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Biden global minimum tax push could take in major shipowners

US-BACKED PLANS for a global minimum corporation tax could see larger shipping companies hit with tax bills similar to those levied on other major industries, experts have warned.

The move would end decades of de facto soft treatment for owners in many jurisdictions, and entirely scupper the business model of lower-end open registries competing in large part on the basis of effectively zero tax.

The idea has been kicking around in policy circles for some years now. But strong backing from President Joe Biden's new administration in Washington makes enactment sometime soon more likely than not, those following developments believe.

Political approval — at least in principle — from the world's main industrialised economies could come in a matter of weeks, with discussions on the topic due to feature at the G7 meeting in Cornwall from June 11.

Six G7 countries are thought to be already on side with the plan, with only the United Kingdom against.

But detailed drafting of the necessary arrangements and roll-out into domestic legislation could take several years.

The actual rate of any putative global minimum has yet to be specified. But 15% is widely seen as the opening bid, applied to groups with annual gross revenues in excess of $750m.

Crucially, the small print has yet to be hammered out. While there is brief mention of shipping and explicit acceptance of its exceptional position, there is no further detail on how it might be treated in practice.

Richard Stephens, tax partner at law firm Watson Farley & Williams, commented: “I’m a tax lawyer, so I’m used to complicated stuff. This proposal is outrageously complicated. It really is redesigning how global tax has worked for a long time.

“There are around 125 countries who ideally have to agree to this measure, unless smaller clusters of nations go it alone. I would not like to bet on how this goes.”

Some governments, notably Singapore, are pushing for full exemption for shipping. Britain is understood to be favourably disposed, but not to have considered the matter in any detail.

Others, such as Germany, are opposed to permitting industry-specific exceptions. If granted once, other industries will seek the same leniency, it is felt.

“At this moment, the status of shipping in the discussion is still unclear. There is the possibility that shipping will be excluded from a global minimum tax, but that is still on the table,” said the OECD’s shipping expert Olaf Merck.

“In principle, if there is a global minimum tax, it should apply to all sectors. The argument that there has been a longstanding practice of shipping not being taxed is exactly the point of a global minimum tax.”

The industry itself last December tabled a submission on the issue to the Organisation for Economic Co-operation and Development, drawn up by the World Shipping Council, International Chamber of Shipping, European Community Shipowners’ Associations and the Cruise Lines International Association.

Essentially it makes a plea for the status quo, citing the longstanding consensus that shipping profits should only be taxed in jurisdiction of residence, and that tax regimes should be assessed in the light of national policies to support national shipping sectors as a matter of policy.

The idea behind the global minimum corporation tax rate is to prevent competition between states purely on the basis of ultra-low taxation.

A particular target is multinational online retailers, which typically book profits in the most tax-advantageous jurisdiction, irrespective of where a sale is made, adding to already vast profits.

In shipping, many flags — including both national and open registers — do not tax on the basis of actual income and expenses. Instead, they levy ‘tonnage tax’ based on deemed daily profit per gross tonne.

This has the advantage of certainty for what remains a cyclical industry, making it possible to calculate tax with reasonable accuracy over the lifetime of a vessel.

Some see the concession as way too generous. Tax campaigners and trade unions maintain that it leaves the industry paying an effective rate of just 2% or less, which they regard as scandalously low.

Mick Lynch, recently elected general secretary of ratings union RMT, said: “The current tax regime is a one-way cash cow straight into the coffers of the shipping corporations, who have been paid over £2bn in UK tonnage tax subsidy while the very future of UK ratings is in peril.

“Shipping tax reform is therefore long overdue. But all the signs are that the UK government is levelling down in a race to the bottom, protecting international shipping interests ahead of investment in training and skilled seafarer jobs in this country.”

Defenders point out that no tax relief is available on ships, fuel, offices and staffing costs, and no tax deductions are given for interest on financing shipping businesses.

Moreover, the tax remains in place even in years when shipping companies record losses.

In the round, advocates insist, any advantage over companies paying mainstream corporate tax is small.

They also point out that it would be poor timing to introduce a major tax hike just when the industry is being required to funded costly decarbonisation measures.

Mr Stephens pointed out that while the $750m turnover threshold will exclude most shipping companies, both cruise lines and brand name boxship players will be in the firing line.

"You have to say shipping is a low-taxed industry. The question is, is it low tax because of tonnage tax? Or, if companies were still within mainstream corporation tax, would it be low tax anyway due to deductions, depreciation and losses?

"If you think of UK tonnage tax, you can see what the corporation tax take is, and it is not huge. But if the UK did not have a tonnage tax, you do not know how many of those companies would have been here, carrying on valuable economic activity in the UK."

In other words, it's not a given that scrapping the tonnage tax would raise more money. If the move provoked a mass exodus, it's not clear corporation tax would raise any money at all.

Moreover, in as far as tonnage tax anchors a maritime cluster, it will attract shipping-linked services that do pay corporation tax. London, with his extensive layer of shipping law and insurance firms, is a case in point. There will also be a propensity to use local suppliers.

Use of open registers will not be a get-out mechanism for owners hoping to keep tax bills close to zero.

First, the OECD and the European Union are likely to use carrots and sticks, particularly development assistance, to bring developing world flag states into line.

Second, the arrangements are likely to be such that the domestic tax authorities in the country in which companies are based will levy the global minimum rate, irrespective of flagging.

"The Marshall Islands could still decide to put zero taxation on shipping," said Mr Merck. "But the country where the company's headquarters is can tax the rest. There would be huge consequences for flags of convenience."

WHAT TO WATCH:

Søren Skou pitches a minimum $450 per tonne of fuel tax on ships in the 'medium term'

MAERSK chief executive Søren Skou has argued that there should be a global tax of at least $450 per tonne of fuel oil on shipping in the "medium term" to accelerate zero carbon fuels.

Mr Skou said on Wednesday that this global $450 tax on the industry, which translates to around $150 per tonne of CO_2, is based on today's oil prices, but did not clarify when he thinks this taxation level should come into effect.

Brent crude was priced at around $70.84 per barrel of oil and the West Texas Intermediate at $68.32 per barrel, on Wednesday afternoon.

"It is vital to consider all greenhouse gases, not just CO_2, on a full lifecycle analysis, otherwise we will not be able to truly decarbonise shipping by 2050 in line with the Paris Agreement," Mr Skou said in a LinkedIn post on Wednesday.

A Maersk spokesperson explained the market-based measure should take into consideration all of the fuels' greenhouse gas emissions from their production to their final consumption over a 20-year horizon.

That would make other GHGs, such as methane, which has a global warming potential 84 times higher than CO_2 over a 20-year period, much more expensive.

Maersk, which has pledged to become a net zero emissions company by 2050, has previously advocated a phased-in market-based measure that would be agreed by the International Maritime Organization 2025 and introduced around 2027.

A Maersk spokesperson clarified that the market-based measure the company advocates would not start at the price Mr Skou proposed on Wednesday but would instead be ramped up to that price point over time.

They added the IMO's market-based measure should start at $50 per tonne of CO_2 to be credible.

They did not immediately clarify in which year Maersk thinks the tax should hit $150 per tonne of CO_2.

The IMO has not officially begun negotiating market-based measures, but several countries are pushing for talks to start, while the Marshall Islands

and the Solomon Islands have officially proposed a $100 per tonne of CO_2 levy on all ships starting from 2025.

The proposal will be discussed by the IMO's Marine Environment Protection Committee, which meets next week.

X-Press Pearl sinking after salvage efforts fail

X-PRESS Feeders, operator of the fire-hit containership *X-Press Pearl* (IMO: 9875343), said salvage efforts to move the 2021-built ship to deeper waters have failed and the vessel appears to be sinking.

The ship's aft portion is "now touching bottom" at a depth of 21 metres, the company said, adding that the forward area remained afloat while smoke still emanated from cargo holds No. 1 and 2.

On June 1, an inspection team reported that the engine room had flooded, according to the company, raising concerns about the ship's stability.

"Efforts to make a connection for towing failed after several attempts due to the tug's movement caused by the swell," it said. "The operation was aborted for safety reasons."

Video footage from the Sri Lanka Air Force on Twitter and YouTube shows the vessel's demise.

A fire broke out on May 20 as the vessel was waiting in its approach to a Colombo terminal in Sri Lanka. A container leaking nitric acid may have been responsible for the blaze.

Official investigations are still being carried out.

All 25 crew were evacuated, with two sustaining leg injuries.

The Sri Lanka Navy and Indian coastguard have been assisting. Smit was appointed as salvors.

Contractors continue to work with local authorities on the fifth day of shoreline clean-up efforts to safely dispose of any debris that has washed up, X-Press Feeders said.

Laskaridis quits Union of Greek Shipowners amid 'Black Trail' fallout

LEADING Greek shipowner Panos Laskaridis has stepped down from the board of the Union of Greek Shipowners amid controversy over some of his remarks made in the 'Black Trail' documentary.

An interview segment in the production recorded Mr Laskaridis sounding dismissive of the Greek government's importance when it came to shipping and then, perhaps for emphasis, using some rough language to underline the industry's independence from the country's prime minister and the shipping minister.

The comments brought an avalanche of criticism and were unequivocally condemned last week by UGS president Theodore Veniamis, but the furore has not stopped there.

In a letter of resignation on Tuesday, Mr Laskaridis made it plain he was outraged that his patriotism had, in effect, been called into question.

"There are many others, more suitable, to judge both my patriotism and my love for the homeland," he wrote.

He called the backlash that has followed the interview "a farce" and put it down to certain parties seizing an opportunity to "settle scores" with him.

He had already apologised "from day one" to the prime minister, Kyriakos Mitsotakis, and shipping minister Ioannis Plakiotakis, for any unwitting offence, he wrote.

"I refuse to continue to serve the Union under the current presidency and under these circumstances, and so I resign from it and its board of directors today," he said.

Since then, the UGS has responded, saying its full board of directors backed the way the issue has been handled by Mr Veniamis and the executive committee.

The UGS statement also said that the board "expressed its deep disappointment and disapproval of Mr Laskaridis' continuing refusal to admit that his resignation was clearly brought about by the unprecedented situation he himself created, through his recent statements".

‘Black Trail’, a stinging critique of shipping that aired online last month, purporting to be an investigation into the industry’s contribution to global greenhouse gases, cultivated a controversial picture of governments kowtowing to shipping and of the International Maritime Organization, the global regulator, held hostage by industry interests.

Mr Laskaridis has claimed that his comments were taken out of context and did not reflect his actual sentiments, either towards the government or for “the relations between shipping and its social partners”.

ANALYSIS:

Governments collaborate on zero-carbon fuels as Nordics back ammonia

THREE governments announced yesterday that they were collaborating on a zero-carbon initiative to shift 5% of the global fleet to zero-carbon fuels by 2030 by supporting projects in marine fuels, vessel technology and port infrastructure.

Governments from the US, Denmark and Norway launched the Zero-Emission Shipping Mission, in conjunction with the Global Maritime Forum and the Maersk Mc-Kinney Moller Center for Zero Carbon Shipping.

Behind the immediate headlines, virtual launches and accompanying ministerial statements is a series of yet-to-be-announced work programmes that these and other “partner” countries will sponsor to decarbonise the maritime sector.

International shipping, responsible for just under 3% of the world’s CO_2 emissions, must reduce carbon intensity by 40% by 2030, compared to 2008 levels, under International Maritime Organization regulations. That requires at least 5% of the fleet to be zero-carbon by then to meet goals according to the forum.

This project aims to “accelerate international public-private collaboration to scale and deploy new green maritime solutions, setting international shipping on an ambitious zero-emission course”, according to the release.

No funds have yet been committed, but the expertise and resources of the governments will be available to the secretariat, a forum spokesman told Lloyd’s List.

At the same time, the not-for-profit Global Maritime Forum also launched what it called a NoGAPS concept study.

This consortium is backing shipowner BW Epic Kosan to build and commercially operate an ammonia-powered liquefied petroleum gas carrier by 2024.

NoGAPS is the acronym for Nordic Green Ammonia-powered Ship project.

Project partners included Danish Ship Finance, DNB bank, class society DNV, engine makers MAN Energy Solutions and Wartsila, as well as Yara International, Orsted and co-funding from Nordic Innovation.

The accompanying project report said that green ammonia, produced via renewable energy, was the most viable alternative shipping fuel and the easiest to scale on a technical basis, although significant investment was needed to product enough green ammonia to meet eventual needs.

Commercial viability was the largest barrier, with the LPG carrier to demonstrate not only the technical possibilities but a transition pathway to greener fuels, initially using ammonia produced using fossil fuelled energy sources.

Construction of the semi-pressurised, medium-sized 21,000 cu m vessel is anticipated to begin in 2023, ready for the first ammonia-powered engine which is still under development and three years away, with a launch in 2024.

The consortium aims to secure government grants or funding for the additional capital expenditure required to build the higher-cost engine, as well as loan guarantees, and other incentives to offset the much higher fuel costs.

The ship would need to be backed by so-called contracts for difference for renewably produced green ammonia, according to the project report.

It would cost 25% more to build than a conventionally powered internal combustion engine, $16.8m annually to run, according to the report, and consume nearly 18,000 tonnes annually.

LNG still in the money despite green critiques

THE shipbuilding market for liquefied natural gas tonnage is getting hotter. Lenders and investors have moved to back a recent spate of orders even as the green credentials of the supercooled fossil fuel come under intense scrutiny.

The global LNG bunkering fleet will "virtually double" to 50 within a year, according to Peter Keller of the lobby group SEA-LNG. He was speaking on the sidelines of a webinar held by the International Gas Union.

Newbuilding orders for large ocean-going carriers have likewise picked up. Towards the end of last month, South Korea's largest shipbuilders announced contracts for seven carriers within days of each other.

Hyundai Heavy Industries topped the list with four, Samsung Heavy Industries won two orders while a seventh went to Daewoo Shipbuilding & Marine Engineering.

Lenders and investors have also not shied away from LNG shipbuilding projects for bunkering or trade purposes.

Oslo-based start-up Kanfer Shipping has readied funding schemes for its first pair of LNG bunker vessels placed with a yard in China even before finalising the time charters.

Kanfer's founding chief executive Stig Hagen told Lloyd's List: "Feedback from financial advisers suggested strong interest [from lenders and investors] in LNG bunker shipbuilding projects."

Italy's family-owned group Fratelli Cosulich has separately raised $39m for its first LNG bunkers tanker, also to be built in China.

That comprises $35m of bank loans and an approved subsidy of about $4m from the European Union, the sixth-generation successor to the family business Timothy Cosulich told Lloyd's List.

Earlier on, in mid-May, shipowner BW LNG unveiled a $128.3m deal it secured together with project developer Invenergy from IDB Invest for financing spanning over 15 years to fund a floating storage and regasification unit destined to work in El Salvador.

These developments suggest the shipping and financial communities may not have bought in to statements from the World Bank and the International Energy Agency that talk down the role for LNG.

In April, the World Bank called for a halt on investment in LNG as a marine fuel, raising doubts over how methane slip risk from production and consumption of the fossil fuel may offset its green credentials.

The IEA's new Net Zero by 2050 roadmap essentially declared what it dubbed as the golden age for gas at the start of this decade as now being over. The roadmap, released two weeks ago, warned that many LNG projects under construction or in the planning stage would not be needed.

The World Bank and the IEA's statements were premised on renewably sourced alternatives building and living up to the promise of reducing greenhouse gas emissions.

However, countries including El Salvador and the Philippines are still turning to importing LNG to fuel their developing economies.

In recent months, MSC and other shipowners have opted for LNG-fuelled tonnage, boosting marine demand outlook for the fuel.

An estimate from class society DNV showed about 18.5% of shipbuilding orders placed year to date are for LNG-fuelled units.

It remains unclear whether these newbuildings can qualify for an enlarged pool of funds widely seen as available for green ship projects.

However, former shipping banker turned independent consultant Lee Keng Mun noted that in a slow shipbuilding market now also marked by excess liquidity, banks hunger for deals that offer reasonable returns.

These traditional lenders do not necessarily assess loan applications on a project-by-project basis.

They also tend to evaluate potential borrowers based on their corporate social responsibility profiles, said Mr Lee.

According to Mr Hagen, two investor groups also open to funding LNG bunkering projects are pension funds and infrastructure developers.

Pension funds would like to have "long-term fixed returns" so a newbuilding LNG tanker backed by a multi-year contract with "a solid counterpart" may win interest from these investors.

Infrastructure developers — shipowners included — are better placed to assess the market dynamics and tend to take a longer view on the time horizon with the projects they finance.

Mr Hagen also highlighted one feature of Kanfer Shipping's first newbuildings that can potentially extend their runway even after international shipping moves on from LNG to other future marine fuels.

"Our ships, which will be built to draw on hybrid power from a battery pack and boil-off-gas, can be modified to both transport and run on ammonia."

OPINION:

No one wants to pay for supply chain resilience

SHIPPERS must rethink their supply chains to respond to future shocks, but 'resilience' will be hard to achieve.

Lars Jensen, chief executive of Vespucci Maritime, formerly known as SeaIntelligence Consulting, said the global port congestion and container shortage — forecast to last well into this year — was no closer to being solved than it was five months ago.

"Of course we could argue this is because the industry is not resilient enough," Mr Jensen told the Terminal Operating Conference.

"The counter question to that is, 'Well who would want to pay for it?' Resilience is just another word for overcapacity and we spent the last decade whittling down overcapacity."

Mr Jensen said 40 years of pursuing efficient supply chains had reduced inventories and shortened lead times for shippers but left "virtually zero resilience to deal with major disruptions like this one".

Shippers had to rethink resilience as supply shocks would be more frequent and they would not be able to move goods as easily.

"Yes there will be enough capacity again, but the gap between the capacity that's being utilised and the absolute limit of capacity will be smaller than what we have been used to in recent years. It doesn't take as much before we max out."

Ports America president Peter Levesque said the first lockdown of Wuhan spurred companies to diversify supply chains from China to countries like Vietnam Malaysia, the Philippines and Thailand.

The surge in e-commerce meant US shippers had trouble responding in time. Having "buffer stock" was back in fashion, Mr Levesque said.

This was driving demand for smaller, 3,500 teu ships crossing the Pacific faster to meet a shortage of air freight capacity, using niche ports mainly on the East Coast to avoid the congested Port of Los Angeles.

Mr Jensen said container shipping was entering a structural upswing. Carriers had ordered new vessels, but were unlikely to shoot themselves in the foot, since more new orders now would be delivered only in 2024.

In the longer term cargo volumes would grow, but at "nowhere near" the heyday levels of the 1980s, 1990s and 2000s. Mr Jensen said the new battlefield was in services, with carriers increasingly fighting with logistics and terminal providers.

He said blank sailings were "here to stay because they work".

"The notion that every conceivable service will always sail 52 times per year without fail — maybe outside of the Chinese New Year — that is simply not going to hold up going forward. This will be much more tactically managed by the carriers."

Mr Jensen predicted more consolidation in regional trades, which had not matured as much as major trades.

Jan Hoffmann, trade logistics chief at the UN Conference on Trade and Development, said ships slowing to reduce CO_2 emissions would increase demand for new ships, but owners' reluctance to order them could push up freight rates.

MARKETS:

US consumer demand continues to stoke high freight rates

HIGH freight rates will continue for at least the next three to six months due to high demand and supply chain logjams that still need to be cleared.

"With the traditional container shipping peak season approaching, freight rates will continue to be strong, although they may not stay at current record-high levels," said BIMCO chief shipping analyst Peter Sand.

Speaking in a webinar on the prospects for the sector, Mr Sand said box shipping was being driven largely by US consumer demand that had been boosted by a series of financial stimulus packages.

"Where economic stimuli have benefited consumers it has been a really positive driver," he said. "With the ongoing dislocation of container capacity from where it is needed the most, supply chains are likely to remain congested and freight rates at record highs."

The three peaks in US retail sales had corresponded to the stimulus cheques paid to consumers and cash delivered to households had led to a buying spree.

Moreover, with personal savings levels still elevated, there was still more upside potential left, he added.

Global container shipping demand was up by 11% year on year in the first quarter, and up 6.8% over 2019's pre-pandemic levels. On the US west coast this is as much as 40% up on last year.

"American consumers are pushing this more than anything," Mr Sand said.

US retail inventory-to-sales ratios indicate goods are being sold faster than they arrive, indicating the demand boom would remain in place for some time yet.

"If you go by 2018-2019 as normal levels, much more cargo needs to be brought in to return to that ratio," Mr Sand said.

"This is bullish for the sector as whatever goes on in the US will impact the global supply network."

The impact of the pandemic could also lead to larger than normal inventories being held, he said.

"On a global scale, leaner inventories have been the name of the game," Mr Sand said. "The just-in-time concept has been in place for several decades.

"What will come out of the pandemic will be less lean inventories. That will be across the board for at least an interim period as long as people can recall what went on during the Covid-19 pandemic years."

It was less likely, however, that there would be any fundamental change in the nature of globalised supply chains. Re-shoring and nearshoring may seem attractive to shippers suffering disrupted supply chains but would come at a cost.

"You may think that supply chains are stretched and have been extremely vulnerable to the pandemic and events like the Suez Canal disruption," Mr Sand said.

"But resilience is not a cost-free endeavour."

If supply chains were changed from just-in-time to just-in-case, higher costs would be incurred.

"There are no easy quick fixes here," he said. "Globalisation has been the work of decades and rolling it back would be time-consuming and costly.

"We will not see a complete reshoring or nearshoring of production facilities. Perhaps you will see a bit of just-in-case inventory management and improved visibility where companies build up inventories closer to home, but it all comes at a cost."

Shippers call for 'maxed-out' box sector to add more capacity

A SHORTAGE of vessels and equipment in global container shipping markets is hindering the pace of economic recovery in countries emerging from pandemic restrictions.

The latest shipping market quarterly review issued by MDS Transmodal and the Global Shippers' Forum showed that while the number of containers carried globally declined slightly during the first quarter, it was still up 13% on the corresponding period of 2020 at the start of the pandemic.

But the aggregate capacity of containerships available to carry this additional cargo rose only 2% during the same period.

"Most of the increase in trade has been absorbed by operating existing ships and near-maximum capacity," the report found.

"Global utilisation rates fell slightly during the first quarter but vessels on East-West trades passing through the Suez Canal remained effectively full."

At the same time, however, services levels slumped further in the first quarter following a trend that first emerged in 2019.

This was creating further uncertainty for inventory managers as the availability of stock was delayed by short-notice changes to port calls and continuing delays at congested ports, the report said.

"Shippers around the world are in a state of shock at the collapse of service performance and the remorseless rise in shipping rates," said GSF secretary general James Hookham.

"The latest data confirms the anecdotal experiences of shippers struggling to book container slots on a fleet that has hardly grown and needing to absorb the relentless rise in rates that is eroding their own profit margins."

An increasing number of containers being rolled due to shortages of space was causing shortages of products "essential to the recovery of economies" following the pandemic, he added.

"The fact that industrial output continued to rise over the first three months of the year, but the number of containers carried actually fell slightly shows this is an industry that has maxed out," Mr Hookham said.

He warned that governments needed to urgently recognise any economic recovery following the pandemic would be dependent on a resumption of international trade at "predictable costs and levels of service".

MDST chairman Mike Garratt said that meant freight rates had continued to accelerate, with gross revenues per teu rising around 40% over six months.

"The lines have argued such rates are a consequence of demand exceeding supply," Mr Garratt said.

"Given supply is effectively fixed, rising freight rates must imply frustrated demand."

Spot rates on the Asia-Europe trade lane were now approximately 10% of the mean value of the goods in a typical loaded container, compared with around 3% less than a year ago.

"It is reasonable to assume there will be wider impacts on both economies and there is a risk of stoking inflation," he said.

Mr Hookham also criticised carriers for introducing new general rate increases at a time of record high rates.

"These are blamed on shippers bidding up prices to secure slots and equipment," he said.

"Let's be clear the reason shipping rates are going up is because shipping lines keep increasing them. If shippers were responsible, then the market would have found its own level."

Container lines, however, have pointed out that all available capacity is in use and that the disruptions in the supply chain have been driven by high demand and pandemic-related congestion at terminals and in inland distribution.

Jones Act vessel chartered for US wind farms

ENERGY firms Ørsted and Eversource have agreed to charter Dominion Energy's *Charybdis*, an offshore wind turbine installation vessel now being built in Texas, for the construction of two wind farms off the country's northeast coast.

"We look forward to working with Ørsted and Eversource on the construction of Revolution Wind and Sunrise Wind to continue to grow the offshore wind industry in the US," said Dominion chair, president and chief executive Bob Blue.

US President Joe Biden unveiled a plan in March to boost US offshore wind projects while creating spin-off benefits for other areas of the nation's maritime industry.

The US has since said it plans to make more than 250,000 acres in federal waters off the coast of California available for wind development, opening up the Pacific Coast to its first-ever commercial-scale offshore clean energy projects.

The charter's terms also will allow the Jones Act-compliant *Charybdis* to support construction of Dominion's 2.6 gigawatt Coastal Virginia Offshore Wind project off Virginia Beach, with completion expected in 2026.

The Jones Act is a US federal law that requires goods shipped between US ports — including offshore wind towers — to be transported on vessels that are built, owned, and operated by US citizens or permanent residents.

Dominion said the vessel was designed to handle current turbine technologies as well as next generation turbine sizes of 12 megawatts or larger. It will also be capable of installing foundations for turbines.

Charybdis is currently under construction in Brownsville, Texas, at the Keppel AmFELS shipyard and "is on track for delivery in late 2023", according to Mr Blue.

Keppel said *Charybdis* would be 472 ft long, 184 ft wide and with a 38 ft draft, making it "one of the biggest offshore wind installation vessels in the world".

Its features include a main crane with a boom length of 426 ft and an expected lifting capacity of 2,200 tonnes. The WTIV will have accommodations for up to 119 people.

Work on the vessel started with a keel laying ceremony held on December 16. Construction of the hull and infrastructure will utilise more than 14,000 tonnes of US domestic steel.

For use on the Revolution Wind and Sunrise Wind projects, *Charybdis* will work from State Pier in New London, Connecticut, now under development for wind turbine transportation and installation.

Ørsted and Eversource announced entering into a 50-50 partnership for key offshore wind assets in the US northeast in 2019.

Weekly Briefing: Tankers 'Groundhog day' | Dry eyes higher earnings | Backlogs and burning boxes fail to hold back rates

Tankers

The oil price is at a two-year high, crude and refined product inventories are drawing, and the US summer driving season looks like it will surpass pre-pandemic levels, but the needle has barely moved for crude and product tanker rates.

The vaccine-led rebound means the moribund and unprofitable tanker market has probably touched bottom, but it's hardly smooth sailing from now on.

During the recent round of first-quarter result investor calls, chief executives of listed tanker companies did their best to put lipstick on the pig.

Executives cited as positives better oil demand and rising tanker secondhand and newbuilding values on the back of soaring steel prices.

They also reminded investors how finely balanced the tanker market could become, with the slightest uptick in demand disproportionately lifting rates. And finally, bereft of other positives, repeated hopefully that an upturn was coming in the final half of the year.

Given that the fourth quarter is normally a seasonal high as refineries need extra crude to produce gasoil and kerosene for northern hemisphere heating, this was hardly unsurprising.

But last year the anticipated fourth quarter rebound didn't happen as tankers deployed for floating storage were released back into the market at the same time, killing off demand.

That won't happen again — or will it?

A 'Groundhog Day' scenario is quietly brewing in Vienna, where Iran is in talks with the US via Europe intermediaries. It's looking like it's a question of not "if" but "when" US sanctions are lifted against Iran.

That means that oil stored on the 50 or so Iranian-flagged tankers will be sold and the ships available for trading.

So, along with India, Iran is lurking in the geopolitical shadows when it comes to tanker demand, while China and the US are doing all the heavy lifting as their economies rebound from the pandemic.

Tanker owners can take comfort from Tuesday's optimistic pronouncements by Saudi's oil minister of "clear signs of improvement". The extent to which this will translate to better spot rates is not clear-cut.

Last week Euronav chief executive Hugo de Stoop described the Netherlands court ruling that Royal Dutch Shell further reduce its CO2 emissions by 2030 as "wishful thinking" and "simply impossible".

Turns out this was incredibly respectful judging by Saudi standards. The kingdom's oil minister described as like the film "La La Land" an International Energy Association report that suggested that climate change targets could only be met if there were no further oil or gas projects approved.

As if a pandemic and decarbonisation dilemma wasn't enough, the climate change backlash has also arrived.

Dry Bulk

The price of steelmaking ingredient iron ore fell sharply after China signalled it would focus on efforts to cool soaring prices, warning of "excessive speculation" amid mounting concerns over rapid growth in inflation.

And as dry bulk freight rates are at the mercy of China, the decline in shipping activity saw capesize rates fall to the lowest level since the past two months.

The Pacific market seems to have found a bottom, while the rush to cover cargoes prior to the fiscal year-end for some Australian miners could potentially push the market higher for the capes, albeit short term.

In the Atlantic, the balance looks fuzzier, as a combination of strikes, port delays and expectations for higher iron ore exports out of Brazil makes short term predictions tougher.

But not all is gloomy.

As key global economies recover from lockdown conditions, a continuation of strong demand for dry bulk commodities will translate into higher earnings for owners of bulk carriers, according to BIMCO.

The shipping association's chief shipping analyst Peter Sand noted that the strong start to this year has padded dry bulk owners' and operators' bottom lines, and with continued strong demand for many of the major dry bulk goods, this year looks set to be one to remember.

The first four months of the year had record-breaking volumes, with demand reaching 1.69bn tonnes, an increase of 6.1% compared with the year-earlier period. That is the highest-ever start to a year, although it is slightly lower than the 1.72bn tonnes shipped in the final four months of 2020.

Meanwhile, tensions between US and China seems to be back on the trans-pacific agenda although trade has not been featured in any meaningful way in the disagreements since US President Joe Biden was inaugurated — a space to watch out for in the coming days.

Containers

The container shipping sector has been dominated this week by the same events that led the agenda last week: the fire on board *X-Press Pearl* and the pandemic-related movement constraints at China's Yantian.

The fire on the 2,7000 teu, 2021-built *X-Press Pearl* (IMO: 9875343) was finally brought under control after a week, but largely because it had burned itself out.

According to Lloyd's List Intelligence's casualty reporting service the vessel is facing an "imminent risk" of sinking, despite the best efforts of salvors, who have attempted to tow the vessel away from Sri Lanka's coastline.

Even if the vessel can kept afloat and towed offshore, the environmental damage by cargo that fell overboard during fire has been significant. Tonnes of micro-plastic granules are said to have flooded the island country's beaches, forcing a fishing ban and raising concerns of ecological devastation.

X-Press Feeders, which operates the vessel, now faces legal action from the Sri Lankan Marine Environment Protection Authority, and insurers are bracing for a constructive total loss on the hull as well as a hefty pollution payout.

Meanwhile, in China more than 40 fully cellular containerships are at anchor near the Yantian Port as the southern Chinese export hub struggles with severe congestion.

The situation comes as Yantian, a key gateway port linking China with Europe and the US, started to take in ladened containers again on Monday, after nearly six days of suspension of the service partly caused by the health crisis.

Around 20,000 loaded containers remain in the port's backlog, which is not expected to be cleared until later this week, a port statement said.

Meanwhile, in a week where the future of fossil fuels in shipping came under close scrutiny, CMA CGM chief executive Rodolphe Saadé made a spirited defence of his decision to invest heavily in liquified natural gas as a transition fuel.

In an online debate, Mr Saadé maintained that while LNG was not the perfect solution, it was the solution that was available now to reduce CO_2 emissions.

True zero-carbon fuels were still five to 10 years away and the industry needed to do what it could to cut emissions incrementally, he said.

As shipping emissions come under ever-closer examination, only time will tell if Mr Saadé's expensive bet on an interim measure will play out favourably.

IN OTHER NEWS:

Contships sells brace of ships to MSC as feeder fleets flourish

CONTSHIPS Management, the feeder containerships specialist, has sold a pair of vessels to Mediterranean Shipping Co in a further sign that soaring charter rates in some instances are tempting leading carriers to make outright purchase offers instead.

The 18-year-old *Contship Gem* (IMO: 9235610) and *Contship Hub* (IMO: 9235608), both of 1,096 teu, were sold to MSC for $14m en bloc, it has been confirmed.

MSC has acquired about 40 vessels in recent months and several of these have been feeder vessels.

For Nikolaos Pateras-led Contships, the market turnaround has been dramatic. At around the same time in the past year, the company was laying up some of its vessels in Elefsis Bay, Greece.

Meanwhile, the company has locked another two of its CV 1100 Plus vessels into two-year contracts at strong rates.

Eastern Pacific orders four 7,000 teu boxships with options

EASTERN Pacific, the Singapore-based shipowner and shipmanagement company, is believed to have ordered four 7,000 teu containerships at New Times Shipbuilding, along with options for another two.

The newbuildings are scheduled to be delivered between the final quarter of 2023 and early 2024 by the Chinese yard.

The new builds are expected to run on conventional fuels, a market source said pointing that these smaller ships would be used as feeders on undefined routes.

Although Eastern Pacific declined to comment, Lloyd's List understands that the shipowner must have paid around $70m each for the conventionally fuelled ships.

Oldendorff unveils new order and continues bulker acquisition spree

OLDENDORFF Carriers, Germany's privately owned dry bulk operator, is adding more Japanese-built bulkers to its fleet through a combination of newbuild and secondhand acquisitions.

The shipowner has confirmed the order for a capesize vessel in Japan and has acquired three secondhand post-panamaxes from Japanese owners.

The company confirmed that it has ordered an eco-design 182,000 dwt capesize newbuilding at Namura Shipbuilding which will be delivered during the final quarter next year.

The newbuilding will be fitted with a Mitsui-MAN B&W 6G70ME-C9.5(EGRBP) NOx Tier III-compliant main engine and a new hull form, which Oldendorff said would result in very low fuel consumption.

Eagle Bulk adds ultramaxes to fleet

EAGLE Bulk, a US-listed owner and operator, has added two scrubber-fitted ultramaxes to its fleet.

The company bought the 2015-built bulk carriers for $44m, it said in a statement.

The vessels, built at the Jiangsu Hantong Ship Heavy Industry yard in China, are expected to be delivered in the third quarter of the year and will be renamed *Antwerp Eagle* and *Valencia Eagle*.

According to broker reports, the vessels are the *Nautical Hilary* (IMO: 9699036) and *Nautical Loredana* (IMO: 9699311) owned by Nautical Bulk Holdings.

The purchases are being funded by cash on hand, which includes equity issued under the company's ATM programme. Last month, it issued 475,894 shares priced at an average of $47.39, raising a total of $22.5m in gross proceeds.

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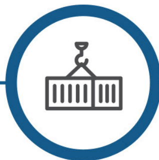

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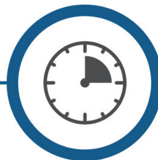

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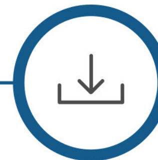

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