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Uncertainty abounds for shipping as Europe remains divided over emissions

EUROPEAN UNION MEMBER states rejected a proposal on Friday to include shipping in the bloc's revised emissions trading systems, only temporarily quelling industry concerns over regional rules for reductions in greenhouse gas emissions while leaving uncertainty and ambiguity on the table.

Ahead of negotiations with the European Parliament and the European Commission, the Representatives of the Council of the European Union rejected a proposal to include in the council's position on the ETS suggestions that the Commission should play a role in observing adequate progress of the global GHG reduction efforts through the International Maritime Organization, and the use of emission auction revenues to help decarbonise shipping.

The rejection in effect means that the governments of the member states and the European Parliament, which wants shipping in the new ETS by 2023 if the IMO does not agree to a decarbonisation strategy by 2021, are once again at the opposite ends of the debate.

The IMO plans on adopting a final GHG emissions reduction strategy and the relevant measures in 2023 after approving an initial one in 2018.

Trilateral negotiations between the Council, Parliament and European Commission over the final form of the ETS will continue in the next few weeks.

The European factor

Friday's decision will come as a relief to shipowners and charterers who are unambiguously against shipping's inclusion in the ETS, as restrictions in emissions will mean greater investment in low-emissions technology, more bureaucracy, and overall more operational scrutiny by authorities, all for one region in the world.

In response to the news that the new proposals would be debated, the European Community Shipowners' Associations reiterated the need for an international approach to GHG reduction, arguing that there is no credible alternative to solving the problem.

Port authorities will also be weary of a restriction on shipping, as it could lead to slower traffic, fewer daily vessel calls as a result, and more inspections.

Proponents argue that its inclusion in the ETS will force the IMO to move towards a more ambitious global decarbonisation strategy and measure at a faster pace. Opponents, including the IMO, slam it as a regionalist measure undermining international efforts for decarbonisation.

As the IMO enters into the difficult negotiations for an initial GHG strategy, another concern is that the inclusion of shipping, will provide a blueprint for said strategy, therefore tipping the scale in favour of a much stricter emissions regime, not only in Europe, but globally.

EU member states are famously — or notoriously for some — more environmentally-conscious than other IMO member states. The bloc could use the ETS as its foundation, using it as proof for the feasibility stringent rules, therefore derailing the industry's plans for a more modest regime that in their view reflects a healthy balance of environmental protection with economic and technological reality.

Simply put, the ETS is important, not just because of the immediate practical challenges it would bring to vessels and ports, but also for its implications in the convoluted debate on global GHG reduction strategies, measures and targets.

Sleep easy... for now

Is this the end of the discussion on shipping in the ETS? Do not hold your breath.

The sheer scale of the ETS, and the industries it covers, means that shipping barely sits on the carriage of the truck, let alone the back seat of the contentious issues list. Simply put, its fate largely rests on other considerations in the ETS, and shipping has found itself entangled in conversations that far exceed anything that has to do with it and its daily operations.

However, as Friday proved, its fate is not out of it own hands. If there were ever a time for the shipping lobby to prove it functions and has some clout beyond the compounds of the industry, it is now.

Today's rejection counts as a victory for those with vested interests in shipping and proof that the industry does have some influence. Putting the aforementioned operational implications aside, failure to prevent shipping from being included in the ETS altogether should be seen as a major defeat

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NEWS

Greece's container compatriots are showing joined-up thinking

ATHENS may often be the place to be for shipping activity of various kinds, but it has never been a hotbed of corporate M&A action. Until now, it seems.

The past week has seen the emergence of not one but two evolving all-Greek deals in the containership sector. The common thread between them is that the role of chief consolidator is arguably being played by George Youroukos of Technomar Shipping, a company long thought of as the 'third power' of Greek container shipping behind Costamare and Danaos.

In 2010 Mr Youroukos formed Poseidon Container Holdings as a vehicle for expansion in container vessels, along with investment partners Kelso & Company and Maas Capital Investments.

The firm almost went public in 2015 but the initial public offering was pulled in spite of good support because of pessimism over the immediate prospects for shipping stocks following the Chinese capital market meltdown at the time of Poseidon's roadshow.

Now it has got together with Euroseas, compatriot Greek bulk carrier and boxship owner, which has exactly what it wants — an existing Nasdaq listing — at a time when selling a new container IPO is

likely to be harder than it was two years ago.

Euroseas announced that the two companies have entered a non-binding letter of intent to potentially combine their containership fleets, either "through a spinoff of Euroseas' container assets into a standalone company" or through some other structure.

While the Euroseas announcement — and sources close to both camps that have spoken to Lloyd's List — are treading with caution so as not to build up expectations that concluding the merger is a slam-dunk, the appeal to both parties is obvious. "It will probably just come down to the chemistry of the principals, which is what sinks most merger proposals," one third party commented.

While Euroseas has been aware for some time that its public listing could make it an attractive platform for consolidation, and has said as much publicly, it has also had to wrestle with being a relatively small player with a mixed fleet that has not always secured the investor attention it would wish.

Having two strings to its bow — bulkers and containerships — may have provided manoeuvrability during the recent years of crisis, as the two sectors will rarely have performed precisely as well or as badly as each other. But with mounting optimism over the prospects for bulkers and containership owners needing every edge in the market that they can muster, the case for a publicly-listed mixed fleet has weakened.

It remains a truism that a pure-play company concentrating on one sector will likely have greater traction with most investors, who want to make their own call about which markets to invest in.

Euroseas and Poseidon are likely looking towards the end of this year to finally tie the knot. While the move can be endorsed by the boards of the two companies without going to a vote among shareholders, approval will be needed from the Securities and Exchange Commission, which will take some time.

Assuming the merger proceeds, it will likely be based on the net asset value of the respective fleets and the investors in Poseidon, which is the larger company, would have majority ownership of the expanded entity.

While nothing can be certain, the intention seems to be to split Euroseas' dry bulk and containership fleets into two separate US-listed companies. Euroseas may very well opt to split the fleets in future even if the merger with Poseidon falters, it is understood.

The move would also significantly scale up both boxship operations. At the time of last week's announcement, the merger promised to bring together Poseidon's 16 vessels, including 10 post-panamaxes, with Euroseas' feeder-led fleet of 15 containerships, including seven that it has acquired recently from Euromar, formerly a joint venture between Euroseas and two private equity firms.

The ante was upped a couple of days later when Diana Containerships, another Greece-based, Nasdaq-listed owner, announced an agreement to sell up to seven of its 11 container vessels for $104m.

Although the buyer was not identified by Diana, Lloyd's List has verified through industry sources that the counterparty is Poseidon.

If the Diana ships are included in the merger, the number of boxships that by next year could be in the Euroseas-Poseidon fleet has already potentially been raised to 38.

According to Diana, there is a purchase obligation but the precise number of vessels Poseidon will ultimately acquire will depend on the timing and level of finance, and the eventual number may be less than seven ships. Sales are expected to be concluded in the first quarter of 2018.

Diana, meanwhile, apparently sees the potential sale of a majority of its fleet as a chance to clarify its value for investors and press the reset button. The funds raised from selling ships are partly earmarked for paying off debt but could also fund selective purchases.

Not everyone in Greek shipping circles is a fan of consolidation. But last week's events in the container space seem like pragmatic steps by companies eyeing a future better spent together.

Trump's Iran stance spells renewed risks for tanker owners

WHILE the immediate possibility of significant disruption to Iranian oil exports looks slim, the risks for tanker shipping have undoubtedly risen along with the volume of Donald Trump's rhetoric.

While not providing hard evidence, the US president has openly accused the Islamic Republic of not living up to "spirit of the [nuclear] agreement" just days before his October 15 deadline to recertify the Joint Comprehensive Plan of Action. If he refuses to endorse the international deal, Congress would have 60 days to decide on whether to reimpose the secondary sanctions.

Under the JCPOA, the US has lifted sanctions against non-US parties in the financial, energy, petrochemical, shipping and shipbuilding sectors, among others. If American lawmakers are to bring those trade restrictions back, the Iranian economy, which has shown strong growth since 2016, will suffer a significant blow.

However, the country's oil exports could be relatively cushioned, because several media outlets have suggested Europe is not interested in withdrawing from the deal.

According to the latest data from Lloyd's List Intelligence, Iranian oil exports hit nearly 2.7m barrels per day in August, the second-highest monthly volume since the sanctions were lifted. Along with Turkey, India and South Korea, European nations have made up most of the incremental Iranian sales in the past two years. France, Greece, Italy, Malta and the Netherlands together imported at least 490,000 bpd in August.

The European Union's oil embargo, along with its ban on protection and indemnity cover for vessels in Iranian trade, were two of the main reasons behind the fall of Iranian oil exports from 2.5m bpd in 2011 to 1.1m bpd in 2013. Teheran will feel relieved because those restrictions are unlikely to be reimposed anytime soon.

If Congress opts to play hardball, though, tanker players would need to worry about secondary sanctions by the US. There remains large uncertainty on this front: even when those sanctions are imposed, Washington tends to hand out lots of waivers, but it is too early to tell whether the Trump administration will be as generous with them as Barack Obama's. Risk-averse owners may pay heed to this latest Washington drama.

OPINION

Is Cosco poised to challenge European lines' dominance of container shipping?

DOES it make sense for both Mediterranean Shipping Co and CMA CGM to embark on a new round of ship ordering just when the container trades were starting to look in better shape because of a healthier supply and demand balance?

Together, the Mc-Kinney Moller, Aponte and Saadé families, and three men who have been steeped in shipping from a very early age, are in a strong position to shape the future direction of container shipping. But will they concentrate on their own rivalries with each other, or focus on the growing challenge to their market shares from China? For China is the true threat to the European trio, which is probably the main reason why they are building up their arsenals.

Let battle commence, *says our executive editor Janet Porter.*

MARKETS

India coal stocks are at rock bottom — good news for bulkers

INDIA's coal inventories have dropped to a three-year low, suggesting that imports, and bulk carrier demand, are about to rise.

Coal inventories at power plants in India stood at 7.6m tonnes at the beginning of the month and stocks are down by 33% on month and 63% on year. "With lagging domestic production and robust demand, India is likely to increase its coal imports in the coming weeks to make sure power plants have adequate coal supplies," said Arrow brokers in a note.

Clarksons said that strong growth in power demand "could continue to support expansion in coal imports in the long term", particularly if domestic output missed targets. The country's plans to connect some 300m people to the grid and continued firm economic growth could support rising import needs even as domestic production rises.

Demand has been outpacing domestic supplies of coal, not just for power generation, but also for steel production.

The container spot market continues on its downward curve

SPOT rates continued to weaken through September and into October on the major east-west box trades, as the focus switched to maximising utilisation rather than strengthening the freight market in the lead up to China's Golden Week.

With Chinese factories set to shut up shop in early October during the holiday period, carriers looked to ensure ships bound for North America and Europe from Asia sailed as full as possible to mitigate for the traditional slowdown in demand.

Successive weeks of rate erosion on the Asia-Europe trades meant prices were fast approaching their 2016 level, while transpacific rates were tracking below last year's. Although transpacific rates received an impromptu boost from Hanjin's exit from the trade resulting in a lack of available capacity, this downward trend will be of equal concern.

NEWS IN BRIEF

The call for global action to save our oceans has raised $7bn

PUBLIC and private entities from 112 countries have made over 400 pledges totalling over €6bn ($7bn) to fund projects tackling a range of environmental, security and economic issues affecting the world's oceans. Projects ranged from land-based initiatives to prevent plastics making their way into the oceans to the launch of satellites and stratospheric airships for surveillance and monitoring of illegal activities at sea.

On maritime security, initiatives included funding economic development in coastal regions of Africa where piracy occurs, the launch of numerous satellite-based surveillance systems, deployment of naval assets to support international counter-piracy initiatives and programmes to tackle illegal fishing.

Hosted by the European Union, the Our Oceans conference was held in Malta last week. A full list of commitments made at the conference can be found on the event website.

Gearbulk has shut up shop in the UK after 24 years

GEARBULK has closed its office in the UK, but "is not to do with Brexit" according to managing director Ketil Andreassen. The move to close the UK office is the second in the week after Clipper Group announced it was closing five offices to focus its dry bulk activities from three locations.

Shell inks long-term LNG supply deal with Siem Car Carriers

TWO of Shell's liquefied natural gas business units have secured a long-term supply deal with Siem Car Carriers as shipowners increasingly look to LNG as a fuel to meet global emissions regulations such as the International Maritime Organization's global sulphur cap coming into effect in 2020.

Under the agreement, Shell NA LNG and Shell Western LNG will provide fuel for two gas-driven ro-ro vessels that will be delivered to Siem Car Carriers by 2019, the group said in a statement. The vessels will be deployed to ship vehicles from the Volkswagen Group from Europe to North America. The group claims the ro-ro vessels will be one of the first to be LNG-powered and to operate between Europe and the US.

Bahri has buddied up with Bunge for a bullish new bulk business

NATIONAL Shipping Company of Saudi Arabia, or Bahri, is making further inroads to the recovering dry bulk sector as its joint venture with Netherlands-based Koninklijke Bunge opened for business in Dubai.

The management at BahriBunge Dry Bulk expects to ship over 5m tonnes of commodities cargoes in the joint venture's first year of operations via the import and export of dry bulk goods and raw materials in the Middle East region.

The joint venture, which is 60% owned by Bahri Dry Bulk and 40% by Bunge, will initially charter and operate supramax, panamax as well as other vessels from the former before reaching out to third parties.

CJ Group's Asia logistic consolidation quest has moved into Vietnam

SOUTH Korea's acquisitive CJ Logistics has acquired 51% of the shares in Vietnam's Gemadept Shipping and Gemadept Logistics respectively.

The move follows a recent spate of acquisitions for the ambitious logistics group, which last year bought a 31.44% stake in Malaysia's Century Logistics Holdings that was worth $43.1m, thus becoming the largest logistics firm in the country.

The company has in recent years acquired China Shenzhen Speedex Commercial Service and Rokin Logistics, Ibrakom in the United Arab Emirates and India's Darcl Logistics.

APM Terminals is set to exit Tacoma port after losing Matson

APM Terminals has ceased operations at the US port of Tacoma after the container shipping line Matson decided not to renew its agreement with the Netherlands-based terminal operator. Matson has instead opted to use its joint venture with SSA Marine named SSA Terminals for its stevedoring and terminal services at Tacoma port.

South African authorities have approved Maersk's acquisition of Hamburg Süd

MAERSK Line has taken another step closer to completing the acquisition of Hamburg Süd after the South African Competition Tribunal approved the transaction.

However, the regulator's consent was contingent on Hamburg Süd withdrawing from the SAAF vessel-sharing agreement that is involved in the South Africa-east coast South America route, a Maersk spokeswoman told Lloyd's List, adding that the withdrawal would come into force when the acquisition deal was completed.

The German line will continue to actively participate on the trade after the transaction as part of the merged Maersk Line and Hamburg Süd fleet.

For classified notices please view the next page.

"OZZY NAVIGATION COMPANY, headquartered in Majuro-Marshall Islands, **in own name and through NEJEM COMPANY MARINE SERVICES,** headquartered in Lattakia, Karaman St., Harujn Building, Syria, based on the summons of 5 September 2017 in the case dossier no 2316/118/2011, is summoned to attend the official hearing of **30 October 2017**, 9:00 A.M., to the Constanta Court of Appeal, 35c Traian St., Constanta.

In case of absence of parties, a written instrument may be sent, judging following to be proceeded in absence."

"OZZY NAVIGATION COMPANY, à l'adresse Majuro-Marshall Islands, **a été cite en leur nom propre et par NEJEM COMPANY MARINE SERVICES,** à l'adresse Lattakia, rue Karaman, bâtiment Harujn, Syrie, en base du mandat de comparution du 5 Septembre 2017 dans le dossier du cas n0 2316/118/2011, pour comparaître devant la Court d'appel de Constanta, rue Traian n0 35c, en audience officielle, le **30 Octobre 2017,** 9:00 a.m.

En cas d'absence des parties, on peut transmettre un document écrit, le jugement pourrant être tenu en absence"

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GREEK SHIPPING AWARDS 2017

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