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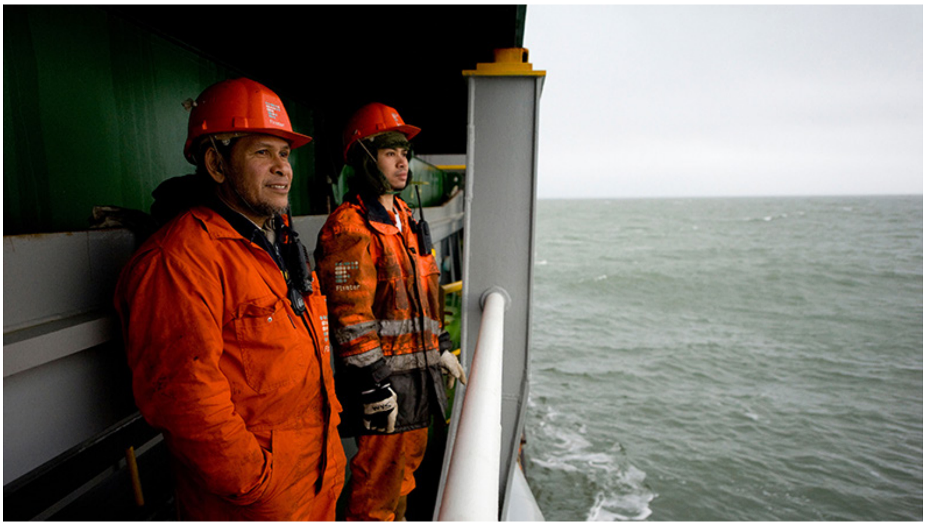
Global crew changes paralysed by pandemic 'chaos'



CREW CHANGEOVERS VITAL for maintaining global seaborne trade are being left paralysed by a new wave of coronavirus restrictions, with most of the world's seafarers unable to leave vessels once contracts expire, or sign on to start their jobs.

Shipowners and operators report escalating changeover chaos and crew shortages as reimposed and ever-expanding quarantine and immigration restrictions bite at key hubs in the Philippines, Singapore, Hong Kong and the United Arab Emirates.

A crew-nationality arbitrage has also emerged, with preference being given to seafarers who are easier to relocate, such as the Chinese, to the detriment of Indian and other southeast Asian countries.

"The current situation for seafarers is beyond dire," said Rajesh Unni from India-based shipmanager Synergy Marine Group, which provides technical management so some 375 ships. "We can't enact crew changes almost anywhere in the world.

"If it's not a lack of visas, it's no flights. If there's flights, they're not to the right destinations.

"There are stipulations for vaccines, but limitations on which ones are accepted in which country and no solution as to how we give seafarers at sea vaccinations.

"We are trying all the workarounds we can think of, but we have a stalemate that is worse than we had last year. Crew logistics has almost come to a halt. The challenges are intractable."

Lloyd's List has learned of numerous coronavirus infections on vessels as new strains defy testing protocols and are harder to detect via a seven-to-14-day offshore quarantines.

Governments have indicated times may be extended to 21 days, accelerating changeover difficulties.

Of the world's 1.5 million seafarers, around 200,000 are already stranded on ships with expired contracts and numbers are rising rapidly, posing a significant threat to crew welfare.

"Crew shortages abound," said Kishore Rajvanshy, managing director of Fleet Management, the world's second-largest shipmanager which employs 12,000 Indian seafarers.

"From India and the Philippines, on account of anxious seafarers and countries banning flights from there, to China, where a ban on crew change for foreign nationals has meant that all newbuilding deliveries in this major shipbuilding country must be made using Chinese seafarers only.

"Everywhere else [there is a crew shortage] because other crew pools — from Sri Lanka to Ukraine and from Korea to Vietnam — have had to step up to make good this shortage created by India, the Philippines and China."

Wages for Chinese seafarers have gained 10%, making ratings from the country more expensive than other nationalities, he told Lloyd's List.

Adding to shortages is the political situation in Myanmar, which provides some 26,000 seafarers, based on UN data.

Lloyd's List was told that some crew from Myanmar working abroad had claimed political asylum in those countries. Others cannot enter or leave their home country. Relevant government agencies in Myanmar were not open to issue visas or work-related certificates, while many embassies were closed.

The rapidly deteriorating global crewing situation has increased lobbying to reprise government awareness and highlight urgency on establishing vaccination programmes.

"We're working really hard with governments to try and ensure they understand the importance of seafarers being vaccinated, whether that's through the International Labour Organization, the IMO or the United Nations or directly at government level," said an International Chamber of Shipping spokesman.

"We're seeing some governments get it and that's to be applauded, but it needs some scale, so we're continuing to work so that governments understand and include seafarers in their [vaccination] programmes."

While 45 governments have granted seafarers 'key worker' status, many are among those countries that now refuse them international passage.

"The ideal situation the industry needs to work towards is one in which seafarers, regardless of nationality, feel safe and proud to undertake the important work that they do," said Mr Rajvanshy.

"They can go back home if an emergency demands and have access to shore medical facilities should they need it — they do not feel imprisoned; they are recognised as key workers, provided fast access to vaccinations the world over, and can avail guaranteed crew change corridors, with dedicated quarantine centres, testing facilities, lodging and boarding."

WHAT TO WATCH

UK government urged to step in as furore builds over LOF threat

THE UK government is being urged by shipping circles to step in to efforts to preserve the world's most reputed emergency salvage contract as a backlash grows against Lloyd's proposed axing of support for the contract.

Lloyd's has categorised its Salvage Arbitration Branch, which provides the support framework for Lloyd's Open Form (LOF), among departments "no longer considered core" to the corporation's business.

It is proposing to close the branch and run it off later this year but has invited feedback from certain stakeholders that have been given until the end of this week to submit comments.

Comments seen by Lloyd's List drawn from groups representing a wide swathe of the maritime industry, including shipowners, salvors, insurers and many others, leave little doubt of the breadth and intensity of opposition to the proposal.

Maritime London, the umbrella group with more than 100 member firms representing almost all facets of the maritime industry, has already contacted Shipping Minister Robert Courts flagging up concerns that include a potential blow to London's prestige.

A separate letter to the Department for Transport, setting out the body's opposition in greater detail, is also believed to be in the works.

It is expected to argue that LOF is a key tool in preventing and mitigating the loss of assets at sea, as well as preventing marine pollution, and dumping the contract would be an own goal for a major insurance market.

It is also expected to make the case that the branch provides a competitive edge for the London market, while its closure could further weaken the status of the UK in the marine insurance sector.

"We at Maritime London consider the work of the Lloyd's Salvage Arbitration Branch to be central to the London, UK and global shipping community. Its planned closure is therefore a great surprise," said Maritime London vice-chairman Harry Theochari.

He said usage of LOF had declined, but significant casualties continued to occur.

"When they do, the London market is at the very heart of the effective response and this was recently very well evidenced by the *Ever Given* grounding and subsequent arrest.

"It therefore seems short-sighted for Lloyd's to want to do away with the most recognised contract that promotes best endeavours in mitigating loss of assets and preventing pollution and damage to the environment."

The proposal has caused raised eyebrows or outright dismay at a number of underwriting syndicates, insurance brokers and P&I clubs in addition to the International Salvage Union and wider shipping bodies such as the International Chamber of Shipping.

It is understood that there have been rumbles of discontent over the proposed closure at key market entities such as the London Market Association and the Joint Marine Claims Committee although the formal position either will adopt remains unknown.

Some respondents have already complained to Lloyd's about what is seen as a rushed consultancy period and the impression that it is not keen for serious debate about the move.

They have been told that Lloyd's wants to resolve the matter quickly but that it may be prepared to extend the deadline for feedback by "a few days."

Lloyd's Agency, under which the SAB falls, has been approached for comment.

The department has told concerned stakeholders that if the decision is taken to stop the current service supporting LOF, the run-off of the services will begin later this year but there will be a notice period before that happens.

Maersk's integration strategy begins to pay off

MAERSK has had a validation of its container logistics integrator strategy, after posting its "best quarter ever" for its Ocean, Logistics and Services, and Terminals divisions.

"We used to have a relatively small logistics business in Denmark with Damco," said chief executive Søren Skou during an analyst call following the release of the company's first quarter results. "We have now built a Maersk logistics business with a revenue run rate above $8bn and ebitda margins of 10%.

"In other words, we are well on our way to building a profitable growth engine in Logistics and Services."

The strong organic growth in logistics has been driven by cross-selling to Ocean customers and Maersk is now measuring the commercial synergies between Ocean and Logistics, using the revenue growth in Logistics from its top 200 Ocean customers.

In the first quarter that metric increased by 68% to almost $900m, of which nearly half was from organic growth and the rest from acquisitions made last year.

“High organic growth in logistics is a solid proof point for our integrator strategy, and growing with our largest and most demanding customers is even more important,” Mr Skou said. “Compared to the first quarter of last year and full year 2020, we have increased the revenue share in Logistics from our top 200 Ocean customers from around 37% to 44%, confirming that we can leverage commercial synergies and relationships with these customers.”

Chief financial officer Patrick Jany said that customers were “voting with their wallets”.

“Growth of 68% in one quarter is a pretty good sign that our customers are quite keen to buy integrated logistics services from us,” he said. “What it implies is that the potential is huge. This is something we can grow into in the coming years.”

Maersk’s Logistics and Services division saw revenues increase to $2bn, mainly through penetration through to existing Ocean customers.

“The high growth rate validates the strategy of going with our Ocean customers and building capabilities to cover more of our customers’ logistics needs.”

The strong demand Maersk reported in its Ocean division was set to persist, with the current supply chain issues that have driven up freight rates set to continue well into the fourth quarter of the 2021.

But Mr Skou said that Maersk’s results were not simply a matter of higher freight rates.

“While the current very strong results were partly driven by market tailwinds, the first quarter was also Maersk’s 11th quarter of earnings growth in a row,” he said. “It is evident that we have continued the positive trajectory on earning that we have been on for a while.

“The trend has been accelerating, which of course was impacted by the extraordinary market conditions that have been driving freight rates to record levels, but we are building on a strong track record and didn’t just get lucky.”

That was also evidenced by the fact that those 11 quarters of growth had encompassed slow global trade growth, geopolitical uncertainty, trade tensions between the US and China, IMO2020 implementation and the pandemic, which led volumes to drop sharply in the second quarter of last year.

“Despite these, we have made continuous progress and we are a better, more profitable and resilient business today,” Mr Skou said.

It had also seen Maersk increase its contracted volumes by around 20% to 6m feu, which would provide a positive financial impact of around $550 per feu,” said Mr Jany. “This is part of the reason for our earnings upgrade.”

On top of the higher contracted volumes, Maersk has also signed up more than 1m feu in multi-year contracts.

With its increased profitability, Maersk is accelerating it share buy-back programme and will launch another in October that will see it redistribute $5bn over the next two years.

It is also raising its capital expenditure forecast for the year from $4.5bn-$5.5bn to $7bn.

“This increase is mainly driven by the need for more containers due to strong demand, but there is also some money to facilitate organic growth in our logistics business,” Mr Skou said.

“We have a strong balance sheet and it is possible to both share excess cash with shareholders and to do a bit of M&A, but most of our focus on logistics will be on organic growth and acquiring capabilities with smaller bolt-on acquisitions.”

Further details of Maersk’s plans to expand its logistics operations are expected to emerge when the company holds its capital markets day next week.

OPINION

Stakeholder self-interest is damaging industry progress

THE impact of the pandemic on shipping has reached a tipping point, *writes Richard Clayton*.

From here on, either the industry learns to collaborate to achieve its goals or powerful interest groups pursue their own goals separately to the detriment of the entire industry. Which will win?

This is the conundrum known as the Prisoner's Dilemma, in which a group whose members pursue rational self-interest may all end up worse off than a group whose members act contrary to self-interest.

ABS, a class society, hosted a webinar that posed the question: Which comes first — the future fleet or the workforce? Rational thinkers may argue that the evolution of shipping would encourage an evolution of the workforce, or that a reskilling of the workforce would stimulate a development in ships.

Instead, academics on the panel suggested that regulation comes before either vessel development or workforce reskilling. Shipping would never go green if left to its own devices.

For their part, regulators are accused of holding back the evolution of the industry by working at the pace of a turtle compared with the agility of the tigers of technology.

So, which comes first — Ocean Technology Group webinar panellists were asked — regulation or technology? Neither, they argued. The commercial instinct drives shipping, and the human element is its heart.

Consumers are at the centre of the commercial instinct, and consumers are reported to be driving shipping decision makers into transformation. Annual meetings are now packed, virtually, by consumer stakeholders pushing for increased sustainability and higher levels of transparency.

Nothing should interrupt the flow of world trade from manufacturer to end-user. Not even a pandemic. Not even the seafarers' own dilemma.

In this scenario, even when Indian seafarers are categorised as key workers, and even when flights are available to take them home, they can only board a plane after they have been vaccinated. But they are not allowed to leave their ship to receive a vaccination or to return home to get one there.

The situation, says Synergy Marine chief executive Rajesh Unni, "is dire... this is Joseph Heller [Catch 22]."

Seafarers are stuck on board, unable to receive help from hospitals when needed. In frustration, they put their heads down and push on.

But one day, an exhausted crew will refuse to move away from berth until they receive medical help, or a helmsman suffering severe mental strain may take matters into their own hands.

The case of the Suez Canal and *Ever Given* shows what might possibly be accomplished by professionals pushed over the edge.

Academics, financiers, charterers, training colleges, technology suppliers, regulators, insurers, cargo owners and consumers all have a role to play in the industry.

But seafarers will continue to suffer as long as each player takes a position of rational self-interest.

There has never been a greater need for collaboration, for industry-wide awareness of the issues and, crucially, their impact on other players. This is no time for playing hard ball.

ANALYSIS

Egyptian court rejects Ever Given arrest appeal

AN Egyptian court has rejected an appeal from the owners of *Ever Given* — the boxship whose grounding caused a six-day shutdown of the Suez Canal in March — for the release of the vessel and its cargo, P&I insurer the UK Club said.

The move comes after the Suez Canal Authority lodged a $916m claim for compensation as a result of the casualty, including a $300m element for "salvage bonus" and a further $300m for "loss of reputation".

Japanese head owner Shoei Kisen Kaisha lodged the appeal in April, but *Ever Given* remains at anchor at Egypt's Great Bitter Lake despite inspections from class finding it in a condition to sail.

"On May 4 the Ismailia court of first instance in Egypt rejected the appeal made by the owners of *Ever Given* against the arrest of *Ever Given* and her cargo," the UK Club said in a statement. "The owners are now reviewing their options. They have 15 days to appeal."

Meanwhile, attention continues to focus on the situation of the crew, with conflicting reports on whether they are allowed to leave the vessel.

A statement from manager Bernhard Schulte Shipmanagement on May 5 confirmed that three seafarers on board had been repatriated and replaced with three fresh crew members, in line with BSM's earlier demands.

Two crew members were earlier allowed to depart on compassionate grounds, in what the Suez Canal Authority described as a humanitarian gesture.

BSM said: "Three *Ever Given* crew who were past their contracts signed off yesterday and are on their way home. All three crew members have been replaced."

The replacement crew completed two coronavirus tests in the days before leaving their native India and completed a further test upon arrival in Egypt on April 30.

"All test results were negative, and all three persons are healthy. As a precaution the crew members will now complete a seven-day quarantine in their individual cabins on board before assuming their full duties."

The legal implications of the case are considerable, with lawyers expecting extensive litigation in multiple jurisdictions worldwide. Much of it is likely to be heading for London where contracts specify the use of English law.

P&I broker PL Ferrari has published a client advisory, setting out some of the legal issues, based on analysis from law firm Preston Turnbull.

Among the key points, the vessels backed up on account of the canal closure — thought to number around 400 — will not be deemed off-hire on account of the incident.

Clause 15 of the industry standard NYPE 1946 charterparty references to grounding or "detention by average accidents to ship" are not applicable to third-party vessels, the document maintains.

As established by the precedent of the 1997 Laconian Confidence decision, a vessel is not off-hire simply because it cannot proceed on account of physical impediment.

Rerouting round the Cape of Good Hope does potentially constitute a deviation under the contract of carriage.

For ships on time charter under a NYPE form, the only reasons for deviating are saving life or property, and deliberate unilateral choice to proceed via a longer route may constitute a breach of the obligation to proceed with the utmost despatch.

Owners' best course of action would have been to seek charterers' orders, while sitting out the delay and being paid hire. Orders to proceed via the cape would eliminate the possibility of deviation.

Vessels on voyage charter under a BIMCO 1994 Gencon contract may also deviate to save life or property but are otherwise obliged to proceed in accordance with the usual or customary route.

In a nutshell, detour via the cape is not the customary route for vessels seeking to transit the Suez Canal, and owners should have sought confirmation of their coverage position from their broker and their P&I club.

Delay itself can constitute contractual deviation where it is deemed unreasonably excessive. The legal test is the doctrine of frustration; was the delay at the canal so different from the circumstances envisaged when the contract was signed as to render the contract incapable of being performed?

Owners should again have sought instructions from their charterers, bearing in mind that they would not necessarily be entitled to more freight except by express provision in the charter contract.

As far as bills of lading are concerned, both the Hague and Hague-Visby Rules again provide for deviation for the purposes of saving life or property.

Charterers will have no right to claim damages from owners because of the laydays cancelling — known as laycan in industry jargon — but retained the right to cancel the charter.

NYPE provides that as long as owners exercise reasonable diligence to deliver the ship within the relevant period of time, and the dates in the cancelling clause have been given honestly and reasonably, then absent express provision to the contrary, the sole remedy of a charterer would have been cancellation.

Gencon also gives charterers a cancellation option. Where a "clause paramount" — essentially a clause that introduces a cargo liability regime — has been incorporated, then absent any contrary provisions, owners should be excused from liability for delay on approach voyages caused by events set down in the Hague Rules.

In both cases, charterers have the right to cancel the charter, but no prima facie right to claim damages.

Contractual carriers will likely not be held liable for delayed delivery as a result of the incident.

This will depend on the bill of lading, but assuming it is a Congenbill form, and that either the Hague or Hague-Visby Rules apply, and that there are no seaworthiness issues with any third-party vessel, cargo interests would need to allege that the carrier was in breach of the obligation to properly and carefully load, handle, stow, carry, keep, care for and discharge goods carried.

In response, the carrier would likely be able to rely on the exception for "perils, dangers and accidents of the sea or other navigable waters", "Act of God" or "any other cause arising without actual fault or privity of the carrier".

Claims against *Ever Given* for loss or delay will be fact and jurisdiction specific, and decided on a case-by-case basis.

However, prospects for third-party owners look poor, unless for some reason they had a contract that was breached by reason of the grounding, in which instance they may be able to sue in tort.

But even here there are complications of jurisdiction and therefore applicable law, given that the vessel's owning companies are domiciled in Panama while the tort was commissioned in Egypt.

Proving that the owners owed a duty of care to every single user of the canal under English law looks a long shot.

Denmark wants emission rules to target fleets, not individual ships

DENMARK's government and shipowners believe that shipping companies should be allowed to comply with carbon dioxide rules by improving their fleet's average performance rather than focusing on individual vessels.

This approach would spare companies from having to spend on their older and more inefficient vessels and free up greater capital for investment into low carbon fuels and technologies, according to a study conducted by CE Delft for industry group Danish Shipping.

The International Maritime Organization last November approved new short term technical and operational emissions measures for ships, to meet its target of improving the global fleet's average CO_2 intensity by at least 40% by 2030, compared with 2008.

The operational measure, known as the carbon intensity indicator (CII), will force ships to improve their operational efficiency each year based on ship type and size.

Ships will receive ratings from A to E depending on their CII performance. Ships with D or E ratings will need to formulate plans to rectify their poor performance, though critics believe this is not stringent enough and the measure lacks sufficient enforcement

The measures need to be adopted by the IMO's Marine Environment Protection Committee, which meets in mid-June, with important details around the implementation still needing to be finalised.

Denmark has proposed that the MEPC allow shipping companies to comply with the CII using a fleet-averaging approach instead of forcing them to upgrade each individual ship in their fleet.

IMO regulations traditionally target individual ships, rather than the entities that control the fleets. Denmark's proposal comes at a time when the IMO is focused on wrapping up these short-term measures that target vessel efficiency, while facing pressure to facilitate the growth of low-carbon fuels that will decarbonise shipping.

Denmark's argument is that allowing for a fleet-averaging approach will incentivise "the uptake of low and carbon-neutral fuels and reward front runners," the proposal said.

The study found that on average a company could cover between 25% and 50% of the extra costs of low and zero-carbon fuels by not investing in the improvements of other ships in the fleet.

The cost savings from this averaging approach could be more than 70% or around just 5% in the respective best and worst-case scenarios, it said.

"We are clearly proponents of looking at a fleet in its totality when measuring the CO_2 emissions of a shipping company," said Danish Shipping executive director Maria Skipper Schwenn. "Instead of spreading efforts too thinly on all ships, you should instead focus on the newest and greenest ships, and this has been confirmed with the new study."

But Denmark also clarified that for the fleet-averaging approach to work, the total CO_2 emission reductions it achieves must be at least equal to those that would have been achieved on an individual ship basis.

"This means that the money which would otherwise have been spent on improving the CII of all non-compliant ships can be used to let ships sail on low and zero-carbon fuels in such a way that the total emissions would not exceed the emissions of a compliant fleet," the study said.

Shipowners rank LNG as top fuel in energy transition

LIQUEFIED natural gas, which boasts a lower emissions profile compared to grey methanol and ammonia, has the potential to be the marine fuel that can help the maritime sector achieve regulatory emission targets for decades to come, according to a new survey of shipowners.

Nine out of 10 respondents to the survey, held during a webinar organised by the American Bureau of Shipping, agreed that LNG had a key role to play in reaching the goal set by the International Maritime Organization to halve emissions from shipping by 2050 compared with 2008 levels.

In the class society's survey, using pooled results from over 400 attendees, LNG was also voted as the fuel holding the most potential for meeting the IMO emission goals.

The results contradict the World Bank's recent call on international shipping to dial back investments in the marine use of LNG.

A separate study by ABS countered the report accompanying the World Bank statement, which questioned the environmental benefit of marine LNG on considering the possible methane leakage from the fuel use.

Methane is a far more potent greenhouse gas compared with carbon dioxide.

Sotirios Mamalis, global sustainability manager at ABS, flagged that reductions of between 6% and 16% well-to-wake, or lifecycle, emissions were possible on switching to LNG from very-low sulphur fuel oil.

These numbers work by varying the assumptions of methane slip based on differences in marine propulsion systems, and are below estimates of up to 23% reductions noted in a more widely cited study by sustainability consultant Sphera.

Mr Mamalis said the marine use of LNG still outperformed methanol and ammonia produced using fossil fuels, commonly dubbed grey methanol and grey ammonia.

Lifecycle emissions from the marine use of grey methanol or grey ammonia could range higher than that of VLSFO, he said.

By and large however, international shipping needs to make the transition to bio- or renewable-sourced fuels — whether that be bio-LNG, green methanol or green ammonia.

Bo Cerup-Simonsen, chief executive of the Maersk Mc-Kinney Møller Center for Zero Carbon Shipping, told the webinar that joint ventures and collaborations were the most effective means to accelerate the energy transition, in which the shipping industry was just "part of a bigger picture."

Shipowners may well have started to embrace such cross-sectoral collaboration, according to a study by Watson Farley & Williams.

Lindsey Keeble, the law firm's global maritime sector head, said 62% of shipowners surveyed indicated the intent to form joint ventures to fund innovations tied to the zero carbon transition. Of those, 12% will look to form links with oil and gas firms, with 13% to team up with companies active in renewables.

That said, a large majority of the respondents still sought partnerships with other shipowners, said Ms Keeble.

Maersk Mc-Kinney Møller Center for Zero Carbon Shipping is one of the first research centres to be backed by collaborations between key shipping players and the adjacent energy and commodity sectors.

It has drawn seed funding from container shipping giant A.P. Møller-Mærsk, trading house Cargill, Siemens Energy and ABS.

Separately, BW Group and Ocean Network Express are among seven maritime groups who have announced their sponsorship of a decarbonisation centre in Singapore. It is also supported by mining giant BHP and the DNV class society.

MARKETS

Shipyard earnings feel impact of steel price spike

SURGING steel costs have struck a blow to shipyards' earnings despite a recovery in the newbuilding market and ship prices.

Several major shipbuilding companies have recorded deficits or thin margins in their first quarter of the year financial reports.

Samsung Heavy Industries, one of the three largest shipbuilders in South Korea, saw net losses in the three months ending March 31 widen to nearly Won536bn ($478m) from Won227bn in the year-earlier period.

In addition to the writedown of five undelivered drill ships, "increased costs caused by a rise in prices of steel plates" was cited by the company as a main reason behind the deficit.

Shanghai-listed CSSC Holdings also posted a worsened net loss to Yuan29m ($4.5m) in the quarter, compared with Yuan18m in the same period a year ago, excluding one-off items such as government subsidies.

Its sister company CSIC Ltd, listed on the same bourse and boasting a sizable amount of navy-related business, reported an 8% rise in recurring net profits to Yuan85m. That, however, compares with a 57% jump in revenue to more than Yuan7.2bn.

CSIC Ltd said the "overly fast increase" in the price of raw materials had posed a big challenge to its operations, despite improved market fundamentals.

The two listed arms hold the majority of major subsidiary yards under state conglomerate China State Shipbuilding Corp.

A study by the China Newbuilding Price Index, which tracks ship prices at domestic yards based on inputs from 21 broking houses, said the price for 10mm ship plates had reached nearly Yuan6,000 per tonne in April, up 25.8% from December.

By comparison, price increases for fresh tonnage were between 7.4%–18.2% for most types of merchant vessels over the same period, suggesting a continued squeeze of yard profits.

Appreciation of tanker value was on the relatively mild side, while the containership segment saw the strongest mark-ups, according to CNPI.

The estimated price for a 5,500 teu ship climbed 21.9% over the past four months to nearly $60m at the end of April.

There have been few deals for vessels of this size until the recent 10-ship order of CMA CGM at Qingdao Beihai Shipbuilding Heavy Industry, part of CSSC

As part of the blockbuster deal worth more than $2bn in total, the French giant also ordered a sextet of dual-fuel 15,000 teu and 13,000 teu, respectively, at CSSC's Jiangnan Shipyard and Hudong-Zhonghua Shipbuilding.

A CNPI member broker predicted the newbuilding price would continue its upward trend. “The [shipbuilding] market is quite hot with limited yard slots available in 2022,” the broker said. “Steel price stays at high levels. Freight markets are healthy while investment appetite remains rather strong.”

New ship orders have soared to 36.3m dwt for the first quarter of the year, compared with 7.5m dwt in the same period of 2020, according to statistics from the Chinese shipbuilding association and Clarksons.

But the brisk ordering activity is not expected to help shipyards enjoy a remarkable improvement in earnings this year as it usually takes seven to eight months to start vessel construction, Braemar noted in April.

With the rise in shipbuilding costs, “the amount of profits they can gain may not conform with their dramatically increased orderbook”, said the brokerage.

Tanker rates recovery elusive as owners struggle in first quarter

DHT TANKERS kicked off the first quarter reporting season by declining to set a timeline when the fragile recovery in global oil demand would translate to higher earnings for tankers.

The owner of 28 very large crude carriers only noted that such a recovery would be “in the conceivable future,” underscoring the lack of market confidence in a rapid or sustained rebound in spot rates.

Ardmore Shipping, which owns a fleet of 25 product tankers, also signalled the timing remained elusive, with only “modest” improvements in product tanker rates over the first quarter amid the “uncertain” timing of any full recovery in global oil demand.

DHT Tankers reported net income of $11.6m on shipping revenue of $87m for the three months ending March 31. That compared with a profit of $72.2m on revenues of $211.9m in the same period a year ago.

“Demand [for crude] is partly being satisfied by drawing down on inventories, resulting in reduced demand for transportation,” it said.

“We recently noted decreases in inventories and estimates of demand slowly resuming indicating a recovery in demand for oil transportation in the conceivable future.”

DHT Tankers was largely spared from the sustained downturn in tanker spot rates during 2021 when earnings have been either negative or below operating expenses, and the lowest in more than a decade on benchmark routes.

Sixteen of its 28-strong VLCC tanker fleet were on longer-term time charter arrangements, reducing overall exposure to the dire market.

Ardmore Shipping, which has all its tanker fleet on the spot market reported a loss of $8.5m on revenues of $45.5m in the first quarter.

That compared with a profit of $6.5m on revenues of $65.2m the prior-year period.

Speaking on an investor call, DHT Tankers co-chief executive Svein Moxnes Harfjeld hinted at a fourth-quarter rates improvement, with “baby steps” taken in coming months.

“We are about to start on a gradual recovery that will lead us to a better tanker market in the not too distant future,” he said. “We see quite an impressive rebound in global (oil) consumption figures, with just jet (fuel) trailing the 2019 levels.

“People are getting up to their past consumption patterns. We think the fundmentals are good.

“But as we’ve said so many other times, we’ve been in this business too long to give you an exact month or week when we’re going to see $30,000 (in daily VLCC rates) a day but we do see everything aligning to give us confidence to that we do expect the healthy tanker market in the not-too-distant future – so call that next (northern hemisphere) winter, so.”

In the third quarter of 2020, DHT Tankers reported 16 time-chartered tankers averaged rates of $42,935 per day. Seven of the VLCCs were redelivered in the most recent quarter.

So far in the second quarter of 2021, 75% of the VLCCs were booked at rates averaging $21,300 per day, but this figure was calculated from discharge-to-discharge basis, suggesting that off-hire and waiting times were excluded.

In the first quarter of the year tankers earned an average of $31,800 per day, the company added.

Ardmore's 20 MR tankers earned an average rate equivalent to $10,800 daily, while six smaller chemical tankers had rates of $11,944 per day.

"Oil demand remains below pre-pandemic levels, largely due to reduced air travel, and given that the timing of a full oil demand recovery is uncertain, we remain focused on risk management and financial strength," said chief executive Anthony Gurnee in a statement.

Tanker companies are seeing the back of a difficult start to the year. The compilation VLCC time charter equivalent rate as assessed on key routes by the Baltic Exchange has been negative since January 13 and is currently at minus $5,951 per day.

Medium range tanker rates fared better but have dipped from highs seen in late March of nearly $11,000 daily to around $5,300 daily on Atlantic routes, data show.

Owners and operators say these figures do not fully reflect savings from cheaper fuel oil that can be used via the installation of scrubbers, slower sailing speeds or the more efficient designs of newer ships.

However, the faltering recovery in oil demand, lower exports from the Middle East Gulf, and renewed outbreaks of coronavirus that have stalled road and air transport means supply of both crude and product tankers continues to outpace demand.

General expectations that a vaccine-led economic recovery would rapidly boost oil demand, rebalance oil markets and thus trickle down to increased seaborne crude exports show few signs of materialising.

DHT Tankers said it had fewer tankers operating during the first quarter, instead taking ships off-hire to install scrubbers or ballast water equipment while rates were low.

Shipowners call for EU-India scrapping deal

THE European Union should open the door to approving South Asian scrapyards rather than forcing owners to scrap in Europe, a webinar was told.

The European Community Shipowners' Association called for bilateral talks between the EU and India so the bloc could include Indian yards on its approved list if they met its standards.

The bloc's Ship Recycling Regulation requires EU-flagged ships to use approved yards in Europe, Turkey and the US. It includes none of the three beaches in India, Bangladesh and Pakistan where most ships meet their end.

At the same time, an amendment to the Basel Convention on hazardous waste bars European owners from scrapping ships outside the Organisation for Economic Co-operation and Development, a club of mostly rich countries.

ECSA said environment and safety conditions had greatly improved and two yards at Alang met all but two of the EU's criteria. The group warned against protectionism and called for a level playing field in and outside the bloc.

"It's an illusion to think all EU-controlled or EU-flagged vessels can be recycled in Europe," said secretary-general Martin Dorsman.

GMS, a buyer of ships for scrapping, made similar claims when it defended Maersk's scrapping record in the face of Danish environment authorities.

The webinar was told Indian yards adopted the 2009 Hong Kong Convention on ship recycling in the hope this would lead to EU approval, and barring them from the list would remove their incentive to lift standards.

It heard India's ship recycling industry provided its economy with much-needed steel, the use of which also cut carbon emissions.

AP Moller-Maersk director regulatory affairs Simon Bergulf said the actual capacity of the 43 yards on the EU list was far less than their "theoretical capacity".

He called for an end to "double standards" on auditing between EU and non-EU yards. Maersk had demanded higher standards from yards and accepted lower steel prices as a result, he added.

NGO Shipbreaking Platform executive director Ingvild Jenssen said South Asian yards still suffered from high risk of accidents, toxic pollution and lack of medical care for workers.

She noted one yard which complied with the HKC still lacked hospital access and downstream waste management, and its workers lived in "dire" conditions.

"The HKC is not the level playing field that we're looking for to boost sustainable ship recycling," she said.

IN OTHER NEWS

Maersk posts record first-quarter earnings

THE ongoing challenges facing the containerised supply chain have helped push Maersk to a record first quarter for earnings and profitability in a market that is set to remain disrupted into the fourth quarter of the year.

"AP Moller-Maersk delivered an exceptionally strong performance in the first quarter of 2021 with record profit for the quarter," said chief executive Søren Skou. "The high growth and profitability were driven by solid demand across ocean, logistics and terminals.

"Strong demand led to bottlenecks and a lack of capacity and equipment, which drove up freight rates to record-high levels."

Shipping industry backs seafarer emergency fund for India

CREW welfare charities and leading shipping groups have launched an emergency relief fund in support of seafarers and their families affected by worsening rates of coronavirus infections in India and other countries.

The Seafarers International Relief Fund will be co-ordinated by the Seafarers' Charity (formerly Seafarers UK), a grant funder, working alongside Mission to Seafarers, ISWAN, Sailors' Society and other charities.

"India is facing a crisis on the frontline of its fight against the pandemic and this is directly affecting seafarers and their families who have already suffered tremendously over the past 15 months," said Seafarers' Charity chief executive Catherine Spencer.

Congress pursues hearings on US maritime funding needs

US Congress lawmakers are holding hearings about the specific funding needs of the maritime industry as the administration of President Joe Biden advances its agenda on developing national infrastructure.

Coastal port infrastructure and intermodal freight movement connectors need at least $20bn of investment to enable the country to remain competitive in the global arena, the House Ways and Means Committee has been told.

That is $3bn more than the $17bn allocated for ports and waterways in Biden's $2trn infrastructure plan — and officials say even more funding is needed for other aspects of port development.

For classified notices please view the next page.

TENDER FOR PNSC MANAGED VESSEL B.C. "HYDERABAD" — BALLAST WATER TREATMENT EQUIPMENT

Tender No. PRCD/18748/BWTE/2021/075

Pakistan National Shipping Corporation (PNSC), invites bids, for **Supply of Ballast Water Treatment Equipment (IMO & USCG approved type), along-with Installation and Commissioning on** PNSC Managed Vessel **"B.C. Hyderabad ",** as per clause-36(a) of PPRA Rules, 2004.

Bidding Documents can be downloaded from PNSC website: www.pnsc.com.pk till **June 14th, 2021**. This advertisement is available on PPRA website www.ppra.org.pk. Bids should be sent at E-mail Address: **bwts@pnsc.com.pk** latest by (1500 PKT & 1000 GMT **June 15th, 2021.** Bids will be opened on the same day at (1530 PKT& 1030 GMT)in the presence of bidders, who wish to attend.

PNSC reserves the right to accept or reject any or all the bid(s) as per PPR, 2004.

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