Why it’s time to turn down the hype around the US oil export boom

THE US ENERGY export story is undoubtedly one of the biggest oil and gas stories of our times. Billions of dollars are being poured into reconfiguring an entire supply chain from one designed for imports to one designed for global exports.

It also makes for great tabloid headlines for those with a certain partiality. The tables have turned for the evil oil cartels of the desert and the victimised underdog American that suffered at their hands is now giving them a run for their money.

One cannot even begin to estimate the geopolitical implications of long-term US energy independence under the current presidency.

It is shale versus sheikh. And it makes for poetic justice.

But amid all the hyperventilation and overexcitement, it is important to put the export potential of the US shale boom into perspective, especially for the tanker industry.

At slightly under 1m barrels per day of crude exports, the latest record set by the US in September, the shale boom is still only one sixth the volume of Saudi Arabia’s oil exports and is dwarfed by the Organisation of the Petroleum Exporting Countries, which still accounts for around 40% of global oil supply.

US crude exports are projected to double to 2m bpd, and some of the wilder projections are closer to 5m bpd. At the more realistic 2m bpd level, US exports will be like adding another Nigeria to the oil map, not adding another Opec.

More importantly, Opec’s oil exports still represent 60% of globally traded oil, much of it by sea.

This means the mainstay of global tanker movements, for the biggest
ships such as very large crude carriers, will continue to remain the Middle East-Asia route for as long as the cartel can keep pumping oil. Everything else, including US crude exports, is incremental to the arterial shipping routes.

The main issue with the US oil barrel is that it does not have the same market standing as the Saudi or Middle East oil barrel. Yet.

The bulk of Middle East crude is purchased on long-term contracts with Asian buyers relying on term contracts for roughly 80% of their needs. On the other hand, US crude exports fluctuate depending on markets.

Oil refineries also have rigid diets. Asian oil refineries typically burn heavy sour crudes but US crude is mostly light sweet, which means it has different specs altogether.

No refiner in Asia is suicidal enough to replace a Middle East crude contract with a US crude contract. It is simply not an efficient and logical alternative, and the recent tropical storms have only reinforced this sentiment.

US crude still has a long way to go to penetrate Asian markets and find its footing. Until that happens, expectations of a surge in corresponding shipping demand must be toned down.

- Is container shipping sleepwalking into a nightmare?

CONTAINER shipping faces a number of major choices if it is to avoid a nightmare scenario of a lack of competition, protectionism and environmental challenges.

Speaking at the International Cargo Handling Co-ordination Association conference in Las Palmas, OECD International Transport Forum administrator Olaf Merk painted a “science fiction” scenario of shipping in 2025 that could emerge based on current projections.

“All major ports will become fully automated with remote operations as far away as India. Carriers will win the battle for digitalisation, locking out new players. There will be a graveyard of shipping technology start-ups,” he said. “Green shipping will be a northern European niche.”

But the future was not yet written, he added. “There are a whole set of choices to be made if global outcomes are to be different,” Mr Merk said. “There is a window of opportunity to avoid this, but it requires the whole industry to discuss what will happen.”

While he hoped the future would be more collaborative and competitive, steps needed to be taken now if container lines were to be kept in check and anti-competitive outcomes avoided, he said.
British logistics companies are more confident, despite having the Brexit blues

LOGISTICS companies in the UK are more optimistic over their futures than at this time last year, despite continued uncertainty over the outcome of Brexit negotiations, a new report from Barclays Corporate Banking and Moore Stephens has found.

Almost half the respondents to the UK Logistics Confidence Index 2017 said the sector was in a better state than five years ago.

However, the survey also shows that almost half (45%) of the companies that responded felt that business conditions had become more difficult in the last year, and specific concerns around Brexit show a less cheerful picture.

Less than one tenth of logistics operators said they felt more positive about Brexit than they did last year, with 61% saying they expected it to have a negative impact on their businesses.

However, many logistics operators have yet to take any action, with just 2% saying they have engaged professional advisers and 23% taking no action at all.

Shippers need to keep an eye on container cleanliness

SHIPPERS and packers of container units need to ensure the Container Transport Unit Code is followed or risk the introduction of new regulations on phyto-security that could seriously affect the free movement of containers.

Speaking at the International Cargo Handling Co-ordination Association conference in Las Palmas, World Shipping Council vice-president Lars Kjaer warned that while moves by the International Plant Protection Convention that would require all containers to be cleaned before they were shipped had been put on hold, the convention was monitoring implementation of the CTU code and could still act if it found the industry was failing to ensure species contamination through containerised cargoes was being controlled.

MARKETS

Asia’s holiday hiatus is hitting supramax demand

THE recent rally in supramax bulker earnings has been halted by holidays in East Asia this week. Despite this, Atlantic trades remain strong. Chinese National Day took place on October 1, followed by the Golden Week holidays, which means Chinese firms — the dominant dry bulk players in the region and beyond — will be off for at least a week. Taiwan, South Korea and Hong Kong will also celebrate the Mid-Autumn Festival, further dampening activity in the Pacific.

Brokers in Singapore anticipate a further erosion in rates, because forecast Chinese steel product cuts could weigh on exports. Beijing has effected cuts in steel production; in the first wave, the government aims to halve the steel production in the north-eastern city of Tangshan, reducing annual production by 7.5% or about 20m tonnes of steel.
ANALYSIS

The Grimaldi brothers are raising the bar in clean ship technology

GIANLUCA and Emanuele Grimaldi are happy to lead by example when it comes to green shipping. The brothers, who jointly manage Grimaldi Group, are investing heavily in fleet modernisation and newbuilding programmes, all with one ultimate goal — to reduce ship pollution.

Just how committed they are is evident from the specifications of a new series of ro-ro ships that will be ordered in the next couple of weeks. Every aspect has been carefully thought through to make them as environmentally friendly as possible.

“Old and obsolete ships, zero investment policies, and high fuel consumption, are not an option anymore in today’s business environment,” says Emanuele Grimaldi, the younger of the two and the public face of a business that marks its 70th anniversary this year.

HALL OF FAME

Kishore Rajvanshy named 2017 Lloyd’s List Asia Pacific Awards lifetime achievement winner

EACH year Lloyd’s List bestows its Lifetime Achievement accolade on some of the shipping industry’s most influential leading lights. On October 26, Kishore Rajvanshy, the dynamic founding managing director of Fleet Management, will join the Lloyd’s List Hall of Fame when he accepts this very special award at the Shangri-La Hotel in Singapore.

Make sure you have your ticket for the event of the season – it promises to be quite a party!

NEWS IN BRIEF

Fuel prices are biting at Minoan

HIGHER fuel prices and the discontinuation of operations in the Adriatic Sea have eaten into the first-half profits of Greece-based ferry operator Minoan Lines.

Grimaldi Group member Minoan saw net profits fall to €1.6m ($1.9m) versus €12.2m during the first half of 2016. Traditionally, the second half of the financial year, which includes the peak summer season, is more profitable for Greece’s ferry industry than the first half.

Minoan said it also expects results for the second half of the year to be poorer than last year with “intense competition” among ferry lines and the continued fallout from the Greek economic crisis to affect the market.

China Europe intermodal ‘could see a decade of 15% annual growth’

CONTAINER traffic transported by rail between China and Europe could record 15% annual growth over the next decade, depending on the level of sea freight rates over the period and the continuation of Chinese subsidies, according to a major study by global strategy consultants Roland Berger.

The study forecasts a volume of traffic of 636,000 teu by 2027 — about 21 trains per day — as a base case, but suggests that figure could potentially exceed 730,000 teu.

SHI has deferred delivery for two LNG carrier newbuildings

SOUTH Korea’s Samsung Heavy Industries has postponed the delivery date for two liquefied natural gas carriers that were supposed to be delivered by September 30. SHI said it was in talks with an Asian shipowner, which placed the orders, for a new delivery date. It provided no other details.

The LNG carriers are worth about Won452bn ($394m) in total, with the orders placed in January 2015. In its latest Energy Outlook, BP
expected LNG trades to grow seven times faster than pipeline gas, with the former accounting for half of global trades by 2035 versus 32% now. Such a development would provide many business opportunities for yards building LNG carriers, as well as floating liquefaction, storage and regasification units, among others.

Moreover, Lloyd’s List Intelligence’s Shipbuilding Outlook forecast 158 LNG tanker orders over 2018-2021, compared with 40 in 2016 and 30 in 2017.

However, some industry experts warn that the market could be hit by a shortage of vessels by the end of the decade.

Reefer supply shortage means rates are set to soar
REEFER rates are set to skyrocket as the increasing pressures from carrier consolidation collide with acute shortages of reefer containers, according to a new analysis by Drewry.

With half of the planned mergers and acquisitions activity among container carriers still to come into effect, and the typical reefer season cooling down after its peak in the fourth and first quarters, Drewry’s Global Reefer Freight Rate Index increased by $52, or about 2%, from the first quarter to the second.

Based on the preliminary data for the third quarter, the index will rise further as the slack season continues, the company advised, while, at the same time, the rates for dry vans are maintaining their normal seasonality, falling from the first to the second quarter and rising again in the third quarter.

Malacca mapping will help navigational safety
THE littoral states of Singapore, Malaysia and Indonesia have, through a memorandum of understanding, agreed to proceed with the next stage in a joint hydrographic survey of the Malacca Strait. Phase Two of the survey will encompass areas of the Traffic Separation Scheme not mapped out by the first phase in one of the world’s busiest shipping waterways, which are less than 30m in depth.

Data gathered from the survey will be used to create up-to-date, large-scale nautical charts that will ensure safer navigation and improved voyage planning in the Malacca Strait for vessel owners and operators. Industry participants and institutions of learning can also use the data for research purposes.

Gener8 Maritime is set to pay $19m less for a newbuilding due to late penalty
NEW York-listed Gener8 Maritime has amended a deal with HHIC Philippines under which it will pay roughly $19.3m less for a 300,000 dwt very large crude carrier being constructed at the yard, partly because of a late penalty.

The tanker operator had originally signed the shipbuilding contract on March 25, 2014 for the vessel to be named Gener8 Nestor. Under the amended contract as well as an outstanding works agreement, the yard will have to complete and deliver the vessel by October 9 this year.

CMA CGM is buying a majority stake in SOFRANA Unilines
CMA CGM’s Australia-based subsidiary ANL has signed a deal to buy a majority stake in SOFRANA Unilines as it seeks to widen its market share and service offerings across the Pacific Islands.

SOFRANA operates a fleet of 10 boxships, either directly or via partnerships on eight routes that call at 21 ports spanning Australia, New Zealand, Papua New Guinea and the Pacific islands. ANL currently has about 16 trade lanes serving key ports in the aforementioned areas as well as North Asia, Southeast Asia, the Indian Subcontinent and North America.

Seanergy Maritime bags an $11m gain from a vessel refinancing deal
DRY bulk outfit Seanergy Maritime has secured an $11.4m gain after completing the refinancing of one of its capesize vessels.

The Nasdaq-listed company had previously announced the early termination of a loan facility linked to the vessel and paid $24m out of the $35.4m outstanding balance as part of the deal.

Seanergy said it financed that amount through a new senior secured credit facility provided by a European bank and via a financial deal with a form linked to the company’s sponsor.

Oakland port authorities have approved an $11m rail infrastructure project
PORT of Oakland officials have given the go-ahead to build a rail connection to a logistics facility that will help facilitate the transportation of US meat products to Asia.

The rail infrastructure will link Union Pacific Railroad tracks with the refrigerated facility known as Cool Port, which is a 280,000 sq ft logistics distribution hub being built on 25 acres of the port’s land area. Other rail companies Burlington Northern and Santa Fe Railroad will also be able to access the rail connection.
Seaspan is seeking more cash via an $80m notes issue

NEW York-listed Seaspan Corporation has announced an $80m public offering of senior unsecured notes in its latest fund raising effort. The notes are set to mature on October 30, 2027 and will have an interest rate of 7.125% per annum.

Seaspan will be using the net proceeds from the offering to pay off its current debt as well as for general corporate purposes.
Pakistan National Shipping Corporation (PNSC) as Managers invite offers through Shipbrokers enlisted with Baltic Exchange for acquisition / lease of One Fast Passenger / ROPAX Ferry.

For criteria and other details of Ferry please visit our website [www.pnsc.com.pk](http://www.pnsc.com.pk) or PPRA website [www.ppra.org.pk](http://www.ppra.org.pk).

PNSC reserves the right to accept or reject any or all bids strictly as per PPRA, 2004.
Pakistan National Shipping Corporation (PNSC) as Managers invite offers through Shipbrokers enlisted with Baltic Exchange for acquisition of vessels / crafts as given below:

a. Two Secondhand Pilot Boats
b. Two secondhand 75 TBP ASD Tugs.

For criteria and other details related to the aforesaid tender / procurement please visit our website www.pns.com.pk or PPRA website www.ppura.org.pk.

PNSC reserves the right to accept or reject any or all bids strictly as per PPRA, 2004
GREEK SHIPPING AWARDS 2017

Friday 24 November 2017
Athenaeum InterContinental, Athens

Event Sponsor:
ClassNK
Champagne Toast Sponsor:
CCS
Welcome Reception Sponsor:
MALTA SHIP REGISTRY

Award Sponsors:

NOMINATE NOW
To propose your choices for this year's winners

Nominations close on Wednesday 18 October
Take a few moments to send us your suggestion for the winner in as many award categories as you like. If it has been a good year for you, we encourage you to nominate yourself or your company.

Send us a valid nomination and you may win our Prize Draw!
Each valid nomination will automatically be allocated a nomination number and will be entered into a prize draw. The winning number will be announced during the Awards Ceremony.

To nominate or book a place on line:
www.greekshippingawards.gr

For sponsorship opportunities:
janetwood1@icloud.com

www.greekshippingawards.gr