Friday October 20, 2017

Lloyd's List
Maritime intelligence | informa

Daily Briefing
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China has effectively barred leasing houses from financing for foreign-yard newbuilds

MAJOR BANK-BACKED CHINESE leasing houses have been asked by China's Ministry of Industry and Information Technology not to finance shipowners' newbuilding projects at foreign shipyards.

MIIT, the industry regulator, delivered the message during an internal shipbuilding seminar last week in Beijing, where participants included representatives from domestic shipyards, financial institutions and industry associations, according to people familiar with the matter.

They said the ministry had received complaints from the country's two largest state shipbuilding conglomerates, China Shipbuilding Industry Corp and China State Shipbuilding Corp.

The duo are dissatisfied with Chinese financial lessors supporting their competitors in South Korea and Japan, in particular when the market is challenging and new orders are scarce.

In June, BoComm Financial Leasing made headlines by agreeing to fund trading giant Trafigura's 32 new oil and product tankers. Some of the orders were placed with South Korea's Hyundai Heavy Industries.

A few top-tier leasing houses in China also showed interest in Mediterranean Shipping Co's recent order of 22,000 teu containerships at Daewoo Shipbuilding & Marine Engineering and Samsung Heavy Industries. But sources said they had now lost appetite amid pressure from MIIT.

MIIT had not responded to a request for comment at the time of publication.

MIIT's discouragement of financing newbuildings at foreign yards, if complied with, could affect the business of the Chinese lessors as they rev up efforts to expand their overseas portfolio by dealing with foreign owners, many of whom still favour Korean or Japanese builders for their vessel quality.

One senior manager from a Chinese leasing firm, who declined to be named due to the sensitivity of the issue, described the situation facing them as "awkward" and "uncertain".

"We don't know how to deal with it yet. We'll try our best to respect the government's wish, but it's also difficult for us to go against the clients' requirement."

Foreign builders, especially the Korean yards that are still struggling to recover from the previous financial woe, could also take a hit.

A recent report about South Korean shipbuilding by JP Morgan pointed to the weak financial offering as a key disadvantage of Korean yards when competing globally.

The analysts, SM Kim and Karen Li, noted that Korean export credit agencies, being subject to the Organisation for Economic Co-operation and Development's Understanding on Export Credits for Ships, can only provide financing of up to 80% of the contract price with a minimum level of interest rate required, while their Chinese counterparts, who are not participants in the pact, are not subject to such constraints.

"This, combined with aggressive pricing by Chinese players, seems to make the situation worse for Korean shipbuilders amid an industry downcycle," the analysts added.

Chinese lessors, which are known for their high loan-to-value ratio and flexible structure, serve as an important supplement to the rigid Korean financing regime, particularly when shipyards are stuck in today's prolonged buyer's market.

The withdrawal of the leasing houses had left Korean policy lenders with fewer alternatives to meet MSC's demand for an LTV ratio of more than 90%, Lloyd's List understood.

NEWS

Breakwater has bought 11 anchor handlers from troubled Hartmann

LONDON-based shipping investor Breakwater Capital, in partnership with Hayfin Capital Management, has taken de facto ownership of 11 anchor-handling tug supply vessels, built in 2009 and 2010, from Germany's struggling Hartmann Group.

While the exact financial terms of the transaction remain undisclosed, Lloyd's List understands that the two closely-allied firms were able to pick up the AHTSs from insolvent single-ship KG companies for minimal outlay, with banks led by Nord/LB providing refinancing.

The move highlights the willingness of more adventurous investors to look at vessels even in a sector as obviously tanked as offshore, so long as the terms are right. The vessels have employment, a shipping source confirmed.

However, the fleet had been on the market for a number of months, and until now, the asking price had simply proved too steep for potential purchasers.

According to the formal announcement, Hartmann Offshore will continue to act as technical manager, while Hartmann affiliate United Offshore Support will continue to handle the commercial side.

The fleet will continue to operate under current expedition names, such as Challenger and Champion, although the prefix will change from UOS to GH. Delivery is due for completion by the end of next month.

If all goes according to plan, the AHTSs effectively get a new start, being able to pitch for business without any financial encumbrances.

A bulker grounding has raised Ecdis misuse concerns

AN investigation into the grounding of a bulk carrier late last year has raised wider concerns over the design of electronic chart display and information systems and the way they are used by crew.

The UK's Marine Accident Investigation Branch report into the grounding of *Muros* in the early hours of December 3, 2016 found that a depth warning for the area where the ship eventually grounded was one of 3,000 warnings produced by the Ecdis for the voyage from the UK to France.

The report said that audible alarms for the Ecdis were disabled, settings for displaying water depth warnings were contrary to recommendations and the system had not been used as regulators or the equipment manufacturers expected.

"The potentially widespread de-selection of automated functions to fit local contexts and reduce workload is indicative of wider problems with Ecdis design," said the report.

OPINION

The IMO must be bold but also needs to be realistic

NEXT week's important International Maritime Organization meeting will further develop its strategy for reducing CO2 emissions from shipping, in response to the Paris Agreement on climate change.

IMO member states will need to be strategically bold, sending a clear signal to the world at large about shipping's direction of travel, in advance of the next UN Climate Conference in Bonn in two weeks' time. But IMO member states must also be tactically cautious, especially if they wish to keep developing nations on board, argues Simon Bennett, who is the Director of Policy & External Relations at the International Chamber of Shipping in a guest column for Lloyd's List.

MARKETS

Firmer fourth quarter fundamentals forecast a favourable future for tankers

TANKER markets are poised for a seasonal rebound in the final quarter of the year, with demand appearing stronger following the hurricane season in the third quarter and a major increase in refining activity boosting spot rates across the market, according to Maritime Strategies International.

Although an unusually high level of disruption from the hurricane season in the Caribbean and Gulf of Mexico has shaken up the tanker market over the previous months, with turbulence denting the spot market, the storms' impact has gradually worn off, facilitating further trade.

There is increasing evidence of improved market fundamentals and constructive shifts in the tanker market, signalling positive future conditions, MSI says in a new report.

However, the shipping consultant sees only limited upside for time charter rates, as positive fundamentals are likely skewing the risks for the forecast to the upside.

Drewry is cautiously optimistic about multipurpose shipping's outlook

THE global multipurpose shipping fleet is set to gain more market share and see freight rates recover by 2018 amid improved demand coupled with better market conditions in competing segments, according to Drewry.

The longer-term outlook for the multipurpose and heavylift sector remains positive, despite Chinese authorities' plans to rein back steel production as they try to reduce air pollution in cities and cut steep exports in the immediate term. And although the clean-up campaign has led to a reduction of about

50m tonnes of steel production from the four quarters of 2017, Drewry thinks Chinese exports will turn less attractive to Southeast Asian clients over the Middle East and Turkey, and thus trade volumes will shift accordingly.

It adds that there are indications of more robust demand in competing sectors, with freight rate forecasts of both the container and handybulk carrier markets seeing an uptrend over 2017 and 2018.

NEWS IN BRIEF

Jebel Ali is about to break through the 20m teu milestone

JEBEL Ali's container handling capacity is now approaching 20m teu after completion of its latest expansion programme, and could grow much more once DP World decides to open a fourth terminal where construction work is at an advanced stage.

Despite geopolitical forces in the region, including the blockade of Qatar by its neighbours which is hitting local transhipment services, and the revival of container traffic through Bandar Abbas as sanctions against Iran are eased, the Dubai port complex is seeing good growth volumes this year.

That contrasts with 2016, when throughput was down by 5.3% to 14.8m teu, although Jebel Ali still remained in the world's top 10.

This year, DP World is expecting Jebel Ali to grow as the Emirate prepares for Expo 2020, with half-year volumes up by 4.3% to 7.7m teu.

Gunvor has predicted more scrubber use, but only after 2020

GUNVOR chief executive Torbjörn Törnqvist has forecast that the general lack of preparation of shipowners and refineries to meet the post-2020 bunker regulations will initially lead to much more expensive distillates versus high-sulphur fuel oil, before owners increase the use of scrubbers.

At the Oil & Money conference in London, Mr Törnqvist said the eventual bunker solutions would be "a combination of everything", including low-sulphur bunker fuels, scrubbers and even liquefied natural gas bunkering.

"The clock is ticking," said Mr Törnqvist, who believes that the natural choice for shipowners who delayed decisions would be to use distillates. As refineries will still be producing high-sulphur fuel oil, the price spread between distillates and the dirtier fuel will be so wide that shipowners will probably find installation of scrubbers more economical, Mr Törnqvist said. In this sense, 2020 will be just a starting point for shipowners to gradually adopt the new bunker rules, he added.

Odfjell has sold its stake in a Singapore tanker terminal for $300m

ODFJELL has found the buyer for a 50% stake held by its terminal unit in Oiltanking Odfjell Terminal Singapore as part of its effort to divest from terminal assets in non-core markets. Odfjell Terminals, 51% owned by Odfjell and 49% by Lindsay Goldberg, has agreed to sell the 50% stake to a fund managed by Macquarie Infrastructure and Real Assets for approximately $300m.

Samsung Heavy has won a $226m order for an LNG FSRU

SOUTH Korea's Samsung Heavy Industries has won an order to build a liquefied natural gas floating storage and regasification unit for about Won250bn ($226m). The order for a 170,000 cu m LNG-FSRU was from a consortium of Marubeni, Sojitz, and Pertamina.

The announcement comes after SHI said in early October that it decided to postpone 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. The LNG carriers are worth about Won452bn ($394m) in total, with the orders placed in January 2015.

Scorpio Bulkers has secured an $85m loan for its Golden Ocean ultramax play

NEW York-listed Scorpio Bulkers has secured an $85.5m credit facility that it will use to finance the six ultramax bulk carriers it will buy from Golden Ocean Group. The Monaco-based firm will use the facility to fund up to 60% of the purchase price of the vessels.

John Fredriksen-linked Golden Ocean Group in September signed deals to offload six of its ultramax dry bulk carriers for a total of $142.5m.

Nordea Bank New York Branch and Skandinaviska Enskilda Banken provided the loan facility, which will mature on February 15, 2023 and has interest at the London Interbank Offered Rate plus a 2.85% margin per year.

A source close to Scorpio Bulkers confirmed to Lloyd's List that the Emanuele Lauro-headed company is the buyer. In a formal statement, Scorpio said it would buy six ultramax vessels with cash and debt facilities, without naming the seller.

Higher rates and costs have hit Panalpina's ocean freight business
PANALPINA saw ocean freight volumes rise in line with the market through the first nine months of the year, but higher rates and margin pressure led to a significant drop in earnings.

The Switzerland-based freight forwarder reported a 4% increase in ocean freight, equal to estimated market growth. However, gross profit per teu fell by 10% year on year in the January through September period to Sfr283m ($289m) from Sfr314m.

As a result, gross profit in Panalpina's ocean freight side of the business fell from Sfr345m to Sfr323.4m in the first three quarters of 2017, down 6.7% on the corresponding period last year.

Panalpina chief executive Stefan Karlen admitted that group profitability did not meet a "satisfactory level", and while it was well prepared for another strong peak season in air freight it "remains to be seen how dynamic the carrier market will be this year".

Thoresen Shipping has confirmed a $14m supramax purchase from Songa Bulk
THORESEN Thai Agencies' subsidiary Thoresen Shipping has confirmed the acquisition of a supramax vessel from Songa Bulk worth $13.8m.

The 2009-built, 58,700 dwt vessel has been renamed *Thor Courage* from *Songa Marlin*.

With the addition, the company's owned fleet stands at 22 vessels, at an average size of 53,438 dwt and at an average age of 11.92 years.

Last month, Lloyd's List reported that Songa Bulk signed a contract to sell one supramax built in 2009 at the Tsuneishi Zhoushan shipyard. The vessel is scheduled to be delivered to the buyer by November 15 this year.

Canada's 'draconian' plan to restrict crude shipping is worrying shipowners
THE International Chamber of Shipping has voiced concerns that Canada's proposed legislation on temporarily prohibiting crude shipping off northern British Columbia could hurt global maritime trade.

Legislation proposed in the Canadian parliament in May this year aimed to establish a moratorium on the transportation of crude oil to or from ports or terminals situated by that region's north coast to reduce the chances of pollution from oil spills or leaks from tankers damaging the environment.

"Such a draconian step could lead to serious concerns being raised by Canada's international trading partners," said ICS director of policy and external relations Simon Bennett.

The ICS said the proposed legislation was not based on evidence-based procedures and thinks it could set a negative precedent for perhaps individual US states to follow and possibly reduce efficiency of world trade, including that of Canada's.

Robert Bugbee has sold 10% of his Scorpio Tankers shares
ROBERT Bugbee, president of Scorpio Tankers, has filed with the Securities and Exchange Commission the sale of 320,886 shares of Scorpio Tankers, or approximately 10% of his holdings in the product tanker company.

Mr Bubgee declined a request for comment from Lloyd's List regarding the nature of the stock sale.

The sale, however, coincided with the partial vesting of restricted shares that had been awarded to Mr Bugbee under the 2013 incentive plan.

Restricted shares are compensation offered by an employer to an employee in the form of company shares that are received based on a vesting plan and distribution schedule after performance milestones or a minimum employment period are reached.

Korea has launched another research programme – this time to boost harbour logistics links
SOUTH Korea's Ministry of Oceans and Fisheries will begin research on how to maximise collaboration between the country's harbour logistics industry and other relevant industries, including shipbuilding and steel.

This marks the latest initiative from the South Korean government to help the struggling domestic shipping and shipbuilding industries.

In August, the government announced that it would set up an organisation to support the maritime sector.

For classified notices please view the next page.

Global Freight Awards
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Have you booked your seat at the freight and logistics event of the year?

Lloyd's Loading List invites you to join us at the prestigious Global Freight Awards, taking place 16 November at the Lancaster London hotel.

At this glittering, annual event, hosted this year by TV comedian Rob Beckett, guests will be treated to an evening of top entertainment, a gourmet three-course meal, as well as the opportunity to network with top business leaders in the freight and logistics world.

3 reasons to attend the Global Freight Awards:

1

Discover the latest trends and innovations

The Awards mirror key trends in the industry providing an invaluable tool for professionals to discover new and innovative changes

2

Network with like-minded professionals

Not only will you make new contacts, you will have the opportunity to liaise with industry experts face-to-face, raising your profile

3

Celebrate excellence with our winners

Finalists include: Dimerco, MOL Liner, MSC, Panalpina, DHL, DP World and Vanguard Logistics Services

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