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Spate of bulker orders could derail hot market trend

DRY BULK OPERATORS might be relieved at the news that the mammoth orderbook looks smaller than it was a few years back.

But the headaches that might arise from any distortion look worrisome, with the sector already the unhappy recipient of a significant number of new orders this year.

Braemar data show that close to 21m dwt of new orders have been placed so far in 2021 and despite uncertainties, enthusiasm for new tonnage is showing no signs of dissipating.

In deadweight terms, the new orders are up 81.8% and 52.8% compared to the same period in 2020 and 2019 respectively.

Although the orderbook currently stands at just over 6% of the trading fleet, amounting to 57m dwt, the lowest level in two decades, there is potential for more vessels to be ordered in the second half of the year.

It is well understood that not all the vessels will make materialise. Some orders will be postponed, or even cancelled. But, in reality, the numbers speak for themselves.

Ordering so far this quarter has reached 11.6m dwt, the highest since the final quarter of 2018, inspired by a sizzling dry bulk freight market, Braemar ACM noted in its weekly report. This quarter's ordering marks an increase of 32% over the previous quarter and is equivalent to 1.3% of the current fleet.

Within the bulker segment, ordering has been heavily focused on panamaxes, with April seeing 2.4m dwt in orders. This is the highest monthly figure for this sector since August 2017, largely down to continued popularity of kamsarmax designs.

There has also been a resurgence in post-panamax ordering this year, with orders over 2021 so far already totalling 32 ships, which is 33% higher than 2020's total and greater than total orders in every year dating back to 2009.

Many of these have been contracted as dedicated coal carriers, with a shallow draft and greater intake than the kamsarmaxes making them optimised for these trades, Braemar noted.

Despite the orderbook clearly creeping up, it is not frighteningly large, as orders are still well below previous cycle highs. In 2014, for example, a rally in freight rates pushed the orderbook up to 20% of the trading fleet at that time, while in 2008, at the peak of the supercycle, this figure was as high as 80%.

But for the freight market to remain on track it is important that the fleet stays manageable in the coming years, offering a healthy balance between the number of vessels and the volume of cargoes to be hauled across the oceans.

"For rates and earnings to remain good amid this high demand, owners need to exercise restraint when it comes to ordering," said a Singapore-based broker, who believes that just one determined buyer who has the modest ambition to order new ships can easily attract several others.

Meanwhile, Precious Shipping managing director Khalid Hashim agreed that "the order book is made up of a lot of speculators hoping to either cash in their profits by a resale of the newbuild contracts even before the ships are built, or waiting for delivery to turn over the newbuild to some other crazier speculator at a handsome profit."

However, the newbuilds may also end up as replacements for older ships that are removed from service due to the new decarbonisation rules enacted by the International Maritime Organization.

Newbuild prices today are about 20% higher than they were at the start of this year as steel prices have risen dramatically, he said, adding that orders for containerships had gone up "in a straight line," shrinking yard capacity.

"All these are factors why the current newbuild order book for the dry bulk market has not matched the increased percentage growth exhibited by the Batic Dry Index."

Mr Hashim believes that one reason that has slowed the flow of newbuild orders is the uncertainty surrounding decarbonisation rules.

WHAT TO WATCH:

MSC puts its weight behind decarbonisation R&D fund

MEDITERRANEAN Shipping Co chief executive Søren Toft has used his first major appearance since taking up the role last year to give his support to the idea of an International Maritime Organization-backed research and development fund.

The introduction of the fund, which got pushed back again at the latest meeting of the IMO Marine Environment Protection Committee, would help the industry move from setting targets to concrete action, Mr Toft told the International Association of Ports and Harbours' World Port Conference.

"We support the research and development fund that we hope will be passed through," Mr Toft said. "We are also very supportive of the amount. If that needs to go up from $5bn to $10bn, let's do it."

It was research that the industry needed to get to to carbon-neutral fuels.

"We support the action rather than just setting the target," he said. "We believe a significant R&D fund, under the auspices of the IMO, could be one of those, and we will happily support the IMO in that. Then, I believe, we will get real and fast action."

While the industry was on track to meet IMO targets by 2050, he questioned whether the ambitions were the right ones.

"Are they sufficient? Our view is that we need to decarbonise the world, but our focus is less about setting a target and a time. Our energy will go into finding the right pathway rather than making a big declaration."

Energy efficiency efforts would continue and would be necessary until a carbon-neutral fuel was available, but these would not be the ultimate game changers.

"With the new decisions from the MEPC meeting, we will follow the new regulations on the Carbon Intensity Index and drive ships to become more efficient, but it is clear that more is needed and the ambition as it is today from the IMO will likely not be sufficient," Mr Toft said.

Despite these reservations, he insisted that the IMO was the right place to regulate the industry.

"Shipping is a global industry and that is why will continue to support and look to the IMO to come up with global regulation," he said. "But the work is less about setting targets and more about finding concrete solutions."

Decarbonisation would only become a reality when carbon-neutral fuels were available at scale, but that would also require collaboration across the supply chain.

"Neither MSC nor any other company can do this on their own, so we need to collaborate with oil majors, engine manufacturers, and with peers to solve the problem," he said. "It needs the collective brain-power, wisdom and experience of all the players. This work will happen through a multitude of partnerships."

Shipping lines were only the end consumer of fuels, rather than the producers.

"We are not the experts on what is the right carbon-neutral fuel," said Mr Toft. "That is why we need to look upstream to oil majors to have a dialogue with them, as they are the ones that need to produce it."

There were several candidates for carbon-neutral fuel that had potential, and MSC would work with oil majors to find out what the best path was.

Hopefully in the foreseeable future we will start to develop some fuels at scale. When those fuels are there MSC will transition as fast as we can."

Yantian to focus on logjam as it resumes full operations

YANTIAN Port, a major export hub in Southern China, is poised to resume operations after having been largely closed for more than a month.

The port logjam, triggered by coronavirus-hit dockworkers, has sent a shockwave around the already fragile global logistics system, with stranded shipments and surging freight costs.

While the resumption of operations will bring some relief to the stretched supply chain, the resulting ripple effect is likely to continue in the coming weeks, according to industry experts.

The Yantian International Container Terminals, the sole box handling facility at the port operated by Hutchinson Ports, will "fully restore its operation" on June 24, according to a port statement.

The gate-in truck quota will also be increased to 9,000, from the 8,000 currently allowed.

The decision was made after no coronavirus infections had been reported in the port area for 21 consecutive days, government officials said, adding that vessels berthing at the terminal would be "gradually normalised" to clear the backlog and increase handling efficiency.

So far, 11 of the 20 container berths at the terminal have come on stream, with daily throughput topping 270,000 teu.

The west part of Yantian Port, which accommodates mid-sized vessels of 3,000 to 6,000 teu and had been shut down since May due to an outbreak of the virus, has been reopened.

Figures from Lloyd's List Intelligence show 87 boxships comprising 441,337 teu in the anchorages nearby Hong Kong, as the disruption at Yantian spreads to the nearby hubs of Nansha and Shekou.

The number has fallen from its peak of 104 ships comprising 611,966 teu on June 14. Part of the reason for the decline is vessels now being instructed to omit the ports altogether.

OPINION:

Why technology training is best preparation for digital shipping

DO SEAFARERS trust technology? This question, asked at the Crew Connect conference this week, goes to the heart of the maritime training and education sector, writes *Richard Clayton*.

Because of the implications for navigational safety, it is also a key issue for class, flag, P&I insurance, equipment manufacturers, training colleges, and many other stakeholders.

In other words: are navigational decisions human centric — made by the Officer of the Watch with the aid of technology — or more tech centric — made by the technology with some input from the Officer of the Watch as necessary?

Although it sounds a matter of nuance, it seems to be dividing the training community.

Another speaker in a different session commented: "We are focusing on 'autonomous' when we should really be thinking about 'autonomous but manned' [ships]."

Traditional methods of training reflect a human-centric approach. For years, this went unchallenged even as more and more technology was introduced onto the bridge.

The problem now is that when cadets join a ship, they find themselves in a highly technical and digital workplace. These cadets are expected to become familiar with a working environment they often are not being trained for.

Not only are digital skills rapidly evolving, they are also hard to nail down and teach. The individual seafarer is often left to develop these skills themselves, more often than not from asking their peers.

So, has shipping moved into a post-human sphere of seafaring or will the human seafarer continue to have responsibilities — and relevance — in the future?

New technologies have driven the automation of many tasks onboard. This automation has led to an explosion in the volume of data received by and transmitted from ships.

Data is now being analysed from shoreside fleet management centres, and decisions are made about a ship's route, speed and cargo care with, it is claimed, little or no input from the ship's officers.

This dynamic challenges the view of the International Maritime Organization that the Officer of the Watch is the primary protector of the vessel, and it is likely to put technology at the heart of vessel operations.

Crew Connect speaker Angus Ferguson, a director of Onboard Maritime and previously head of maritime skills at City of Glasgow College and an external examiner at Solent University in Southampton, sees the way the wind is blowing.

"Technology is no longer a passive tool used by the operator but directly influences and dictates operational decision-making," he says, adding later that research shows "the skills and experience of qualified lecturers in traditional maritime educational environments might not reflect the skills required in the current workplace."

Capt Ferguson believes the evolution of technology was outpacing lecturers' ability to deliver in the classroom even before the pandemic. Colleges were forced to improvise throughout 2020 to meet short-term needs but maritime training in a post-coronavirus world is likely to look very different.

Training in the use of onboard technology demands a move away from gathering in a physical classroom and listening to an actual teacher. Instead, longer-term thinking is likely to involve a shift to immersive online learning and cloud-based remote simulation as well as virtual and augmented reality.

"On-demand learning offers seafarers the flexibility of training whenever or wherever they are without the need to be in a particular location or time zone," said Neil Bennett, director of sales Americas, Global Simulation, for Wärtsilä Voyage Solutions.

Raal Harris, group creative director of Ocean Technologies Group (OTG), adds that by leveraging smart and adaptive learning technologies and unlocking the power of subject matter experts, shipping can train up "efficient, safe, and environmentally aware seafarers who are "properly equipped" to achieve performance beyond compliance.

Wärtsilä Voyage Solutions and OTG agreed to work together earlier this year. They both have skin in the game.

They contend that an open and transparent training environment is more suited to digital shipping than training based on "an infrastructure of separated and disconnected learning events, broadly taking place either onboard or at maritime training facilities."

Younger seafarers have spent the past year trusting smart technology for their training. They will continue to embrace digital technology both for their professional development and in their working environment, and they understand the importance of bridging the gap between human and machine better than traditional human-centric predecessors.

The future for both digital technology on the bridge and in learning lies in pushing aside science-fiction ideas about robot ships that need no human intervention.

Post-pandemic shipping will not be post-human, although there will inevitably be a rebalancing of roles and responsibilities.

Autonomous-but-manned will be the likely future.

ANALYSIS:

Fight for volume allocation threatens higher contract rates next year

AN EARLY peak season will see high freight rates extend throughout this year as shippers struggle to find space for their cargoes.

"We have seen that companies are starting to move Christmas goods already, which usually started slightly later," said Thorsten Diephaus, a director at rates visibility specialist Xeneta. "At the moment, if shippers have the chance to ship goods, they are taking that chance and putting the goods in the warehouse already.

"Therefore, strong demand will go on this year and there is probably no relief in the short term."

He warned that supply chain disruptions from a number of incidents, including the Suez Canal closure and Yantian port congestion, continued to have a strong impact on pricing and equipment availability.

"It seems the slightest incident that happens somewhere in the world could have a massive impact still on different corridors," he said during a webinar.

Inland infrastructure, particularly in the US, remained at full capacity and additional constraints such as the Suez Canal blockage had stretched infrastructure even further.

"It is hardly possible to handle additional volumes or get a berthing window so sometimes it is easier to take out a vessel from a loop and have a blank sailing rather than sail all the vessels and increase congestion," he said.

Xeneta noted 17 blank sailings on the Europe to US east coast alone in the next 12 weeks, representing 8.6% of capacity.

"We need to be extremely cautious. If there is another Covid-19 outbreak and terminals have different levels of utilisation this will have an impact on different regions.

Xeneta is still seeing record-breaking rates on the spot market and does not expect any slowdown soon.

"It just depends how urgent it is for shippers to ship containers," said Mr Diephaus. "It doesn't mean that the market as a whole is at $15,000 per feu on Europe-Asia, but for sure people are willing to pay these sorts of amounts.

"If you need to deliver stuff to your customers in a fixed time, then it is cheaper to pay this high price to secure the space."

Even those with contracted volumes were not immune, he added.

"Contracts are mainly being honoured, but you don't have any flexibility on the volume side," he said. "We have seen cases where carriers are not taking 100%

of awarded volumes and are only honouring agreements for a percentage of that volume. What you do see at the very low end it is very difficult to get your cargo shipped."

Whereas in the past there may have been a 20% flexibility in weekly volumes, that no longer existed.

"It depends a bit on the size of the shipper," said Mr Diephaus. "We have also heard that some have had to move back to the spot market completely, but overall awarded volumes are being honoured, but shippers can't get additional boxes moved against the tender rate."

With no signs of the situation easing, there were already concerns over next year's tendering season. Many shippers who this year held off in the hope that freight rates might fall back had been badly hit by higher rates and are already trying to read the runes on what next year might offer.

Those shippers that did not agree long-term contracts were fully on the spot market, Mr Diephaus said. "That market will change but no one knows when. Will next year's tenders be at a lower level than 2021? Most probably not."

MARKETS:

Dwell times slightly up at Southern California ports

DWELL times at the San Pedro Bay ports of Los Angeles and Long Beach were "slightly up" in May, according to the Pacific Merchant Shipping Association.

The report followed a warning from the association about the impact of California's energy policies on the state's ports to handle cargo in the coming years.

"Container dwell time at San Pedro Bay terminals was slightly up for the month of May compared to the previous month," said Jessica Alvarenga, manager of government affairs at the trade body, which represents shipping lines and marine terminal operators on the west coast.

On average, she said, containers remained on terminals for four days last month compared with 3.7 days in April.

The average number of containers that exceeded five days on a terminal increased 15.1% compared with 13.1% the month.

Container dwell time for cargo departing via rail displayed a slight improvement but remained high, while containers stayed on terminals for an average of 10.5 days before departing, down from 12.4 days in April.

"While container dwell time remains higher than what we would prefer to see, our terminal operators and dock workers continue handling higher-than-average volumes," said Ms Alvarenga.

The Pacific Merchant Shipping Association cited a report by Moffat and Nichol, an engineering consultant, about state policies requiring California's port supply chain to transition to zero-emission technologies by 2035.

The report, published earlier this month, examines the energy grid requirements for vessels and the landside equipment that move cargo between the vessel and inland destinations.

It cited the need to "address challenges relating to providing an adequate energy grid supply coupled with resiliency to avoid significant impacts on the ability of California's supply chain to move cargo".

John McLaurin, the association's president, said the report confirmed "our belief that the zero-emission goal of 2035 will require complex planning, substantial funding and a level of cooperation and coordination by a myriad of state and local agencies for a massive public works project that has never been undertaken in California".

The two reports came against the backdrop of record monthly throughput figures at the two ports for May.

Long Beach moved more than 900,000 teu for the first time in its 110-year history. Imports jumped 42.3% to 444,736 teu, while exports saw a relatively flat increase of 0.6% to 135,345 teu. The number of empty containers moved through the port increased 80.7% to 327,135 teu.

The port has moved 4m teu during the first five months of 2021, a 42.3% increase over the same period in 2020.

Port of Los Angeles reported throughput of 1m teu last month, a leap of 74% over the same period in the past year and the busiest month ever.

Loaded imports rose 75% year over year to hit 535,714 teu, loaded exports increased 5.3% to 109,886 teu, and empty containers climbed to 366,448 teu, 114% higher than in the past year due to the heavy demand for equipment in Asia.

In early June, Los Angeles became the first port in the Western Hemisphere to process 10m teu in a 12 month period and is expected to have processed more than 10.8m teu in the fiscal year by the time it ends on June 30.

IN OTHER NEWS:

Deal reached on Ever Given, says UK P&I Club

THE insurer of *Ever Given* said an agreement in principle had been reached to release the ship from the Suez Canal.

The UK P&I Club said the deal followed extensive discussions with the Suez Canal Authority's negotiating committee in recent weeks.

"Together with the owner and the ship's other insurers we are now working with the SCA to finalise a signed settlement agreement as soon as possible," the club said.

MPC Container acquires Songa for $210m

MPC Container Ships, the feeder boxship specialist, said it had agreed to take over its smaller rival Songa Container in an effort to expand scale.

The $210m transaction, which is expected to complete by end-July subject to customary conditions, includes 11 ships owned by Songa with an average size of 2,250 teu and an average age of 11.9 years.

Nine are fitted with scrubbers, while three are equipped with the highest ice-class design and hence are well suited for Baltic trades, according to MPCC.

Classified notices follow