flags for Gabon and Tuvalu have been most responsive, UANI said.

That said, some five tankers on the list remain flagged with Gabon, according to Lloyd’s List Intelligence, Aframax tankers *Lafiza* (IMO: 9273052), *Tellus* (IMO: 9246138), *Umm Habayeb* (IMO: 9192260) and product tankers *Hana* (IMO: 9162916) and *Mare* (IMO: 9422988). There are also four still with Tanzania.

Tankers on this list have had as many as four different flags, names and shell companies in less than a year, with the ship also being repainted to make it more difficult to identify vessels from satellite images.

The Marshall Islands flags six vessels on the list, and Liberia three. Others include Belize, Cameroon, Comoros, Djibouti, Cook Islands, Hong Kong, Indonesia, Palau, Togo, Sierra Leone and Kiribati.

“Flag hopping is a blight on legitimate maritime commerce,” said UANI.

The organisation’s move to identify and distribute details of ships tracked shipping Iranian crude comes as Europe-led negotiations in Vienna enter a second week to restore a 2015 Iran nuclear pact and remove US sanctions.

Demand will rise 8.9% in 2022, Cleaves said.

Destocking of petroleum inventories and lower supplies are negatively affecting the need for seaborne transportation this year, according to the Norwegian-based investment bank.

Tanker fleet utilisation will be 7.2% down on last year, at 78.6%, rising to 83.4% in 2022, the quarterly report said.

That implied average rates in 2021 that were between 72% to 42% below last year's earnings.

Still, Cleaves upgraded its earnings estimates for tankers from three months ago on improved demand.

The report cited an earlier-than-expected end to the petroleum inventory drawdown, in August, rather than January 2022, as last forecast.

Demand for oil tankers was forecast to gain 8.9% year-on-year in 2022, followed by 5.4% in 2023, as oil supply increased amid the "destocking cycle potentially unwinding mid-2021," the report said.

Medium range tankers were forecast to earn on the spot market \$8,813 per day in 2021, up from prior estimates of \$8,558. Very large crude carrier earnings were forecast at \$14,728 daily, \$2,000 above earlier predictions.

For 2022, earnings for VLCCs were upgraded by 21%, while suezmax tanker spot rates are now 18%

above last quarter estimates, and MR tankers are 10% higher.

Cleaves estimates are half of the \$30,000 average that New York investment bank Jefferies recently forecast VLCCs to earn this year. Cleaves' medium range tanker earnings forecasts are about 25% below Jefferies'.

First-quarter tanker earnings averaged the lowest levels in more than a decade as a surplus of tankers pushed rates below operating costs as secondary outbreaks of coronavirus stifled oil demand and inventory drawdowns that cut exports amid high levels of refinery maintenance.

Rising output from the Organisation of the Petroleum Exporting Countries agreed between May and August is also expected to improve prospects.

Shipbroker Braemar ACM said demand for clean tankers rose 2% in the first quarter of 2021, compared with the fourth quarter of 2020, but was 6% lower than the year-ago period.

Crude tanker demand was 4% lower than in the year-ago period, according to its quarterly review of the tanker market.

MARKETS:

Bulker ordering interest shows signs of recovery

JAPAN's Nisshin Shipping has ordered up to 10 kamsarmax dry bulkers in China as appetite for fresh tonnage in the sector appears to be increasing.

These 82,000 dwt newbuildings are scheduled for delivery by August 2023, builder Jiangsu Hantong Ship Heavy Industry said in a statement.

Shipbrokers said the contract includes a quintet of firm units, plus five optional bulkers. The vessels, which could be fitted with scrubbers, were priced at more than 27m each.

Ordering activities have been slack in the dry bulker sector this year, a sharp contrast with the spirit demonstrated by boxship owners.

The latest Lloyd's List Intelligence data shows fewer than 30 dry bulkers have been ordered since the beginning of 2021, compared with more than 600 in 2020 and 340 in 2019.

However, the Nisshin deal — together with a series of recent orders — have fuelled speculation that investors' confidence may be improving with a strong recovery seen in the freight markets this year.

The Baltic Dry Index, a measure of shipping health for bulk carriers, had reached a five-month high in mid-March primarily driven by surging panamax and supramax rates. It remains at a high level now albeit with a few corrections.

"We've already started to see deals bubbling under the surface," said a Hong Kong-based broker from a leading brokerage house.

The momentum is also fuelled by a cooling secondhand market, where quality assets are becoming scarce with owners now reluctant to sell or further raising prices amid high vessel earnings, he said.

“So, the investment interest could be gradually shifting to the newbuilding market, although it will of course depend on how long the bullish freight market can sustain.”

In addition to Nisshin’s deal, several dry bulker orders were reported by brokers earlier this month, consisting of nine firm ships ranging from capesizes and ultramaxs.

“The resuming corrective mode noted in freight earnings coupled with the increases seen in asset prices have not completely cut [ordering] interest, as confidence seems to still be robust.”

Carriers set to benefit well into next year

THE container shipping sector can expect the good times to keep rolling for the rest of the year and likely well into 2022, as ecommerce demand leads to a new level of inventory restocking.

“Looking at fundamentals, our outlook suggests the positive story will continue for some time to come,” said Maritime Strategies International Asia director David Jordan. “On the demand side, the surge in cargo demand has continued well into the second quarter and volumes remain at historically high levels.”

There were signs that consumer demand was beginning to slow marginally, but when demand would return to normal levels remained unclear, he said.

“We expect healthy trade volumes to persist over the rest of the year. Overall, we’re expecting containerised trade to grow by around 7% this year and that growth story will continue in to 2022.”

But shippers could expect to see some easing of freight rates, which had been driven up by congestion and trading inefficiencies, and which would unwind over the coming year.

“Spot rates will also fall in the coming quarters as we see greater availability of equipment and the slow unwinding of bottlenecks,” Mr Jordan told the TOC Asia conference.

But any normalisation of the market would be at “significantly higher levels” than those recorded before the pandemic.

Sea-Intelligence chief executive Alan Murphy warned that the recovery in demand since the third quarter of last year had been not been even across all markets.

said Allied shipbrokering in a recent report.

However, some market observers pointed to the soaring newbuilding prices as a key damper on owners’ ordering enthusiasm for the time being.

A new kamsarmax, for example, now costs nearly \$30m to be built at tier-one Chinese yards, up from \$24m in July, according to Hong Kong Hainer Ship Trading chief executive Jimmy Miao.

“The ship price could rise further with the ramp-up of steel price,” he said. “This could to some extent deter investment in newbuildings.”

The loss in the first half of 2020 was spread evenly across all markets, but the growth from August last year had shown just how important North America was to the total gain in teu demand.

“It really is North America and the US consumer that is driving the recovery,” Mr Murphy said. “We’ve seen growth rates of 20%-25% over 2019. God bless the US consumers, who will spend every dime they have.”

Despite the surge in volumes into the US since the third quarter of 2020, demand was still being driven by historically low retail inventories.

“We expect that with the increased focus on ecommerce and next day deliveries, the long-term decrease in inventories-to-sales ratio will be reversed, and we should expect they will go higher than pre-pandemic levels,” said Mr Murphy.

Despite overall US consumer spending being lower than before the pandemic, the focus on goods over services has benefited box shipping.

But as and when lockdown restrictions are reversed, much of this spending would likely switch back to services.

The re-emergence of spending on services will likely lead to a “somewhat sharp contraction” in consumer spending, but because inventories had not been built up there would still be demand from retailers building inventories to support the boom in ecommerce, Mr Murphy said.

“Whenever this sharp shock happens, it will not be felt by shipping lines because there will be a long time of inventory rebuilding.”

Nevertheless, Mr Jordan added that any forecast was fraught with risk due to how the pandemic may progress.

“We expect trade to normalise in the second half of this year, but if it doesn’t, lines will need to maintain vessel requirements comparable to their current

levels,” he said. “There is also the possibility that port inefficiencies could last longer than anticipated.

“On the supply side there is discipline among the lines, which we assume will continue going forward, but there are unpredictable events, such as the Suez closure, which exacerbated existing trends.”

IN OTHER NEWS:

Italian owners join push to shape EU emissions measure

ITALIAN shipowners and a leading Norwegian shipping company have joined an initiative to shape the European Union's carbon dioxide emissions pricing measure on shipping.

Italian Shipowners' association Confitarma and Norway's Torvald Klaveness, along with its subsidiary Klaveness Combination Carriers, have signed a letter sent to the European Commission, issued by Greek and Swedish shipowners in partnership with Brussels-based non-governmental organisation Transport & Environment.

The groups call on the Commission, which will unveil in June its proposal for the

inclusion of the maritime sector in the EU's carbon market, known as the Emissions Trading System, to protect shipping against CO2 price fluctuations by establishing a dedicated maritime fund.

Singapore launches real-time vessel information platform

VESSELS calling at Singapore stand to shorten their port stays by using a new real-time information platform.

The platform captures real-time vessel activities at the world's second-busiest container shipping port.

It provides shipping agents estimates on times of unberthing and departure of vessels, and so allows them to update itineraries ahead of ship arrivals, where necessary.

Castor continues spending spree with third tanker

CASTOR Maritime, the busiest player to date in this year's vessel sale and purchase market, has taken another step to diversify from its main dry bulk focus with a deal to acquire its third tanker.

“We constantly monitor the market for attractive acquisition opportunities across vessel sizes and segments,” said Castor's chief executive, Petros Panagiotidis, announcing the deal.

The latest acquisition is Castor's 10th since the start of 2021 and promises to bring the fleet of the Nasdaq-listed owner to 16 vessels.

Classified notices follow



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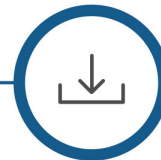
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