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Don't bank on a sulphur cap deadline roll back, experts warn



DELAYS to the implementation of the International Maritime Organization sulphur cap in 2020 look highly unlikely, and the industry needs to be roll-out ready whether it likes it or not, according to high-level speakers at a Lloyd's List business briefing.

Iain White, global marketing manager for marine fuels at ExxonMobil, highlighted the unprecedented nature of the shift, for which the oil major is in the process of gearing up.

Addressing the event, held near Whitehall as part of London International Shipping Week, he pointed out that some degree of co-ordination might be helpful in the circumstances, but this is ruled out by competition law.

“There isn't a co-ordinated answer,” he stated bluntly.

What seems likely is that shipping is heading for a multi-fuel feature, with distillates, heavy distillates, blends, LNG, LPG and scrubber use all in the mix.

Henriette Brent-Petersen, global head of shipping and offshore research at DVB Bank, stressed that banks will need to know owner strategies soon, especially in terms of cash flow.

Dele Adewale, senior trade services officer at Zenith Bank, urged the industry not to leave things until 2019, and start talking to bankers now.

Philip Roche, global head of transport at law firm Norton Rose Fulbright, pointed out that no one knows what fuel prices will be in 2020 and thereafter, which further complicates planning.

Spending \$4m-\$6m on a treatment system for a second-hand unit, paid back over four or five years, will add thousands of dollars a day to operational costs, in what could still be a challenging market.

Mr White predicted supply disruption in major ports, with pricing hit by supply-demand imbalances. Mr Roche highlighted that shipping is perceived as environmentally deleterious, which had forced the IMO's hand on the cap. This means that it will have to see it through, and the assumption that implementation hiccups will force it to extend the deadline is probably not justified.

Moreover, given that only 400 scrubbers have been installed so far, the base case assumption that 3,500 will be in use by 2020 won't be hit. But this is the basis for calculations so far. Lines should now boost their containership capacity in order to survive in the global marketplace, where large carriers have become increasingly dominant.

The institute also said the government should help to support the country's shipping industry.

NEWS

The British government is serious about doubling the size of the UK Ship Register

The UK flag does not earn much for the Exchequer, but the bigger the register, the greater the influence at the IMO, which is one reason why the government is committed to doubling UK fleet tonnage. The Minister of State for Transport John Hayes told industry leaders during the official opening of LISW that the

goal is to double the register to 30m gt. He did not specify a timetable but said he hoped this could be achieved within a few years, giving recently-appointed UK Ship Register director Doug Barrow a very clear target.

Big is still beautiful for those with the cash to consolidate

The steady march towards consolidation among shipmanagers and shipowners will continue because major players are financially better positioned to invest for the services and ships their customers require. That was the conclusion from industry leaders kicking off the London International Shipping Week festivities at the International Shipowning and Shipmanagement Summit.

"You have to be big... to put investments into this business," said Columbia Shipmanagement president Mark O'Neil, who is in the process of creating another

shipmanagement giant by merging Columbia with Marlow Navigation.

Following Anglo-Eastern's tie-up with Univan in 2015 and V.Group's heavy acquisition — the latest being Graig Ship Management a few weeks ago — the industry trend is for shipmanagers to widen their functions and services to more sectors. Shipmanagers will only survive if they can offer a complete suite of services around crew, technical, commercial, contractual, procurement, environmental operation, digital management and recycling, said Mr O'Neil.

In contrast, smaller owners will have trouble meeting the new requirements and might gradually exit. It will be “consolidation by proxy”, argued Braemar ACM research director Henry Curra.

UK's shipping minister wants to go further and faster on shipping gender balance

“This is not about ticking boxes and meeting quotas, it is about taking advantage of untapped talent in all our interests,” says the UK shipping minister John Hayes.

He wants to help address the gender imbalance in the maritime industry and has called on the sector to use the 2018 Year of Engineering project to attract more young women to the industry.

Speaking during London International Shipping Week, at a Women's International Shipping &

Trading Association UK event on the human impact of autonomous ships, robotics and the internet of things, Mr Hayes announced that he is holding meetings with senior maritime figures, writing to the heads of UK maritime training campuses and considering proposals to address the gender imbalance.

Mr Hayes said: “We have a skilled maritime workforce but that doesn't mean the workforce doesn't need to grow and alter. And that is an argument Wista has been making for many years.”

Dubai uses London opportunity to launch global clusters group

Never shy of missing an opportunity, Dubai is using London International Maritime Week to announce the formation of a global maritime clusters grouping, heading up by... you guessed it, Dubai. Head of Dubai Maritime Cluster Nawfal Al Jourani told an industry panel made up of representatives from Singapore,

Hong Kong, Vancouver and London that its grouping would be beneficial to Dubai, and to the other participants, four of whom have confirmed to date. The emirate is making a huge push for its maritime industries, including a \$1bn investment fund for shipping.

NSB pivots to Asia as German decline prompts strategic re-think

NSB Group has dramatically ditched its traditional KG shipmanagement legacy in favour of a pivot to Asia, as a radical internationalist response to the almost decade-long crisis of German shipping.

Speaking to Lloyd's List following last week's announcement of a tie-up with Indonesia's Temas, chief operating officer Tim Ponath said the deal marked a significant tipping point for NSB, which for the first time is now responsible for more Asian than European ships.

NSB is also ditching the German flag, despite once

being its largest user, slating it as just too pricey to be competitive any more.

NSB's strategy deviates from its domestic peers, who are pinning their hopes on cheap ships and anticipated bank fire sales. Mr Ponath argues that too many of vessels that will be up for grabs will be unattractively old once they reach the market.

“I wouldn't say German shipping is dead, because if I did, everyone reading this would be asking, ‘Why is Tim talking nonsense?’ The early 2000s were a unique market, and this unique market is not coming back.

Trump issues temporary Jones Act waiver in the wake of Irma

The US Department of Homeland Security issued a temporary seven-day waiver on the Jones Act coastal shipping regulations to ensure the supply of refined fuels such as gasoline to disaster-hit areas.

The waiver is effective from September 8.

The move, confirmed by Trump administration officials, will help expedite the shipment of refined petroleum products such as gasoline, diesel and

jet fuel from New York, Pennsylvania, Texas and Louisiana to South Carolina, Georgia, Florida and Puerto Rico, and will also encompass covered merchandise loaded on board a vessel within the seven-day duration of the waiver.

US coastal shipping laws can be waived in national defence interests, but it is not a common occurrence. The last waiver was in December 2012, in the wake of Hurricane Sandy.

MARKETS

DRY BULK

The dry bulk market is continuing to rally on Chinese fortunes

The second-quarter dry bulk boost looks set to sustain itself a little longer, with the Baltic Dry Index appreciating significantly in the past few months.

The BDI, a benchmark indicator of the dry bulk sector, jumped to a five-month high last week and is just six points shy of the 1,338-point mark registered on March 29, which is the highest level attained over the past three years.

A contributing factor for the improvement in dry bulk fortunes has been the continued gains in the capesize segment triggered by China, which still remains the driving force behind the increased seaborne volumes of iron ore, coal and steel.

Chinese iron ore imports from Australia rose 11% in August this year.

HANDYSIZE

Handysize bulker rates are surging on Pacific trades

The handysize market has remained surprisingly durable in the past week supported by strong chartering activity in the Pacific basin.

Indonesia has continued to play a leading role, with huge supply of coal cargoes that led to charter hire levels upstream, but the Far East also saw a tightening of tonnage as ships near Hong Kong lost up to 10 days loading due to an early September typhoon. The extended waiting time has kept a large number of handies off the market, creating short-term supply tightness in the spot market.

Lower chartering activity in the Atlantic was mainly down to the lack of vessels and higher bunker prices due to limited supply in the region. That has led several charterers to move their vessels to other locations, trying to avoid issues with vessels having bunkers that are too low.

IN BRIEF

Korea Shipping Corporation signs 10-year power company deal

KOREA Shipping Corporation has been awarded a new 10-year contract of affreightment by Korea South-East Power. The company expects the COA to generate about Won5bn (\$4.43m) in annual profits.

KSC, an affiliate of Korea Line which is in turn owned by SM Group, is at the heart of Korea's consolidation story. At the end of August, construction company SM Group said it planned to combine its container shipping business with its core construction business in a bid to share financial resources. The group, which acquired the assets of now-defunct Hanjin Shipping to create SM Lines, is looking to merge that unit with Daehan Shipping and Woobang Engineering & Construction, a move that will allow the housebuilding subsidiary to inject its earnings into the boxship business, an SM Lines official told Lloyd's List.

Concordia charter confirms long-term customer strategy

CONCORDIA Maritime is actively seeking strategic alliances with oil companies. The Sweden-based product tanker specialist booked a second 65,000 dwt tanker for one year on back-to-back terms with an oil and gas major. Chief executive Kim Ullman is bullish about the market because of decreasing oil stocks and moderate projected fleet growth in 2018. "Long-standing customer relationships are one of the cornerstones of our strategy," he told Lloyd's List.

Is K Line about to introduce the first AI shipping executive?

JAPAN'S Kawasaki Kisen Kaisha is about to introduce a new system that it claims will help the company make "better investment decisions".

The company's "advanced business management system" will allow executives to engage in what it tantalisingly describes as total risk-return management as well as plan/do/check/act cycle management.

Details are scant, but it is understood that translates roughly as a new statistical approach to investment decisions backed up by the system, which will collect and analyse previous data such as freight rates and exchange rates.

Rotterdam stakeholders create intermodal action plan

THE Port of Rotterdam is to spend €3m (\$3.6m) on implementing recommendations from users drawn up a meeting last week, in response to a number of disruptions in recent months. The money is targeted at supporting market participants' joint plans that will lead to a more efficient and reliable handling of inland container shipping. Each year, more than 12m containers are handled in the port of Rotterdam, about 3m of which arrive and leave on inland vessels.

US box imports set new summer record

US CONTAINERISED imports peaked in July rather than August this summer, at 1.8m teu. That could signal softer-than-forecast growth rates during the autumn season, according to the Global Port Tracker report produced by the National Retail Federation and Hackett Associates.

Cosco Shipping grabs ex-Golar LNG carrier

COSCO Shipping Development, the financing and leasing arm of China Cosco Shipping Group, is to borrow up to \$112m from China's Bank of Communications to help finance its recent acquisition of 2014-built, 160,000 cu m LNG carrier *Golar Crystal* from Golar LNG.

Coping with chaos

NATURAL disasters, along with some not so natural, seem to be coming thick and fast, with this year's hurricane season in the Caribbean eclipsing the headlines about typhoons and cyclones in more remote parts. These events tend to come in cycles, although it won't prevent the climate change brigade blaming it on industrial man. But maybe we won't go there this week.

We tend to be better informed about the devastation caused by extreme weather, with modern communications enabling the images of the disaster-struck areas appearing in the media faster. One might suggest that this is a good thing, helping to galvanise the relief and charity efforts. It also enables people affected by disaster to criticise the authorities and plead their case more publicly and to a wider audience.

When faced with disasters on such an extreme level, with virtually complete devastation of entire island communities, a quick relief response vital, but that response is limited if it is dependent on the use of aircraft.

Boots on the ground are clearly necessary, but the real difference is made by diggers, bulldozers, portable cranes, temporary shelters, water-purification facilities, the provision of large-scale food supplies, fuel and power sources. And that means ships, which, as we have seen time and time again, can be relied upon to do the heavy lifting.

Despite the criticism of the UK government's immediate efforts after Hurricane Irma, the Royal Fleet Auxiliary vessel RFA Mounts Bay, tooled up for exactly this type of disaster, was on the spot and available off the wrecked island of Anguilla, complete with its own portable port, to get the heavy equipment ashore. It might be just one ship but it is a useful example of what readiness and the right resources can do, within a capacious hull. The US Navy and US Coast Guard, with their infinitely greater resources, have the capability of providing assistance around the world, but shouldn't others be better prepared?

Haven't we learned enough from other disasters about the capabilities of ships engaged in relief efforts? After Hurricane Katrina, which had rendered half of New Orleans uninhabitable, cruiseships and a redundant Baltic overnight ferry were chartered to provide accommodation and other assistance.

A relief effort involving heavy sea-lifted equipment made all the difference in the aftermath of the terrible earthquake that wrecked Haiti in 2010.

Hope and sustenance

From the Bay of Bengal to the Sea of Japan, there are so many examples of shipborne assistance providing hope and sustenance to destroyed communities. Modern ships especially, from the ro-ro fleets to heavylifters and construction craft, have unique capabilities that are difficult to replicate landside.

Shouldn't we be tooling up in preparation for these disasters, which seem to be on the increase? It isn't as if we have to go back to the drawing board, because the ships are out there already. Isn't a big cruiseship, operating in the vicinity, better equipped to transport its passengers around the undamaged ports of the region? Isn't it better to charter such a craft to provide emergency accommodation, food, water and medical assistance to people who have been displaced by natural disasters?

Surely we have to consider priorities. Just think about the capabilities of any one of these cruise vessels, which governments could harness with just a little forethought.

If governments are going to be funnelling aid to stricken locations in the aftermath of natural disasters, these practical vehicles are perfect for emergency assistance, and the operations could be financed from those very aid budgets.

However, if we accept that these disasters are always going to happen, it is perhaps worth building specialist relief ships that could be held in readiness in various ports, under the aegis of an international agency.

The US military's pre-positioning fleet is designed for speeding to armed combat, but the same sort of principles could apply for emergency aid ships.

Fully laden with heavy search and rescue equipment, capable of supporting helicopter flights, with plenty of accommodation and full medical facilities, such ships could be held in a state of advanced readiness. There is little doubt that such vessels could make a great difference to recovery from most disasters and save many lives.

It is, of course, easy to dismiss such ideas as impractical. However, that mindset will simply condemn us to be forever approaching these disasters with inadequate resources, pressing vessels such as naval craft, which are not designed for disaster relief, into service. If we agree that major disasters are inevitable, proper readiness is surely justified.

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