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Daily Briefing

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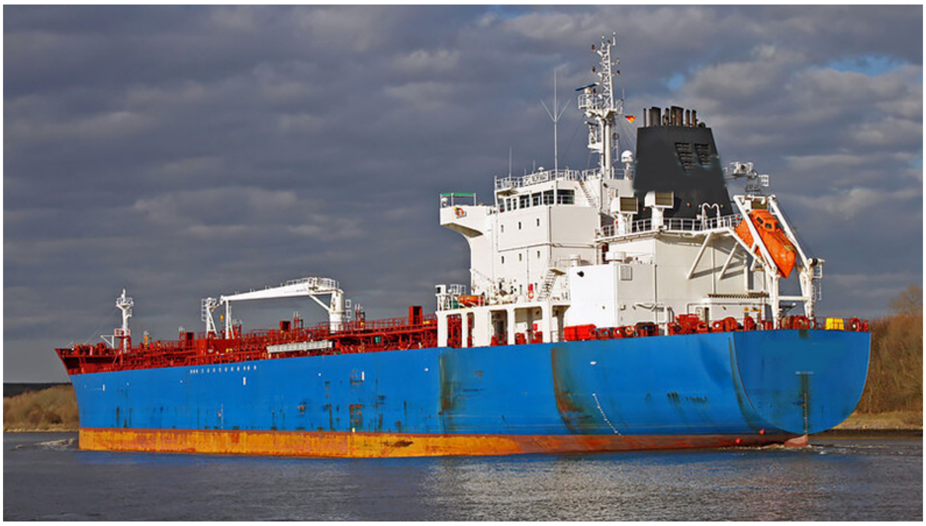
Sanctions-busting Russian tankers shift management base to Türkiye



TÜRKIYE HAS BECOME the latest dark fleet* business destination, with four tankers formerly managed by notorious Gatik Ship Management transferring to Izmir-based Unic Tanker Ship Management.

Palau-flagged *Helga* (IMO: 9419151) joined Unic in July from Mumbai-based Caishan Ship Management, one of 11 companies linked to Gatik Ship Management and its former fleet of 50-plus tankers plying sanctions-busting Russian oil trades.

Gabon-flagged *Hana* (IMO: 9353113) and *Alicia* (IMO: 9323986) and Panama-flagged *Atacama* (IMO: 9248801) were the three other Gatik-linked tankers now managed by Unic, according to their website.

Management was transferred to the company over July and August, ship databases show.

These tankers are exclusively deployed in sanctions-skirting Russian shipping, and were previously managed by Gatik from a shopping mall in Mumbai.

All but Atacama moved from Gatik to nearby Caishan Ship Management for several months in early 2023, before again transferring to Unic.

The management of these tankers by a business in Türkiye, a member of the Nato alliance opposing Russia's war on Ukraine, presents a dilemma for European regulators who regard the dark fleet presence as undermining their oil and shipping sanctions.

Unic is owned by some of Türkiye's most prominent shipping figures holding high-profile roles, further adding to debate about whether businesses in the country should be managing non-compliant tankers.

Unic was founded in August 2020 by local bunker supplier Unerco and other Turkish individuals. Unerco ended its partnership in August 2021, according to the Turkish trade registry.

The company directors listed are Coskun Agca, Sadi Kanat Kizildemir and Mehmet Hakan Tufekci.

The latter is a well known lawyer and managing partner at Tufekci law firm, and prominent figure in Turkish shipping circles where he is spokesman for the country's maritime law committee and chairman of the disciplinary committee for the Turkish Chamber of Shipping.

Agca is the general manager of Unic Tanker Ship Management and Kizildemir is a partner at the company, according to his LinkedIn profile.

There is no suggestion that Unic is breaching sanctions. Mehmet Hakan Tufekci referred requests for comment on Tuesday to Unic, which did not respond.

Unic also manages another tanker that is solely deployed in Russian oil trades, Panama-flagged *Destan* (IMO: 9388766). None of these ships are insured by the 12 clubs that form the International Group.

Hana was deflagged by St Kitts and Nevis and kicked out of the American Club in April for breaching sanctions, and was briefly with the Mongolian registry for seven weeks.

Insurance from group clubs is the best indicator of compliance with the Group of Seven club of industrialised nations.

Western companies can only provide marine services for shipments of oil to third countries if they receive attestations from the shipowner, oil traders and charterers that the cargo was bought at or below the price cap.

The price cap was set at $60 per barrel for crude oil on December 5, and $100 per barrel for refined products and $45 per barrel for fuel oil since February 5.

Anonymously owned Gatik was the poster child for sanctions-busting Russian oil shipping, amassing a fleet of more than 50 tankers worth $1.5bn from scratch from early 2022, prompting head-scratching worldwide over backing and funding sources.

The effectiveness of the price cap has only now faced serious testing because the price of Urals crude, which forms about two thirds of the 4.8m barrels per day in Russian crude exports, surpassed the $60 threshold on July 12, according to assessments from price reporting agency Argus Media.

The price of Russian gasoil and diesel has been trading above the $100 cap since August 5, the International Energy Agency said on August 11.

The vessels classed by the Indian Register of Shipping listed Dubai-based LTA Shipping FZCO as the invoicing addresss for Atacama, Geras Ship Management in Gujarat for Alicia, and Unic Tanker for Hana. The vessel Helga is provisionally classed by ClassNK, shipping databases show.

*Lloyd's List defines a tanker as part of the dark fleet if it is aged 15 years or over, anonymously owned and/or has a corporate structure designed to obfuscate beneficial ownership discovery, solely deployed in sanctioned oil trades, and engaged in one or more of the deceptive shipping practices outlined by US State Department guidance issued in May 2020. The figures exclude tankers tracked to government-controlled shipping entities such as Russia's Sovcomflot, or Iran's National Iranian Tanker Co, and those already sanctioned.

WHAT TO WATCH:

Ship finance outlook increasingly split between segments, Lunde warns

OWNERS in segments that have raked it in lately are borrowing less and paying down debt, while counterparts in underperforming sectors have no alternative but to stump up high interest rates, a ship finance veteran has warned.

In particular, beneficiaries of the pandemic-driven boxship boom and the more recent product tanker spike in the wake of Russia's invasion of Ukraine are best placed, with bulk carriers the obvious Cinderellas.

Indicative lending rates range from 2.5% over the Secured Overnight Financing Rate benchmark to double-digit territory for high payback schemes, he added.

Dagfinn Lunde, a high-profile industry figure after stints at DVB, Det Norske Bank and Intertanko, is now one of the principles at fintech company eShipfinance.com.

Founded in 2018, the platform seeks to match those needing to finance shipping deals with potential lenders, ranging from banks to private equity and family offices.

From the investor's point of view, the attractions of fintech platforms include potential bespoke opportunities to invest in low risk, secured maritime loans with attractive yields, served up in an easy, fast and secure manner.

On a risk/reward basis, lending to shipping can compare favourably to other debt products, such as mortgage-backed securities, investment grade corporate bonds, municipal bonds and direct investments.

Fintech platforms will suit some shipowners more than others. The household names are still fought over by the banks and larger tickets will usually find cheaper money through listing or the over-the-counter market.

Exposure to shipping

But smaller players are faced with the reality that bank exposure to shipping is now at just 63% of where it stood in 2008, even though the world fleet is some 40% larger.

For these companies — and they make up most of the industry — fintechs can offer speed and cost efficiency, and the ability to reach a wider lender base than they otherwise might. Term sheets can sometimes be ready in as little as three days.

However, Lunde and his business and life partner Marina Tzoutzouraki, also a former ship finance professional with Credit Lyonnais and EFG Eurobank, is selective on which transactions it will take forward.

During the past year, requests have come in at around the $1bn mark, but only around one in 10 were deemed of sufficient quality to take to investors.

The active pipeline was around $77m at the time of interview, and there were new discussions over a further $80m of lending. Deals in the $3m to $20m bracket are seen as the sweet spot.

But Lunde has detected a change in demand over the last 12 months, both in terms of ambition and range of finance required.

"In the beginning we had one-ship deals and now we're getting up to five ships in a deal," he said.

"The requests have changed a bit from the pure debt financing that we started with.

"We started purely with mortgages, but now we have had several discussions with people who want to buy other companies, and some people who need equity for their projects."

But with central banks in many countries jacking up interest rates to combat inflation, borrowing is inevitably become more expensive. Rising interest rates have wrecked cashflow projections on many proposals.

"Many projects were rejected because we couldn't see that the owners would make money on it. If the owners don't make money, we don't want to give them a loan.

"If there's a bank willing to take it and you can go down to under 3.0% or 2.5% over SOFR."

SOFR — which has taken over many of the functions of the old London Interbank Offered Rate in the wake of a rate-rigging scandal — stood at the time of writing at 5.3%.

However, SOFR has since its inception averaged at 26 basis points below Libor, which means that margins need to go up just to get the same net for the lender.

At the other end of the scale, some borrowers are facing coupons of 15% above SOFR, well in excess of the returns typical in the 1990s' junk bond market.

"Look at the market, it's very volatile. Sometimes you just get a very good deal and you take what you can," said Lunde.

"Some projects are short term and very profitable and people just need the money quickly. If you have a 60%-80% yield in one year you can pay it.

The volatility has led to increasing interest among shipowners in interest rate swaps, which are arranged by banks and counterparties rather than eShipfinance.com.

Last year, interest rate swaps looked a smart move. With the expectation that rates will come down in the coming period, they may be less advisable.

Wallenius Wilhelmsen CEO 'disappointed' at carmakers' lack of support for green plans

WALLENIUS Wilhelmsen's chief executive says his customers have shown little support for the ro-ro giant's green plans.

"When I joined the company a year ago, my expectation was that it will be very customer-driven. To my big disappointment, it was not. Even on biofuels where we are now pushing very heavily, we are the driving force," Lasse Kristoffersen told Lloyd's List.

Wallenius Wilhemsen, the world's largest operator of pure car and truck carriers, said yesterday it plans to order four 9,350 ceu dual-fuel methanol car carriers from China Merchants Industry Holdings for delivery from 2026. It expects to sign the contracts this autumn.

Kristoffersen said carmakers appear unwilling to share the cost of the big investments needed to clean up their supply chains, though doing so would also lower their own indirect, or Scope 3 emissions. "This is a risk and an investment we take without customers," he said.

The company knew it needed to make the investment, and take on the resulting risk upfront, "and we are prepared to do that".

"And we will be the one pushing our customers to start paying for decarbonisation," Kristoffersen added.

While acknowledging that certain car producers have their own decarbonisation targets, he suggested such ambitions were yet to be transmitted from these companies' board rooms to supply chain departments.

As part of its decarbonisation strategy, Wallenius Wilhelmsen will require customers to commit to using biofuels to increase their volumes or partnership with the company, he added.

Biofuel-blended bunkering increases refuelling costs, as biodiesel is typically more expensive than fuel oil and marine gasoil.

The four new vessels will have ammonia-ready notations from a class society to prove that future retrofits to run on ammonia will be possible, he added.

Kristoffersen said the company considered methanol a transition fuel, with ammonia the fuel of choice since it can be made without added carbon. Green methanol, also called e-methanol, can be synthesised with renewable power, but it still requires CO_2 molecules captured from the atmosphere.

"That's the short-term opportunity we have in terms of finding a fuel. For us green methanol is three to five years out and green ammonia is probably five to 10 years out," Kristoffersen said.

The PCTC giant is also investing to reduce emissions today. The company agreed for ExxonMobil to supply it with a 30% biodiesel blend that reduces cargo owners' Scope-3 emissions by 25%, Kristoffersen said.

The company will initially bunker with biofuels in Europe, but it is looking to increase the volume of this operation going forward in other locations.

On Tuesday, Wallenius Wilhelmsen reported its net profit jumped to $332m in the second quarter, up 164% year on year, while revenue rose by 9% year on year to $1.302bn driven by rising rates, better volumes and cheaper fuel.

MARKETS:

Limited fleet growth to underpin profitable market for Torm

DANISH product tanker owner and operator Torm posted a fifth consecutive quarter of bumper profits, with increases in limited fleet capacity through to 2026 seen supporting a volatile but buoyant market.

Net profits of $185.4m on income of $384.3m were nearly double the prior-year period, reflecting the 18-month-long rebound in charter rates across the tanker shipping sector.

Torm chief executive and executive director Jacob Meldgaard described global fleet growth over the next three years as manageable because of limited ordering of new tonnage.

A softer-than-expected economic landing in the US, one of the biggest consumers of refined products, alongside other positive demand indicators kept Torm confident in the medium term, said Melgaard.

"In June of this year the global consumption of oil was the highest ever, even in an environment where China is sputtering in their economy," he said.

"So can demand, seen from a consumption perspective, change and create significant downturn in the market? It can, but it doesn't feel like it."

Torm's owned fleet of 57 ships and a further 30 under sale-and-leaseback arrangements earned an average of $36,360 daily, up from $29,622 for the second quarter of 2022, but slightly lower than last quarter.

Melgaard said profits would be returned to shareholders and not invested in new tonnage.

Some $126.6m in dividends would be paid to shareholders of the Oslo and New York-listed company this quarter, on top of $121m distributed last quarter, when the company's profits exceeded $156m.

Rates are expected to strengthen into the seasonally stronger fourth quarter, despite lower import volumes into the UK and Europe, as the region sourced diesel via longer-haul voyages that the company outlined in its investor presentation.

For the third quarter 74% of Torm's tonnage was covered for an average of $30,534 daily, lower than the second-quarter average.

Diesel arbitrage spreads are now the highest since early 2023 according to Torm, which would potentially encourage further shipments of diesel to Europe from Asia and the Middle East in the coming winter months.

Arbitrage spreads measure the profit to be made from buying diesel and gasoil at lower prices in one region and shipping to another region, for sale at a higher price.

Depleted diesel stockpiles in Europe and Chinese export quotas are drivers for arbitrage trades, the company said.

The global product tanker fleet is forecast to expand by 1% this year and even lower in 2024, according to Torm, with few newbuildings on order that can be delivered before 2026.

Long Beach has slowest July in a decade

ATYPICAL summer doldrums continue at the port of Long Beach where July volumes fell to their lowest levels since the comparable period in 2013.

The west coast port moved 578,249 teu last month, down 26.4% from the record levels seen in the same period last year and 16% below pre-pandemic July 2019, while imports came in at 271,086 teu, down 27.9% year on year and 13.5% below the same period in 2019.

Adjusted trade routes, warehouses still stocked with inventories and a shift of consumer spending from goods to services spurred the dip in July, the port said.

Executive director Mario Cordero told Lloyd's List last month that a carrier's decision to divert some services to the adjacent port of Los Angeles was behind port of Long Beach's unusually soft volumes in June.

That in turn translated into a very strong showing for the port of Los Angeles, but combined volumes in the two ports — who together comprise the largest box complex in the US — were still down sequentially, year on year, and compared with 2019 levels.

While the port of Los Angeles has not yet released July figures, executive director Gene Seroka has said July's volumes would be weaker than June's.

That is supported by data from the Marine Exchange of Southern California, which said 41 fewer boxships called in the ports of Los Angeles and Long Beach in July compared with the historical average of 2018-2019. This was due partly to larger ships warranting fewer port calls, but also due to cargo diversions and reduced demand.

Cordero said in a statement that he is confident the port will regain market share but warned of near-term weakness.

"Looking ahead in the near term however, we anticipate a modest 'peak season' for shipping as consumers spend a little less this year on back-to-school supplies and gifts through the holiday season."

West coast dockworkers and their employers reached a tentative labour deal in June, capping 13 months of negotiations and 11 months during which dockworkers were working without a contract.

The uncertainty around the talks and fear of industrial action accelerated a shift of cargo from west coast ports to their peers on the east and Gulf coast.

The agreement, which is being voted on by the union's rank and file this week, is expected to restore confidence in the west coast ports and shift back some volumes lost in the past two years. However, it could take months to assess the agreement's impact, and just how much cargo makes its way back to the west coast remains unclear.

Jess Dankert, vice president of supply chain at the Retail Industry Leaders Association told Lloyd's List that she hasn't seen a material shift of cargo back to the west coast.

She said more volumes would likely move back to the US west coast after the labour deal is ratified, but that it would not amount to a "tidal wave" of cargo.

While cargo shifts to east and Gulf coast ports accelerated during the pandemic years, first because of congestion on the west coast and later because of the labour uncertainty, these shifts having been taking place for over a decade.

But restrictions on using the drought-hit Panama Canal could become a decisive influence on supply chains if the drought and restrictions continue to worsen.

Will China's minor bulk demand remain resilient?

GLOBAL seaborne minor bulk exports have risen 7% in the first seven months of the year versus the same period in 2022, outpacing overall dry bulk growth of 2%, according to BIMCO.

Robust demand from China has been the primary driver, with bauxite, which accounts for 51% of minor bulk exports, leading the growth at 9%, the Denmark-based shipping association said in a note.

Bauxite is refined into alumina, the primary ingredient in aluminium production. It is the only minor ore transported by capesizes, the largest of bulk carriers, thanks to longer sailing distances from source Guinea to end-user China.

Bauxite now accounts for 11% of demand on capesizes.

Due to the Indonesian export ban starting in June, Guinean exports have gradually replaced all Indonesian bauxite exports, with volumes rising 26% year to date, said BIMCO shipping analyst Filipe Gouveia.

China's strong car manufacturing has boosted demand for aluminium.

Other minor bulk commodities are shipped on supramax and handysize bulk carriers.

In the first seven months of this year, seaborne exports of minor ores, excluding bauxite, grew by 4% on year. The gains were driven by higher chrome, nickle, and manganese exports; all used to make stainless steel and batteries.

However, since June, economic indicators in China have pointed towards a slowdown, while in July, minor ore demand drivers began to show weakness. China's manufacturing PMI contracted, car manufacturing fell 14.2% and alumina refining declined 2.1% year on year, according to BIMCO.

"Despite possible short-term setbacks to export growth, minor ore exports are expected to continue growing in the medium to long term," the note said.

"Decarbonisation of the energy sector is gaining momentum and aluminium, copper, and nickel are critical in this process. Since China imports nearly 70% of all minor ore seaborne volumes, short-term prospects will depend on the recovery of the Chinese economy."

IN OTHER NEWS:

Höegh Autoliners posts record Q3 as all sailings now full

HOËGH AUTOLINERS, the Norwegian operator of 40 ro-ro carriers, reported a record financial performance for the second quarter of 2023.

Gross revenue was up by 1% on the previous quarter at $356m and earnings before interest, tax, depreciation and amortisation up 6% at $181m, and net profit after tax up by 13% at $133m.

Panama Canal delays have 'moderate' effect on LNG carrier rates

DELAYS transiting the Panama Canal are expected to have a "moderate" effect on the liquefied natural gas carrier market in the near-term, as most US volumes continue to be shipped to Europe, according to Poten & Partners.

However, a bigger impact can be expected when US volumes start heading to Asia for higher rates, said Jason Feer, head of business intelligence at the US-based research and consultancy.

DP World seeks to boost capacity

DP WORLD expects to add 3m teu of new container handling capacity by the end of 2023, taking its total capacity to over 90m teu globally.

"We are committed to investing in our infrastructure to meet the growing demand for trade," said chief executive Sultan Ahmed bin Sulayem.

Swedish Club returns to profitability

THE Swedish Club has returned to profitability, with a surplus of $16m for the first half of 2023, and a combined ratio of 98%, down from the 102% full-year figure last time around.

Free reserves rose to $166m from $150m at the end of 2022, but still have some way to go before returning to the $197m seen at the of 2021 and the $231m recorded at the end of 2020.

Inadequate crew training led to LPG carrier death, says MAIB

Inadequate training and and a lack of supervision led to the death of a third engineer in an engine room fire on the liquefied petroleum gas/ ethylene carrier *Moritz Schulte* (IMO: 9220794), according to a Marine Accident Investigation Branch report.

The incident took place while the vessel was discharging cargo at the port of Antwerp, Belgium on August 4, 2020.

Maersk vessel caught in drugs haul

MAERSK has become the latest container line to be embroiled in the narcotics smuggling trade after a record haul was found on one of its vessels in Rotterdam.

The Netherlands Public Prosecution Service reported that a container with more than eight tonnes of cocaine, valued at €600m ($765m) was found by customs at the port of Rotterdam. The drugs were discovered hidden in pallets of bananas that had come from Ecuador via Panama.

ClassNK awards AiP to Samsung Heavy Industries' ammonia fuel supply system

ClassNK granted approval in principle to South Korean shipbuilder Samsung Heavy Industries' ammonia fuel supply system for oil tankers and boxships.

The Japanese class society said it reviewed the conceptual design of SHI's system based on its guidelines for ships using alternative fuels, which it developed to minimise the risks of using ammonia as fuel.

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