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China clamps down on coal imports

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Move could have a positive impact on the capesize spot market



IN AN attempt to curb its rapidly growing dependence on coal imports, Beijing is rewriting the rules for the dry bulk market by restricting the number of ports that can accept coal shipments. The new regulation will take effect from July 1 until the end of this year.

The restriction is part of China's efforts to reduce coal imports by 10%. It is imposed on secondary import ports sanctioned by provincial governments, according to Chinese commodity consultancy

The new regulation will take effect from July 1 until the end of this year.

Mysteel.

So far, the main ports and energy companies affected are mostly located in South China's Fujian, Guangdong, Guangxi and Hainan provinces and include the ports of Kemen, Ningde, Dongwu and Ledong.

Mysteel estimates that those four ports have a combined annual import volume of about 15m tonnes, so the restriction between July 1 and December 31 could cause a reduction of 7.5m tonnes, equivalent to 4% of China's total imports of steam coal in 2016.

In addition, several other ports are also reportedly unable to receive coal imports; they include Shanghai Luojing terminal, Guangzhou CRC Nansha Power Plant's port, and Xiji port and Shantou port in Guangdong province. Primary ports authorised by the central government in Beijing to import coal, such as Zhoushan, Xiamen and Guangzhou, are not affected yet.

"It is worth noting that the majority of overseas coal cargo gets into China via the primary ports, so the impact of the restriction is very limited, at least for now," Mysteel said.

"But some of the primary ports, like Fangcheng port, have started to see impact, with cargo being only allowed to be offloaded in the customs supervision areas."

If all primary ports are required to offload in customs supervision areas, total coal imports in China are expected to fall by 20m to 30m tonnes in 2017, Mysteel predicts.

Although brokers are not entirely clear about the impact, there is a consensus that prospects for panamax vessels look grim as most of the secondary ports cater to this segment.

"The true status of the new curb on imports is hard to glean at the moment," said a Singapore-based broker.

The curb could leave some of the exporters with the expense of redirecting or returning shipments which are already on the high seas, he added.

“It can also cause vessel queues to grow in major ports as ships bound for banned ports would divert elsewhere.”

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DSME to sell \$1bn in convertible bonds

by Wei Zhe Tan

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Bonds to be purchased by Export-Import Bank of Korea



SOUTH Korea's Daewoo Shipbuilding & Marine Engineering is to offload Won1.28trn (\$1.1bn) in convertible bonds amid debt restructuring efforts.

A DSME official told Lloyd's List the transaction was part of its Won2.9trn financial aid package announced by its lead creditor Korea Development Bank in March this year. The bonds would have a 30-year maturity date at 1% interest.

As part of the deal, the Export-Import Bank of Korea would

The transaction will cut DSME's debt ratio to below 400% from 1,557%

purchase the bonds from the shipbuilder, the official said.

Earlier in June, KDB and other commercial banks purchased about Won793bn in DSME shares to help recapitalise the shipbuilder, which has been hit by the prolonged industry slump.

The official said that when the transactions were completed, they would enable DSME's debt to equity ratio to fall to 400% from 1,557% at end-March this year.

In exchange for the funding, DSME has to carry out rehabilitation measures valued at Won2.7trn into 2018. Part of these measures included the sale of non-core assets such as food catering firm Wellive and ship design firm DSEC, as well as job cuts, where DSME managed to save around Won2.1trn, said the official. Separately, the Seoul Tax Office has asked DSME to pay an additional Won61bn in tax surcharges for the 2013-2015 period in which authorities had discovered past executives had engaged in accounting fraud for the financial statements in those years. The shipbuilder has until August 31 this year to pay the penalty. DSME has said it will appeal against the penalty through multiple avenues in accordance with the country's laws.

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On thin ice: The future of navigation in the Canadian Arctic

by Eric Yep

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The Northwest Passage will not be an international waterway anytime soon, but Canada still needs to step up development work to keep pace. Caught amid the changes are the Inuit and their way of life



One of the most fascinating features of Arctic biodiversity is a polynya, borrowed from a similar sounding Russian word that means ice-hole.

Polynyas are naturally occurring ice-free spots in polar regions, like an Arctic version of an oasis, where one would normally expect the water to be covered with thick layers of ice. Arctic polynyas are biodiversity hotspots that attract large concentrations of marine mammals like white whales, narwhals, walruses, beluga and seals. Their warmer waters

Inuit people in the Canadian Arctic are cautious about the development of commercial shipping in Arctic waters.

attract polar bears that forage along the coast, sea life and major bird colonies in winter.

Since these polynyas are relatively ice free, they also attract an unwelcome outsider—the smoke-belching man-made shipping vessel navigating through Arctic ice.

The migration corridors of different species in the polynyas correspond broadly with the main shipping routes of the Canadian Arctic, according to the government of Canada's Northwest Territories, raising major concerns about the clash of commercial shipping and the environment as melting ice opens up waterways in the Canadian Arctic.

This is further complicated by the impact of shipping on the indigenous people of the Arctic — the Inuit.

The Inuit have a deep spiritual and economic connection with ice, land and water since time immemorial. They see ice, land and water in continuity with their own existence, and ice is vital to their lifestyle and traditions.

A ship navigating the Arctic however, sees ice as an obstacle that must be crushed.

“Clearly, the Arctic is a region like no other. It does not and cannot compare to other maritime trading regions,” said Prof Aldo Chircop, Canada Research chairman at the Marine & Environmental Law Institute of the Dalhousie University in Halifax, Canada.

“It has a unique and highly sensitive environment and is the fastest warming area of the planet,” he added. At a recent presentation in Singapore Mr Chircop outlined the key questions that face the Canadian Arctic.

To what extent is the law of the sea applicable in the Arctic where land, ice and water are a continuum? Does the right to navigate include the right to break ice? Are conventional environment protections enough to protect ice-covered areas and the rights of indigenous peoples to sea ice integrity?

While the maritime community struggles with these questions, US President Donald Trump's announcement of US withdrawal from the Paris Agreement has further disappointed the Arctic States because of its far-reaching implications for climate change impacts in the Arctic.

In the shadow of melting ice

On January 6, 1982, the *Akebono Maru No 28* capsized in the Bering Sea during heavy weather killing 32 crew members. On April 2, 2001, the *Arctic Rose* sank in the Bering Sea, 130 nautical miles off St. Paul Island killing 15. Both were fishing trawlers.

These were two of the biggest shipping casualties in the approximate region of the Canadian Arctic in recent decades, according to Lloyd's List Intelligence, and highlight the severe lack of any supporting infrastructure for shipping in the region including search and rescue.

There are other things to consider as far as navigation in the Canadian Arctic is concerned.

Unlike the Russian Federation's Northern Sea Route, where ice navigation and commercial shipping is far more advanced, Canada has neither legislatively defined the Northwest Passage, nor set up any Northwest Passage Administration.

There is also a difference in opinion between the US and Canada. The US considers the Northwest Passage as an international sea route but Canada considers the waters of the Canadian Arctic archipelago as internal waters under its sovereignty.

So far, navigation in the Canadian Arctic remains a seasonal summer activity for cabotage trades supplying northern communities, transportation of natural resources produced in the region like nickel, research and government ships, and fishing trawlers. Cruise shipping is gaining prominence with Arctic tourism, raising many eyebrows among environmentalists.

While overall shipping activity is low there is a certain inevitability of increased traffic as snow melt accelerates. And with growing traffic comes the question of regulating it effectively.

"Increased navigation will also carry substantial risks because of insufficient up to date charts, poor infrastructure, ice hazards and frequent bad weather," Prof Chircop said. "Maritime safety is absolutely critical: navigation remains very hazardous and the infrastructure, including for search and rescue and pollution response, less than basic. The emphasis must be prevention," he added.

Prof Chircop noted several ongoing developments for Arctic shipping in Canada.

Canada is developing a new Arctic policy in consultation with indigenous communities, building five or six Harry Dewolf-Class Arctic and offshore patrol ships to enhance military presence and new regulations to implement the IMO's Polar Code under Transport Canada.

Transport Canada, the country's national maritime administration is also drafting guidelines for passenger vessels operating in Canadian Arctic Waters and the Canadian Coast Guard is consulting stakeholders regarding proposed northern marine transportation corridors for routes where shipping and related services can be offered.

Other than Transport Canada and the Canadian Coast Guard, a special operating agency of Fisheries and Oceans Canada are the main federal agencies for international shipping in Canada's Arctic that include the Northwest Territories, Yukon and Nunavut.

"Perhaps the most important development will be improvements in infrastructure, including more hydrographic surveys to update or create new charts and enhanced search and rescue and pollution response," Prof Chircop said.

Ice trails in the Arctic – transforming the Inuit homeland

Dalhousie University Marine Affairs Program director professor Claudio Aporta has been doing anthropological and ethnographic research in the Canadian Arctic since 2000, studying how Inuit relate to the sea ice and documenting Inuit traditional trails and boat routes.

Inuit see the sea ice as an extension of their lands, as landfast ice attaches to the shores and remains a stable surface for months. Sled trails have been followed for centuries and reflect Inuit intensive use of marine spaces and Arctic waterways since time immemorial, Prof Aporta said.

Since increased shipping may affect Inuit ice routes, they are cautious about the development of commercial shipping in Arctic waters.

"Clear examples of navigational chokepoints heavily used by Inuit are the Hudson Strait, the Lancaster Sound, and Coronation Gulf," he said, noting that in Coronation Gulf, Kitikmeot Inuit (Inuit of the Central Arctic) are worried about the effects of icebreaking in caribou migration routes.

"They are also worried about the consequences of oil spills in the marine life they depend upon," he said. "The international community should know that significant parts of the Arctic waterways are heavily used by Inuit. Those marine spaces have significant economic, cultural and historical value to them."

But equally true is the fact that indigenous communities in the Canadian North have long been economically disadvantaged and suffer from major public health, food security and housing concerns.

Suicides rates among the communities made major headlines last year, and despite the federal government embracing recommendations of the Truth and Reconciliation Commission, and the UN Declaration on the Rights of Indigenous

Peoples, Prime Minister Justin Trudeau is not exactly idolised by Canada's indigenous communities. *Abraham Okpik*, a famous Inuit community leader, reportedly once said that for all the coziness of an igloo, Inuit would like a proper home as much as any other Canadian in the middle of a harsh winter. Hence, the Inuit are not necessarily opposed to commercial shipping, provided an increase in economic activity helps build critical infrastructure and meets the region's developmental needs. Most importantly they want to have a significant role in the governance of Arctic waters and be properly engaged in the conversations. So far, there has been a growing saliency of indigenous interests in the Canadian Arctic, but their participation in debates surrounding shipping is marginal and a lot more needs to be done for them to be heard. "The same can be said about other ocean faring indigenous peoples around the world," Prof Aporta noted.

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Lauritzen's blue-eyed boy has his work cut out following promotion

by Hal Brown

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Much faith put in Thomas Woidemann to take on multiple roles at a challenging time



THOMAS Wøidemann, the man with the bluest eyes in shipping, has been promoted to chief operating officer of Danish shipowning company J.Lauritzen.

Mr Wøidemann, who has been with Lauritzen for more than 15 years, has spent the last six years as president of the gas division Lauritzen Kosan, and since March 2017 has also been interim head of dry bulk.

Woidemann: Takes on new role of chief operating officer on top of his other key positions.

Alongside his new managerial

position, he will continue to be responsible for the commercial and operational activities of Lauritzen Bulk as well as

Lauritzen Kosan.

“The promotion should be seen in the light of our strategic ambition of being the technologically advanced, focused, and leading operator in the handysize bulk and small gas carrier segments,” said J. Lauritzen chief executive Mads Zacho. “Thomas Wøidemann is the ideal candidate to promote our strategic goals.”

But the multi-faceted Mr Wøidemann will have his work cut out. J. Lauritzen was recently given an \$80m capital injection by its owner after the company fell to a wider first-quarter loss compared with a year earlier. The company made a net loss of \$12.4m versus \$8.3m a year ago.

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Keppel secures \$62m vessel conversion contracts

by Wei Zhe Tan

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Deals are with four different parties



The yard will work on offshore vessels, gas carriers and heavy lift ships.

skids installation, and a new accommodation module among other work.

SINGAPORE-based Keppel Offshore & Marine said its subsidiary Keppel Shipyard had secured four deals worth S\$85m (\$61.6m) to convert, repair and modify vessels.

The first agreement signed will see the yard convert the 2002-built, 106,200 dwt shuttle tanker *Tempera* into a floating production, storage and offloading vessel for Dixstone Holdings.

Work on the vessel will start in the third quarter of this year and will involve topside process

Keppel Shipyard is expected to complete the contract and deliver the vessel by the third quarter of 2018, when it will subsequently be dispatched to the Yombo field operated by Perenco off the coast of the Republic of Congo.

The converted vessel will replace the FPSO *Conkouati*, which was converted by Keppel Shipyard in 1991.

A second contract was signed with MTC Engineering to convert the 1992-built, 45,200 dwt handysize tanker *MTC Ledang* into an FPSO.

Work will include the manufacturing of a flare tower and foundation; lifting and integration of the crude stabilisation unit, and other refurbishment projects.

When completed by the third quarter of this year, the FPSO will be dispatched to the Ophir Field, off the coast of Peninsular Malaysia.

Keppel Shipyard's third contract is with Royal Boskalis Westminster to convert the semisubmersible heavylift vessel *Finesse* into a crane vessel to be equipped with a 3,000-tonne crane, dynamic positioning system and accommodation for up to 150 people.

When completed by the third quarter of 2017, the vessel will be able to transport and install offshore wind turbine foundations.

The final contract is with Exmar Ship Management to refurbish the 1998-built, 65,000 cu m LNG *Lerici*. Completion is expected by the first quarter of 2018.

Keppel said the contracts were not likely to have a substantial impact on parent Keppel Corporation's net tangible assets or earnings per share for the current fiscal year.

Keppel O&M managing director for conversions and repair and Keppel Shipyard managing director Chor How Jat said:

"Despite the current challenging market conditions, we continue to receive a regular stream of conversion, repair and modification work from both new and long-standing clients. There remain opportunities in a variety of segments in the offshore and marine market and we are proud to be the industry's preferred shipyard.

"These four contracts bear testament to our strong expertise in the conversion, upgrading and repair works for FPSO vessels, LNG tankers, as well as heavylift vessels."

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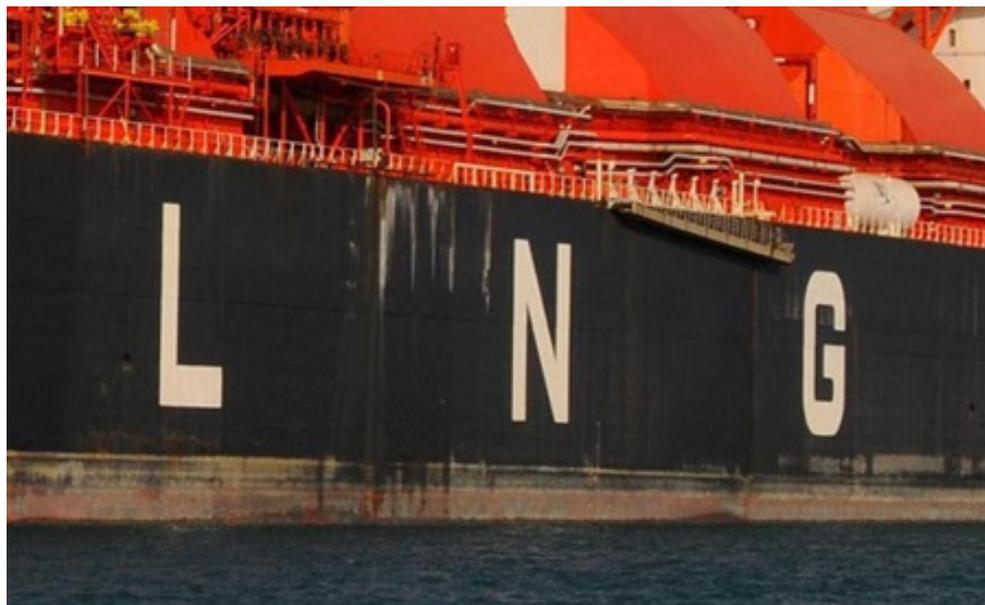
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NYK and Kyushu Electric partner in LNG to promote Japan Inc

by Hal Brown

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Partnership between Japanese companies includes LNG bunkering and transport



JAPANESE shipping giant NYK and utility Kyushu Electric Power Co have agreed to partner up within the liquefied natural gas sector, allowing KEP access to NYK's ships for short-term LNG demand.

NYK, whose total LNG carrier fleet is 70-strong, said the agreement enabled it to improve its profitability through efficient vessel allocation. At the same time, it allowed KEP to improve its flexibility when it comes to LNG transport.

The agreement gives Kyushu access to NYK's fleet for short-term demand.

In addition, the two companies will also consider the feasibility of co-operation in LNG bunkering, one of shipping's hottest — and most divisive — issues right now. Some believe LNG bunkering has a glowing future, while others are convinced it is a damp squib.

As part of the LNG initiatives, NYK has chartered out its LNG carrier *Grace Barleria* to KEP from this month. The ship will haul LNG from various projects such as the Wheatstone LNG project in Australia on a contract of up to 11 years.

An LNG shipping contact said the general partnership agreement between the two Japanese companies was all about "promoting Japan Inc".

The LNG agreement between NYK and KEP comes amid changes to the LNG industry in Japan.

Japan has outlawed restrictions preventing customers from reselling cargoes of LNG, in a move to liberalise the market.

The ruling is likely to mean a more active trade in LNG cargoes by Japanese buyers at a time of cargo supply glut due to new volumes from the US, Australia and Africa.

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MOL orders four LNG carriers for over \$738m at Hudong Zhonghua

by Cichen Shen

Newbuilds backed by long-term charters for the Yamal project



MITSUI OSK Lines has ordered four 174,000 cu m liquefied natural gas carriers at Hudong Zhonghua Shipbuilding, backed by long-term charters to serve Russia's Yamal LNG project. Hudong said in a statement that the newbuilding contract was worth more than Yuan5bn (\$738m) in total. MOL declined to comment, citing a non-disclosure agreement. But in a press release, MOL said the four vessels would be delivered over 2019 and 2020 onwards, and

Signing the deal: The four vessels will be delivered over 2019 and 2020 onwards would carry the Yamal LNG cargo transhipped from Europe. The lengths of the charters were not disclosed.

Sinopec Russia deputy president Li Yingchang was present at the newbuilding signing ceremony, together with MOL senior managing director Takeshi Hashimoto, Cosco Shipping LNG president Zhuang Deping and Hudong chairman Chen Jianliang.

Mr Chen, whose shipyard has seven LNG carriers on order, said MOL, China Cosco Shipping Group and Hudong had established a strong partnership, having closely collaborated on two projects previously.

MOL ordered six LNG carriers in 2013 via a joint venture with Sinopec and China Shipping Group, now part of Cosco Shipping, after it merged with Cosco Group.

When asked about the ownership structure of the newbuildings, the Japanese giant said in an email that it was still "in the process of studying several ways to order [the] four vessels".

The Yamal project will require a fleet of 24 LNG tankers in total, of which 10 carriers will be needed to conduct ship-to-ship transfers, as the project is uniquely designed to take advantage of the Russian northern sea route when the ice is thin and other routes to Asia and Europe when the Arctic passages are closed.

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Firmer tone in capesize market as rates approach \$10,000 per day

by Nidaa Bakhsh

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Further boost could come from China's ban on coal imports to certain panamax ports



THE capesize market firmed over the course of the week, rising 23%, partly due to more demand from Brazil. Brazil's mining giant Vale was seen actively fixing vessels in the market, although rates varied widely on loading dates, according to a daily Baltic Exchange report. Sentiment could be boosted further after the Chinese government imposed a ban on coal imports arriving at four

second-tier panamax ports from July 1. That means, for now, coal arriving on capesize vessels can continue and indeed increase should the country wish to maintain its import levels.

The average weighted time charter on the Baltic Exchange rose to \$9,386 per day at the close on Thursday, while the index gained 153 points.

Braemar ACM said in a note, with caution, that the market had bottomed out.

"We still feel that any improvement could be capped by a heavy ballaster list and a lack of suitable cargo availability for spot tonnage," the brokerage said.

The Brazil to China route increased to \$12.06 per tonne from \$10.90 a week ago, while the Australia to China voyage strengthened to \$5.08 per tonne from \$4.74.

In spot activity, a voyage from the US east coast to South Korea was fixed at \$21,000 per day, according to Clarkson A coal cargo from Australia to China was concluded at \$6.21 per tonne, Clarksons data showed.

Dry bulk charter rates were expected to become more stable and rise gradually in the second half as longer-term drivers remained intact, NRA Capital said.

The independent research house attributed the recent weakness to slower demand due to high iron ore inventory levels in China.

The recovery in 2019 could be derailed and pushed out to 2023 if owners continue to add to the fleet, said shipping association BIMCO.

When fleet growth is in excess of 2%, "we are working against a recovery", according to chief shipping analyst Peter

Sand.

Fleet growth is currently at 3.8%.

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CMA CGM sets sights on disruptor role

by Janet Porter

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Landmark year for French group as Rodolphe Saadé follows in footsteps of his father



Saadé Zeenny: The new visual and graphic identity reflect the group's "boldness and imagination".

Saadé continues under the leadership of his son Rodolphe, who took over as chief executive in February.

In the months since then, Rodolphe Saadé has shown much the same drive as his father, who turned 80 on the day of the handover after 39 years building up CMA CGM into the world's third-largest container line.

Having already overseen the takeover of Neptune Orient Lines, which was completed last year, Rodolphe Saadé has

AT a time when container shipping is struggling to find a viable business model, CMA CGM has unveiled a new logo and corporate mission statement that underline its confidence in the future and ambitious growth plans. In a message aimed at the competition, customers and a wider audience, the French group has set its sights high, adopting the slogan Shipping the Future, to demonstrate that the entrepreneurial spirit of founder Jacques

since been deeply involved in the formation of the Ocean Alliance, alongside Cosco Shipping, Evergreen and OOCL, and is now in the process of buying Brazilian line Mercosul from Maersk Line.

He also is leading the digitalisation transformation and looking for other acquisition opportunities across the shipping and logistics industry.

Indeed, it is on the inland side where CMA CGM may see the most growth potential as the family-owned group seeks out new business areas to develop.

In an interview with Lloyd's List, CMA CGM executive officer Tanya Saadé Zeenny described 2017 as a turning point for the group, while stressing that the new generation shared the same passion for the business as Jacques Saadé and his brother-in-law Farid Salem. Both remain actively involved in the group.

Ms Saadé Zeenny said the new visual and graphic identity reflected the group's "boldness and imagination" and ability to keep innovating.

That has been shown over the years with an acquisition strategy that has given CMA CGM a presence in virtually every corner of the world, and a willingness to open up new and often challenging markets.

CMA CGM has also performed well financially, producing some of the strongest first-quarter results in the industry, and is expected to be among the best in class in the April-June period as well.

By picking a visual that displays a CMA CGM ship soaring above the world, Mrs Saadé Zeenny said the group's intention was to show it was prepared to be a disruptor, rather than follow a conventional development path.

"We want to show that we are different from others, we have no barriers, we are visionaries, and can go beyond what is possible," she said.

In practice, CMA CGM seeks to look beyond the sea in charting its future in terms of logistics, inland transport services and digitalisation as container shipping enters a new era following the biggest round of consolidation the industry has ever seen, and in which the Saadé family has played a pivotal role.

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KHI clarifies status of contract with Island Offshore

by Wei Zhe Tan

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KHI clarifies contract status with Island Offshore unit



JAPAN's Kawasaki Heavy Industries has clarified that it currently has a shipbuilding contract for a high-end offshore vessel with a unit of Norway-based Island Offshore Shipholding LP.

A previous version of this story said the contract had been concluded.

KHI said that as a result of the current stagnation in crude oil prices, Island Offshore had started talks with its finance providers over a standstill and

KHI to monitor ongoing developments.

deferral agreement.

"In the course of such negotiations, they [Island Offshore] decided in November 2016 to temporarily halt all payments of amortisation to their secured finance providers," said KHI in a statement, adding that the expected conclusion of the negotiations is on June 30, 2017.

"In the meantime, Island Offshore is operating normally in all other respects," noted KHI.

"Kawasaki will continue to pay close attention to any developments, and make further announcements when any significant changes are observed."

A representative of Island Offshore's unit told Lloyd's List that the contract with KHI was still intact.

Although KHI did not specifically state which contract it was, in January 2014, the shipbuilder inked an agreement to construct a combined well intervention and tophole drilling vessel named *Island Navigator*.

KHI was due to build the vessel at its Kobe shipyard, with initial delivery scheduled for the first quarter of 2017.

Island Offshore later noted in a press statement that expected delivery is in 2018-2019, with the vessel fully funded via Japanese finance institutions.

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