Tuesday May 11, 2021

Lloyd's List
Maritime intelligence | informa

Daily Briefing
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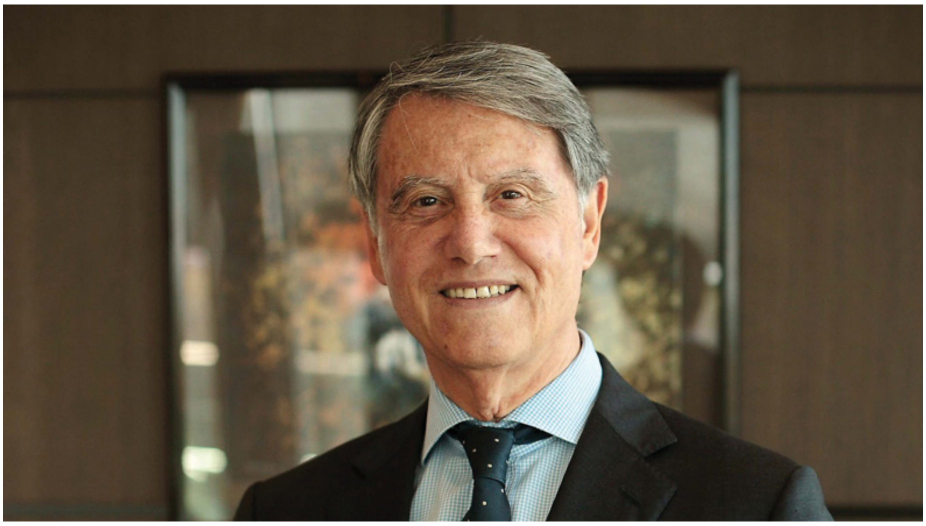
Aponte and Idan Ofer ink landmark deal for LNG-fuelled boxships



IDAN OFER HAS won round LNG-sceptic Guanluigi Aponte with a deal for 11 dual-fuelled containerships.

Mr Aponte's MSC is to charter a series of 15,300 teu series for 18 years from Mr Ofer's Eastern Pacific Shipping.

Lloyd's List also understands that MSC is separately considering converting several of their existing orders to dual-fuel LNG, including a 24,000teu order in China. MSC has declined to comment on the status of these orders.

The Eastern Pacific deal, thought to have been agreed personally by Mr Ofer and the MSC founder and chairman, represents a significant shift in strategy for MSC, which had resisted the accelerating trend towards LNG-fuelled tonnage.

"While the pathway for decarbonising shipping is still unclear, with no new fuels available globally at scale to deploy across our fleet of 570 ships, this charter should help us to improve CO2 emissions performance, provide other valuable learnings and keep our options open," said a spokesman for MSC.

"MSC continues to envisage a range of fuel solutions on the route to a zero carbon future," the spokesman continued.

While MSC has previously ordered LNG-ready options, the soon-to-be world's largest container line has held back on making the switch to LNG, preferring to pilot biofuel blends and ultimately aim for hydrogen as their preferred decarbonisation routes.

Concerns regarding available LNG infrastructure had more recently given way to MSC officials suggesting that LNG could be considered a "transitional option", but no orders had emerged, leaving CMA CGM to lead the way in LNG-dual fuelled container tonnage.

However, the prospect of a favourable deal from Eastern Pacific; pressure from cargo interests keen to see a portion of LNG in the fleet; and a pro-LNG stance from MSC chief executive Soren Toft appears to have been enough to convince Mr Aponte that a limited LNG-fuelled portfolio represents a pragmatic bet.

For Eastern Pacific, the deal wraps up an extended period of risk related to their landmark 22-ship foray into dual-fuelled vessels, securing the remaining 11 vessels due to start delivery from the third quarter of 2022.

Mr Ofer was the first independent tonnage-provider to contract a series of speculative LNG dual-fuelled 15,000 teu containerships.

But after securing a landmark charter deal in 2019 with CMA CGM on a 15-year deal at a charter rate of about $55,000 per day, Eastern Pacific had expanded its commitment with options taking the series to 22 vessels and the 11 vessels had remained open with likely targets apparently diminishing.

CMA CGM last month confirmed a series of 22 of its own new orders at China's CSSC, including six LNG-dual fuelled 15,000 teu vessels.

Meanwhile, both Maersk and Cosco had reportedly ruled themselves out of the running for the Eastern Pacific fleet, while Hapag-Lloyd and ONE were always unlikely candidates for a block deal of that size.

The rates agreed by MSC for the Eastern Pacific charters have not been revealed. However, market sources have suggested that Eastern Pacific would have been under pressure to find a charter and the differential between the LNG dual-fuelled and conventional-fuelled options would likely have been squeezed in this negotiation.

MSC also had an incentive to take the vessels via pressure from cargo interests increasingly demanding that lines display carbon reduction technology within supply chain accountability reports.

One tonnage provider told Lloyd's List that lines are now risking losing some freight contracts if they cannot showcase at least a portion of LNG or equivalent technology.

The dynamics in such demands, however, remain unbalanced — owners have a 25-year financing view, charters tend to be no more than 10 years, but freight contracts are negotiated annually and all parties acknowledge that LNG's longevity as a transitional fuel option is at best limited.

"So as the anti-LNG sentiment continues to grow, you know the freight guy is going to turn around at some point and say, 'I don't want gas any more, the charterers are going to redeliver my ships and I'm going to be stranded with an asset that from day one has been transitory at best'," explained one shipowner speaking on condition of anonymity.

Despite the apparent change of heart towards LNG from MSC, the lion's share of its recent charter and newbuilding orders have been conventionally fuelled, suggesting that LNG remains a limited hedge against the risk of freight contracts disappearing without them.

Mr Toft was understood to be pro-LNG during his time at Maersk, however the Danish-line ultimately opted against gas arguing that the risk of methane slip and tying investments on assets that offered marginal carbon dioxide reductions rather than transformation to real net zero-emissions, was too great.

Now leading the charge at MSC, it seems he has taken a more pragmatic near-term view on the benefits of limited LNG-dual fuelled exposure in the fleet.

WHAT TO WATCH:

Pipeline cyber attack triggers transatlantic tanker boost

CHARTER rates for transatlantic product tankers surged 117% overnight as oil traders sought tonnage to ship or store gasoline from the US Gulf after a cyber attack shut the country's biggest pipeline linking the region's refineries to the northeast Atlantic coast.

The average time charter equivalent rate equated to $19,238 per day for a transatlantic round voyage, according to the London-based Baltic Exchange. That is up from $8,842 daily on Friday and the highest since August in the past year, data show.

The 5,500-mile Colonial pipeline, which delivers gasoline, jet fuel and diesel to consumers, airports and storage terminals, ships 2.5m barrels per day, according to shipbroker Braemar ACM, citing government data.

The move is likely to bring significant short-term disruption to transatlantic seaborne diesel and gasoline flows.

"Traders are reportedly seeking vessels to ship gasoline that would otherwise been shipped on the pipeline," Braemar ACM said in an email on May 10. "Some tankers are being secured to store gasoline at the US in the event of a prolonged shutdown."

Some 1.16m bpd of middle distillates and 1.4m bpd of gasoline are shipped daily on the pipeline, supplying the area with 45% of demand, the report said.

Colonial pipeline's operators said in a May 9 notice that its four main lines remained offline after a ransomware attack two days earlier, while smaller lateral lines between its terminals and delivery points had resumed operations. It has given no indication when others would restart.

Braemar ACM said Valero chartered the 2013-built, 49,996 dwt tanker *Nave Titan* (IMO: 9487469) for product storage, citing market sources.

Vessel-tracking also shows that MR product tanker *Pacific Jesper* (IMO: 9788552), chartered by Petroineos to deliver gasoline to the US Gulf from Lavera, France, has stopped between the Florida and the Bahamas coastlines.

The tanker is likely to divert, if possible, to the New York coast, where prices for spot gasoline are estimated to rise sharply the longer the pipeline remains closed.

Very little gasoline and diesel is shipped via tankers to the east coast from the US Gulf because the longstanding US Jones Act prohibits cabotage trade to foreign-flagged, foreign-built and foreign-crewed ships.

Waivers were granted in 2017 and 2012 by the Department of Homeland Security after storms Harvey and Irma, and superstorm Sandy in 2012.

If such provisions were made for this event, this would offer a lifeline to medium range tanker operators and owners in the transatlantic market, where rates have been depressed for the last nine months.

Lucrative reverse-arbitrage plays for middle distillates are likely to open up to ship diesel and jet fuel to east coast destinations from Europe and elsewhere.

The northeast and Atlantic coast of the US imports about 440,000 bpd of gasoline in February, with some 160,000 bpd of that from Canada, according to the US Energy Information Administration.

Refineries in northwest Europe and the Mediterranean make up most of the rest and if no waiver is granted this is likely to boost demand for MR tankers in coming days to make the voyage.

If prices for middle distillates rise in New York, it will be profitable for traders to buy jet fuel in diesel in Europe and ship to the east coast for sale at a profit.

Suez Canal Authority cuts Ever Given compensation demand

THE Suez Canal Authority has reduced its nearly $1bn compensation demand against *Ever Given*, the boxship whose grounding caused a six-day shutdown of the key waterway in March, to around $600m.

The announcement of the move from SCA chairperson Osama Rabie came in a local media interview at the weekend after an offer of a similar order was tabled to marine insurers last week, Lloyd's List understands.

The development is the first sign of movement in the Egyptian camp after weeks of deadlock over the $916m claim, which included a $300m element for 'salvage bonus' and a further $300m element for loss of revenue, and which insurers felt to be severely inflated.

That the SCA is entitled to substantial compensation for, inter alia, loss of revenue, initial salvage efforts and damage to the canal is beyond dispute.

But even $600m is still far more than most sector observers see as justifiable, and protracted negotiations over the claim are inevitable. Arbitration remains a practical possibility.

Ever Given is entered with the UK Club, which "has seen the public comments made by SCA chairman Osama Rabie indicating that the SCA has reduced its claim from $916m to $600m", the International Group affiliate said.

"The reduced amount has not been reflected in the SCA's claim filed at court and the *Ever Given's* owners still have not been provided with evidence that would support a claim of this size, which remains exceptionally large. The *Ever Given*'s interests continue to negotiate in good faith with the SCA."

The vessel's owners — Luster Marine and Higachi Sangyo Kaisha, both associated with Japan's Shoei Kisen Kaisha — have been granted an English High Court order allowing the establishment of a limitation fund under the International Convention on Limitation of Liability for Marine Claims 1976.

The practical effect of this step, widely seen as an obvious defensive measure, would be to cap limitable claims at $115m.

The rub here is which claims are limitable under the convention and which are not, and are likely to depend on Egyptian law, according to legal experts.

Complicating the situation is the fate of the vessel itself and its cargo, which remain under arrest in the Great Bitter Lake, despite behind found fit to sail after inspections by class.

Japanese beneficial owners Shoei Kisen Kaisha appealed the decision to Egypt's court of first instance in Ismailia, which ruled against the application on May 4.

The company has 15 days from that date to decide whether it there are sufficient legal grounds to contest that ruling. People close to the situation say it is considering its options.

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.

A full complement of around two dozen seafarers remains on board. Two were allowed to depart on compassionate grounds and a further three on completion of their contracts. Replacements have been sent in all cases.

ANALYSIS:

Trade spat threatens Australia-China gas shipments

SOME Australia-China shipments of liquefied natural gas appear threatened by an escalating political dispute between the two countries amid reports that two importers have been told not to buy further cargoes.

Until now LNG shipments had continued uninterrupted despite increasingly hostile diplomatic relations over the last 12 months which triggered a trade spat that halted Chinese imports of coal and other commodities from Australia.

A senior executive from a state-owned shipping company in China said it had not heard of any restrictions on oil and gas majors from buying LNG from Australia.

To do so would be very difficult as many of the cargoes imported were backed by long-term offtake contracts, according to the executive.

"It won't be as easy as banning Australian coal," he told Lloyd's List.

More than 74 bulk carriers laden with Australian coal with 1,500 seafarers on board were stranded for months at anchor off Chinese coal terminals at the height of the ban, based on research by Panama's flag authority, which lobbied for crew disembarkation.

China's decision to end Australian coal imports reshaped seaborne coal flows over the past nine months, and also increased commodities prices for both thermal and metallurgical coal.

At least 14 bulk carriers laden with Australian coal loaded in 2020 remain stranded and have been at anchor off terminals in northern China for all of 2021, data from Lloyd's List Intelligence shows.

China is the world's second-largest LNG consumer, and Australia is its biggest supplier, according to data from Lloyd's List Intelligence.

China imported 36.7%, or 7.1m tonnes, of all of Australia's LNG imports in the first quarter, data show. That is the most recent three-month period for which full statistics are available.

Australia supplied 45% of China's entire LNG imports totalling 61m tonnes in 2020, Lloyd's List Intelligence data show.

These volumes were unaffected by the tumultuous 2020 when diplomatic relations between the two countries plunged to their lowest in 50 years.

Two small LNG importers were told to avoid buying Australian cargoes over 2021, Bloomberg reported, citing verbal orders from government officials.

This was how the coal ban started in the third quarter of 2020, with verbal requests and no formal statement or confirmation for several months.

Despite the lack of any official directive about LNG purchases, it's likely any ban, if enacted, would be first directed at so-called spot LNG deliveries.

Spot deliveries comprise about 30% of the global trade in the LNG market, a far smaller volume than other dry bulk and crude and product commodities.

So far vessel-tracking shows that LNG cargoes from Australia have been discharged without any obvious delay, and no diversions have been noted.

Energy ties between the two countries have deepened in recent years. State-controlled CNOOC Ltd has investments in Australian LNG trains, while Sinopec has stakes in several projects as well as corresponding offtake agreements. The company signed a significant deal with rival supplier, Qatar, in March.

Spot cargo bans, normally handled by second-tier importers, may be enacted as a warning to Canberra, after China suspended China-Australia Strategic Economic Dialogue last week.

Cutting Australian LNG imports also allows China to buy more from the US, as part of efforts to fulfill a trade deal.

Global box volumes heavily dependent on US demand

CONTAINER volumes set a new monthly record in March, with 15.5m teu being shipped globally, according to the latest available figures from Container Trades Statistics.

But the monthly rise masks a wider slowdown over the first quarter, and an increasing dependence on a single market

March volumes were up 20% on February and for the first three months of the year, volumes were up 10.8% on the past year to 42.9m teu.

"As we have said before, comparisons with this time last year make little sense when the global pandemic was extending its grip," CTS said. "And in more recent months, record demand fuelling congestion and equipment shortages on the key east west trades has created more challenges.

"The end of March also saw the grounded box ship *Ever Given* (IMO: 9811000) blocking the Suez Canal for nearly a week, adding further strain to services and equipment availability."

Analysis by Sea-Intelligence showed that when compared with 2019 figures, annualised growth was not so impressive.

"Seen as a whole, the first quarter of 2021 has shown a global annual average growth of 3.2%, which is quite well in line with the expected long-term underlying structural growth in global container shipping," it said. "This is because the structural link between container demand volume and underlying economic growth has essentially been at parity, for the past decade."

Exports from Asia continue to drive the growth in freight volumes, but CTS noted that while the regional total of 8.7m teu in March was up 15.3% on last year, it was lower than it was in each of the past three months of 2020.

"The one Far East trade that continues to boom is to North America, where this month a total of 2m teu was recorded," said CTS. "This is not only 40% up on last year but 38% up on March 2019. And, by all accounts, this level of demand shows no sign of ending soon."

But the North American market was also notable for being the only region to see a significant fall in export volumes.

"North American exports to the rest of the world, at 1.3m teu, are down 3.8% on March last year," it said. "The largest export trade to the Far East — around 45% of the total — is nearly 3% down with 587,000 teu.

"Quite a contrast to the flourishing head haul, but this backhaul leg has had difficult logistical problems to contend with, particularly from the US."

Sea-Intelligence also warned that the current demand boom was being driven largely by US consumer spending.

"We can see how there is a very high level of growth in North America, where the underlying structural growth has been almost 12% on average, for two years in a row," it said. "What the industry currently feels as a demand boom, is to a large degree a phenomenon driven by the Americas.

"Without the American boom, demand would be quite a bit more subdued."

By removing the Americas from the CTS global figures, the demand recovery of the fourth quarter of 2020 "almost stalls entirely," said Sea-Intelligence.

"We can furthermore see that the underlying structural growth for non-American regions cannot genuinely be said to grow very much over the past two years, with March 2021 seeing annual average growth of less than 1% for two years running," it said.

This meant that the strength of the current boom was heavily dependent on upholding the boom in the Americas "or we need to hope for a stronger recovery in the other markets."

MARKETS:

High iron ore price halts capesize retreat

CAPESIZE rates have reversed their recent declines as iron ore prices set fresh highs, seen as supportive for freight.

Iron ore futures on the Dalian Commodity Exchange surged 10% to $226 per tonne on the back of formidable demand from China and a recovery in the rest of the world, with forecast global economic growth seen at the highest level in 30 years, according to reports.

A Hong Kong-based ship broker said the "astounding" iron ore prices and the rebound in Chinese steel production were supporting capesize spot rates.

The capesize average weighted time charter responded, gaining 2% to $42,370 per day at the May 10 on the Baltic Exchange compared with May 7, halting a two-day decline that had been spurred by fears of souring relations between China and its main iron ore supplier, Australia.

Chinese demand for iron ore has soared as strong steel prices see mills ramp up export production, the broker said, adding that while the dry bulk action has centred on the largest bulk carriers, the fever was slowly trickling down to panamax and kamsarmax segments too.

Panamax earnings rose to $27,126 per day on the Baltic Exchange, while the Baltic Dry Index moved up to 3,240 points.

According to the broker, the demand for capesize fixtures was being driven by China, which was "back in action and readily paying" on the front haul from Brazil. China was largely absent from the market due to May Day holidays in the past week.

That means that shipowners can basically "name their price," he said.

A capesize broker in Singapore told Lloyd's List that many traders and brokers believed that a suspension might be in place on iron ore cargoes from Australia given the intensifying trade spat.

But the strong iron ore demand reflects China's continued economic recovery and its dependence on iron ore, which is good news for the bulker market, he said.

Maritime Strategies International, a London-based consultancy, shared similar views, saying the supply of iron ore continues to be in deficit in relation to demand, thanks to China's robust steel consumption, coupled with strong recovery in other countries.

MSI's senior dry bulk analyst Alex Stuart-Grumbar said that the trade tensions between Australia and China were also adding to sentiment as fears of a potential supply squeeze weighed in on the market.

The rising ore prices meant that charterers were increasingly motivated by maximising berth occupancy over the cost of freight, the broker said, adding that Brazilian iron ore exports were also expected to increase significantly in the coming months, which should continue to support elevated capesize vessel earnings.

"Chinese attempts of reducing steel production over pollution concerns will increasingly come into fruition in the second half of the year, but policies have yet to significantly impact overall Chinese production, with steel producers enjoying the highest margins for several years," he added.

ONE partners buoyed by container shipping boom

THE performance of Japan's three main lines continues to improve, largely boosted by the stellar performance of their container shipping joint venture Ocean Network Express.

NYK Line, Mitsui OSK Lines and K Line all reported significantly improved bottom lines for the past financial year ending March 30, 2021, having emerged from deficits in the year earlier.

This comes as ONE — which is 38%, 31% and 31% owned by the trio, respectively — marked its third anniversary with a 3,000% increase in profits, thanks to a strong demand resurgence and the resulting robust freight rates.

K Line, the smallest one of the three, saw the largest surge in net profit — more than 20 times compared with the year-ago period — to ¥108bn ($97m) on a 17.5% growth in revenue to ¥735.3bn

NYK and MOL reported an increase of about threefold to ¥139.2bn and ¥90bn, respectively, while revenue fell 3.6% and 14% to ¥1.6trn and ¥991.4bn.

While the container line business boomed, the results of the other segments were patchier.

MOL and K Line recorded losses for their dry bulker business, dragged down by an overall poor earnings level during the reporting period, despite a strong rebound since the start of the year.

NYK, which still lumps the business relating to tanker and gas shipping into the so-called "bulk shipping" sector, also noted that its dry bulk division "suffered from the after-effects of sluggish market conditions at the beginning of the [fiscal] year."

However, all of them predicted the current strong momentum will continue into 2022, helping to paint to rosy picture for this fiscal year.

On energy shipping, oil tanker earnings, which took a dive in mid-2020, were expected to remain weak this year. NYK and K Line said they would try to stabilise the segment's performance by securing more longer-term charters for their fleet. MOL seemed more optimistic.

"Through the second half of the year, global economic activity is expected to resume as vaccination programmes against coronavirus expand, and the market is projected to stage a gradual recovery," MOL said.

The three companies all run a large gas shipping fleets under long-term contracts and foresaw a continued steady stream of revenue from that business.

Looking forward, K Line was more cautious, estimating only ¥35bn net profits for the current fiscal year.

"Due to the high degree of uncertainty regarding the spread of coronavirus and when it will end, it is difficult to forecast a future outlook," it said.

NYK and MOL forecast their surplus to be little changed from the past year.

IN OTHER NEWS:

Mystery over cause of blast on oil tanker off Syria

TWO simultaneous explosions were reported on a tanker carrying Iranian oil to Syria two weeks after a similar incident prompted fears of an Israeli drone strike.

The Lebanese-owned, Panama-flagged, 1999-built, 45,908 dwt *Wisdom* (IMO: 9182069) was anchored off the Syrian port of Baniyas.

State media said an explosion was the result of repair work to the ship after a blast on April 24. But the Syrian Oil Transport Company blamed a technical failure in one of the engines.

Alfa Laval acquires weather specialist StormGeo

EQT, a Stockholm-based private equity firm, has agreed to sell StormGeo, a Norwegian weather intelligence software business, to Alfa Laval.

StormGeo, which provides weather-centric services to 2,200 customers globally in a variety of industries, including shipping and insurance, was acquired by EQT in 2014.

The purchase price amounts to about NKr3.6m ($442,000) on a debt and cash free basis, Alfa Laval said in a statement. The deal is expected to close next month, subject to customary conditions.

Hutchison completes acquisition of Rotterdam terminal

HUTCHISON Ports and APM Terminals have finally closed the deal that will see the APMT Rotterdam terminal change hands as Hutchison expands its operations in the European hub.

The companies announced they were in discussions over the future of the terminal, which is adjacent to Hutchison's ECT Delta terminal in the Maasvlakte complex, at the end of 2019.

"Over the past 18 months, the various parties have worked intensively and constructively together with all relevant parties, including APMTR's works council and trade unions, to complete the transaction," said APMT head of hub terminals Rolf Nielsen. "The sale gives APMTR the best possible future with a good security for jobs for its employees."

Global Ship Lease raises dividend as world box ship fleet reaches 'full employment'

GLOBAL Ship Lease, the containership owner, has increased its dividend amid optimism about the strength of the boxship charter market for at least the medium-term future.

The company declared a first-quarter $0.25 dividend per class A common share, which is more than double the $0.12 per share in the preceding quarter.

Market momentum was "positioning the sector for levels of profitability not seen in many years," said executive chairman George Youroukos.

Classified notices follow