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The looming crew crisis requires urgent action, not words



Lloyd's List

The View



THE SIGHT OF one of the world's largest container ships stuck firmly in the banks of the Suez Canal revealed the link between shipping and trade to bewildered consumers.

For governments, the fragility of global supply chains and the risk inherent in those chokepoint risk assessments they had been ignoring, quickly became a high priority.

But when 400,000 crew were left stranded at sea last July threatening the same supply chains via a floating humanitarian crisis, the response was more muted.

The crewing crisis is back.

In truth, it never really went away; the industry just worked around the problems, paying through the nose to do so.

But with India engulfed in a new coronavirus strain, Myanmar seafarers locked out due to sanctions at home and existing logjams getting worse, shipping is facing a global crew shortage.

Left unaddressed this will create a supply chain snarl up that will make the recent Suez blockage look like a minor local traffic jam.

Crew changeovers vital for maintaining global seaborne trade have been paralysed by the new wave of coronavirus restrictions, with most of the world's seafarers currently unable to leave vessels once contracts expire or sign on to start their jobs.

Expensive workarounds previously deployed no longer work. Shipmanagers have reached a stalemate as crew logistics once again ground to a halt this week as the second wave of Coronavirus hitting India was revealed to be a tsunami.

For now, trade is moving, albeit with crew wearing hazmat suits and a growing fear that certain high risk routes will be temporarily pulled. The current contradictions of measures being imposed by national bodies blocking crew changeovers is changing by the hour. The familiar parade of paradoxical restrictions and inconsistencies are once again ramping up

Whether formally communicated or not, quarantine restrictions for vessels which have called in high risk areas are now widely anticipated and will cause serious trade disruptions in the process.

There will be a lag in the impact of these actions, but it will come.

Attention has naturally shifted to government responses and the familiar calls for action and pledges to overcome challenges are already being cranked out by weary industry officials wary of previously broken promises.

The lack of traction within governments prior to this re-emerging crisis does not bode well.

Governments must recognize seafarers as key workers, prioritize their access to vaccines and implement health protocols that will allow crew changes to take place safely. This is especially important in the current situation where coronavirus infections are starting to spread again, including in important seafaring hubs.

Expect these messages to once again be stressed, requests to be urged, memorandums to be signed and high profile interventions to be made.

However, it should be noted that we are a year into this process with little evidence to suggest these messages are getting through, so temper expectations of actions preceding the inevitable crisis.

So does the industry simply brace for impact and the prepare the 'we told you so' response?

Absolutely not.

This is not simply a case of hoping for government intervention – industry must also collaborate to

overcome the crisis and this is where we have some agency to make a difference.

Positive progress has been made over the past 12 months and the industry collaboration inherent in industry guidelines like the Neptune Declaration offer some defence against the coming storm.

Those charterers and shipowners backing Neptune acknowledge that managing crew changes is a shared responsibility and the guidelines developed present a clear set of commitment towards dialogue and transparency.

Some charterers have embraced this call and players including Rio Tinto have been widely recognized for their exemplary commitments in public and in practice. They are sadly still in a minority.

According to senior industry officials and several high-profile shipowners who have raised concerns directly to Lloyd's List, there remains a gulf between what is being pledged and what is being delivered in practice.

In January, we reported that charterers were refusing to fix ships with imminent crew-change requirements or demanding that crew changes are postponed in order to avoid costly disruption to voyages.

Four months on that practice seems to be routine and the only change has been the increase in gesture politicking that has accompanied pledges of dialogue and transparency.

Shipowners polled by Lloyd's List report a gulf between what charterers say and do in pursuing the lowest possible cost and avoiding the expensive disruption of crew change. They simply do not fix certain vessels.

Efforts like the Neptune Declaration are to be lauded and those who signed up to it and stuck to it should be recognised, but unless more companies live up to spirit of the declaration it is a meaningless gesture.

Shipping has been left in an impossible position, ostracised by government policy seeking to protect populations, but required to keep the wheels of trade turning regardless.

The shipping industry's resilience and ability to find workarounds to seemingly intractable problems has carried trade this far, but without some urgent action serious disruptions to the global supply chain are inevitable.

Those signed up to the Neptune Declaration's principles, argue that it is by recognizing our shared responsibility for the seafarers, who make global seaborne trade possible, and by collaborating, that

the maritime ecosystem will be able to tackle this crisis.

It is time to turn those laudable words into actions.

WHAT TO WATCH:

Fluid port regulations frustrate seafarers

SOUTH Africa's port authority has annulled two recent alerts with a fresh round of tightened crew change measures, underlining the fickle situation that is unsettling sea workers amid a new wave of coronavirus restrictions.

The country's Transnet National Ports Authority said its notices on the Health Risk Alert (versions one and two) have been "withdrawn with immediate effect."

"Our sincere apologies for inconvenience this may have caused," it said

The latest version, dated May 6, has requested vessel masters to declare crew who went on board within the past 30 days and the transit points they have been through.

Among other measures, it also said all arriving vessels must spell out their past 10 ports of call, whereby the authority will decide which ships should have their crew tested for the virus before being allowed to dock.

It serves as an update on the previous version, dated May 5, which showed heightened vigilance on ships and crew with recent travel to India, where new infections have reportedly reached a record high.

"All vessels where the last port of call is any port in India are required to have all crew and officers tested for coronavirus before docking in any South African port," it wrote. "No shore leave will be permitted for anyone from vessels where the last port is from India.

"No shore leave will be permitted for any person that has travelled to India in the past 30 days without a coronavirus test certificate from South Africa."

These measures remain valid with the latest update, the Transnet National Ports Authority confirmed to Lloyd's List — minutes before the email about the withdrawal of both alerts.

The move signals the fast-changing nature of decision making by port authorities. There appears to be escalating crew changeover chaos as draconian quarantine and immigration restrictions are being reimposed by governments around the world.

"The seafarers on board as well as our management team are on the verge of collapsing these days," said a Hong Kong-based shipping executive. "Rules and documents from ports could change at any time. We just don't know what to do."

A port authority message was being circulated among shipowners earlier this week that vessels arriving from India to South Africa's Richards Bay port, the largest coal export facility in Africa, are requested to be isolated at anchorage for 15 days from arrival date.

The rule, however, did not appear in the latest two alerts

Concerns have been raised that ship schedules and routes could face serious disruption if ports start to impose quarantine measures on vessels that have travelled to India.

"There is anecdotal evidence to suggest that tanker owners are becoming increasingly wary of permitting their vessels to call at Indian ports," Alphatanker said in its weekly report. "A knock-on effect of the outbreak is that numerous countries have closed their borders to crew changes for ships having recently (generally within the past 14 days) called at Indian ports."

Citing port agency information, the consultancy said that the quarantine requirement seems to have not yet been applied to mariners if they remain on board their vessels all of the time.

However, port regulations could "change swiftly" should the reported conditions in India deteriorate further, it added

"If quarantine for tankers was to be introduced, it would heavily impact vessels on short voyages,

especially to and from the Middle East. For example, a voyage between Ras Tanura and Jamnagar takes less than four days, which could mean that in theory

upon returning to Saudi Arabia, a crude tanker on a ballast leg would have to quarantine outside Ras Tanura for 10 days before it could re-enter the port.”

Salvors warn of more maritime disasters if LOF dropped

SALVORS have urged Lloyd’s to abandon thoughts of closing its Salvage Arbitration Branch and to continue supporting Lloyd’s Open Form, as “the ‘contract of choice’ for emergency response where those at sea face imminent peril.”

Lloyd’s has threatened to close the department later this year as it’s “no longer considered core.”

The International Salvage Union, which represents more than 50 marine salvage companies, warned that the closure could be fatal for the survival of LOF.

Despite a reduction of usage of the contract, the ISU pointed out that values of ships, cargoes and bunkers, and the complexity of many salvage cases, has been on the increase.

Over the past decade, on average its members have used LOF to salvage property worth more than \$1bn annually.

Lloyd’s recently told the Lloyd’s Salvage Group of key stakeholders of its proposal to dump LOF’s support framework but just a few days ago but invited feedback by Friday.

As part of its response to Lloyd’s, the ISU said: “It is the ISU’s position that to discontinue the support and endorsement of Lloyd’s for Lloyd’s Open Form would have a serious impact on safety at sea and a potentially significant impact on the environment as well as the possibility of catastrophic losses to communities reliant on the sea for their livelihoods.

“There would be increased danger to seafarers and an inevitable increase in loss of property such as hull, cargo and in businesses affected ashore.

“Without the security and ease of use of LOF it is

likely that disasters such as the *Wakashio* will increase. The entirety of the global shipping emergency response industry is based upon, and relies upon, LOF.

“In the absence of LOF there will be a direct impact on insurers and their clients, financial exposure to losses will increase and shipowners and property underwriters will be wide open to common law salvage claims.”

The ISU recognised that Lloyd’s should be mindful of costs and history alone should not determine its decisions, but the implications of such a decision would go far beyond the SAB.

According to the union, the fairness and integrity of the LOF system “cannot be replaced” and Lloyd’s ran the risk of “potentially very serious reputational consequences” if it was perceived to be abandoning its interest in preventing marine casualty, it said.

The view is likely to be one of a shoal of negative responses received by Lloyd’s since its announcement.

Lloyd’s List has seen comments from groups representing a wide spectrum of the maritime industry that leave little doubt about the intensity of opposition to the proposal.

Lloyd’s has told Lloyd’s List that following the deadline of May 7 for feedback it will “actively engage with interested parties for a further month to discuss issues, challenges and alternatives before making a final decision.”

It said it was consulting with the market on the future use of LOF and Certificate Office services “following diminishing use of both services and the proportion of activity that relates to Lloyd’s business.”

Industry groups push back reform of \$5bn green fund

INDUSTRY groups are holding firm on their support for a \$2 per tonne of fuel levy on ships, despite demands from developing nations to scrap the plan.

Nine industry associations, including BIMCO, the International Chamber of Shipping and the World Shipping Council, have defended the proposal for the creation of a decarbonisation research and development fund that they expect would collect \$500m from the global fleet each year.

The funds would go towards financing decarbonisation projects for the maritime sector, according to the proposal that was first tabled in late 2019.

China, India, Brazil are among developing nations telling the industry it should find a different way to collect the money and make sure that developed countries take the lead in that effort and contribute according to broader climate change policy obligations.

But in a new paper to the International Maritime Organization, the industry groups argue that their proposed funding mechanism is the most suitable for the research and development fund.

“The co-sponsors believe that the proposed R&D contribution, the rate and value of which is based on CO₂ emissions from the consumption of marine fuel, and which utilises the existing IMO ship fuel oil consumption Data Collection System, is the most suitable system to support a

collaborative global R&D programme,” they said.

The groups added that if governments and other organizations want, they could help with additional financing once the fund is set up.

“The industry is willing and ready to make the required R&D contributions and to help the organisation [IMO] to establish the system for collecting these with minimal administrative burden for member states,” they said.

“However, this will require the political will from member states to make this happen, bearing in mind that the world is closely watching.”

The industry groups also refuted a claim by the countries that the introduction of the levy would disproportionately hurt developing nations, citing an impact assessment they had conducted.

The IMO’s Marine Environment Protection Committee will discuss the R&D fund proposal in June.

Environmental groups have called on the industry to withdraw its proposal and instead focus on supporting the adoption of market-based measures, such as a carbon tax, which they believe are more urgent than an R&D fund.

The World Shipping Council have accused environmentalists of having a defeatist approach to the matter.

Data utility aspiration for liner shipping

OVER the past few years, advocates of digitalisation have been repeating the same message: data is the new oil.

Yet while this key resource — expected to drive the world into the next era — is being increasingly explored and collected, another message has come out: data needs to be shared to reach the scale required to realise its true value.

“Data sharing is one of the most important steps in a successful digital transformation programme,” said Bertrand Chen, chief executive of the Global Shipping Business Network.

A data scientist who has spent most of his 18-year career in the financial sector, Mr Chen has now been entrusted to lead one of the most aspirational digital platforms in liner shipping using blockchain technologies.

Its shareholders consist of a group of leading carriers and terminal operators, including Cosco Shipping, Hapag-Lloyd, Hutchison Ports, Qingdao Port Group, PSA International and Shanghai International Port Group.

The platform also brought Bank of China (Hong Kong) on board recently as its first banking partner.

Container logistics is, of course, no stranger to blockchain.

Some believe the distributed ledger and the cryptographic attribute can serve as a game-changer that will bring efficiency to complex and poor communications systems among various participants in the logistics chain.

Others expect it will still take years — if not forever — for the technologies to get real commercial traction, with many challenges, such as the standards dilemma, remaining unsolved.

GSBN, nevertheless, represents the efforts and willingness of the industry to take the first step.

“In the past, communication has mostly happened bilaterally but we have so many players in the supply chain that information is not being shared efficiently,” said Hapag-Lloyd enterprise architecture senior director Dirk Reiss, who is also involved in developing the platform.

However, consolidating and exchanging the information among multiple stakeholders had not been possible in the past due to the value of data and the risk of it being monetised by other parties.

“That is why everyone is clinging to their data and only interchanging it with those people that they want to do business with. The issue comes down to trusting what is done to the data,” said Mr Reiss.

“When you think about blockchain, on a technical level, it generates the trust that previously only banks had.”

In another world, data can now be securely taken from the root source.

Data put on GSBN is governed by a strict access policy enforced by blockchain and encryption, according to Mr Chen.

“GSBN has two fundamental principles that are followed scrupulously: no competitor will ever see your data; and you can only see data from a transaction you are involved in,” he said.

Based on that level of data security, the new technology then enables more efficient exchange of information and execution of a transaction compared to the previous generation of platforms, such as INTTRA and GTN.

“The new platforms are primarily based on real time

[Application Programming Interface]. This is a fundamental difference,” said Hapag-Lloyd enterprise architecture director Uwe Rieksmeier.

In plain English, API is a set of programming codes that enables data transmission between one application and another.

Yet being efficient is not sufficient for a successful data platform. A sustainable eco-system needs to be developed to create enough incentives for the user.

Among the myriad of enterprise blockchain projects over the past decade, the ones that have managed to go into production “share several common traits”, according to Mr Chen.

They have a very narrow focus on a simple use case to start with. And they are backed by a small but representative group of like-minded shareholders, who are willing to collaborate.

It will take time for Cosco, Hapag-Lloyd and other founding members to prove their faith in the genuineness of collaboration. However, the group has already shown initial moves in developing products to digitalise the cargo release process and to empower trade finance by using shipping data.

Nevertheless, the real product of GSBN as a platform is not the applications, which are developed by the users themselves. What the platform aims to produce is an infrastructure, whereby data can be exchanged in a secured, efficient and standardised way.

“GSBN is more a sharing model. You build a data harbour with the possibility to have a framework to access the data and build applications in your own environment,” said Mr Rieksmeier.

“What we are doing with GSBN is to have these apps in connection with a port, or we put something on our website where we can offer our customers in a specific port greater visibility, so they can see where their container is and when a truck is due to arrive. We can then offer that to our customers,” he added.

Despite some early hesitancy, Hapag-Lloyd was also a convert to TradeLens, but Mr Rieksmeier said there was a significant difference between GSBN and the Maersk/IBM-developed platform.

On TradeLens, it was only possible to provide the data, which the platform then sells to the customers, he said.

“TradeLens is a profit-oriented model to earn money. All the products are developed by TradeLens. IBM and Maersk run it, with others being contributors of data,” Mr Rieksmeier added.

On the other hand, GSBN says it has been set up on a not-for-profit basis.

While it will still charge users for its services to cover the operation costs, any surplus will be redeployed for research and development purposes.

Its shareholders also do not expect to receive any dividends or to profit from a future liquidity event, such as an initial public offering, according to Mr Chen.

The grand vision for GSBN is to be developed into a sustainable “data utility platform”, he said.

It cannot own the data, but it encourages market participants to contribute data and allows them to be rewarded for their contribution.

ANALYSIS:

China weaves through the changed coal market puzzle

CHINA’S unwavering ban on Australian coal is becoming a jigsaw puzzle, with the country scouting the globe for alternative suppliers.

Meanwhile, vessels with cargoes from Australia are still waiting to discharge in China because of the political stand-off between the two countries.

More than 20 laden bulk carriers have been stranded in Chinese anchorages, with 18 of them waiting for more than five months to offload Australian coal, according to Lloyd’s List Intelligence vessel-tracking data.

However, the numbers have fallen from 61 since Lloyd’s List last reported on the situation at the beginning of the year.

Of those waiting to offload cargoes, there are six panamaxs and 14 capesizes, Lloyd’s List Intelligence data shows.

On April 26, *Yuan Fu Star* (IMO 9493585) was discharging in Nantong port and was expected to head to Dampier in Australia, while *Great Animation* (IMO 9458781) had offloaded its cargo in Caofeidian and was sailing to Japan.

Trade and political relations between Beijing and Canberra have deteriorated over the past year. The situation was exacerbated following calls by the Australian government for an international investigation into the origins of Covid-19.

China responded by banning certain products from its trading partner, such as seafood, wine, barley, beef, timber and coal.

The restrictions on coal imports from Australia came into effect in the second half of 2020, resulting in China’s imports dropping to virtually zero in the first two months of 2021, from a high of 9.46m tonnes in June last year, according to customs statistics.

However, at the time of writing, the 2011-built, 95,377 dwt *Hebei Qinhuangdao* (IMO 9482689) had been seen heading to China after loading coal in Weipa in Australia, Lloyd’s List Intelligence data shows.

The vessel was sitting in Chinese anchorages for five months, from October 2020 until March this year, following which it headed to Vietnam, probably for a crew change.

At the time of writing, the post-panamax ship was destined for Qingdao and was expected to reach the port on May 3.

“China is a master of using trade as a tool in the foreign policy toolbox,” said BIMCO chief shipping analyst Peter Sand.

“We have seen that to an increasing extent over the past five years, with the US trade war [with China] and now with Australia, just to name a few.”

He argued that the economy’s political drive also includes the climate change agenda going forward.

In the case that China wants to drive towards a decarbonised economy that fights carbon emissions, bringing down imports of the black stuff would naturally be seen. “It’s the optics,” he said.

Going forward, Mr Sand predicts Chinese imports will slowly decline, but only in terms of thermal coal.

Meanwhile, in the short term, Chinese imports may see an increase, as coal stockpiles in Qinhuangdao — the main transshipment port — are currently 10% below the summer target of 5m tonnes set by the main economic planning agency.

Despite speculation that the restrictions will be relaxed, it seems the situation will largely remain unchanged during the second quarter

Earlier in February, a few ships loaded with Australian coal were allowed to discharge in North China ports, as an act of goodwill by the country.

Yet the economy suffered from power cuts due to a lack of thermal coal and negative steel margins following a sharp rally in coking coal prices alongside iron ore.

Domestic coal prices in China are surging well ahead of imported coal costs and, with the summer peak demand season fast approaching, it could be rather interesting to see how the Asian giant quenches its thirst for coal.

For China, the economic cost of the import ban remains high, as international coal is still trading at a significant discount to Chinese domestic coal, according to Arrow Shipbroking Group.

Australian coking coal is around \$120 per tonne cheaper than the Chinese domestic prices.

Yet in the grand scheme of things, the change in trade patterns, as replacements for the Australian imports, have been a mixed blessing for dry bulk shipping.

Land-based coal shipments from Mongolia, or shorter sea voyages from Indonesia to China, has led to a reduction in tonne-mile demand, while trading with South Africa, US, Colombia and other distant shores has added to it.

Similarly, the Australian supplies, normally reserved for China, are being offered to more faraway markets in Europe and South America.

China's gas drive fuels LNG innovations

CHINA welcomed the arrival of the first large containerised liquefied natural gas imports from Peninsular and East Malaysia this April, signalling another possible breakthrough towards embracing a

The ban on Australian coal has also led to more US coal cargoes finding their way to China, with shipments increasing five-fold in the first two months of the year.

Breakwave Advisors agreed that the embargo on many Australian products has conveniently given China a greater chance to live up to some of the ambitious commitments made under the Phase One trade deal.

Mr Sand feels that shipowners have been fast to react to the changes in the coal trade, as importers and exporters have scrambled to find new buyers and new sources.

“This situation has been easier to manage than the last time when there was a major shake-up in dry bulk trades, after China imposed tariffs on imports of US soya beans, when seasonality and ship positioning complicated matters,” he said.

Meanwhile, coal imported from neighbouring Mongolia has also faced restrictions after the Chinese authorities imposed more stringent pandemic controls due to rising Covid-19 cases.

Arrow Research noted that coal truck arrivals from Mongolia to the Ganqimaodu border crossing have all but halted in April.

Additionally, the power generation mix in the first quarter of the year has pivoted from renewables to thermal output as total combined hydro, wind and solar output was down 3.1% over the year, while thermal output was up 25.7% compared to the previous year.

It is expected that there will be significant hydro-to-coal switching this year compared to 2020, as the heavy rains seen last year are unlikely to be repeated, potentially adding tens of millions of tonnes to the coal burn this summer.

“With the peak power demand season approaching and land-based supply of coal hindered, seaborne coal demand looks set to rise and could be the dark horse of the dry cargo market in 2021,” Arrow Research conceded.

new import and shipping infrastructure to feed the country's fast-growing appetite for the commodity.

In a landmark shipment, Tiger Gas, led by former

Seaspan chief executive Gerry Wang, has delivered 200 International Organisation for Standardisation tanks holding cargoes from Malaysia's Bintulu terminal to Longkou in northeastern China.

This delivery, timed after the off-peak season for LNG trade, marked yet another bid to unlock the greater potential of China's now more liberalised marketplace by tapping into new means of transporting seaborne LNG.

Rystad Energy's vice-president for gas and power markets, Xi Nan, viewed LNG as one anchor of China's "clean energy ambitions".

The world's most populated country has pressed on with an aggressive switch from coal to gas-fired power generation, even amid the coronavirus pandemic.

Aided by a cold snap boosting gas heating requirements during the winter of 2020-2021, China's LNG demand rose 10% on year to 67m tonnes in 2020.

The first three months of this year saw China LNG imports jump 30%, Rystad's data showed, as the world's second-largest economy put to rest earlier fears of a pandemic-triggered contraction.

Ms Xi also pointed to an increase in smaller LNG shipments sent to China, a possible sign of more LNG being imported through second-tier terminals with ship draught limitations.

China's imports of small to mid-sized LNG cargoes have risen steadily for several years now.

Data from market intelligence firm Vortexa showed cargoes discharged from small to medmax tankers at eight ports in China exceeded 2.8m tonnes last year, quadrupling from almost 750,000 tonnes in 2016.

While still modest in volume, this could be still a tip of the iceberg of a major trend taking shape for LNG transport and shipping.

Private players and city gas distributors have started building and operating import terminals, which were previously accessible only to Chinese national oil companies.

The founder of start-up Saga LNG Shipping, David Wu, looked upon such market liberalisation as creating demand for LNG tankers of up to 90,000 cu m.

These tankers are better placed to deliver cargoes to the second-tier ports with ship draught limitations.

Mr Wu flagged Dongguan and Haikou and other ports along Guangdong province and east coast of China as among those ramping up direct imports.

City gas distributors Jiaying Gas and Hangzhou Gas are backing another new terminal under construction at Jiaying in Zhejiang province.

The project partners have signed on the 2019-built *Saga Dawn* (IMO: 9769855), which will begin this latest time charter it secured during the second half of this year, sources said.

Saga Dawn has spent months now mostly ferrying cargoes from Singapore and Bintulu to Jovo's Dongguan terminal.

More recently, the tanker completed its first ship-to-ship transfer off the Philippines.

National oil companies are also pursuing new import projects at second-tier ports. Longkou, which took in Tiger Gas shipment from Malaysia, looks set to add a new terminal being developed by Sinopec.

Tiger Gas has already placed orders for 10 carriers with Yangzijiang Shipbuilding for its budding business.

Saga LNG, on the other hand, is eyeing investments in tankers that can directly ship imports to upcoming demand centres sited along China's key waterway, the Yangtze River.

However, small-scale LNG expert Eduardo Perez Orue suggested the market for such tonnage — estimated to range between 30,000 cu m and 60,000 cu m — is still very nascent.

Most investors could be more inclined to put their money behind break-bulk trades latching on the use of small tankers and pontoons — a tried and tested solution in the Yangtze River, Mr Orue remarked.

He argued however, that China is well-placed to lead the charge globally on small-scale LNG developments, given the political will it has mustered to switch from cheap but dirty coal.

Sunny Xu of C-LNG Solutions suggested that in light of a nationwide gas drive, the conditions are ripe for seagoing ISO tank trades to gain traction, unlike the situation about three to five years ago.

Back then, China's attempts to import LNG using containerised tanks from Australia, Canada and South Korea drew widespread scepticism.

Containerised tanks may have been commonly used in land transport of LNG within China. However, the commercial viability of seagoing ISO tank trades — especially those falling outside the winter peak — are subject to question.

Meanwhile, Mr Xu, who facilitated Tiger Gas' first shipments, counter-argued that the feasibility of such trades can improve for shipments involving shorter voyages of no more than 2,000 nautical miles.

One other estimate however, pegged the cost of seagoing ISO tank trades at Yuan1,690 (\$260.63) per tonne.

Tiger Gas is not the only intrepid spirit seeking to crack the code with such trades.

China National Offshore Oil Corp also exported its first such shipment to Cambodia last year.

Observers viewed this move as a bid by the Chinese NOC to widen the options for the massive volumes of

LNG it has committed to purchase with competition for market share intensifying at home.

LNG Easy co-founder He Yi Yong offered a different take.

CNOOC stands to re-import LNG sent to Southeast Asia during the winter season up north, when commodity tends to come off in the neighbouring region.

Mr He is championing the use of floating storage units — instead of ISO tank containers — to fast-track first imports into Southeast Asia.

Each FSU would cost just a fraction of the billions of US dollars spent on average to construct an onshore storage tank in China, Mr He said.

He estimated China has, on average, LNG held on storage to meet four to five days of its gas consumption, comparing unfavourably with 21 days for Japan and 35 days for Europe.

LNG Easy was roped in by Hong Kong-listed CNTIC VPower to supply a mobile filling platform that facilitated the first LNG imports into Myanmar last year.

Marine LNG to blossom in China starting from its first ECAs

THOUSANDS of vessels running on liquefied natural gas could join the operating fleet along China's key waterway if the world's second-largest economy defies a call from the World Bank and presses on with an emission control plan spelt out in March.

The LNG-fuelled fleet may expand to 2,800 vessels along the Yangtze River and a further 700 in the Pearl River Delta, according to Fan Hongjun, who has spent more than a decade heading a research body backed by China Classification Society.

These projections drew on the size of the current fleet serving China's inland waterway shipping market, which is the beneficiary of government incentives rolled out for adopting the marine use of LNG.

In a jointly published paper in March, China's ministry transport made clear the intent to step up on expanding LNG bunkering along the Yangtze River.

It proposed to accelerate the construction of LNG bunkering stations and called on oil and gas companies and shipping firms to develop LNG-fuelled cargoships and inland LNG carriers.

The Yangtze and Pearl River now boasts, in all, 14 LNG bunkering pontoons that are in operation or under construction.

Also in March, Guangdong Province Navigation Holdings separately announced that it had commissioned the construction of 50 LNG-fuelled bulk carriers and signed up China National Offshore Oil Corp for the marine LNG supply.

However, these newbuilds, which will be coming online by March 2022, will service trades in the Pearl River Delta area.

The Yangtze, Pearl River Delta and Bohai Bay were the first emission control areas announced in China before the country moved to expand its regulatory remit over ship emissions to all its territorial waters.

A joint study by China Classification Society and China National Offshore Oil Corp two years ago projected marine demand for LNG may surpass 3m tonnes in 2030.

The busy Yangtze River is expected to account for almost 1.5m tonnes of the projected demand, followed by the Pearl River Delta at 1.25m tonnes, and Bohai Bay at 520,000 tonnes.

Mr Fan, who is now pursuing his PhD in Australia, considered Zhoushan, Shanghai and Shenzhen as well placed to serve as China's LNG bunkering ports for ships plying international trades

Private LNG terminal operator ENN Energy is likely to bring online its 8,500 cu m LNG bunkering vessel in the first half of 2022.

This vessel will service Zhoushan and potentially ships calling Yangshan in Shanghai.

Shenzhen staked its claim through an LNG bunkering partnership announced between the Yantian district government, local businesses and China National Petroleum Corporation last June.

Taking on progress on these several fronts, Mr Fan

argued that China is unlikely to hold back its LNG bunkering ambition, not least because other zero-carbon shipping technologies are not commercially ready to be deployed.

China has piloted hydrogen and battery propulsion for ships, but scaling up these technologies can take decades, he noted, echoing views earlier aired by supermajors Shell and Total.

Shell's global head of shipping Grahaeme Henderson said the maritime sector simply cannot afford to wait for zero-carbon fuels and needs to slash emissions sooner rather than later.

"LNG is the lowest-emission fuel available at scale in the shipping sector today; it has no near rival in this regard," he remarked.

Total Marine Fuels' global sales and business director Jesper Rosenkrans held that LNG is "a fuel with clear benefits here and now", while its marine use provides "a pathway to biomethane and bio-LNG of the future".

Total has established a foothold in Zhoushan's bunkering market through a joint venture with Zhejiang Energy Group.

MARKETS:

Capesizes pull back on fears of souring China-Australia relations

THE capesize market is pulling back from the highest rates in seven years on fears that China may take a tougher stance on Australian commodity imports after it walked away from trade negotiations.

China's National Development and Reform Commission said on May 6 it would "indefinitely suspend" all activities under the China-Australia Strategic Economic Dialogue because of what it described as Australia's "ideological discrimination" against the country, according to media reports.

The news sent Forward Freight Agreements plummeting in the capesize segment, with May dropping to \$39,750 at the close on Thursday from \$46,000 the day before, and June similarly falling to \$38,750 from \$43,400, according to figures from GFI shipbrokers.

"The neck-breaking rally... may have been unsustainable, but worsening tensions between

Australia and China have also spooked participants, with the prospect of Chinese restrictions on Australian iron ore supply weighing on sentiment," Braemar ACM said in a note.

"At this stage, those fears do not seem likely to be realised," the brokerage said, given China's dependence on its closest trading partner for the steel-making commodity. Australia supplies two thirds of China's needs.

With the market moving up to such dizzying heights, some pullback was to be expected, according to Braemar's research analyst Nick Ristic, who added that the sliding rates should not be of concern, given that the market is higher than where it would normally be at this time of year.

The average weighted capesize time charter on the Baltic Exchange dropped to \$41,514 per day at the close on May 7, down 3.1% from the day before and

7.4% lower than a record high of \$44,817 per day on May 5 for the assessment of the 180,000 dwt vessel plying five key routes.

Peter Lindstrom, head of research at Torvald Klavness, said that the fall in rates could be short-lived as massive trade growth is expected for iron ore and coal this year. The third quarter is seasonally strong, especially for volumes from Brazil.

As long as iron ore prices were above \$100 per tonne, miners will be shipping as much as they can, he said. Rates are currently above \$200 per tonne.

“The slide in rates could be some sort of correction or a breather in the FFA market, which went up by \$20,000 per day in a month,” he said. “There hasn’t been any fundamental change in the market in the last days/week.”

In addition, the discontinuation of talks between the two countries does not affect coal, as no volumes have been sent to China since the end of last year. Australian coal, which is priced at big discounts to other suppliers, has found outlets in Europe, India, and other Asian countries.

The Baltic Exchange said that while the draw back late this week was significant, the market “remains poised and primed for further healthy trading levels”.

The Pacific basin was “busier for vessels” with strong cargo flow emanating from major charterers.

While there were “more twists and turns” to be seen, other markets continuing to push higher made a good case for the “upward trajectory” to soon return in the capesize segment following this breather.

BIMCO’s chief shipping analyst Peter Sand said the market had been “overly sensitive” and news of the negotiations breaking down may have got some participants nervous. The FFA market was after all “a sentiment barometer”.

No end in sight for record box freight rates

THE first week of May has seen no respite for hard-pressed cargo owners and there appears to be no end in sight for the relentless march of containerised freight rates

The Shanghai Containerised Freight Index dipped by just 0.2% from its all-time high of 3,100 recorded last week, driven by weaker

Although China has been sourcing some iron ore from South Africa of late, the quantities are not sufficient to supplant Australian volumes, which means any sort of restriction by China on Australian supplies is regarded as unlikely.

The sentiment was echoed by Wood Mackenzie’s senior economist Yanting Zhou, who said the suspension of activities was a sign of an escalating political dispute that would affect commodity flows, although iron ore was the exception.

“China is unlikely to ban imports of Australian commodities which they rely heavily on as it will impact the domestic economy,” she said. “The government is more likely to raise the administrative cost for importing commodities from Australia if they want to take action.”

However, the bans on some commodities will continue until relations improve.

On thermal coal, Woodmac’s principal analyst Shirley Zhang said that since a ban was effectively in place, she assumed the impact on coal would continue through 2022.

For copper, its research director Gillian Moncur said that Chinese smelters remained closed to concentrates from Australia, with the “unofficial ban affecting trade” from the final quarter of last year reaching zero versus a peak of 108,000 tonnes in June 2020.

Woodmac expects the annual volume impacted is about 1m tonnes of copper concentrate, which is “looking for homes in other Asia Pacific smelters”, Ms Moncur said.

“This has resulted in China looking for concentrates from elsewhere, at a time when the market was very tight” due to weather-related issues and deferred shipments.

recorded rates on the US west coast trade.

But rates for west-bound cargoes out of Asia continued to rise, with the Asia-northern Europe route gaining 1% to \$4,678 per teu and Asia-Mediterranean growing by 2.1% to \$4,803 per teu.

And while transpacific rates to the US west coast dipped back 8.3% to below \$5,000 per feu, for voyages to the US east coast rose by nearly 10% to break the \$7,000 per feu barrier for the first time.

Anecdotal evidence indicates that the amounts paid by cargo owners could be far higher, however.

A senior executive at a leading logistics company said some shippers had been paying as much as \$18,000 per feu for urgent shipments from Asia to northern Europe.

“The average slot utilisation rate ex-Shanghai Port was about 100% and most vessels were already over booked,” the Shanghai Shipping Exchange noted.

“Cargo owners had to bid for limited space resources due to the pressure of the delivery period.”

Rates visibility specialist Xeneta, which runs its own index, also recorded higher rates on the Asia-Europe trades as the equipment shortage reduced available capacity.

“The most important thing to do right now is to get your cargo on the ship and to get the supply chain stability that you need in these very trying times in ocean freight,” Xeneta said. “Shippers are asking for a rate that will secure them space on a ship, but this will depend on its volume commitments and forecasts.

“In a sellers’ market, additional volumes will be pushed to the spot market.”

Moreover, additional surcharges are being required by carriers in order to secure space on a ship, which can add another \$1,500-\$2,500 per container.

Eagle Bulk expects India coal trade to feel impact of health crisis

INDIA’s coal imports are expected to decline amid a surge in coronavirus cases, according to Eagle Bulk, a US-listed bulker owner and operator.

“With the humanitarian crisis, we expect a drop in coal trade to India,” said chief executive Gary Vogel, adding that the second quarter will most likely feel the impacts.

The company is involved with short-haul trades, mainly to China, although recently is in the midst of closing a deal to carry metallurgical coal from the US to China, he said on an earnings call.

“For short term we’re seeing an average rate of \$8,413 per feu, up 16% on a month ago. Asia-Mediterranean rates had risen by over a fifth to \$9,100 per feu, an all-time high for the short-term average.”

US freight forwarder Flexport reported Asia to North America rates were increasing further in May over their already high levels in April, with space “extremely tight” and the capacity and equipment situation characterised by “extreme shortages in North China, Southeast Asia, and Taiwan”.

It said carriers were facing extremely strong volumes, with backlogs already pushing into June.

“As the prolonged peak continues, we expect May to be extremely challenging,” Flexport said.

Meanwhile, Drewry’s composite world container index rose 9.8%, or \$489, to \$5,472.33 per feu.

The WCI average for the year now stands at \$5,110 per feu, \$3,272 higher than the five-year average of \$1,838.

Any thoughts that the second quarter would be a quieter time for container lines or that rates would dip again before the peak season have now been dashed.

“On the Asia-northern Europe trade, short-term average jumped from \$7,700 to \$8,400 per teu in May,” said Xeneta. “After minor relief in the short-term market since January, now we see a strong upward trend again. There is no end in sight for the current situation.”

About 14% of the cargoes it carries on its vessels is coal.

While there has not been a visible drop in inquiries for the trade, owners are becoming more reluctant to fix vessels to India given that countries around the world — including Singapore and South Africa — have strict quarantine rules for up to 15 days.

However, inefficiencies in the market have generally been good for the market.

The company, which posted net income of \$9.8m in

the first quarter compared with a \$3.5m loss in the year-earlier period, said it might look at further vessel acquisitions following the purchase of seven in the past few months. Four have been delivered while the rest will be delivered in the coming month.

It is also eyeing the sale of three of oldest ships, of more than 15 years of age, given that asset values continue to rise.

Profits were realised given the strongest market for supramaxes, the segment in which the company operates, in a decade, based on strong demand as the world gets back on its feet following coronavirus slowdowns.

Genco, another US-listed company, posted net income of \$2m in the first quarter. That compares with a net loss of \$120m in the corresponding period a year earlier, which included non-cash vessel impairment charges amounting to \$112m.

Chief executive John Wobensmith said that the outlook for the dry bulk market “remains positive given the record low orderbook as a percentage of the fleet and the low threshold for demand catalysts to drive fleet-wide utilisation higher”.

It has secured cash flows through medium- and long-term charters at firm levels, he said, and will also look to opportunistically purchase more tonnage following earlier acquisitions.

IN OTHER NEWS:

Monjasa hires Deloitte to monitor emissions

MONJASA, the Danish bunkering company, has hired Deloitte to help measure and report its emissions.

The initiative is among 27 environmental, social and governance initiatives in a new Responsibility Report to be delivered alongside the company’s annual reports.

Monjasa, the world’s sixth-biggest marine fuel supplier, said Deloitte would also help it calculate indirect emissions from its operations, adding that such a move was uncommon in the bunkering industry.

Hyundai Heavy joins partnership to build green hydrogen plant

HYUNIDAI Heavy Industries, a leading South Korean shipbuilder, is joining a project to produce

green hydrogen from seawater by using offshore wind power.

The move is part of the company’s goal to develop business related to the clean future fuel as its new growth engine amid rising global efforts in fighting climate change and stricter environmental rules.

The company said it will work with nine domestic partners – including energy giants Korea National Oil Corp and SK Gas – to build a 100-megawatt green hydrogen plant in the East China Sea by 2025, with a plan to expand the capacity to 1.2 gigawatts by 2030.

Nigeria offers hope of piracy progress at IMO

NIGERIA has offered hope of progress in efforts to fight piracy in the Gulf of Guinea, saying it

agrees that states can operate in other states’ exclusive economic zones.

It told the International Maritime Organization the zones enjoyed the same status as the high seas when it came to suppressing piracy.

The comments at the Maritime Safety Committee’s 103rd session will likely be welcomed by countries considering sending naval ships to help police the Gulf of Guinea, where most of the world’s piracy happens.

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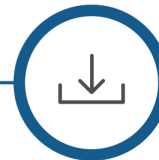
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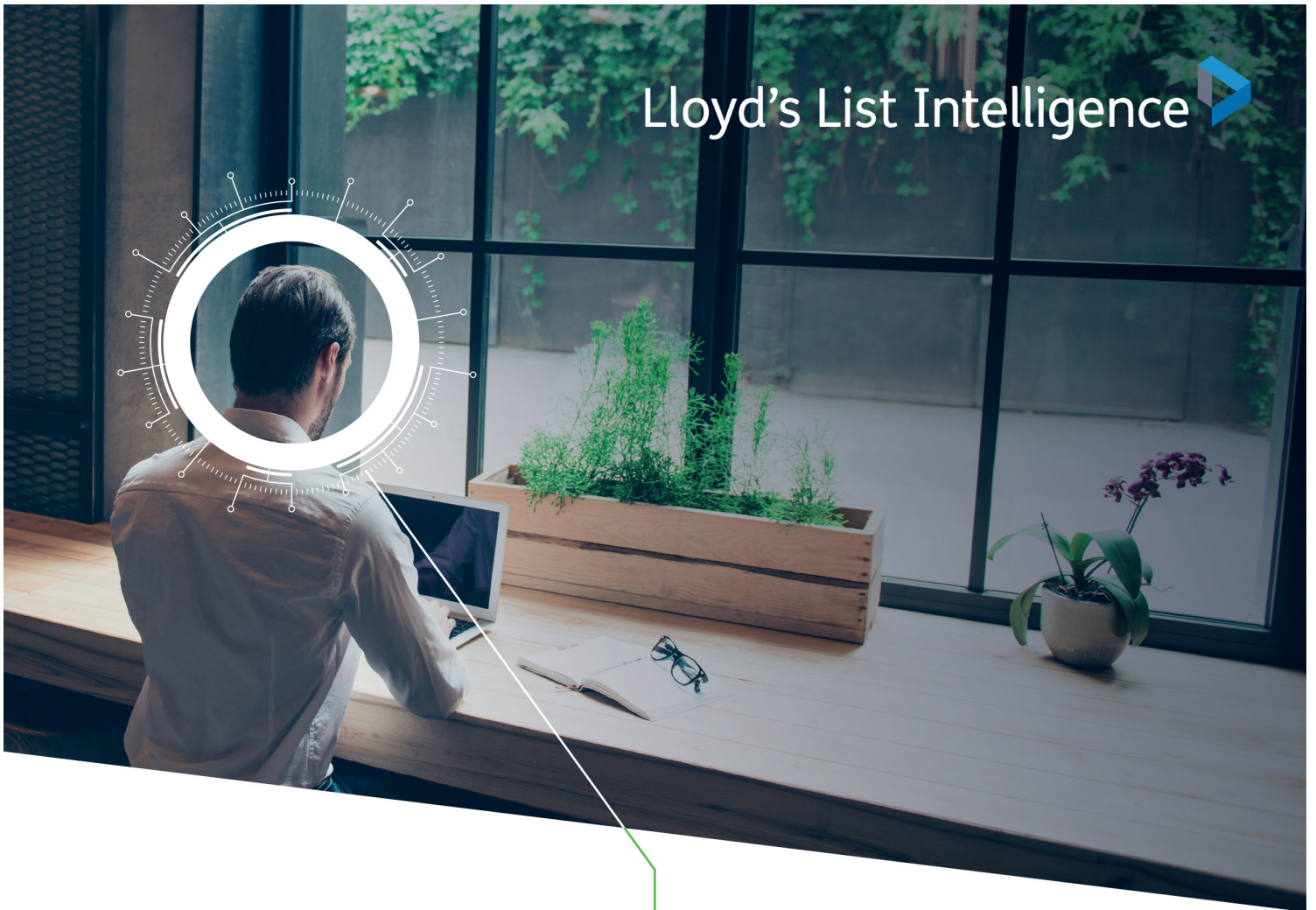
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