

## LEAD STORY:

Greece backs creation of European R&D fund within ETS

## WHAT TO WATCH:

Stranded crew data reveals extent of changeover crisis

Role of seafarers in keeping the world moving is unrecognised

Why the China-US tariff war still matters for shipping

## ANALYSIS:

China looks to Iran for secure oil supply

Developing third-country markets is top priority for Cosco

Will China's new five-year plan squash bulker demand in the long run?

## MARKETS:

Norden chief says loss-making quarter is 'no setback'

Euronav suffers \$71m loss as pandemic weighs on freight rates

## IN OTHER NEWS:

Biofuels: Shipping may struggle with the price of FAME

Falling passenger traffic hits Finnlines' revenue

D'Amico cites lingering concerns about oil demand recovery

Cheniere Energy boosted by strong global LNG demand

Safe Bulkers posts strong profit as fleet renewal continues

## Greece backs creation of European R&D fund within ETS



GREECE HAS URGED Europe to create a special fund under its emissions trading scheme (ETS) for the cost of the industry's greenhouse gas emissions to be borne by commercial operators.

The proposal is seen as something of a damage limitation effort as Greece and large swathes of the shipping industry fear the impact of being pulled directly into the EU ETS.

Ideally Athens would want shipping to be globally subject to a straight carbon tax but acknowledges that Brussels remains keen on applying its ETs to shipping in some form.

The proposal, as set out in a letter to European Commission executive vice-president Frans Timmermans from Greek minister of Shipping & Island Policy Ioannis Plakiotakis, closely resembles the position of the country's shipowners floated last month jointly with Swedish shipowners and the green non-governmental organisation Transport & Environment.

The position has also drawn support from Italian owner's federation Confirtama and certain Norwegian owners.

Mr Plakiotakis argued that collecting funds from commercial operators – effectively, charters – complied with the 'polluter pays' principle as they control the operation of the ship and determine its energy efficiency.

He suggests that the revenues poured into the fund should go towards industry research projects aimed at developing zero-emission technologies and alternative green fuels.

“Our proposal ensures that our common environmental goals in the EU are achieved,” Mr Plakiotakis said. The measure would ensure that the necessary decoupling of shipping from fossil fuels is appropriately funded, “without jeopardising the viability of the thousands of small and medium-sized enterprises that constitute the backbone of European shipping,” he said.

By contrast, the ETS was “designed for other industries,” said the minister.

The Greek government and other backers of the suggestion believe that the proposal provides for predictability of pricing and a simple enough solution that the bulk tramp shipping sector can

live with, rather than exposing the industry to the fluctuations and manipulations that they consider otherwise inevitable under the ETS.

Mr Plakiotakis said that it was Greece’s responsibility to offer ideas on how to align shipping with EU environmental aspirations because of its leading role in the industry.

Following Brexit, the share of Greek-owned shipping as a proportion of the European merchant fleet has edged up to 58% in terms of capacity.

Another advantage of the proposal is said to be that it can be easily adopted at a global level.

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## WHAT TO WATCH

# Stranded crew data reveals extent of changeover crisis

MORE than 5,200 seafarers were working beyond the expiry of their employment contracts in April, according to shipmanagers’ data.

The figure was compiled by the leading 10 shipmanagement companies and represents 5.8% of the 90,000 seafarers they collectively currently have on board vessels.

Of those affected, 0.4% have been on vessels for more than 11 months — the maximum period of service stipulated in the Maritime Labour Convention — the first Neptune Declaration Crew Change Indicator shows.

Leaders of the companies involved — Anglo-Eastern, Bernhard Schulte, Columbia Shipmanagement, Fleet Management, OSM, Synergy Marine, Thome, V.Group, Wallem and Wilhelmsen Ship Management — warn that the seemingly low percentages shown by the indicator by no means signal the end of the crew change storm.

“The crew rotation crisis is far from over,” said Anglo-Eastern chief executive Bjorn Hojgaard. “In fact, 2021 is set to be worse than the past year, with the recent surge in coronavirus cases in many crew supply countries making crew change in many cases impossible, due to ports’ shutting down for these nationality seafarers.

“The current very low number reported by leading shipmanagement companies is not representative of

the actual situation on the ground, and the worsening development in the next few months.

“What our industry needs is priority vaccination for seafarers and for ports and countries to allow vaccinated seafarers to rotate unimpeded on the world’s merchant fleet,” said Mr Hojgaard.

The view was echoed by his counterpart at Synergy Group, Rajesh Unni, as well as OSM Maritime Crew managing director Peter Burkal and Thome Group chief human resources officer Simon Frank.

Lloyd’s List has reported escalating crew changeover chaos and 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.

Kishore Rajvanshy, managing director at Fleet Management, called on governments and international bodies to prioritise seafarers as “key workers” and speed up the provision of vaccines for them.

He said the rollout of the Neptune Declaration Crew Change Indicator was “a step forward” to addressing the deteriorating predicament for crew changeover.

“It allows us to marshal our collective knowledge and data to respond effectively to the situation,” he said.

The indicator, which will be published on a monthly basis to the Global Maritime Forum, follows the

## Role of seafarers in keeping the world moving is unrecognised

NEW waves of coronavirus infections have led the maritime industry to once again highlight the plight of seafarers stuck on vessels around the world because of disembarkation and travel restrictions.

But the pandemic has done little to change the perception about seafarers, whose essential contribution to global trade remains largely unrecognised.

“As a shipowner or shipmanager, it is incredibly frustrating that countries want our ships with their cargo, but they refuse to be part of the solution to the crew change crisis,” said Anglo-Eastern Ship Management chief executive Bjorn Hojgaard and chairman of the Hong Kong Shipowners’ Association. “It’s very short-sighted.”

He was speaking as the Maritime and Port Authority of Singapore further tightened the crew repatriation conditions.

All signing in crew would now be required to serve a 21-day stay-home-notice in the crew’s originating country in the period immediately prior to his departure to Singapore.

Signing off crew must also leave the vessel for 21 days before disembarking the ship and must have remained well and not had contact with any known or suspected case of coronavirus throughout that period.

Expressing his frustration with national governments, Mr Hojgaard said: “The leaders are paid to take the big view and make sweeping decisions in times of crisis, but many forget that real leadership is to lead for everyone, not just the popular focus.

“The ability to leave no one behind defines great generals on the battlefield and our political class has failed that litmus test dismally in ignoring the plight of the seafarers. And that’s a real tragedy.”

launch of the Neptune Declaration on Seafarer Wellbeing and Crew Change in January.

The initiative has since been supported by more than 800 signatories, including some of the major shipowners and charterers.

He said seafarers are true “key workers”.

“They are the ones tirelessly discharging their duties on the frontline so we can all have our daily necessities and fight the pandemic, and sadly they are not receiving the public recognition they deserve,” he said.

“It must be our industry’s biggest regret — that despite all the good shipping is doing for the world, the world is not understanding the plight of the individuals who serve on board.”

He concedes that further restrictions are making crew change difficult and exacerbating the anxiety felt on board the ships.

“We will get people home eventually but not without some interruption, and it is doing us all no favours in terms of securing long-term supply to a seagoing career.”

According to the MPA circular, crew must refrain from interacting with shore-based personnel at previous ports of call in the past 21 days.

In response to the flare up in India and other places, Mr Hojgaard said it seems no one has learned from last year’s knee-jerk reactions.

“The least we should expect is that some leeway is made for allowing fully vaccinated seafarers to relieve their colleagues on board.”

Vaccinated travellers have 20 to 30 times less risk of carrying the infection and differentiating between vaccinated and non-vaccinated seafarers would create further incentives to quickly obtain essential workers priority in the vaccination queue.

That would benefit both the industry and the nations around the world that rely on shipping for essential goods, he said.

# Why the China-US tariff war still matters for shipping

WHEN will President Biden annul the US tariffs on about \$370bn of Chinese goods that he inherited from his predecessor?

The question seems much less relevant for shipping now.

The centrepieces that have been shaping the markets — whether it's the container shipping boom or the tanker trade slump — are largely products of the coronavirus pandemic.

Removing the tariffs will have little impact on the already surging box freight rates; retaining them can hardly strike yet another blow to the already badly hit segment.

Yet what if this is wrong?

Despite repeated requests from Beijing and trade groups, President Biden has stated he is in no rush to withdraw the US duties on Chinese products.

His administration is undertaking a comprehensive review of the US trade policy towards China, as part of the development of an “overall China strategy”.

The recently sworn-in US Trade Representative Katherine Tai also said that tariffs are a “legitimate tool” to counter China's state-driven economic model.

One area where she suggested the leverage could be used is to make China deliver on its commitments in the Phase One trade deal signed between the two countries.

To end the trade spat, China has pledged to buy \$200m more manufactured, agriculture and energy goods from the US between 2020 and 2021 compared to a 2017 baseline.

However, the latest figures from Peterson Institute show that as of the end of March, China's purchase of all covered products had only reached 75% of the year-to-date target in terms of Chinese imports — and 61% in terms of US exports.

The collapse of the oil price last year was seen as one of the main reasons behind the shortfall.

Concerns have already been raised over China's capability to fulfill the agreement.

“I doubt China can complete the promised procurement plan, especially when it comes to the energy products unless the pump price suddenly shoots up, which is unlikely with the Covid situation,” said a Chinese analyst from a global trading house.

“They may need to renegotiate the terms with the US. And you won't see the tariffs go away until that issue is settled at the earliest.”

In addition, Washington should also need that revenue to support its extravagant stimulus package, he added.

However, shipping seems to have already become accustomed to what was once regarded as a critical threat to the industry. Even with the tariffs, the market keeps motoring on in many segments.

The Sino-US tariff war did not reduce the container trade volume but just altered the direction of cargo flows, according to Drewry managing director Tim Power.

“What happened was that about 5% of China's container exports to the US shifted. They didn't disappear but moved to Southeast Asia, so you saw this colossal increase in Vietnam, for example,” he said.

The viral pandemic has, to some extent, reversed that course.

As the first major economy to have emerged from lockdown measures, China's quick reinstatement of its massive manufacturing capacity has attracted a significant amount of foreign orders back to the country.

And the tariff-induced extra costs appear negligible for the US importers basking in a domestic shopping spree spurred by government handouts and a change of consumption habits.

As a result, container freight rates have shot through the roof.

Maersk, the world's largest carrier, recently brightened its earnings outlook for the full year to be in the range of \$13bn–\$15bn, up from its early estimate of \$8.5bn–\$10.5bn.



It also estimated the global demand growth for 2021 will accelerate to 5%–7% from 3%–5%, “primarily driven by the export volumes out of China to the US.”

As new Covid infections in India and the Philippines resurge, fears are stalking the international community that the more developing countries with looser control measures will suffer. In turn, more orders will be flowing to China.

Su Chang, chief economist of Horizon Insights, a Shanghai-based financial research institute, said Chinese exports will remain strong so long as the US continues to subsidise its consumers, even though part of the spending is expected to swing back to services from goods with the relaxation of travel restrictions.

“Last year, the Americans bought lots of durable goods, like cars, furniture and household appliances when stuck at home. This year, they’ll need shoes and clothes, for example, when going out. So the demand for goods will last for a while.”

In the long run, Mr Power sees the confrontation between the two superpowers as “the great hegemonic struggle for the next 30 years”, with more trade frictions to come along the way.

Therefore, the migration of US-bound container exports from China to Southeast Asia will continue.

However, as a senior analyst for shipping, he then hit the nail on the head. The main driver of the total market is not where the origin is; it is the demand from the US, he said.

“If the US economy recovers briskly, the volume will be there and just coming from different places. So fundamentally, [the trade frictions] won’t have that huge impact on the overall global market.”

What has been overlooked, perhaps, is how intensely that “hegemonic struggle” can evolve.

The scope of the taxed Chinese products is a reflection of the extent to which they can be sourced elsewhere by the US.

That progress will only speed up if Mr Power is right about the migrating factories and logistics chains.

The escalating competition between the world’s

largest two economies is bound to go beyond just a trade strife. The rising military tensions in the Taiwan Straits is becoming clearly evident. The US will be more confident to make harsher moves as it finds itself breaking away from the reliance on Chinese supplies.

In a recent article posted by the Heritage Foundation, a Washington-based think tank, its Asian Studies Center director Walter Lohman called on the White House to scrap tariffs on China, as well as the purchasing commitments the Chinese made in the Phase One agreement.

Yet the main reason behind his advice is that the US should talk “value” instead of “money” with China, as he warned of Beijing’s increasingly aggressive ways of interacting with the outside world, including its crackdown on Hong Kong’s autonomy and its alleged “genocide on Uighur Muslims in Xinjiang”.

Mr Lohman’s final suggestion: “The Biden administration must say no to any new trade deals with China.”

In that sense, rather than creating room for repairing the bilateral relationships, the withdrawal of the tariffs could be a portent of even worse clashes between the two superpowers, such as imposing broader and stiffer sanctions against each other.

The latter would mark the day when a war of ideas has taken precedence over the common ground of economic interest, leading to a disaster for shipping.

There is, nevertheless, optimism. The odds for a complete decoupling of the two nations are tiny, said the Chinese analyst from the trading house.

He said China’s core competences as a manufacturing centre — a vast land, large population, developed infrastructure, strong government and the efficiency accumulated from decades of experience — means the country largely will retain its position for the foreseeable future, despite all the relocation hype.

However, more importantly, he argued that both presidents and their parties want to stay in power while the capital from both countries needs each other’s market.

“A decoupling will benefit neither side,” the Chinese analyst concluded.

## ANALYSIS

# China looks to Iran for secure oil supply

US SANCTIONS on Iran are designed to make exports of crude from that country all but impossible. Yet these days, Beijing is not paying very much attention to what Washington wants.

At the time of writing, China was projected to import between 1.1m and 1.3m barrels of Iranian-origin crude per day in April.

Around 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.

That is more than the levels seen throughout 2020, when estimates placed shipments at somewhere between 400,000 bpd and 600,000 bpd.

It is just a fraction of oil-thirsty China's 14m bpd demand, which makes it the world's biggest consumer. Yet for Iran, the sales are a veritable lifeline, at a time when the economy is feeling the impact of Washington's animosity.

As Lloyd's List recently reported, well over 100 vessels owned by companies in various jurisdictions have found ways to exploit regulatory loopholes in order to continue the trade.

Satellite tracking systems are frequently switched off, with ship-to-ship transfers in the Gulf and in Southeast Asia increasingly commonplace.

However, providing adequate marine insurance cover can be organised, and transactions financed by banks willing to forgo trading in dollars, subterfuge could soon no longer be necessary. Ever-closer ties with China would make both things possible.

Already significant links have now been cemented following a 25-year deal signed off by the two countries' foreign ministers in Tehran in late March.

This is not special treatment; China signed similar co-operation deals with Iraq in 2015, Saudi Arabia in 2016 and the United Arab Emirates in 2018.

'Comprehensive' is probably not the right word in this context; see it more as a statement of intent. The published text, running to a scant 20 articles, is

available in English online. It is likely that many details are not in the public domain.

Yet the basic principle is that China will invest up to \$400bn in the Iranian economy over the next quarter of a century, to be repaid by a guaranteed supply of crude at a sharp discount

If that comes off, it marks a clear step change. According to the American Enterprise Institute's China Global Investment Tracker website, China's investment in Iran for the entire period between 2010 and 2020 was worth a modest \$18.2bn, compared to around \$30bn invested in Iran's Gulf region rival Saudi Arabia.

Trade has reportedly been in the order of \$20bn annually in recent years, down from over \$50bn in 2014, although some of the decline is due to the drop in oil prices, the website added.

Boosting those levels could make sense for both governments; China will welcome the security of supply, while Iran will seize the opportunity to mitigate the hurt US sanctions are clearly causing.

Its economy shrank by 5.4% in 2018 and 7.6% in 2019, and the exchange rate of the rial against the dollar plummeted sharply, which has made imported goods correspondingly more expensive.

"For Iran, China is a key market if it is able to increase oil exports significantly," said independent oil analyst Neil Atkinson.

"We have seen a big increase in exports in recent months as Iran has used various methods of subterfuge to disguise shipments."

Another point worth mentioning, he added, is the new 1m bpd Iranian export terminal outside the Strait of Hormuz at Jask.

"This will reduce the risk of disruption at the pinch points and add to Iran's reliability as a supplier."

US restrictions may even be ameliorated before too long, thanks to the Biden administration's stated desire to reinstate the Iran nuclear deal negotiated by President Obama in 2015, but subsequently abrogated by president Trump just two years later.

Yet whatever happens on that diplomatic front, the agreement with China represents an important fillip for Tehran.

According to media reports, some \$280bn of the money will be spent on developing oil, gas and petrochemicals, with the remainder mainly devoted to transport and manufacturing infrastructure.

The efforts will come under the rubric of China's ambitious Belt and Road Initiative global infrastructure development plans, which forms the centrepiece of Xi Jinping's foreign policy thinking.

The quid pro quo will be China's right to buy Iranian oil, gas and petrochemical products at a minimum guaranteed discount of 12% to the six-month rolling mean price, with a further 6%-8% discount by way of risk-adjusted compensation.

There have also been reports that China will get to

## Developing third-country markets is top priority for Cosco

OTHER than the eye-popping \$2.4bn net profits posted by Cosco Shipping Holdings for the first quarter, another aspect that deserves the attention of investors and competitors is perhaps the company's development of the so-called "third-country markets".

These markets, where cargo does not involve China as the origin or destination, is a key indicator about how globalised the Chinese giant has become — and its potential for future earnings.

Shanghai and Hong Kong-listed CSH is the container shipping and port arm of state-owned China Cosco Shipping Corp.

Under its wing are the two liner shipping brands, Cosco Shipping Lines and Orient Overseas Container Line, which collectively control the world's third-largest boxship fleet.

The expansion strategy in third-country markets has long been set out, back when the parent conglomerate was created by the merger between Cosco Group and China Shipping Group in 2016, in order to gain economies of scale and match the clout of its western rivals.

Now the plan has become increasingly important, with manufacturing capacity and supply chains gradually moving out from the world factory.

lease Iranian islands — including Kish, home to a free trade zone — and deploy security forces in Iran.

These claims have been formally denied by Iranian foreign minister Mohammad Javad Zarif.

Yet the issue has excited the nationalist passions of the hardliner faction in Iranian politics, who have a strong chance of ousting the reformers who make up the current administration of president Hassan Rouhani at the next elections in June.

For them, the extent of Chinese influence in the country is a sensitive issue, and there will be fears for loss of sovereignty.

In short, then, this is still far from a done deal. However, if it does come off, it will mark a decent boost to tonne-mile demand for those tanker operators in a political position to accept the stems — even if these operators are few in number.

"Developing the third-country markets is at the top of our agenda," CSH vice-president Chen Shuai told investors.

"China has been the world factory for a very long time," he said. "Before the pandemic, we've already seen manufacturing migrating to other areas like Southeast Asia."

The coronavirus outbreak has disrupted the course, with many export orders returning to the Middle Kingdom, the first economy that has recovered from the lockdown measures.

Yet that will not alter its direction.

China International Capital Corp, a leading Chinese investment bank, reminded investors to take notice of several long-term impacts from the public health crisis

One is that buyers will be more inclined to diversify their sourcing countries in future.

In the supply chain sector, discussions have already been taking place about the China Plus One (or Two) strategy as a way to reduce supply and trade risks.

More than 30% of the volume lifted by CSH's fleet was contributed by third-country markets during the first three months of 2021, Mr Chen disclosed.

The proportion was underestimated by the pandemic-led surge in Chinese exports, so there is sustainable room for growth, he added.

Measures have already been taken to expand the carrying capacities in those markets, despite the current tight supply of vessels.

Helped by its carrier partners, CSH is “upgrading” the services on routes such as India-Europe and intra-Europe.

## Will China's new five-year plan squash bulker demand in the long run?

CAN China continue to drive the dry bulk market as it has done since the turn of the century?

With a new policy in place aimed at the environment, retail spending and “smarter” infrastructure, the worry for owners is that demand for bulkers — especially the larger sizes — may wane just as freight rates are surging to the highest levels in more than a decade.

The best years were had when China was starting to emerge as a powerhouse, needing copious amounts of iron ore and coking coal to make steel to build roads and other infrastructure to support new cities.

Back in 2006-2008, capsize rates rocketed to more than \$200,000 per day. Current levels are in the region of \$33,000 per day.

The Baltic Dry Index, a measure of global economic activity, has reached the highest level in more than 13 years on strong demand from China, a recovery elsewhere following pandemic lockdowns, and low fleet growth amid inefficiencies that have kept vessels employed for longer.

“It’s all about the China magic,” said BIMCO’s chief shipping analyst Peter Sand.

“Since the mid-2000s, the dry bulk market has been all about Chinese commodity imports, but the strongest part of China’s stimulus boost is behind us, and there may be softness in the weeks and months ahead,” he said.

Mr Sand added that Beijing’s long-term goals include “a greater focus on agriculture, and moving more people into the middle-classes, so the transition from a heavy-industrial model to retail will hurt dry bulk demand”.

“Although there is an upsurge of new infections in India right now, we still have good expectations on that [export] market in the long run,” said Mr Chen.

In intra-Europe, CSH has deployed two 8,500 teu ships, the largest in this market.

“The scale and efficiency of our service in these markets are increasing,” Mr Chen added.

According to Shanghai Metals Market managing director Ian Roper, the dry bulk market faces “many long-term challenges” due to China’s move to produce “green” steel as part of its environmental pledge.

Although cuts in production will be limited, as new capacity replaces old, the iron ore market will be challenging, as more steel is produced from electric arc furnaces, which use scrap metal, he said.

Tangshan, for example, has cut run rates on its blast furnaces already, while increasing EAF production.

In addition, the push for efficiency and minimising emissions encourages more scrap usage in blast furnaces, so iron ore and coking coal consumption will take a slight hit over time.

“In the long term, I don’t see iron ore imports keeping up in China, as scrap generation picks up to 350m tonnes by the end of the decade from 220m tonnes in 2020,” Mr Roper, who is based in Singapore for the research group, said on a recent Baltic Exchange webinar.

He expects to start seeing weaker data points on demand from the second half of this year as there is Yuan1trn (\$154.2bn) less to spend on infrastructure projects.

While Beijing’s new five-year plan, which runs to 2026, will be good for copper and aluminium for new electricity grids, and for renewable energy, it will not be so supportive for steel.

However, a focus on building subways should offset a drop by half to 10,000 km of planned high-speed rail, he pointed out.

Arrow Shipbroking Group’s head of research Burak Cetinok shared similar views.



While China's plan was light on detail, self-sufficiency was a key area, which entails a stronger manufacturing sector.

Policymakers are also looking to boost productivity and increase the value-added content of factory output, not just in research and development, but also in building hi-tech facilities, which bodes well for the country's commodities demand in the medium term, he said.

Slower investments will be made in the traditional growth drivers of construction and infrastructure, which should come "as no surprise, as China's infrastructure is now very large and well developed and does not require investing at such a rapid pace as in the past", he added.

The same can be said for the property sector.

China, which has a large and modern housing stock, does not need to build as many units as it did in the previous five years, which is reflected in the government's tighter supply of construction land and a cutback on the redevelopment of old housing, said Mr Cetinok, who is based in London.

That being said, China will continue to build new roads, railways and apartment blocks in the coming years, though at a slower pace, which will support raw material demand.

"All in all, I believe Chinese investment growth will remain strong, but it looks set to switch engines, from infrastructure and property, to manufacturing," said Mr Cetinok.

"This switch may manifest as a little less steel-related but more minor bulk-intensive growth in the dry bulk market in the coming years."

China will also continue to import grains due to depleting reserves, competitive international pricing, and concerns about the quality and quantity of domestic supplies, the analyst said.

China's grain imports have surged so far this year and volumes are expected to remain high during the rest of 2021 and in 2022, he added.

The higher volumes are supportive of the dry bulk market, as tonne-miles are boosted since supplies have been coming from the US and Brazil.

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## MARKETS

# Norden chief says loss-making quarter is 'no setback'

NORDEN, a Danish owner and operator of bulkers and product tankers, has raised its full-year profits guidance based on a "booming" dry bulk market that is expected to bolster the dry operator unit.

The company expects an adjusted result in the range of \$75m to \$125m, it said in an earnings statement. That figure is up from its previous guidance of \$50m to \$100m.

Chief executive Jan Rindbo said the company has chartered-in "a lot of ships", which will benefit it during the rest of the year.

Its dry operator unit saw an increase in activity, with an average of 322 vessels operated during the most recent quarter, a rise of 31% compared with the same period a year earlier, allowing the company to make strong use of short-term regional positioning opportunities in the market.

"Our trading-oriented strategy has been priceless," said Mr Rindbo, and despite a loss-making first

quarter of the year, dragged down by a weak tanker market, the company is on track to deliver solid results.

The company made a net loss of about \$15m in the first quarter of this year compared with a profit of \$27.7m in the same period a year earlier.

"I do not see the first quarter as a setback — it is too short a period to look at," he told Lloyd's List. "It's been a super quarter based on value creation which will flow to the bottom line. The long-term perspective is always important."

The company has been able to manage huge market volatility in both tankers and dry bulk through its asset-light portfolio that has allowed it agility to move fast in changing markets.

Its strategy of selling tankers and buying bulkers has recently paid off and Norden may look to offload tonnage it acquired given further increases in asset values.

While dry bulk demand was “booming” and was likely to continue through the year, it expects to see a gradual recovery in the tanker market as the world slowly opens up following 16–18 months of the pandemic effect that knocked oil demand.

While the tanker sector will not be “strong, it will be better” than the past several months, and as a result, Norden has chartered-in more vessels.

But, challenges remain, namely the crew change crisis, which has presented operational difficulties.

## Euronav suffers \$71m loss as pandemic weighs on freight rates

LOW freight rates weighed on Euronav’s earnings in the first quarter, with the owner and operator of a fleet of 85 tankers reporting a \$71m loss and a 72% cut in revenue compared to the same period last year.

“Available large crude tonnage remains abundant,” said chief executive Hugo de Stoop. “We remain confident that the market will recover in the medium-term.”

Mobility restrictions linked to the pandemic continue to affect global crude consumption, adding that the low freight rates prevail in the current quarter.

Those in the company’s 47 very large crude carriers that were operating in the spot market reported average time charter equivalent rates of \$14,000 daily, compared with \$72,750 daily for the first quarter of 2020.

Euronav said its suezmaxes in the spot market earned \$11,500 daily. The company has 28 of the 1m barrel capacity tankers.

Fewer tankers are exporting cargoes from the Middle East Gulf after members of the Organisation of the Petroleum Exporting Countries cut production to control falling prices a year ago.

“It is certainly not plain sailing, but these inefficiencies is what fuels the markets,” said Mr Rindbo, adding that for example, vessels quarantined in Australia effectively takes capacity out at a time of strong demand.

Norden has had “a few” cases of coronavirus in its operated fleet, resulting in ships being detained, while crew changes are not possible in some countries.

“India is a specific concern, although it is still open with goods moving in and out,” he said, adding that the spike in cases may be temporary.

OPEC moves to restore 2m bpd to the market over the second quarter was an “encouraging sign,” but the tanker surplus that is depressing rates remains, Mr de Stoop said.

The company also urged for governments to prioritise seafarers in any vaccination rollout as surging coronavirus infections in India and across southeast Asia, so they can access safe transit and travel

Despite poor rates, Euronav said it was “confounded” by the lack of ship recycling despite challenging market conditions that usually accelerate scrapping. Last year volumes of tankers scrapped fell to a 24-year low, with even lower numbers seen over the first three months of 2021.

This was despite rates on many benchmark routes for VLCCs and suezmaxes reporting negative time charter equivalent earnings over most of the three-month period, especially in the Middle East Gulf.

The company noted that much older tonnage is being used for illicit trading around Venezuelan and Iranian sanctioned cargoes.

Some 83 elderly VLCCs have been sold to private operators for this purpose since 2019.

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## IN OTHER NEWS

### **Biofuels: Shipping may struggle with the price of FAME**

NEW efficiency regulations will likely renew interest in biofuels to cut emissions, but high prices and handling problems will

complicate their uptake in ships.

DNV environmental consultant Oyvind Sekkesaeter said the International Maritime Organization's short-term

efficiency measures approved last autumn would spur interest in biofuel blends, so far used mostly in trials.

“We expect that uptake in the

future will increase significantly as ships reduce their carbon intensity," he told a UK P&I Club webinar.

#### **Falling passenger traffic hits Finnlines' revenue**

AN ONGOING downturn in passenger traffic and lower volumes has hit revenues and earnings at Grimaldi Group subsidiary Finnlines.

Revenue for the first quarter of €124m (\$149.4m) was down 5% on the corresponding period in 2020, which was only partially affected by the start of the pandemic in northern Europe. But profits were down by more than 35% to €13.2m.

"Strict travel restrictions have remained on Finland's border the first months of the year," said chief executive Emanuel Grimaldi.

#### **D'Amico cites lingering concerns about oil demand recovery**

D'AMICO International Shipping, an Italian product tanker owner and operator, said it has "lingering concerns" about an oil demand recovery as coronavirus

infections rise in some countries.

"There are still lingering concerns over the strength of the recovery in oil demand with the number of coronavirus cases globally having recently peaked because of surges in some European countries and in particular due to the accelerating contagion trends in populous countries such as India and Brazil," it said in an earnings statement.

"Looking at India and Brazil, it is not helping us," said the company's chief executive Paolo d'Amico.

#### **Cheniere Energy boosted by strong global LNG demand**

CHENIERE Energy, the leading US exporter of liquefied natural gas, said the outlook for the rest of the year has improved after strong demand boosted first-quarter results.

The Houston-based LNG producer reported a \$393m profit in the first three months of the year, compared with \$375m in the same period a year earlier. Revenue rose 14% to \$3.1bn, from \$2.7bn a year ago.

"The global LNG market has recovered significantly for 2021 and beyond. Demand has outstripped supply, resulting in higher prices," said chief executive Jack Fusco. "We forecast that global LNG trade will approximately double – expanding by approximately 350m tonnes a year to over 700m tonnes a year by 2040."

#### **Safe Bulkers posts strong profit as fleet renewal continues**

SAFE Bulkers, the Cyprus and Greece-based dry bulk carrier owner, has said it is eyeing further renewal of its fleet after posting a strong first-quarter profit.

The New York-listed owner of 43 bulkers reported net income of \$21.3m compared with a \$9.9m loss in the year-earlier period.

The company's result was boosted with \$7.6m in early redelivery compensation paid out by a charterer after the early termination of a time charter for the capesize *Lake Despina*. The charter was due to last until January 2024.

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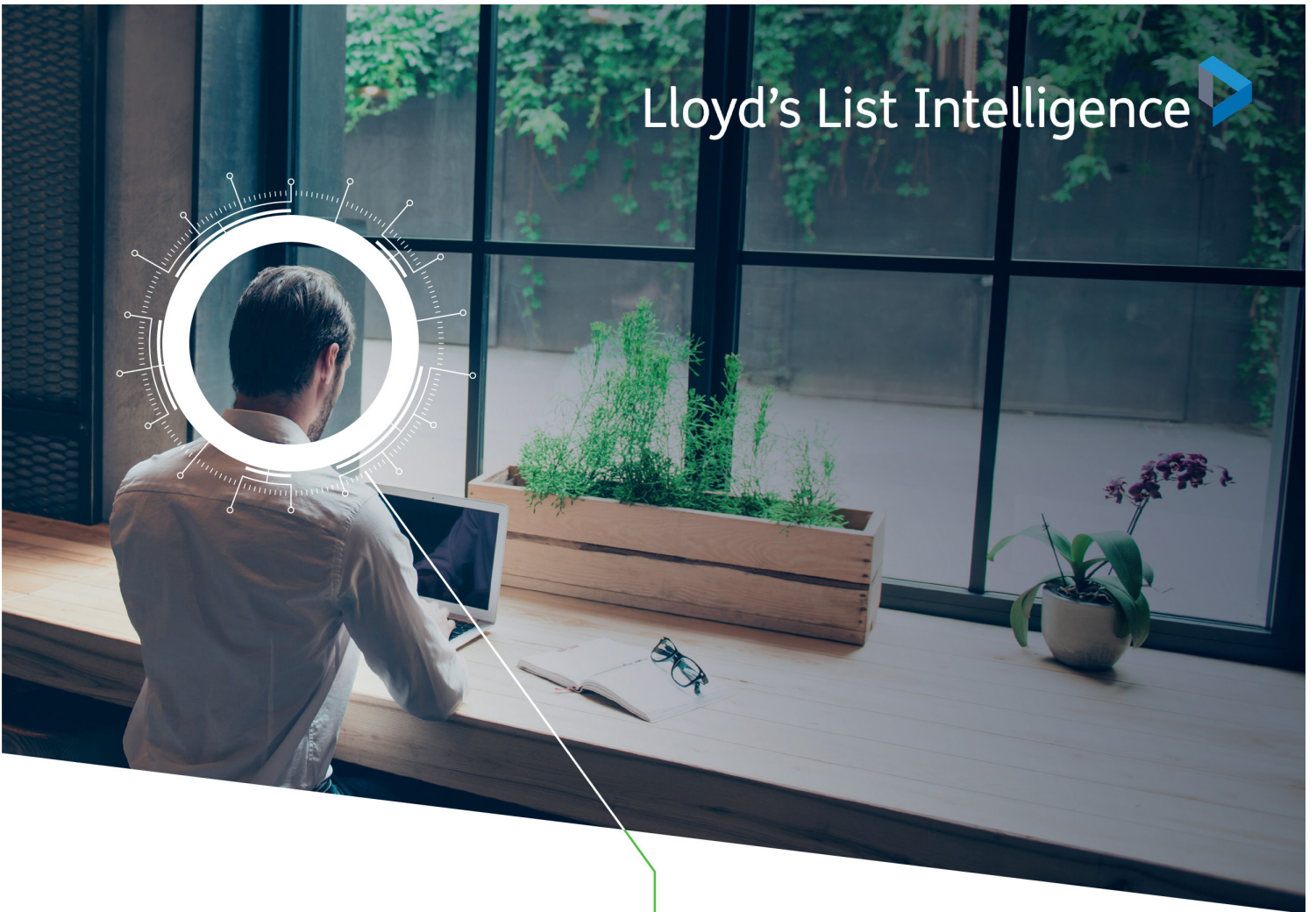
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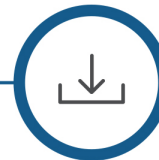
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