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Lloyd's List

Daily Briefing

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The Russian oil price cap — a shipping industry users' guide

ABOUT TWO THIRDS of Russian crude is already selling at nearly $11 below the oil price cap, with Urals crude shipped from the Baltic port of Primorsk priced at $49.21 per barrel, and from Novorossiysk at $51.21 per barrel according to the latest Argus Media price assessment for December 2.

The oil price cap of $60 per barrel was announced on Friday, with the European Commission finalising regulations for imposing the price cap and the ban on seaborne crude imports from December 5 over the weekend.

The European Union, US and UK marine service providers can no longer provide services for Russian oil exports as from December 5, unless compliant with the oil price cap. An EU ban on imports of refined products begins on February 5. Price caps for refined products have yet to be set.

Below explains how shipping will be affected.

Who is affected?
All trading and commodities brokers, and other maritime service providers, including those covering shipping, insurance (including reinsurance and P&I), flag registries and customs brokering are affected.

The US Office of Foreign Assets Control does not clarify whether the oil price cap applies to some of the larger open registries that flag tankers, such as Panama, Liberia and the Marshall Islands.

EU inclusion of flag registries includes those provided by the 27 member countries.

Classification, inspection, bunkering and pilotage services are excluded.

This means that Danish pilots can continue to provide vital services in the Baltic Sea, and that many of Europe's classification societies that provide services to tankers are unaffected.

What proof needs to be gathered before providing a service for Russian oil exports that fit the price cap criteria?

The most complete record-keeping and attestation process was outlined by Ofac in initial guidance in October. Follow-up guidance appeared on November 22. The UK Treasury department also addressed what it would accept as proof in its November guidance.

Shipping, freight, customs and insurance costs are not included in the price cap and have to be invoiced separately, but at "commercially reasonable rates" according to Ofac.

"Ofac would view the billing of commercially unreasonable shipping, freight, customs or insurance costs as a sign of the potential evasion of the price cap," the guidance said.

EU guidance said that some market participants would need to adjust invoicing models to separately show the oil price, port of loading and transport price.

Service providers were divided into three different tiers:

- **Tier 1:** Traders and commodities brokers. These must provide and retain invoices, contracts or receipts showing price at which Russian oil was purchased. The UK guidance said these providers must "undertake sufficient due diligence to satisfy themselves, based on the information available, of the reliability and accuracy of that information" and must pass on the price to Tier 2 counterparts.

- **Tier 2:** Defined as finance institutions, ship agents and customs brokers. These must request and retain documents proving compliance with the oil price cap "to the extent practicable", according to Ofac. UK guidance said the Tier 2 providers must request price information or an attestation from Tier 1 counterparts and conduct sufficient due diligence. Transactions could not go ahead if Tier 2 providers did not get a response from Tier 1 providers within five days, according to the UK government. For transaction-related financing, institutions needed to have "appropriate and reasonable risk-based policies and procedures within sanctions compliance programmes to confirm that the price does not exceed the relevant price cap", Ofac said. That could include origin of articles, date and unit price in trade and transaction information. If this was not possible, "signed attestations from their downstream customers or subcontractors" will be needed. Ofac also advised ship agents and customs brokers to request price information "to the extent practicable" or obtain a signed attestation from their customer.

- **Tier 3:** Recognised as service providers that may not have direct access to price information, including insurers, P&I Clubs, shipowners and flagging registries, based on Ofac categories. Here, Ofac says shipowners needed attestations for each cargo, while insurers could use annual sanctions exclusion clauses to cover themselves. Ofac said signed attestations could also be used as an alternative or addition to clauses for marine insurers. Flagging registries also could use contracts for customers that stated they would be de-flagged if they did not comply with the price cap, according to Ofac. If a customer or counterparty refused or was reluctant to provide documentation needed or an attestation, this should be a red flag, according to Ofac. Ofac says it is acceptable to "reasonably rely" upon certificates of origin for cargoes, but it warned service providers to exercise caution if they had reason to believe it had been falsified or may be erroneous. This was particularly important for Kazakh-origin crude shipped via the Caspian Pipeline Consortium or Atyrau-Samara pipelines at Novorossiysk.

Will the price cap apply if Russian oil is resold/reshipped/blended or undertakes a ship-to-ship transfer?

The price cap applies from the sale from a Russian entity through to the first landed sale in another country and clears customs, or after it is "substantially transformed" into a different good, according to Ofac, EU and UK government guidance.

The price cap does not apply to any further onshore sales. However, if the oil is taken back on the water and uses maritime transport without being "substantially transformed", the price cap still applies.

Ofac defines "substantially transformed" as refined products, which could be exported via maritime transport without being subject to the price cap.

UK Treasury guidance said the maritime transportation ban included the transfer of goods between ships, while the EU said that any Russian

oil mixed with oil of another origin was subject to the price cap.

"Ship-to-ship transfers for the transport of prohibited Russian oil are explicitly prohibited if purchased above the price cap," said EU guidance published on December 3.

"No EU operator should conduct ship-to-ship transfers for the transport of Russian oil, if purchased above the price cap."

How will the price cap be reviewed?

The $60 per barrel price cap is not fixed and will be adjusted over time to reflect market developments and technical changes, as agreed with the Price Cap Coalition, according to the European Commission. The Price Cap Coalition is the G7 nations plus Australia.

The EU promised member states a regular review of the price cap's effectiveness, acknowledging that there may be a "potential impact' on some countries and their maritime competitiveness.

The first review will be held mid-January and every two months thereafter. Unspecified "appropriate supportive measures" are promised by February 5 to assuage concerns from Malta, Greece and Cyprus.

Malta is the EU's largest flag registry and the world's sixth-biggest. Along with Cyprus, which has a significant international ship management base, Greece and Malta have seen shipowners exit and re-flag with open registries in preparation for oil and refined product sanctions on Russia.

The regulations published over the weekend included a pledge to "urgently adopt appropriate supportive measures" by "developing existing instruments at the latest by February 2023", with the current circumstances acknowledged as "challenging the competitiveness of EU shipping".

Reviews would aim for an oil price cap that was at least 5% below the average market price for Russian oil, the EC regulations said.

There was no further information about the methodology for arriving at this figure, except that it would be "calculated in co-operation with the International Energy Agency".

Regulations did not acknowledge differences in prices between Russia's Urals and EFPO grades, which currently trade at discounts to Brent crude, which on Friday closed at $85.57 per barrel.

That compared with Urals grade loaded from the Russian Baltic Sea port of Primorsk, assessed at $49.20 per barrel, and $51.21 per barrel from Novorossiysk on the Black Sea, according to price reporting agency Argus Media.

The price of ESPO blend from Kozmino was $75.16 per barrel, Argus Media data show. The average of these three prices was $58.79, below the price cap.

What percentage of EU shipowners were shipping Russian crude before the ban?

Over half of all tankers that called at key Russian oil export ports in November were Greek-owned, research from Lloyd's List using data from Lloyd's List Intelligence show.

Of the 172 tanker calls tracked at five ports during the month, 94 vessels were beneficially owned by some of Greece's biggest private shipping families, including Minerva Maritime, Thenamaris, Delta Tankers, and TMS Tankers.

The combined tonnage of Greek-owned tankers was 9.4m dwt, 54% of total callings when measured this way.

Seventeen per cent of tankers were Russian-controlled, and a further 11% were assessed as being part of what is now known as the 'dark' or 'shadow' fleet — vessels for which the owner is deliberately obscured, or because the ship has been previously engaged in US-sanctioned Iranian and Venezuelan trades.

Combined, the Russian and dark fleet vessels handled 44 of the 172 voyages monitored, or 28% by deadweight, well short of what is needed to maintain exports at current volumes now that European sanctions on seaborne crude imports have begun alongside the oil price cap.

Ports monitored were the Baltic ports of Primorsk, Ust-Luga and St Petersburg, and the Black Sea ports of Novorossiysk and Tuapse.

Pre-incursion data showed that about one third of tanker calls at Russian oil export ports were by Greek-owned ships.

Aside from revealing a serious tonnage shortfall for Russian exports, the data also reveals the large percentage of tankers calling at ports that are flagged outside of the EU with open registries.

Liberia accounted for 34% of tonnage as measured by deadweight, followed by the Marshall Islands at

21% and Panama at 11%. Greece and Malta totalled 8% and 11% respectively.

Liberia is the registry of choice for Russian-owned tankers, which is why the percentage is higher than other open registries.

What are the exemptions?
EU regulations allow for a transitional period of 45 days for vessels carrying crude oil originating in Russia, which was purchased and loaded onto the vessel prior to 5 December 2022 and unloaded at the final port of destination before 19 January 2023. Maritime services can be provided during this period, EC guidance says.

Crude oil or petroleum products that originate in a third country are being loaded from Russia, provided that both the origin and the owner of those goods are non-Russian, are allowed. This exemption particularly applies to grades from Kazakhstan that are loaded in tankers from terminals in Novorossiysk and via the CPC pipeline.

There are exemptions in the case of emergencies, such as any "significant impact" to marine or environmental safety or the environment, or human health.

Some countries are exempted amid energy security concerns, including under some circumstances imports to Bulgaria, Croatia or land-locked EU member states.

Classification, inspection, bunkering and pilotage services are excluded.

What are the penalties?
If a third country-flagged vessel intentionally carries Russian oil above the price cap, EU operators will be prohibited from insuring, financing and servicing the vessel for further transport of Russian oil for 90 days after the cargo was delivered.

UK-based ship operators who "knew or had reasonable cause to suspect" that oil was purchased above the oil price cap will be subject to UK penalties. The UK's maximum penalty is $1.2m.

Do importing countries have to to be members of the Price Cap Coalition to allow maritime services to provide services for these cargoes, even if the cargo is sold at or below the oil price cap?
The rules are unclear.

The European Commission's wording defines countries who do not join the coalition as those that purchase oil above the price cap. It does not state what this means for buyers whose countries have not agreed to join, but purchase oil at or below the cap anyway.

Given the current market prices on December 2, about two thirds of Russian crude exports were sold at market prices below $60 per barrel anyway.

The EC guidance says merely: "the price cap allows our service providers to support shipments of Russian oil to other countries, if purchased below the price cap". This suggests that as long as attestation and other compliance procedures are followed, the cargo can be shipped, even if countries are not stated members of the Price Cap Coalition.

China, Türkiye and India are the main buyers of Russian crude and their governments have not stated their support or otherwise for the oil price cap even though prices suggest they are obtaining oil at the lower cost.

This alone achieves the ambition of "creating incentives for a coalition of third countries to trade at or below the cap, thereby pushing down prices and reducing Russia's revenues", according to guidance.

Russia has said that it will not participate in any oil price cap. Tankers loading at ports in the first few days of the oil price cap were Russian-owned, suggesting they are operating outside of European service providers and insurance.

WHAT TO WATCH:

EU and G7 states seek to resolve P&I standoff with Türkiye

EUROPEAN UNION and Group of Seven governments are understood to be negotiating a last-minute compromise deal with Türkiye over its refusal to allow vessels to sail through the Bosporus without insurance guarantees that International Group P&I Clubs argue are unlawful.

Türkiye has issued a requirement that from December 2 all ships transiting or entering Turkish waters have to provide letters of confirmation from the shipowner's P&I Club attesting that cover will remain in place under any circumstances throughout the duration of the transit.

The International Group of P&I Clubs has said that its clubs should not issue such a letter to their owner or charterer members on the grounds that it would breach the sanction regulations now in place.

Türkiye's requirements mean that a P&I Club has to confirm that cover will not be prejudiced under any circumstances, including where there is a sanctions breach, whether knowingly and intentionally or unknowingly and unintentionally.

Issuing a confirmatory letter under these circumstances would expose the club to a breach of sanctions under EU, UK and US law, according to the International Group.

Senior P&I officials are discussing the issue directly with the Turkish authorities.

However, Lloyd's List understands that the issue has already been escalated to EU and G7 governments, such are the political sensitivities of the problem in light of the price cap on Russian oil exports coming into force.

The $60 per barrel of crude oil price cap — which comes on top of the EU import ban on Russian seaborne crude oil and oil products, and the corresponding bans of other G7 partners — is aimed at reducing the revenues Russia earns from oil.

Russia said on Monday that a Western price cap on its oil would destabilise global energy markets but would not affect its ability to sustain what it calls its "special military operation" in Ukraine.

The imminent introduction of this new Russian oil waiver programme is at heart of the request for letters of confirmation from P&I Clubs stating that cover will not be subject to sanction clauses even if it transpired that damage had been caused by a sanctioned cargo.

Turkish authorities are concerned that in the event of an accident involving Russian crude, no cover would be available.

EU and G7 states have sought to reassure Turkey that licensing arrangements to deal with emergency environmental issues will address their concerns.

However, as of Monday the Turkish authorities are refusing to allow vessels without letters to transit Turkish waters.

"Clearly, members will be keen to continue voyages through Turkish controlled international straits and waters. However, the problem currently faced by members arises directly from the prohibitions that the EU, the UK and the US have introduced on Russian oil," explained an advisory notice posted on Gard P&I's website on Monday.

"States are waking up to the issue that they may go uncompensated in the event of a large claim," explained one senior P&I official.

"EU and G7 states have tried to address that via licences, so the issue is whether Turkey feels sufficiently reassured by that... It really depends on what appetite coastal states have to allow vessels to sail past them that don't have third party liability cover, or may have third party liability cover, but from a Russian company or providers that they have less confident in."

While the liability concerns theoretically could affect any coastal state, Türkiye is a particularly sensitive area given the volumes of Russian crude that will pass through its waters under the terms of the new rules, and the high risk of maritime casualties generally.

The areas to the north and south of the Bosporus Strait have been increasingly busy this year compared with the past year, leading to a higher volume of ships waiting in anchorage.

Some 207 collisions were reported in 2022, with seven taking place in the waiting zones outside of the Bosporus Strait, according to Lloyd's List Intelligence data.

There is a grace period on oil cargoes from Russia loaded before 5 December, which expires on 19 January.

Mykolaiv port theoretically ready to join Black Sea Grain Initiative

THE Ukrainian port of Mykolaiv is ready to be reopened and operated underneath the Black Sea Grain Initiative — a process that could potentially free 26 vessels trapped since the start of the military activity and significantly increase grain shipments.

However, the port's immediate fate now rests on Ukrainian military advances and a complex renegotiation of terms for the grain initiative.

Despite the hurdles, Ukraine has been pushing for Mykolaiv to be added to the original three ports designated part of the initiative — Odesa, Chornomorsk and Yuzhnyi.

In a tweet announcing the renewal of the grain deal, Ukraine minister of infrastructure Oleksandr Kubrakov said an appeal was made during negotiations to include the port of Mykolaiv.

He followed this up by saying: "We are waiting for an official announcement from the leaders of the United Nations and Türkiye."

There have been no further developments, and the initiative continues to operate under the original agreement.

As many as 26 commercial vessels, the majority foreign-flagged, are still thought to be stranded in the Mykolaiv region, according to Lloyd's List Intelligence vessel-tracking data.

According Vitaliy Kim, governor of the Mykolaiv region, ship departures out of Mykolaiv hinges on the liberation of the Kinburn Spit.

The latest update by the UK Ministry of Defence shows the peninsula is under Russian control, but the Ukrainians are fighting to regain the land.

Vessels sailing to or from Mykolaiv pass the Kinburn Spit. The ongoing military operation means any passing ship would be at risk of collateral damage.

It is not possible for the port to reopen until the peninsula is under the control of Ukrainian armed forces.

Even if Ukraine succeeds, any change to the terms of the Black Sea Grain Initiative would have to be renegotiated between all stakeholders.

Some 21% of all vessels that carry agricultural products leaving Ukraine in 2021, in terms of dwt, departed the port of Mykolaiv and its subport Oktyabrsk.

Exports of agricultural products under the grain deal decreased 38% from October to November due to uncertainty over whether the deal would be extended and the ongoing issue of inspection delays.

Growing demand, poor compliance with procedures, unfavourable weather conditions and Russia's alleged unwillingness to increase the number of inspections has created a backlog of ships.

There were 91 vessels waiting in Turkish waters for inspection as of December 4, according to the JCC.

An estimated 25 daily inspections are needed to avoid a logistics bottleneck. It is unclear if the JCC could cope with the additional capacity should a fourth port be included.

Approximately 1,250 commercial ships equivalent to 28m dwt sailed from Mykolaiv to foreign ports last year, according to vessel tracking data.

No ships have left Mykolaiv since Russia began its incursion into Ukraine on February 24.

Collision in tightly packed Istanbul anchorage

TWO laden general cargoships, *Turan C* (IMO: 9558490) and *Burhan Dizman* (IMO: 9381809), collided in Istanbul anchorage on the night of December 2, the seventh such incident this year.

Liberia-flagged *Turan C* was travelling to Constantza, Romania while Barbados-flagged *Burhan Dizman* was making its way towards Novorossiysk, Russia when turbulent weather caused the vessels to collide.

Both ships were damaged.

The ships, with the help of tugs and a rescue boat, were anchored in the Akhirkapi area on December 3, according to a Lloyd's List Intelligence report. They remain there for repairs.

Poor weather conditions and congestion are factors that contribute to collisions.

The areas to the north and south of the Bosporus Strait have been increasingly busy this year compared with the past year, leading to a higher volume of ships waiting in anchorage.

Some 207 collisions were reported in 2022, with seven taking place in the waiting zones outside of the Bosporus Strait, according to Lloyd's List Intelligence data.

The east Mediterranean and Black Sea region is the second most common place for collisions to occur, the first is the British Isles, North Sea, English Channel and Bay of Biscay area.

ANALYSIS:

Spot VLCC rates plummet amid EU ban

SPOT rates for very large crude carriers have plunged by half in a little more than a week as factors that caused a rise begin to unravel.

Activity picked up ahead of the European Union ban on Russian oil, which takes effect from yesterday, December 5, leading to the year's high of $75,391 per day on November 21, Baltic Exchange data shows.

"In the run-up to Monday's deadline, it appears that both Russia and its oil customers around the world were incentivised to put as much oil on the water as possible to avoid running foul of shipping restrictions on December 5," Poten & Partners said in a note.

"As a result, the tanker market went through the roof," with all segments at a multi-year high, but the trend reversed in the past week.

As of December 2, VLCC rates had fallen to $32,591 per day.

"Oil companies, refiners and traders cut back purchases from Russia as they could no longer take delivery of the oil prior to the deadline and the uncertainty around the price cap made it impossible to plan for the world after December 5," the consultants said.

Arctic Securities said other signals were also showing a weakening trend, such as production from the Organisation of the Petroleum Exporting Countries, which fell about 1m barrels per day last month. Elsewhere, oil at sea has dropped about 5% from the peak seen in August.

Refinery margins are also softening, down by almost half since mid-October, the Oslo-based investment bank said in a note. This is leading to less pressure on refiners to boost supplies, which will eventually filter down to freight rates.

While VLCC rates were falling, aframaxes were making $150,000-$200,000 per day on several voyages, it said.

Opec-plus plans to continue with its recently agreed 2m bpd output cut through to the end of 2023, which is "not a surprise" given the market uncertainty about the EU ban and the G7's price cap of $60 per barrel on Russian oil, said Wood Mackenzie's vice-president of macro oils Ann-Louise Hittle.

"In addition, the producers' group faces downside risk from the potential for weakening global economic growth and China's zero Covid policy," she said, following Opec's meeting on Sunday. She added that Wood Mackenzie forecasts a balanced oil market in 2023 with adequate supply.

Seoul court orders GTT to alter licensing practices

THE Seoul High Court has made a ruling that could change the business practices of GTT in South Korea.

The French designer of liquefied natural gas containment systems said the court had confirmed its obligation to separate the technology licence

agreement from the technical assistance if requested by shipyards in South Korea.

"The company is currently reviewing the details of this decision in order to define the most appropriate available actions to best preserve its rights," a statement said.

"GTT strongly believes that its unique expertise is key to the safe development of LNG maritime transport by providing ever more innovative, safe and efficient technologies, for the benefit of the entire industry," it added.

The ruling follows a two-year legal battle between GTT and Korea Fair Trade Commission.

After a four-year investigation, the competition authority in December 2020 ordered the company to allow domestic shipyards upon their request, to perform all or part of the technical assistance services included in the technology license.

It also asked GTT to pay an administrative fine of €9.5m ($10m) for its infringement of the competition rules.

GTT subsequently appealed before the Seoul High Court and applied for a suspension of KFTC's decision.

It argued that the licence and the services are "an inseparable offering, which guarantees the integrity of its technologies".

The court approved the suspension, after which KFTC appealed the decision to the Supreme Court of Korea and was rejected in May 2021.

The latest court verdict appears to have partly supported KFTC's order, while having revoked the financial penalty GTT paid early 2021.

The Paris-listed company is a dominant player in supplying membrane-type cargo containment systems for LNG carriers and issue licences under which shipyards pay a fee per newbuilding.

Shipbuilders, however, are trying to take on the technical assistance — currently performed by GTT — for the construction and installation of the systems.

For the first nine months of 2022, GTT said it had booked 134 orders for LNG carriers, including 46 in the third quarter.

It also gained two new clients from China, Yangzijiang Shipbuilding and China Merchants Heavy Industries, for its technical assistance and licensing agreements earlier this year.

Diversity issues now prominent in battle for maritime talent

A SURVEY of 3,000 people across the industry has revealed that technology jobs are still dominated by men and only one third of respondents had access to training in diversity, equity, and inclusion issues.

The survey, which was conducted by the Diversity Study Group, charts a further rise in female representation at the junior/trainee level (57% in the period January-September this year) and at mid-level positions (48%).

The study said it was encouraging to see a breakthrough for women at team leader level, at 38% this year compared with 29% in 2019. For heads of department, 24% are now women, up from just 12% last year, while about 18% of this year's C-Suite respondents are women.

"Although there are signs of progress," the authors observe, "there is still a significant lack of ethnic diversity and female representation at senior levels of the sector — issues that need to be addressed as a matter of urgency."

As in previous years, there is a lack of ethnic diversity at the most senior levels. The C-suite and heads of department levels remain predominantly white with about a quarter of the roles held by leaders who identify as Asian.

Nevertheless, a 'waiting room' of ethnically-diverse talent is developing, which is a positive message for organisations keen to improve diversity in senior roles.

"The challenge is converting that pipeline into greater ethnic representation at the more senior levels," they said.

Shipping is competing against other industries for the same talent, so it is "essential that [the industry] remains relevant to potential recruits by providing meaningful, inclusive, and fulfilling environments in which to build a career."

In terms of job function, respondents said women have a higher representation (two thirds) in the legal, insurance, finance, human resources, and administrative areas than in commercial and operations roles (one third).

In the areas of technical support and IT, women hold just 20% and 15% of jobs respectively.

The Diversity Study Group acknowledged that it can be complex to request ethnicity-related information in some jurisdictions. However, this year 98.6% of respondents provided information on their ethnicity, which was described as “an exceptionally positive outcome” for a global survey.

Of these, about 45% identified as White and 47% identified as Asian.

The study also reported on disability, gender identity, and sexual orientation, and tackled the issue of inclusivity in working environments. The survey asked workers whether they felt safe speaking up about diversity issues, whether respondents felt able to raise discrimination issues internally, and what more employers could do to achieve diversity in the workplace.

Most of the comments on the last of these questions focused upon the application of more equitable policies and ensuring that they are applied consistently.

Suggestions included equalising salaries across men and women as well as different locations. Closing the gaps between the treatment of people from different nationalities was also mentioned.

In concluding remarks, the authors emphasised the role of business leaders in building a diverse and equitable working environment, and of people managers as “the proof point for whether people believe their organisation really prioritises diversity, equity, and inclusion”.

MARKETS:

Tanker rates to improve in a volatile 2023

VOLATILTY will be a feature of the tanker market in 2023, but it should still perform better on average than this year, experts say.

The tanker market staged an impressive rally in the second half of the year after Russia’s invasion of Ukraine altered trade patterns and increased tonne-mile demand, and experts are cautiously optimistic that it will improve further next year.

“I think it’s clear to all the market participants and anyone involved in shipping, that as long as there’s a bifurcation of trade between those who are willing to buy Russian oil and those who aren’t, distances are going to improve, or rather lengthen,” said shipping investor Ed Richardson in a webinar hosted by Breakwave Advisors last week.

“And my expectation is at least a baseline of double average rates. To be more specific, if we average the terrible first and second quarters of 2022 for [very large crude carriers], we come up to something like $28,000 per year per day, and next year, I expect something like $50,000-$55,000. So, I think there’ll be ups and downs but it’s going to be much, much better than 2022.”

Argus Media’s head of freight Alex Younevitch said: “I’d say we are not likely to see sustained [VLCC rates] of $100,000 for the year. But I think it’s going to be higher than we’ve seen for before the conflict happened.” He added that rates would be affected by the “shadow market” of tankers carrying sanctioned oil.

“Whatever rates we see in the general market are not necessarily going to be the same as the shadow market and they’re going to influence each other in terms of what we’re going to see in 2023. I think that the crude rates will remain strong but volatile, mostly when the market gets spooked. This is an easily skittish market, which often creates self-fulfilling prophecies.”

Although a global recession would hurt global oil demand and remains a risk, Mr Richardson said its impact on the tanker market will likely be offset by the longer distances resulting from the bifurcation of oil trade, a view shared by Mr Younevitch, who said the market’s fundamentals are strong enough to compensate for a recessionary loss in demand.

Recessionary warnings were also made by Signal Group market analyst Maria Bertzeletou, who noted ominous signs in China.

"There is still a risk of a global recession, and Chinese activity gives disappointing signals following the extensive Covid restrictions. However, while uncertainty remains, everything points towards a solid strengthening of the growth of freight rates in the next year," she said.

Ms Bertzeletou was more cautious in her expectations for the VLCC market, saying that the rerouting of oil flows to Europe and Asia favours suezmaxes over VLLCs.

"It must be said, however, the demand for VLCC in terms of tonne days and miles is still significantly higher than in the previous years, and these fuels positive expectations for VLCC freight rates in the days ahead," she added.

While the ban of Russian oil and its products and the implementation of the oil price cap will be key to the tanker sector's performance, the future of China's zero Covid policy and its economy will also have a massive impact, as the Middle Kingdom accounts for a large share of tonne-mile demand.

"Crude exports to China account for about 30%-40% of dirty tanker tonne-miles, and it's closer to 50% for the largest carriers, so China's crude demand outlook is of fundamental importance to the tanker market next year," said Kpler senior freight analyst Matt Wright. "The zero-Covid policy in China has massively limited demand over the last few years, so there is considerable upside potential to crude oil imports should restrictions be limited. But we think the relaxing of these rules is going to drag out; it's going to happen, but I wouldn't expect any sort of sudden increase from China."

Mr Wright cautioned that although the altering of trade flows resulting from the European ban on Russian crude would be constructive for tankers, there are bearish factors at play; production cuts by the Opec-plus group of about 550,000 barrels per day will continue to affect exports in the coming months, and new refining capacity in the Middle East will reduce availability of exports, he said.

The reorienting of oil trade flows over longer routes could add 2% to dirty tanker demand, according to Mr Wright, with VLCCs and suezmaxes standing to benefit the most.

"On the demand side, overall, I think the recession risks to tanker demand will only begin to be seen later next year. But there are supportive factors that could outweigh it. The vessel orderbook is very weak, and this should keep supply a great down, especially if scrapping remains low," Mr Wright said.

However, shipowners have plenty of cash on hand, and will invest in new tonnage when the time is right, according to Mr Younevitch, who said that even if the new tonnage will not arrive before 2024-2025, it could spook the market beforehand.

IN OTHER NEWS:

China Merchants unveils $600m methanol-fuel PCTC orders

CHINA Merchants Energy Shipping Co is planning to order up to six large methanol dual-fuel pure car and truck carriers as the state-owned giant aims to increase its market share in international ro-ro shipping.

The Shanghai-listed company said it had signed a letter of intent with China Merchants Industry Holdings for the construction of a pair of 9,000 ceu units, plus options for four more for $597m, according to a stock exchange filing.

Jinling Shipyard, a subsidiary of CMIH, is considered a top-tier PCTC builder and has landed a significant portion of the recent PCTC order flurry, including those from major foreign owners such as Eastern Pacific Shipping.

Delivery of the first two ships is scheduled for within 2025, with that of the optional ones for 2026.

Asia Maritime Pacific and Hamburg Bulk Carriers to merge

DRY bulk shipping companies Asia Maritime Pacific and Hamburg Bulk Carriers will merge their businesses to create one of the largest private dry bulk handysize players in the market.

The new enterprise, Cetus Maritime, will have some 40 owned and approximately 25 chartered vessels on the water at any given time, with a focus on larger handysize vessels.

Cetus Maritime's total shoreside staff will number about 120 people, spread over nine offices globally, including Hong Kong, Singapore, Shanghai and Hamburg.

Definitive documentation has been signed, with the transaction subject to customary closing conditions, expected by January 2023.

Taylor Maritime secures loan to fund Grindrod deal

TAYLOR MARITIME Investments has obtained $208.3m in a secured term loan to partially finance its $506m acquisition of Grindrod Shipping.

The funding, with Nordea Bank and Skandinaviska Enskilda Banken, is secured over accounts held in Germany and South Africa in relation to Grindrod shares and nine handysize vessels, according to a statement.

TMI announced its proposed acquisition of Grindrod Shipping last month after a majority of shareholders voted in favour of the $506m deal.

China Merchants returns to Dalian Shipbuilding for more LNG carriers

CHINA Merchants Energy Shipping will contract Dalian Shipbuilding Industry Co to build two more large-sized liquefied natural gas carriers.

The Shanghai-listed owner said its board had approved a newbuilding agreement for a pair of 175,000 cu m units for up to $235m each, according to an exchange filing. Delivery is scheduled for the second half of 2026.

The price is lower than the $250m reported in the recent contracts for similar ships won by South Korea builders.

The deal brings to 10 the number of vessels ordered by CMES at DSIC this year. The first two are scheduled for delivery by early 2026, with the latter six due for handover by the first half of 2027.

PSA Marine launches real-time port delivery alerts

PSA MARINE has launched OHS-Saphire, a first-of-its-kind digital solution that provides masters with real-time alerts about delivery information when their vessels are alongside Singapore terminals.

With this digital solution, masters will be able receive timely updates and gain greater visibility over the delivery of vessel supplies, including spare parts and food provisions, PSA Marine said in a statement.

Resources will be used more efficiently by eliminating the uncertainty of deliveries. Ships' crew can also plan their time and organise their activities effectively.

Singapore calls for expression of interest to develop green bunkering solutions

SINGAPORE is calling for expression of interest to build, own and operate low- or zero-carbon power generation and bunkering solutions on the country's Jurong Island.

The deadline to submit proposals is April 30, 2023.

The expression of interest will enable the government to explore the use of low- or zero-carbon fuels such as hydrogen and ammonia for power generation, according to a joint statement by the Maritime and Port Authority of Singapore and the Energy Market Authority.

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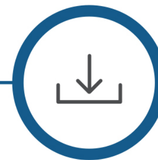

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