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North P&I heads to Dublin to skirt Barnier's Brexit passporting ban

NORTH P&I CLUB has confirmed it will write all future European Economic Area business from a soon-to-be established subsidiary in Dublin, in a bid to insulate the marine mutual from the consequences of a hard Brexit.

Other insurers look certain to follow suit, and some lawyers are predicting a ratchet effect, with ever more underwriting leaving the UK over time.

North's new Irish operation will be considerably more than a brass plate company, in order to comply with the requirements of local regulatory authorities, the top brass at the International Group affiliate has made clear.

British clubs without a current EEA subsidiary now look all but certain to follow suit, as lawyers warn that a substantial chunk of marine mutual business could be forced out of London unless the UK government can come to terms with Brussels.

The development comes as prospects for a financial services-friendly Brexit appeared to be slipping away fast, with European Union negotiator Michel Barnier stressing on Monday morning that British financial services concerns will lose so-called passporting rights unless detailed agreement on equivalent rules can be reached.

"This is a legal reality; the EU does not want to punish, it simply draws the logical consequence of the UK decision to take back control," Mr Barnier said, in an obvious jibe at one of the main slogans of the Leave campaign in last year's referendum.

He said the UK could not cherry pick the parts of the single market by which it wants to abide and added that it comes as a package or not at all.

Figures released last week by North — the world's second-largest P&I

club by market share — show that 20% of its entered tonnage by gt originates from southern Europe, 19% from northern Europe and 9% from Scandinavia.

While it is unclear at this stage how much of this business it will no longer be possible to conduct from North's Newcastle headquarters after Brexit, the European proportion of the book underlines the club's predicament.

Of North's rivals, Britannia has recently admitted that the Netherlands is in the frame for a potential passporting subsidiary. The UK Club will make its intentions public by the end of the year, but is widely believed to be eyeing up Luxembourg.

Market speculation suggests that Standard will also set up shop in Dublin. Steamship is thinking about Rotterdam, while the London P&I club is still mulling over two or three possible locations.

West of England and Shipowners have been regulated in Luxembourg for some time, even before Brexit was an issue.

OPINION

P&I Clubs: Eminent Victorians look to Brexit exodus

WHEN Lytton Strachey wrote his famous book Eminent Victorians, presumably he did not have the protection and indemnity sector at the forefront of his mind.

Yet as the splendidly archaic full names of many of Britain's marine mutuals make clear, they fully deserve such designation.

Thanks to them, this country has been the centre of the P&I universe ever since the Shipowners' Mutual Protection Society and the Britannia Steam Ship Insurance Association first saw the light of day in 1855.

Over the intervening 167 years, it has doggedly held on to that standing, despite the precipitous decline of the domestic merchant marine. Indeed, until last year, the idea of it ever ceasing to be so would have been unthinkable.

Then Brexit happened, and suddenly all bets are off. Two developments yesterday might mark it off to future historians as a turning point for nearly two centuries of marine insurance tradition.

We have known for some time that all five British International Group affiliates without European Economic Area subsidiaries have been considering setting them up, if only as a post-2019 fallback.

North of England is simply the first to go public, announcing on Monday morning that all future EEA business from the start of the next P&I year will be underwritten from a soon-to-be-established Dublin subsidiary. Others will follow suit, although most of them will set up shop elsewhere than the Irish capital.

In the scheme of things, all of this should be no earthquake. What we are seeing is envisaged as a defensive and relatively small-scale measure that may even prove unnecessary in the end.

After all, club officials told me when I visited them in Newcastle last week, maybe David Davis will secure an amicable agreement with Brussels, allowing British financial services concerns to carry on in Europe much as before.

But purely by coincidence, North's decision was unveiled on the very day European Union Brexit negotiator Michel Barnier brutally spelled out the ramifications of Brexit for the UK financial services sector.

In an invective-laden speech that niftily inverted key Leave campaign slogans to intentional theatrical effect, Mr Barnier made clear that Brexit means Brexit, and if Britain wants to "take back control", the downsides are pretty hefty. Passporting will be among the collateral damage.

Who knows, perhaps this devious Continental sadist is gratuitously sticking the boot in just for the sheer pleasure of watching Mr Davis squirm, much as Johnny Cash shot a man in Reno, just to watch him die. Or it could all be a hardball ploy to strengthen Mr Barnier's negotiating hand.

But if passporting really has just shuffled off this mortal coil, the sheer volume of business that P&I

clubs transact with northern and southern Europe and Scandinavia will leave them with no choice but to beef up what might start out as small beer operations, and that in short order, too.

And let's face it, Britain — and London in particular, where all British P&I clubs but North are based — is an expensive place to live and work in. Many other cities will be only too grateful for a relocation, and willing to offer generous incentives along the way.

What we could get in just a few years is a P&I diaspora, spread out over Dublin, Luxembourg, Amsterdam and/or Rotterdam, and perhaps other places too. Think of it as P&I going polycentric.

True, British P&I clubs will remain British-headquartered and legally domiciled in the UK, and the likelihood is that customers will see little change. But from the marine insurance point of view, a unique cluster of expertise will be irreversibly diminished.

That is just a little bit sad for all of us who were educated in the days when classroom maps of the world still picked out British territories in red. As Queen Victoria herself might have put it, we are not amused.

OUTLOOK 2018

Product tankers: Bulls are arriving… hopefully

HOPES of an early recovery in product tanker earnings this year have not materialised, with persistent oversupply and destocking works still in progress. But fear not, optimists: there is always next year.

According to Lloyd's Lists' annual survey of analysts on forecast earnings, long range two vessels are expected to achieve time charter equivalent rates of $15,781 per day in 2018, up from $12,323 in 2017, while rates for LR1s will rise to $12,997 from $10,234. Medium range ships will earn $13,736 per day, up from $10,774 this year.

The forecast recovery comes as fleet growth slows on the falling number of newbuilding deliveries. Meanwhile, total orderbook size continues to shrink amid fewer newbuilding orders.

On the demand side, global stock drawdowns might be finally completed sometime next year amid healthy fuel consumption growth, triggering more cross-region movements that can support tonne-miles. US and Middle Eastern refineries are ramping up their exports, just in time to meet the buoyant demand for products.

But there are also caveats. Scrapping remains slow, suggesting that vessel supply overhang may not ease at a quick pace after larger newbuilding tonnage hit the waters in the past two years. More use of electric vehicles could also curb fuel consumption.

And of course there is the Chinese swing factor, as owners have high hopes for the country's rising exports but face Beijing's opaque policy-making process that could curb sales.

Opportunities

Falling fleet growth. At last, oversupply is not going to worsen, with the number of newbuilding deliveries expected to show a significant decrease next year. Clarksons Platou has forecast annual fleet growth of 2.1% next year, compared with growth of 4%-6% in 2015-2017.

The reduction in tonnage supply growth will be across segments. Deliveries of LR vessels will fall to 14 in 2018 from 35 this year, of LR1s to 21 from 23, and of MRs to 62 from 71, Clarksons data showed.

The orderbook is getting smaller, which will depress fleet growth in the long run. As of early October, the LR2 orderbook accounted for 12% of existing fleet, the LR1 orderbook for 10% and MR for 8% — more acceptable levels than those seen in 2016.

Falling stocks of products. Energy firms across the globe have had to draw down their inventories since the massive build up in 2015, which curbs arbitrage movement. But the destocking process could be completed soon.

Product inventories of Organisation for Economic Co-operation and Development countries stood at 1.5bn barrels as of end-September, down 75m barrels on year but 25m barrels above the seasonal norm. The drawdown is likely to continue, as the International Energy Agency predicts a healthy growth in oil demand of 1.3m barrels per day in 2018.

Concordia Maritime chief executive Kim Ullman expects the inventory levels will fall below the

seasonal norm in the second or third quarter next year. "[Then] arbitrage will kick in."

US and Middle Eastern exports. With global fuel demand expected to stay buoyant next year, seaborne trade is likely be a beneficiary — especially in the west-of-Suez region.

Since the shale revolution, US exports of oil products have continued to break records. Government data showed distillates exports amounted to an all-time high of 1.3m bpd in January-June 2016, up 14% on year, driven by MR trades to Latin America.

The Middle East has also continued to expand its refining capacity for product exports. The region will add another 255,000 bpd capacity in 2017-2018, the IEA said.

In 2018, the US and the Middle East will each increase exports of products by around 200,000 bpd, leading all other regions, Clarksons has forecast.

Threats

Slow scrapping. Even with weak vessel earnings and higher demolition rates, not many owners have been willing to send their ships to scrapyards this year.

Lloyd's List Intelligence expects six LRs and 20 MRs to be scrapped in 2017, compared with three LRs and 24 MRs in 2016. Most owners continue to operate their tankers well beyond the age of 20.

The new International Maritime Organization ballast water and bunker rules could prompt more aged vessels to be scrapped, analysts said. But before that actually happens, the current supply overhang will not ease quickly.

Electric vehicles. A long-term threat to product tankers has emerged after the UK, France and China announced plans to switch to EVs from fossil fuel-powered cars in the coming decades. If there is less consumption of gasoline and diesel, it follows there would be less shipping demand related to them.

While a gradual process over decades, the emergence of EVs seems irreversible due to increased efficiency and falling costs of batteries. IEA figures show increased growth in sales of EVs this decade — what is worse, market penetration has been most prevalent in the US and China, the two demand drivers for auto fuels.

Toss-up

China's exports. With expansion of refinery capacity outpacing domestic demand, China has been growing its overseas sales of products in recent years. But it could be risky for owners to simply view Chinese exports as a bullish factor.

Chinese exports have benefited Pacific MR trades, yet at the same time potentially replaced some Middle Eastern barrels that would have created longhaul LR demand. Moreover, Beijing has an opaque quota system to constrain overall export volume, making it difficult for owners to estimate shipping requirement.

In November, Beijing reportedly issued a fifth batch of export quotas for state firms, an unusual move as the government used to issue those on a quarterly basis. Total export quotas allocated amount to 900,000 bpd this year, up 13% on 2016.

This came after the government had signalled export constraints this year as part of capacity and pollution control measures, Bank of America Merrill Lynch said. "Second-guessing Chinese policymakers can be a curse."

ANALYSIS

Are EU consortia rules fit for purpose in the era of global alliances?

BATTLE lines are being drawn as the European Commission considers again whether to extend the rules for liner shipping consortia.

The Consortia Block Exemption, which expires in April 2020, was set up in 1995 to foster collaboration that would lead to efficiencies that could be passed on to the customer. However, the consortia of 20 years ago were very different in scale and scope from today's global alliances.

While Europe's Competition Commissioner

Margrethe Vestager has indicated she is disinclined to make any changes, Chris Welsh, head of the Global Shippers' Forum, argues that container lines should be subject to the same competition rules as other industries.

"I have never been persuaded that the shipping industry is sufficiently different from other sectors that it warrants its own special competition regime," Mr Welsh told the European Maritime Law Organisation's annual conference in Hamburg.

Verhoeven and Yildirim see port alliances as next step

MERGERS, takeovers and vessel-sharing agreements are giving container lines huge bargaining power, which is pressuring ports and terminals as they fight to retain customers.

Patrick Verhoeven, managing director of the International Association of Ports and Harbours, thinks public sector port authorities may need to become more businesslike, while Robert Yildirim, president and chief executive of the Yildirim Group, says consolidation or closer co-operation is needed between some of the big terminal operators and port authorities.

A number of port groups are known to be on the market, but there is another sector of the port business that has barely changed at all — the port authorities that are in many cases the terminals' landlords. Europe has about 12 major entry points for containers, yet rarely do those ports co-operate with each other.

"There is certainly potential for port co-operation," Mr Verhoeven told this month's European Maritime Law Organisation annual conference.

MARKETS

Panamaxes lead BDI lower

PANAMAX bulkers led the Baltic Dry Index to the lowest in six weeks, primarily due to reports of overtonnage in the main basins.

Despite an increase in cargo volumes after a steady start to the week, a plentiful supply of spot tonnage saw rates broadly ease across the Pacific basin, while in the Atlantic basin, relatively limited cargo enquiry and a long tonnage list allowed rates to ease further.

The Baltic Exchange said in a note it seemed "a bottom" was approaching as the rate decline slowed and owners started to hold on to or increase their rate notions. The Baltic's panamax average weighted time charter slid to $10,302 per day at the close on Friday, down 9.4% versus a week earlier.

The Baltic Dry Index, a benchmark indicator, slipped to 1,371 points from 1,464 points on November 10.

NEWS IN BRIEF

Beijing's cut in port box handling tariffs threatens Shanghai's credit status

SHANGHAI International Port Group's credit rating is at risk of a downgrade due to a recent move by China's National Development and Reform Commission to reduce handling tariffs for import and export containers, according to Moody's Investors Service.

The NDRC had announced on November 15 this year that the import and export handling tariff for non-transhipment containers at Shanghai port will be reduced by 19.4% to Yuan480 ($72) per teu, with tariff cuts of 11%-21% at other ports such as Tianjin, Ningbo-Zhoushan and Qingdao.

The tariff adjustment was prompted by the Chinese government's antitrust review on the business operations of coastal ports, with the aim of reducing overall logistics costs and promoting a fairer operating environment for shipping companies. Other announced measures included a further opening of tugboat, tallying and shipping agency markets, and cancellation of unreasonable contract clauses.

The ratings agency forecasts that the lowering of the tariffs will lead to a Yuan1bn-Yuan1.5bn fall in SIPG's container handling revenue over 2018.

CSSC unit plans $830m injection as Beijing demands cuts to public sector debt

CSSC Offshore & Marine Engineering, one of the

flagship-listed units of state conglomerate China State Shipbuilding Corp, is planning a capital injection of more than Yuan5.5bn ($830m) from third-party investors.

The fresh funds will go to Guangzhou Shipyard International and CSSC Huangpu Wenchong Shipbuilding, both of which are wholly owned subsidiaries of COME, the Shanghai and Hong Kong-listed company said in an exchange filing.

Guangzhou-based COME said the deal would help the company reduce its debt ratio, optimise its capital structure and lower financial risks.

Lack of regulation is holding back the development of unmanned vessels

MARITIME industry executives have voiced concerns over the problem of who should be held responsible if an autonomous vessel encounters an accident in light of a cyber attack.

Out of 220 executives polled by Clyde & Co, nearly two thirds noted the uncertainty surrounding the issue, while 59% said there were no clear-cut regulations defined in that area.

The law firm says existing international shipping rules indicate that vessels are required to have a crew, meaning that autonomous vessels are not allowed to sail in international waters.

Teekay Tankers-TIL merger set to close by end-November

THE shareholders of both Teekay Tankers and Tanker Investments have given their approval for their merger to proceed.

The boards of directors of both companies have also given their green light to the deal.

With these, the merger is expected to be completed around November 27, contingent on the remaining closing conditions, with Teekay Tankers taking on TIL as a wholly owned unit.

The proposed transaction was announced in June this year and involves an exchange of 3.3 Teekay Tankers shares for each Tanker Investments share, leading to the acquisition of more than $500m of modern tankers and the increase of Teekay Tankers' current fleet of 40 double-hulled tankers to 62. It will also create an entity with total combined assets of $2.4bn.

Navig8 Chemical Tankers continues to suffer losses

NAVIG8 Chemical Tankers expects market dynamics in the chemical tanker sector to favour its 32-newbuilding fleet as the company's 2017 losses grew following a challenging third quarter.

"With growing demand for long-haul trade and a rapidly declining rate of growth in the global fleet of large chemical tankers, market fundamentals are expected to tighten, which will provide a strong backdrop for operating our fleet," Navig8 Chemical Tankers chief executive Nicolas Busch said of the company's third-quarter results.

Star Bulk shrinks net losses as market improves

NASDAQ-listed Star Bulk Carriers posted a $7.4m loss for the three months ended September 30 versus a $39.4m net loss for the same period in 2016.

Star Bulk said the recent period was free of a non-cash impairment loss of $11.8m and a net loss on the sale of vessels of $8.4m recorded in the year-ago quarter.

Losses were also limited because time charter equivalent revenue rose to $63m from $43.7m in the year-ago quarter.

Diana Containerships narrowed losses on lack of impairments

NEW York-listed Diana Containerships managed to limit losses in the three months ended September 30, 2017 to $8.7m versus a $126.8m loss in the same period a year ago, owing to the absence of impairment losses.

The loss in the 2016 period was caused by impairment provisions of $118.9m made on seven of its vessels.

For classified notices please view the next page.

IMPLEMENTATION OF A STRATEGIC DEVELOPMENT PROJECT FOR THE COLMAR /NEUF-BRISACH RHINE PORT

CALL FOR EXPRESSION OF INTEREST

The **Colmar/Neuf-Brisach Rhine Port** is a multimodal platform connected to the Rhine and the Grand Canal of Alsace. Its river traffic is 565000 T and 6500 TEU .

The Public Waterways Authority of France (VNF), the French Region Greater East, the Colmar Agglomeration urban community (CA), the Pays Rhin Brisach urban community (CCPRB), and the Alsace Eurométropole Délégation Colmar Centre-Alsace Chamber of Commerce and Industry (CCI) are seeking, together, new ways to accelerate the development of this industrial port-river platform, and to promote the BNHG (Balgau – Nambsheim – Heiteren - Geiswasser) area .

A strategic development project for the **Colmar/Neuf-Brisach Rhine Port** was built by the partners, who are considering the creation of an unrestricted public-sector association to ensure the role of the future Licencing Authority of this platform. The members of the future unrestricted public-sector association wish to set up a semi-public company with a single operation (SEMOP), by associating one or more private economic operator(s) with its capital.

The aim of the call for expression of interest is to prepare the selection procedure of a private economic operator and to build the future concession contract with the semi-public company with a single operation (SEMOP) thus constituted. It will be followed by the publication of a Public Appointment Notice and the sending of contractor's bidding documents to the selected candidates.

The purpose of this call for expressions of interest is:

- To enable interested private operators to learn about a first series of elements on the evolution of the **Colmar/Neuf-Brisach Rhine Port**
- To gather all the reactions, comments and proposals made by the industry that will enrich the future forthcoming bidding documents.

Indicative timetable

The deadline for submission is January 15, 2018.

Download the call for expression of interest and additional information

The full call for expression of interest can be downloaded from the following website:

http://vnf-strasbourg.fr/actualites/ami-colmar-neuf-brisach

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