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Four tankers in subterfuge fleet scrapped

A TRIO OF aframax tankers involved in shipping US-sanctioned Venezuelan crude have been scrapped in the past two months — a development that owners and operators hope will be replicated across the approximately 150-strong fleet of elderly vessels plying subterfuge trades.

The 2006-built Alsatayir (IMO: 9308845) and 2002-built tanker Nabiin (IMO: 9251585) were Liberia-flagged with registered Emirati owner Muhit Maritime FZE and sold to Bangladesh breakers, according to Lloyd's List Intelligence.

Muhit Maritime bought the vessels from Greece's Gotsis family in July and November 2020 respectively, along with three other tankers from the Eurotankers operating arm.

Two are still operating and a fifth was scrapped in November, the 1998-built Calma (IMO: 9157777).

All five tankers were immediately deployed after their sale to ship Venezuelan crude vessel-tracking data shows.

However, after two voyages both Alsatayir and Nabiin were sold for scrapping and sailed to sub-continental recyclers in late April, less than a year after their purchase.

The tankers' scrapping is significant because they formed part of a subterfuge fleet of vintage tankers sold to anonymous buyers during the past 18 months for sole use in sanctioned Iranian and Venezuelan trades.

The fleet's evolution has curbed recycling for the tanker sector and weighed on earnings at a time when a slowing recovery in global oil demand has cut exports of crude and refined products.

These tankers in US-sanctioned trades use deceptive and evasive practices including flag-hopping, multiple name changes, switching off vessel-tracking and undertaking ship-to-ship transfers to disguise the origin and destination of cargoes and escape penalty from US regulators.

The evolution of the subterfuge fleet has not only skewed sale-and-purchase values for older tankers but provided another option for ships near the end of their economic life.

The vintage tankers have remained operating even as a surplus of tankers on the regular market has outpaced demand, leading to some of the lowest earnings in more than a decade in 2021.

As well as the Muhit vessels, Panama-based Monte Nero Maritime SA, which also operates in Venezuelan trades, scrapped the 2001-built long range two product tanker Sun I (IMO: 9215050) in early March.

This brings the number of vessels identified by Lloyd's List as involved in subterfuge trades to 152 tankers of 2.4m deadweight with an average age of 20 years.

WHAT TO WATCH

Transatlantic product tanker rates retreat as Colonial Pipeline reopens

TRANSATLANTIC tanker rates have deflated almost as quickly as they spiked after two Jones Act waivers and the resumption of operations of the Colonial Pipeline ended additional demand for shipments of refined products to the US east coast.

The two exemptions, granted to Citgo Petroleum Corp and Valero Energy, allow foreign vessels to ship refined products from the US Gulf to the eastern seaboard to replace the shortages of gasoline and middle distillates from the pipeline cyberattack.

The Malta-flagged 2008-built, 50,333 dwt chemical tanker Valrossa (IMO: 9391505) was tracked at Citgo's berths at Lake Charles on May 17 at 1700 BST, vessel-tracking analysis shows. This suggests that the tanker is the one most likely to be sail for the east coast under the Jones Act waiver.

The 5,500-mile Colonial Pipeline that delivers up to 2.5m barrels per day and 45% of the Atlantic coast's refined products was closed for five days because of the ransomware attack. The pipeline resumed operations on May 13.

Transatlantic earnings for medium-range tankers dropped 36% in three days to $13,038 per day on May 14, according to the London-based Baltic Exchange.

They had surged to an 11-month high of $20,382 per day on May 11 from $8,842 on May 7, the same day the pipeline was closed.

The index averages the time charter equivalent rates for a triangulated voyage shipping gasoline to New York from Rotterdam and diesel to the Amsterdam-Rotterdam-Antwerp hub from the US Gulf.

Very few tankers provisionally fixed earlier in the week at these high rates to ship gasoline from northwest Europe ended up going ahead, as news of the Jones Act waivers first materialised.

The Act means only US-flagged, crewed and built ships can operate in cabotage trades.

Semi-virtual arbitration here to stay, says leading arbitrator

SEMI-virtual hearings represent the future of maritime arbitration in London, with document-only decisions also likely to become more common, according to a former president of the London Maritime Arbitrators Association.

However, entirely virtual hearings have garnered far less support, active arbitrator Ian Gaunt told a webinar organised by law firms HFW and Reed Smith as part of London International Disputes Week.

While semi-virtual and virtual hearings have come to the fore as a result of the coronavirus pandemic, they have been around for some time.

Mr Gaunt recalled a shipbuilding dispute in 2012 in which Chinese parties gave evidence remotely because of problems obtaining UK visas.

This proved only a limited success, as the internet connection repeatedly failed, and the time zone difference forced some witnesses to attend during hours that were late at night from their point of view.

More recently, witnesses have been flown to London, but have given evidence from the hotels in which they were in quarantine as a result of coronavirus restrictions. That experience proved satisfactory.

Since lockdown, Mr Gaunt has been involved with with six fully virtual hearings, four of those as sole arbitrator.

Even before restrictions, the international arbitration community saw the need for some sort of protocol to be developed to deal with the pitfalls of virtual and semi-virtual hearings, leading to the Seoul Protocol on Video Conferencing in International Arbitration in 2020.

With the arrival of lockdown in the UK, London arbitrators had to decide on how to deal with cases already under way or scheduled for hearing.

The London Maritime Arbitrators Association decided it was essential for the UK capital, as the world's leading centre for the arbitration of maritime disputes, to encourage the use of virtual hearings.

Accordingly, it has developed a set of guidelines, which have since been incorporated into the association's 2021 terms, effective from May 1.

As a result, there has been decreasing tolerance on the part of tribunals to consider adjournment applications.

There are many clear advantages with virtual and semi-virtual hearings, primarily those of cost and convenience.

Witnesses are spared the time and expense of long-haul travel and frequently hefty hotel bills, and visa issues, not least for witnesses from China, are circumvented. There are also environmental considerations, include the reduction of participants' carbon footprints.

Mr Gaunt also considered the perceived disadvantages, such as difficulties of cross-examination of witnesses.

"My experience of this is that that argument is nonsense. We are not playing the psychologist and observing minute behavioural reactions of witnesses," he said. "In my view, it is perfectly acceptable for witnesses to be examined by counsel virtually, being supported virtually by a solicitor's team or an expert."

Different time zones are another issue, but London arbitrators should be as flexible as possible and be prepared to sit early if so required.

'Zoom fatigue' can also be a problem, as sitting in front of a screen is more tiring than sitting in a physical meeting. But this can be tackled by longer breaks and shorter sessions.

There have been problems dealing with electronic documents. But most documents now start life electronically anyway prior to being printed out, and arbitrators have learned techniques to annotate electronic documents.

Communication within parties' teams can be harder, but applications such as WhatsApp help here.

There are fewer opportunities for informal chats over coffee breaks, which sometimes lead to settlements. But informal discussions are also possible online and, in Mr Gaunt's opinion, this argument is overplayed.

"Could arbitration awards published after virtual hearings be successfully challenged?" he said. "In an international context, this principally brings into play article 5 of the New York Convention. It would be extremely difficult, if a virtual hearing is properly arranged, giving both parties an opportunity to present their cases, that any real challenge could be mounted successfully."

Witness tampering can occur, as it can in physically hearings, and arbitrators have developed techniques to tell if a witness is being prompted.

Confidentiality is seldom a consideration in maritime arbitration.

OPINION

The real reason why there are so few female seafarers

WHY are there so few women seafarers, *asks Richard Clayton*.

One study by Marine Insight quoted in a webinar by Mental Health Support Solutions (MHSS) last week claimed that there are about 1.2m male seafarers, compared with only 27,000 female seafarers.

Of the latter, 94% serve on cruiseships. Of the 6% of female seafarers on cargoships, just 7% serve as officers.

This must change for many obvious reasons — not the least of which is, it is blatantly unfair. Why shouldn't females serve at sea in the same way and in the same jobs as men?

And while shipping companies' shore offices employ many more women, the boardrooms are again heavily weighted to men.

Gender equality is a tiny part of the environmental, social and corporate governance obligations, and one that is likely to take longer to sort out than the next fuel for ships.

What should shipping do to become more balanced?

According to one participant in the MHSS webinar, part of the reason why there are so few female seafarers is that their expectations are thwarted from an early age. Schools, colleges and training institutions rarely encourage young girls to dream of a career at sea.

Parents collude in this, with few who never served at sea having much idea about what the job entails and the opportunities it can offer.

In the minds of many people, going to sea still suggests that Jemima and Johnny are running away from something... or someone.

But consider this. In a 2020 report Trends in the diversity of teachers in England, it was revealed that the teacher workforce is becoming increasingly female dominated.

"Men's decision to go into teaching tends to be more responsive to wages than females," the report says, adding that teacher salaries in the UK have fallen by 16% in real terms over the past decade.

This is relevant because male teachers are more likely to plant the seeds of a career at sea.

It is not hard to discover that the world of work is a world of imbalance. The International Labour Organization makes this point clearly. Its occupations league shows that 88% of the world's personal care workers are women, along with 69% of healthcare professionals and 68% of teaching professionals. But the world's armed forces, metal trades workers, drivers and builders are almost 10 times more likely to be men than women.

Some professions have a dominant gender. Only in sales, administrative professionals, and the food processing sector are men and women in roughly equal numbers.

All of which suggests that part of the reason why there are so few female seafarers is because female educators put other roles ahead of seafaring.

Then there are the more obvious reasons, including lack of awareness of shipping in general, less support from the family for females to go to sea for more than six months at a time, the misconception that shipping involves heavy physical work that would not be attractive to women, and the belief that maritime employment is insecure and somewhat irregular

There are three immediate counters to these concerns.

The first is that females are just as resilient as men in all situations. Resilience is not about brawn, it's about brains, mental acuity and sharpness.

The second is that shipping is going through a period of transformation that will demand a new kind of skill set. Digitalisation is gender-agnostic. It does not demand physical strength, but imagination and insight.

The third is that females generally possess a more caring nature. According to ILO data, 88% of personal care workers are women and 69% of health professionals. The social element of ESG requires that shipping becomes much more aware of human element issues and that, by nature, will mostly fall on women.

There may be few seafarers because few school students were encouraged to think of seafaring as a career, even so there are plenty of roles for women on shore.

As the psychologist Timothy Leary is credited with saying: “Women who seek to be equal to men lack ambition.”

ANALYSIS

Box terminals fail to reap gains from higher volumes

CONTAINER terminal operators have yet to benefit financially from the box shipping bonanza that has pushed their carrier customers to record levels of profitability.

A comparison of Drewry’s Liner and Port indices shows a growth of 119.6% for carriers and a contraction of 22.4% for terminal operators in 2020.

“The gap widened further as we moved into 2021 with the Liner index inching ahead, driven by rising freight rates, robust profitability and surging demand caused by the pandemic-driven shift in consumption habits towards goods,” said Drewry maritime financial research manager Nilesh Tiwary.

The box shipping sector was going through a “purple patch like never before”, generating earnings before interest and tax of $27bn with an operating margin of 13% in 2020.

“The fundamentals remain strong, with liners set to enjoy a prolonged cycle of profitability extending into at least the next couple of years,” Mr Tiwany said. “Even if the chips are down, it looks highly unlikely that shipping lines will go back to the deeply loss-making cycle again.”

But the port and terminal sector was faced with multiple problems during the year, including lockdown restrictions, limited availability of labour and volatile vessel arrivals, resulting in port congestion across key trade routes

Growth in global container port throughput fell by 1% in the past year, down from 2% growth in 2019 and 5% in 2018. This in turn reduced the revenues of port operators.

Moreover, consolidation in the container shipping sector that had helped it manage capacity and hold up freight rates was reducing the number of potential customers and port pairings.

“For ports, the number of ship calls is an important factor because it influences the volume of cargo that can be moved through a port,” said Mr Tiwany. “A port with a higher degree of connectivity is attractive to both importers and exporters, and can help boost the port’s market share.

“However, with the recent consolidation in the container line shipping industry, ports are losing their bargaining power which is reflected in their declining earnings before interest, taxes, depreciation, and amortisation margins.”

Container shipping lines benefitted most from the return of demand after the first wave of the pandemic, with rising freight rates leading to a recovering in operation performance and share price rises.

“The same degree of follow-through was, however, missing in stock prices of port and terminal operators as the sector was engulfed in a myriad of problems despite reporting a largely stable financial year,” he said.

Blankings and the use of larger vessels to meet demand had led to fewer port calls but larger peaks.

“Once the recovery picked up pace in third quarter of 2020, volume surged as a result of higher consumer demand, overwhelming many ports and terminals, of which many are still struggling with reduced staff due to coronavirus,” said Mr Tiwany.

Nevertheless, he warned investors that container shipping remained a far more volatile sector than terminal operations, and that as the pandemic eases, terminals may make the best long-term bet.

“In our view, investors with higher risk tolerance will be better off staying invested in container shipping despite high valuation given the backdrop of strong growth, low interest rates and at least a two-year high growth potential,” he said. “On the other hand, income investors should consider parking their funds with port and terminal companies which benefit from stable business and higher dividends yields."

Maersk wants global phased-in market-based measure agreed by 2025

THE International Maritime Organization ought to agree on a market-based measure for shipping emissions by 2025, which can later be phased in, according to Maersk.

The Danish shipping company, which has committed to becoming climate neutral by 2050 and has publicly supported the use of a market-based measure to reduce shipping emissions, has also warned regulators to incorporate all greenhouse gases and fuels' lifecycle emissions in their policy decisions.

Simon Bergulf, the company's head of regulatory affairs, said the IMO needed to finalise the framework for an MBM by 2025, which would mean it would come into effect around 2027, to reduce the cost difference between today's fuels and future zero carbon fuels.

However, he believes a carbon levy should be phased in, with the price increased over time, citing the evident opposition of certain countries to an MBM and even to a proposed $2 per tonne of carbon dioxide levy to fund decarbonisation research and development.

"If we start immediately by putting $100 or $150 on top of it, I am afraid that then you start the negotiation by losing the majority of member states around the table. And we can't do that," he told a virtual press briefing session.

Morten Bo Christiansen, head of decarbonisation at Maersk, said the company has not estimated a firm carbon levy price that would mobilise the shift to the more expensive future fuels, but said it would have to be significant.

The IMO's environmental committee is meeting in June. Its priority will be to finalise the short-term measures that can help improve efficiency and carbon intensity of ships by 2030.

Discussions over MBMs have not yet begun, although certain governments have been vocally seeking to launch them.

The Marshall Islands and the Solomon Islands have proposed a $100 per tonne of CO_2 levy on all ships, beginning in 2025. Just over half of the revenues would go to governments for climate adaptation and mitigation purposes according to the two nations.

Mr Bergulf agreed that part of the revenues of an MBM should support developing and least-developed nations but also cautioned that sufficient funds must flow towards decarbonisation efforts and industry.

"What we can say very clearly is that it should not go into covering expenses for existing technologies for shipowners who have been sitting on their hands for the past 10 years. The existing technology is not going to be sponsored by this," Mr Bergulf said.

He also warned that if the IMO does not deliver this framework for an MBM by 2025 the European Union should then fully incorporate shipping into its emissions trading system.

The European Commission will publish its proposal for shipping's inclusion in system by mid-July. Among the main outstanding questions will be whether the proposal will cover emissions from all voyages or will have a more limited scope.

Maersk and the containership sector in general have openly lobbied the commission to limit its scope to emissions only from voyages within the European Economic Area.

Mr Bergulf said immediately applying the emissions trading system to voyages outside the EU would lead to negotiations of an MBM at the IMO shutting down.

With the commission's ETS proposal coming out in mid-July, he believes the EU could have finalised a deal for it by 2023, giving the IMO two more years to negotiate the framework of its MBM, while the ETS applies solely to intra-EU voyages in the meantime.

"If, by 2025, the IMO has not delivered, then by all means the EU should then go to full scope ETS," he said.

As political negotiations in the EU and IMO progress, Maersk also wants regulators to consider all greenhouse gases and their emissions — from production to combustion — into their policy-making, not just CO_2 emissions from vessels.

International shipping emissions of methane, a much shorter-lived pollutant that can be more than 84 times more warming than CO_2 over a 20-year period and over 28 times in a 100-year period, grew by more than 150% between 2012 and 2018 as the use of liquefied natural gas by ships grew too.

Maersk has been an outspoken critic of liquefied natural gas fuel, which can eradicate black carbon, sulphur and nitrogen emissions and can reduce emissions by more than 20%, but suffers from the slip of unburned methane.

At present, the IMO and EU emissions reporting requirements only cover CO_2 and the company believes that should change to encompass all greenhouse gases.

Maersk head of decarbonisation targets and lifecycle assessment Ingrid Marie Andersen believes that given the urgency of decarbonisation and the immediate damaging potential of pollutants like methane, regulators need to change their traditional approach in assessing the impacts of greenhouse gases.

Most policymakers today use the traditional 100-year global warming potential of pollutants when making decisions and regulations.

But Ms Andersen noted there is no scientific proof that using the 100-year or 20-year potential is correct, and it depends on the purpose.

"But the purpose here is to solve a quite urgent climate problem so that is why we think it makes a lot of sense to use 20-year global warming potential for the relatively short lived GHGs to account for their very short term negative effects," she said.

MARKETS

Bunker surcharges lose their bite

FEARS that the introduction last year of International Maritime Organization low-sulphur rules could cost container shipping billions of dollars a year in additional fuel costs were mitigated by the onset of the pandemic and a fall in oil prices.

There had been concerns that the spread between heavy fuel oil and very low sulphur oil could cost the sector up to $10bn a year, a sum that that would need to be passed onto customers through surcharges.

The collapse in the price of oil meant that box shipping dodged a bullet, but even with price rises since then, the introduction of scrubbers into a large part of the fleet has helped keep the costs of IMO 2020 implementation low, according to analysis by Sea-Intelligence

The price differential between high- and low-sulphur fuels has now stabilised at around $110 per tonne.

"For the cargo owners, this has been felt in recent months, as carriers' bunker surcharges have been increasing, as per the bunker formulas implemented in late 2019," said Sea-Intelligence chief executive Alan Murphy.

But when IMO 2020 came into effect 17 months ago, only 5% of the boxship fleet had scrubbers that would allow them to use lower cost heavy fuel oil.

That figure has now risen to nearly a third of the fleet.

"This means that in reality carriers will be buying a blend of VLSFO and HFO, dependent on whether or not the vessels are equipped with scrubbers," Mr Murphy said.

Sea-Intelligence calculates that the real "blended" spread between the fuel types now sits at around $80 per tonne, "considerably lower than the expectation in late 2019".

But the bunker adjusted formulas developed before the introduction of IMO 2020 had not changed to reflect the increased number of vessels using scrubbers, he said.

"To look at the element of bunker adjusted formulas from an entirely different angle, the current blended premium of $80 per tonne is applicable to the roughly 50m tonnes of fuel used by the industry annually, that is, an added cost of $4bn," he said.

"Globally, the industry ships some 170m teu annually. This becomes $24 per teu in added blended fuel premium, and given the current market circumstances, it means that the IMO2020 costs, which were seen as a major challenge in end-2019 is presently, in essence, a non-issue."

This figure was "miniscule" in the context of freight rates that had already risen by more than $4,000 per teu in the past year on the major east-west trades, and made the whole concept of bafs largely redundant, he said.

"One of the key reasons for having bafs historically, is that carriers were notoriously finding it more difficult to get an increase in the base rate, than to get an increase through a, somewhat defensible, surcharge," Mr Murphy said.

"But the past 12 months have shown that carriers are indeed very capable now of increasing the base rate itself. The arguments which traditionally have underpinned the need for a baf appear to have disappeared over the past year."

Beazley sees 12 hardening of marine rates in first quarter

BEAZLEY, the specialist insurer, saw a 12% hardening in marine rates in the opening three months of 2021 despite flat gross written premiums in the sector, according to its first-quarter financial statement.

The Ever Given (IMO: 9811000) grounding, which led to a six-day closure of the Suez Canal in March, will have "negligible impact", the listed company added.

Beazley's overall gross written premium for the period jumped 16% to $971m, ahead of expectations, although GWP for marine was unchanged on the corresponding quarter in 2020, at $100m.

The development comes a year after the company put regional marine lines in the UK into run-off, explicitly citing the pressure of low margins as the reason for the decision.

"We have had a positive start to the year with good rate momentum that is well ahead of our expectations as well as continued strong targeted growth," said chief executive Adrian Cox. "We expect favourable market conditions to continue and are well-positioned to take advantage of them given our capital surplus remains within our preferred range."

Beazley manages six Lloyd's syndicates and underwrote $3.56bn in gross premiums worldwide in 2020.

IN OTHER NEWS

Shipping calls to suppress piracy in Gulf of Guinea Declaration
BIMCO says more than 120 companies, flag states and trade groups have signed its new Gulf of Guinea Declaration on Suppression of Piracy.

The declaration calls for international action to cut the number of pirate attacks by at least 80% by 2023. Pirates and armed robbers kidnapped at least 130 people in the Gulf of Guinea last year.

BIMCO said the region's piracy could be suppressed with "as little as two frigates with helicopters and one maritime patrol aircraft."

China Merchants offloads VLCC to Greek owner
CHINA Merchants Energy Shipping, part of state conglomerate China Merchants Group, said it has sold a very large crude carrier to a Greek owner for about Yuan249.3m ($38.7m).

The 2009-built, 297,000 dwt New Creation (IMO: 9340635) was sold to a company named TSMI.

Registered in Greece and established in 1972, the buyer owns and manages nearly 100 vessels, including more than 60 oil tankers, according to a stock filing by Shanghai-listed CMES.

Tufton divests two handysize bulk carriers
TUFTON Oceanic Assets, the shipping-oriented fund manager that is listed on the London Stock Exchange, has agreed to divest two of its handysize bulk carriers for $20.5m.

"Whilst the company aims to hold its investments over the longer term, we will sell investments where this generates additional value for shareholders," it said in a statement, adding that the vessels were acquired for less than 70% of depreciated replacement cost in 2018 and in early 2020.

"In line with our investment strategy, we are taking the opportunity to divest at 100% of depreciated replacement cost," it said.

CMA CGM vessel to set record at US east coast ports

NORTH American east coast ports will see records broken in container shipping this week.

The 2012-built, 16,020 teu CMA CGM Marco Polo (IMO: 9454436) is scheduled to call at Halifax on May 17, New York-New Jersey on May 20, Norfolk on May 23, Savannah on May 26 and Charleston on May 28 — record-breaking visits for the largest ship call in all five ports.

The vessel is operating on the French carrier's Columbus JAX service, travelling from South Asia to the North American east coast, and reflects an increase in capacity.

Drugs worth $77m found in cargoship at Sydney

AUSTRALIAN police and customs said nearly A$100m ($77m) of methamphetamine was seized from a cargoship at Sydney, the latest in a string of large drug busts from ships.

New South Wales Police and the Australian Border Force found the 316 kg haul on a ship originating from Thailand. It did not name the vessel.

The drugs were found in 62 cardboard boxes declared to contain electric barbecue grills and food items. Officers spotted inconsistencies in the packaging, NSW Police said.

MOL joins initiative to study ammonia supply chain

MITSUI OSK Lines, the Japanese shipping group, said it has agreed to join a study on developing ammonia fuel supply chains in Singapore.

Others that have signed the memorandum of understanding includes Japan's trading conglomerate Itochu Corp and its energy unit Itochu Enex, Singapore's state-owned Pavilion Energy, Vopak Terminals Singapore and Total Marine Fuels.

MOL said it will promote the development of offshore facilities, such as floating storage units and/or ammonia bunkering ships.

Classified notices follow