

Lloyd's List



INSIDE

Chinese leasing


Maersk Etienne

Ask the Analyst

LLOYDSLIST.COM SEPTEMBER / OCTOBER 2020



Crunch time for shipping's green finance credentials

A man wearing a blue t-shirt, safety glasses, and a camouflage baseball cap is focused on working on a large, complex industrial machine. He is holding a tool or component of the machine. The background is a blurred industrial setting with various metal parts and machinery.

At Hyde Marine, the soul of our company is in every ballast water treatment system we make.

Learn more about what Hyde Marine puts into manufacturing the highest quality ballast water treatment systems in the world.

*WITH US, IT'S WHAT'S
INSIDE THAT COUNTS.*

+1.724.218.7001 | www.hydemarine.com

 **Hyde
Marine**[®]

Ballast Water Management Technology

A CALGON CARBON COMPANY



The editor's letter

LINTON NIGHTINGALE

Decisions, decisions...

It's time to choose the people who will feature in our annual Top 100 rankings; is there anyone you would recommend?

Each year, Lloyd's List compiles its listing of the 100 most influential people in shipping. The rankings recognise those that at the forefront of industry thinking, the head honchos making their mark and the individuals shaping shipping today.

The occasion has become a firm fixture on the maritime calendar that celebrates excellence, while going some way to soothing the egos of shipping's hierarchy.

Make no mistake, the 'One Hundred People' series has drawn plenty of attention over the years, with several eye-catching — or some might say 'controversial' — inclusions.

The Lloyd's List inbox is also prone to receiving the odd disgruntled shipowner demanding an explanation for his or her listing downgrade post-publication.

However, Lloyd's List has always endeavoured to ensure ranking positions and entries are backed up with compelling arguments and justification — even if a 'disgruntled shipowner' may disagree.

With the deadline for 'One Hundred People 2020' fast approaching, the Lloyd's List editorial team is currently busy compiling and comparing notes; reflecting on the year that was; pinpointing shipping's main protagonists; and making a case for who will be setting the agenda heading into 2021.

Last year, Xu Lirong and Li Jianhong — the respective chairs of China Cosco Shipping Corp and China Merchants Group

— claimed top spot, in recognition of how the success of the two companies has been intertwined with the rise of China to an economic and maritime powerhouse over the past four decades.

So, who to elect this year?

It has, of course, been a year like no other, against the backdrop of the coronavirus pandemic — which will no doubt have a notable impact on the 2020 rankings.

Unsung heroes

As such, we will be looking to recognise those who have gone above and beyond the call of duty, and the unsung heroes that have steered shipping on a steady course through this period of untold upheaval.

The 2020 rankings, as well as our regular sector top 10s, will be revealed in December. However, we are also looking to our readers for input.

So if someone comes to mind that may have escaped our attention, or you think of an individual who you feel simply cannot be ignored in this year's list, please don't hesitate to send recommendations to me at: linton.nightingale@informa.com

Finally, make sure to sign up for the forthcoming Lloyd's List Digital Forums, including our Asia Pacific Outlook Forum (October 15) and Posidonia Forum (October 26), offering a unique mix of live event engagement with leading industry thinkers and influencers.

Registration and further details can be found online.

Contents

COMMENT

- 4 Maersk Etienne must not be the end
- 6 Stop arguments against transparency

COVER STORY

- 9 Crunch time for green ship finance
Credentials come under the spotlight

SHIP FINANCE

- 14 Chinese leasing houses weigh options
Lessors slow expansion in volatile market
- 18 Ship finance converging with aviation?
Parallels and differences with the airline sector
- 20 Supporting a global change
Baltic Exchange helps decarbonisation move
- 24 LMA to launch ship finance certificate
Online course aimed at wide group

ANALYSIS

- 28 Economic outlook
Signs of normality return to Chinese trade
- 30 Shipbuilding outlook
Crude tanker fleet growth to accelerate
- 32 The month in charts
Floating storage faces 'second wave'
- 34 Ask the Analyst
Data is crucial in crisis response

MARKETS

- 40 Dry bulk: Australia-China tensions
- 42 Tankers: Coronavirus resurgence
- 46 Containers: World fleet update
- 48 Containers: Volumes
- 50 Containers: Analysis
- 52 Containers: Opinion

REGULARS

- 54 Yard Talk: Why China is looking to China
- 56 Last Word: Social and political tolerance



JANET PORTER
Editorial board chair

Maersk Etienne conclusion must not be end of the story

Shipping remains on the front line of the migrant crisis; the maritime community cannot afford to let political apathy set in



No seafarer would ever want to ignore pleas for help, but unless the rules are changed, that may happen. The Maersk Etienne affair exposed serious gaps in the law, with no instruction about what should happen once migrants or anyone else in difficulty at sea are safely rescued



The migrants picked up by *Maersk Etienne* in early August are now safely ashore and the crew are due to disembark for some well-deserved rest and relaxation.

However, after the brief explosion of interest in the drama that forced officials to finally act, politicians are likely turning back to the other pressing issues dominating the news cycle, such as the pandemic response, looming recessions, rising unemployment, racial tensions and the environment.

However, migration remains high up the agenda, with the plight of those without shelter after a fire destroyed the refugees' camp on Lesbos also capturing world attention.

So why worry about the few who were lucky enough to be picked up by a tanker and had to wait five weeks before being allowed to disembark?

They had food and water and were safe — if somewhat uncomfortable — at night in makeshift sleeping quarters.

Surely there are more important things for the political classes to be concerned about than a few North African asylum seekers and the 21-strong crew of a small product carrier?

The maritime community must not let that line of thought become entrenched.

Keep up the pressure

With the episode still fresh in the minds of the authorities, industry leaders must keep up the pressure for some clear guidelines that will ensure ships and seafarers do not become political hostages as governments argue about who should take responsibility for those who have been rescued.

Otherwise, less responsible shipowners may just ignore calls for help rather than risk a repeat of the *Maersk Etienne* affair.

To recap, *Maersk Etienne* is owned by a company that is part of one of the world's biggest shipping portfolios, which in turn is controlled by the influential and highly regarded Maersk Mc-Kinney Moller family.

The ship is registered in Denmark, a respected flag state. Yet even with the support of its parent companies and a

significant diplomatic push by the Danish government, *Maersk Etienne* remained stranded off Malta for more than a month.

So little wonder if other, less well-connected shipowners, decide to take evasive action rather than go to the rescue of those in danger, even if lives could be lost as a result.

No seafarer would ever want to ignore pleas for help, but unless the rules are changed, that may happen.

The *Maersk Etienne* affair exposed serious gaps in the law, with no instruction about what should happen once migrants or anyone else in difficulty at sea are safely rescued.

Yet it would take years to amend relevant international law, as set out in the United Nations Convention on the Law of the Sea, and the International Convention for the Safety of Life at Sea.

So a more immediate solution needs to be found — at least to cover the Mediterranean.

There are no easy answers, otherwise the *Maersk Etienne* ordeal would never have happened.

Nevertheless, the politicians must not be let off the hook now that the 38-day stand-off is over.

The International Maritime Organization, International Chamber of Shipping, flag states, individual shipowners, operators and managers, crewing agents, charterers, shippers, marine insurers, P&I clubs, nautical unions and every other stakeholder should come together to ensure the issue of migrant rescues at sea remains in focus.

Some form of legally binding process needs to be established that will provide reinsurance for every shipowner and seafarer. This is a matter that the international community must resolve — and quickly.

A rescue at sea is a dangerous and tricky exercise. Those who are prepared to risk their own lives to save others should get the recognition they deserve, not be ignored and quietly forgotten once the spotlight is switched off.

The *Maersk Etienne* crew went well beyond the line of duty. Now it is the turn of the politicians to step up and do their part.

ORCHESTRATE YOUR SUPPLY CHAIN WITH THE BEST FROM PSA AND GeTS

LEVERAGE PSA'S NETWORK OF MORE THAN 40 TERMINALS IN 16 COUNTRIES
BENEFIT FROM GeTS' CONNECTION TO 26 CUSTOMS NODES GLOBALLY
JOIN OUR COMMUNITY OF MORE THAN 4,000 FREIGHT FORWARDERS

CREATE A NEW HARMONY WITH US TODAY.

PORT+
CARGO SOLUTIONS POWERED BY PSA
CREATING CONNECTIONS WITH PURPOSE
AND POSSIBILITIES

ADVANCED TRANSHIPMENT MANAGEMENT

ACCESS THE INTERNATIONAL LAND-SEA TRADE CORRIDOR

SUPERIOR COLD CHAIN INTEGRITY

THE INTERNET OF LOGISTICS

AN ECOSYSTEM OF CONNECTED
AND INTEROPERABLE LOGISTICS
NODES ACROSS THE PHYSICAL,
REGULATORY AND FINANCIAL
DIMENSIONS, ENABLING SMARTER
AND MORE VISIBLE CARGO FLOW

PING ALERTS ON PORT EVENTS

SEAMLESS AIR-SEA CONNECTIVITY

CALISTA™
OPEN PLATFORM POWERED BY GeTS
GENERATING SMARTER, SAFER AND
SMOOTHER GLOBAL TRADE

EFFORTLESS CUSTOMS CLEARANCE ACROSS BORDERS



WWW.GLOBALPSA.COM

GeTS



HTTPS://GLOBALETRADE.SERVICES/

Shipping has got to see through arguments against transparency

Now that data analytics allows vessel movements to be traced in a manner that can frequently expose wrongdoing, why keep the names of the miscreants secret?

Set up a string of brass-plate companies with silly names in any number of less than tightly regulated jurisdictions and it is still possible to operate a major fleet while keeping ownership details hush-hush.

It is known as 'the corporate veil,' and remains the comfort zone default modus operandi of any number of big-name operators.

Yet gratuitous anonymity is not granted to myriad spotty teenagers registering their first mopeds or to the general public if it fails to pass the smell test.

It screams of a disreputable desire to shrug off liability for pollution, evade taxes, bust sanctions with impunity, ignore labour standards and deposit thousands of tonnes of ammonium nitrate in warehouses in Beirut — and then run away.

At a time when the industry is urging governments to act with alacrity on the crew change crisis and take responsibility for migrants rescued at sea, and is increasingly getting dragged into foreign policy bust-ups against its will, it no longer washes.

The good news is that in the era of Big Data, it is harder and harder to get away with malpractice.

Mid-September, for instance saw the launch of the International Union of Marine Insurance's major claims database, which will hopefully prove a key pricing tool for underwriters.

More broadly, data analytics of the kind offered by Lloyd's List Intelligence and other platforms allows vessel movements to be traced in a manner that can frequently expose wrongdoing.

Most top-tier shipping companies are now exemplary corporate citizens, committed to the goals 21st century civil society expects from the private sector.

They pull their weight on environmental issues, run corporate social responsibility programmes and are duly committed to diversity.

And, while they are not paying more tax than they absolutely have to, they are not paying any less, either.

The majority are in the middle. Small-c conservative family owners may still be bemused by what doughty founding generations would doubtless have regarded as woke virtue-signalling of the most effete order.

Moving in the right direction

Yet chivvied by example, a promising proportion are moving in the right direction, motivated in some cases by a commendable desire to do the right thing.

Others are feeling the tightening noose of regulatory and financial control that restricts financing to those prepared to make the right decisions — or, in more extreme circumstances, threatens sufficiently sturdy sanctions to aid the right calls.

At the very bottom, alas, we remain saddled with an intractable minority of irredeemable ne'er-do-wells.

Shipping's hole-in-the-corner merchants are free-riders on the good guys, and it is in the common interest that they be subject to growing scrutiny.

The more anybody insists that the industry should be exempt from transparency, the easier it should be to see through that claim.



Shipping's hole-in-the-corner merchants are free-riders on the good guys, and it is in the common interest that they be subject to growing scrutiny





GRIMALDI GROUP

World Leader

in RoRo transport




GRIMALDI GROUP

Via Marchese Campodisola, 13
80133 Naples - ITALY

Phn +39 081 496 111

Fax +39 081 551 74 01

switchboard@grimaldi.napoli.it

www.grimaldi.napoli.it

Ship finance



A special report

Shipping's biggest lenders are due to open up portfolios to disclose their decarbonisation trajectories, while criteria for green shipping bonds will soon emerge, **Anastassios Adamopoulos** reports

Since the inception of its global decarbonisation strategy in April 2018, shipping has been trying to connect the dots: how can vessels get from where they are today to at least halving and even fully eliminating emissions by 2050?

The mobilisation of some of the industry's biggest players, a willingness to collaborate and share, and birth of several voluntary groups feeding into the network has offered hope that the exercise is not just conceptual.

Arguably no initiative has taken off faster than the Poseidon Principles, the shipping financiers' response to the call to action.

Launched in 2019, the initiative today consists of 18 lending institutions with a shipping portfolio of around \$150bn who have committed to align their lending policies with climate considerations.

The initiative will see these signatories assess the alignment of the emissions performance of their existing shipping portfolios with specific decarbonisation trajectories set out for each vessel in terms of type and size, in line with meeting the IMO's 2050 target of reducing emissions by at least 50% compared to 2008.

To do that, banks will rely on emissions data submitted to them by shipowners, who will already need to have that information under the IMO's Data Collection System, which has gone through its first reporting year in 2020.

The Poseidon Principles initiative has received much attention and plaudits for its pioneering approach to sustainable finance, but the next few months will lay bare the work that needs to be done.

By the end of November, the individual members' alignment trajectories as of 2019 will be announced, giving the first holistic view of where a considerable chunk of the global shipping fleet stands and how some of the most important lenders are performing emissions-wise.

Michael Parker, chair of the Poseidon Principles steering committee and of Citi's global shipping and logistics



Arguably no initiative has taken off faster than the Poseidon Principles.

Crunch time for shipping's green finance credentials

division, is confident that in the first year, reporting levels by shipping companies will be high.

Shipowners have responded positively to being asked to hand over their data and Mr Parker said he has seen very few cases of resistance thus far.

The Poseidon Principles do not actually impose any new emissions covenants on the companies holding and taking out the loans but do include a covenant on the submission of the relevant information in accordance with the IMO DCS data.

Mr Parker believes the Poseidon Principles offer lenders another factor by which to assess the quality of shipping, as opposed to what banks have traditionally tended to do, which is to use the vessel's age.

"So, quality of shipping and how it is operated will enable charterers and lenders to extend the life of the quality part of the existing fleet," he said.

That would also prevent this "perfectly good tonnage" from being scrapped and more unnecessary tonnage being built using old technology, Mr Parker added.

As the Poseidon Principles establish a clear avenue for lenders to contribute both to global decarbonisation commitments and to the necessary corporate

endeavours, efforts to tap funds from elsewhere are under way.

The pathway there is less certain but could also give greater opportunities to companies to chart their own course.

Grass is always greener on shore

The global green bond market has gone from effectively being non-existent to several hundred billion dollars' worth in the span of less than 15 years.

In 2007, there were \$800m in green bonds issued across the world. By 2019, that volume had soared to \$265.2bn, according to data from the Climate Bond Initiative, an international not-for-profit organisation seeking to help develop the green bond market.

Yet shipping has been overwhelmingly absent from this arena, minus a few notable exceptions.

These include Japanese majors MOL and NYK, who have issued green bonds where the proceeds were earmarked for several activities, such as financing and refinancing LNG-fuelled ships and LNG bunkering vessels, as well as shipowner and ballast water management installations.

In 2019, Teekay Shuttle Tankers sought to raise an initial \$150m, potentially

reaching \$200m, through a green bond to help finance four fuel-efficient newbuilding tankers. It raked in only \$125m, prompting a discussion over whether investors rated its green claims.

CBI shipping analyst Lionel Mok described the green bond market as “nascent but full of opportunities”.

“The shipping industry is now recognising the need to transition,” he told Lloyd’s List.

Watson Farley Williams global co-head of maritime Lindsey Keeble observed there is a vast amount of money that is looking for a home seeking to tick a “green box”.

“It is probably a missed opportunity if you aren’t looking at those markets and speaking to the people that are providing those products to make sure you are taking a slice of that pie,” she said of shipping companies.

Others are less encouraged by the market’s prospects and point to chronic shortcomings.

Peter Shaerf, managing director of investment advisory firm AMA Capital, said shipping is simply not an attractive investment vehicle — something that also hampers its potential to grow in the green bond market, where investors would first look at other sectors.

“I am not optimistic about green shipping and financing green shipping in the public markets at this time because I think what you have got is a very fundamentally weak market,” he said.

Shipping stocks — particularly in the US-market — have suffered since the 2008 financial crisis, largely failing to generate the same confidence from investors.

What shipping’s minimal green bond activity has highlighted, though, is the significance of the term “green”, what does or does not qualify for it — and how different marketplaces can deviate from each other in this regard.

“It is probably a missed opportunity if you aren’t looking at those markets and speaking to the people that are providing those products to make sure you are taking a slice of that pie

Lindsey Keeble
Global co-head of maritime
Watson Farley Williams



“I think one has to recognise that the hard-to-abate sectors, like shipping, have this transition period. We won’t get to zero overnight”

Michael Parker
Chair

Poseidon Principles steering committee and Citi’s global shipping and logistics division

Similar to growing environmental, social and governance investor agendas, green bonds have no single definitive parameters. Some believe that demonstrating an advancement on the performance is the essential driver.

“If you can evidence that your technology is an improvement on what went before, that is the key. It is all incremental steps to get to the end goal,” Ms Keeble said.

The CBI hopes to stimulate this transition in shipping by rolling out a set of criteria later this year dictating whether a financing instrument, mainly a bond, could be certified as green — a label that should secure it better pricing and even new investors.

The criteria, which has been through a consultation period and has been developed with the support of the industry, excludes dedicated fossil fuel-carrying vessels, such as LNG tankers and crude carriers, from securing the green bond labels. However, LNG-fuelled ships are not excluded.

A green bond issuer would need to show the expected carbon-equivalent intensity of the ship for which it wants financing is aligned with the

decarbonisation trajectory — known as the emissions intensity threshold — of the ship’s type and size category over the lifetime of the bond and will reach net zero emissions by 2050.

Issuers would also need to produce a management plan for how they intend to keep a ship that is not net zero emissions below this threshold.

“What our product is aiming to solve is to give investors the confidence that they are investing in a bond that is aligned with the Paris Agreement,” Mr Mok explained.

Much like the deployment of autonomous technology or budding decarbonisation technologies, initial adoption of CBI certification may come from regional projects in Europe or other developed countries for a shortsea-type vessel.

“I think adoption will happen when there is proof of concept,” Mr Mok said.

WFW partner George Macheras also expects that the green bond market will evolve in a similar fashion, with one deal following another.

“The shipping market likes to test the waters when it comes to such innovations. It takes one to kickstart the trend,” he said.

Mr Parker believes that once the CBI criteria is clearly laid out, demand for these bonds and loans will accelerate.

He expects a lot of the bond issuances over the next decade will be about sustainability, effectively around the transition and the reduction of emissions.

“I think one has to recognise that the hard-to-abate sectors, like shipping, have this transition period. We won’t get to zero overnight,” he said.

However, on standardisation of the criteria, there is a concern too many restrictions may impede an opportunity for valuable progress.

WFW partner Simon Ovenden said it can be dangerous if regulators make guidelines for bonds too prescriptive.





With RINA certification it's all plain sailing
Biosafe Ship & Biosafety Trust Certification. Innovative
solutions to prevent and control the spread of infections.

Make it sure, make it simple.

rina.org

“To my mind, I would not want anybody to get so tangled up in regulation that it ultimately confuses everybody about what they are trying to achieve,” he said.

Criteria standardisation could be a crucial enabler for this market — but how much of a stimulator can it be for a market that is not at the higher end of the investing target?

Such uniformity in the criteria would help and encourage investors, but only to a select few whose capital allocation strategy is specially tied to green projects, according to Mr Shaerf.

“But the broader investor base in the shipping field does not care,” he said.

Ultimately, the fundamentals of the shipping market for capital market investors will need to change for it to be successful in this regard.

For others, the burgeoning momentum means activity should pick up, even if that does not translate to a flurry of issuances in the short term.

Mr Macheras expects that over the next three years, people will explore the concept more and try to get in a position where they can issue a green bond successfully.

“Whether we will actually have a significant number of green bonds concluded within the next three years... that is probably a little bit optimistic at the moment,” he said.

Transparency, reporting and the long game

What the attempts to develop the green bond market and the Poseidon Principles signify, however, is perhaps something else, besides access to fresh money and decarbonisation empowerment; it is the escalating significance and expectation of enhanced reporting and transparency.

From mandatory emissions data collection to voluntary disclosures and from vessel management plans to long-term corporate strategies, shipping is getting



Whether we will actually have a significant number of green bonds concluded within the next three years ... that is probably a little bit optimistic at the moment



George Macheras
Partner
Watson Farley Williams



“*I am not optimistic about green shipping and financing green shipping in the public markets at this time because I think what you have got is a very fundamentally weak market*”

Peter Shaerf
Managing director
AMA Capital

acclimated with a culture that transcends decarbonisation purposes and reflects a wider ESG agenda in the public markets.

The certification criteria on which the CBI is working is one practical manifestation of how more transparency is not only necessary for a company to access the market, with the vessel emissions reduction plan, but will also benefit as the criteria adoption spreads.

“It’s like a chicken and egg. Because we don’t have the certification, there is not yet this need to report it,” Mr Mok said.

A 2020 ranking by the ESG risk analysis firm Governance Group of the 100 biggest Oslo Stock Exchange companies, based on their level of reporting around ESG goals, strategies, risks and opportunities, showed shipowners are doing relatively well compared to other industries, but could be doing better.

BW Offshore and Hoegh LNG Holdings secured a B mark, denoting good reporting, while other big names like Frontline, BW LPG and Wallenius Wilhelmsen all got a C, marking “solid reporting based on a recognised standard”.

Meanwhile, Ocean Yield and Fjord1



both got a D, which marks “straightforward reporting on some issues but lacks a systematic approach or a verifiable use of recognised reporting standards”.

The Governance Group founder and partner Joachim Nahem believes that shipping actually has a comparative advantage when it comes to ESG reporting.

“Shipping companies are very good and used to technical data, classification, getting management systems for dealing with all these numbers and technical requirements. If they apply that same discipline to ESG, it is going to do really well as an industry,” he said during a Marine Money event earlier in September.

In the broader picture, there is also hope that reporting shipping’s emissions and the subsequent improvements that it will make will underpin what it repeatedly touts but often seems to fall on deaf ears: the importance of shipping in powering global trade and its standing as the most environmentally efficient mode of transport.

Political points aside, this should benefit this business in the eyes of environmentally conscious investors that may have avoided it on account of its still unfavourable reputation.

As other companies in the supply chain become more transparent on their emissions footprints with additional reporting requirements of their own, shipping’s facilitating role should further shine.

“It is about the cargo, it is about the emissions created by someone buying something from somewhere and that being manufactured and transported. The shipping company is not responsible for the underlying commercial reason the cargo gets transported,” Mr Parker said.

Whether investors will reward shipping companies on account of their increased openness, it is too early to tell. One should assume, though, it is the minimum they must do if they want a shot at it.

Navigating Waves and the Web



Evergreen Line's smart online tools give you command of streamlined global shipping like never before. From cargo tracking and electronic transfer of documentation to instant quotes and booking of secured space, our all-in-one service is your answer to navigating the complex channels of global trade.

Smarter & Easier



Dedicated to Enriching Your Life
EVERGREEN LINE
www.evergreen-line.com



FS11/Shutterstock.com

Anaemic growth is due to a combination of causes: slack market demand, the coronavirus disruptions and a higher dose of circumspection.

Chinese leasing houses weigh options amid uncertain outlook

Leasing houses in China are alert to the growing uncertainties in shipping, but they are careful not to let caution lead to any suggestion of a retreat, or that the lessor is just a fair-weather friend for its borrowers, **Cichen Shen reports**

Jack Xu, deputy head of shipping at CMB Financial Leasing, said his company is cautious about the impact from the ongoing viral pandemic, worsening Sino-US relationship and burgeoning anti-globalisation trend.

Yet he was also careful not to let such caution lead to any suggestion of a retreat — or that the lessor is just a fair-weather friend for its shipping borrowers.

“We did conclude new deals this year, including dry bulkers, tankers, containerships and also some gas carriers,” Mr Xu told the Capital Link forum in September.

“What we have done is to try to keep our commitment to the industry to stay with our clients, to go through this tough time.”

Striking such a delicate balance is, perhaps, a big task for all major leasing houses from China — an indispensable force in today’s ship finance arena —

facing an increasingly murky outlook in shipping.

Part of the options being weighed by the Chinese shipping lessors is reflected in their drawdown, which refers to the accessed part of a credit line extended to their borrowers.

That portion of lending expanded by 25% from 2018 to \$15.8bn in 2019, according to data compiled by Smarine Advisors, an expert in facilitating vessel leasing deals.

However, there was year-on-year flat growth for the first half of 2020, Lloyd’s List understands.

Mr Xu said his division’s drawdown had also palpably slowed during the six months.

Behind that anaemic growth is a combination of causes: slack market demand, the coronavirus disruptions and the higher dose of circumspection taken by the lessors.

Think Global. Act Local.

“Thanks to the support of the major ship owners over the last two decades, GMS has rapidly grown from a startup to become the Largest Buyer of Ships and Offshore Vessels in the world! We built this business on integrity, professionalism and first class performance. In an industry mired with misleading and biased information, GMS has done its best to bring transparency, facilitate dialogue, promote change and encourage responsible ship recycling. We are proud to be part of an industry that has evolved and adds true value to the shipping fraternity. We appreciate the trust the industry has placed in us and shall continue to provide strong leadership and work hard for the development of the industry.”



- Dr. Anil Sharma
Founder & CEO

Download the App



 snp@gmsinc.net

 +971 4 4230720

 www.gmsinc.net

 [GMS_Leadership](https://twitter.com/GMS_Leadership)

 [GMS Inc.](https://www.facebook.com/GMS.Inc.)

 [GMS,Inc.](https://www.linkedin.com/company/gmsinc)

**Athens | Bhavnagar | Cumberland | Dubai | Hamburg
New York | Seoul | Shanghai | Singapore | Tokyo**

They primarily lend via newbuilding projects, where funds are normally allocated in parallel with the shipbuilding instalments spanning about two years, and via sale and leaseback transactions for existing fleet, in which sellers often receive the payments en bloc.

The ordering appetite for fresh tonnage has been dulled for several years amid uncertainties about future marine fuels.

Now the coronavirus backdrop has made it more difficult for vessel delivery, upon which a newbuilding owner usually draws the last but also the largest tranche of his borrowing.

“Sometimes it is because the pandemic-hit yards lack the required workforce to complete the vessels on schedule,” said another shipping executive from a major leasing house.

“Sometimes it’s the owners who wants to push back the handover, owing to poor market conditions.”

In some rare cases, the lessors had to halt the credit line when their clients’ liquidity dropped below the level stipulated in the covenants, he told Lloyd’s List.

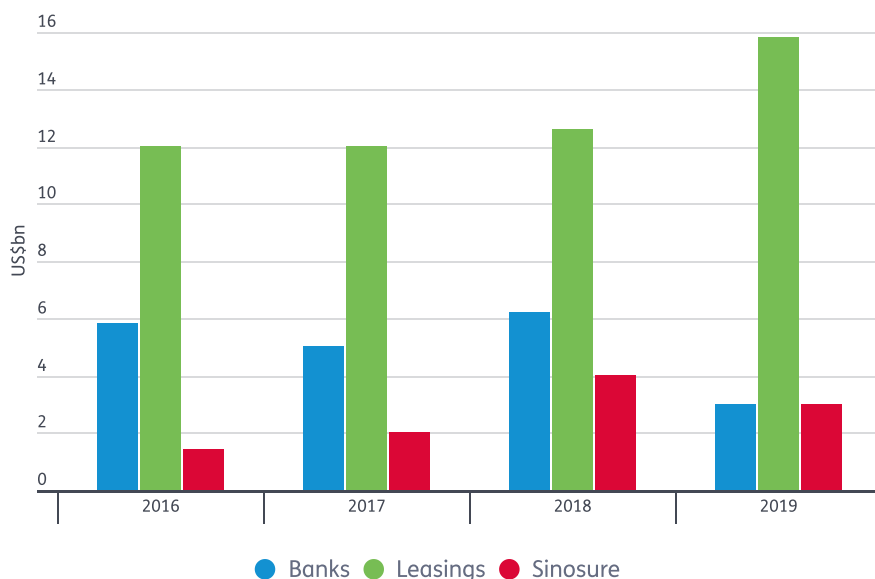
On the other hand, the leaseback deals are now subject to more stringent screening amid heightened market volatility and concerns about insufficient project cashflows, according to Bocomm Financial Leasing head of shipping Fang Xiuzhi.

“Risk control is getting stricter than before,” he said.

The extra caution exercised was showcased recently, when Chinese acrylic acid producer Zhejiang Satellite Petrochemical was seeking to sell and lease back six very large ethane carriers linked to US imports.

Chinese ship finance (2016-2019)

Ship finance from China kept steady growth in 2019



Source: Smarine Advisors

“The coronavirus backdrop has made it more difficult for vessel delivery, upon which a newbuilding owner usually draws the last but also the largest tranche of his borrowing”

At least two large Chinese leasing lenders were approached yet turned down the offer, Lloyd’s List has learnt.

“Satellite Petrochemical is not deemed as a top-tier charter because it is privately run and a newcomer to shipping,” said one person familiar with the matter.

“Also, the vessels will be used to import cargo from the US to China, which the lessors think contains high risks, given the current Sino-US relations.”

As a “natural response to uncertainties”, the leasing companies now preferred counterparties with a strong balance sheet and liquid assets, said Smarine director James Chen.

Yet at the same time, the quantitative easing policy prevailing in the developed economies has brought some western banks back to the shipping table with abundant funds in hand.

“The Chinese lessors are aware of the competition. They will achieve a balance between how to remain competitive and how to manage the risks,” Mr Chen said.

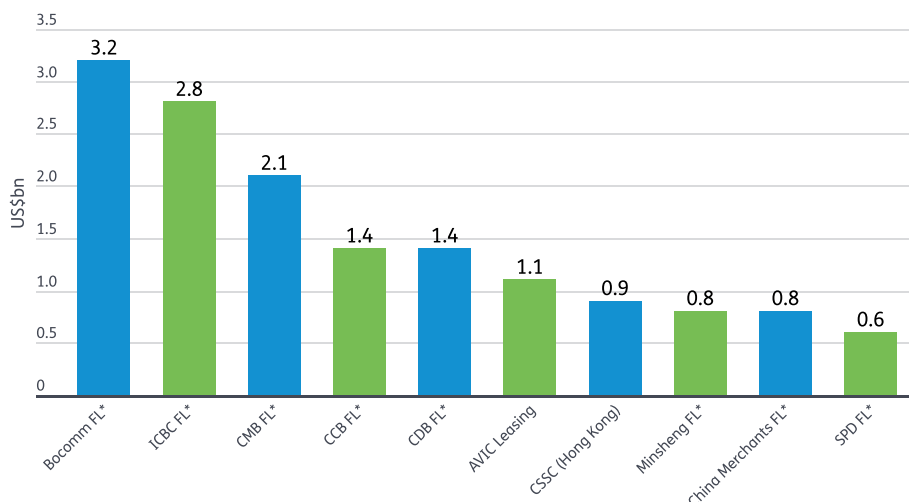
Maintaining that competitiveness sometimes requires bold innovations.

Bocomm Leasing recently made the headlines with a \$650m contract signed with Shell for a dozen dual-fuel long range two tankers.

What makes the deal stand out is not just its environmental feature, but also an attached time charter agreement – rather than the traditional way of a bareboat charter – with the vessel user.

The lessor said it proved capability to offer a tailor-made, packaged solution to its commodity and transport clients.

Top 10 Chinese lessors in 2019



* FL - Financial Leasing

Source: Smarine Advisors

In fact, the deal has also further developed the lessor's attributes as a shipowner, despite the tremendous extra efforts it must spend on commercial operations and shipmanagement.

"Chinese lessors have done time charters for dry bulkers and containerships before, but this is the first tanker case I've ever seen in the market," said the previous leasing executive.

It was more complicated to operate and manage tankers for safety reasons, such as oil spill risks, the executive explained.

"But ship lessors definitely see the time charter between them and cargo interests as a trend. They are now more active in doing that – at least in the other two segments," he said.

Like his colleague at CMB Leasing, Mr Fang at Bocomm Leasing is also a master of balanced speech.

He told the Capital Link audience the challenge for his company now was to find enough good projects.

Yet he then quickly turned to optimism. Vessel supply was reined in while asset price was kept low, he pointed out.

"It is still a good time for us develop our portfolio," said Mr Fang.



Bocomm Leasing recently made the headlines with a \$650m contract signed with Shell.

Studio/Getty Images



All-time excellence
Ecological protection
Refined technology

YANG MING
陽明海運股份有限公司
www.yangming.com

陽明海運承載您每一天的美好
Yang Ming delivers GOOD for life

Rise of leasing could see ship finance converge with aviation

Shipping has increasingly turned to leasing since the global financial crisis, emulating techniques pioneered by aviation; but while there are clear parallels, there are big differences too, **David Osler** reports



Leasing means aviation is typically thinly capitalised.

Aviation has long been shipping's more glamorous cousin in the international transport sector, with an infinitely higher public profile and the political clout to match.

It has also been financed by very different means, with leasing long established as the most common method for airlines to get their hands on Airbus and Boeing.

Likewise, the rise of ship leasing in the wake of the global financial crisis, with Asian institutions leading the field, is already transforming the way owners obtain new boxships and bulkers.

While specific differences remain, the two financial models do now appear to be converging — and could move closer still in the coming period, according to two lawyers with specialisms in ship leasing and aircraft leasing, respectively.

Watson Farley & Williams maritime partner David Osborne and global aviation sector co-head Jim Bell spoke to Lloyd's List on some of the parallels and some of the differences.

Mr Osborne pointed out that ship leasing is nothing new. It was already on the scene, even in the era when straight debt financing was the most common method of paying for new tonnage.

A limited number of players were ready to offer off balance sheet structures to shipping companies. However, this was generally done for specific reasons, usually for tax advantages that have now disappeared.

Yet since the financial crisis of 2008, ship leasing has come into its own, taking up

some of the slack left by withdrawal of the banks from plain vanilla mortgage products.

At this point, it is worth distinguishing between ship leasing proper and the practice of bareboat chartering, sometimes painted as essentially a form of hire purchase for ships.

Bareboat chartering is the practice of one shipping company chartering to another shipping company, handing over control and possession — as well as legal and financial responsibility — for the duration of the agreement. It is 'old school' these days, but still exists.

In ship leasing proper, by contrast, it is a financial institution rather than a shipowner that acts as the lessor.

"I do not see the two as being directly linked," said Mr Osborne.

"What you might call commercial bareboat chartering has always been much less common than timechartering, and is not nearly as significant as leasing involving a financial institution.

"There is no bespoke template and the market is slightly all over the place in terms of documentation. The terms can vary quite widely between different leasing companies, with different business models, who do things in a different way."

Another distinction is that between financial lease agreements, in which the ownership of the asset is transferred to or purchased by the lessee at the end of the lease term; and operating lease agreements, in which the ownership of the property is retained during and after the lease term by the lessor.

Operating leasing has always been the

most common technique for aviation, but has not taken off for ships. The Chinese leasing boom has concentrated heavily on financial leasing.

The salient variable is the residual value of ships, which are more volatile than the residual value of aircraft. In shipping, lessors are reticent to take on residual value risk, even though residual value insurance is available.

"Some parts of the shipping industry quite like asset play and do not want the upside potential taken away as it would be by pure operating leasing. Chinese banks like being owners; they like having title," Mr Osborne added.

Aviation specialist Mr Bell pointed out that many Chinese banks have long been active in aviation leasing, on an operating lease basis. The apparent contradiction is resolved by the realisation that aviation assets are far more homogenous.

"If I repossess an A320 from one airline, I can readily lease it to other airlines. It will have its livery repainted and perhaps some changes to the seating configuration, but nothing else really changes.

"In the shipping market, assets tend to be a lot more bespoke — and if you have a bespoke asset, it is hard to find new leasing opportunities."

This is especially true with so-called narrowbody aircraft such as the Airbus A320 and the Boeing 737, which are easier to place because more airlines use them.

The model was pioneered in the 1970s by Guinness Peat Aviation, an early career venture of Tony Ryan, today the billionaire owner of low-cost carrier Ryanair.

Its centrality to both aircraft manufacturers and airlines themselves made it a big-name company in the 1980s, recruiting a number of big-name British and Irish politicians to its board. Its collapse in 1992, with debts of \$10bn to its account, generated massive publicity.

Yet despite GPA's ultimate crash landing, it transformed modern aviation finance and has been widely emulated.

Nowadays, around 50% of the world's airline fleet are on operating leases, in a market dominated by some 150 operating lessors. The top six in the niche all have 700 or more aircraft to their name.

If you have ever wondered why airlines like Monarch, Flybe and FlyBMI arrive on the scene offering rock-bottom prices, make a profit for a while, then go under and leave thousands of holidaymakers stranded in the Mediterranean, this is a big part of the reason.

Leasing means aviation is typically thinly capitalised and, when things do go wrong, operating lessors can simply repossess the aircraft and farm them out to somebody else.

Flag carriers, by contrast, tend to buy aircraft on the back of capital market

funding, which family-owned shipping companies are reticent to adopt.

The upshot is that aviation finance has not seen the same sort of dire straits as shipping since the global financial crisis. While the coronavirus pandemic has hit aviation for six, participants are expecting a rapid rebound.

"In the coronavirus crisis, there are some similarities with the 2012 shipping market, with an oversupply of assets to current requirements," said Mr Bell.

"However, while there might be an oversupply immediately, people expect that to be rectified in the next two to four years, and there are strong long-term growth forecasts for passenger travel.

"There will be problems for some aircraft lessors where lessees have gone insolvent and there is little or no market left for certain aircraft types, which may result in some assets being stored until they are viable again."

Mr Osborne's expectation is that ship leasing will more standardised and converge with aviation over time, but that is going to be a gradual process. Meanwhile, the aviation market could bifurcate into finance and operating lessors.

"Without looking into a crystal ball, you can see that shipping might move closer to an aviation model, with more transparency; and with less concern to play the market and more concern for certainty and predictability," he noted.

One factor at work is the adoption by some flag states of measures mimicking some of the desirable traits of the Cape Town Convention on International Interests in Mobile Equipment 2001, which applies to aircraft, rolling stock, space assets and mining and construction equipment, but not shipping.

"If you end up in a Chapter XI situation, it can take you a while to get shipping assets back," said Mr Bell.

"But in aviation, the Cape Town Convention has dealt with that, as the automatic stay for aircraft assets is limited to just 60 days."

Flags — in particular the Marshall Islands and Liberia — have developed a form of security interest through a registered mortgage, deemed to be granted by lessee in favour of lessor, with very much an eye to leasing interests.

These provisions await a major test in the courts, however.

Leading with integrity

- Ship Management
- Crew Management
- Technical Services
- Offshore
- Education
- Training

 **ANGLO-EASTERN**

www.angloeastern.com



Marci Paravia/Shutterstock.com

Carbon is still talked about at a global, national and sectoral level, but there is limited discussion of the impacts of individual organisations.

Supporting a global change

Financial tools can support the shipping industry’s decarbonisation challenge and the Baltic Exchange does more than just benchmark the spot markets, chief executive **Mark Jackson** reports

With the current global merchant fleet mainly still powered by oil and running on relatively old technology, the challenge of decarbonising the shipping industry remains unsolved.

Yes, there are countless initiatives – but so far, the development of a zero-carbon fuel at the scale necessary to keep the 80,000 strong trading fleet moving is still over the horizon.

To date, important incremental measures including changes to operational practices such as just-in-time arrivals in port; technological innovations in the engine room and in the water, in the form of new hull coatings; not to mention new fuel types such as liquefied natural gas, ammonia and hydrogen have helped shipowners reduce their environmental footprint.

Yet the goal of carbon-free shipping is still a long way from realisation.

Given that the average vessel lifespan is around 20 years, we only have 1.5 fleet generations before 2050, the date that the International Maritime Organization has set for shipping to have decarbonised by at least 50%.

Time is not on our side.

For the maritime sector, which has high-value, long-lived assets, it seems likely that a significant portion of this asset base will remain carbon-intensive into 2050 and beyond.

Unless there is a significant increase in the development and commercialisation of low-carbon and carbon-neutral technologies, as well as a commensurate reduction in vessel lifespan or the costs of refitting, this asset base will be exposed to significant carbon risk – most visibly in the form of stranded assets.

The scale of the challenge should not be underestimated. To hit the IMO 2050 goal, it is estimated that \$1trn-\$1.4trn of investment will be needed between 2030 and 2050; that’s \$60bn-\$70bn every year for 20 years.

Effectively, funding is required for an entire new industry devoted to maritime decarbonisation.

The Baltic Exchange believes that risk management and mitigation tools in the form of carbon markets, taxation and offsetting schemes will be essential, both to meet the targets and to enable shipping companies to continue to operate and service global trade.

Getting ahead can be easy



There's a solution for every challenge

Whether it is global shipping, logistics or marine service needs, we adapt swiftly to any changes in your requirements over land, sea and air. Move into the fast lane and accelerate with GAC.

gac.com

 fb.com/GACgroup

 linkedin.com/company/gac-group

 instagram.com/groupgac

No animals were harmed in the making of this advertisement.



Delivering your strategy.

Access to investment and funding for operators seeking to decarbonise could also be made easier, with financial institutions shouldering some of the risk inherent in new technology adoption, to encourage operators to be more ambitious.

Carbon is still an ‘externality’ for most. Although many organisations, institutions and individuals have targets and commitments to reduce carbon footprints and move towards decarbonisation, there is a lack of understanding and ownership of that footprint at an everyday level.

Carbon is still talked about at a global, national and sectoral level, but there is still limited discussion of the impacts of individual organisations.

The question that every company should be able to answer is: “Do you know the size of your carbon footprint and its impact/contribution towards aggregate totals?”

Lasting change

Increasing the visibility of impacts of activities on carbon reduction is highly necessary to driving lasting change. Ultimately, carbon-reporting systems must develop that are as rigorous and scrutinised as those for financial disclosure.

In the maritime sector, the IMO and European Union monitoring, reporting and verification (MRV) legislation goes some way to beginning this process.

However, the reporting regulation for the IMO MRV limits disclosure requirements, reducing the potential use of the data as a catalyst for change. Now this process is little more than a regulatory overhead.

The most advanced proposed methodology for this in the maritime sector is the Poseidon Principles.

Under the Principles, emissions are not only calculated and reported, but also mapped to a baseline trajectory which shows whether organisations are aligned with targets defined by the Paris Agreements. This helps show how an organisation is contributing towards hitting those wider goals.

However, again, this process is limited to vessels financed by signatory banks and does not have wider public disclosure.

It is here that the Baltic Exchange, a regulated and trusted provider of data to the shipping industry, has a significant role to play.

We are currently best known for underpinning the forward freight agreement (FFA) market with daily charter assessments provided by panels of shipbrokers and based on various



“Increasing the visibility of impacts of activities on carbon reduction is highly necessary to driving lasting change. Ultimately, carbon-reporting systems must develop that are as rigorous and scrutinised as those for financial disclosure”

Mark Jackson
Chief executive
Baltic Exchange

standardised vessel types and routes. It is not difficult to add a robust carbon footprint calculation to our many assessments, allowing a benchmark for maritime carbon emissions to be established and traded.

Trust in our integrity, processes and oversight is critical to success. Competing parties know that their data is secure with us. Thanks to our governance structures, our independence in the process is guaranteed. Linking carbon footprint data to routes traded will allow a degree of company-level accountability that is currently lacking.

Opex benchmark

The past couple of years has seen a widening scope of the Baltic Exchange’s products and services. For shipping investors, it has been the launch of an Opex benchmark, which has been a particularly interesting development.

Covering daily operating costs for tankers, gas carriers and dry bulk vessels, the Baltic Operating Expense Assessment (Bopex) is designed to provide a robust quarterly indication of the actual cost of running a ship.

It allows owners with escalation clauses in their contracts to allow for an increase or decrease in Opex. For the first time, an investor running a ruler over a potential project can use Baltic Exchange data to calculate daily hire rates, resale value, recycling rates and daily running costs to calculate residual value.

Another important area that builds on the Baltic Exchange’s position as a trusted provider of services has been the launch of our escrow facility.

We have seen companies engage the Baltic Exchange as an independent escrow agent to hold the deposit, as well as other completion funds, such as balance purchase price, bunkers and lube oils; hold charter security payments in deals where owners may not be familiar with the charterer; support dispute resolution services acting as an escrow agent in situations relating to ship repairs, S&P deals, cargo disputes and employment.

We can also act as an escrow agent during a mergers and acquisition deal to help assure the performance of each party’s obligations in a transaction.

In short, the Baltic Exchange is an organisation that has branched out from its position as a provider of freight market information to that of a trusted partner, able to help shipping investors make decisions and support a market-led approach to reducing shipping’s carbon footprint.



Sri Lanka Women's Rugby:
Not for the faint hearted!



South Asia Gateway Terminals (Pvt) Ltd. Port of Colombo, P.O. Box 141, Colombo 0, Sri Lanka.
T +94 11 2457500 F +94 11 2457558 E marketing@sagt.com.lk



VectorMine/Shutterstock.com

The LMA course will cover the fundamentals of both traditional bank finance for shipping and alternative finance structures.

LMA set to launch online certificate in ship finance

Lloyd’s Maritime Academy will launch a new 100% online certificate in ship finance in November. The course is aimed at shipowners, shipbrokers, shipbuilders, shipmanagers, executives in shipping companies and financial officers in the shipping sector, as well as those looking to set out on a career in a ship finance institution, **Ed Woollam** reports on behalf of LMA

While ship finance has existed in some form or other for hundreds of years, the past decade has been a particularly turbulent one for the industry.

Much has changed, both as to the nature of parties providing such finance and the global centres for ship finance activity, as well as the financing methodologies used.

The financial crash of 2008, the seemingly endless struggles of the freight market to maintain profitable rates and the Greek financial crisis of 2010 onwards have all had a serious and ongoing impact on the availability of finance.

Many major and well-known institutions have exited the ship finance sector and sold their loan portfolios in the past few years as they seek to return to “core” business, navigate increasingly complex and burdensome regulatory environments or simply de-risk.

The exit has been particularly marked in terms of finance institutions in Europe that previously dominated the industry.

However, the maritime industries remain dependent on a strong ship finance sector to be able to invest in new tonnage and to raise capital generally. Very few shipowners are in a position to rely on their own capital for acquisitions.

It has not been all bad news, though, as the reduction in bank lending capacity from traditional sources has led to more ingenuity and innovation, as well as new participants entering the sector.

Inevitably, though, constraint in supply has led to a significant — and, arguably, long overdue — increase in loan pricing.

Apart from current challenges, it has always been the case that the shipping industry was notoriously cyclical, thus creating immense challenges for ship financiers in terms of mitigating their risk.

These challenges have acted as a spur to the creation of ever-evolving due diligence processes, transaction structures and legal documentation.



Container Tracker

Save time. Stay compliant.



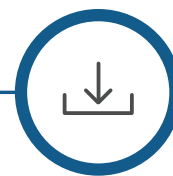
Track containers,
not just ships

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



Complete checks in
minutes, not hours

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



Download
the evidence

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

Request a demo:

America Tel: +1 212-520-2747

EMEA Tel: +44 20 7017 5392

APAC Tel: +65 6505 2084

lloydslistintelligence.com/containertracker

Lloyd's List Intelligence 
Maritime intelligence | informa

The Lloyd’s Maritime Academy Certificate in Ship Finance course will cover the fundamentals of both traditional bank finance for shipping and alternative finance structures, such as finance leasing or joint ventures.

The increasingly important role of capital markets – particularly those in the US – in providing finance for shipping will also be examined, as will the various roles of private equity funds in the industry.

The stages of a ship finance transaction will be discussed sequentially and analysed – from loan application, through the credit committee process, to negotiation of finance documentation and ultimately completion and drawdown of funds – with the many pitfalls for the inexperienced borrower identified.

The sometimes “byzantine” mechanics of ship finance completions will be explained and clarified, as well as the impact of money-laundering checks and other regulatory due diligence on the international interbank payment system.

While the course is not intended to provide a detailed legal analysis of issues arising in ship finance – one area of the sector where comprehensive textbooks are available – typical loan terms will be analysed with regard to their practical and commercial importance, including the role of conditions precedent, representations/warranties, covenants and events of default.

Furthermore, the reasoning behind the various bank security requirements will be explained, as well as how such security is utilised in case a borrower gets into financial trouble – including how ship mortgages are enforced and the various hurdles for mortgagees in trying to realise the value of their security.

Being a ship financier is not all plain sailing and one of the reasons for the exit of so many lending institutions over the past few years has been the difficulty of managing a number of default scenarios to a successful conclusion.

The LMA Certificate in Ship Finance looks at ship finance in a truly international context – with Europe’s former dominance now very much waning in favour of new centres of expertise in such centres as Singapore, even if English law remains the bedrock for ship finance terms.

The role of Chinese financial institutions is considered, as well as the impact of Islamic finance.

Ship finance can seem a dark art to those not familiar with it and there is a dearth of material publicly available that



The Certificate in Ship Finance course will be 100% online.



“The maritime industries remain dependent on a strong ship finance sector to be able to invest in new tonnage and to raise capital generally. Very few shipowners are in a position to rely on their own capital for acquisitions”

Ed Woollam
Course director
LMA Certificate in Ship Finance

explains in practical terms how shipping banks make lending decisions and how ship finance transactions are processed and structured; perhaps it has suited the industry to keep a low profile.

The course sets out to explain in straightforward language the important features of the sector and to make comparisons with other finance activities, thereby dispelling some of the mystery.

Ed Woollam is a solicitor with marine boutique firm Wysocki Quinn Woollam and a fellow of the Institute of Chartered Shipbrokers; he started his career in the shipping industry in the late 1980s and has 25 years’ experience of advising both lenders and borrowers on ship finance transactions of every type



About LMA

Lloyd’s Maritime Academy was born from Lloyd’s List. It is the trusted brand for professional development, working with leading academic and industry bodies to provide accredited education and training where it is much needed.

We are stepping up investment in new learning management platforms, improved content and learner resources to enhance your experience and ensure maximum reward for the investment you make in your future.

We continue to research new topics to provide you with the qualifications needed for a successful career, supporting a safer, cleaner and more efficient shipping industry for decades to come.

VIRTUAL EVENT

Salvage & Wreck

2 - 4 December 2020

Virtual Conference, Delivered Live Online (GMT time)
& On-Demand Afterwards

**COLLABORATION,
COOPERATION AND
RISK MANAGEMENT
FOR CASUALTY RESPONSE
AND WRECK REMOVAL.**

The leading online meeting place for
salvage and wreck professionals.

REGISTER NOW

informaconnect.com/salvage-wreck-removal

Signs of normality returning in Chinese trade figures

Monthly container volumes at Shanghai port were on a par with the all-time high in July, Niklas Bengtsson reports

The International Monetary Fund's global gross domestic product forecast, which was updated in June from its previous April outlook, projects 2020 growth at minus 4.9%. For 2021, global growth is forecast at 5.4%.

The IMF also makes the important point that the coronavirus pandemic's impact on low-income households is particularly acute, taking away a lot of progress made in reducing extreme poverty in the world since the 1990s.

As of August, some type of consensus is forming across all forecasters for world GDP growth of around minus 3.5%-5% in 2020.

Emerging markets such as South Africa, Nigeria, Mexico and Brazil, as well as Russia, look like they will be hit hard, with negative growth of almost 10%.

Even worse, though, is the outlook for European countries such as France, Italy and Spain, all with an expected drop of more than 10% in 2020.

However, China has seemingly coped better than most countries and it is now back in full production.

Given China is the second-largest economy in the world, this has put some weight behind the global economic recovery and has spared some negative development in the many countries that export to China.

Positive trade figures

Trade tensions continue between the US and Europe, with the US retaining its tariffs of 15% on Airbus and 25% on other European goods such as French salami and single-malt Scotch whisky.

The increased use of tariffs as a retaliatory measure in disputes, including in the US-China trade war, is a long-term threat to trade volumes.

Despite these tensions, an early indicator of a return to normality can be



Florence-Joseph McGinn/Shutterstock.com

China is leading the global economic recovery but countries in Europe and the US are likely to see GDP contract this year.

seen in Chinese container trade volumes. Monthly container volumes at Shanghai port were on par with the all-time high in July 2020. The port handled 3.9m teu in July, up 1.2% year on year and 8.3% month on month, data from the Chinese ministry of transport showed.

As you would expect, exports and imports all around the world were very downbeat in the first half of 2020, with China again the exception.

In the second quarter of 2020, China imported record volumes – mostly commodities to be used for domestic infrastructure. Chinese domestic steel demand, for example, has been boosted by mega infrastructure projects, such as airports and rail links.

Thus, dry bulk demand is even more dependent on the world's second-largest economy. China had 73% of the total world volumes of imported iron ore in 2019 and has imported 660m tonnes in the first seven months of 2020 – up 12% compared to the same period a year earlier – at a time when others have halted imports.

When it comes to coal, Chinese imports from January to July totalled 200m tonnes, up 7% year on year. For soyabeans, imports in the first seven months of 2020 rose 18% year on year to 55m tonnes.

Crude oil

Chinese import demand is also one of the main factors impacting global oil prices currently.

Despite production cuts by the major producers in the Organisation of the Petroleum Exporting Countries-plus group, rising unemployment and coronavirus-led travel restrictions have hampered any significant price rises for the commodity. The value has hovered around \$45 per barrel since late July.

However, heavy purchases of crude oil by China in April and May, when prices were at 21-year lows, led to record imports in June and July. The large volume of oil being shipped to the country led to port congestion and slowed down the pace at which floating storage was unwinding around the world.

How quickly the elevated levels of floating storage unwinds over the course of the next few months will help determine the direction of tanker earnings this year.

China's refinery output jumped 12% in July, compared with the same month last year, to hit a new monthly record high. It processed 59.6m tonnes of crude oil, according to the National Bureau of Statistics, which is just over 14.m barrels per day.



Even though many oil producers reversed voluntary or agreed supply cuts in July, this was the month in which the sharpest falls in tonne-mile demand were noted since the coronavirus outbreak decimated oil demand worldwide



Global crude tonne-mile demand



Source: Lloyd's List Intelligence

However, this was before flooding hit the Yangtze River region, which has led to construction projects being halted and factories closed. Some analysts have predicted this could reduce Chinese gasoil and gasoline demand by up to 5%.

Opec recently presented a new forecast of supply and demand in 2020 and in 2021.

The forecast is based on the assumption that there will global negative GDP growth of 4% in 2020 before an upturn to positive growth of 4.7% in 2021.

The 2020 figure for oil demand is 90.6m bpd, more than 9m bpd less than the

pre-pandemic forecast. Demand in 2021 is forecast to be 97.6m bpd.

Demand will decrease least in China — which will make it even more important for the industry than it already is.

Tonne-mile demand

Even though many oil producers reversed voluntary or agreed supply cuts in July, this was the month in which the sharpest falls in tonne-mile demand were noted since the coronavirus outbreak decimated oil demand worldwide.

Global crude demand plunged to 8.2trn tonne-miles in July, down by

18.6% compared to the same period last year, according to data compiled by Lloyd's List Intelligence.

June was 11.1% lower month on month, analysis of Lloyd's List Intelligence figures show.

The steepest falls over June and July were recorded from the Middle East and West Africa, which rely mostly on very large crude carriers and suezmaxes to export crude to destinations primarily in Asia, Europe and the US.

West African crude grades have been hit by a fall in demand from key buyers in China and India, where imports are down 30% year on year and, with interest from refiners in Europe downbeat, a lot of September volumes have been left unsold.

In Saudi Arabia, crude oil exports were the lowest on record in June and production fell to the lowest in 17 years.

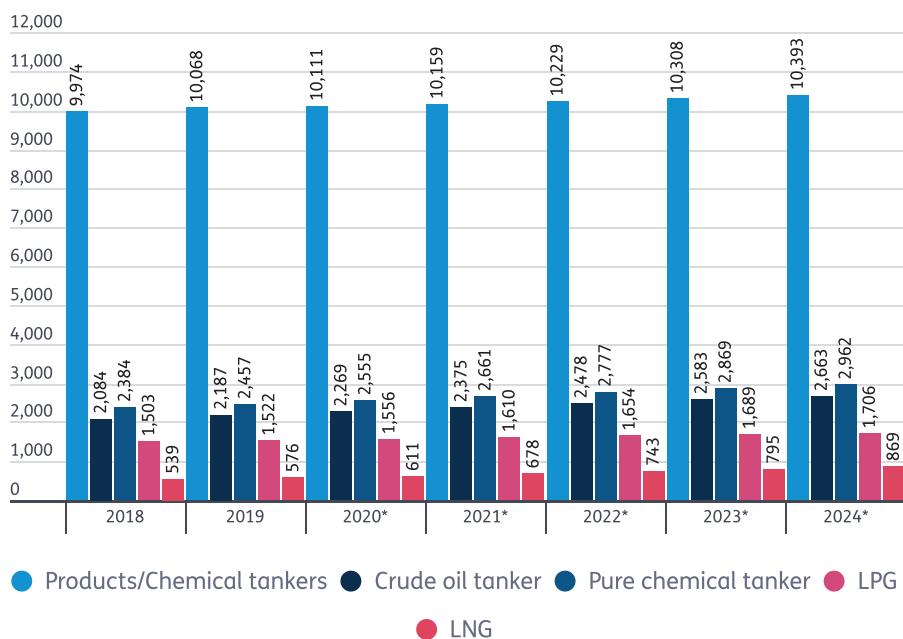
Tonne-mile demand, which measures volumes carried by distance travelled, is seen as a proxy for demand for crude tankers.

Preliminary August data suggests that month-on-month drops in global tonne-mile demand will be of the same magnitude as July.

The global crude tanker fleet will grow by around 23% in dwt terms over the course of the next five years, according to the latest Lloyd's List Intelligence Shipbuilding Outlook.

However, future prospects look subdued, with a large orderbook already in place; low removals expected due to the relatively young fleet; and a market in which some analysts claim the peak has already passed, while others say it will peak in 2030-2035.

Global tanker fleet in number of vessels



*full-year forecast

Source: Lloyd's List Intelligence



G.Valerie/Shutterstock.com

For 2020-2024, the crude tanker fleet is forecast to grow by 98m dwt, or 4.3%, annually, compared with 4.1% in the preceding five years.

Crude tanker fleet growth forecast to accelerate

A huge orderbook and a young average age of vessels will drive an increase in the size of the crude tanker fleet through to 2024; yet future prospects for new crude oil carrier contracts are subdued, according to Lloyd’s List Intelligence, Adam Sharpe reports

The crude tanker fleet is forecast to grow by an additional 98m dwt, or 23%, to 2024, according to the latest Lloyd’s List Intelligence Shipbuilding Outlook.

The current orderbook stands at 92m dwt, which signals that many of the deliveries are ships already in the orderbook.

During the 2015-2019 period, fleet growth was 22%, or 76m dwt, which corresponds to 4.1% growth on average each year.

The data shows the crude tanker fleet currently at 2,225 crude oil carriers, or 429m dwt, of which 254m dwt is on 823 very large crude carriers.

Deliveries and removals

Between now and 2024, an estimated 129m dwt spread across 676 crude tankers is forecast to be delivered, which

is 21%, or 23m dwt, more than in the previous five years.

Deliveries will be driven by the orderbook, with deliveries in line with the most recent four years all the way through to 2024.

The average age of the crude oil carrier fleet is 10.8 years, with the VLCCs being less than 10 years old on average.

“This compares very well with all other shipping segments — and crude oil carriers, as a fleet, are the youngest,” Lloyd’s List Intelligence said.

“Given the low average age of the fleet, removals will continue to be modest from the crude oil tanker fleet.”

The forecast for removals from the crude tanker fleet stands at 31.7m dwt over the next five years, slightly above the 2015-2019 period, which means that more or less all ships that were built in the year 2000 or earlier will be removed during this period.

The future prospects for new crude oil carrier contracts are subdued, however.

“Holding them back are a large orderbook, low removals and a market in which some analysts claim the peak has already passed and others that say it will peak in 2030-2035,” Lloyd’s List Intelligence explained.

LNG fleet

Confidence remains high in the liquefied natural gas tankers sector.

The LNG fleet currently consists of 594 vessels, with total capacity of 87.6m cu m. The fleet grew by 46% in 2015-2019 and is forecast to continue with an additional 50% growth until year-end 2024. The orderbook stands at 294 ships amounting to 29.8m cu m.

Deliveries are forecast to be 300 ships with a capacity of 43.6m cu m in 2020-2024. This is some 50% more than in the previous five years — signalling high confidence in the future market.

Historically, the removals of LNG ships have been very low and the fleet is young.

However, there is still some tonnage built in the 1970s that is already outdated and will be replaced within the next five years.

The removal forecast stands at a just seven vessels in the 2020-2024 period.

“The demand for LNG will continue to grow,” Lloyd’s List Intelligence says.

“New supply will come from the US, Australia and Qatar.

“Since consumption will increase most in China, there will be more tonnage needed in the future, even though the current situation is that there is too much tonnage available. Therefore, the ordering will continue.”

New orders for LNG ships are forecast at 223 vessels of 33.5m cu m, around 10% less than in the previous five years.

LPG fleet

The LPG fleet stands at 1,547 vessels, with total capacity of 36.5m cu m. The orderbook is 193 ships of 11.2m cu m.



The demand for LNG will continue to grow, according to Lloyd’s List Intelligence.

“The forecast for removals from the crude tanker fleet stands at 31.7m dwt over the next five years, slightly above the 2015-2019 period, which means that more or less all ships that were built in the year 2000 or earlier will be removed during this period”

“The LPG fleet has seen fantastic growth over the past five years, at 9.4% yearly on average,” Lloyd’s List Intelligence said.

“This is off the back of several large LNG projects that have resulted in more LPG being produced, both in Australia, the US and in Qatar.

“The high fleet growth will continue at a yearly average growth of 7% until year-end 2024.”

Due to the large orderbook, deliveries will continue to be high in 2020-2024, with 325 LPG carriers to be delivered, level with the five previous record years.

In terms of cu m capacity, the deliveries will be even higher at 10% due to the many large carriers being delivered.

The LPG fleet has an average age of 16.8 years, with the larger ones being below 10 years in average.

The removals will increase over the previous five years to 141 vessels, or 1.8m cu m, which is 15% more in numbers, but only 5% more in cu m, due to the difference in age between the smaller and larger carriers.

However, the positive market for LPG carriers has already halted and fleet growth will be higher than the demand for carriers in the near-term future, Lloyd’s List Intelligence said.

New orders for LPG carriers in 2020-2024 are forecast at 249 ships at 8.2m cu m. This is half the capacity, but the decrease is lower, with minus 18% in number of ships.

Global tanker fleet as of August 2020

	Fleet capacity in '000 dwt	Total no of vessels	Average vessel size in dwt	Average size of newbuildings in dwt	Average age of fleet	Orderbook capacity in % of total fleet
Crude oil tanker	429,463	2,225	193,017	204,765	10.8 years	21.5
Products/chemical tanker	202,201	10,117	19,986	29,712	21.5 years	11.7
Chemical tanker	31,072	2,496	12,449	15,951	17.2 years	20.6
LPG	36,482	1,547	23,583	31,586	16.8 years	30.6
LNG	87,562	594	147,410	151,421	11.1 years	34.0
Other tankers	2,386	389	6,134	8,632	20.0 years	20.6

Source: Lloyd’s List Intelligence

The Lloyd’s List Intelligence Shipbuilding Outlook offers accurate forecasts and unique insight into each shipping market segment. For more information, go to: <http://lloydslist.maritimeintelligence.informa.com/products-and-services/lloyds-list-intelligence/shipbuilding-outlook>



Floating storage faces 'second wave', jet fuel slumps, box freight rates soar

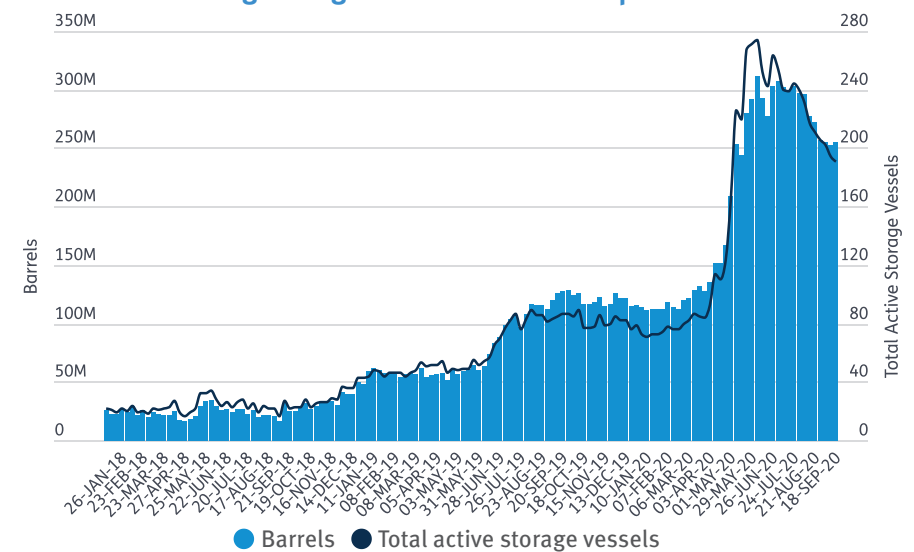
The number of vessels being hired for floating storage could be about to jump, as prices for crude hit a three-month low, while box lines continue to reap the rewards of sky-high freight rates on the transpacific

After the price of crude oil sank to new multi-month lows at the beginning of September, speculation is mounting that a 'second wave' of floating storage for oil products is about to hit the tankers market.

Oil traders who reaped massive second-quarter profits amid the pandemic-induced disruption in crude prices have again begun chartering tankers for short-term periods.

BP has reportedly chartered the 2003-built very large crude carrier

Short-term floating storage for crude and clean products



Methodology incorporates ships from panamax-sized tankers and larger, at anchor for 20 days or more

Source: Lloyd's List Intelligence

Gene for a period of up to six months. Earlier in September, commodities trader Trafigura chartered four VLCCs and one suezmax tanker for periods of six months or less.

Some 15m barrels of crude loaded in West Africa alone are heading into floating storage due to a lack of buyers, according to Chris Midgely of pricing agency S&P Global Platts.

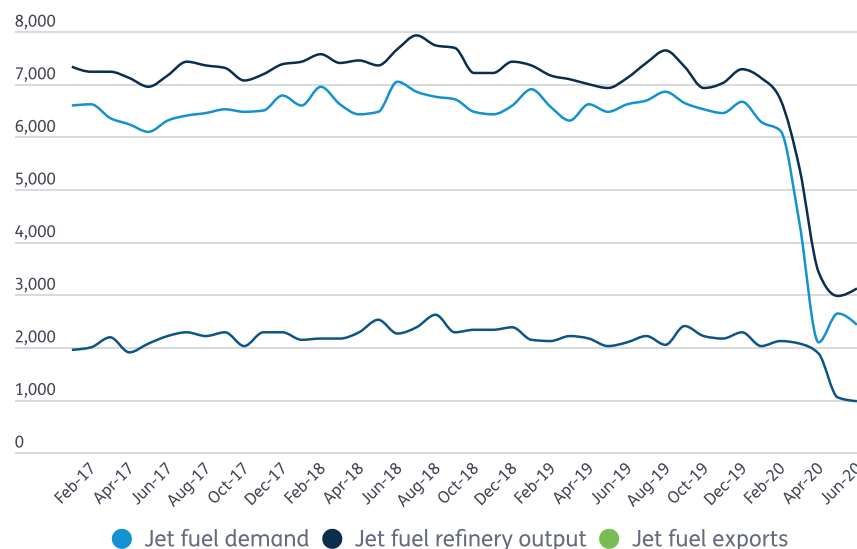
Vessel-tracking data from Lloyd's List Intelligence confirmed this observation. The 2012-built very large crude carrier *Kondor*, which loaded cargoes at Kaombo Sul and CLOV terminals in Angola in early August, was seen floating with no destination indicated at Malaysia's Sungai Linggi anchorage.

The charters are seen even as spot and futures prices in the oil market do not appear immediately profitable for floating storage.

So-called contango plays occur when current prices are lower than future prices at levels that allow traders to buy crude or refined products in the physical market for storage and take paper positions that allow for later sale at a profit.

The number of tankers storing clean and dirty products for more than 20 days was tracked at 252.8m barrels on 194 vessels for the week ending September 11, according to preliminary Lloyd's List Intelligence data. That compares with 311.3m barrels on 274 tankers measured in early June.

Global jet fuel/kerosene output ('000 barrels per day)*



* not all countries report figures

Source: Joint Organisation Data Initiative



Congested Chinese discharge ports have distorted the true number of current vessels storing crude for contango purposes.

Refined product demand slump

The release of global data for demand, production and export of refined products shows how the coronavirus pandemic has reshaped tanker markets for vessels shipping gasoline, jet fuel, gasoil and diesel.

Data from the Joint Organisation Data Initiative showed overall demand for transport, heating and industrial fuels plunged 20% in the first half of 2020 compared with the same period in 2019, to 41.7m barrels per day.

The most striking statistics were seen for jet fuel. Globally, refinery output was cut by one-third, demand plunged by 39% and exports were 52% lower.

The demand collapse was strongest in Europe, where refineries in the Mediterranean and northwest Europe saw half-year numbers that were as much as 70% below the same period of 2020. US imports were down 66%.

Red-hot transpacific trade

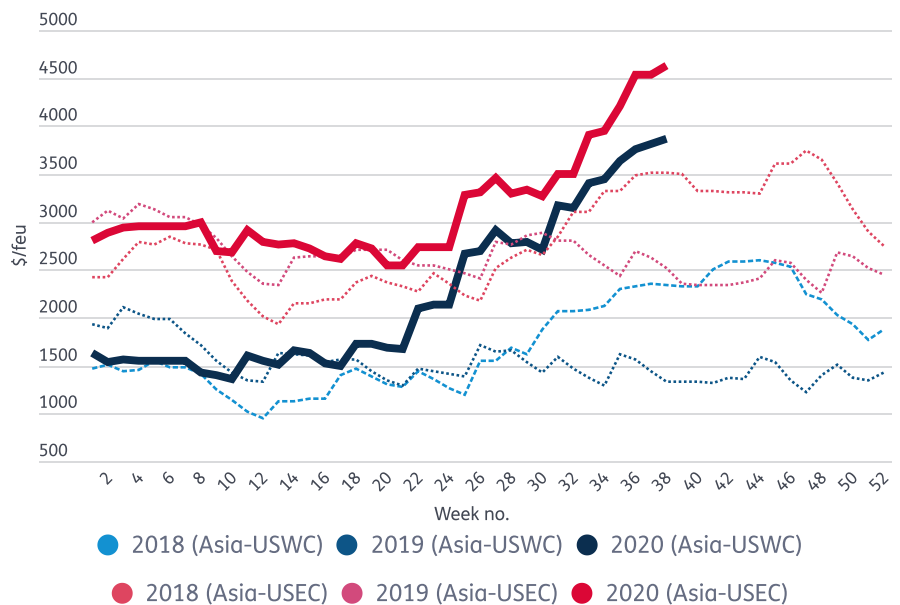
Container carriers continued to reap the benefits of surging freight rates in September, particularly on the transpacific trade, which again broke records to sit at all-time highs.

Despite carriers taking on board the advice of China's transport ministry to scale back on aggressive pricing and pull the plug on planned general rate increases in mid-September, transpacific rates on the Shanghai Containerised Freight Index maintained their upward trajectory.

On the China-US west coast route, rates moved up to \$3,867 per feu, while

Shanghai containerised freight index: transpacific spot rates (2018-2020)

Spot freight rates for Asian exports to the US west coast and US east coast recorded yet more new highs in September, despite the cancellation of proposed general rate increases



Source: Shanghai Shipping Exchange

on China-US east coast, rates increased to \$4,634 per feu.

The recent resilience of spot rates on the red-hot transpacific has prompted analysts to point to an increase in contract rates upon renewal. BIMCO's chief shipping analyst Peter Sand noted how the gap between short-term and long-term contract freight rates on the transpacific trade lane has never been wider.

"The coming weeks and months are likely to see higher long-term freight rates when contracts are up for negotiations and renewal with cargo owners and shippers," he said.

Shanghai still king of ports (for now)

Finally, Shanghai was once again top of the pile in the latest Lloyd's List Top 100 Ports rankings, increasing the gap over its nearest rival, Singapore.

Annual throughput figures at China's colossal port complex grew by a further 3.1% — or 1.3m teu — on 2018 levels to an eye-watering 43.3m teu.

To put this into perspective, if one was to lay out all of the 20ft boxes moved by Shanghai end-to-end, the tail of containers would be long enough to circumnavigate the globe more than six-and-a-half times.

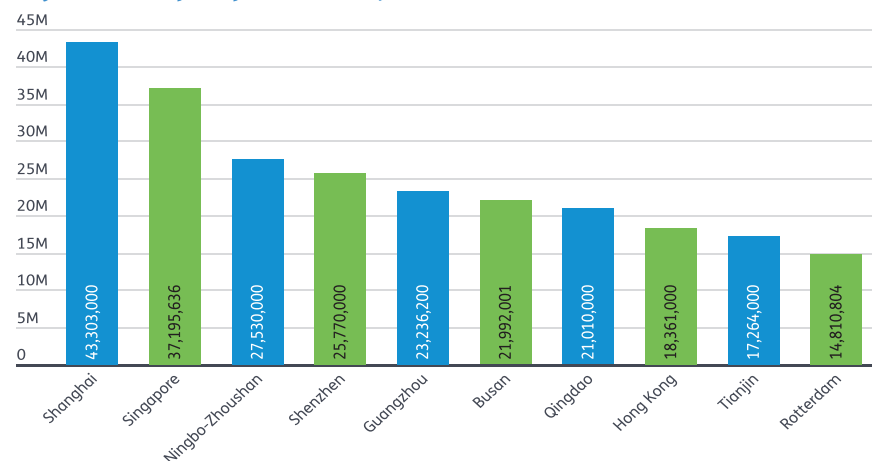
Although Shanghai holds a lead of just under 6m teu over Singapore, there are signs that its once-considered unassailable place at the top of the rankings could come under threat.

It comes as little surprise that business through the Chinese port has suffered significantly at the hands of the coronavirus pandemic. Initial estimates are for a 10% downturn in teu totals in 2020.

Yet with the US-China strife accelerating the shift of US-bound cargo to other manufacturing countries across Asia, its future as the world's largest box facility is no certainty.

The month in charts is taken from Lloyd's List's regular column The week in charts, published online each and every Friday

Lloyd's List Top 10 ports in 2019 (m teu)



Source: Port authorities/government agencies/terminal operators/Dynamar



Data is crucial in crisis response

The Beirut blast and Covid-19 pandemic expose regulatory weaknesses and the need for accountability in the shipping industry, underscoring why access to data in the aftermath of crises can be critical, reports **Sebastian Villyn**

On August 4, 2020, 2,750 tonnes of ammonium nitrate stored for nearly seven years in a warehouse in the government-controlled port of Beirut exploded, creating a shockwave heard far across the region.

The accident resulted in around 200 deaths and estimated damage of \$15bn.

In the immediate aftermath of the explosion, Lloyd's List Intelligence reached out to the Lloyd's Agency network, our exclusive partner, and their Beirut port agent Capt Jamil Sayegh of Admiral Ship Management.

In co-ordination with Capt Sayegh, we fielded questions from clients and sought to clarify which vessels and port facilities had been impacted, building an initial picture of the extent of the damage and reporting on the wider commercial impact of port disruption to the global supply chain.

Based on Lloyd's List Intelligence's proprietary terrestrial automatic identification system (AIS) station in Beirut (which was undamaged) and our port, terminal and berth polygons, a list of 15 vessels known to be in the port and other vessels scheduled in Beirut at the time of the blast was compiled.

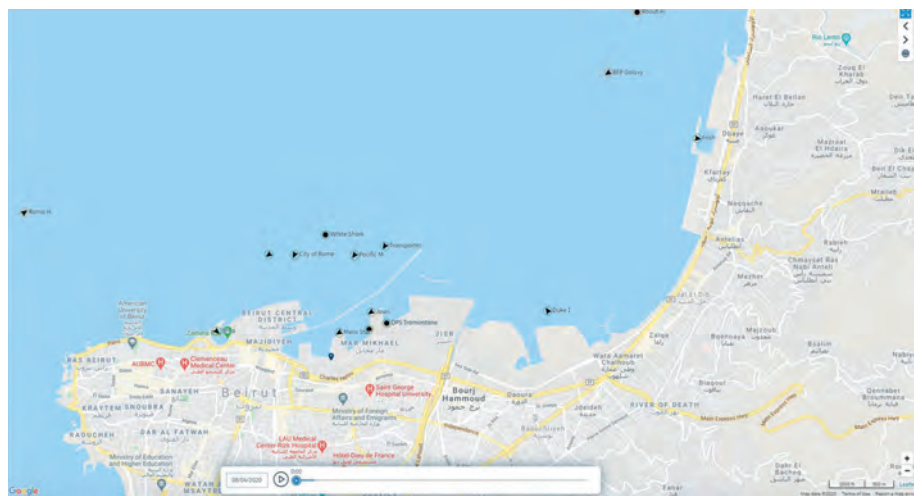
Capt Sayegh investigated and reported that six of these vessels had sustained damage, providing extensive status reports in the days following the incident and following up on the status of the other vessels in the vicinity.

He also gave a detailed interview about *Rhosus*, the bulk carrier that reached Beirut in November 2013 and was later detained, with its cargo confiscated by port authorities.

Who is accountable?

In the aftermath of a large-scale event with significant loss of life, structural damage and insurance claims, questions are asked about how this happened — and ultimately, who is accountable? In these instances, historical data is crucial.

The spotlight has been cast on the Moldovan-flagged *Rhosus*, which carried the cargo fuelling the explosion. This was a



Lloyd's List Intelligence used its Seasearcher vessel-tracking tool and area analytics in Beirut.

vessel that had a long history of port state control (PSC) detentions due to deficiencies, while also being registered to a small (and landlocked) flag state.

Lloyd's List Intelligence logged a total of 14 detentions, under changing ownership, in the period from October 2006 to July 2013. Detentions were recorded in Japan, China, Turkey, the Azores (Portugal), Ukraine, Bulgaria, Algeria, Romania and Spain: an operational record of note.

Lloyd's List Intelligence vessel-tracking data shows the ship sailing from Batumi (Georgia) via Turkey and Greece before arriving in Beirut on November 20, 2013.

As recalled by Capt Sayegh — who viewed the bill of lading — the vessel had been forced to divert to Beirut after developing technical problems while en route to Beira, Mozambique.

The ship was subsequently detained by PSC in Beirut, where the vessel, crew and cargo were abandoned by its owner after the charterer and cargo owners lost interest in the ammonium nitrate consignment.

The arrest of *Rhosus* was logged on Seasearcher, the Lloyd's List Intelligence portal, on February 4, 2014, by which time the

cargo had been offloaded. In 2018, Lloyd's Agency reported that the inner side of the breakwater for four years, had sunk. The status of the vessel was subsequently changed on our system from 'live' to 'dead'.

During its arrest, the ownership details of the vessel had been maintained, and research notes contained details of its ultimate principal.

Documentation of the ultimate ownership of the impounded vessel that carried the cargo, operational record, and actions post-detainment will be used in investigation reports and feature in upcoming lawsuits.

Legislation

Questions have been asked why this cargo was permitted to be stored in the port without adequate monitoring.

Parallels have been drawn to the Tianjin port disaster in August 2015, in which a series of explosions and fires in an area of the port that stored various hazardous and flammable chemicals eventually led to the detonation of 800 tonnes of ammonium nitrate. At least 173 people were killed by the explosions.

The screenshot displays the Seasearcher interface for Beirut, Lebanon. It features a table of vessels with columns for Name, Risk, Distance (nm), IMO, Flag, Vessel Type, GT, DWT, Built, and Destination. A map on the right shows the port area with a pop-up for the 'Orient Queen' vessel, providing details such as timestamp, location, flag (Bahamas), and vessel specifications.

Name	Risk	Distance (nm)	IMO	Flag	Vessel Type	GT	DWT	Built	Destination
Rhosus	Medium-high	4.1	8325535	Comoros	general cargo with container capacity	4362	6343	1985	Beirut ETA: 04 Aug 2020
Wen-wei	Medium-high	0.2	8321682	Sierra Leone	general cargo with container capacity	3780	4110	1983	BEIRUT ETA: 28 Jul 2020
Orient Queen	Medium-high	0.8	8701193	Bahamas	passenger (cruise)	7478	761	1989	-
DPS Franconia	Medium	0.8	7521778	St. Vincent & Grenadines	tug	209	-	1977	-
City of Rome	Medium	1.0	9174763	Italy	vehicle carrier	9950	2794	1999	Beirut ETA: 04 Aug 2020
Mærsk Verbis	Medium	24.1	9724544	Denmark (Int. Register)	product tanker	28137	39999	2016	Zahran Terminal ETA: 06 Aug 2020
Trish	Medium	3.8	9469651	Malta	yacht	298	-	2007	Obayeh ETA: 06 Aug 2020
Dana - S	Medium	5.9	-	U.S.A.	passenger (cruise)	89	-	1994	-
Bolag 1	Medium	7.8	7349792	Lebanon	anchor handling tug	600	324	1973	Beirut ETA: 22 Aug 2020
Adal	Medium	36.5	7320306	Lebanon	anchor handling tug	475	335	1973	TRIPOLI ETA: 30 Oct 2020

Lloyd's List Intelligence's Seasearcher ETA and port movements tracking tool was also used after the Beirut port explosion.

At the time of the Tianjin disaster, the cargo from *Rhosus* had been kept in the port of Beirut for about nine months. One would have thought events in Tianjin would have served as a warning.

The regulatory repercussions of the Beirut blast are not yet known. At an international level, there are guidelines provided by the International Maritime Organization in the form of the International Maritime Dangerous Goods code.

However, as reported by Lloyd's List, this applies to unitised goods only during sea transport — and there is no binding international framework for the safe storage of ammonium nitrate on land.

The United Nations Economic Commission for Europe (UNECE) has its own Industrial Accidents Convention for its signatories.

However, it illustrates the inadequacies of international regulations and their application, as well as negligence displayed by some commercial ports in the management of dangerous goods.

Port security and the storage of hazardous goods will be under renewed scrutiny.

However, the existing institutional framework is flawed. Binding UN agency guidelines for all port operators, as well as the implementation of international standards and monitoring, is a must.

Detailed mapping of port facilities and goods stored may also be part of the puzzle for increasing transparency in an industry that all too often prefers to operate in the grey zone.

“*Port security and the storage of hazardous goods will be under renewed scrutiny. However, the existing institutional framework is flawed*”

Crisis, crew abandonment and Covid

The prelude to the explosion in Beirut also tells another story that is currently developing into a prolonged crisis: crew abandonment.

The Covid-19 pandemic is not only a global health and economic crisis; it poses serious questions about human capital and how the industry, international organisations and governments will adapt to protecting seafarers stuck in port for months.

The plight of seafarers was an issue when *Rhosus* was detained, after the owners claimed the cargo owner had disappeared along with the cargo documents — before they too disappeared.

According to records from the International Transport Workers' Federation (ITF), the 24 Ukrainian crew members on board *Rhosus* on its final voyage to Beirut were held for a year on the vessel before being repatriated.

As remembered by Capt Sayegh, the crew held placards up to ships entering the port, spelling out: “We are hungry.”

The crew's story mirrors that seen by several others during the Covid-19 lockdown.

At the time of writing, an estimated 300,000 crew members were unable to repatriate or conduct crew changes in their arrival port.

As reported by Lloyd's List, 21 Ukrainian crew of the bulk carrier *Tomini Majesty* have been held on the vessel for more than a year.

Crew members have effectively been held prisoner on stranded ships, with unpaid wages and no protection by international or national law.

In the end, with Beirut, Tianjin and the ongoing Covid-19 crisis on seafarers' safety and rights, it all boils down to a lack of industry transparency.

Breaking down the obfuscated walls of shipping, uncovering complex ownership structures, poor operational records and maintaining port data, may go some way in supporting sea change.

For more information about Lloyd's List Intelligence's Seasearcher database, please visit : <https://pages.maritimeintelligence.informa.com/seasearcher> or contact client. services@lloydslistintelligence.com

Sebastian Villyn is head of risk and compliance data at Lloyd's List Intelligence



Tawansak/Shutterstock.com

Essential maintenance and servicing must continue for vessels despite reduced activity.

Economic downturn could drive up cost of marine claims

It is crucial for shipowners and their insurers that marine safety and maintenance standards are not adversely affected by any downturn, **Rahul Khanna**, of Allianz Global Corporate & Specialty, reports

Given the global shipping industry is responsible for transporting as much as 90% of world trade, the safety of its vessels is critical.

The sector saw the number of reported total shipping losses of greater than 100gt decline again last year to 41 — the lowest total this century and a fall of close to 70% over 10 years.

Improved ship design and technology, stepped-up regulation and risk management advances such as more robust safety management systems and procedures on vessels are some of the factors behind the long-term improvement in losses.

Although the number of vessel losses is at a record low, the marine sector cannot afford to become complacent. What has been

achieved can easily be lost if standards are not maintained.

As Allianz Global Corporate & Specialty's most recent annual Safety & Shipping Review highlights, the impact of the coronavirus crisis, the prospect of a sharp economic downturn and a host of other operating challenges could endanger the long-term safety improvements in the shipping industry for the rest of this year and beyond.

The coronavirus outbreak has struck at a difficult time for the maritime industry as it implements IMO 2020 (the reduction of sulphur emissions); navigates issues such as climate change, political risks and piracy; and deals with ongoing problems such as fires on board large ships.

Now the sector also faces the task of

operating in a very different world, with the uncertain public health and economic implications of the pandemic.

Pandemic disruption

The shipping industry has continued to operate through the pandemic, despite disruption at ports and to crew changes.

While risks from the perils of the sea are reduced for vessels waiting at anchorage or in lay-up and any reduction in sailings as a result of coronavirus restrictions could see loss activity fall in the interim, new challenges have evolved.

The inability to change crews is having an impact on the welfare of sailors, which could lead to an increase in human error on board vessels. Any disruption to essential

Get uniquely comprehensive coverage of the specialist insurance industry.

We provide the authoritative journalism and trusted data analysis you need to avoid market risks and spot the opportunities emerging for your business.

maintenance or servicing heightens the risk of machinery damage, which is already one of the major causes of insurance claims.

Reduced or delayed statutory surveys and port inspections could lead to unsafe practices or defective equipment being undetected. Cargo damage and delay are likely as supply chains come under strain.

At the same time, the ability to respond quickly to an emergency could be compromised, with consequences for major incidents that are dependent on external support.

Meanwhile, the growing number of cruiseships and oil tankers in lay-up around the world poses significant financial exposure, owing to the potential threat from extreme weather, piracy or political risks.

Shipowners also face additional cost pressures from a downturn in the economy and trade. We know from past downturns that crew and maintenance budgets are among the first areas that can be cut. This can affect the safe operations of vessels and machinery, potentially causing damage or breakdown, which in turn can even lead to groundings or collisions. It is crucial safety and maintenance standards are not affected by any downturn.

Rising incidents

While total losses declined close to 20% over the past year, the number of reported shipping casualties or incidents actually increased 5% to 2,815. There were more than 1,000 cases of machinery damage/failure (1,044) — already the top cause of shipping incidents over the past decade — accounting for more than one-third of all incidents reported in 2019.

A rise in incidents in the busy waters of the British Isles, the North Sea, the English Channel and the Bay of Biscay (605), meant it replaced the east Mediterranean as the top incident hotspot for the first time since 2011, accounting for one in five incidents worldwide.

It does not take much for a serious incident to result in a total loss — and, hence, the warning signs are there.

There were almost 200 reported fire incidents on vessels around the world over the past year, up 13%, with five total losses in 2019 alone. Containership fires continue to be an issue. Awareness of this problem has been growing, but is still a major concern and a focus of insurers.

Misdeclared cargo can be a major factor in fires on board vessels. Taking steps to address this issue is vital, as it will only worsen as vessels become bigger — containership capacity has increased 1,500% over 50 years

— which can have an impact on fire prevention and salvage in the event of an incident as the range of goods transported grows. Chemicals and batteries are increasingly shipped in containers and pose a serious fire risk if they are misdeclared or wrongly stowed.

Technology could play a role in reducing the risk of fire on board vessels, including temperature-monitoring of cargo; water spray and CO₂ fire suppression in cargo holds; more active firefighting on deck, including water curtains, water screens and fixed water monitors; and even integrating fire suppression systems in drones.

Problems with car carriers and ro-ro vessels remain among the biggest safety issues for the sector. Total losses involving ro-ros increased year on year, as did the number of smaller incidents (up 20%) — a trend continuing through 2020.

The rise in number and severity of claims on ro-ro vessels is concerning. Ro-ros can be more exposed to fire and stability issues than other vessels. Many have quick turnarounds in port and a number of accident investigations have revealed pre-sail-away stability checks were either not carried out as required or were based on inaccurate cargo information.

Too many times, commercial considerations have endangered vessels and crews and it is vital this is addressed on shore and on board.

Meanwhile, events in the Gulf of Oman and the South China Sea show political rivalries are increasingly being played out on the high seas and shipping will continue to be drawn into geopolitical disputes. Heightened political risk and unrest globally has implications for shipping, such as the ability to secure crews and access ports safely.

In addition, piracy remains a major threat, with the Gulf of Guinea the global hotspot, Latin America seeing armed robbery increase and renewed activity in the Singapore Strait.

Shipowners are also increasingly concerned about the prospect of cyber conflicts. There has been a growing number of GPS spoofing attacks on ships, particularly in the Middle East and China, while there have been reports of a 400% increase in attempted cyber attacks on the maritime sector since the coronavirus outbreak.

Climate change

From January 1, 2020, allowable sulphur levels in marine fuel oil were slashed under the International Convention for the Prevention of Pollution from Ships (Marpol) Annex VI, more widely known as IMO 2020, as the shipping

industry looks to play its part in a more sustainable environment.

However, compliance with the new sulphur cap is not straightforward, with a range of options available — each with its own cost implications, compliance challenges and risks.

The sulphur cap creates uncertainty for risks of bunkering, machinery breakdown and the use of scrubbers, which are used to remove harmful materials from industrial exhaust gases before they are released into the environment.

Insurers are concerned teething problems with scrubbers could lead to a surge in machinery damage claims, with technical and operational issues having already resulted in a number of losses. Scrubber waste is corrosive and there have been reports of incidents where this corrosion has caused wastewater to flood engine rooms, ballast tanks and cargo holds. Further losses related to scrubbers and bunker fuels are likely to materialise in the months and years ahead.

Targets to cut emissions will shape risk for the shipping industry for years to come. The International Maritime Organization proposals to halve CO₂ emissions by 2050 is a challenging target to achieve — and one that will require the industry to radically change fuels, engine technology and even the design of vessels.

In addition to the technical challenges, decarbonisation will have regulatory, operational and reputational (corporate social responsibility) implications for shipping companies. Investors are increasingly shunning carbon-intensive industries, while regulators and investors are insisting on more transparent reporting of climate change risks and exposures.

However, there is the risk all the progress on addressing climate change could now stall with the focus on the coronavirus pandemic. This must not be allowed to happen.

The impact of more unpredictable weather is already manifesting in claims activity. Record water levels on the Mississippi River in 2019 resulted in damage to vessels and shore-side infrastructure, as well as causing major disruption for supply chains.

Such events are likely to have a greater impact on trade and claims in future.

Captain Rahul Khanna is global head of marine risk consulting at Allianz Global Corporate & Specialty

This article first appeared in Insurance Day

Remote surveys — the way forward?

Voirrey Blount, at Reed Smith, reports on the impact of Covid-19 on remote surveys and at how the workforce has had to adapt

In these unprecedented times of global shutdown, the shipping industry has been forced to move rapidly into the digital age.

Vessels still require their statutory surveys and the clock does not stop just because the surveyors are unable to fly out to a vessel.

This has forced flag states and recognised organisations (ROs) to develop their own procedures for remote surveys and inspections at a rapid pace.

Remote surveys and inspections were already in use before Covid-19 — Lloyd's Register performed one in five of its surveys without attending the ship — but their use has increased considerably.

In March 2020, the number of complex remote surveys performed by Lloyd's Register increased by 25%.

As resources continue to remain limited, remote surveys and inspections will be an increasingly used tool from the suite of options available to flag states and ROs.

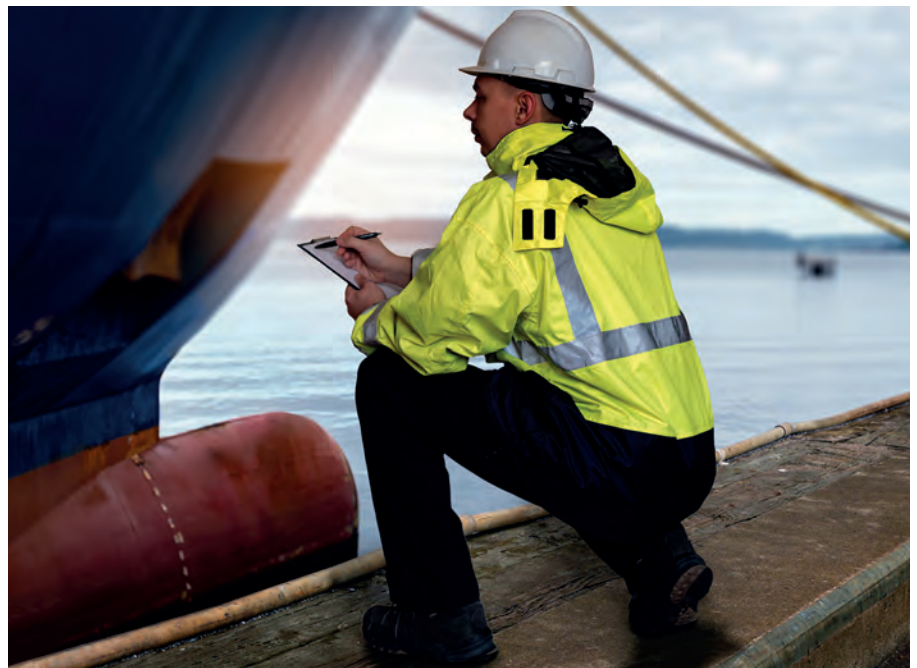
The question, however, is whether the industry should continue to use remote surveys and inspections as the global community begins to move out of the worst of the pandemic and countries begin to allow freer movement once again.

The benefits of remote surveys and inspections are many.

One such benefit is an overall reduction in workload for the crew. Using an electronic database to which all the ship's certificates have been uploaded means ROs and flag states can access this without the ship's crew having to find all the certificates for each different survey or inspection: a repetitive job that can take considerable time.

Although someone from the crew would be required to go around and take videos and photos — or indeed live-stream to the surveyor — it is likely this job would be performed by the chief officer and/or chief engineer, depending on the survey.

In contrast, when a surveyor joins the ship to perform a physical survey/



Denys Yelimanov/Shutterstock.com

Vessels still require their statutory surveys and the clock does not stop just because the surveyors are unable to fly out to a vessel.

inspection, it can often result in participation from multiple crew members, as usually someone is required to be with the surveyor throughout the whole visit.

Furthermore, it reduces time spent in port when inspections and surveys are being performed; reduces the need for ships to deviate to attend surveys; and encourages transparency and clear communications between the vessel and shore-side management.

It should also reduce the costs incurred by shipping companies, to reflect the saving in surveyors' travel costs and expenses.

Maintaining confidence

Maintaining confidence in the credibility of remote surveys is where the challenge really lies.

For many surveyors, the survey or inspection starts before they have even set foot on the vessel. Walking along the dock and looking at the hull, the state of

the gangway, the demeanour of the crew and countless other factors can give the surveyor a "feel" for the ship before the true survey begins.

Even crew on the best-run ships can feel nervous before and during a survey/inspection; it is not uncommon to hear comments such as: "Don't tell him about the VHF that isn't working" or: "Make sure she doesn't see that rust patch" in the lead-up to a survey or inspection.

With remote surveys, you lose that sixth sense of something being wrong from the demeanour of the crew or feel of the vessel. The crew are in complete control of what the surveyor can see — so anything that they want to be hidden will be.

This possibility of problems being missed is sure to be the key argument from those who are against the shift to remote surveys.

A further difficulty arises regarding

Legal research can now be done in minutes; and without compromising quality

i-law is a vast online database of commercial law knowledge. It contains thousands of pages from many trusted legal sources. Sources that top lawyers and companies rely on daily.

ownership of the photos and videos taken by the crew in the process of performing the survey. If these are taken on personal devices, can the crew member be compelled to share these with the external organisation performing the survey?

Using an app installed on a company-provided mobile phone or tablet — or just the device's camera and email — and not personal devices, could be the best way to avoid this conundrum.

Many companies already provide these to their vessels, often for the bridge and the master.

To ensure the correct procedure is followed, this would require updates to companies' safety management systems, which would need to be developed in accordance with any guidelines provided by the flag state.

Ultimate goal

Having a surveyor physically attend on the ship when conducting an out-of-water survey just once every five years could be seen as the ultimate goal.

This, of course, would require considerable risk assessments being undertaken to determine for which vessels this would work — and which would require a more “boots on the ground” approach to surveys.

The Paris MoU system for inspections involves the creation of a “white, grey and black list”, which indicates how often ships are inspected when in port.

A system similar to this is likely to be one of the best ways of determining the safety of only physically surveying the vessel on a minimal basis.

The system has proven itself to be an effective and efficient way of managing port state control inspections.

Indeed, the information from the data provided by the Paris MoU can assist with targeted inspections.

With records of deficiencies for individual ships being recorded, ROs and flag states could decide to target a specific ship — or indeed just a specific survey/inspection for that ship — with an in-person survey.

The long-term wider use of remote surveys requires a more standardised approach across the industry.

Currently different ROs offer remote surveys for different surveys/inspections. To avoid doubt and confusion, some continuity is required between flag states and ROs



Blount: benefits of remote surveys and inspections are many.

to enable shipowners to make the correct decision for their vessel(s).

All stakeholders in the industry need to be confident that remote surveys are not simply a “soft” approach and that their credibility is guaranteed.

This standardised approach will ultimately need to come from the IMO to ensure the same standard is met across the board, built around a strong legal framework.

IMO legislation currently contains very strict guidelines on how surveys should be performed; any update regarding remote surveys will need collaboration between flag states and ROs, along with other industry stakeholders.

Strong communication

Strong communication between all the involved parties is going to be a key component to the success of this endeavour.

Clear and precise instructions will need to be developed that enable the remote leadership of the surveyor to be supported by the crew on board, many of whom will be new to the concept of remote surveys.

In the long term, this will also give the crew the chance to upskill by assisting the surveyor in a direct manner, rather than simply standing by as passive observers while the surveyor does all the work.

Many crew are likely to be sceptical at first — as indeed are many shipowners

“*The long-term wider use of remote surveys requires a more standardised approach across the industry*”

— about the effectiveness of the remote surveys, but owners may be brought round by the reduction in interference with daily operations and the potential for lower-cost surveys.

Shipping is a 24/7, 365 days a year industry and the services that support it should be as well.

The ability of crew to undertake surveys or inspections of their own ship at a time that works for them is a significant benefit for the owners and crew.

The remote survey systems that already exist, such as the LR Remote app or DNV GL's DATE platform, provide 24/7 assistance from a team of technical specialists.

This always-available support is vital to the efficiency of the remote survey system; if support is only available when a surveyor would be working on the ship, then the benefit of flexibility is lost to a certain extent.

Using a combination of remote and physical surveys is likely to be the way forward in the future.

Certain aspects of inspections, such as observing crew drills, require the physical presence of a surveyor on board the vessel.

Inspections of small dents or minor issues are often already done remotely and there is certainly scope to expand the use of remote surveys.

While we must be mindful of their limitations when developing the guidance to be used in the future, Covid-19 has shown what can be done with the technology we already have available to us — and it is key that the momentum is not lost.

Voirrey Blount is admiral manager at Reed Smith

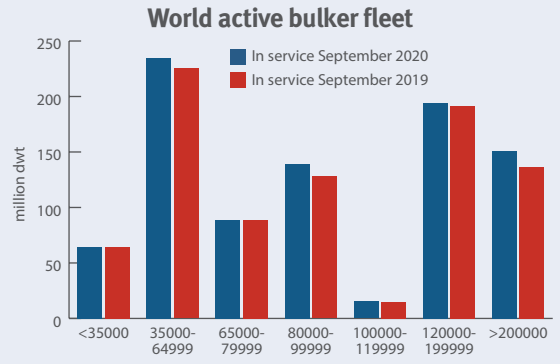
This article was first published in MRI, an Informa publication: www.maritime-risk-intl.com

The global active fleet of bulkers totalled 12,128 vessels comprising 887.8m dwt in early September, according to Lloyd's List Intelligence. In terms of carrying capacity, this represented a rise of 4.5% against last year.

Ships with a capacity greater than 20,000 dwt continue to be the main fleet driver of growth, climbing 10.6% on the year-ago level. This was in addition to an

8.8% jump in smaller dry bulk units in the post-panamax sector, or between 80,000 dwt and 99,999 dwt, on 2019 levels.

The dry bulk orderbook stood at 1,636 units at the start of September, with a combined capacity of 162m dwt. In 2020, 772 more vessels are due for delivery, with an additional 652 ships due to hit the water in 2021, and a further 212 from 2022.



Australia-China tensions set alarm bells ringing for dry bulk market

While grain has been the first trade to be impacted, coal and iron ore might be next; if coal imports are sourced away from Australia, panamaxes and capesizes are forecast to be hit worst, writes **Inderpreet Walia**

Geopolitics seem to be playing a major role in the fortunes of the dry bulk sector and look set to realign raw materials and grain trade flows.

The long-simmering spat between Australia and China — which has every indication of intensifying — is seen as a negative factor.

For years, China's rising economic development has been a treasure trove for Australian business.

The Asian economy accounts for almost one-third of Australia's total exports and contributes around 6% to Australia's gross domestic product.

Iron ore, coal and liquefied natural gas comprise around 60% of Australian exports to China, according to the Department of Foreign Affairs and Trade.

Around two decades ago, China bought about 5% of Australia's total exports.

That figure had risen to an all-time high of 48.8% in the first six months of 2020, according to Australian Bureau of Statistics data.

Yet Beijing has shown it will not hesitate to make use of the trade relationship for political ends.



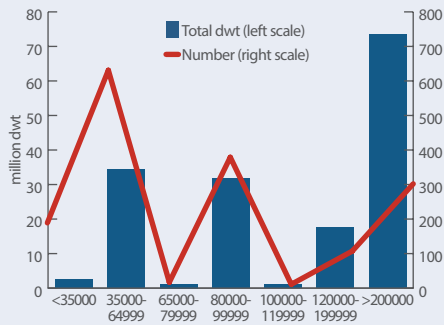
Grain shipments from Australia have been among the first to be hit by trade tensions with China.

Although data shows that the trade relationship between the economies remained steady despite increased friction in the first six months of the year, the latest Chinese customs data clearly indicates that trade is deteriorating.

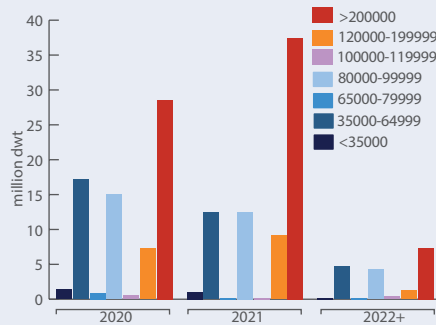
In August, the value of Australian goods exported to China declined by 26.2% — the steepest monthly drop experienced by any country.

WANT MORE DRY BULK INSIGHT?
Go to:
<http://bit.ly/drybulkLL>

Total bulker orderbook



Dry bulk delivery schedule



Data from:

Lloyd's List Intelligence
Maritime intelligence | Informa

lloydlistintelligence.com

Tensions between China and Australia have escalated after the latter pushed for an independent inquiry into the origins of the coronavirus pandemic, in addition to banning Chinese telecoms company Huawei from participating in Australia's 5G network.

In response, China slapped trade sanctions on barley and beef exporters and has warned that it could swap Australian iron ore for African iron ore.

Barley twister

In a further twist, China intensified the trade tensions with Australia at the beginning of September, halting barley imports from the country's biggest grain shipping company.

The world's largest consumer of agricultural products suspended imports from CBH Grain in Western Australia on allegations that harmful weeds were found in the shipments, according to a statement from Chinese customs.

CBH said its exports to China met all requirements and it would work with the government to have the suspension overturned. As CBH is the largest grain exporter in Australia, the ban will have a significant impact on the amount of grain that is shipped to China.

"August saw the lowest monthly level of shipments on record, according to AIS data, at the expense of panamax and supramax demand," Braemar ACM analyst Nick Ristic told Lloyd's List.

It is, however, seen that

“For the time being, iron ore has been immune as it is more difficult for China to source it from elsewhere and its domestically produced ore is of a much lower quality. However, the trade could end up becoming a strategic weapon in the event of a significant rise in regional tensions”

Australia has found markets for these lost volumes elsewhere, with increased flows to the Philippines and South Korea in August, he said.

Earlier in June, Australian farmers were already in effect blocked from exporting barley to China, as Beijing imposed tariffs of 80.5% on the commodity.

Coal and iron ore next?

As Beijing is mostly taking tit-for-tat measures, even iron ore and coal might not be spared from the Chinese onslaught.

Although China is mostly dependent on Australia for high-quality coking coal to feed its steel mills and thermal coal for its power plants, coal has repeatedly attracted the scrutiny of Beijing.

In recent months, import quotas have been imposed on Australian thermal coal for power generation, with state-owned generators directed to use domestic product instead.

"We have previously seen Chinese authorities having seemingly created politically motivated bottlenecks in customs clearing of Australian coal," Cleaves Securities analyst Joakim Hannisdahl noted.

Around 44% of Chinese coal imports are from Australia, but Chinese authorities have much more leeway in terms of adjusting domestic production and sourcing coal from other destinations, such as Indonesia, South Africa and Mongolia, he said, pointing out that this could potentially be negative for capesizes and panamaxes.

For the time being, iron ore has been immune as it is more difficult for China to source it from elsewhere and its domestically produced ore is of a much lower quality.

However, the trade could end up becoming a strategic weapon in the event of a significant rise in regional tensions.

"For now, we view this scenario as quite unlikely, given China is heavily dependent on this source, which accounted for almost two-thirds of Chinese imports so far this year," Mr Ristic conceded.

"There are very few low-cost, efficient sources of iron ore that China could significantly expand its purchases from in the short term to replace West Australian supply."

However, this could theoretically be possible in the longer term if Brazil continues to expand its output and once projects in West Africa begin to put tonnes into the market — but this is a long way off, he added.

Meanwhile, BIMCO's chief shipping analyst Peter Sand believes that the record Chinese iron ore imports and stockpiling suggest the nation is preparing for a further escalation of tensions.

In addition, the Chinese government's approval and latest move to build four new valemex berths have reinforced its intention to reduce its reliance on Australian iron ore, which will have a long-term impact on trade flows of the commodity.

CRUDE TANKERS

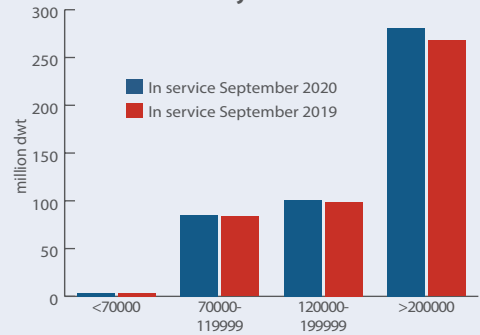
The active crude carrier fleet comprised of 2,455 ships, equivalent to 470m dwt, at the start of September, according to Lloyd's List Intelligence. This represented an increase of 3.5% over last year.

Very large crude carriers, of 200,000 dwt or above, continue to lead the growth, with numbers up nearly 5% on year to 280.5m dwt. Aframax

tankers of between 70,000 dwt and 120,000 dwt continue to drive advances in the fleet too, up 1.4% on year to 803 vessels, representing nearly 85m dwt.

The global orderbook was composed of 539 ships with a carrying capacity of 99.5m dwt. A further 14.3m dwt is due for delivery in 2020, with 29.4m dwt due in 2021 and 44m dwt from 2022 onwards.

World dirty tanker fleet



Coronavirus resurgence weighs on oil demand and tanker earnings

Stalling crude demand may deepen contango trades, but doubts emerge this will offset lower-than-anticipated exports and lift tanker earnings, writes **Michelle Wiese Bockmann**

Homeworking and air travel restrictions underpin fresh pessimistic forecasts about oil demand growth for the remainder of 2020.

This leaves floating storage deployment as the biggest driver of fourth-quarter tanker earnings in 2020, amid stalling consumption of land and air transport fuels that will deepen crude and refined product contango spreads.

In its monthly report, the International Energy Agency lowered its second-half oil demand forecast for a second consecutive month, saying 2020 demand would be 91.7m barrels per day.

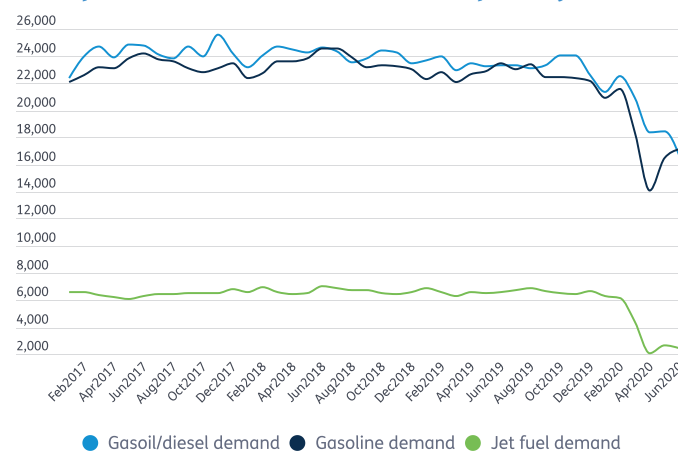
That is 400,000 bpd below its prior estimate in August — and 8.4m bpd lower than 2019 levels.

The crude market outlook was “even more fragile” than a month ago and “the path ahead is treacherous amid surging Covid-19 cases in many parts of the world”, the Paris-based agency added.

“We expect the recovery in oil demand to decelerate markedly in the second half of 2020, with most of the easy gains already achieved,” it said.

“The economic slowdown will

Transport fuel demand ('000 barrels per day)*



* not all countries report figures

Source: Joint Organisation Data Initiative

take months to reverse completely, while certain sectors such as aviation are unlikely to return to their pre-pandemic levels of consumption even next year.”

The report makes grim reading for owners and operators of the global fleet of crude tankers, which last year shipped about 50m bpd of the world's estimated supply of 100m bpd of crude and condensate.

Along with refined products, total international seaborne tanker trading was estimated at nearly 3.2bn tonnes in 2018, out

of a total 11bn tonnes, according to the United Nations Conference on Trade and Development.

At the height of lockdown restrictions in April and May, demand for refined products slumped by one-third, while oil prices plunged to a 21-year low, triggering contango market conditions that saw tankers deployed for floating storage at record levels through to August.

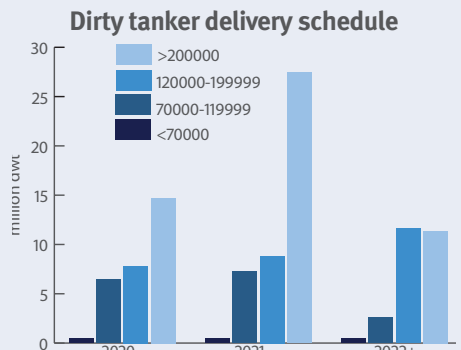
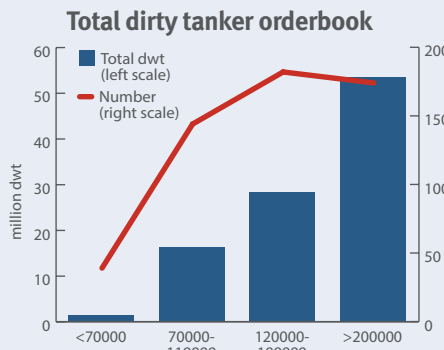
Contango trades arise when the future price is higher than the spot price, typically when immediate demand for a product is very weak.

When the difference in the two prices is wide enough, traders can buy and store oil for later sale at a profit. Tankers can be typically used if land-based storage is not available or the chartering costs make such economics work.

Contango trades helped shield tankers from the worst of the lockdown-induced demand downturns by deploying as much as 10% of the trading fleet of panamax-sized ships through to very large crude carriers for floating storage.

However, with these trades unwinding and Chinese port congestion easing, earnings had hovered near operating





Data from:

Lloyd's List Intelligence
Maritime intelligence | Informa

lloydslistintelligence.com

expenses for nearly six weeks by mid- to late-September, even as oil exports had rebound from some of the lowest levels seen in nearly 30 years through June.

The IEA's assessment also places doubt over any seasonal rise in oil demand because of the northern hemisphere winter and increased need for gasoil and heating oil that usually accelerates tanker spot earnings at the beginning of October.

The key this quarter will be in the pace of demand for transport fuels — and one of these indicators will be teleworking, according to the IEA.

“Teleworking is now a significant component in assessing the level of oil demand,” it said, estimating public transport worldwide is down around 25% to 50% from January levels.

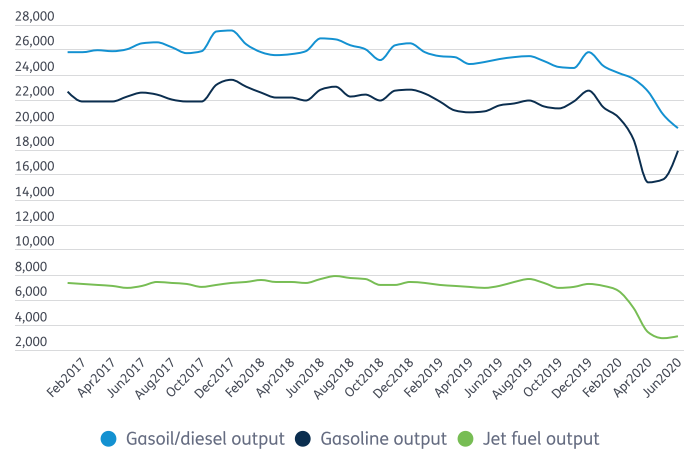
At least 20% of trips were work-related, the IEA said, citing monthly fuel statistics for Organisation for Economic Development and Co-operation countries, and Google data.

From this, homeworking was extrapolated to account for 600,000 bpd of the 2.2m bpd fall in gasoline consumption and for 600,000 bpd of the 900,000 bpd fall in diesel in OECD countries during June, according to the data.

The agency lowered its demand forecasts for gasoline by 450,000 bpd and by 260,000 bpd for diesel, as a result of workers not travelling to the office.

Large product stocks will take another two to three months to absorb excess stocks from April and May, it said, with bearish

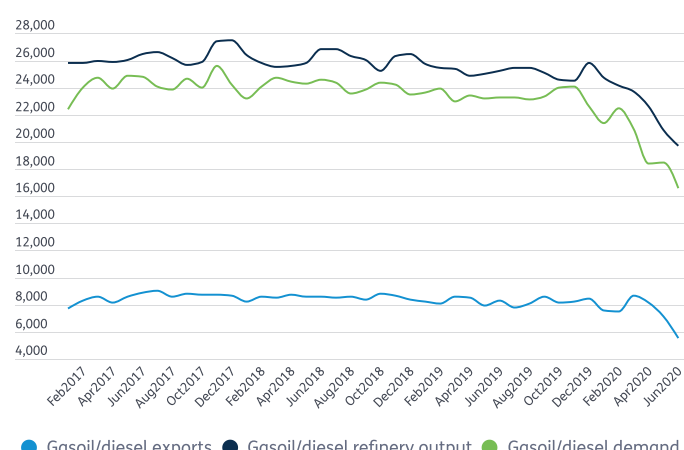
Transport fuel refinery output ('000 barrels per day)*



* not all countries report figures

Source: Joint Organisation Data Initiative

Global gasoil/diesel output ('000 barrels per day)*



* not all countries report figures

Source: Joint Organisation Data Initiative

fundamentals for refineries and crack spreads, especially for middle distillates, which include gasoil, diesel and jet fuel.

Owners and operators of product tankers — already digesting hurricane-related refinery shutdowns at the exporting hub of the US Gulf —

are likely to see further falls in regional business.

Whether contango trades for gasoil and diesel will shield them from further collapsing earnings is doubtful.

“Liquefied petroleum gas, ethane and naphtha demand is forecast to fall little this year on

resilient petrochemical feedstock demand and residential use for LPG,” the report said.

“Fuel oil demand, which includes marine bunker as well as power generation and industrial uses, is forecast to decline by only 400,000 bpd or 6.3% in 2020.

“In 2021, premium transport fuels recover by just over half of the 7.4m bpd, or 11.6%, lost in 2020, and stay below 2017 levels.

“Producing to meet this new demand profile means refiners must make further shifts in the yield slate — from gasoline and middle distillates to naphtha, fuel oil and other products.

“At the same time, geography will continue to be a major factor in refiners’ ability to survive. In the Atlantic Basin, the demand recovery is expected to be slower than in the east of Suez.

“Next year, oil demand in the Atlantic Basin will be lower than in 2010, while east of Suez demand is forecast to be above the 2018 level.

“In turn, refining activity is recovering faster east of Suez, almost reaching 2019 levels in 2021, but in the Atlantic Basin, runs are expected to remain at the bottom of the range for the past three decades.”

When the six-month difference, or spread, in ICE Europe low-sulphur gasoil futures trades at about \$30 per tonne, contango conditions arise that support floating storage.

Calculations show that such a contango play, based on current VLCC time charter rates, would yield a \$2.3m profit over the



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



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



Consultants provide you with the future view of the world fleet



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

Choose the trusted source

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

The global active fleet of liquefied natural gas carriers comprised 579 vessels totalling 88.2m cu m as of early September, a 5.5% increase on its year-ago total, according to Lloyd's List Intelligence.

The LNG orderbook stood at 188 units, representing 24.5m cu m of carrying capacity. Of this, 4m cu m is scheduled for delivery in the rest of 2020; 9.9m cu m in 2021; and 11.9m cu m in 2022 and beyond.

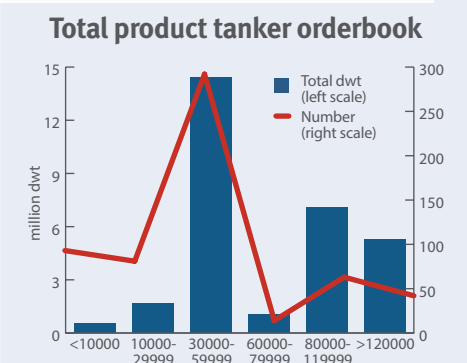
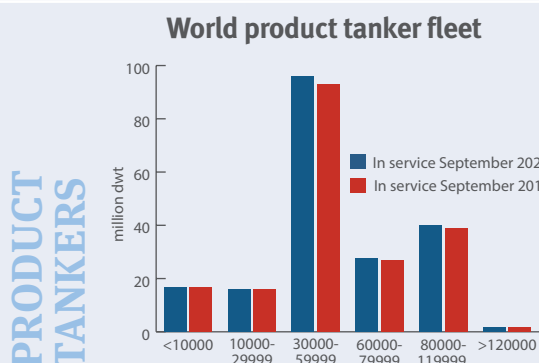
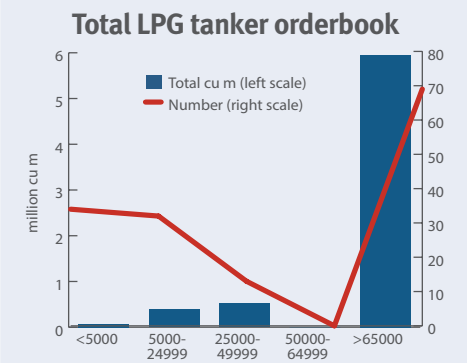
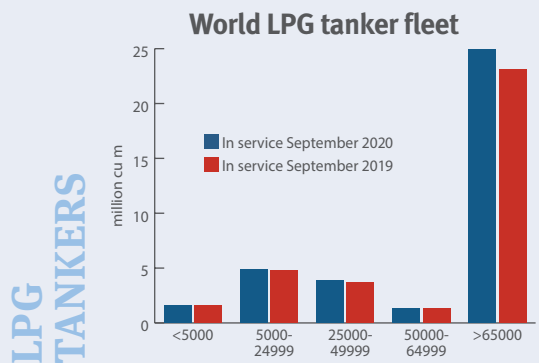
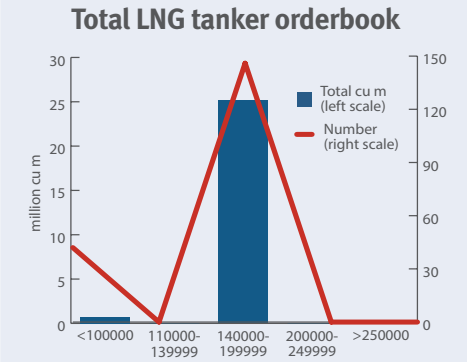
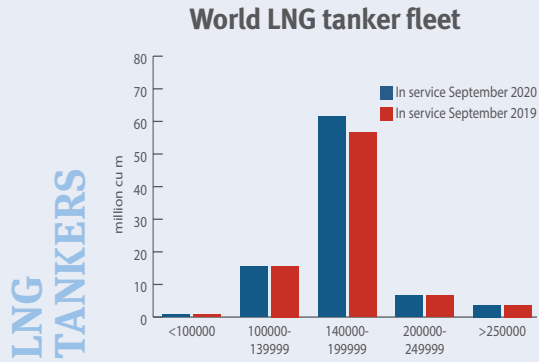
For liquefied petroleum gas tankers, the active global fleet was composed of 1,575 ships, with a carrying capacity of 36.6m cu m, up 5.9% on year.

The LPG orderbook is still dominated by very large gas carriers. Of the 148 vessels on order, 69 VLGCs, or 23.9% of the fleet, are due for delivery.

The global fleet of product tankers comprised 8,841 vessels with a carrying capacity of 197.7m dwt, a rise of 2.4%.

The product tanker orderbook stood at 585 ships, comprising 30m dwt: 292 MR vessels, 63 LR1s and 42 LR2s.

Data from:
Lloyd's List Intelligence
Maritime intelligence | Informa
lloydslistintelligence.com



period, calculations by Lloyd's List show.

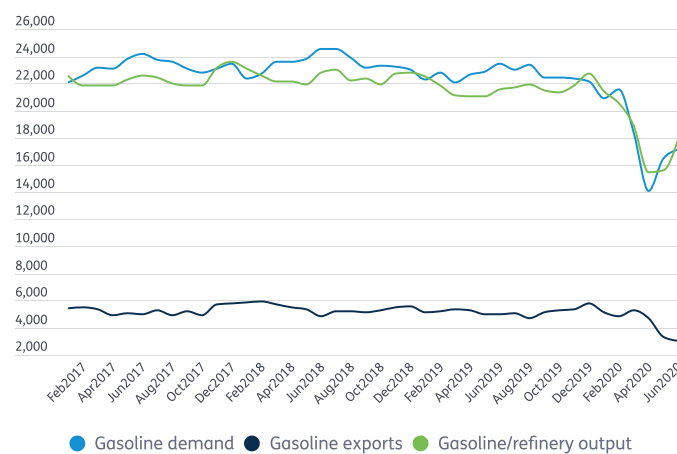
Savvy traders who were the earliest to forecast the steepening contango have already chartered vessels for storage in past weeks, data from shipbrokers reveals.

However, numbers and hype do not match levels seen in April and May.

Bearish July data for refined products demand also suggests little immediate improvement for product tanker rates.

Global diesel and gasoil exports fell month on month to reach the lowest level in 11 years, and shipments of jet fuel plunged to 2004 levels. The figures come as crack spreads, or profits, for refineries to produce middle distillates hit fresh lows in Europe and the US since the pandemic

Global gasoline output ('000 barrels per day)*



* not all countries report figures

Source: Joint Organisation Data Initiative

outbreak — a further indicator of moribund demand.

Preliminary statistics released on September 22 by the Joint Organisation of Data Initiatives

cover the period just before any so-called second wave and show any recovery in middle distillate demand seen since April has stalled.

Some 899,000 bpd of jet fuel was exported in July, Jodi statistics show, down from 1.2m bpd in June, and 59% below the same period a year ago (see graph page 32). Exports were last seen this low in January 2004.

Diesel and gasoil exports at 5.2m bpd were the lowest since July 2011 and compared with 7.8m bpd in July 2019.

Middle distillates cover the so-called middle of the crude barrel and include jet fuel, diesel and gasoil. They have been the most affected products by the pandemic, while overall July demand figures are one-third lower year on year.

Total gasoil and diesel demand dipped 11% month on month, according to Jodi figures and compare with 23.3m bpd a year ago.

The world containership fleet crept up to 22.9m teu in August on the previous month, according to Lloyd's List Intelligence.

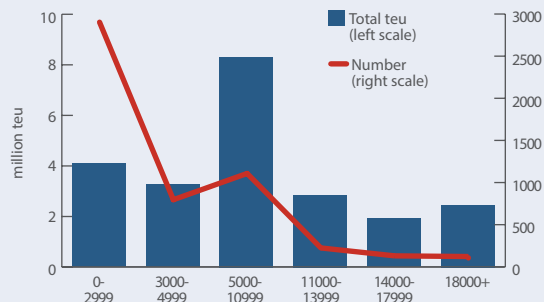
Box lines continue to keep a lid on the orderbook, which remains at historical lows at just under 11%, or 2.5m teu, of the total fleet.

In August, newbuildings stayed at a trickle, with an order

for six ships reported, although still not officially reported by the end of the month.

Intra-Asia specialist SITC has contracted Yangzijiang Shipbuilding to build half a dozen 1,800 teu vessels at a cost of \$126m. The vessels are due for delivery between April and October 2022. The order also includes the option for an additional six units.

World active containership fleet



World boxship fleet update: Tipping the balance

Deliveries and orders are increasing as container shipping tries to maintain a fleet at levels that will allow for growth without increasing concerns relating to overcapacity, writes **James Baker**

Peak-season demand for container shipping has vastly outstripped even the most optimistic outlooks of only a couple of months ago.

Now carriers are facing the challenge of bringing capacity back into the market while maintaining the high rates that their discipline has achieved.

To date, returning capacity has been managed by bringing back vessels that had been left to idle for a matter of weeks due to a sailing being blanked.

Those blankings are now being reversed and the vessels are under way again.

By most estimates, capacity on the transpacific is now higher than it was this time last year — and on the Asia-Europe trade, it is only just below where it stood a year ago.

With the worst impact of the pandemic now apparently over, and with container lines set for their most profitable year in a decade, there is a risk that the positive atmosphere may lead lines to drop their guard and look again at their fleet capacity.

One of the oft-cited reasons for the positive response to the crisis by container lines is that the containership orderbook is at historically low levels. Figures from

World containership fleet August 2020*

TEU Size Range	In Service No	In Service TEU	On Order 2020 No	On order 2020 TEU	On Order 2021 No	On Order 2021 TEU	On Order 2022+ No	On Order 2022+ TEU	Total No	Total TEU	%Total Fleet
0-2,999	2903	4107400	193	358461	53	75913	4	5491	250	439864	10.71%
3,000-4,999	796	3274910	21	72128	0	0	0	0	21	72128	2.20%
5,000-10,999	1108	8312333	9	48900	0	0	0	0	9	48900	0.59%
11,000-13,999	224	2852350	23	271320	15	173500	2	23700	40	468520	16.43%
14,000-17,999	130	1908899	15	225528	15	227784	12	178256	42	631568	33.09%
18,000+	122	2454688	20	441530	6	137000	10	232176	36	810706	33.03%
Total	5283	22910580	281	1417867	89	614197	28	439623	398	2471686	10.79%

*Excluding newbuilding postponements and cancellations under negotiation

Source: Lloyd's List Intelligence

Lloyd's List Intelligence show that at the end of August, the capacity of tonnage on order was 2.4m teu, or just under 11% of the fleet.

According to figures from Clarksons, 2020 containership contracting stands at just 28 units, comprising 174,000 teu — down by one-third over the corresponding period last year.

An order for six ships was reported but not yet recorded on the very last day of August, when intra-Asia specialist SITC contracted six 1,800 teu vessels at Yangzijiang Shipbuilding.

SITC is paying \$126m for

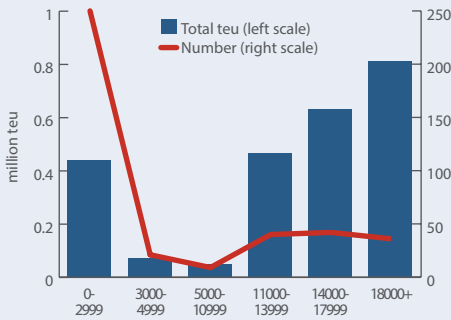
the newbuildings, which are scheduled to be delivered between April and October 2022, and options are available for a further six vessels.

The newbuildings would enable SITC to “expand its self-owned fleet of container vessels to meet the increase in demand for the company’s services”, the company said in a statement.

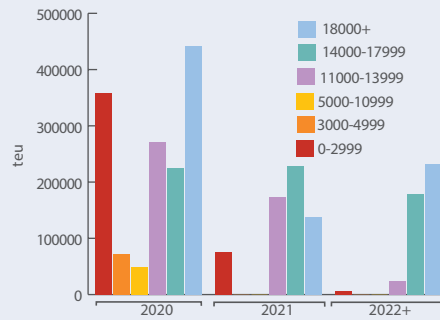
SITC operates 70 trade lanes with a fleet of 86 vessels and a total capacity of 125,403 teu and has recently said it plans to expand its intra-Asia service network.



Containership orderbook



Containership delivery schedule



Data from:

Lloyd's List Intelligence
Maritime intelligence | Informa

lloydslistintelligence.com

While the capacity added by these vessels will not bother the main lane trades or carriers, speculation is mounting that Orient Overseas Container Line is considering orders for seven more 23,000 teu containerships, raising the prospect of another investment binge in the sector.

The Cosco Shipping subsidiary aims to combine the newbuildings with the quintet of the same size already on order to form an independent loop on the Asia-Europe trade, sources said.

In March, Hong Kong-based OOCL signed a \$780m contract to build five 23,000 teu ships at two affiliated yards in China. Those deliveries are scheduled for between the first quarter and the early fourth quarter of 2023.

If they come to fruition, the new orders would help the state-owned giant narrow the capacity gap with the leading carrier Maersk and the runner-up Mediterranean Shipping Co.

Deliveries in August included the penultimate vessel in HMM's 12-ship order for 23,000 teu tonnage. *HMM Le Havre* was delivered by Daewoo Shipbuilding & Marine Engineering, following the delivery of *HMM Stockholm* and *HMM Southampton* from Samsung Heavy Industries earlier in the month.

"Later this month [September], Samsung Heavy Industries will deliver the 23,792 teu *HMM St Petersburg* and therewith complete HMM's megamax newbuilding programme," said analysts at Alphaliner.

"This, however, does not mean that HMM's containership

“*While the capacity added by these [SITC] vessels will not bother the main lane trades or carriers, speculation is mounting that Orient Overseas Container Line is considering orders for seven more 23,000 teu containerships, raising the prospect of another investment binge in the sector*

orderbook will soon run dry. Further to the 12 megamaxs, the Korean carrier will also receive a fleet of eight 15,000 teu ships from Hyundai Heavy Industries.”

If the OOCL orders go ahead, combined with the HMM deliveries and ships on order, these alone would add another 672,000 teu of capacity to the fleet, or 3% of existing capacity.

This comes as the idle fleet is reducing as container lines bring tonnage back into service. Idle capacity fell back during August to around 5%, compared with the 11% it had reached in May.

"The risk of an oversupplied container market remains high in our view, with active capacity estimated to decrease by only 2% this year, after an estimated 4% points higher idle rate at 7%, following the recent drop to 5%," said Jefferies analyst David Kerstens.

However, the move to scrap older tonnage has picked up pace, relieving some of the pressure on supply.

"For the first time since the start of the year, the total capacity of all ships sold for recycling to date has exceeded that of the same point in 2019," analysts at Dynamar said.

"Up to week 35, 64 vessels totalling 165,000 teu have been sold for scrap, compared with 80 ships and 159,000 teu for week 35 last year. The full-year 2019 total ended up being 100 ships for 195,500 teu.

"Scraping activity started to pick up in week 27 this year and, for as long as the current market situation remains, is not likely to cease."



Service differentiation could ease rates pressure

Transpacific rate records have been driven by 'genuine surge in demand' as capacity increased

<http://lloydslist.maritimeintelligence.informa.com/LL1133935>



READ MORE ONLINE
www.lloydslist.com



Port of Houston Authority

Transpacific volumes were up 11% over last year on headhaul services.

Container volumes edge up to recover lost ground

Global container volumes were down by just 20,000 teu in July against last year, as strong Far East exports helped drive trade, **Linton Nightingale reports**

Global seaborne container volumes continued to climb in July to a level nearly on par with the past year, in the clearest sign yet that a trade rebound is in motion following the demand downturn at the hands of the coronavirus backdrop.

The latest figures published by Container Trades Statistics show global container demand was down by just 0.1% — or around 20,000 teu — in July against the past year, at 14.8m teu, representing the strongest month of 2020 and the highest tally since last July.

CTS said the figure will be subject to fine-tuning in the coming weeks.

However, it said it is clear that “as lockdown restrictions are easing and economies are reopening, so demand is steadily improving”.

With volumes falling back only slightly, global containerised freight volumes through the first seven months of 2020

of 92.9m teu were down 5.7% on the past year, according to CTS.

The initial outbreak of coronavirus led to a 3.4% fall in global container volumes during the first quarter of 2020, before a near double-digit percentage drop in the second quarter as the virus spread and subsequent lockdowns created a seismic shock to the global economy.

“April was by far the worst month, down 13%, but despite improving volumes in May and June, the quarter was still down by 9.6% by its close, showing just how exposed the carriers have been to the vagaries of the pandemic’s impact,” commented CTS.

The key driver of global volume growth in July was exports from the Far East, it said.

At just under 8.7m teu, the latest monthly count was up 10% on June’s figures — and 2% on the corresponding month of last year.

“While no doubt helped by the rebound in production in China — the world’s second-largest economy and the first to get going again after the shutdown — this has fed into higher demand on the major east-west trades, suggesting that a stronger peak season is under way,” said CTS.

The emergence of an unprecedented peak season on the transpacific trade lifted freight rates to all-time highs in recent months.

The latest figures from CTS show that volume demand in July was displaying signs of strengthening exports to North America from the Far East.

Eastbound transpacific volumes of 1.94m teu in July were up 18% on June and, more significantly, represented an 11% increase on their year-ago monthly figure.

Figures released by the US Census Department in early September also pointed to a rebound in the country’s container throughput, with imports and exports up sharply through its gateways.

Meanwhile, on the Far East-Europe trade lane, there were also annual volume highs in July.

Volumes hit 1.52m teu on the route, as rise of 9% on June and up above their monthly total last year for the first time in 2020.

However, the Far East-Europe trade has been one of the worst hit by the pandemic, with volumes through the first seven months of the year still down 10% on 2019 levels at 8.8m teu, according to CTS figures.

The marked improvement in July figures was expected to be repeated in August, with carriers reporting a definitive uptick in business during the third quarter.

Following the publication of its second-quarter results in early September, French carrier CMA CGM said it even expects volumes carried in the second half of 2020 to improve over last year.

Nevertheless, there is still an air of caution as to whether this positive sentiment will continue through to the end of the year, with the risk of a second wave of the virus still apparent.

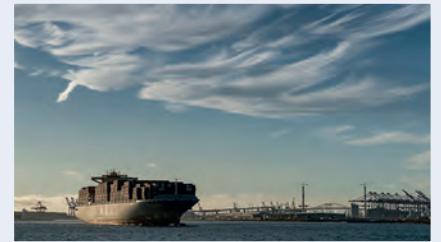
However, Denmark-based consultancy Sea-Intelligence also raised concerns in early September over whether the trend of consumption that had emerged during the pandemic would continue — an aspect that would see the complete decoupling between container demand development and the overall development in the global macro economy, which is “more worrisome”, it said.

“Overall consumption is in decline due to the recession — but for now, this is counteracted by people shifting consumption from services into physical goods,” it said.

“Once given the opportunity, it appears highly likely that the spending will revert back to services, when bars, restaurants, travel, events etc reopen for business.”

Although Sea-Intelligence admitted that timing is difficult to ascertain, given that US importers appear to favour the faster west coast routing over the east coast, “this does give an indication that the current strength could have a relatively short lifespan”.

If this rings true and is indeed a temporary phenomenon, Sea-Intelligence said the industry should anticipate a correction in container volumes at some point in the near to medium term.

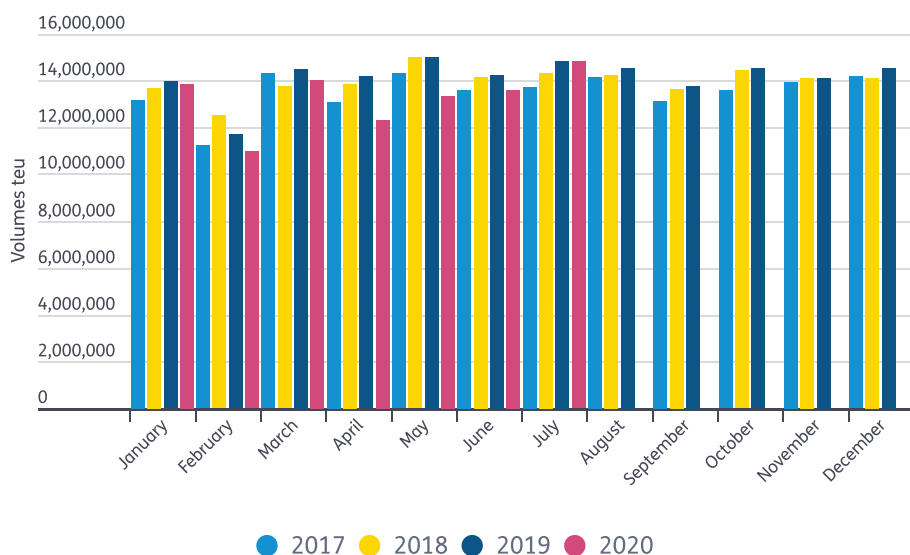


Capacity management will be the new norm for container shipping

Changing patterns of consumption are driving up demand, but the effect will be temporary as warehouses are restocked and the service sector emerges from lockdowns

<https://lloydslist.maritimeintelligence.informa.com/LL133776>

Container trade volumes (2017-2020)



Source: Container Trades Statistics



READ MORE ONLINE
www.lloydslist.com

Container demand will reflect weaker consumer spending

BIMCO warns of a long, drawn-out recovery for container shipping as stagnating economic activity takes its toll on demand, **James Baker** reports

The current boom in volumes, particularly on the transpacific, could be masking what may turn out to be a long and slow recovery for the container sector.

“The container shipping industry is particularly vulnerable to changes in consumer spending, which has been severely impacted by lockdowns across the world,” BIMCO chief shipping analyst Peter Sand said in his latest outlook for the sector.

While volumes were hit hardest in April and May, in line with the strict lockdowns in place at the time, over the first half of the year, liftings were down 6.9%.

“Though volumes have started to recover, actual demand for goods is still considerably down,” Mr Sand said.

“The high rates are testament to shippers again frontloading their goods, this time ahead of a potential second wave of coronavirus around the world and resulting lockdowns.”

While frontloading occurred ahead of an increase in tariffs because of the trade war in 2018, total retail sales in the US — excluding food and beverages — were down 1.3% in the first six months of this year.

There the risks of higher unemployment and lower consumer incomes are looming as governments unwind state support programmes.

“Even the higher state support was unable to stop consumer spending falling in the major consuming nations of the world — and, as this comes to an end, spending is likely to suffer even more, lowering demand for container shipping,” Mr Sand said.



Sand: consumer demand will slow as state support packages are withdrawn.

“The effects of this lower actual demand on container shipping will be more painful, given the frontloading that we are currently seeing, which will depress volumes and freight rates in the future.”

BIMCO said while new housing starts in the US — a signal of economic confidence — were higher than they were a few months ago, they still remained 4.5% below where they were in February this year.

Rates remain resilient

Despite capacity now being close to or above last year’s levels — and although demand remains low — container freight rates remained resilient, which had helped carriers to achieve their most profitable second-quarter results since 2010.

“Across the board, major carriers have announced strong results for the

first half of the year, despite volumes falling,” Mr Sand said.

“This has so far been achieved by the stable freight rates and the cost savings from cheaper bunkers, blanking sailings, and returning ships to tonnage providers.”

However, capacity management had been the key to success — and, as capacity is reinstated without a permanent recovery in demand, carriers would find themselves balancing on a “thin tightrope” between maintaining market share and freight rates.

This would happen while the fundamental balance in the market deteriorated as the fleet grew by 2% and demand falls, said Mr Sand.

“BIMCO expects freight rates to fall in the near future unless capacity adjustments are constantly made to rebalance the market,” he added.



Few opportunities for fund investment remain in developed markets.

Investment funds must cast net wider for terminal deals

Partnering with existing operators can bring benefits to both investment funds and terminal operators wishing to expand, **James Baker** reports

Pension and infrastructure investment funds will need to change their investment approach if they are to continue to expand their share of global container terminal operations following a slowdown in new deals.

The level of investment in the ports and terminals sector by pension and infrastructure investment funds has reached a plateau after peaking in 2019, according to analysts at Drewry.

“We do see opportunities for growth but these will need a shift in the investment approach from the funds compared to their previous approach,” analyst Eleanor Hadland said.

The peak in fund investment witnessed last year differed from the previous peak in 2006-2007.

“The boom we saw before the last crisis was characterised by high competition between funds for relatively limited opportunities, which pushed the valuations higher and squeezed out established industry operators,” Ms Hadland said in a webinar.

“In recent years, however, we have seen the balance shifting back, with valuations heading back to more reasonable levels. In this era of slower growth, we have seen operators show an increasing appetite for the acquisition of brownfield assets over the development of potentially riskier greenfield projects.”

Part of the reason for the slowdown in growth by fund investors was the lack of suitable opportunities.

In North America, for example, by the end of 2008, funds had invested \$10bn in the market and achieved a 38% share of regional container volumes.

However, by 2019, this had only risen to just over 40%.

Globally, though, funds hold only a 6% share of the market, compared with 65% for global terminal operators.

In Europe, the global operators’ market share stood at almost 80% in 2019.

“There are another 120 European terminals outside the ownership of the global operators with a combined 16m teu in 2019,” Ms Hadland said.

“However, these have an average throughput of less than 135,000 teu, so there are few suitable remaining acquisition targets for the larger funds.”

With fewer opportunities available, funds would need to look to diversify their investment approach, she said.

“We could see some further divestment of terminal-operating assets by shipping lines, maybe selling to existing partners. Yet there are limited remaining assets in the target markets that are not already under some form of joint ownership structure.”

Alternatively, funds could look to widen their exposure to non-Organisation for Economic Co-operation and Development

markets — specifically emerging markets with stable economies and established port concession regimes.

The largest opportunity, however, lay in the co-investment model that had emerged in recent years.

“The primary example of this is the DP World/Caisse de dépôt et placement du Québec investment platform, which has achieved its investment target of \$3.7bn since its launch in 2016 and now incorporates 10 terminals in Canada, Chile, Australia and the Dominican Republic.”

Using the platform had allowed DP World to monetise existing assets but also fund new acquisitions. It simultaneously provided CDPQ with the enhanced access to the market that DP World brings.

“By establishing a platform, it creates a separate portfolio within a portfolio, that allowed CDPQ to access deals that probably would not have been considered by the fund on a standalone basis, such as DP World Caucedo in the Dominican Republic,” Ms Hadland said.

“It would not normally be usual for a fund to invest in an emerging market transshipment hub under the previous investment approach.”

The announcement in early September that DP World and CDPQ would be investing a further \$4.5bn to expand the platform indicated that this was a successful strategy, she added.

Brand power wanes in era of container shipping super-groups

Maersk's decision to close Safmarine comes as little surprise, given the diminishing benefits of operating separate business units, Janet Porter reports

Safmarine epitomised the power of the brand for many years — a name that was familiar well beyond the confines of the shipping industry, and one that delivered genuine value to the bottom line.

Those were the qualities that Maersk recognised when it acquired Safmarine in 1999, the year that it bought the US giant Sea-Land.

While the latter provided scale and catapulted Maersk into the premier league of container lines, Safmarine gave the Danish group access to a market that it had found hard to penetrate.

Safmarine, which dates back to 1946, is a household name across southern Africa, and its Big Whites — for a while the largest containerships in service — were also four of the most well-known ships in the world, popular with both passengers and shippers.

And it was those strong relationships with cargo interests that appealed to Maersk, which recognised the need to keep the name to retain customers.

So while the Sea-Land name was quickly absorbed into Maersk Sealand for a brief spell — and the P&O Nedlloyd name was dropped not long after the Danish group acquired two iconic names in yet another takeover — the Safmarine name survived within the group for more than two decades.

The carrier was kept at arm's length from Maersk Line for many years, with separate management and its own headquarters in Antwerp.

Gradually more and more activities were integrated into those of its much larger sister company until there was, quite literally, just the name that was left.

So Maersk's decision to fully absorb



Hasenpusch PPA

Retaining separate units and organisational structures is expensive and few lines can afford any additional costs right now.

the brand by the end of the year came as no real surprise.

Maersk has never been one for sentimentality. Sound business reasons would have been behind the decisions to kill off the Safmarine name.

Those Safmarine staff that had built up such a loyal following among customers have probably mostly retired, while Maersk has had long enough to establish its own reputation in southern Africa.

Furthermore, retaining separate units and organisational structures is expensive and few lines can afford any additional costs right now — even one as financially strong as Maersk.

Changing tack

CMA CGM, which has long espoused the benefits of operating separate lines within its portfolio — and won plaudits from Maersk a few years ago for its brand strategy when the Danish group revived the SeaLand name — has even started to change tack.

Shortsea operators MacAndrews and OPDR have been folded into the Containerships brand, while APL is to become just a US Jones Act line and no longer a player in the global trades.

One group that still operates several different lines is Grimaldi Group, with

subsidiaries such as Atlantic Container Line, Finnlines and Minoan Lines,

The Italian group has chosen to keep its various acquisitions as separate identities in those markets where Grimaldi did not have an established presence, and to capitalise on the individual strengths and trade specific expertise of each. However, that strategy will again be based on a solid business case that works for now.

Most of the pioneers of containerisation have long since disappeared or become little more than a name on the side of the box.

Industry expert Lars Jensen estimates that of the top 20 lines in 1980, only five are still in business in their own right, with many other once powerful names now simply subsidiaries.

Of those, there is one in particular that has survived so far, but must be questioning its future.

When Maersk bought Hamburg Süd in 2016, it promised to retain the German line's Hamburg head office and keep what is regarded as one of the most prestigious names in the industry.

However, as the Danish group goes through yet another reorganisation, the Hamburg Süd brand looks likely, sooner or later, to become yet another casualty of the ruthless world of container shipping.

Israeli line shows there is room for a mid-sized player in container shipping amid renewed speculation that it is considering an initial public offering, Janet Porter reports

When Zim withdrew from the Asia-Europe trades in 2014, it looked like one final desperate move by a container line struggling to survive.

In retrospect, it may have been a turning point for the Israeli company that is not only still in business, but doing quite well.

Six years ago, few in the industry would have bet on Zim's longevity; the decision to stop operating in one of container shipping's biggest markets was interpreted by many as a first step towards closing down altogether.

Regardless of whether it was possible to make money on this route, every carrier with global ambitions felt it needed to have a presence on such a key, if cut-throat, trade.

Yet Zim not only realised that it did not have to the scale to compete against the top industry players, but that it was also foolish to operate in such a low-margin trade at a time when its future looked bleak.

Instead, Zim decided to focus on those trades where it already had a sizeable market share, such as certain routes serving the US, and forget about the 'global' label. These days, Zim refers to itself as a global niche carrier.

Amid renewed speculation that the company is considering a possible initial public offering on a foreign exchange, that move back in 2014 could have marked the moment when Zim's fortunes started to look up — although in this turbulent industry, any number of unforeseen developments could have derailed the strategy.

In particular, the consolidation of container shipping from up to 20 global players to about seven, now grouped into three huge vessel-sharing agreements, has not helped many of the mid-sized lines.

Zim, with its political baggage of a golden share owed by the state of Israel and Israeli cargo commitments, was not able to join any of these huge consortia. However, it does now have a strategic partnership with the 2M collaboration of Maersk and Mediterranean Shipping Co and works with other alliances on an ad hoc basis.

Yet turn the clock back some years, and few other lines wanted to take the risk of



Zim pulled through difficult times after its 2014 decision to focus on trades where it already had a sizeable market share.

Bold move to exit Asia-Europe trades may have secured Zim's future

teaming up with a carrier whose financial position seemed so precarious.

At one time, Zim was barely out of the headlines — but for all the wrong reasons, as various debt-refinancing arrangements were hammered out.

In 2009, there had been a \$550m bailout after weeks of tense negotiations between former owner Israel Corp and creditors, including banks and others such as shipowners with vessels on charter to Zim.

Then, less than three years later, another financial injection was needed as the losses continued.

However, that was by no means the end of Zim's problems, with the line forced in 2013 to cancel an order for a series of 12,600 teu vessels that had been placed several years earlier.

In between these dark times, Zim has considered an initial public offering on several occasions, before having to suspend plans as market conditions deteriorated.

One of the earlier occasions for a possible IPO dates back to 2007, but that fund-raising was postponed as stock markets weakened. Nevertheless, an IPO remained on the table and was again considered in 2010 as the container trades rapidly recovered from the 2009 slump. However, that too was shelved as Zim's financial plight worsened.

More recently, potential buyers were quietly approached in late 2016, but that move was put on the backburner as the whole container shipping industry went through a massive round of consolidation.

Senior executives, as well as other sources close to Zim, have declined to comment on the IPO speculation, but Lloyd's List understands that some very preliminary soundings are being made.

At first glance, the timing may seem odd, given that the global economy is struggling with a pandemic that has depressed cargo volumes. Yet the container shipping industry appears to be handling the situation remarkably well.

And many investors, among them prominent shipowners who agreed to swap bonds for equity or accept charter rate cuts in exchange for shares, must be keen to sever their links to Zim.

Whether or not it does go ahead with a share sale, the story of how Zim has survived is telling.

It shows that container shipping is not all about scale — and that there is still room for the specialist who can retain a large market share on certain routes.

And that decision back in 2014 to exit the Asia-Europe trades could have been the pivotal call that saved Zim from becoming yet another container shipping casualty.



Yard Talk with Cichen Shen

A regular column that looks behind the news headlines, adding analytical value to coverage of the big Asian shipbuilders and yards around the world

Why China is looking to China to support its shipping strategy

China has long sought for more Chinese cargo to be carried by Chinese ships. Economic conditions may offer the chance of ‘guohuo guoyun’ and China’s shipyards could benefit

Cosco Shipping Bulk chairman Gu Jinsong recently said that Chinese companies along the shipping industry chain should look to one another for comfort.

The remarks come against the backdrop of a new strategic axis of China’s economic development: a dual-cycle pattern centred on domestic demand and facilitated by foreign trade.

Economists and analysts see this policy shift as partly a pivot of the “world’s factory” towards economic self-sufficiency amid the coronavirus pandemic and rising geopolitical uncertainties.

Is it related to shipbuilding? Of course it is.

The focus of the domestic cycle has heightened the importance of energy and food security for China, said Mr Gu.

His company, a subsidiary of state conglomerate China Cosco Shipping Corp, owns the world’s largest dry bulk fleet.

“Our country still largely relies on imports for commodities such as iron ore, oil and grains,” he told a Capital Link forum.

“Chinese shipping companies should seize the opportunity, as well as take the responsibility to help guarantee the supply of those resources.”

Guohuo guoyun

That led to his key conclusion that more Chinese cargo should be carried by Chinese ships, or ‘guohuo guoyun’, as it is often referred to in the Chinese language.

The idea is not new, though. Policymakers in Beijing have been trying to achieve that goal for many years, though progress has not been impressive.

For example, in 2003, the Ministry of Transport set a target for 80% of the country’s oil imports to be hauled by Chinese-owned tankers by 2015. The reality is that ratio has never exceeded 40%.



Hudong-Zhonghua Shipyard, part of China State Shipbuilding Corp, is the only Chinese yard capable of building large liquefied natural gas carriers.

“*Most of the valemex bulkers used to help fill China’s demand for Brazilian iron ores are either owned by Chinese shipowners or leasing houses and built at Chinese yards*”

However, the old topic now seems to be just the right fit for China’s new norm, as envisaged by Beijing. If China does increase the ‘guohuo guoyun’ ratio, domestic cargo owners and

traders will hire more ships from domestic owners — who, in turn, will need to order more ships with compatriot builders. And bear in mind that most of the major players in these sectors are state-owned.

To a certain degree, this has already happened. Most of the valemex bulkers used to help fill China’s demand for Brazilian iron ores are either owned by Chinese shipowners or leasing houses and built at Chinese yards.

A similar structure may be applied to the up to 16 large liquefied natural gas carriers booked at Hudong-Zhonghua Shipbuilding, part of China State Shipbuilding Corp, for importing the fuel from Qatar.

Earlier this year, the same yard also won orders for another three LNG tankers linked to US exports from a joint venture between Cosco and state oil and gas giant, PetroChina.

The latest talk from the newbuilding market seems to suggest that countryman affection and ties will only strengthen.

OOCL linked to more supersized newbuilds

Orient Overseas Container Line is said to be considering orders for seven more 23,000 teu containerships, raising the prospect of another investment binge in the sector, writes Cichen Shen.

The company, now part of state conglomerate Cosco Shipping, aims to combine the newbuildings with the quintet of the same size already on order to form an independent loop on the Asia-Europe trade, according to people with knowledge of the matter.

The ordering plan is “at a very early stage”, with the choice of shipyards and the type of vessel engines yet to be decided, the sources said.

Cosco and OOCL have been approached for comment.

Having landed more than \$1bn last year from the sale of its US terminal assets, Hong Kong-based OOCL signed a \$780m contract in March to build five 23,000 teu ships at two affiliated yards in China.

Those deliveries are scheduled between the first quarter and the early fourth quarter of 2023.

Independent consultant Tan Hua Joo said the additional orders would make sense if the carrier wants to form a new string for the Asia-Europe routes that require a dozen ships.

“The decision is clearly driven by Cosco and is partly politically motivated, given the dwindling order backlog at Chinese yards but is also in line with Cosco’s growth ambitions,” he added.

The newbuilding plan would help the state-owned giant — which controls the world’s third-largest containership fleet — narrow the capacity gap with the leading carrier Maersk and the runner-up Mediterranean Shipping Co.

The Cosco management appears to believe the fresh supersized tonnage is a



OOCL ordered five 23,000 teu ships at two affiliated Chinese yards earlier this year.

rather “safe bet”, according to one of the sources, who added: “In a good market, these 23,000 teu ships can surely help Cosco and the Ocean Alliance tap more Asia-Europe revenue.

“When it turns gloomy, the capacity pressure can be alleviated by returning some of the chartered-in big ships and send some of the smaller ultra large ships to the Middle East trade.”

Cosco and OOCL, with CMA CGM and Evergreen, are members of the Ocean Alliance, which trails the 2M grouping — Maersk and MSC — in Asia-Europe capacity.

The ordering scheme also comes as box shipping carriers have fared surprisingly well so far this year against the backdrop of the coronavirus outbreak.

Most major carriers reported satisfying profits in the second quarter, as their efforts in blank sailings managed to shore-up rates on the main east-west trades.

Prospects for the second half remain

upbeat as seen by some analysts, with a market recovery led by record high transpacific rates during the summer peak season, plus a remarkably low orderbook.

However, the bullishness is giving rise to concerns over a recurrence of an ordering spree by shipping lines, which previously threw the sector into a deep slump.

Hapag-Lloyd and Ocean Network Express, members of The Alliance, were already reportedly close to ordering a string of 23,000 teu newbuildings before the disruption brought about by the pandemic.

Questions have been raised whether the current optimistic sentiment will lead to a revival of the plans.

“I believe there will be more orders to come, not only from Cosco but also some of its main rivals,” said Mr Tan.

“The appetite from a few other major lines remains high. I will also be surprised if Maersk still does not act to renew its fleet within the next two years.”

These include the newbuilding project between China Minsheng Trust, Cofco and Chengxi Shipyard for eight kamsarmax dry bulkers; and a deal involving orders for a maximum of 30 very large crude carriers that is being discussed by Shenzhen-listed Rongsheng Petrochemical and its partner CSSC.

Some analysts think Cosco’s recent

fleet expansion plan to build seven more 23,000 teu containerships is also partly driven by Beijing’s policy goal to safeguard supply chain stability.

Following a consultation between the government and liner carriers, the company took the lead in withdrawing the mark-up on transpacific trade and replenishing vessel capacity

to help reduce the shipping costs of Chinese exports.

For the first seven months of 2020, Chinese shipbuilders won orders for 164 vessels, of which 100 were ordered by domestic owners, according to Clarkson’s data. This is an extremely high proportion compared to the past level — or rather, just a starting point for the future.



Shipping must stand for social and political tolerance

Hong Kong Shipowners' Association chairman Bjorn Hojgaard has called on people in shipping to reject 'nationalism, fascism and radicalism', from which the fallout is hurting the sector

Business executives tend to avoid talking about politics publicly, unless they have to. Yet Hong Kong Shipowners' Association chairman Bjorn Hojgaard has found it necessary, with the latest fallout from the Sino-US strife turning into yet another turn of the screw for the Asian shipping hub.

The world we live in has become increasingly polarised, warned Mr Hojgaard, who is also the chief executive of locally based Anglo-Eastern, the world's second-largest shipmanager.

"Shipping is built on trade and trade on co-existence," he told a recent Marine Money Hong Kong webinar.

"As global nomads in the shipping world, we need to stand up for tolerance for civil discourse and for reason. We must reject being taken hostage by either end of this political spectrum."

The appeal must have come from the depths of the heart.

A former British colony and known for its economic liberalism, the Chinese special administrative region is being dragged down by political turmoil — first the US-China trade war since 2018 and then the domestic social unrest sparked by anti-government movements.

The local economy, including shipping and the port sector, already felt the pain, even before the debilitating coronavirus pandemic.

Now the US is rubbing salt into the wounds. President Donald Trump's administration recently decided to scrap a double tax deal for shipping with Hong Kong, after pledging to punish China for its clampdown on dissidents by implementing the national security law in the city.

While an effective date has yet to be specified, the US policy is expected to increase the financial burden for shipping companies on



HKSOA

Hojgaard: chairman of Hong Kong Shipowners' Association since November 2019.

both sides and threaten Hong Kong's prospects as a maritime hub.

Mr Hojgaard's fellow speakers from the local marine community were rather reticent when asked to comment on the impact. Yet they were unable to shrug off the concerns.

"It could have an impact on operating costs if there is a great tax that we end up having to pay," Michael Fitzgerald, deputy chief financial officer of Orient Overseas Container Line, told the audience.

And passing the extra costs on to cargo owners or charterers will not be a solution for dry bulker operator Pacific Basin, said its chief executive Mats Berglund.

"The customer will simply use another ship rather than a Hong Kong ship in the spot market," he pointed out.

However, Mr Berglund suggested that termination of the tax agreement would not take effect until the beginning of 2021, based on his company's "preliminary analysis".

Does that mean there is still room for Washington and Beijing to renegotiate a deal after the US presidential election? Maybe.

Mr Hojgaard concluded his speech by calling for a commitment "in rejection of nationalism, fascism and radicalism", an advocacy with which people in shipping could not agree more.

The hope is others will listen.

Lloyd's List

Editor
Linton Nightingale

Lloyd's List Managing Editor
Richard Meade

Contributors
Anastassios Adamopoulos, James Baker, Nidaa Bakhsh, Declan Bush, Richard Clayton, Nigel Lowry, David Osler, Adam Sharpe, Cichen Shen, Hwee Hwee Tan, Inderpreet Walia, Eric Watkins, Vincent Wee, Michelle Wiese Bockmann, Fred Williams

Sales Director, Marketing Services
Natasha Dwyer:
natasha.dwyer@informa.com

To advertise please email:
marketingservices@informa.com

Asia Pacific
Arundhati Saha

Americas
Stacey Teicher

EMEA
Janet Wood (Greece and Cyprus), Deborah Fish, Luke Perry, Adrian Skidmore

Classified
Maxwell Harvey

Advertising Production Manager
Mark Leech

Production Editor
Felicity Monckton

Cover
Kapusniak Design

Printing
Paragon Customer Communications

Editorial
Lloyd's List,
240 Blackfriars Road,
London SE1 8BF

Tel: +44 (0)20 7017 5000
Email: editorial@lloydslist.com

Published by Informa UK Ltd.

© Informa UK Ltd 2020. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means electronic, mechanical, photographic, recorded or otherwise without the written permission of the publisher of Lloyd's List.

Lloyd's List is available online in every country in the world by placing a subscription with the publishers in London, Informa UK Ltd. Please place your order with the Lloyd's List marketing team at Informa. This special supplement is issued free to subscribers. For further information please email: subscription.enquiry@lloydslist.com or telephone: +44 (0)20 3377 3792

Lloyd's is the registered trademark of the society incorporated by the Lloyd's Act 1871 by the name of Lloyd's.



Virtual Greek Shipping Awards 2020

17th Annual Awards Ceremony

Friday 4 December 2020



NOMINATE NOW to propose your choice for this year's winners.

We look forward to a particularly strong field of candidates and are inviting entries for this year's Awards. Take a few moments to send us your suggestions in as many categories as you like.

We actively encourage individuals and organisations to propose themselves for Awards.

Send us your story and the reasons why you or your company deserve recognition this year. Equally, we look to industry professionals to submit third-party nominations in support of others who merit recognition. Once again, a prestigious, knowledgeable industry panel of judges will assess all nominations and determine the winners.

NOMINATIONS CLOSE ON MONDAY 12 OCTOBER 2020

Nominate on line at: www.greekshippingawards.gr

Event Sponsor:

ClassNK

Champagne Toast Sponsor:



Welcome Reception Sponsor



ExxonMobil



RIGHTSHIP

MARICHEM WORLDWIDE **MARIGASES SERVICES**



Specialist in repair and conversion



Keppel Shipyard is the trusted partner for the repair and upgrading of a diverse range of vessels. We are the market leader in FPSO, FSO, FSRU and FLNG conversions as well as turret, mooring systems and topside modules fabrication.

Keppel Offshore & Marine

Keppel Shipyard Limited (A member of Keppel Offshore & Marine Limited)

51 Pioneer Sector 1 Singapore 628437 Tel: (65) 68614141 Fax: (65) 68617767 Email: ks@keppelshipyard.com www.keppelom.com