Friday June 25, 2021

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

LEAD STORY:
Leaked EU fuel plans confirm industry fears and rile green lobby

WHAT TO WATCH:
Singapore yard merger talks begin in earnest

Rising shipyard costs push up hull insurance rates, says Gard

OPINION:
EU's shipping emissions approach threatens its success

ANALYSIS:
Sustainable financiers not taking firm stand on LNG

Counting the costs of supply chain disruption

Toft calls for infrastructure investment to ease supply chains

MARKETS:
Bulker owners see signs of strong market in near term

Yangzijiang wins $715m in orders as newbuild recovery seen slowing

IN OTHER NEWS:
Globus Maritime secures new charter in 'strong market'

Protection of seafarers' human rights debated by UK parliament

UK says non-resident seafarers are eligible for vaccines

Leaked EU fuel plans confirm industry fears and rile green lobby

A LEAKED DRAFT of a key European Union policy designed to cut carbon emissions in shipping has confirmed industry fears that enforcement chaos for shipping is looming and prompted outrage from environmental lobbyists who claim the rules will prove to be a "climate disaster".

While the final text of the so-called FuelEU regulation "on the uptake of renewable and low-carbon fuels in maritime transport" is not due to be published until July 14, a draft text leaked to NGO Transport & Environment has offered an early view of the bloc's flagship emissions policy set to determine the pace of European shipping's decarbonisation trajectory.

The regulation requires ships to progressively switch to sustainable marine fuels by introducing "goal-based fuel greenhouse gas intensity targets" that increase in stringency over time, requiring ship operators to reduce the carbon footprint of the energy used on board ships.

The performance requirements on the fuel used by ships will apply regardless of where the fuel is acquired globally.

Ships that fail to satisfy the criteria would pay a penalty into a "marine renewable and low-carbon fuels fund".

Ships that perform beyond the emissions targets, assessed on a life cycle basis, will be able to earn "excess compliance units" that could be "transferred" either to the ship's next compliance year or to a ship owned by a different company.

It would also require containerships and passenger ships at berth to connect to shore power for all energy needs at berth from 2030, albeit with specific exemptions included

While the general scope of the legislation has been the subject of intensive industry consultation for many months, this first glimpse at the proposed detail which came via an internal European Commission working text has backed up industry concerns regarding the enforceability of the new EU approach.

It has also revealed the commission's own assessments of how much the changes will cost industry to comply with.

Compliance costs alone are anticipated to cost ship operators €89.7bn ($107bn) between 2021 and 2050 while ports will spend €5.7bn installing infrastructure, according to the cost benefit assessment.

A total of €439.7m is forecast to be required for "additional information obligations, co-operation during audits and inspections and crew training," while another €82m is attributed to "verification and approval".

According to the commission's cost assessment "the overall costs increase for ship operators are estimated to be around 2.7% by 2030 and up to 17.4% by 2050".

As presented in the draft, the new regulations place the burden of responsibility for compliance with the ship's operator, rather than the fuel supplier — a burden that industry groups have been keen to avoid given the difficulties in imposing EU standards on non-EU fuels.

Then there is the issue of tradable "excess compliance units", which critics argue amount to the introduction of a secondary Emissions Trading Scheme to be placed on top of the existing EU Emissions Trading System which will also shortly be targeted towards shipping as part of a separate legislative package.

And while the commission proposal makes several references to reducing the administrative burden on shipping, the vague wording of the draft implies that shipping companies will be required to double up on their existing monitoring and verification procedures in order to comply with the new proposals.

The key concern from industry, however, is that the rules would inevitably boost demand for biofuels, which have lower carbon dioxide emissions than fuel oil.

Research for the International Chamber of Shipping and the European Community Shipowners' Association that assessed the FuelEU Maritime proposal last month concluded, at least initially, the availability of compliant fuels would probably be limited to those biofuels which the EU already certifies and thus enforcement outside of the bloc could be a problem.

"The danger is that this could potentially create a distorted two-tier market, comprising those ships which — due to the ports they visit — can readily obtain compliant fuels and those which cannot, through no fault of their own," the study said.

European Community Shipowners' Association insiders who have read the leaked draft confirm that the legislation as presented has only confirmed their existing concerns regarding the legislation.

Green lobby groups, meanwhile, remain equally frustrated by the rules, which they claim would lock in the use of fossil fuels for decades, making the EU's target of net emissions neutrality by 2050 unreachable.

The decision to opt for goal-based targets rather than a "prescriptive" fuel regulation, will allow shipowners to opt for LNG ships as the cheaper solution over zero-emissions fuels such as green hydrogen or ammonia, argues green lobby group T&E.

It would see LNG and biofuels providing more than half of the energy used by calling at EU ports by 2035. LNG engines emit unburned methane, a greenhouse gas far stronger than CO2.

"If the law is adopted in its current form, this would give a blank cheque to the continued use of fossil LNG well beyond what could be reasonably considered a transitional period," the group said.

In a lengthy analysis, T&E said LNG and "unsustainable" crop-based biofuels should be excluded from the scope of the regulation, and incentives for green fuels like hydrogen and ammonia added.

Industry consultation has already taken place and the draft reflects the input provided. Of the 136 responses to a consultation, 121 were either shipowners or ship managers, energy producers and fuel suppliers, short sea shipping companies,

shipbuilding and marine equipment manufacturers or logistics suppliers, shippers and cargo owners.

Despite the concerns from both industry and green lobby groups, all sides are acutely aware that the leaked draft is likely to emerge in its final format with potentially significant changes thanks to politics raging inside the European Commission.

The FuelEU proposal is one of a handful of efforts by the commission to reduce shipping emissions, but it is also part of the much wider "Fit for 55" legislative package which has resulted in a clash between commission directorates.

It comes from the commission's transport arm, DG Move, not the Directorate General for Climate Action, DG Clima, which is tasked with revising the bloc's emissions trading system and pulling shipping and aviation under its control.

There are also 12 other legislative packages being negotiated under the Fit for 55 programme which is being readied at speed by competing departments operating under a top-down directive with a short deadline.

The speed with which the European Commission has had to frame its "Fit for 55" climate package means that inconsistencies between the competing packages are almost inevitable.

Even if the packages pertaining to shipping do emerge with the problematic details intact, all sides are anticipating a lengthy process of political horse-trading to take place once the packages reach the council and parliamentary stages of sign off later in the year.

One aspect that is, however, unlikely to change is the EU's acknowledged support for LNG as part of the fuel mix.

European Commission executive vice-president Frans Timmermans, who is in charge of the European Green Deal, last month indicated that gas would inevitably have to form part of the package.

"There is no way we can have a successful transition to climate neutrality without increasing in certain areas the role of natural gas," he said during a podcast. "That doesn't make LNG green — it makes it essential for the transition.

WHAT TO WATCH:

Singapore yard merger talks begin in earnest

KEPPEL Corp and Sembcorp Marine have entered into a non-binding agreement and kicked off exclusive negotiations over the long-speculated merger of their yard operations.

The objective of these negotiations is to create a stronger combined entity and sustainable value over the long term for Keppel Offshore & Marine and Sembcorp Marine and their stakeholders, a joint statement said.

The deal called on both yard groups to form a combined entity that will in turn enter into a strategic partnership with Keppel Corp, the now parent group of Keppel O&M.

It is envisaged that the combined entity will be publicly listed and the shares will be held by Sembmarine's shareholders and Keppel Corp.

Keppel Corp will also receive up to S$500m ($372.25m) of cash or in cash equivalent.

However, the two groups emphasised that they are still in preliminary negotiations and any proposed merger remains subject to due diligence and approval of their shareholders.

They have also pledged to engage unions in mapping out future plans for yard workers, continue to train and create higher value-adding jobs for their workforce.

These developments have come after years of speculation over renewed merger talks between the two groups following the collapse of oil prices that stoked a protracted offshore downturn since 2014.

The oil market was hit by coronavirus pandemic-led demand disruption, which triggered a row between Saudi Arabia and Russia that led to record falls in oil prices.

That damaged hopes then of a recovery in the offshore sector, which still answers for a sizeable

chunk of Keppel O&M's and Sembmarine's orderbooks.

Elsewhere in China and South Korea, mergers and acquisitions have already picked up between yard groups.

However, the merger between Singapore's two largest yard operators, which was first debated publicly in the early noughties, was stunted by legacy issues.

Of high relevance to date is the long-unresolved overhang on Keppel O&M's still undelivered rig-building orderbook comprising six to nine jack-ups.

Keppel said it has signed a non-binding agreement with a Temasek Holdings-owned entity, Kyanite Investment, calling for the rigs to be sold to a separate asset holding company.

The second issue pertained to anti-corruption probes over Keppel O&M's and Sembmarine's contracts with Petrobras.

The situation in Brazil seemed to have quietened down three years on from Keppel O&M's announced $422m settlement with authorities.

Observers suggested that Sembmarine by comparison, stands a better chance as emerging unscathed given that the years-long probes believed to be motivated by opposition to former Brazilian president Dilma Rousseff could have run their course.

Keppel O&M and Sembmarine have separately ventured into the renewables sector.

The joint statement said the potential merger would combine "complementary strengths of both businesses" to accelerate the transformation and pivot towards renewables and clean energy sectors.

Rising shipyard costs push up hull insurance rates, says Gard

HULL insurance rates rose around 9% in the first half of the year and may jump a further 5%-10% by the end of 2021, according to the chief underwriting officer at the world's biggest hull insurer.

Much of the dramatic increase in outlay for shipowners follows from a general hardening in the hull market, as insurers seek to put things on a firmer footing after decades of losses, said Gard's Bjornar Andresen.

But there is also a double whammy in the shape of rising costs at repair yards, notably on account of the pandemic and surging steel prices, he added.

"The hull market is still hard, because in average in the market comes from a very much non-performing state," Mr Andresen said in an interview. "Combined ratios have indicated a loss over a long period, but again there's a big difference between individual insurers."

That said, there has been no increase in casualty frequency, and if anything the trend has been benign. What is making the difference is the outlay on putting hull damage right.

"The spare parts, the steel and the yards themselves when doing the work, are asking much higher prices than in the past, so individual claims are more expensive."

How much more owners pay for H&M will depend on their records. In the soft markets of recent decades, risk differentiation in pricing was insignificant.

"Now we see that when you have a performing account, you actually can limit your increase. If you have losses on a hull account, it will go up much more."

Gard is also the world's biggest P&I club, and Mr Andresen also commented on the outlook for marine mutuals at a time when many are losing money on underwriting, thanks to the impact of coronavirus and record pool claims.

"Coronavirus is taking its toll on the underwriting result, but it is not a major event-type incident. It's lots of work, more a matter of exhaustion on people, and aggregates into lots of claims of lesser amounts that makes an impact on the balance sheet."

On top of the big casualties of the 2020 policy year — including *Wakashio, Höegh Xiamen* and *New Diamond* — significant deterioration in the 2019 policy year was evident.

This policy year — which commenced on February 20—has already two big incidents in the form of *Ever Given* and *X-Press Pearl*, but it is too soon to know the eventual contours of the year as a whole.

"If you look at last year, it was a horrible first half and then the second half year was quite benign, so the end was much mitigated from the first half," said Mr Andresen.

He pointed to three consecutive years of big hits from the pool, which has sent P&I premiums up after years of zero general increases.

"But it's too early to talk about trend shift. We've had some really unfortunate big claims, but whether this is a trend or not, I wouldn't comment on that."

Yet premium per gross tonne remains historically low level, thanks to what remains a secular trend to improved shipping safety overall.

With combined ratios ranging from 104% at Gard to as high as 140%-150% for some other clubs, there seems little doubt that rates will rise for P&I.

But the extent of the increases will differ between clubs, given their portfolios and the composition of their portfolios by vessel type.

Mr Andresen also pointed to a less-often used yardstick, capital ratios, as set down by the EU regulation to which UK clubs still conform.

Data are incomplete; the American and Japan club do not publish the information at all, as they are not EU-regulated, and as it is still early in the year, only half of remaining clubs have divulged figure.

But the range last year was 143%-277%, and this year so far the known range is 184%-257%, so the picture is improving.

Finally, the International Group will also be looking to renew the reinsurance cover on the pool scheme, which is the world's biggest re contract. This will again hurt owners' pocket.

Reinsurance markets in general are up about 10%, largely thanks to deliberate attempts to firm rates, although pressure seems to be easing up a bit.

According to Mr Andresen's formulation, reinsurance cannot yet be described as a fully fledged hard market, but it is certainly firm for non-performing risk.

Moreover, the massive publicity for the *Ever Given* grounding and the subsequent six-day closure of the Suez Canal may make reinsurance underwriters more chary about shipping risk.

"Having said that, this is a special contract. Although we are dependent on the larger reinsurance market, it is a very large contract handled on its own merits, so it's hard to tell what the rates will be this year. But owners will have to expect a rise."

For its part, the IG will stress that this is a long-term contract and long-term commitment needs to be factored in. Actual performance should be considered, and speculation excluded.

OPINION:

EU's shipping emissions approach threatens its success

THE European Union's plans to regulate shipping fuel are not a surprise. But the universal backlash it has received is unmistakable, *writes Anastassios Adamopoulos.*

The leak of the upcoming proposal for the FuelEU Maritime, which would impose new fuel greenhouse gas standards for ships, allow companies to trade emissions credits with each other and fine them for non-compliance, appears to have no obvious — or at least vocal — supporters in its corner.

A policy position that is criticised by both environmentalists and most of the industry cannot be seen as viable. If it works for neither sides of the emissions policy spectrum as we have come to know it, whom exactly does it serve?

Unfortunately, it appears that part of the driving force behind it is an element of competition between the European Commission's different departments.

The FuelEU will be tabled officially next month by the by the Commission for Transport's DG Move on the same day that the Commission for Climate Action's DG Clima tables its own separate proposal for the inclusion of shipping in the EU Emissions Trading System.

The second prong of EU policy has been widely anticipated, received much attention and has put DG Clima in a position where it has effectively become the most important interlocutor for shipping emissions since the new commission took over, taking on position held traditionally by DG Move.

It is indeed difficult to understand why two departments of the same administration would move forward with somewhat overlapping regulatory proposals.

One is about putting a price on emissions and the other is about the fuels. And both are separately important in what they are trying to achieve.

Internal competition also creates implicit pressures with lasting impacts that could be meaningful. The difference in the scope of the two proposals is the obvious example here.

The FuelEU would apply to all ships of at least 5,000 gt calling at EEA ports, including international voyages. The ETS proposal is increasingly looking like it will have either only an intra-EU scope or an intra-EU scope, with some international voyages, but not all of them, casting a smaller net on emissions than the FuelEU one.

How will it look if the climate division of the world's self-proclaimed leader in climate action has more limited ambitions than its transport counterpart?

Such a fragmented approach that would effectively mean the commission throwing shipping into two different emissions credits trading schemes, while boosting the use of liquefied natural gas and biofuels, only threatens to stall and complicate upcoming negotiations in the EU.

Worse, it risks not reducing emissions in the long term and create a completely unnecessary parallel system with which ships to comply.

Both proposals will have to be separately deliberated with the parliament and with EU governments, which means compromising and horse-trading as well as time, energy and resources spent discussing proposals that are either convincing no one or are too similar to each other.

The International Maritime Organization regularly attracts criticism for being slow and mired by internal politics and industry influence.

It would be at best ironic and at worse damaging for its emissions policy if the commission ended up being consumed by internal petty politics too that watered down its ambitions and effectiveness.

Lost in all of this is the fact that there is a third regulatory proposal in hibernation; in September 2020 the European Parliament adopted proposal to revise the EU Monitoring, Reporting and Verification regulation, which lays out the rules for the data collection of ship CO_2 emissions. That proposal also included a mandatory CO_2 intensity reduction target by 2030. That proposal will also have to be considered alongside the other two.

The EU has decided it should take the mantel on climate change policy, shipping included. If it wants success and its due acknowledgement it needs a concentrated approach that does not threaten its own goals with short-sighted policies and contradicting messages.

For the goal of reducing emissions from shipping to be achieved, these two proposals — the ETS and the FuelEU — should complement each other not contradict or overlap.

Brussels still has time to ensure the proposals that come out next month do just that.

ANALYSIS:

Sustainable financiers not taking a firm stand on LNG

HAPAG-Lloyd's success at raising a second green loan is proof that the wider financial market does not reject the potential liquefied natural gas may hold in cutting ship emissions.

The world's fifth-largest container line has commissioned the construction of six additional LNG-fuelled carriers following an earlier order this year for a similar tonnage.

The shipping line has unveiled in February a syndicated green loan of $417m raised to

finance three of the first batch of six carriers.

DNV was used to validate Hapag-Lloyd's loan framework aligns with guidelines from the Loan Market Association and European Union's taxonomy to curb greenwashing.

The German company has managed to raise two loans only months apart from each other.

The second package is of particular significance because it came after the World Bank's call to halt investments that will advance LNG's role as a marine fuel.

The bank raised concerns regarding potentially rising emissions of methane, a far more potent greenhouse gas compared with carbon dioxide.

Its statement, however, has not held back regulatory support for marine LNG projects even in Europe where the strongest LNG critiques have emerged.

The EU recently extended a subsidy to defray Italy group Fratelli Cosulich's shipbuilding cost for an LNG bunker tanker to be deployed in the Mediterranean Sea.

Hapag-Lloyd's communique on the two green loans and a third sustainability-linked refinancing package offer clues on why financiers and regulators have not backed away from marine LNG projects.

Hapag-Lloyd chief financial officer Mark Frese said the newbuildings announced yesterday would cut carbon dioxide emissions by 15% to 25% compared with conventional fuels.

Many green loans raised in the shipping sector so far have focused on carbon dioxide emission for good reason.

DNV global head of shipping advisory, Jan-Henrik Hübner said that CO_2 makes up more than 90% of greenhouse gas emission from shipping.

That also goes towards supporting LNG's claim at least as a fuel for the transition to eventually a zero-emission future.

Hapag-Lloyd has nonetheless looked at options to extend the relevance of its LNG-fuelled tonnage beyond the 12-year loan tenure.

The shipping line has pledged to switch to bio or synthetic LNG, which is understood to be compatible with the engines equipped with its 12 newbuildings.

But for shipping assets that that do not qualify for green loans, there is still one other possible avenue to tap the now enlarging pool of sustainable financing.

Hapag-Lloyd for instance, has placed a sustainability-linked bond this year to refinance its debts.

This bond is likewise linked to targets to reduce CO_2 emissions.

Hapag-Lloyd senior director Thomas Henrichs said that such targets need to be "ambitious" — basically correlating to significant improvements over and above any business as usual scenarios — for the bond to draw investor interest.

The bond also bears a step-up interest, which serves as "an incentive" for the firm to fulfil the targets, he said.

Mostly, financiers do not seem inclined to take any position on LNG's green credentials or for that matter, the broader energy transition.

Sustainable financing may well remain accessible for both existing and new shipping tonnage so long as their shipowners can commit to substantial enough green goals.

Counting the costs of supply chain disruption

THE downstream impacts of the supply chain disruptions affecting the containerised freight sector can have significant impacts of a wide range of companies far removed from shipping.

A survey of 900 IT, security and procurement executives in the US and EU by supply chain visibility specialist Interos reports that global supply chain disruptions such as the pandemic and the Suez Canal blockage can cost large companies $184m a year on average.

It found that more than 90% had suffered a negative effect on revenues due to supply chain risks,

including cyber attack, financial risks and transparency issues.

"Our survey results underscore the growing importance of supply chain operational resilience in the globally interconnected world that we all live and operate in," said Interos chief executive Jennifer Bisceglie.

"We can no longer cleanly separate digital and physical supply chains, which is driving a need for greater transparency into hidden supply chain risks, relationships and reliances, which companies are recognising as critically important to protecting both the bottom line and corporate reputation."

More than half of the survey's respondents reported disruptions from the pandemic, with the vast majority reporting disruptions to production lines and locations.

Speaking earlier this week at the International Association of Ports and Harbours' World Ports Conference, McKinsey supply chain management partner Knut Alicke said companies had been slow to learn the lessons of the pandemic.

"What we see is that there are a lot of shortages these days," Dr Alicke said. "The question is: did we learn anything? A lot of companies have worked on making their supply chain more resilient and still we see these shortages."

A study by McKinsey had found that the number of incidents affecting supply chains had increased in recent years, with a one- to two-month disruption of supply or production happening once every 3.7 years.

"This is something we need to prepare for," he said. "It is not enough to say this is a one-time event that you fire-fight and forget. It will come back; maybe not as a pandemic but as something different."

McKinsey also analysed the impact of a production or distribution stoppage on earnings.

"Our calculation shows that on average we have 45% of a year's earnings before interest, tax, depreciation and amortisation that we lose during a decade," said Dr Alicke. "On a yearly basis that is 4.5% of ebitda that is at risk per year."

This was the figure that should be invested into making supply chains more resilient, he added.

Both McKinsey and Interos support the greater use of technology to help plan and predict disruptions so they can be headed off before they become critical.

"The status quo — manual, survey-driven processes that provide periodic visibility over a portion of the supply chain — is rapidly shifting," Interos said. "As supply chain-driven cyber attacks and a host of other factors increase volatility, corporate leaders are recognising that the supply chain security and resilience must be a core business priority."

Dr Alicke pointed out that planning cycles were becoming much shorter as companies sought visibility on the supply chain.

"Everyone wants to work on resilience, particularly through dual-sourcing of important components, increasing inventory and more regionalised supply chains."

Digitalisation could make supply chains more reliable, predictable and transparent, he added. "More shippers understand that it is possible to replace inventory with information."

Toft calls for infrastructure investment to ease supply chains

MEDITERRANEAN Shipping Co chief executive Søren Toft has defended the box sector's performance during the pandemic and called for greater infrastructure investment to help prevent similar logistics logjams in the future.

"I'm proud of the way we have handled the Covid-19 crisis," he said. "Our company and our industry has demonstrated that it can keep supply chains moving despite all the issues."

Mr Toft said it was true that the supply chain had come under "amazing pressure" in the past six to nine months, but that a number of different factors had contributed to the issues.

"I know there are a number of people saying shipping lines are the source of the problem but that's not really correct," he told the International Association of Ports and Harbours' World Ports Conference. "We are part of the problem but not the source."

As well as the sudden drop in volumes at the start of the pandemic, there had been an unpredicted sharp rise in demand.

"I saw a lot of scenarios, but no scenario predicted the rapid recovery that we saw from summer last year," he said.

But this rise in demand came as ports were forced to reduce labour pools due to social distancing and other pandemic measures, and in the midst of a driver shortage and warehouse congestion.

"There are a lot of pieces in the supply chain that are impacting," he said. "The weakest link in the chain always dictates what we can do."

But infrastructure in much of the system was lacking, he said.

"If you take the US, it is not correct to say there were no problems before the rush of cargo," Mr Toft said. "Port complexes were becoming old, there were restrictions on capacity and on the ever-growing size of the ships. It was a lurking issue that really exacerbated as the demand rose."

In the US, where the situation was most extreme, the infrastructure was unable to bear growth rates of 30%-50%.

He called for a "long-term, strategic view" to be taken on infrastructure investment.

"Even here in Europe we have been experiencing the crunch and there is no immediate solution around the corner. This is a shame as the ports now with infrastructure will be able to grow more business. It is a competitive advantage."

MSC had tried to help provide additional capacity to meet demand through adding eight new services, adding 80 vessels to its fleet and adding hundreds of thousands of new containers.

Nevertheless, Mr Toft admitted that the sector still had a problem with schedule reliability.

"I realise from a service point of view we must do better," he said. "It is also in our interest because today we are consuming way too much fuel and having too many ships and containers in the network, all in response to the supply chains being stretched.

"We have an immediate challenge to solve because the supply chain is quite disrupted. We are part of the solution, but not the reason for the situation."

MARKETS:

Bulker owners see signs of strong market in near term

BULKER owners feel confident that the market should retain its strength over the next two to three years.

Speaking on a Marine Money panel, five senior executives cited low supply growth and a continuation of strong demand as reasons for their optimism.

They expect supply growth over the next 18 months of 2%-3%, while demand growth in tonne-miles was pegged at 5%-7%.

Asset prices also had room to go up, by 10%-15%, according to two executives, or by 20%-25%, according to another. The remaining chiefs estimated a rise of 50% up to 75%.

Safe Bulkers' president Loukas Barmparis said a supply squeeze could be expected over coming years as yard slots for newbuildings were only available in 2023 or 2024.

"This is what we're enjoying," Dr Barmparis said, referring to the strong freight rates being experienced in all segments.

The US-listed company's strategy is to sell its older, Chinese-built tonnage, in favour of younger Japanese-built vessels, as it continues its fleet renewal.

"We don't want to over-expand with the technology uncertainty," he said.

With new regulations targeting efficiency, the executives agreed that slow steaming would be the way forward for some 80% of the dry bulk fleet.

Any vessel built before 2012 will have to cut speeds by 10%-15%, said Seanergy chief executive Stamatis Tsantanis, who has invested in energy-saving

devices on board his capesize vessels in conjunction with charterers.

However, there are some ships in the market that just cannot be improved, he said, which would lead to scrapping.

Aristides Pittas, chief executive of EuroDry, who said he was comfortable running older ships, expects to see scrapping only when the market drops.

In terms of technology, he said the draw to liquefied natural gas as fuel was waning, but there would not be any commercially viable alternatives until 2030 at least

"We could have 10 years of exceptional rates," he said. "It's a perfect storm", one he never expected to see so soon after the last peak in 2005-2008.

The opinion was echoed by Grindrod Shipping's chief executive Martyn Wade, who said the market was heading for the "most perfect quarter" as China expects to have a coal shortage over the winter months, and countries continue to import commodities to avoid being short.

A growing population required "just-in-case" stockpiles, while the China-Australia trade spat was "fantastic" for the market, he said, adding that goods carried in boxes such as bagged grains, scrap, and general cargo, were now being carried on bulkers, given the skyrocketing container rates.

Grindrod, which specialises in the smaller-sized bulkers, was benefiting from rates north of $30,000 per day.

"We have enough people knocking on our door," he said, referring to potential consolidation efforts, but he did not want to be teamed up with companies that focus on the larger sizes such as the capes. "This market is only starting — there will be opportunities."

The executives cited not only strong demand from China, as millions of people need to be urbanised, but also from the rest of the world, which could keep steel production at elevated levels.

The World Steel Association is expecting global growth this year of 6%, with China at 3%, said Magnus Halvorsen, chief executive of Oslo-based 2020 Bulkers.

"Even if China may be cooling off, the global story is still a positive one," he said, adding that his fleet of newcastlemaxes were earning about $40,000 per day.

Coal demand from China was not "disappearing" while infrastructure projects would require steel, said Mr Pittas. "The demand picture for iron ore, coal and grains creates the possibility for two to three years of a very good dry bulk sector."

Mr Tsantanis said he was optimistic for demand for coal, with seaborne volumes expected to rise 9% this year, and 6% in 2021, driven by India and China.

"Demand for iron ore and coal is unstoppable," he said, adding that the returns he was making from his capesize fleet was in the region of $35,000-$40,000 per day. Two of his 16 vessels were on spot while the rest were on index-linked charters.

Based on the bullish outlook, he was seeing more inquiries for longer period charters, spanning two to three years.

Yangzijiang wins $715m in orders as newbuild recovery seen slowing

YANGZIJIANG Shipbuilding has unveiled another batch of new orders at what seems to be a tipping point in a strong market recovery.

The order for 14 vessels is worth $715m and comprise mostly boxships, including a pair of 11,800 teu, five 3,500 teu and two 2,400 teu vessels.

Others include one 9,150 dwt chemical tanker, one 29,800 dwt self-loading dry bulker and three 40,000 cu m liquified petroleum gas carriers.

Deliveries of the fresh tonnage is scheduled between 2022 and 2024.

The LPG carriers were placed by German owner Hartmann Reederei at Yangzi-Mitsui Shipbuilding, a joint venture yard between the Chinese builder and its Japanese partner.

"Yangzijiang's clinching of its maiden batch of 40,000 cu m LPG carriers marks a breakthrough for the group and a recognition towards the group's strengths in the design and building of clean

energy vessels," said executive chairman Ren Letian.

Including orders announced in April, the year-to-date newbuilding contracts clinched by the China-based, Singapore-listed company has topped $4.7bn — the highest since 2008.

The results come as the sector has enjoyed a robust recovery this year, spurred by rocketing shipping rates, especially in the containership market.

In January-May, shipyards in China won 32.7m dwt of new orders, up 182.6% from the same period a year ago, according to the latest data from the country's shipbuilding association, known as Cansi. The other two big shipbuilding nations, South Korean and Japan, have seen a similar surge in new deals.

Nevertheless, Cansi said shipbuilders' profits had dropped because of the costlier raw materials and weaker US dollars, despite a sharp increase in vessel price.

The 75 member companies monitored by the association reported a nearly 18% decline in total profit to Yuan230m ($35.5m) in the five months.

That said, privately run Yangzijiang appears to have bucked the trend — at least in the first quarter of 2021 — with shipbuilding margin up 39% to Yuan269.5m and a net profit rise of 89% to Yuan761.7m

Yangzijiang said it remained confident about securing more orders amid favorable market sentiments.

However, Braemar noted ordering activities across all segments are starting to slow down.

"Bottlenecks are forming, and price inflation is creeping in," the brokerage said in a report. It said most yards now have their slots booked into 2024, leaving only a few months of availability before much more stringent "Phase 3" emission restrictions come into effect.

The International Maritime Organization recently finalised the new emissions measures which will come into effect in November 2022, but begin applying in 2023, and aim to reduce the fleet's average carbon intensity by at least 40% by 2030 compared with 2008.

One of the core elements of this package measure is the Energy Efficiency Index for Existing Ships (EEXI), which will force existing vessels to improve their efficiency on par with newbuildings that are already bound by such requirements.

"Exactly how the IMO will now synchronise EEXI and [Energy Efficiency Design Index] ratings, as they have said they would from 2023 onwards, remains a contradiction in terms," said Braemar.

"The IMO's inability to take decisive actions will eventually place shipping at the epicentre of environmentalist scrutiny: this is an explosion waiting to happen, where governments will 'take control' and force ships to adhere to far cleaner exhaust emissions than whatever was stipulated by the IMO."

As a result, the brokerage expected the uncertainty to throw the newbuilding market into another wait-and-see period, followed by higher ship price when the older tonnage become obsolete by the stricter environmental rules.

IN OTHER NEWS:

Globus Maritime secures new charter in 'strong market'
GLOBUS Maritime, a dry bulk carrier owner, said it has secured new charter employment for its 2007-built, 53,627 dwt River Globe (IMO: 9464168) at a gross daily rate of $29,500.

The charter to an "unrelated" party is one of two recently announced by the Greece-based company at rates four to five times higher than its ships attracted in 2020, according to its own data.

"We have secured short-term employment as we continue to experience a strong market," said chief executive Athanasios Feidakis. "We are focused on generating long-term value and expect to continue to take advantage of a rising market."

Protection of seafarers' human rights debated by UK parliament
THE UK government says it is "not able to provide formal support" for a declaration to raise global awareness of the abuse of human rights at sea.

The Geneva Declaration, launched in 2019 by legal lobby group Human Rights at Sea, says crews are entitled to the same degree and extent of

rights as they do on land. It aims for an international effort to stamp out abuses.

The question of what the UK is doing to protect human rights at sea was raised as an oral question by Lord Teverson, who is patron of Human Rights at Sea, in parliament this week.

UK says non-resident seafarers are eligible for vaccines

FOREIGN seafarers can be vaccinated in the UK, the government has confirmed.

The Department for Transport confirmed resident and non-resident seafarers aged 18 and over were eligible for free vaccines as of June 18.

It welcomed reports of seafarers being vaccinated on board some vessels and in centres near ports.

Classified notices follow

Looking to publish a judicial sale, public notice, court orders and recruitment?

Contact **Maxwell Harvey on +44 (0) 20 7017 5752**
or E-mail: maxwell.harvey@informa.com

GUJARAT MARITIME BOARD
Government of Gujarat Undertaking

www.gmbports.org

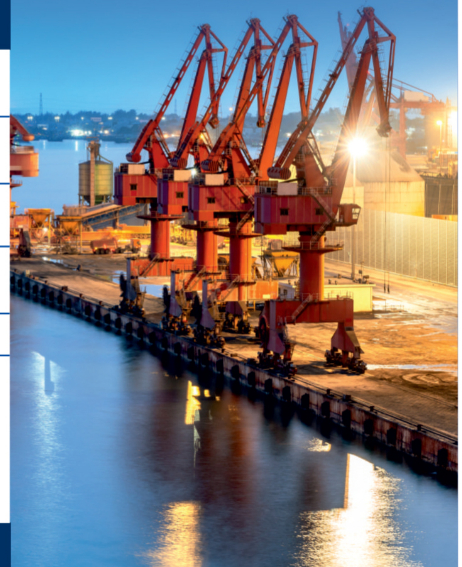
MEGA MARITIME OPPORTUNITY, ALONG INDIA'S LONGEST COASTLINE

NOTICE INVITING TENDER
No. 01/2021-22

Selection of developer for setting up a Greenfield Port near Village Nargol, Valsad District, Gujarat, India. Just 120 km from Surat & 140 km from Mumbai.

This notice is issued to elicit a 'Request for Proposal' (RFP) from firms possessing financial, technical and managerial capabilities in the development and operations of port and/or other infrastructure to act as a developer of this project. The Developer shall have exclusive freedom in development of the project based on the BOOT Policy.

BASIC DETAILS ABOUT THE PROJECT	
Location of the project site	Latitude 20°14'34.52"N and Longitude 72°44'36.84"E Near Village Nargol, Valsad District, South Gujarat
Evaluation process	A single-stage three-step process which includes Qualification Evaluation, Technical Evaluation and Commercial Evaluation
Estimated project cost in phase1	~INR 3800 Crore
Type of port	All Weather Direct Berthing Port to be developed as an Off-shore Port facility
Concession period	50 years
Tender processing fee	The tender processing fee is INR 2,00,000/- or US $ 2700/- (plus GST as applicable). Interested parties can download the document from GMB's website – **www.gmbports.org** as well as **https://gmb.nprocure.com** The tender processing fee shall be paid in the form of Demand Draft or Banker's Cheque along with the Request for Proposal (RFP).



SCHEDULE OF EVENTS	
RFP document downloading start date	25/06/21 @11:00 hrs IST
Last date for seeking queries/clarifications	15/07/21
Pre-proposal conference	22/07/21 @12:00 hrs IST
Authority to respond to queries	29/07/21
Bid due date	26/08/21 @17:00 hrs IST
Date of opening introductory envelope & qualification documents	02/09/21 @12:00 hrs IST
Bid validity period - 270 days from bid due date	

Pre-bid queries and clarifications
(to be addressed through letter & email)
Vice Chairman and Chief Executive Officer
Gujarat Maritime Board, Sagar Bhavan,
Sector 10-A, Opposite: Air Force Station,
Gandhinagar - 382010, Gujarat, India
Tel No.: +91-79-23238346/47/48
Fax No. +91-79-23234703
E-mail: vc-gmb@gujarat.gov.in

Lloyd's List Intelligence

Get a complete view from the trusted source for maritime data and intelligence

80+ expert analysts review, analyse and enhance data to give you the most validated view

Consultants provide you with the future view of the world fleet

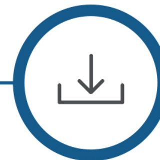
Connections with key industry players provide you with exclusive news and insight

Choose the trusted source

Contact us today on **+ 44 20 7017 5392 (EMEA)** / **+65 6508 2428 (APAC)** / **+ 1(212) 502 2703 (US)** or visit **lloydslistintelligence.com**

Container Tracker

Save time. Stay compliant.



Track containers, not just ships

Simplify transhipment tracking with end-to-end downloadable data trails on containers – by container number or Bill of Lading.

Complete checks in minutes, not hours

Save time, with all the data you need in one interface, supported by tracking intelligence from over 600 Lloyd's agents worldwide.

Download the evidence

Downloadable reports ensure you have the necessary documentation to prove compliance, including specific end-to-end transhipment reports and more.

Request a demo:
America Tel: +1 212-520-2747
EMEA Tel: +44 20 7017 5392
APAC Tel: +65 6505 2084
lloydslistintelligence.com/containertracker