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Shell Shocked: Why a tumultuous week for Big Oil is a turning point for shipping

A WEEK that could define the future of the energy industry should also have shipping's decision-makers assessing their own hopes and expectations.

In a landmark decision, a Dutch court ordered Shell to significantly accelerate its decarbonisation efforts and reduce its net global emissions by 45% by 2030 compared to 2019, including those from its customers and suppliers.

Meanwhile, ExxonMobil lost board seats to climate activist candidates and shareholders at Chevron backed measures to reduce emissions from the use of its products.

The credit raters have already delivered their verdict — stricter investor expectations "could lead to higher capital costs and diminished access to capital for oil companies that do not keep pace with investors' expectations for transitioning to a low carbon business model".

Total shareholders also approved rebranding the French company to TotalEnergies in an effort to demonstrate an increasing attention to renewable energy.

Energy majors, who are both customers and suppliers to the shipping industry, are on the front line of the energy transition so it is reasonable to expect that the first radical changes play out first in their boardrooms.

But the barrage of repercussions for the shipping industry is now inevitable. From similar legal action potentially taken against major shipping companies for their environmental record, to a more precarious outlook and for companies moving fossil fuels, shipping companies will be affected by this week's developments.

This is another clear message that shipping companies must become more vigilant in their emissions-reductions efforts, making them a core part of their business, not an ancillary activity that is there for show.

The incomplete and unclear sustainability and environmental reports that a recent Lloyd' List analysis found a number of shipping companies have published, will not be sufficient withstand the further scrutiny that shareholders, supply chain partners apply on them.

Last week's events will also renew pressure on the users of liquefied natural gas, a fossil fuel that can reduce carbon dioxide emissions but only to a point, while suffering the slip of unburned methane.

Methane as a greenhouse gas has a much shorter lifespan than CO2 but can also lead to more than 84 times greater warming over a 20-year period.

If LNG is a transitional fuel, as its backers claim, they should ask themselves how long does this transition last if the legal and investor momentum to ensure that timeline shrinks, grows any further?

But shipping companies would also be wise to welcome last week's developments. Companies have rightly pointed out that running ships on low-carbon fuels is not in their control. The added pressure on their fuel suppliers should mean they seek to develop viable low-carbon products faster and provide them to their customers, shipping companies, faster.

The energy transition is not going to be a one-sided affair. The alternatives must be viable and affordable, especially for developing and least developing nations, and demand for the products has to be there.

The writing has been on the wall since the 2015 Paris Agreement and 2021 is on course to be a watershed in several ways, with COP26 also coming in November.

Last week's unprecedented legal defeat and successful shareholder climate activism are arguably the strongest evidence yet that combating global warming is no longer a just political ambition with theoretical financial and operational implications.

For shipping, the implications are coming faster than many would have like and the need to adapt is paramount.

WHAT TO WATCH:

Governments agree new CO2 reductions but only until 2027

GOVERNMENTS have preliminarily agreed to force ships to reduce their CO2 intensity by 2% annually between 2023 and the end of 2026, but failed to agree on further reductions through to 2030.

Countries at the International Maritime Organization agreed on Friday to the new reduction rate as part of a short-term measure that aims to help international shipping reduce its average CO2 intensity by at least 40% by 2030 compared with 2008.

The decision of the intersessional working group on greenhouse gas emissions, the IMO's dedicated greenhouse gas group that meets behind closed doors, has to be approved by the IMO's Marine Environment Protection Committee that meets from June 10 to June 17.

This 2% reduction rate between 2023 and 2026 is part of the carbon intensity indicator, a short-term operational efficiency measure that governments approved in November.

The CII would come into effect in 2023 if it is adopted by the MEPC in June. The MEPC is also expected to adopt new technical efficiency requirements for the existing fleet, through a separate measure Energy Efficiency Existing Ship Index, that requires ships to m

This 2% annual reduction of the CII appears to be in terms of the annual efficiency ratio, which estimates carbon intensity based on fuel consumption, distance travelled, and deadweight tonnage.

However, the goal last week was to agree to CO2 intensity reductions through to 2030, the target year for the 40% commitment.

An expert group led by China, Japan and the European Commission had suggested before the meeting that governments could meet the 2030 that by opting for either 22% emissions reductions target, in terms of a supply-based approach, or 11% from a demand-based approach, compared to 2019 levels.

But countries did not make a decision on this target, instead opting only for the annual CO2 intensity reductions, meaning that shipping companies will not have certainty over what requirements they will face in less than six years' time.

The intersessional group's agreement would see governments determine reduction requirements for 2027 to 2030 in 2026, when the IMO reviews the measure.

The roadmap seen by Lloyd's List says that this third phase will be "further strengthened and developed taking into account the review of the short-term measure".

The first phase of the agreed roadmap supposes a 1% annual CO2 intensity reduction until 2023.

Critics have warned that such a 2% reduction allow shipping emissions to continue to grow over the next decade even with these energy efficiency improvements.

Supporters believe that the 2% can get international shipping to that 40% reduction target.

The IMO had agreed in its 2018 initial GHG strategy that it would seek to attain this 40% reduction target. But it had also committed to "peak GHG emissions from international shipping as soon as possible".

Individuals from different delegations described last week's negotiations as long and difficult, with political considerations creeping into what are considered by many to be technical issues.

Maersk head of regulatory affairs Simon Bergulf said that the meeting showed what can happen when technical and legal measures come within a highly political agenda.

"As Maersk, we are happy to see that the IMO is one step closer to closing short-term measures, but we also share the frustration of many member states when it comes to the level of ambitions being too low," he told Lloyd's List.

He also said it is very difficult for any shipping company to get certainty or clarity on the effect of these measures as long as fundamental metrics such as the AER and energy efficiency operational indicator — the demand-based metric of CO2 intensity — correction factors are not agreed upon.

ANALYSIS

Is this the golden age for shipping entrepreneurs?

JOSEPH Schumpeter, the father of creative destruction, argued that a burst of entrepreneurial activity was almost inevitable in the wake of an economic slump.

As he wrote in The Theory of Economic Development, published in 1911 (itself a recessionary year), the very logic of the capitalist system would create a new 'swarm' of entrepreneurs.

"A wave of prosperity would start up and the whole cycle would roll on," he declared.

Two years after Lloyd's List first identified a fertile seedbed of entrepreneurial activity in shipping, there is every reason to expect a Shumpeterian sprouting of post-Covid start-ups.

The global pandemic has catalysed the digital revolution; decarbonisation is demanding immediate innovation; global venture capital funding is at an all-time high; and bigger funds featuring dedicated teams with industry experience have created a more mature environment for smart ideas to meet smart money.

The conditions are ripe for change.

The only question is whether a conservative, fragmented industry, where corporates have rarely been rewarded for experimenting and failing, is finally ready to take full advantage of this groundswell of start-ups looking for scale.

"Pre-Covid, I would say a lot of companies were on the fence, dabbling with a little innovation funding, spending some cash, placing a few minor bets and generally dipping their toes in the water," says Nicklas Viby Fursund, partner and head of transport at the corporate innovation development firm Rainmaking.

"And then Covid happened — and it brought about a tectonic shift in the world of innovation in this industry."

Companies can be broadly divided into two camps: those that retrenched in the wake of Covid and focused on survival and their core business; and those that are doubling down on innovation, accelerating investment and actively engaging start-ups in response to shifting dynamics in the industry.

The latter remains a minority group, but there is a growing sense that many of the same companies dragging a reluctant industry ever faster towards zero-carbon technology and digital efficiencies are also now leading the charge to support — and ultimately scale — innovative start-ups that support those end goals.

"What we are seeing today is a much larger group of corporates in shipping who clearly believe that in five years' time, the industry is going to look very different, and they are establishing partnerships and supporting innovation," said Mr Fursund.

"Those companies are taking this much more seriously than they were a few years ago — and that is where you are seeing real change."

An entrepreneurial explosion

The influx of start-ups identifying niche industry problems to resolve or coalescing around game-changing technology is not an issue. In fact, the proliferation of industry-focused accelerator programmes has been successfully churning out entrepreneurial businesses for several years now.

The problems lie beyond the start-ups.

To borrow the innovator's favoured moonshot analogy: the launch pad has been built and rockets are regularly launching, but the real problems are now emerging nearer the moon landing.

For start-ups, funding is relatively plentiful right now. In the first quarter of 2021, global venture investments reached $125bn, a 50% increase quarter over quarter and a 94% increase year over year, according to venture capital trackers Crunchbase.

Their data shows that global funding last quarter hit an all-time high, marking the first single quarter to reach more than $100bn.

Attracting a slice of that action into shipping has traditionally been the difficult sell — but even there, progress is being made.

"The willingness to support innovation inside the industry is increasing quite a bit and here in Singapore, I see a lot of initiatives in the maritime ecosystem and beyond," says Claus Nehmzow, chief innovation officer of Eastern Pacific Shipping.

"There's a lot of money going into the sector right now, with $20m-$30m VC funds springing up and taking a real interest in shipping."

Y Combinator, the prominent Silicon Valley boot camp for start-ups, has long set the standard for entrepreneurial excellence, producing unicorns at a fearsome rate — but until recently, shipping was not on its radar.

The fact that Singapore-based maritime technology start-up Greywing was selected in the Y Combinator cohort has been taken as positive indicator that the visibility is at least no longer a barrier.

"For early-stage investments, there is now money available, but when you are talking about moving to scaled operations and later-stage funding, that is still a real problem," concedes Mr Nehmzow.

Size matters

The freight forwarding platform Flexport has routinely been held up as the exemplar of funding success in the maritime space, following their now famed $1bn funding round led by Softbank Vision Fund — the Saudi-backed fund that has become the world's largest tech investor.

Yet their story remains an anomaly in shipping, which has traditionally struggled to get on the larger fund's radar.

"The bigger funds are looking for proven tech and product market fit, so essentially they are waiting for everything to mature in order to go in with heavier investments," explains Mr Fursund.

"Also, the funds and the start-ups have realised that changing anything in this industry is really hard because of the industry corporates sitting on the data and the assets.

"So coming in and pushing innovation is proving to be a hard game for the start-ups unless they partner with the corporate — and that's where we see the real change and the most success around collaboration," he adds.

The emergence of a new fund, Motion Ventures, backed by the Singaporean government to support tech innovation for the maritime sector, is one such example.

The fund plans to invest in around 20 early-stage start-ups focused on artificial intelligence, machine learning and automation, with investments ranging between S$500,000 ($378,000) and S$2m, but it comes with an innovative new approach to corporate collaboration.

Collaboration is key

"The conversation changed a few years back," explains Wilhelmsen vice-president of open innovation Nakul Malhotra, who acts as one of several industry advisors to the scheme.

"It was no longer about why we should be collaborating — that's now taken for granted. It's about how we best fast-track and prioritise the right ventures and ideas."

The goal for Motion Ventures and its supporters is to set up corporates and start-ups with the best chance to succeed by bringing a group of industry adopters together to form a consortium to connect with entrepreneurs early in the process and figure out how to build solutions with an industry context in mind.

Motion Ventures boasts a line-up of more than 40 industry executives acting as an advisory network and mentorship programme, but it also partners start-ups with well-established maritime firms like Wilhelmsen to help them commercialise and integrate their technology into supply chains.

Described as a consortium-driven fund, these corporate partners are accelerating technology adoption essentially as an in-house consultant.

"We see that in the seed capital to Series A stage of funding, a lot of reasons why these companies don't make it is because they don't find product market fit," says Shaun Hon, general partner at Motion Ventures.

"They burn through cash trying to iterate that idea.

"What we're trying to do is to bring the corporate consultant and the start-up together so that any ideas that they are iterating, they are iterating for their users. This saves start-ups the time and tragedy of getting it wrong — and provides users and clients with what they actually need — fast."

The consortium model provides a more mature and workable form of innovation, tailored to a sector that is littered with failed experimentation and no historical precedent of rewarding first-movers.

Despite the initial enthusiasm of the Silicon Valley set, shipping's fragmented structure, conservative attitudes, capital-intensive and long cycle-specific requirements did not suit the traditional venture capital model.

The standard VC model tries to find new ways of adding value into their investments, but it is based on value extraction and maximisation of profit for the shareholders; it is not based on solving the challenges of the industry.

That has created a tension between the long-term requirements and the reality that investing in start-ups is estimated to lead to losses of between 35% and 70%. Start-ups do pose a risk — but ultimately, staying still is an even bigger risk.

When Eastern Pacific's accelerator was established in 2019, it was done with the intention of supercharging their own innovation potential.

However, according to Mr Nehmzow, there is a wider benefit to this approach. The days of viewing industry peers purely as competition is a mindset that only benefits corporates in siloes.

"We don't do purely experimental stuff with very low chances of success — it's not a long-term strategic R&D kind of thing that we do," he says. "The idea is really to take something that has a pretty good chance of being a success.

"But the other aspects of this work is that we work very closely with competitors and partners. Obviously we're doing it for ourselves with our own goals in mind, but it acts as a catalyst for wider innovation.

"We're making it much easier for other shipping companies to latch on because we essentially de-risk the whole situation.

"They can really see it working on our ships; we obviously have taken the risk to work with these guys, so we make it much, much easier for these companies to work with start-ups," he adds.

Shipping has no shortage of problems begging to be overcome by smart start-ups, if only the traditional lack of standardisation and siloed thinking can be overcome.

Innovation has never been the end game; rather a means for developing new value drivers and new business models.

The shipping industry may not be a major attraction for investors looking for a play on decarbonisation — but it could become so if the industry can transform itself into a catalyst for change in the industries being served.

Opportunities abound, and yet the industry is waking up to the fact it cannot solve all the problems itself.

Collaboration is essential for survival. Corporates may have not traditionally been rewarded for experimenting and failing, but the challenges now require a new way of thinking from everyone.

We need to find different types of companies — and new ways of creating them.

Port of Los Angeles eyes record throughput

THE port of Los Angeles has seen tumultuous business over the past year, with cargo dropping to 50% of normal in March 2020, only to soar to an average of more than 900,000 teu per month for the past 10 months.

That puts the port well on the path to a new annual record of 10m teu, but this record could be just the beginning of even higher numbers in the years to come, according to port executive director Gene Seroka.

"I think 10m is going to be the stepping stone to 11m and 12m and 15m beyond that, because we have done this basically in an environment of one-way trade. Had we had our normal complement of exports, we would have hit 11m this year," he tells Lloyd's List.

The current ratio of imports to exports stands at 4.3 to 1 in contrast to the normal ratio of 2.5 to 1 and the outsized volumes of imports are due to a "pandemic-induced buying surge, the likes of which we have not witnessed ever."

The "pandemic-induced buying surge" has meant that container lines are quick to turn loaded import containers into empty ones heading back to the production centres in Asia, giving US exporters little opportunity to make use of the empties.

"So many people are just doing one-way trade. It is all about imports. It is all about imports, right?"

Mr Seroka understands the economics of the problem and thinks "there will come a day very soon where the shipping lines will need the export community."

That will begin to happen "as our country opens up and we start spending more money in the service sector" as opposed to goods carried by containerships.

"We'll go back out to the movies. We'll go to ball games, we'll get on airplanes to go see family and do business again. And that will take a little bit of that pressure off the inbound side.

"But at the same time, in order for the shipping lines to display roundtrip economics and hit their top line numbers as moderation starts to hit the import line, they're going to need these exporters," he says.

"So this gives us just a little bit of a window to figure out what type of policy could be enacted," he says, referring to concerns in the federal government over the problem of equipment for exporters.

"I'm not advocating regulatory requirements on exports. I'm trying to see how you can incentivise exports," he says.

"It could be a myriad of issues we address here and we will be working very closely with the US Department of Commerce and the Federal Maritime Commission on just these things."

Not least, he says: "We have got to encourage the liner shipping companies to find better ways economically, to have a robust book of business on the import side and one on the export side."

Getting more cargo into the port is one thing, but getting it out is another — a point Mr Seroka has learned only too well over the past nine or 10 months, especially with occasional backlogs of up to 40 containerships sitting at anchor awaiting berths.

The main cause of the problem has had little to do with the port itself but instead with cargo owners simply not collecting their goods: "30% of the reservations we have for cargo pickup go without being used every night."

That means more and more containers remain on terminal container yards, "and so the less maneuverability they have on the tarmac when the next ship comes in, that's the less containers they can take off that ship, and the ship behind it backs up as well."

Over the past year, a number of mega-ships — vessels of 20,000 teu or more — have called the port of Los Angeles, but Mr Seroka does not see them as part of a trend continuing into the future.

"We do a lot of work in this area and the best intelligence now says that the workhorse vessel in the transpacific trade coming to Southern California will be between 12,000 and 16,000 teu — more than likely it'll fit into a 14,000 to 16,000 teu range," he says.

"We've proven we can handle the world's largest ships, but you may not have enough time in the week to work those ships and still keep them on schedule, going to Asia and returning," he says. "You've only got so much time to work these ships as they come in in order to maintain a fixed weekly departure service out of Asia."

Not least, he says, "we're going to have to do a lot better at putting the right ship at the proper location, given the time and work it needs."

"You've got some terminals here in Los Angeles that can handle smaller ships moving in and out, like these expedited services that CMA and Zim and others are bringing on," he says.

"There is a real opportunity there to get those ships in and out using the types of facilities that are geared for that size vessel while making sure the mega ships are going to those deep-water facilities with densified crane and rail capabilities to move the cargo in and out as fast as possible."

Mr Seroka has no doubt that more cargo is on the horizon and that reaching the 10m teu mark is "only the beginning" for the port.

"It is a high-water mark that we've been chasing for a long time. It's quite great to get there, but knowing we did it maybe on six of eight cylinders tells me that we've got more work to do" and he says that work will be done with "the spirit of innovation, the spirit of continuous improvement, that we carry here in Los Angeles."

OPINION:

Heavy weather ahead: How to prepare the ship for climate change

GLOBAL weather patterns are changing. There is now clear evidence of a link between climate change and extreme weather, *writes Richard Clayton*.

At sea, heavy weather incidents are becoming more common. This will likely lead to more claims from shippers for damage to cargo caused by ships running through heavy weather.

However, with better weather forecasting and weather routeing software available to assist masters in route planning, it should be possible to avoid most storms altogether. When that's not possible, there are ways to limit the damage caused by them, according to speakers on a Britannia P&I club webinar.

There is no clear definition of the term 'heavy weather'. It depends on the wave or wind limitations of each vessel.

So while all masters should be familiar with the International Maritime Organization's guidance on avoiding dangerous situations, adverse weather and sea conditions, the key is for the master to know the limitations of his ship, said Alistair Roaf, Principal Master Mariner at consultancy Brookes Bell.

Planning the voyage in advance, monitoring the latest weather reports, and using routeing software are all tools in the master's toolbox.

But masters should beware. Weather routeing services remain "largely unregulated" and are an enhancement of commercial expedience rather than as a safety precaution in themselves, Capt Roaf stated.

He warned that commercial expedience on a voyage can sometimes place undue pressure on masters to take risks that are unacceptably high.

For example, a weather routeing company might suggest it would be worth enduring "a really bad piece of weather for a day or two" because the situation on the other side is clear and calm and the ship will arrive in port quickly.

"It's important for the master to be clear what his limits are, so he can counter: 'No, that's not acceptable. I want an alternative route'."

Passage planning, sophisticated routeing software, and improved — although not yet perfect — weather forecasts are all valuable to a master in decision making. However, Britannia's loss prevention manager, Slav Ostrowicki, stressed the need for traditional ship handling knowledge.

"The importance of experience should not be underestimated," he said.

Where a master cannot avoid going through heavy weather, reduction of speed and an alteration of course is required.

While safety management system (SMS) procedures offer a checklist in anticipation of heavy weather, safety is not achieved simply by implementing a procedure, Capt Ostrowicki said. "It is important to cultivate an appropriate safety culture and good seamanship. Safety should be owned by everyone, and every crew member has a role to play. It's teamwork."

Capt Roaf said that when a ship has encountered heavy weather, cargo owners and insurers will want details of why cargo was damaged or lost.

Deck logbook entries should be comprehensive and accurate, weather forecasts should be retained to support entries along with video evidence if available.

There should be evidence that the vessel was seaworthy when leaving port, evidence that hatch covers were tight on departure, and evidence that the vessel met appropriate stability criteria.

If there is an 'event' during heavy weather, Capt Roaf added, "you might want to consider saving the VDR".

Britannia's fleet manager Stephen Hunter reiterated that heavy weather defence against claims for damaged cargo is only available to carriers that have exercised due diligence to make their vessel seaworthy before and at the beginning of the voyage.

"The shipowner is expected to have acted reasonably during heavy weather, taking clear actions according to best possible weather routeing guidance.

"We recognise ship owners are under pressure to keep to the ship's schedule," Mr Hunter stressed. "You want to keep the ship moving, the charterer wants to keep the ship moving. You have to find the right risk balance. You should always properly prepare for rough seas."

Summing up, Neale Rodrigues, Britannia P&I club's divisional director, observed that: "Claims handling is all about negotiation, so the more information the shipowner can provide the claims handler, the more data, photographs, videos you can give, the better they will be able to handle the claims."

He advised that heavy weather is "very rarely unanticipated".

The suite of weather reports, forecasts, and routeing systems all provide information useful for anticipating, planning, and thinking ahead.

MARKETS:

Container demand frenzy sends rates to new highs, again

CONTAINER freight spot rates to Europe ex-Asia have continued their relentless rise, with rates now closing in on $6,000 per teu for Shanghai-northern Europe volumes.

For the third week in a row, freight rates on the spot market to both northern Europe and the Mediterranean reported by the Shanghai Shipping Exchange have sat at over $10,000 per feu, and the 4.2% and 5.2% increases, respectively, will put yet more pressure on shippers.

The Shanghai Containerised Freight Index rose another 1.8% this week as a decline in transpacific rates to the US west coast mitigated rises elsewhere.

Drewry's World Container Index also saw a 2%, or $121 increase this week and now stands at nearly

300% above where it was this time in the past year.

The average composite index of the WCI, year-to-date, is $5,243 per feu, $3,348 higher than the five-year average of $1,895 per feu.

It is not just spot prices that are seeing strong increases, however.

Xeneta's Long-Term XSI Public Indices now stands 34.5% higher than it did at the start of 2021, after rising another 9% in May.

All major trade corridors have seen rates growth, "and much of it spectacular" across the first five months, with Far East export and European imports leading the way — both up by more than 50%.

Xeneta chief executive Patrik Berglund said it was a development that "delivers pain and profit in equal measure" to those on opposing sides of the carrier-shipper divide.

"Every month we see a new set of results from the carriers demonstrating their strength," he said.

"After years of fluctuating fortunes, the carriers are determined to seize on current opportunity, manoeuvring to exploit huge consumer demand and increased online retail with new strategic moves."

He cited German carrier Hapag-Lloyd's plan to implement a $3,000 per feu general rate increase on Asia-US trades from mid-June.

"With fundamentals so much in their favour, there is a good chance they will achieve some level of implementation," Mr Berglund said.

But the lack of equipment and port congestion had squeezed supply chains, leaving shippers stressed and facing increasingly one-sided negotiations.

"Even when contracts are signed, there is the potential of rolled cargoes and broken agreements as operators take advantage of massively lucrative spot rates," he said.

"It is difficult to see the prospect of any immediate rates relief on the horizon."

That would likely not happen until the pandemic had further eased and more equipment and capacity became available, he added. In the short term, carriers would continue to hold the cards.

"It will be interesting to see how the market reacts to try and redress the balance, with the recent arrival of CULines — supported by purchasing association XSTAFF — showing the potential for alternative solutions to the main carriers," he said.

Intra-Asia operator CULines started doing ad hoc sailings to Europe earlier this year but from June will boost its monthly service to a two-week service to Antwerp, Rotterdam and Hamburg, using 4,200 teu vessels.

"Under pre-pandemic market circumstances it would not be economically feasible to compete against 20,000 teu vessels with 4,200 teu vessels," said Vespucci Maritime chief executive Lars Jensen.

"CULines provides an example of just how extreme the current market is."

Boxships dominate newbuilding contracting

CONTAINERSHIPS have been responsible for the lion's share of the 120% rise in ordering activity compared with the first five months of the past year.

According to data from BIMCO, total orders year to date are up 119.7% on 2020 figures, primarily driven by boxship contracting as owners and operators "flush with cash" head to the yards.

The 43.6m dwt ordered in the first five months of this year is only just behind the 49m dwt ordered in the whole of 2020, as the pandemic brought uncertainty to buying decisions.

"The vast amount of money pouring into container shipping is finding its way into the shipyards, with the current tightness in the supply of ships incentivising some owners to expand their fleets," said BIMCO chief shipping analyst Peter Sand.

A record-breaking 2.2m teu had been added to the boxship orderbook since the start of the year, more than 12 times that added in the corresponding period in the past year and 60% higher than the previous record in 2005.

But it was not just ultra-large tonnage that was dominating orders. The most popular boxship

tonnage in terms of capacity and number of vessels ordered had been in the 15,000 teu range.

"The biggest of the ultra-large carriers are proving less popular, with carriers seeing the 15,000 teu-16,000 teu ships as a better option," Mr Sand said.

"This is because they still offer solid savings from economies of scale while not putting the same limits on flexibility as the 20,000-plus teu ships have in terms of trading patterns."

While 89 ships of more than 15,000 teu had been ordered, with an average capacity of 16,622 teu, this masked the fact that there was nothing ordered between 16,000 teu and 23,000 teu, he added.

There also appeared to be a polarisation between ships of 15,000 teu-16,000 teu, of which there were 75 on order, and the 14 orders for vessels more than 24,000 teu.

The vast majority of the tonnage ordered so far this year will be delivered in 2023, which BIMCO estimates will see 1.5m teu delivered.

This would make it the busiest year for containership deliveries since 2015.

In other sectors, crude tanker demand was up by 47%, but demand for product tankers had fallen and dry bulk contracting was only slightly above last year's levels.

"Although also making good money in the current market, dry bulk owners have been more reluctant to order new tonnage, with the second-hand market proving more popular," Mr Sand said.

"The tanker market is split in two. We are seeing a rise in contracting for crude oil tankers, as owners who filled their coffers during the height of the market last year are betting on a better market when the ships are delivered, whereas oil product tankers are proving less popular."

Higher US LPG exports bode well for VLGC segment

AVANCE Gas, a Norwegian company operating very large gas carriers, has a positive outlook on the market given an anticipated rise in liquefied petroleum gas exports from the US this year.

"For the balance of 2021, we anticipate solid US exports underpinned by a global economy which is returning to normality," the John Fredriksen unit said in an earnings statement. "We assume US consumption to stay flattish, hence higher volumes for export compared with last year."

VLGC spot rates of $100,000 per day at the start of the year fell to operating cost levels, according to Avance, but by the middle of this quarter, the freight market had "gained new momentum" and returned to "a more normal trajectory in line with our market view reflecting a healthy balance on supply and demand".

Following a big freeze in the US in the first quarter, which curtailed production with lower shipments due to higher domestic demand, volumes rebounded in April, with 89 liftings reported. This was an all-time high.

The export capacity expansions at the Targa and Nederland facilities in the US Gulf and Markus Hook on the east coast have started to bear fruit, but buying activity in the Far East has fallen due to high inventories. Incremental volumes have thus been sent to northwest Europe, the Mediterranean and Latin America.

Middle East export activity is expected to increase from this month, with further growth in the second half of the year and in 2022, Avance said. In the first quarter, VLGC exports amounted to an average of 54 cargoes per month from 50 in the final three months of 2020.

"It is still uncertain whether increased Middle East exports will outcompete some of the Atlantic cargo volumes bound for the Far Eastern import markets, but at the time of writing, the strong demand is absorbing the additional tonnes," it said, adding that China was dominating demand.

Ordering activity has picked up, with 66 ships currently on order out of a global sailing fleet of 310 vessels.

The effect of the orderbook should be muted, Avance said, due to a busy drydocking schedule of some 55-70 vessels in 2021 and 2022. In addition, rising seaborne LPG trading volumes and the ongoing general fleet inefficiencies around the Panama Canal and Asian discharge ports "all point towards a positive outlook for the coming years".

The company reported net profit of $18.9m in the first quarter of the year versus $15.1m in the year-earlier period.

It has received credit approval for the financing of the first two of its dual-fuel newbuildings, which are scheduled to be delivered in the final quarter of this year and the first quarter of next year, in a $104m facility with an average cash breakeven of $20,000 per day.

IN OTHER NEWS:

Australia bans bulker for three years

THE Australian Maritime Safety Authority has banned the Panama-flagged *Maryam* (IMO: 9272864) from entering the country's ports for a 36-month period due to "serious deficiencies" relating to vessel maintenance in addition to crew working and living conditions.

The 2004-built bulker owned by Movers Trading & Maritime Transportation of Qatar and technically managed by Aswan Shipping Denizcilik of Turkey had been detained at Port Kembla, New South Wales, on February 19 for deficiencies "including issues with its safety equipment and inoperative electricity generators," the safety authority known as Amsa said.

"Not only was the ship deemed to be unseaworthy, but the living conditions on board were in breach of the Maritime Labour Convention. The ship had no electricity, no running water, no sanitary facilities and no ventilation — making conditions unbearable for the seafarers on board," it said in an emailed statement.

Climate change among shipping's top security threats

FAILURE to adapt to climate change is one of the biggest security threats the shipping industry faces, a webinar was told.

A major insurer assessed that extreme weather, biodiversity loss, and natural and man-made catastrophes were the most likely and highest-impact threats to shipping over 10 years.

Yantian Port delays entry for export containers

THE port of Yantian has extended its suspension with regard to taking in loaded containers amid worsening congestion and an ongoing coronavirus backdrop.

The restriction, previously set to be relaxed on May 28, will now last until 2359 hrs on May 30, local time, according to a port statement.

It will only be partly lifted afterwards for export boxes, with their vessels expected to arrive at the port within the next three days.

The move has come as the number of positive test cases at the export hub in Southern China continued to increase.

SITC orders eight boxships at Dae Sun

INTRA-Asia focused container line SITC has ordered eight 1,023 teu containerships at Dae Sun Shipbuilding & Engineering, along with options for another two.

China-based, Hong Kong-listed SITC said it would pay $153.6m for the firm orders at $19.2m per ship. The options are exercisable on or before June 18, 2021 at the same price.

The newbuildings are scheduled to be delivered between January and December 2023 by the South Korean yard.

X-Press Pearl clean-up under way as blaze 'contained considerably'

THE fire on the vessel *X-Press Pearl* (IMO: 9875343) has been "contained considerably" as Sri Lankan authorities begin to clean up chemical debris and assess pollution from the eight-day blaze.

The fire has decayed but flames are still visible and smoke emerging from the Singapore-flagged, 2021-built, 2,700 teu feeder ship, anchored off Colombo.

Insurers are bracing for a constructive total loss on the hull as well as a hefty pollution payout.

Bad weather disrupted the salvage but conditions improved on Friday, helping tugs and the Sri Lanka Navy spray the ship. A team of six firefighters is travelling to the site, Lloyd's List Intelligence reports.

Sri Lanka's government said police, environment and conservation authorities started a special operation to remove chemical and other debris from the sea on Thursday.

Officials are inspecting the coastline from Negombo in the north to Colombo in the south and removing daily debris washing up on the coast.

"The fire has been contained considerably," the Sri Lanka Ports Authority said.

Three missing after Japanese ro-ro collision with chemical tanker

THREE crew members have been reported missing after a Japanese ro-ro vessel sank on collision with a chemical tanker off the coast of Ehime Prefecture in western Japan.

The 2020 built, Japan-flagged, 6,800 dwt *Byakko* (IMO: 9883510) collided with 2016-built, Marshall Islands-flagged, 3,481 dwt chemical tanker *Ulsan Pioneer* (IMO: 9730969) at around 1155 hrs on May 27, according to a Lloyd's List casualty report.

All 13 crew members of *Ulsan Pioneer* have been confirmed to be safe while nine of *Byakko*'s 12 crew members were rescued by the coast guard and sent to hospital.

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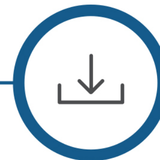

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