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LEAD STORY:
Vaccines and versatility are overcoming the crew-change crisis

WHAT TO WATCH:
Green Deal will bring opportunities and challenges to European ports

ANALYSIS:
Bullish sentiment prevails in dry bulk market

High carbon prices and unusual weather tighten LNG market

Marine insurance outlook in three words — still more expensive

MARKETS:
LNG shipping rates stage off-peak hike

LPG sector sailing to a profitable second half of the year

Container shipping thrives amid the chaos

IN OTHER NEWS:
Open time slot management offers port congestion solution

Vale bets on bubble-producing iron ore carrier to cut emissions

Sembmarine yard in Brazil lands $175m FPSO deal

UK Chamber appoints Sarah Treseder as new chief executive

Bulk carriers targeted by pirates along Singapore Strait

Maersk opts for Hyundai Mipo to build dual-fuel methanol feedership

CMA CGM upsizes boxships in Thailand

DVB shipping experts join Dutch firm to launch new investment manager

Heatwave and wildfires threaten power supply to US ports

Kuehne+Nagel sells minority stake in Asian forwarder

Pelagic eyes further shipping deals after adding LPG carriers

Norway creates unified export finance agency

Vaccines and versatility are overcoming the crew-change crisis

THE CREW-CHANGE crisis is getting worse, according to figures released by the Global Maritime Forum.

Drawing on insight from 10 shipmanagers, the Neptune Declaration Crew Change Indicator for July reveals the percentage of seafarers on board vessels beyond expiry of their contract has risen over the past month from 7.2% to 8.8%.

The percentage of seafarers on board vessels for more than 11 months has risen from 0.4% to 1%. The Maritime Labour Convention states that the maximum continuous period a seafarer should serve on board a vessel without leave is 11 months.

The Global Maritime Forum statement noted that individual shipmanagers are "making significant efforts" in facilitating crew changes, so these percentages should not be used directly to calculate the full numbers of seafarers impacted by the crew change crisis.

This development has brought calls for action from senior players in shipping

Ocean Network Express chief executive Jeremy Nixon said difficulties in carrying out crew changes "can easily be overcome by governments if they really put their minds to it".

International Transport Workers' Federation general secretary Stephen Cotton called for "concrete action that allows crew changes to be carried out in a safe manner".

The news comes as the North American Maritime Ministry Association, a gathering of Christian individuals and organisations, said members and partners helping to vaccinate foreign seafarers had passed the 20,000 seafarer mark, which did not include thousands of cruiseship crew members being vaccinated separately.

Among the shipmanagers making significant effort on behalf of seafarers is Thome Group, where Singapore-based Thome Group head of marine human resources Rajesh Divakaran described the single-shot vaccination is a “gamechanger”.

“Most shipmanagement companies have been waiting for single-shot vaccination,” he told Lloyd’s List. The two-shot vaccination is a problem because of the logistical issue of seafarers not being in the same port three months after the first shot.

“The World Health Organization has still not approved cross-vaccination of different brands. I know there are discussions going on, but I have not seen anything saying that’s acceptable.”

Mr Divakaran applauded the “great service” extended to the maritime industry by the US. Thome has already made full use of the single-shot Johnson & Johnson vaccination for 566 seafarers on 30 vessels calling at US ports.

“For crew members joining in the US, we plan for them to arrive early, get the vaccination, wait for a day or two, then join their ship. We are completely utilising the opportunity the US has provided.”

He confirmed that Germany has started offering vaccines for foreign seafarers, but so far only double-shot Oxford-AstraZeneca.

The hope is that Johnson & Johnson vaccines will be offered soon. “There are vessels calling at Hamburg on a regular basis, so their crews can take the AstraZeneca shot.”

The Netherlands is also giving Johnson & Johnson single-shot vaccines but only for Dutch registered or managed vessels. It is hoped that the next phase will be extended that to foreign countries. Meanwhile, Cyprus is now offering vaccines to all Cyprus-flag and Cyprus-managed vessels. Companies with an office in Cyprus can receive a vaccine.

Mr Divakaran said he is hoping Asian maritime hubs will begin vaccinating foreign seafarers. There are vaccination drives underway in the Philippines and India. Thome is co-operating with local unions and shipmanagers associations, “but it’s a double dose, so we are having to wait for the second dose”.

He said he was also hoping for some good news on vaccinations from the Singapore government.

The 15 months of the pandemic have been a rollercoaster period for shipping. Following the initial two months hold on crew changes, the next two months were “tough”, said Mr Divakaran, as Thome was able to change Chinese crews when vessels visited Chinese ports but other seafarers had no option but to stay on board.

“It was chaos,” he said. “We were afraid to disembark seafarers anywhere in Europe in case they got stuck.”

From July 2020, with better understanding of immigration policies and airline flights more settled, the crew change backlog began to ease. By the end of the year, the number of seafarers needing to be changed was reduced to a minimum.

In January 2021, “there were no crew on board for more than 11 months on any of our 200 ships, and very few over nine or 10 months,” Mr Divakaran said.

There was further disruption in April 2021 when the second coronavirus wave hit crew supply nations. The Philippines imposed an enhanced community quarantine, and India suffered a severe reduction in crew change.

The coronavirus period has seen a range of measures taken to soften the impact. These included faster seafarer promotions to fill vacancies, some positions left unfilled, bulk crew changes where it was possible, crew managers prepared to offer significantly higher packages on a temporary basis to seafarers in senior levels to fill positions, and the replacing of one nationality with another to keep ships operating.

Mr Divakaran said the situation at the end of June was slowly easing.

“The situation in the Philippines wasn’t as bad as we had feared, so we are getting seafarers from there, and they can join ships worldwide. Although Indian seafarers were not allowed to join their ship in some countries, some did accept Indians, including the US, Egypt, Japan and South Korea.

A few European ports are taking Indian seafarers, but they face the problem of obtaining a Schengen visa.

Getting to grips with the crew-change crisis has taken a great deal of planning for Thome, using every opportunity, working closely with shipowners and charterers in the interest of seafarers.

Mr Divakaran sees vaccination of seafarers as the way out of the crisis and hopes governments will follow the lead of the US in extending single-shot vaccines to foreign seafarers.

Although the crisis is not over, crew managers have learned over the past 15 months to handle it better, he concludes.

WHAT TO WATCH:

Green Deal will bring opportunities and challenges to European ports

EUROPEAN port operators expect ports to play a significant role in the European Union's Green Deal, but investment in infrastructure will need to be precisely targeted, according to the Federation of European Private Port Companies and Terminal.

Ports had the potential to evolve into "industrial ecosystems" which represented a "fantastic opportunity" to attract industries and manufacturing centres into the vicinity of ports, it said.

"Many port activities and related investments directly or indirectly contribute to making the Green Deal happen. Multimodal logistic infrastructures connecting ports to the hinterland will certainly support the transformation of the role of ports be it on the seaside or on the hinterland side.

"They will also play an important role in allowing goods to leave ports quickly thus preventing congestion and lowering emissions at terminal yards."

Many terminals had already developed ambitious emission reduction targets and large logistics operators were also being proactive in their efforts.

But the federation warned more needed to be done by other actors of the chain.

"Even if higher costs of zero-carbon transport will be a challenge for the whole freight transport chain, they represent an important step towards climate neutrality," it said.

"What will also be crucial is the public support to stimulate zero-carbon freight transport, incentive schemes, charging and refuelling infrastructure, and mitigation of the greenhouse gas impacts of ships, trucks, trains and barges coming to ports."

It said there were already expectations from the port sector with respect to investments in alternative fuels infrastructure and in terms of support to the decarbonisation of maritime transport.

These expectations should be mirrored by "significant financial funding" for the needed EU-based infrastructure.

"If the commission favours the establishment of a dedicated European investment fund that will be based on the revenues from a maritime EU emissions trading system or an emission levy, then it will be important that part of those revenues is reinvested in the European maritime sector to enable the decarbonisation of shipping and in infrastructures for the deployment and use of sustainable alternative fuels in ports."

Ports were already facing significant challenges to remain competitive and could not solve the problems on their own, it added. Expectations would need to be tempered by reality, particularly into additional port capacity.

"Building new capacities must be correlated to trade growth figures and the effective utilisation of existing port capacities by port customers," said Feport. "European ports are faced with so many expectations, it will be important, prior to any discussion regarding the building of new capacities, to check whether a return on investment for public and private port stakeholders, member states and wider communities is clearly foreseen."

ANALYSIS:

Bullish sentiment prevails in dry bulk market

MOST of the participants in the dry bulk market are expecting the strong freight rate sentiment to continue through the year, bar any unexpected black swan events.

Bullish sentiment is being driven predominantly by muted fleet growth — the lowest in decades — combined with an uptick in demand, which is largely expected to track the bounceback in global GDP growth following the pandemic-led lockdowns of 2020.

The rosy prospects, which may even continue beyond 2022, have attracted several new players into the dry bulk arena.

Shipping Strategy, a UK-based consultancy, said high earnings are expected until the arrival of the next wave of newbuildings in 2023.

The market will be buoyed even when stimuli starts to taper off.

“It is benign on the supply side — there is little scope to order vessels for delivery before mid-next year,” said the company’s founder Mark Williams.

“From a demand perspective, world GDP growth of 5.5%, based on manufacturing and infrastructure-led stimulus, should give a boost to freight rates,” along with a weak dollar, he added.

“Our base case is that the strength will continue in 2022 and even into 2023. It’s the best bang since the big one in 2003-2008.”

In the first five months of this year, about 16m dwt out of the 30m dwt of new scheduled capacity was delivered, according to the largest shipping association BIMCO.

Its chief shipping analyst Peter Sand expects full-year fleet growth of 2.4%, down from last year’s 4%, while demolitions are pegged at 9m dwt, the third-lowest level in 11 years.

Demand growth is expected to be “well ahead” of fleet expansion this year.

“Dry bulk surprised on the upside in the first half and the market established itself firmly,” Mr Sand said.

He added that everyone is making money from their ships in the region of $24,000 per day.

“But it’s not over the moon; it’s not a super-cycle,” he advised.

Maritime Strategies International is forecasting spot rates for all segments to be stronger in the third quarter of this year than the fourth.

The London-based consultancy estimates capesizes to average $35,000 per day, before falling to about $29,000 per day, while panamaxes are forecast to drop from about $23,000 per day to just above $19,000 per day.

Supramaxes are seen averaging $22,600 per day in the third quarter, falling to about $18,000 per day, while handysizes should face a similar trend, declining from $20,000 per day to just above $17,000 per day, MSI estimates show.

Oslo-based Cleaves Securities expects to see the second half broadly in line with the unusually very strong first six months.

The investment bank’s head of research Joakim Hannisdahl is predicting declines in earnings for panamax-sized vessels and below through the rest of the year — albeit still at firm levels.

However, he is more bullish on the larger sizes, anticipating very large ore carriers to earn almost $50,000 per day in the fourth quarter from $43,000 per day in the prior three months, while capesizes were pegged at $38,000 per day, up from the $33,000 per day mark.

“By themselves, the fundamentals of trade volumes and fleet capacity fail to explain the strength of the market,” MSI’s senior analyst Alex Stuart-Grumbar said.

“Other factors lending support (and driving volatility) include changing trade patterns, Covid-19-related inefficiencies, and high commodity prices.

While the market is expecting a return of higher iron ore volumes, especially from Brazil, MSI questions whether the country’s largest miner Vale can meet its full-year guidance of 315m-335m tonnes, given a new dam issue, which will likely remove 15m tonnes in the coming months.

MSI also expects a potential softening in demand from China as profit margins for downstream firms get squeezed, although the timing is difficult to predict.

China's steel production reached 99.5m tonnes in May, a 6.6% gain from the same month a year earlier, according to the latest statistics from the World Steel Association. In the first five months, it produced 473.1m tonnes, a 14% increase.

The rebound in the rest of the world is also interesting to note, up 33% to 75m tonnes, just shy of a record in March.

Arctic Securities said the fact that crude steel production was running high both inside China and outside of it was "a highly positive backdrop for dry bulk shipping".

According to MSI, robust steel exports from China will continue to support the dry bulk market, helping handysizes in particular.

Handymaxes should, meanwhile, benefit from higher coal volumes from Indonesia to China due to peak summer demand and ahead of import restrictions later in the year, it noted. In May, 98 bulkers loaded, up from 53 in April.

Minor bulk trades are also expected to remain strong as infrastructure spend continues, while grains may hit fresh highs in the latter part of the year, based on estimates from the US Department of Agriculture.

According to Braemar ACM, some asset classes will receive more support than others from the grains outlook.

Total grain liftings on bulkers so far this year have surpassed 267.1m tonnes, an 11% increase versus the same period in 2020, with shipments hitting a record 58.7m tonnes in April, its leading dry bulk analyst Nick Ristic said.

Much of the uplift came from US shipments, while higher volumes from Canada, Australia, Brazil and Argentina were also noted.

"Soyabean trade, which will weaken over the second half of the year, is overwhelmingly serviced by panamaxes (including kamsarmaxes and post-panamaxes), while smaller vessels will not be as exposed to weaker growth," he said.

"We believe the geared fleet is primed to take advantage of a boost in trade over the next few months, and we expect these vessels to receive the most support from the positive stories in the corn and wheat markets," Mr Ristic added.

It is clear that the much-awaited recovery in the dry bulk market has taken hold. With low fleet supply growth and steady demand for seaborne volumes, the market should continue on an upward trend for some time yet.

High carbon prices and unusual weather tighten LNG market

NEITHER bizarre weather nor soaring carbon prices have discouraged imports and shipments of liquefied natural gas, contrary to what green lobbyists may have hoped for.

LNG analysts have, in fact, argued that spot cargo demand and charter rates could build on recent momentum in 2021 to outperform even last year.

Europe's carbon prices doubling in May has boosted rather than dented spot demand for LNG, driving the TTF gas price past $10 per million British thermal units in early June.

The European Council has put in place mechanisms to support the region's emissions trading scheme, inadvertently encouraging utilities to switch to gas from coal.

Rystad Energy's senior vice-president Carlos Torres Diaz argued that unless Russia ramps up piped gas supplies to the rest of the region, persistently high ETS carbon prices would continue to stoke competition between Europe and Asia for spot cargoes and other flexible supplies.

Europe also went through an unusually cold April that called for extra gas heating. A scorching summer in Asia, on the other hand, also raised demand for gas-fired power generation to run air conditioners over longer hours.

By and large, however, Europe lost out in the battle against Asia for spot cargoes, reflected in higher prices seen in trades done on the North Asia JKM benchmark over those tied to the Dutch TTF.

China, as the largest singular growing market, contributed to the surge in Asia spot LNG demand.

Rystad Energy's vice-president Xi Nan noted that China imported 3m tonnes of US LNG during January to May.

That far exceeded the 1.2m tonnes in overall annual supply that Chinese buyers contracted from export projects in the US.

Ms Xi suggested the bulk of trade between the world's two largest economies could have thus far come from portfolio swaps and spot purchases.

She expects this trend to continue, which would have bolstered shipping tonne-miles going forward.

Spot charter day rates for modern tonnage in the Atlantic Basin, however, have been holding up for weeks above those in the Pacific.

For the month to June 11, shipbrokerage Poten & Partners assessed rates for ships with 160,000 cu m or more capacity at $65,000 to $78,500 for westbound trades — higher compared to $58,500-$72,500 assessed for those heading east.

These are more than doubling troughs of $20,000 to $30,000 seen during May to July last year.

Rates have clearly rebounded faster from off-peak lows but what also stood out, as Poten indicated, is the lack of prompt tonnage in the Atlantic over the Pacific Basin.

This situation has evolved from an atypical shoulder season, which saw the inter-basin arbitrage reopening to encourage shipments to Asia instead of Europe.

That has stripped Europe of the breathing room the region enjoyed in recent years but now badly needs to restock ahead of another winter hike in gas demand.

By the end of March, Europe's gas inventories had fallen to 10% below their five-year average and 44% below the previous year, following huge drawdowns to meet a sharp spike in gas heating demand during the preceding winter.

Flex LNG chief executive Oeystein Kalleklev warned over a social media post of volatile gas prices during the second half of 2021, should the thermometer plunge below average once again and Russia fails to boost supplies to the rest of Europe during the coming winter.

These events, timing with a potentially dramatic expansion in global regasification or import capacity, may well fan surges in LNG prices and shipping rates.

Construction bottlenecks during the pandemic-hit 2020 led to delayed start-ups in new regas capacity in 2021 and beyond.

Regas capacity could expand 73.9m tonnes by the end of this year, almost tripling from the previous year's addition of 26.2 m tonnes, Rystad's projection showed.

Against this backdrop, contracting of term offtake from new export projects has picked up.

US developer Tellurian announced two separate deals with trading firms Gunvor and Vitol for a combined volume of 6m tonnes in LNG supplies over 10 years.

Rystad viewed this uptick in term contracting of LNG supplies as bolstering chances of more export projects being sanctioned in Australia, the US and Russia, this year and next.

The research agency projected about 60m tonnes per year of export capacity may reach final investment decisions from July 2021 through to December 2022.

This projection would carry some caveats, including the projects securing financing, but it spells renewed confidence among some market observers who may not share views recently announced by the IEA.

By noting how major economies have swung towards renewables, the IEA basically declared that the golden age for gas — for which it previously mooted — is over.

The IEA's statement also followed on from a dismal 2020 for the LNG industry, during which new project FIDs almost dried up after reaching a record 96m tonnes per annum in 2019.

One analyst, however, cautioned against equating a rebound in project FIDs with an improving LNG shipbuilding outlook.

The jury is out as to whether the banking sector, still a major source for project financing, would accept

the innovative TTF-JKM hybrid pricing structure underpinning Tellurian's term offtake with Gunvor and Vitol, as Poten's head of business intelligence Jason Feer suggested.

LNG export projects also take years to build and often face delays in their construction.

Repeated militant attacks on Total's Mozambique LNG project in the East African country has forced the supermajor to declare force majeure, casting uncertainty over the fate of 16 LNG newbuilds contracted to the project.

Project owners now also face increasing calls from buyers to offset or sequester carbon dioxide associated with their LNG value chains.

Such requirements, evolving out of intensifying climate change concerns, have prompted assessments of carbon credits purchased and retired to offset well against tank emissions.

S&P Global Platts, the pricing agency behind the JKM benchmark, assessed such costs at between 6.9 US cents and 7 US cents from June 16 to June 23, which does not appear significant relative to recent LNG spot prices.

The question, though, is how far emission costs and profiles may shape competitiveness of LNG sourced across producers — and, hence, shipping tonne-miles going forward.

That said, rising emission concerns are not holding back production from sanctioned projects.

US developer Cheniere Energy has gone ahead to fix time charters on several Flex LNG-owned carriers, including one newly delivered unit, following the completion of a third train its Corpus Christi liquefaction terminal.

Cheniere's charters forestalled an increasing number of tankers being removed from spot trades for term hires.

As a result, many owners of the now limited number of uncommitted two-stroke tonnage are holding off for term requirements and gradually increasing their rate expectations, a research note from Poten said.

Rystad estimated 68 carriers, equating to 11% of the existing global fleet, may come online this year, which could ease tightness in the shipping market.

The agency also forecast an 8% growth in LNG exports this year, comparatively smaller than the fleet expansion.

While that can take some heat off the now surging charter rates, the market may well still favour tonnage providers in the coming months.

"Robust LNG demand in Asia is likely to support shipping demand and tonne-miles, offsetting any downward pressure the newbuild delivery may exert on charter rates," vice-president Sindre Knutsson said.

How temperatures may move during the winter months is another wild card.

Joakim Hannisdahl of Cleaves Securities pointed to one signal supporting LNG shipping for now.

The National Oceanic Atmospheric Administration in the US recently forecast a 50%-55% chance of another La Niña winter, which could mean another unusually cold season in the offering for North Asia.

"We could potentially see very strong LNG carrier spot rates for the remainder of 2021 and into 2022, exaggerated by the current low natural gas inventories," Mr Hannisdahl remarked.

Marine insurance outlook in three words — still more expensive

SIX months ago, Lloyd's List published an article under the headline "Marine insurance outlook in two words: more expensive".

This time the outlook can basically be summarised in three words: "more expensive still".

The reasons why have been set out in recent interviews by senior executives in both hull and machinery and P&I.

Big-picture developments include the coronavirus pandemic and ongoing natural catastrophe losses, both of which have hit the insurance market as a whole.

However, there are also marine-specific factors, the most important of which is what insurers regard as perennial underpricing.

Despite two renewal rounds characterised by rate

hikes, International Group affiliates are still losing money on underwriting.

Aggregate technical losses may have hit $500m last year, on one chief financial officer's back-of-an-envelope calculation.

Many clubs are reporting combined ratios of more than 120% and up to almost 150% and, as the noted aphorism from economists puts it, if something can't go on forever, it won't.

Yes, they are mutuals rather than for-profit companies, and can eat up the deficits to some extent, especially when making healthy investment returns. Yet over the long run, they need to at least break even to stay in the game.

Investment returns in 2021 will likely fall far short of the stellar performance of 2020, leaving little alternative but to ask members to put their hands in their pockets.

In addition, the IG pool scheme has hit a record high, which is another $500m strain on the clubs, thanks to some massive casualties, including *Wakashio*, *Höegh Xiamen* and *New Diamond*.

Prospects are not getting any brighter. There has been significant deterioration in the 2019 policy year.

While it is obviously still too early to call the current policy year — which commenced on February 20 — things are off to an unpromising start with *Ever Given* and *X-Press Pearl*.

Hull insurance rates are written commercially rather than on a mutual basis, and tend to be more volatile than P&I rates.

They are already up around 9% in the first half of this year and are expected to rise a further 5%-10% by the end of the year.

Part of this is down to a general hardening in the hull market after decades of losses, with the Lloyd's market Decile 10 crackdown on underperformers one of the obvious catalysts here.

However, another driver has been high steel prices, which have doubled over the past 12 months. As a result, ship repair yards are asking for more money to do the jobs insurers pay them to do after a ship has had a prang.

On a brighter note, there has been no increase in casualty frequency — and, if anything, the trend has been benign.

Very much the main event in cargo insurance has been Ever Given, which has generated what will almost certainly be the most spectacular general average case the world has yet seen, with thousands of parties involved. Extensive litigation is taken as read.

After months of wrangling, the boxship's P&I insurer UK Club and its Japanese market H&M insurers have reached a settlement that should have enabled the vessel to continue its ill-fated voyage by the time this is in print.

Just what that equates to in dollar terms has not been publicly disclosed, but $150m, give or take some tens of millions either way, is the approximate ballpark figure.

Reinsurance markets in general are up about 10%, largely thanks to deliberate attempts to firm rates, although things seem to have been easing up a bit in recent weeks. That adds to the pressure on primary writers.

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

The IG pool excess contract is negotiated on a two-year basis, and renewal this year will see two years of accumulated rises come through in one go.

Another trend identified by brokers is increasing differentiation by loss records, especially at P&I clubs that have dispensed with the notion of general increases and have moved to pricing on a ship-by-ship basis instead.

Owners whose records are deemed adverse are likely to find themselves asked for increases even higher than those set out earlier.

Conversely, those with the best safety records will still be asked for more, but not as much as some of their counterparts.

It is also the case that negotiating insurance contracts is a two-way process, especially for those whose fleet size gives them bargaining muscle.

LNG shipping rates stage off-peak hike

LIQUEFIED natural gas shipping rates are trading at more than double their usual, as prices for the commodity advanced to levels often only seen during the winter peak.

Fearnley's assessed rates in the Atlantic basin at $80,000 on June 28, up from $34,000 on the same period a year earlier.

Rates in the Pacific basin were assessed at $64,000 compared with $31,000 a year ago, according to the latest weekly assessment from the shipbrokerage.

Jefferies pointed to a dramatic surge in LNG prices to more than $10 per million British thermal units in Asia and Europe, up from just $2-$4 per mmBtu in June 2020.

Joakim Hannisdahl of Cleaves Securities suggested that importers are scrambling to refill stockpiles that have run low in light of a more than 50% probability of a consecutive La Niña this year.

"We see this situation in the large regional price differentials in natural gas between exporters and importers," he said. "This again is making it highly profitable to ship LNG, benefiting shipowners."

LPG sector sailing to a profitable second half of the year

AT THE halfway stage of 2021, freight rates in the liquefied petroleum gas segment reached their highest level in more than five years — only to drop to the lowest level in two.

The market's rollercoaster ride has been reflected by indices with the Baltic LPG Index.

On January 11, 44,000 tonne shipments of fully refrigerated LPG from Middle East Gulf to Japan climbed to $119 per tonne, only to fall to their lowest level at nearly $27 per tonne come March.

Healthy market fundamentals are setting up high expectations for the next six months.

Norwegian brokerage Fearnleys expects LPG trade to grow by 5%-7% annually, even as alignment of available capacity and cargo supply appear shaky in the second half because of continued delivery of new tonnage.

"There are a number of variables on the demand side that are expected to offset the supply side," said its senior analyst Martin Kjendlie.

Drewry expects spot rates to edge down marginally over the third quarter of the year but to register a correction in the final quarter.

Its lead gas shipping analyst Aman Sud forecasts very large gas carrier spot rates to reach around $53.3 per tonne for 2021.

In terms of charter rates, MSI projects VLGC rates — which are increasingly dominating tonnage and contracting in the LPG market — to average around $34,600 per day this year, and rise to $33,900 per day in 2022.

The LPG market has been benefiting from Asian demand for US LPG, boosting average sailing distances, coupled with continued inefficiencies in the sector, including a heavy drydocking schedule.

For the momentum to continue amid the deluge of newbuilds hitting the market in the coming years, shipowners will hope several factors swing in their favour — such as vessel delays and arbitrage play from regional imbalances.

LPG is still a growing market, with new importing nations emerging, while prospects of Chinese and Indian demand remain promising.

According to Poten & Partner's LPG consultant Shantanu Bhushan: "Demand growth is expected to be strong in Asia, driven by both the petrochemical and retail sectors and also in northwest Europe.

"Recovery in the oil market would mean LPG becoming more competitive relative to naphtha as a feedstock," he said.

This dynamic should support better arbitrage economics between the US and northwest Europe and the Mediterranean.

Meanwhile, new terminal projects are being constructed on both the supply and demand side of the spectrum, resulting in new trade routes for LPG carriers.

Navigator Gas expects demand for more vessels to cater for the Repauno terminal in New Jersey and the Pembina terminal in Prince Rupert, western Canada, when they come online.

In China, the construction of a series of propane dehydrogenation plants, designed to process propane into plastics, will continue to boost LPG flows into the country.

China imported 5.6m tonnes of LPG in the first quarter this year, 49% higher when compared to the year before, Poten data shows.

Chinese LPG imports are expected to increase by 19% this year, mostly driven by propane shipments, Mr Bhushan added.

Although US exports are capturing a mounting share of the incremental demand for LPG, Mr Sud estimates production to grow by 0.8% in 2021 and by approximately 3.2% in 2022.

LPG supply from the Middle East, on the other hand, is expected to rise by 4.5% in 2021 and another 6% in 2022 to 39m tonnes, he said.

Mr Sud added that “the development will be slightly negative on tonne-mile demand as it diverts vessels from the longer US-Asia route”.

The LPG carrier fleet will continue to post strong growth in 2021, according to most projections, even as surplus tonnage is likely to be absorbed by rising vessel demand.

Investments in LPG-fuelled VLGCs and medium range gas carriers has pushed the orderbook-to-fleet ratio to its highest level in four years.

Around 65 new VLGCs were placed as of early June this year, compared with 34 for the same period last year.

The large number of newbuilding contracts, however, is necessary to replace ships that will be older than 25 years.

Around 10% of the VLGC fleet is more than 25 years of age and requires replacement, said Mr Bhushan.

MSI gas shipping analyst Stuart Nicoll argued that a key driver for the new orders remains a focus on LPG-fuelled vessels and believes that a corollary will be the removal of older, less-efficient vessels.

According to Poten, around 91% of the vessels in the latest orderbook will be dual-fuel LPG VLGCs, indicating preparations for the expected mandate of CO_2 emission reduction on average by at least 40% by 2030.

“We forecast a surge in scrapping of VLGCs to 800,000 cu m per annum in the middle of the decade, compared with an average of 210,000 cu m per annum over the past five years,” he said.

He argued that decarbonisation regulations can bring forward scrapping numbers to offset the current newbuilding bonanza.

Container shipping thrives amid the chaos

THE outlook for container shipping is good. Very good.

At least that is the case when seen from the perspective of the shareholders of container lines.

After spending the second decade of this century making little or no money, box carriers have bounced back with a vengeance.

Despite getting off to a rocky start, 2020 was a bonanza year for revenues as the pandemic turned out to be a spur to consumer spending on containerised goods.

That has continued through the first half of 2021 and, in the first quarter alone, the estimated operational earnings of the leading carriers was a record-breaking $16.2bn.

There were few signs of any change in the second quarter of the year, which has not yet reported, and 2021 will likely go down as the most profitable in the sector’s history.

The mad rush to find capacity to ship the high-volume demand has been highly beneficial to the owners of charter tonnage, too. Charter periods have increased and rates have skyrocketed.

Non-operating owners that last year were contemplating bankruptcy are now raking in earnings.

Yet as anyone with even a passing knowledge of trade will know, not everything is going swimmingly in the world of container shipping.

A surge in demand, particularly in the US, at a time when port operations were restricted by pandemic-driven staff shortages and mediation measures, coupled with a slowdown in the hinterland clearance process, led to a logjam that has spread around the world.

The usually smooth conveyor belt of goods moving out of Asia to the large consumer markets in North America and Europe has come to an abrupt halt.

And there are few signs of improvement. Not long after the disruption of the Suez Canal blockage began to ease, another outbreak of the pandemic in southern China threw a further spanner into the works.

The partial closure of Yantian port has led to congestion at neighbouring ports as shippers redirect their cargo. A large number of calls to Yantian have been omitted.

Yet as congestion has increased, delays have occurred. At one point, more than 100 ships with an aggregate capacity of more than 600,000 teu were at anchor in the waters surrounding Hong Kong.

The cargo backed up in southern China still needs to be shipped, but removing 500,000 teu from an already overworked system will only lead to more delays.

Perhaps the only positive point of the situation in southern China is that the slowdown in export volumes is giving some destination ports a slight breather to process the cargoes already delivered before the onslaught of the peak season begins in earnest.

In San Pedro Bay, for example, the number of boxships at anchor awaiting a berth has fallen from a high point of more than 40 in January to just 10 at the time of writing.

But equipment remains in short supply. Carriers have added at least 1m teu of capacity to their box fleets, but for every extra day a container is kept waiting outside a port, on a dock or in a distribution yard, more containers are needed. For a large carrier, every day's delay can equate to needing an extra 35,000 containers.

For shippers, this means the nightmare of a sellers' market at a time of high demand. Competition for access to both equipment and slots is fierce and has driven up rates to extraordinarily high levels.

At the end of last August, rates on the Asia-northern Europe trade lane, as recorded by the Shanghai Containerised Freight Index, tipped over $1,000 per teu. By the middle of June this year, that rate had risen to more than $6,300 per teu.

Anecdotal reports from the industry suggest some shippers are paying up to $20,000 to ship a 40 ft container from Shanghai to Rotterdam.

For shippers of high-value goods, that cost, while high, can be accommodated into the profit margin. Yet for many, the cost of container shipping risks putting them out of business. Survival may come down to scale.

The high cost of shipping, along with the delays and disruptions, has left carriers' customers with a bitter taste in the mouth. Lobby groups from across the industry are now agitating for regulators to step in and remedy the situation.

Just what regulators could do to resolve the immediate problems is hard to imagine, but any additional regulatory burdens will be an unwanted distraction.

Carriers claim to be doing all they can to resolve the situation. And much of it remains outside their control.

Despite suggestions that capacity is being managed to maintain freight rates, carriers themselves are paying over the odds to put on every available ship in the market.

The breaking point in the system has not been that there is insufficient capacity to carry box volumes. Globally, those volumes have only increased slightly over the past two years.

What is different is that volumes are being driven by one market growing at breakneck speed as US consumers spend their stimulus cheques faster than retailers can restock their inventories.

A logjam in that one key market has had a ripple effect that has driven the whole system into disarray.

New ships have been ordered. In the first half of this year, more than 1.5m teu of newbuildings have been booked at shipyards.

Yet most of that capacity will not come into the fleet until 2023, by which time it may be a very different market.

The next six months of 2021 are unlikely to provide much relief. The traditional peak season this year will just be a continuation of the permanent peak of 2021, and few in the industry see any clear signs of improvement this side of Chinese New Year 2022.

For shipowners and container lines, that will mean the profits continue to roll in for some time yet. For shippers and cargo owners, it will mean holding on tight as the wild ride continues.

IN OTHER NEWS:

Open time slot management offers port congestion solution

A SLOT management system based on sharing port optimisation data could help in preventing delays and congestion at ports by utilising a shared just-in-time arrival model.

A new report by a group of maritime analyst and academics has called for a more open expansion of just-in-time arrival planning that includes a dynamic view of arrivals on departures.

Recent experiences at various ports around the world, include the US west coast and Yantian, had shown that port infrastructure became easily disrupted when pushed to its limits.

Vale bets on bubble-producing iron ore carrier to cut emissions

VALE, the Brazilian mining giant, is to test the first-ever very large ore carrier fitted with an air lubrication system designed to reduce fuel use and cut greenhouse gas emissions.

The 324,300-dwt guaibamax *Sea Victoria* (IMO: 9844100) has been fitted with 10 compressors on the ship's deck to send air to 20 devices positioned under the ship to produce a carpet of bubbles. The vessel is scheduled to arrive in Brazilian waters in August from China.

The carpet of bubbles will reduce friction between the hull and the water, reducing fuel consumption and emissions, the company said.

Sembmarine yard in Brazil lands $175m FPSO deal

A UNIT of Sembcorp Marine, Singapore's leading yard group, has secured a $175m contract from Brazil for work on a floating production, storage and offloading vessel.

Estaleiro Jurong Aracruz will modify the FPSO P-71 for deployment in the Petrobras-operated Itapu field, according to a statement.

Measuring 316 m in length and 54 m wide, the FPSO P-71 is capable of handling 150,000 barrels of oil per day and 6m standard cu m of natural gas in operation. It has a storage capacity of 1.6m barrels of oil and can accommodate 160 people.

UK Chamber appoints Sarah Treseder as new chief executive

THE UK Chamber of Shipping has appointed Sarah Treseder as its new chief executive, effective October 2021.

Ms Treseder, who is currently chief executive of the Royal Yachting Association, will succeed outgoing chief executive Bob Sanguinetti.

"Covid-19 has brought to attention the vital role shipping and seafarers play moving the goods we all need. The shipping sector is at a crucial stage in its decarbonisation journey, and I know it will be one of the top priorities for me and the team at the Chamber," Ms Treseder said in a statement.

Bulk carriers targeted by pirates along Singapore Strait

BULK carriers transiting the Singapore Strait have been targeted by armed robbers on five occasions in recent weeks, according to latest data.

The attacks targeted two capesize bulkers *New Leonidas* (IMO: 9260641) and *Cape Lily* (IMO: 9612430), panamaxes *Sakizaya Champion* (IMO: 9680360) and *J Mare* (IMO: 9802231) and supramax *Busan Star* (IMO: 9592628), according to the Regional Co-operation Agreement on Combating Piracy and Armed Robbery.

The bulk carriers were boarded by knife-wielding robbers off the port of Tanjung Pergam on the Indonesian island of Bintan.

Maersk opts for Hyundai Mipo to build dual-fuel methanol feedership

HYUNDAI Mipo Dockyards will build the 2,100 teu dual-fuel feedership that Maersk has committed to operating on carbon-neutral methanol.

The Danish carrier said it has agreed a contract with the South Korean yard for the ship that has become the company's signature attempt to deliver on its decarbonisation pledges.

The vessel is expected to be delivered by mid-2023 and will operate in the Baltic Sea, between northern Europe and the Bay of Bothnia, under Maersk's Sealand Europe subsidiary.

CMA CGM upsizes boxships in Thailand
CMA CGM is ramping up capacity on a service connecting Southeast Asia's automotive manufacturing hub with North America.

The French shipping group is introducing three 16,022 teu boxships to handle exports from Thailand to the east coast of North America, it said.

CMA CGM *Marco Polo* (IMO: 9454436) arrived at Thailand's gateway port Laem Chabang on June 29.

DVB shipping experts join Dutch firm to launch new investment manager
TWO DVB shipping bankers have launched a joint venture investment manager in partnership with established Netherlands financial services company Zuyderzee Capital.

Edwin Jager and Roland Rutgers van Rozenburg will act as managing directors at the new Zuyderzee Shipping & Intermodal Investment Management.

The unit will focus on managing transportation assets, including shipping and intermodal investments, for third party investors.

Heatwave and wildfires threaten power supply to US ports
US PACIFIC and US Gulf coast ports face possible disruption as projected heat waves boost demand for electricity and increase the chances of fires which threaten power production and transmission facilities.

"Parts of the United States are at elevated or high risk for potential electricity emergencies this summer," said the US Energy Information Administration, citing a report by North American Electric Reliability Corp.

For the Western Electricity Coordinating Council, resource and energy adequacy remains a significant concern this summer, the report said.

Kuehne+Nagel sells minority stake in Asian forwarder
KUEHNE+NAGEL said it has agreed to sell a 24.9% stake in its recently acquired Apex International subsidiary to private equity investor Partners Group.

"By combining the financial and strategic expertise of Partners Group with the industry heritage and experience of K+N, Apex will have access to a powerful partnership through which to consolidate our position in China and further develop the company," K+N vice-president Yngve Ruud said in a statement.

The transaction is subject to clearance by the competent merger control authorities. Apex will then continue to operate separately within K+N and Partners Group will take a seat on the Apex board.

Pelagic eyes further shipping deals after adding LPG carriers
PELAGIC Partners, a Cyprus-based shipowning fund, said it is looking to make further vessel investments after lifting its current portfolio to five units.

The fund's fair market value was increased to $45m with the acquisition of a pair of 3,315 cu m semi-refrigerated liquefied petroleum gas carriers.

The 2006-built *B-Gas Monarch* (IMO: 9356919) and 2007-built *B-Gas Mate* (IMO: 9356921) were acquired in a joint venture with Danish gas shipping specialist B-Gas, said Pelagic, which was launched last year by members of the Hartmann and Abou Merhi shipping families.

Norway creates unified export finance agency
NORWAY has merged two existing export finance entities to set up a unified agency.

The shake-up forms part of a Ministry of Trade, Industry and Fisheries plan to boost the country's exports, and is designed to increase efficiency and make the system easier to navigate for end users.

The plan will also see the formation of a dedicated Export Strategy Council to be based in Ålesund, a region with a strong cluster of export-oriented companies.

Classified notices follow

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HYPROC SHIPPING COMPANY spa

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Tél : +213 41 82 15 15/16 16 Fax : +213 41 82 18 18

NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDER N°.03 /HYPROC S.C/PMD/2021

HYPROC SHIPPING COMPANY, located at ZHUN USTO, BP 7200, ES-SEDDIKIA, 31025 ORAN, is seeking for a qualified shipyards interested in the Design, the procurement, the construction, the commissioning and the delivery ready for service of ONE (01) Oil Product Tanker, ranging from 38 000 to 40 000 DWT on firm basis + one (01) sister ship on option in one batch.

Once the Tender Call advertisement is published on two daily newspapers and BAOSEM, interested companies may obtain a copy of the tender documents and specifications from "HYPROC S.C. SPA, Cellule Centrale des Marchés de l'Entreprise", ZHUN USTO - BP 7200 Es-Seddikia- Oran 31025, Algérie against presentation of Power of Attorney and bank voucher for tender fees of Two hundred US Dollars (200 United States Dollars) for International Bidders or Twenty thousand Algerian Dinars (20 000 D.A) for National Bidders net of bank charges for the Beneficiary :

HYPROC SHIPPINC COMPANY at following bank account:

Banque Extérieure d'Algérie (BEA), AGENCE EL DJAMEL
RIB number : 002 00081 081 22000 36/49
SWIFT: BEXA DZ AL 081.

The bidder can request to receive the tender book by electronic mail (mail: **ccme@hyproc.dz**), after delivery of payment vouchers.

The bidder shall present the technical offer under two sealed envelopes. The external envelope should be anonymous with only the following indications:

"National & International Open Call for Tender
N°03 / HYPROC S.C / PMD / 2021

Technical offer – Do not open".

The internal sealed envelope shall contain the indication "Offre Technique», the name, the logo and the bidder stamped.

Page 1 / 2

The offers should be couriered to:

Hyproc Shipping Company

La Cellule Centrale des Marchés de l'Entreprise

ZHUN USTO - BP 7200 Es-Seddikia- Oran 31025, Algérie,

or directly handed to Bureau d'ordre General (BOG) of Hyproc SC.

The bidder must provide all the documents and appendixes laid out in the tender book.

Non transmission of one of the following documents will lead to systematic rejection of the submission:

1. **Declaration to be signed.**
2. **Tender submission bond or the swift** (the swift is provided by the bidder, in the case of the impossibility to produce the tender submission bond).
3. **Technical offer.**

The deadline for the reception of bids at BOG (Bureau d'Ordre Général) is fixed for the **August 16th, 2021 at 9h.30 a.m (L. T).**
Submission reception date is to be considered according to Hyproc's BOG (Bureau d'Ordre Général) stamped date of receipt by post or by hand delivery.

Bids opening ceremony will be held to the same day at **10 .00 a.m (L.T).**

If the date of deposit of the bids coincides with a public holiday or a legal rest day, this date is extended until the next business day.

Any submissions received after the closing date will not be considered.

Bidders shall be committed trought their offers for 180 days from the closing date.

Technical offers will be opened in a public session at HYPROC SHIPPING COMPANY headquarters as per date and address indicated here above.

The present call of tender is considered as an invitation letter to bidders who have already sent their Technical offers to attend the opening ceremony.

After the evaluation of the technical offers, the bidders whose their offers are declared eligible technically will be invited by mail to submit a financial offer.

The opening of the financial offers will take place, in public session, at the headquarters of HYPROC S.C on the fixed date in the invitation letter.

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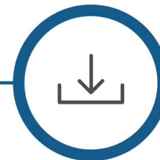

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