Tuesday July 6, 2021

Lloyd's List
Maritime intelligence | informa

Daily Briefing
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Majority of EU shipping emissions could be included in carbon market

AROUND 70% OF shipping emissions from larger vessel voyages related to the European Union could be included in the bloc's carbon market, a Lloyd's List analysis of the bloc's carbon dioxide emissions shows.

Analysis of newly published 2020 emissions data for vessels of at least 5,000 gross tonnes by the EU showed that upcoming regulatory proposals would particularly hit ro-pax, ro-ro and passenger ships in terms of emissions coverage while bulkers and liquefied natural gas carriers would be among the least affected.

The European Commission will publish a proposal on July 14 to include the maritime sector in the Emissions Trading System, the EU's carbon marketplace where companies buy emissions allowances that they can then either use for their own emissions or sell to other companies.

The proposal will suggest that all shipping emissions in the European Economic Area as well as some international ones should comply with the ETS.

For international voyages, the Commission will propose that either all incoming international voyage emissions are covered or a hybrid model where 50% of incoming and 50% of outgoing international emissions are covered.

Regardless of the final choice, containerships, the vessels segment that accounted alone for over a third of EU emissions, will have the highest coverage from the three conventional sectors, the 2020 data shows, with oil tankers a close second.

The very high coverage of ro pax, ro-ros and passenger ships is explained by the fact that the overwhelming majority of their emissions occurs in voyages between EEA ports.

On the other hand, intra-EEA emissions claim a very minor portion of LNG carrier emissions.

In 2020, ships calling at EEA ports emitted 119.9m tonnes of CO_2 according to the new data published by the Commission and the European Maritime Safety Agency, down from 150m tonnes in 2019.

However, the decline is explained by a large difference in the number of vessels that called in the two years; in 2020 10,662 down from 12,014 vessels in 2019.

Yet this gap will likely be bridged over the next few months as the database undergoes continuous updates

The EU MRV is mandatory for all vessels of 5,000 gross tonnes calling at EEA ports. Shipowners are supposed to submit their emissions data for the previous year to verifiers by April 30 who after checking it are supposed to submit it for publication by June 30.

However, a regime where no one party along this chain has claimed responsibility for the integrity of the database means that the data is changed freely and errors occurs.

The analysis of the 2020 database for this article was based on the July 2, dataset. Since then, the Commission has published updated 2020 datasets.

The 2018 and 2019 datasets, the first two of their kind, continue to be updated to this day; on June 30 the Commission published the 182nd version of the 2019 database and the 258th version of the 2018 database.

Additionally there are also evident inconsistencies within the datasets in terms of the total emissions; the aggregate of the reported emissions amounts for vessels in each sector is slightly different from the aggregate of reported emissions for of all the different types of voyages within that sector.

In the case of 2019 that difference leads to a rather important data discrepancy; the total emissions reported were 146.7m tonnes of CO_2 but the total of the different voyage emissions subsets amounted to 150m tonnes of CO_2.

Despite the ever-changing nature of the database there are some consistencies and patterns between the datasets.

One of them is the level of ETS coverage based on the expected Commission proposals. All three years show very similar levels of coverage, at around 70%, and indicate that choosing to include full incoming international voyages rather than the 50-50 model would offer slightly greater coverage.

The Commission's proposal will be negotiated with the European Parliament and the European governments, so there is no guarantee that the final scope will end up being what the Commission envisages.

Aside from the ETS, the Commission will also propose on July 14 mandatory GHG intensity requirements for shipping fuels beginning in 2025.

WHAT TO WATCH

Recycling rates hit 13-year high

SCRAPPING rates surged to the highest point since 2008 this week, as high steel plate prices saw recycling yards across the Indian subcontinent compete for tonnage amid government-imposed lockdowns.

Pakistani buyers will pay as much as $580 per light displacement tonne for containerships, with the $600 per ldt mark soon to be breached for all tonnage types in such a firm market, according to cash buyer GMS.

Prices are nearly double the same period a year ago and already up 40% for tankers and 24% for bulk carriers, according to Baltic Exchange data.

"Far from the traditionally expected slowdown during the monsoon and summer months, sub-continent recycling markets fired on at pace once again… and a slowdown in the supply of tonnage of late is likely contributing to some overly aggressive offerings from hungry end-buyers," GMS said in its report this week.

Some 134 ships (all over 10,000 dwt) totalling 11.2 m dwt were scrapped in the first half of 2021, Lloyd's

List Intelligence data shows. That is up 15% compared with the same period of 2020 and is just 5% lower than 2019 levels.

Prices paid for recycling were last seen at this level in September 2008, just before the global financial crisis, in a year when record-breaking charter rates regularly topped six figures for bulk carriers and tankers, deterring owners from scrapping their vessels.

Recycling prices for tankers scrapped at subcontinental yards peaked at $753.33 per ldt in late August that year, according to historical Baltic Exchange data, but quickly plunged to average $323 per ldt in 2009.

Data for this year show that tankers accounted for 43% of all tonnage scrapped in the first half of 2021 measured by deadweight. This reflected not only moribund chartering rates but the closing gap between secondhand prices paid for elderly tonnage and rising steel plate values for scrapped ships.

For the comparable period in 2020, tankers accounted for just 17% of tonnage over 10,000 dwt that was scrapped, as higher rates and strong demand for floating storage kept earnings profitable.

This year's first-half figure included 17 product tankers and three very large crude carriers, EM Vitality (IMO: 9102265) which was beached on June 26, Eurodestiny (IMO: 9259331) and Gemini (IMO: 9174218).

EM Vitality would have fetched about $17.7m based on current figures.

Predictably there were few containerships demolished so far this year. Six vessels with a combined teu of 7,203 and average age of 29 years were scrapped, reflecting sky-high, short-term charter rates, even for the oldest of vessels.

In all, 48 bulk carriers and ore carriers were scrapped in the first half of the year, totalling 5.5m dwt, and accounting for just under half of all tonnage scrapped by deadweight.

However, the pace of bulk carrier scrapping slowed dramatically during the second quarter of the year, accounting for just 1.4m dwt of the half-year total for that type.

Spot rates for the global bulk carrier fleet unexpectedly gained during that period on the back of rising commodities prices and booming Chinese demand for iron ore, a steel-making ingredient that it imports from Brazil and Australia on capesize vessels.

"Not since the heady days of 2008 have we seen such consistently firm levels on scrap prices, and it will be interesting to see how much longer this trend persists, with many analysts predicting that this ongoing 'super-cycle' maybe set to end at some point before the end of the year and that could eventually turn tumultuous at that time, for shipowners and cash buyers alike," the GMS report said.

Tankers and offshore units made up most of the limited supply of tonnage for sale now, it said, citing impressive rates for containerships and bulk carriers that have deterred scrapping.

Beaching and essential port operations, as well as bank operations for letter-of-credit releases are expected to keep many subcontinental yards open even as government-imposed lockdowns restrict business and commercial activity, the report said.

ANALYSIS

Box bonanza to provide a decade's operating profit in a year

CONTAINER lines stand to make a decade's worth of pre-tax profit this year, a move that will set them up for the next few years no matter what happens to freight rates and capacity.

Drewry has raised its outlook for the industry to a collective $80bn in earnings before interest and tax for 2021 on the back of record high spot and contract freight rates.

"If freight rates surpass expectations in the remainder of the year, we would not be surprised to see an annual profit line in the region of $100bn," it said

This would likely drop by a third in 2022 but would still leave carriers well above earlier estimates of $35bn in ebit for 2021.

Softening freight rates and the high costs of charters that carriers have locked into will bring down profitability after 2021, the analyst said in its latest Container Forecaster report.

"Nonetheless, it would represent another astonishing performance by historical standards," it said.

Volumes are expected to continue to rise throughout the third quarter of the year peak season and to end the year with a annual growth of around 10%, falling back next year as economies reopen service-based spending.

But this growth would take place against a stagnant fleet that would only increase in capacity by 4.2% this year and by just 2.8% in 2022, according to Drewry's estimates.

"A scarcity of open charter fixtures means that some lines are scouring the secondhand market for expensive new assets to add to the pile, but others can only supplement with newbuilding deliveries, or are simply having to make do with what they have," it said.

While newbuilding orders had surged in the first six months of this year, none of that tonnage would be in operation until 2023 at the earliest.

This, combined with continued supply chain disruption, would mean the sector would continue to face an extended undersupply of capacity.

Drewry estimates that 16% of worldwide effective capacity will have been lost this year as direct consequence of lower port productivity, following on from an 11% reduction last year.

For shippers, this will mean freight rates staying elevated for the foreseeable future.

"Supply side disruption has become the key driver of freight rates and remains the top sensitivity to our forecasts," it said. "We are now getting accustomed to seeing triple-digit annual growth rates for spot rates on most lanes. That these instances are no longer shocking is further proof, if needed, that the market truly is crazy right now."

Average freight rates for spot and contract cargo across global trades are expected to rise by around 50% in 2021, indicative of the acceleration in pricing seen already through the first half of the year.

"Even if carriers do revert to type and the current newbuilding craze ends the upcycle in 2023, they will have made so much money between 2020-22 that they will be set up for years to come," Drewry said. "They could potentially make as much profit in this window as they could have hoped in a decade or more."

Nevertheless, it warned that the sector's public relations problem was getting worse as it made ever more money out of the disruption.

"With increasing attention on shipping's environmental footprint and tax contributions, lines are in danger of being cast as profiteering villains, unsympathetic to the needs of their customers."

Yantian calls resume as neighbouring ports remain under pressure

MAERSK has resumed voyages to Yantian as the congestion in the region eases but has warned the process will take some time to fully clear.

It said 19 of its main lane services had been affected by the disruption at Yantian, which has been ongoing since an outbreak of coronavirus emerged in mid-May.

"We decided early on to temporarily remove a number of calls, in fact the majority of our calls, for the port of Yantian to limit the impact to the rest of our network and minimise the disruption to our customers' supply chains," Maersk head of global execution centres Ahmed Bashir said in a video message.

In many cases, these calls were diverted to alternative ports in the area, he said.

"I'm glad, however to report that the situation in Yantian has improved a lot over the past 10 days or so and we've begun the process of repatriating services and we expect that to be complete in the next two to three weeks."

But the transition to normal service schedules would not be without challenges, he added.

"We need to ensure that it is done in a controlled way to avoid creating new bottlenecks in Yantian or in neighbouring ports. It is evident that the situation will remain fluid for quite some time."

Hutchison Ports, the owner of Yantian International Container Terminal, said operations have resumed at all 20 of berths. It was now handling 40,000 teu through its gates daily, it added.

"All major shipping lines have resumed their vessel calls at Yantian," Hutchison said. "The full recovery of Yantian's terminal operations has helped to maintain the normal operation of international trade and the global supply chain."

Maersk resumed calls to Yantian on its AE10 and AE11 services, which serve northern Europe and the Mediterranean, last week, along with the TP12 US east coast service.

Five more services are due to resume calls this week, with the remainder returning to Yantian from next week.

But while yard density at Yantian was down to 65% and overall productivity had increased to 85% of normal levels, yard density and waiting times were higher at the neighbouring ports of Shekou, Nansha and Hong Kong.

According to figures from Lloyd's List Intelligence, there are 77 containerships over 10,000 dwt, with combined capacity of 308,499 teu, at anchor in waters off southern China.

That is down from a peak of more than 500,000 teu in June. Last week there were still at least 90 vessels at anchor.

"The congestion in Yantian is clearing up, but when one port is impacted it can become a downward spiral for neighbouring ports," said Maersk.

MARKETS

Shipmanager believes small is beautiful for better service

THIRD-party shipmanagement is a highly competitive sector with the successful having to do more for their clients, but they do not necessarily expect to get paid more for this extra service.

Still, it is in some respects curious that a business operating in a fiercely competitive market with low margins and in an industry as volatile as shipping is found to be attractive by managers such as Sachit Sahoonja, who entered the business only two years ago.

The company — Su-Nav Shipmanagement — consciously made a niche for itself having been based in India and having started with just seven ships. Su-Nav now manages a fleet of 15 vessels from Hamburg Bulk Carriers.

"The key to shipmanagement is not size; rather it's the service," said Mr Sahoonja, who believes big is not always beautiful for the shipmanagement sector.

Although the chief executive admits that size offers certain economies of scale, there is greater satisfaction in being able to provide personalised jobs for ships when you are handling a manageable number of vessels.

He agrees that "personal connections with each ship and crew members cut into their profit margins", but Su-Nav values putting people first.

Being from a seafaring background, Mr Sahoonja set his sights on becoming a shipmanager when he believed that in bidding to increase the number of vessels on their books, some managers began compromising on values — a move that has damaged the reputation and charm of the profession.

Since entering the business, Su-Nav has also invested in an in-house maritime training institute and an innovation centre for the maritime industry.

One of the inventions from the centre is a water generator that has been placed on a few of their managed vessels.

"Since it uses humidity to produce water, the marine environment is an ideal case for its usage," said Mr Sahoonja. "This machine is designed for marine applications and can generate up to 150 litres of pure drinking water per day."

This enables the staff on board to have plastic-free water with zero risk of contamination. "We estimate a saving of at least 6,000 plastic bottles annually per vessel."

Driven by a dramatic increase in the number of cyber attacks on shipping lines worldwide, the company has also installed a cyber security device called the Navis Arca — a technology can detect and neutralise cyber security threats — on board the managed vessels in its fleet.

The device allows cyber security experts to remotely connect to the vessel's network and perform vulnerability assessment and penetration testing without being physically present on the vessel.

Samsung Heavy wins order for LNG carrier trio

SAMSUNG Heavy Industries, a leading South Korean shipbuilder, has won an order for three liquefied natural gas carriers for Won654.5bn ($579m).

The 180,000 cu m trio, priced at $193m each, are scheduled to be delivered by February 2024.

The company did not identify the buyer, only describing it as an Oceania-region shipowner.

The deal has pushed the builder's new orders so far this year to 51 ships worth a total $6.5bn. That equates to 71% of its annual order-winning target of $9.1bn.

The fresh tonnage consists of six LNG carriers and seven oil tankers, with the remaining majority being containerships — a sector that has enjoyed an unprecedented freight market boom since the second half of last year.

Owners have this year shown a mild appetite for newbuilding LNG tankers. But ordering activity appears to be accelerating, highlighted by a number of deals unveiled recently.

Captial Gas, the liquefied natural gas shipping arm of Evangelos Marinakis' Capital Maritime Group, placed an order for two more 174,000 cu m LNG carriers at Hyundai Heavy Industries late June.

That came shortly after state oil and gas major PetroChina signed a newbuilding agreement with domestic yard Hudong-Zhonghua Shipbuilding for three ships of the same size.

Earlier in the month, HHI also clinched a pair of additional 200,000 cu m vessels ordered by Prokopiou family-controlled Dynagas.

Taylor Maritime sees 30% cash yields amid sustained improvement in rates

TAYLOR Maritime Investments, a dry bulk shipping investment vehicle that took a London mainboard listing in April, is already generating cash yields topping 30%, according to its inaugural trading statement.

Implied dividend cover from the delivered fleet is approximately 2.7 times and this figure is expected to rise materially once eight vessels on order are delivered, it said.

Vessel values rose significantly, driven by constrained world fleet growth and strong demand for shipping capacity owing to improving global economic conditions.

Industrial activity continues to normalise as more and more countries emerge from the pandemic, and this will further fuel the demand for smaller bulkers.

Charterers are said to be seeking longer-term contracts in anticipation of a sustained upward trend in time charter rates and Taylor says it has taken full advantage of this trend.

Few handysize and supramax contracts are being reported, yard space remains tight and notional newbuilding price quotes are still rising.

The company's chief executive Ed Buttery said it had been able to "take full advantage" of improving market conditions in the handysize and supramax bulk carrier segment.

"The material upward movement in our valuation reflects the sustained improvement in charter rates and is proof of the strong investment rationale for acquiring high quality second-hand vessels at this point in the valuation cycle," he said.

The future strategy will be to purchase further vessels at target prices and lock in future fleet earnings at attractive levels, he added.

An independent valuation of Taylor's delivered fleet of 17 vessels as of June 30 showed an increase in value from $208.7m to $230.6m, equivalent to an increase of more than 10% since the IPO prospectus was published in May.

The undelivered seed fleet of six vessels has increased in value from $81.3m to $90.8m, equivalent to almost 12%. The two additional vessels acquired (although not yet delivered) following the IPO have increased in value from $26.5m to $28.3m, equivalent to an increase of 7.1%.

Net time charter rates have increased by over 30% since May. The average net time charter rate for the delivered fleet is $15,400 per day with an average duration of 10 months, generating average annualised unlevered gross cash yields in excess of 20%.

Around $30m of long-term debt associated with the acquisition of the seed fleet is being repaid, with $5m having been repaid in June and the expected to be repaid before final delivery of the committed fleet.

IN OTHER NEWS

Lloyd's List Intelligence unveils AI risk analysis platform

LLOYD'S LIST Intelligence has teamed up with data analytics specialists SAS to develop a pioneering new artificial intelligence platform that interprets and understands complex vessel movements automatically to detect compliance risk.

Seasearcher Advanced Risk and Compliance identifies probable illicit activities including 'dark' port calls, ship-to-ship transfers and suspicious loitering, using AI software to differentiate between normal, abnormal, and dark vessel movements.

The use of advanced predictive analytics and machine learning rules out time consuming false positives by factoring in multiple layers of live and historical vessel behaviour from Lloyd's List Intelligence's vessel movements data.

Zuydersee to invest in vessels rather than companies

ZUYDERSEE Shipping will target minority stakes in vessels rather than companies and is working largely with family office money, managing director Edwin Jager has revealed in one of his first interviews.

The approach will be deliberately countercyclical and likely to focus on tankers in the first instance, precisely because the tanker market has been a bust for the last three quarters.

The company was launched last week with a remit to manage shipping and intermodal investments for third parties.

Alfa Laval joins Wallenius to develop wind propulsion for ships

ALFA Laval has entered a joint venture with Wallenius to develop the technology needed for fully wind-powered vessel propulsion.

The AlfaWall Oceanbird technology comprises an array of rigid wing sails, built from steel and composite materials, that generate forward movement instead of vertical lift.

The sails will be able to turn 360° to make optimal use of the wind.

Egypt agrees to release Ever Given from Suez Canal

THE long-running dispute about the release of Ever Given (IMO: 9811000) has been resolved and the vessel will resume its voyage this week, more than three months after the incident that blocked the Suez Canal.

"Following the agreement in principle between the parties, and after further meetings with the Suez Canal Authority's negotiating committee and numerous court hearings, good progress has been made and a formal solution has now been agreed," the UK P&I Club, the vessel's insurer, said in a statement.

"Preparations for the release of the vessel will be made and an event marking the agreement will be held at the authority's headquarters in Ismailia in due course.''

Israel probes suspected attack on boxship in Indian Ocean

ISRAELI defence officials are investigating reports that a containership recently owned by Israeli tycoon Eyal Ofer-led Zodiac Maritime was attacked in the Indian Ocean during the weekend.

The 2014-built, 8,704 teu CSAV Tyndall (IMO: 9627928) was possibly hit by a missile while en route from Jeddah Saudi Arabia to Jebel Ali, United Arab Emirates on July 3, according to Israel's N12 Television News.

The crew was said to be safe, with no serious damage sustained by the vessel.

Maritime forum names Christensen as chief in expanded management team

THE Global Maritime Forum has appointed Johannah Christensen as its first chief executive.

Ms Christensen, who has been head of projects and programmes for the international group since 2017, was selected during a board meeting, according to a statement.

She has been one of the leaders within an organisation that has expanded greatly in a short time period and she often represents the group on panels, forums and other public engagements.

Classified notices follow