Friday October 27, 2017

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

The winners: Companies and people from the maritime industry were honoured at the 20th Lloyd's List Asia Pacific Awards. ***Report, Page 2***

$30m giveaway is a smart tactic, Britannia P&I insists

BRITANNIA'S $30M DE facto dividend pay-outs this year represents a sensible substitute for waiver of deferred calls, and has boosted the mutual's previously deteriorating loss ratio in the process, according to top brass at the International Group-affiliated P&I club.

Indeed, the move has proved so successful that it may well be repeated in future, and could even be an example for others to emulate, said chief financial officer Jo Rodgers.

In a wide-ranging interview, Mr Rodgers and senior colleagues also defended Britannia's 75% combined ratio, a level unusually low for a mutual that is not writing for profit, and also shed more light on the reasons that merger talks with the UK Club earlier this year came to nought.

Britannia has made two so-called 'capital distributions' this year, with $10m dished out to owners with P&I cover as of midnight on Tuesday last week, on top of an earlier $20m distribution in May.

Mutuals, by their nature, have members rather than shareholders, but the payments are analogous to dividends in a joint stock company.

This is believed to be the first time that an IG club has taken such a step; the more usual way of giving money back to members when cash reserves are growing is to waive all or part of deferred calls, which Britannia has done in the past.

But growing concern about the accountancy treatment of such waivers has spurred the club to try new tactics. In particular, waivers are apt to increase the so-called loss ratio, a key yardstick for all insurance entities.

The loss ratio represents the ratio between premiums paid in and claims paid out, plus adjustment expenses. If you take a chunk of

premiums out of the equation and losses remain the same, the ratio becomes greater.

After a meeting with Bank of England watchdog the Prudential Regulation Authority, at which the club's loss ratio was queried, commercial logic seemed to stack up behind capital distribution.

"Both the PRA and the ratings agencies get a bit twitchy if your loss ratio goes up too much. So what we decided to distribute surplus capital by paying a dividend, which comes off the bottom line," said Mr Rodgers.

"That does not have any impact on our loss ratio. So we get the same commercial benefit without having any impact on our underwriting position."

Chief underwriting officer Mike Hall said: "I would not be surprised if other clubs found themselves in a position to return capital went down the same route. It seems to be quite popular with members.

"We also have our records with members, and if you reduce your deferred call, that also adversely affects their loss records. The way we do it has no impact at all on their loss record, it is just completely separate."

NEWS

Best in shipping lauded at 2017 Lloyd's List Asia Pacific Awards

FOURTEEN outstanding companies and individuals from the maritime industry were honoured at the 20th Lloyd's List Asia Pacific Awards on Thursday evening at Singapore's Shangri La Hotel.

Close to 400 senior executives gathered to recognise the winners at the awards, which are held annually and accepted as among the most prestigious events in the maritime calendar.

The full list of awards:

Excellence in Training Award
Winner: DNV GL, Maritime Training Academy

Lloyd's List Intelligence Innovation Award
Winner: Liberian International Ship Registry and Prevention at Sea, Electronic Oil Record Book

Logistics Award
Sponsored by: PSA
Winner: AAL, ESP cargo project

Shipmanager of the Year Award
Sponsored by: Gulf Marine
Winner: Wallem Ship Management, safety focus and wellness at sea

Next Generation Award
Sponsored by: Hutchison Ports
Winner: Safe Lanes Consultants – Mr Rachit Jain

Seafarer of the Year Award
Winner: MTM Ship Management – Captain Anubhav Srivastava

Tanker Operator of the Year Award
Sponsored by: Safe Lanes Consultants
Winner: MISC

Terminal Operator of the Year
Winner: PSA

The ClassNK Dry Bulk Operator of the Year
Sponsored by: ClassNK
Winner: Berge Bulk

The Equatorial Marine Containership Operator of the Year
Sponsored by: Equatorial Marine Fuel Management Services
Winner: Maersk

The i-law Maritime Law Award – Firm of the Year
Winner: HFW

The i-law Maritime Law Award – Individual Lawyer of the Year
Winner: Watson Farley & Williams – Mei Lin Goh

The Safer, Cleaner Seas Award
Highly commended: Berge Bulk
Winner: ClassNK, ship recycling initiatives

Lifetime Achievement Award
Sponsored by: Containerchain
Winner: Kishore Rajvanshy, Fleet Management

NuStar has allowed Trafigura's loading of PDVSA crude from Caribbean storage

NUSTAR Energy has allowed loading of a crude cargo that originally belonged to Petróleos de Venezuela SA from its Caribbean storage terminal, signalling the continued business relationship between the two despite reported payment issues.

Last week, Reuters reported that the New York-listed storage provider had banned PDVSA from using the Statia terminal on St Eustatius over $26m in unpaid bills.

In an email to Lloyd's List, NuStar described the situation as "unique" but stressed that all of its contracts with customers at the Statia terminal remained intact.

"NuStar has not cancelled contracts with any of its customers at St Eustatius and we expect to be paid by all of them," the company said.

The cargo of 550,000 barrels of Venezuelan oil was originally shipped by PDVSA to the storage in March on the aframax tanker *NS Colimbus*, which the troubled oil firm chartered from Sovcomflot.

However, Sovcomflot held the cargo for some time due to unpaid charter hires before a St Maarten court ordered the oil to be offloaded. NuStar must guarantee that the claim of Sigma Navigation, the Sovcomflot offshoot that owns *NS Colimbus*, has priority over any claims NuStar may have against PDVSA, the court said.

According to the Reuters report, Trafigura eventually won the cargo in a court-ordered auction, but the trader was not allowed to load it due to the NuStar-PDVSA issue.

In its email, NuStar said the refusal had more to do with "internal miscommunication" and eventually a vessel loaded the cargo on Sunday before sailing from St Eustatius on Monday.

Trafigura declined to comment on this matter. PDVSA did not reply to an email from Lloyd's List seeking comments.

The termination of business relationship would have dealt another blow in logistics operations to PDVSA, which has experienced falling production and exports of crude in recent quarters as Venezuela's domestic crisis worsens.

The country's crude production fell to 2.1m barrels per day in the third quarter, compared with 2.3m bpd in the first quarter and the 2016 average of 2.4m bpd, according to the Organisation of the Petroleum Exporting Countries.

Data from Lloyd's List Intelligence showed Venezuela's oil exports fell to 1.5m bpd in August and September, some of the lowest figures seen in this century.

The Opec member has raised its sales to India and China, which supported demand for very large crude carriers in the Caribbean, while cutting exports to the US on aframax and suezmax vessels.

Overall, LLI data suggests tonne-mile demand for crude carriers related to Venezuelan exports have been largely stable over the past two years.

Drewry has predicted $230m operating losses for spot LNG fleet this year

THE spot fleet of liquefied natural gas carriers will still make losses this year, with the year-on-year increase in shipping rates not yet sufficient to bring owners back to the black, according to consultancy Drewry.

With strong seasonal demand for LNG from northwest Asia and rising exports from new US and Australian projects, Clarksons data shows spot charter rates for 160,000 cu m LNG tankers have risen above $50,000 per day, the highest since early 2015.

However, the pace of rate recovery is still slow amid strong fleet growth, and the current spot rates are still below the breakeven costs, that can be as high as $60,000 per day, Drewry said in a research note. For the first nine months of 2017, spot rates in the East-of-Suez market increased only 5% on year, according to Drewry estimates.

Thailand is set to be a key driver of future LNG trade

THAILAND is set to join the liquefied natural gas importers' club in the coming years amid growing energy demand and falling domestic gas production, and as the government makes a push for cleaner fuel sources as well as increased availability of LNG at competitive prices.

The nation has plans to become one of Asia's largest energy hubs. It expects a sevenfold increase in the amount of LNG that it will import over the next couple of decades, a senior government official said during Singapore International Energy Week.

Thailand's LNG imports, via long-term contracts, will likely climb to 35m tonnes per year by 2036 from 5.2m tonnes now, said the acting director for the LNG management bureau at the energy ministry's department of mineral fuels Porrasak Ngamsompark.

Hanjin Shipping 'was a victim of the latest political scandal'

HANJIN Shipping was left to collapse by South Korea's former government because it did not co-operate enough with Choi Soon-sil, the key figure in the country's latest political scandal that led to the impeachment of former president Park Geun-hye, a Seoul-based lawmaker has claimed.

"Ms Park's administration chose to revive Hyundai Merchant Marine over Hanjin Shipping even though Hanjin's situation was more promising," said Jeong Jae-ho at an annual review held by South Korea's National Assembly.

ANALYSIS

Wärtsilä has seen record scrubber order intake ahead of sulphur cap

LOOMING regulatory requirements are proving a mixed blessing for Finland-based engine manufacturer Wärtsilä.

The company has reported a surge in demand for scrubbers ahead of the 2020 sulphur cap, but it is also anticipating turbulence courtesy of a consolidation of ballast water treatment system manufacturers.

Wärtsilä Marine Solutions has received more than 50 orders for scrubbers during the first nine months of 2017, with the majority of those placed in the third quarter. The demand has been mostly for newbuildings, with a lot of activity coming out of Asia, but WMS president Roger Holm expects retrofits to also pick up.

The unprecedented scrubber intake has come as something of a surprise given the widely anticipated reluctance on the part of shipowners to commit to an investment. A recent ExxonMobil survey on vessel operators found that only 11% would introduce scrubbers before the cap comes into effect.

NEWS IN BRIEF

Vitol has exercised options for two more VLGCs at HHI

ENERGY and commodities trader Vitol has exercised options for two more very large gas carriers at Hyundai Heavy Industries in South Korea, a HHI official confirmed to Lloyd's List.

Vitol already has two 84,000 cu m VLGCs on order with HHI, due for delivery in 2019.

HHI said in July that it received deals for two such vessels along with six options that would be worth a total of $600m. The options for the extra two ships were exercised on October 13, the HHI official said.

According to VesselsValue.com, the two gas carriers have a market value of around $69m per ship.

This is the first time Vitol, which operates around 250 vessels, had directly placed VLGC orders with the yard.

The news comes after a HHI senior executive expressed concerns over a lack of orders ahead.

HHI has also scored orders for two bulk carriers worth $168m from Korea Line

SOUTH Korea's Hyundai Heavy Industries has secured orders for two bulk carriers worth Won184.8bn ($168m) from the Korea Line Corporation. KLC plans to use the two 325,000 dwt bulk carriers for its 25-year long-term contracts of affreightment with an overseas firm, according to an exchange filing. The vessels are expected to be delivered by March 15, 2020.

Angelicoussis has ordered two newcastlemax vessels at Shanghai Waigaoqiao

ANANGEL Maritime Services, the dry bulk arm of the Angelicoussis Shipping Group, has firmed up orders for two newcastlemax dry bulkers at Shanghai Waigaoqiao Shipbuilding.

The companies signed the contract for two 210,000 dwt vessels earlier this week, according to an announcement released by SWS on Wednesday.

Ship prices and delivery dates were not disclosed, although Lloyd's List reported a month ago that the deal included two firm 208,000 dwt vessels for delivery within 2019 and two options for similar ships that would be due in 2020 if taken up.

Brokers suggested a price of about $47.5m per vessel, with specifications meeting the new Tier III emission standards.

Expect a spike in operating costs next year

ASIAN and European shipowners and managers are bracing for an increase in vessel operating costs in 2018, underpinned by a spike in repair, maintenance and spare parts costs, according to Moore Stephens.

Respondents to the firm's new survey predicted a 2.1% rise in 2017 followed by 2.4% in 2018, after a 1.1% drop in 2016. Aside from repairs, maintenance and spares, crew costs were also slated to rise by 1.6% in 2017 and 1.5% in 2018.

The top three factors that will affect the operating costs are finance costs, crew costs, and competition, in order of significance, according to survey respondents.

Container shipping consolidation may lead to oligopolistic structures

THE growing consolidation trend in container shipping amid unbalanced demand and supply could mean market share is concentrated with just a few major players, something that is detrimental to the industry, according to the Unctad Review of Maritime Transport 2017 report.

It said the global commercial vessel fleet grew 3.2% to 1.86bn dwt in early 2017. Continued supply and demand imbalances are depressing freight rates, keeping earnings low in most segments. Container shipping posted a collective operating loss of $3.5bn.

Although consolidation among shipping lines may bring order to the market in terms of improved supply management, more efficiency, economies of scale and lower operating costs, "the risk is that growing market concentration in container shipping may lead to oligopolistic structures", said Shamika Sirimanne, director of the Unctad division on technology and logistics.

"In many developing countries' markets, there are now only three or even fewer suppliers left. Regulators will need to monitor developments in container shipping mergers and alliances to ensure there is competition in the market," said Ms Sirimanne.

Inmarsat says there is no threat from its discontinued satellite platform

MARITIME satellite communications provider Inmarsat has played down a reported threat to one of its systems revealed today by US security research company IO Active.

IO Active says the threat applies to the AmosConnect 8 satellite communication platform provided by Inmarsat subsidiary Stratos Global. It potentially allows remote attackers to execute code on the AmosConnect server, leaving crew and company data vulnerable. The threat, however, is largely theoretical now, because Inmarsat issued a notice to customers in 2016 that the AmosConnect 8 service would be terminated in July 2017.

Panama Canal Authority has unveiled an emissions calculator

PANAMA Canal Authority has introduced an emissions calculator with the aim of helping shipping firms make a detailed gauge of their carbon emissions. It will rank them in order of their emission levels as they traverse the canal, with the hope the information will encourage the reduction of carbon footprints.

Japan is about to introduce a registration system for shipmanagement firms
JAPAN's Ministry of Land, Infrastructure, Transport and Tourism plans to introduce a new registration system for shipmanagement companies in a move that would increase the use of their services in the domestic shipping industry.

Under the new system, which is expected to be introduced in 2018, shipmanagement firms will be able to register themselves at the ministry, thereby enhancing their legitimacy as well as the quality of services they provide, according to an announcement by the ministry.

CMES net profit is down 60.3% on weaker tanker earnings
CHINA Merchants Energy Shipping, the bulker and tanker unit of China Merchants Group, has revealed how its bottom line was substantially weakened for the first nine months of 2017, as the oil shipping markets were reeling from the downturn.

The Shanghai-listed company has posted a net profit of Yuan701.9m ($105.8m) between January and September, down 60.3% from the year-ago period.

GulfNav profit has dropped fourfold on lower liability writeback gains
DUBAI-based Gulf Navigation Holding has posted a Dirham31.4m ($8.5m) profit for the nine months ended September 30 this year, a more than fourfold fall over the same period last year, which yielded a Dirham131.2m profit. The slide can in large part be attributed to a lower amount of liability writebacks.

Milaha net profit halved amid weakness in shipping and offshore
QATAR Navigation's net profit for the nine months ended September 30 this year more than halved to QR363m ($99.7m), compared with QR759m in the same period a year ago. This was largely attributable to the overall weakness in the shipping sectors it is involved in.

OPINION

Michael Grey's Viewpoint - Influence and speed

SPEED, suggested the Bishop of Norwich on BBC Radio 4's Thought for the Day, is "a yardstick of virtue", which thought gave me considerable encouragement. It might encourage the ship operating sector too, as it reels from the attacks of sundry environmental interests getting in their low blows before the International Maritime Organization considers the latest evidence on how shipping is choking the world.

According to an investigative body called Influence Map, which hadn't really registered with me before, the IMO has effectively been captured by a sinister cartel of maritime corporate interests seeking to facilitate indefinitely their noxious habits of pollution.

I hope that the International Chamber of Shipping, BIMCO and the World Shipping Council, (which we perhaps ought to recognise as the Evil Empire), rein back their terrifying domination of the UN body, before it is too late. Seriously, I just hope this gang of greens, which itself knows a thing or two about influence, both of the lobbying and bullying variety, might begin to acknowledge that if world trade is not to screech to a halt, they need to adopt a more reasonable tone over the pace of emission reduction.

If organisations such as the ICS, BIMCO and the WSC have any influence at the IMO, it is due to the fact that they represent practical, contemporary operation of ships and as such they play an absolutely vital role in keeping the regulatory output of the organisation founded on sensible and reasonable decision-making. It is not "corporate capture", whatever this is, but ensuring that people who know about the day-to-day operation of ships are on hand as regulations that will affect the operation of every ship in the world are discussed and framed.

And if the representatives of the terrible corporations get too big for their boots, there are plenty of people able to cry "point of order, Mr Chairman!" and voice their disagreement.

At the IMO, the point is often made that real contributions to the body's work are made by only some of the member nations and their non-governmental colleagues, while too many others just sit and watch. It has always been the case that the more put into the IMO, in terms of the service on working groups and sub-committees, the better the result.

It is also true that real and relevant expertise is valued, regardless of which card the expert is sitting behind. Are these activist objectors to the role of the practical experts suggesting that such ought to have no place in the IMO discussions? If this is the case their argument is pretty contemptible.

A welcome counterblast

But back to the Bishop, and his early morning text on speed, which he seemed to think was a jolly good thing. It came as a welcome counterblast to the report by the Dutch consultants CE Delft that seems to be suggesting that only by substantially throttling back the world fleet can emission targets be met.

I don't know what their terms of reference were, but their most obvious recommendations seems to be that the IMO should make it mandatory for a 30% speed reduction. If this startling regulation was implemented, joy would be unconfined, the demand for fuel will shrink, the air will clarify and shipbuilders the world over will fall on their knees sobbing with gratitude, as they work out that to haul the same amount of freight, we will need nearly 40% more ships.

I don't know that the revelations on speed and fuel consumption were particularly original, as for some years, speed reductions have been used as cost control measures with a parallel "environment-saving" objective.

Is the pedestrian passage of one of these so-called eco-ships, which can just about cope with a head wind, to be further throttled back? There are several reasons for adequate speed and power which are about more than getting from A to B in a certain time. Having the ability to get out of the way of weather might be thought quite important, for a start.

One can already discern a certain impatience among consignees of goods sourced from the other side of the world, as they complain about longer sea passages and on top of that the time taken to clear their cargo after some gigantic ship has dumped it all on the terminal apron in one go. They have already been told that they are saving the planet and should be jolly grateful for such an opportunity.

Perhaps they can be consoled with the suggestions from consultants McKinsey that containerships may grow to 500,000 teu, which might mean that entire countries would be served by a single ship, calling annually.

What about the handful of wretched seafarers whose voyages are further extended as they go stir crazy in their steel boxes? I wouldn't like to tell them that they should be grateful for slower steaming, too.

As for the Bishop of Norwich, maybe somebody ought to politely tell him that his advocacy of speed, on land or sea, amounts to a modern-day heresy and he should jolly well repent.

rjmgrey@dircon.co.uk

For classified notices please view the next page.

Global Freight Awards
2017 | Lloyd's Loading List
Maritime intelligence | informa

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

Contact Nick Marsh about your seats/table:

T: +44 (0)7900 133 181
E: nick.marsh@informa.com

www.globalfreightawards.com