Due to the Easter weekend public holidays in the UK, there will not be another PDF until Wednesday morning.

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Daily Briefing
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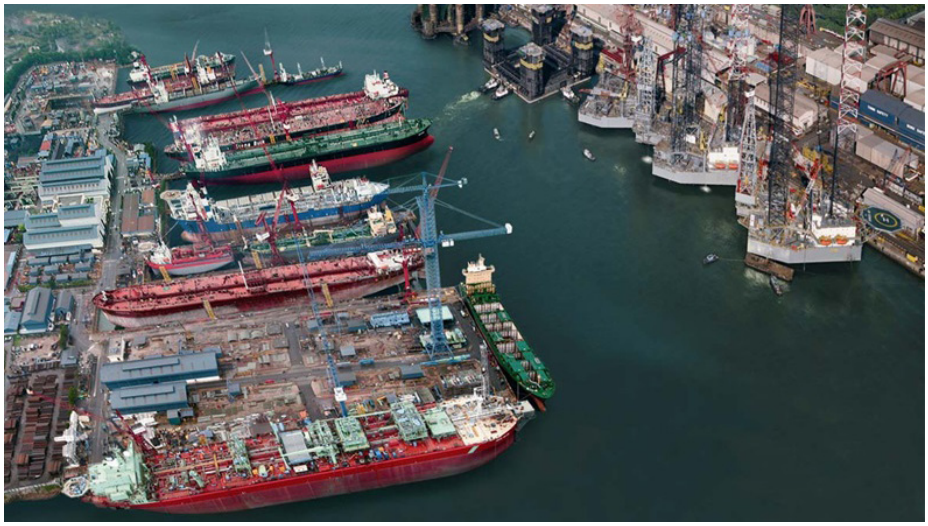
Offshore assets still living out their golden years



AS IF TO prove a point, just the week after offshore industry players at the Marine Money Singapore Offshore Finance Forum almost unanimously agreed that the market needs to see more scrappings in order to restore balance, Diamond Offshore has revived a geriatric semi-submersible rig and sent it for a nip and tuck ready to be pushed back into the market, *writes Vincent Wee*.

Ocean Onyx has been contracted for an upgrade at Keppel Offshore & Marine's yard in Singapore at an indeterminate price, presumably on the back of a 12-month contract with Beach Energy in Australia. This itself was preceded by the reactivation of the only slightly less ancient Ocean Endeavor for a two-year contract with Shell offshore the UK starting in May.

Although Diamond Offshore only reveals the day rates for ts relatively newer drillships, which are all employed in the Gulf of Mexico, and not the rest of its fleet of much older rigs, which would seem to suggest that charterers are not exactly paying top dollar for them, the rates must still have been good enough to unstack the assets.

Pareto Securities managing director Erik Stromso pointed out that rates being paid must reflect the cost of reactivation, which can run as high as $1m depending on how long the assets have been out of action.

The fact that Diamond Offshore has been able to make the numbers work suggests that the stars may finally be starting to align in terms of the rising requirements of oil companies and the rates they are prepared to pay for offshore assets.

Rystad Energy Asia-Pacific consulting head and partner Jon Fredrik Møller said that the floater rates had seen encouraging signs in Asia

recently and this must be partly behind the recent deals.

It seems unlikely that the rates these latest revived rigs are getting are at the top end of this range, but this strategy is in line with what at least one of the panellists, Yefira Consulting chief executive officer George Kypraios, said the role of the industry should be.

Referring to the offshore support vessel segment, Mr Kypraios asserted that the role of the industry should be to put the right assets in the right location.

With the more cost-conscious environment being seen in Asia especially, it may be that the old rigs fill the right niche.

This will not be welcome news for the other players with newer rigs that hope to see scrappings push rates higher for them, but it means that savvy players such as Diamond Offshore are able to keep going and even thrive in a tough environment.

WHAT TO WATCH

What should Kitack Lim tell the Extinction Rebellion kids?

MY TEENAGE daughter is participating in the Extinction Rebellion protests that — even as I type — are disrupting large areas of central London. While I harbour natural fatherly concern about the poor girl getting busted, I can't say I morally disapprove, *writes David Osler*.

Having marched in favour of nuclear disarmament at a similar age, I understand the unshakeable conviction of each successive cohort of youth that doddering senile fools like their parents are hell-bent on destroying our one, our only, our fragile planet.

So what if XR's demands — which centre around a transition to global net zero carbon emissions by 2025 — are of questionable practicality and perhaps stark raving bonkers? Not for nothing did the slogan 'Be realistic, demand the impossible' resonate so famously on the barricades in Paris 1968.

For a long time, the maritime industry seemed to shrug off its environmental responsibilities, endlessly reciting the mantra that while 90% of everything goes by sea, shipping accounted for just 2.3% of the carbon pumped into the atmosphere each year.

That's way less per tonne-mile than our counterparts in trucking, rail or aviation, so we can just sit back and polish our green and clean halos, right?

But that's more statistic than sound argument and trotting it out as a television interview soundbite is hardly likely to mollify the young people disrupting traffic around London's Marble Arch.

The better informed among them may even be aware that shipping successfully lobbied for exclusion from the 1997 Kyoto Protocol and the 2015 Paris Agreement. That, in their eyes, amounts to no small scandal.

Shipping thus gets away with pollution to the tune to 800m tonnes of carbon dioxide per annum, equivalent to the entire output of Germany, Europe's undisputed industrial powerhouse.

What's more, burning bunkers results in significant emissions of so-called black carbon. In plain English, we call that soot and it is even more environmentally deleterious than other forms of CO2.

Given the firm scientific consensus on the need to cap the planet's warming below two degrees Celsius, 3.6 degrees Fahrenheit, the industry has a moral responsibility to join concerted efforts to get there.

That it is trying to do, at least on paper. In April 2018 the International Maritime Organization adopted a strategy formally committing it to phasing out greenhouse gas emissions from shipping entirely, as soon as possible.

But inevitably, there is plenty of wriggle-room in the small print. For a start, 'as soon as possible' is clearly interpreted as 'not in my lifetime', and possibly not in my daughter's lifetime, either.

The concrete objective is to reduce emissions to half of 2008 levels by 2050, and it is taken for granted that they will rise even beyond today's level over the next few years.

While the specific reference to "a pathway of CO2 emissions reduction consistent with the Paris Agreement temperature goals" may sound admirable, read that carefully-contrived bureaucratic euphemism once again.

Deliberately or otherwise, it obfuscates the fact that even if all goes to plan, shipping would be left well outside the Paris Agreement framework, with only vague aspirations to fall within it.

Nor is the strategy binding; the language is purposely couched in terms of 'vision' and 'levels of ambition' rather than the language of legal obligation.

Even that is too much for some countries, with President Donald Trump's US predictably leading the laggards.

The head of its delegation to the GHG talks described the very notion of an absolute target as "premature". Small island nations — who face being wiped off the map by rising sea levels — begged to differ.

Such publicly-expressed reticence leaves cynics with the nagging suspicion that the basic motivation for the deal stems as much from the need to fend off the fiendish attentions of regulatory bureaucrats than sudden conversion to the environmentalist cause.

Finally, the mere act of setting a target doesn't guarantee getting there. Many advanced economies are missing Kyoto and Paris GHG reduction targets by a country mile; that a handful are in compliance is more down to deindustrialisation than anything else.

XR's strategy is to select some of those they see as the worst offenders for a dose of high-profile direct action. Some of its activists might even be contemplating gluing themselves to IMO headquarters in Albert Embankment. It is just over the river from Westminster, after all.

So, what should officials of the London-based UN agency say, should they be remonstrated with by campaigners?

Sure, there is a case for the defence; sure, in the slow-moving world of international politics, things never happen overnight. But while the IMO's GHG strategy is well-intentioned, you don't have to be a young hothead to regard it as singularly unambitious.

Even IMO secretary-general Kitack Lim, in his speech to mark the strategy's adoption, explicitly acknowledged that while it amounts to a good start, it needs to be beefed up. A revised — and hopefully tougher — version is planned for 2023.

And as classification society ABS recently urged, getting tough on carbon dioxide output should now be an immediate industry priority.

As a simple journalist and not a climate change scientist, I have no idea as to the next steps that should be taken. That's one for the boffins, and luckily, breakthroughs in new fuels and more energy-efficient designs can reasonably be expected.

None of this is likely to satisfy the wilder demands of XR's headbanger anarchist fringe. But whatever GHG mitigation measures the IMO does devise over the next five years, they need to be credible and they need to be rolled out rapidly.

Traders seen building VLSFO stocks ahead of bunker fuel switch

TRADERS are ramping up the use of very large crude carriers in Singapore and the Mediterranean to store and blend International Maritime Organization-compliant, 0.5% sulphur fuels ahead of the January 1 switch from higher-sulphur fuel oil.

The very large crude carrier *Jubilee Star*, floating off Tanjung Pelapas, Malaysia, has been used for storage and blending of very low sulphur fuel oil since the beginning of April, according to London-based Vortexa, which tracks crude oil and refined products flows.

The vessel is now fully operated by Dusseldorf-based Uniper Energy, Vortexa said, citing market sources.

In January the international energy company made a ship-to-ship transfer of low-sulphur fuel oil from the aframax tanker *Lady M*, which loaded in Fujairah in the United Arab Emirates, on to the *Jubilee Star*.

The move expands the trading reach of Uniper, which does not have a Singapore bunker licence, and positions the company to make Asia-based sales of VLSFO. The *Jubilee Star* is based at the world's

largest bunkering hub, along with a further 16 VLCCs now used for fuel oil storage vessel tracking data show.

Uniper Energy joins Belgian shipowner Euronav as among the first to be publicly seen using floating storage to execute trading plays for VLSFO — buying and storing the product in early 2019 for later sale at a higher price once the IMO sulphur cap is imposed.

"Using the VLCC in this way will allow them [Uniper] to move product into [Singapore] without having to presell it first: moving an unsold cargo without a storage backstop significantly strengthens the buyer's hand," Vortexa said in an emailed report.

Euronav moved its 441,585 dwt ultra large crude carrier *Oceania* to offshore Malta more than 10 weeks ago. Vortexa cited two STS transfers of VLSFO on to the *Oceania* on Euronav-chartered tankers since then, from refineries in Antwerp and Busalla. A third cargo of straight run material, used in blending, was transferred on to the ULCC from Abidjan.

The difference in price between 380 cSt fuel oil in Singapore versus higher-priced 0.5% VLFO was $57.67 per tonne in April, according to futures trading on ICE Future Europe exchange.

However, that difference widens to $185.86 per tonne by January.

The outright price for 0.5% VLSFO in Singapore is currently $477.14 per tonne in April, rising to $553.11 per tonne in nine months, suggesting the market contango is steep enough to cover floating storage costs.

The Interview: Dagfinn Lunde

AS A career banker and a devout shipping man, Dagfinn Lunde is clearly pained by the retreat that many banks have made from the industry in the last few years.

At the same time, he tells Lloyd's List, that has created a "huge opportunity" for others to step in to the ship finance arena if they can offer an alternative to banks, which are weighed down by costs and bound by increasingly strict regulations.

While balance-sheet based statistics and market estimates have circulated purporting to show changes in banks' shipping portfolios from year to year, there have been few authoritative numbers showing how much real lending capacity has vanished from the market.

"In terms of new lending capacity it must be at least 50% and I think it's even more," says Mr Lunde.

"No bank is underwriting big amounts any more. They used to sign loans for $30m to $50m but not anymore. Now it's maybe $10m to $15m for the lucky ones.

"There has been a huge reduction in lending. Fewer and fewer banks will use their balance sheets for ship lending — that much is clear."

Mr Lunde's more than 40-year career in the banking and maritime industry has famously included stints as head of shipping and offshore, as well as a board member, at DVB Bank in Rotterdam and Frankfurt, manager of Den Norske Bank in New York and managing director of international tanker owners' association Intertanko in London.

Together with business- and life-partner Marina Tzoutzouraki, Mr Lunde now splits his time mainly between the Netherlands and Greece and wherever in the world of shipping business takes them.

Ms Tzoutzouraki is a ship finance veteran in her own right, having spent most of her career with Credit Lyonnais and EFG Eurobank prior to going into business with Mr Lunde.

The pair set up the eponymously-named Dagmar Navigation, a shipping financial consultancy that sought, among other things, to act as a matchmaker between shipowners, primarily in Greece, and lenders.

That role has been constricted somewhat as the circle of active banks in the industry has steadily shrunk.

In parallel with Dagmar, and together with another senior DVB Bank executive, Tarun Gulati, they have co-founded SFG Ship Finance Global, encompassing a new online lending investment platform, eShipfinance.com.

About two years ago, while Mr Lunde was one of the key figures behind the effort to establish Maritime & Merchant Bank, another response to the shrinkage of traditional banking players in the market, discussions with Ms Tzoutzouraki centred on the need to find a completely new way to "do it better" than banks were able.

"The need for lending capital in shipping was much higher than the supply, and the regulatory environment was getting even more difficult. Even worse, we saw the vast majority of shipowners with up to 12 ships were no longer really welcome at any bank. Most of the time they could not get in the door, even if we introduced them," Mr Lunde said.

"But shipping is an asset class that should be ideal for leveraging. There had to be a way of avoiding using the bank balance sheet, that makes it expensive. So we thought, why not try to go directly to investors?"

The result is eShipfinance.com, which is now "very close" to launching, he says.

The project was first publicly touted at last year's Posidonia but has taken a while to put together due to a commitment to be completely sure that the online platform would operate as intended and also because the degree of investor reluctance towards involvement in shipping came as a surprise.

However, sufficient investor interest has now been garnered and the project is likely to shortly cut its teeth on one or more refinancing deals, that will allow a test of the platform without as much time pressure as for a secondhand purchase.

The intention is to accept single-ship projects in the dry bulk and tanker sectors and provide financing of up to 50% with a fixed interest-rate that will remove Libor risk from the equation. The target deal size will range from $3m to $20m.

It is not a crowdfunding project because the company will deal only with qualified professional investors, although Mr Lunde acknowledges that there is a nascent trend to explore crowdfunding for shipping.

A lot of research shows that 50% leverage or less, combined with a cash buffer, virtually proofs shipping projects against failure in all except the most extreme market conditions, such as befell the industry in 2008-2009, says Mr Lunde.

"I am generally a risk-averse person," he says.

eShipfinance.com will conduct all credit risk and compliance checks in the background before offering the project to potential investors online.

An estimated 80%-85% of the processes that may take a bank six weeks to perform can be automated, allowing the platform to reduce costs to a fraction of that borne by banks.

The system's final loan documentation has been reduced to fewer than 40 pages, less than one third of the documentation typically issued by banks.

"In shipping you can easily do asset-based financing but most of the bank capacity that is left is mainly for corporate lending. Few of the big banks are doing project lending any more. So they are doing something very different to us. "We are looking at mainly smaller shipowners with two to 10 ships that is the majority of the market globally," he says.

Despite the fact that the new platform has set out to do things very differently from traditional banks, a surprise has been that banks themselves have shown interest in the project.

"It seems that some banks might be interested in our system under licence. It just shows that the world is full of opportunities," he says.

With an estimated 1,000 bulkers and tankers bought and sold every year in the market and between 1,000 to 2,000 ships refinanced every year, there is a lot of opportunity out there for a competitive finance platform.

How much business can an online platform do? Mr Lunde mentions a figure that the team believes is a possibility a few years from now and would not be out of place as the lending portfolio of a medium-sized shipping bank. "There is no real limit," he says.

OPINION

From the Newsdesk: It's more complicated than we thought

London's Oxford Circus and Waterloo Bridge have been blocked by climate change "Extinction Rebellion" activists, making the point that there is "No Planet B", *writes Richard Clayton*. Government isn't listening, they say.

Over in Strasbourg, 16-year-old Swedish activist Greta Thunberg has been watching the European Parliament's plenary session, and acknowledges she "has learned how complicated everything is. It's not just pressing a button and something happens: everyone has to agree..."

School students in cities across the world have started to make their voice heard — and shipping must see itself as part of the solution. To take just one example from the past week that acts as a warning of things to come: BIMCO secretary-general Angus Frew has blasted the European Union's policies on ship recycling. Following activist campaigning against demolition in the Indian subcontinent, the EU has approved 26 facilities, only three of which are outside the EU itself.

Protectionism or considered policy? Knee-jerk reaction or the least-worst option? As Ms Thunberg says, it's a bit more complicated than we thought.

Be careful what you wish for

Everyone is aware that digital disruption will hit seafarers hard, especially those who have received minimal training. Quite how academies should train seafarers for an environment that has yet to be created hasn't been satisfactorily answered. But seafarers won't be the only sector to suffer. Shore-side teams will be required to align their corporate structures to the new disruption, and they need to start that realignment today.

What will the future look like? What skills will we need to have in place to thrive? Who are the personas and what structure will our corporates have? There is an increasing concern among senior executives that decision-makers of the future (think 2030) are now in the range mid-40s to mid-50s, and it's this group of leaders-in-waiting who are being spread too thinly.

Millennials currently lack the maritime experience to step up early, seniors in their late 50s and early 60s won't be available a decade away. Those who declare "the digital age is upon us!" should be careful what they wish for.

European shipbuilders unite in digitalisation drive

Seven European shipbuilders — Chantiers de l'Atlantique, Damen Shipyards Group, Fincantieri, Lürssen, Meyer Werft, Naval Group, and Navantia — are to work together to develop a connected vessel platform. Project Code Kilo seeks full engagement from ship owners, shipyards, equipment suppliers, and classification societies; it is supported by SEA Europe, the Shipyards' and Maritime Equipment Association.

The motivation for Kilo is simple: ship systems are beginning to provide a huge amount of data related to equipment status, ship operations and performance. Individual companies can't get the full benefit of all this data, so by combining across the construction space they can gain broader values and insights. Everyone wins.

European shipbuilders say they are committed to applying their knowledge of physical system integration to improve digital integration, aiming at establishing the base for future business opportunities with IoT, Big Data and AI.

Casualty reports leaving us none the wiser

Lloyd's List's next issue of its magazine The Intelligence will carry an update of our analysis of accident investigation reporting. The update is necessary because it shows yet again that, despite the IMO's sincere commitment to promote safe, secure and environmentally sound shipping, not all the flag state members have the same commitment.

But when we asked registry managements why they had not submitted an investigation report into certain casualties, it appears there are mitigating factors. Ships might only operate in domestic waters, or be below the size threshold, or the flag might not be the lead investigator, or the report is awaiting internal review board approval, or the investigation might have been very complex. Or even the accident might have been deemed to be "not very serious."

Meanwhile, the actual number of casualties is falling, which is good news, and the number of lives lost is diminishing, which is even better. But lives lost are lives lost, wherever the casualty happens, whatever the nationality of the individuals, however stretched the resources. If there are mitigating factors, these should be up front and transparent.

Who is the best and brightest?

Finally, looking towards the second half of the year, the Lloyd's List awards are approaching.

There are separate awards events for South Asia/Middle East/Africa in Dubai and the Americas in Houston, both in September; for Asia Pacific region in Singapore in October; for Greece in Athens and, separately, for Europe in London in December. All these regional events will focus on excellence.

We are seeking nominations in categories including data and technology innovation, supply

chain management, maritime law, and environmental management. And for each of these awards, we will be identifying a person whose contribution to the maritime and logistics supply chain sectors has been outstanding. Who would you choose?

Widening sanctions leaves Ofac open to ridicule

THIS month the US Treasury focused explicitly on Europe-based shipowners when it expanded sanctions against Venezuela, this time targeting oil trades to Cuba, *writes Michelle Wiese Bockmann*.

In doing so, the Office of Foreign Assets Control demonstrated it was either stupid or ignorant. Stupid — because Ofac doesn't understand the basic financial structures underpinning international shipping. Or ignorant because it does, but chose to ignore them.

Whatever the reason, the US administration has sent a message to tanker owners and operators now legally shipping Venezuelan crude beyond the reach of US sanctions that they could yet be drawn into the Ofac net.

Actions taken against Italian shipowner PB Tankers further indicate Ofac has discovered a circuitous way to impose what are effectively secondary sanctions that penalise non-US nationals and entities involved in Venezuelan oil trades.

Palermo-based PB Tankers, owned by the well-known Barbaro family, was named directly by OFAC. The company and six of its seven-tanker fleet were added to the Specially Designated Nationals and Blocked Persons (SDN) list.

Only one of those tankers was involved in Venezuela-Cuba trades, PB Tankers said.

This action contrasts with how Ofac dealt with a further two sanctioned product tankers and their registered owners. These owners were single-entity shelf companies, based in Monrovia, Liberia.

Unlike PB Tankers, the shipowners who are the beneficial owners of these two vessels didn't have other tankers in their fleet banned. Unlike PB Tankers, both these owners had used commonly deployed financial structures to provide a secondary layer to their corporate ownership chain.

However, Ofac could have used basic research techniques to determine who the beneficial owners really were.

A cursory check on the public Equasis website shows the address for correspondence for Jennifer Navigation Ltd, registered owner of sanctioned panamax tanker *Nedas*, is care of Pleiades Shipping Agents in Athens, Greece.

The same techniques can be used to determine the beneficial owners for Lima Shipping Corp and Large Range Ltd.

The reason for Ofac's inconsistency isn't apparent.

PB Tankers confirmed through an external spokesman that its 51,065 dwt chemical and oil tanker *Silver Point* had been chartered in a long-term arrangement by an undisclosed Cuban company.

But the spokesman added the company had ended the time charter prematurely in March.

Furthermore, PB Tankers believed it had been fully compliant with sanctions after taking legal advice in the US and UK.

The company first read of its fate in Lloyd's List — there was no communication with Ofac, the spokesman said.

It can only be speculated that in some way currency transactions between the shipowner and its Cuban charterer during the time it was trading in March were viewed by Ofac as in breach of sanctions.

The rhetoric accompanying actions against international shipping is growing more hawkish.

This likely reflects the Trump administration's frustration that the government of Nicolás Maduro remains in power in Venezuela despite the first tranche of sanctions being imposed on January 28.

PB Tankers is of the "firm belief" they will be delisted.

But Ofac's inconsistencies along with oblique outlines about how sanctions will be applied should see greater numbers of registries, P&I clubs and shipowners re-examining their business with Venezuela, even on the periphery.

Viewpoint: Recycling realities

YOU will recall the saying "if it walks like a duck, talks like a duck, then on balance it probably is a duck", *writes Michael Grey*.

The secretary-general of BIMCO, Angus Frew, may well have been thinking of this old saw when he recently suggested that the European Union's policies on recycling were akin to protectionism.

The EU would probably bridle at the accusation, but the statistics which show 26 "approved" facilities include only three outside the bloc, would surely, to any reasonable person, give credence to BIMCO's conclusion.

As with everything else Brussels does, a narrow agenda has been pursued by the Eurocrats over ship recycling. It follows a number of doctrinaire ideas, which now amount to obsessions. It has swallowed, hook, line and sinker, the line pursued by the activist organisation that has furiously campaigned to prevent ships being scrapped where more than 90% of them are dismantled — in the Indian subcontinent.

It has accordingly been largely unsupportive of the Hong Kong Convention, which has sought to provide an internationally acceptable regime that protects both the environment and those who work in the recycling industry. It also clings to the notion that a large and profitable recycling industry might be imported to Europe, despite costs and competition having decreed that it was exported to the east nearly half a century ago.

But most of all, the EU's protectionist tendencies are reinforced by the fanatical belief of the activists that in no circumstances can running a ship up a beach for recycling constitute an acceptable practice.

The difficulties attendant in building enclosed facilities able to dismantle vessels of VLCC dimensions and the impossibility of developing nations financing such developments don't seem to occur to the fierce defenders of the EU directive on recycling. Beaching is wrong, even if the beaches have been protected, hard concrete landings are provided and means are installed to prevent pollution entering the sea.

The Hong Kong Convention was always designed to provide incremental improvements and there is no doubt that a number of highly capable facilities in Asia have satisfied the auditors that they more than comply with health, safety and environmental requirements.

The Japanese have put a lot of effort into these improvements and are well satisfied that their investments have amounted to money well spent.

By contrast, the facilities available in Europe to the European owner wishing to recycle a big merchant ship are derisory, as is the current price for a light tonne of redundant ship when compared to Asia. Is it all about money?

Well, the price differential is important, but there is not a lot of meaningful choice, according to the concise and succinct report commissioned by BIMCO from Marprof Environmental in February 2019.

Mr Frew's revelation that he had called one of the yards on the EU list of approved facilities and discovered that its construction had not been started, does not fill an EU shipowner's heart with anything other than dismay.

The report concludes that while there are reasonably well-developed facilities capable of dealing with redundant oil installations, such as Able UK on the Tees, there just doesn't seem to be a host of recyclers anxious to compete with the existing yards in Asia with their current 90% of the market. Marprof, in a telling phrase, writes of the need for a "robust and certified downstream waste management network" and while there might be no real problem in scrapping a small ship, or a warship at a European facility, there is no such network available for large tonnage, where this would have to be massively scaled up.

Look at any Asian recycling operation and while "downstream waste management network" might seem a rather overblown term, the fact is there is nothing from a ship scrapped in this area that is not recycled.

Where on earth is the product from large ships dismantled in Europe to go? All the non-ferrous metals, all the furniture and fittings, the chopped-up steel, the miles of cabling and pipework? Maybe it will just be shipped out to Asia, for there is probably a very limited market around Europe.

But put these very practical questions to the clever people in Brussels and they will airily suggest that

such a market will just appear for second-hand lifeboats and slow speed diesels with half a million miles on the clock.

It is, as BIMCO suggests, nothing short of a disgrace that there are competent, compliant Asian shipyards that have submitted applications to the EU, but without so much as a response that offers a "pathway to inclusion on the list".

Of course it is protectionism, but it is based on the prejudice of a one-dimensioned gang of activists, who are dedicated to their aim of stopping the beaching of redundant ships, who don't want to see ships sailing safely under their own steam to recycling yards and don't care if 50,000 Asian recyclers lose their jobs.

It's a duck, by any other name.

ANALYSIS

Maritime cyber-crime under the spotlight

THE maritime sector is unprepared to deal with cyber-security issues, according to a new report from a leading international law firm.

Mishcon de Reya warns that attackers may be deliberately targeting the industry due to the nature of its operations and assets.

"Given the threat landscape, leaders in the maritime industry need to better inform themselves of what the risks are, and what may lie ahead," the report warns. "They also need to be aware of regulation governing cyber-security management, and take key steps to protect their assets from risks."

As shipping becomes more digitalised, in tasks spanning navigation to container tracking, as well as myriad business operations, more vulnerabilities have emerged in terms of safety and operations.

While shipping faces the same threats to office-based systems as any other business, it is also exposed to the growing possibility of threats affecting shipborne technology.

A BIMCO survey of 350 people in the maritime sector last year found that over a fifth of respondents had reported experiencing a cyber incident, 72% of which had occurred in their own companies.

While the vast majority of these were related to IT systems rather than operational technologies or navigation systems, there was an overwhelming perception that shipborne systems, particularly navigation systems, were vulnerable to attack, the report says.

Reported risks in maritime are largely focused on financial loss as, despite the concern over the potential impact of a shipboard system attack, these had yet to occur in any measurable way.

Nevertheless, the threats are real. The maritime industry has been subjected to cyber-crime much like other industries, although in most reported incidents the targets were not the industry itself.

In 2017 Maersk experienced a destructive attack using the NotPetya ransomware, not because of the nature of the business but because Maersk used specific Ukrainian accounting software targeted by the attackers.

But one area of physical infrastructure that is at risk is ports and cargo terminals.

Organised crime groups have taken a direct interest in targeting the maritime industry, particularly ports — a nexus point for the illegal smuggling of people and drugs.

"Whether the aim is theft, smuggling, or fraud, the asset-rich and chaotic port environment presents opportunities for illegal profit," the report says. "Our research shows that criminals often target companies that process a high volume of business-related transactions, and often focus on a particular sector or industry to increase returns on their investment of time and resources; shipping businesses are as likely as any other to be a target."

Incorporating digital tools into the day-to-day activities of cargo management had not removed the threat of crime, but has simply shifted criminals' focus to digitally enabled activities.

"We have seen cases of a shipping entity's systems facilitating a smoother process for high-seas piracy, where technology has created more efficient processes for drug smuggling, and where new communications channels have enabled a more straightforward means of conducting fraud," says the report. "The crimes have not changed, but the

tools that make operations run more smoothly have made crime more efficient."

While most ports and terminals used the same systems, with the same vulnerabilities, as any other business, an additional weakness was evident in the terminal operating system software used to track cargo from point of entry to point of departure from a port. This maintains a record of loading and unloading cargo, and movements through customs and other inspections, through to collection by a customer or third-party operator.

"This centralisation of information brings smooth and integrated operations, along with a target for criminals wishing to manipulate cargo contents," the report says. "A shipping company's marine fleet-management software also provides tracking information that can be a rich source of data for pirates and criminals attempting to track goods between ports."

In one example of criminal activity at a port, an MDR client was targeted by a simple email fraud as part of the berthing process. A ship had made a port call to discharge a cargo and commercial agents had been appointed. But as the cargo was being discharged, emails that had been created to mimic those of the operations team were used to alter bank account details for the berthing payment, leading to a $100,000 loss.

"Our investigation uncovered a campaign with 25 targets across the shipping sector," MDR says. "The attackers were well versed in the processes used in shipping; they targeted a variety of agents, fuel providers, and engineering firms with whom shipowners and operators would interact."

Containerships, with their huge and valuable cargoes, also face risks associated with cargo management systems.

"It has already been proven that criminals can hack into systems to gather intelligence that will support their activities: stealing cargo at sea or tracking cargo to optimise criminal operations once it has arrived at port," the report says.

"Without effective security measures to prevent and detect unauthorised access and changes to data, systems may be used to facilitate the tracking, theft, or destruction of cargo, depending on the threat actor's motives."

Container shipping must focus more attention on ports than vessels, the report adds. Although the security of electronic tags is important for the integrity of the shipping process, port systems hold the core of the data criminals seek to access.

In its recommendations, MDR advises that cyber-security tooling and processes need to be aligned with new standard across the organisation. "As has occurred in many corporate sectors, a common set of security principles can be developed and applied to the vessel and port contexts."

Standards would increase costs across the supply chain, and would likely need regulation for enforcement, but were essential to securing the supply chain.

The report makes a correlation between cyber-security and safety, a concept that is well understood and regulated within the maritime sector.

"A potential next move to consider is identifying specific cyber-security failure risks as safety hazards; other industries, such as energy, have begun analysing their systems to understand which are critical to certain operational outcomes," the report says. "This allows cyber-security to be improved for the systems most likely to cause high-impact failures."

Adding any cyber-security requirements that stem from such analysis to the current Safety of Life at Sea Convention audit process, as well as modifying the regulations for future vessel construction, may help drive a culture of security on board a vessel. It could also establish a minimum baseline of planning and technical controls.

In the meantime, shipping companies, port facilities and vessels should identify and understand the "criticality" of their assets based on the potential financial operational, regulatory and reputational impacts that would occur if they were disrupted or destroyed.

"Additionally, there should be close monitoring of the threat landscape, to fully identify risks to the operations of the maritime industry; those who have been delegated security responsibilities should be tracking who may want to target either them specifically, or the industry as a whole, what their motives could be and how they could approach an attack."

This information should be shared among other, similar organisations, the report says.

"Often the improvement of cyber-security is hampered by a lack of information, which makes building a business case difficulty," the report says. "Sharing information among industry participants helps deliver a true picture of the risks to each business."

Once assessed, protection needs to come in the form of investing in both a "security culture" that disseminates the risks, and identifying security gaps.

"It is no longer good enough to simply tick these off a list," the report says. "Controls should be tested to check they are operating effectively to ensure risk is reduced to an acceptable level."

Companies should also look at how the handle communication, invoicing and payments to external organisations, as fraudsters have been finding increasingly sophisticated ways to subvert standard payment management processes.

Finally, the report advises that once risks are identified, a crisis management plan be put in place for the time when "a risk becomes an incident".

"This plan should tie together the shipside activities spelled out in each vessel's ship management system and the portside actions the back-office IT team needs to manage, ensuring a coherent and complete response to any incidents that arise," the report says.

"Given the threat landscape, leaders in the maritime industry need to better inform themselves of what the risks are, and what may lie ahead. They also need to be aware of regulation governing cyber-security management, and take key steps to protect their assets from risks."

Dry bulk owners face an uncertain coal market

FALLING Chinese demand for coal and restrictions on Australian coal imports have reduced available cargo for dry bulk vessels, yet related aspects of the coal trade could produce new opportunities for some segments.

The surprise ban imposed by China on Australian coal imports reduced demand for capesize and panamax vessels in the first quarter of the year and has dampened sentiment, although there is news that the nation was persuaded to water down its initial proposal and lift the restrictions on coal shipments at the end of May.

The ban has, however, forced Chinese buyers to search for an alternative to Australian thermal coal.

According to shipping brokers, Colombian thermal coal is proving attractive to Chinese buyers amid price arbitrage and lower freight rates, with a number of shipments now being fixed from the South American country to northeast Asia.

"Colombian coal shipments are giving the capesize segment a long-awaited, if modest, lift," said a Singapore-based broker who pointed out that the window for Colombian imports was likely to be short-lived due to rising European prices.

"While the volumes need to be kept in perspective, the theory is more coal trade between Colombia and Asia will lead to longer tonne-miles by displacing some Australian tonnage, which is good news for the dry bulk market in the short term," he added.

But what about the long-term trend?

Head of research for Banchero Costa Ralph Leszczynski believes that the trade would not support the market beyond the near term.

Last year, China got essentially 50% of its seaborne coal imports from Indonesia, 30% from Australia and 15% from Russia, plus a few shipments from other places such as the west coast of Canada.

Looking at the trade flows, it seems there were just five or six vessels carrying coal from Colombia to China in total over the whole of last year, while from Australia you get 60 or 70 vessels each month, Mr Leszczynski noted.

"I understand that in the first three months of 2019, China's coal imports were down about 2% year on year, a bit less from Australia and quite more from Russia. Shipments from Colombia remain few and far between mostly due to arbitrage opportunities," he said.

So, in overall terms the impact on dry bulk shipping from Colombia shipments will be limited.

Mr Leszczynski, however, sees increased Russian coal shipments to China having an impact on capesize and panamax shipping tonne-miles, as Russian coal comes on smaller vessels such as supramaxes from places in the Russian Far East such as Nakhodka and Vladivostok, while Australian

coal comes on capesizes and newcastlemaxes all the way from the east coast of Australia.

"So, a shift from Australian coal to Russian coal is not only negative for the shipping distances, but also changes the type of ships being used," he said.

The Chinese government plans to curb the country's coal imports by 3%-4% in 2019, which translates into a decline of about 10m tonnes.

Indonesia, Australia, Russia and Mongolia are the major coal suppliers, which together accounted for more than 95% of imports in 2018. The Mongolian trade is overland, but the dip in trade from other key locations will be detrimental for panamaxes.

Assuming no change in sourcing share in 2019, annual seaborne trade could decline by 8.6m tonnes, rendering more than 10 panamaxes unemployed, Drewry Shipping consultants estimates.

Drewry expects any decline in coal imports from Australia to be partly offset by overland imports from Mongolia.

"If Mongolian exports to return to peak of 36-37m tonnes, this will leave China with a deficit of 12-13m tonnes, which it could result in increase in trade with North and South America," Drewry noted.

As the voyage distance between China and North America is almost three times that of Australia to China, increased coal imports from the latter will more than offset the loss in vessel employment, requiring about 15 vessels more than in 2018, it added.

MARKETS

Fortescue takes production hit due to cyclone

AUSTRALIAN miner Fortescue Metals Group has quantified the effect of cyclone Veronica on its iron ore shipments in recent weeks.

The miner shipped 38.3m tonnes in the third quarter, a slight fall from 38.7m tonnes in the year-earlier period, it said in a production report. That compares with the 42.5m tonnes it delivered in the second quarter.

It is expecting full-year shipments of 165m to 170m tonnes.

Chief executive Elizabeth Gaines said: "Closure of the Port Hedland port, combined with localised flooding in the area caused by Tropical Cyclone Veronica in late March, resulted in the loss of five days of shipments." That would equate to 2.5m tonnes.

Fortescue is the third miner to issue production guidance this week following the cyclones.

Fortescue said that Chinese crude steel production remained strong at 231m tonnes in the first three months of the year, with finished steel inventories stable. As a result, a drawdown in stockpiles has been seen accelerating.

"Demand for Fortescue's products in the quarter was strong, reflecting a continued moderation of steel mill margins, resulting in a significant reduction of Fortescue products at Chinese ports," it said.

It has recently announced the approval of the $2.6bn Iron Bridge Magnetite project, which will add 22m tonnes per year and increase its average grade to beyond 60% iron, it said.

"Long term contracts for off-take of our 60.1% iron grade West Pilbara Fines product have now been finalised with nine customers, accounting for the majority of the product," it added.

The C5 Australia to China voyage was assessed at $5.36 per tonne on the Baltic Exchange at the close on Thursday, from the year's low of $4.41 on April 3.

The average weighted time charter was meanwhile at $6,624 per day, almost double the level of early April.

IN OTHER NEWS

Cosco Shipping removes senior manager at investment fund

A FUND management company established by China Cosco Shipping Group and asset manager China Cinda has removed its general manger.

Cosco Shipping-China Cinda Investment Management, which runs a Yuan1bn ($150m) shipping fund pooled by the two state-owned giants, removed Jin Hai from his position on March 29, according to a company document seen by Lloyd's List.

The fund was set up in January 2018 by Shanghai-and Hong Kong-listed Cosco Shipping Development, the financing and leasing arm of the parent group, and Cinda, controlled by China's ministry of finance. Both parties contributed Yuan500m of equity.

D'Amico fined $4m for US pollution violations

ITALY's d'Amico Shipping Italia has been fined $4m and put on a four-year probation by the US Department of Justice after one of its vessels polluted waters off the US east coast.

The US Attorney's Office in the District of New Jersey announced on Wednesday that d'Amico Shipping Italia, which according to Lloyd's List Intelligence is controlled by the privately-held d'Amico Group, pleaded guilty "related to the deliberate concealment of vessel pollution" from the 40,081 dwt *Cielo di Milano* product tanker.

"During probation, the company will be subject to the terms of an environmental compliance programme that requires outside audits by an independent company and oversight by a court-appointed monitor," the US Attorney's office said.

Sofec relocates world's first FLNG vessel in Malaysia

MODEC-owned mooring solution specialist Sofec has completed the relocation of the world's first floating liquefied natural gas vessel, owned by Malaysian oil and gas company Petronas, to its new home off Sabah, Malaysia.

Sofec said it had undertaken the engineering, supply and delivery of new mooring legs and anchors for the external turret system supplied to Petronas' PFLNG Satu production facility.

In March, PFLNG Satu moved to the Kebabangan cluster field located in 120 metres of water off Kota Kinabalu. The FLNG unit was previously deployed in the Kumang cluster field located in 75 metres of water off Sarawak.

Matson invests $1bn in Honolulu terminal upgrade

MATSON Navigation has taken delivery of three new 65-tonne capacity gantry cranes at its terminal at Sand Island in Honolulu. Built by Mitsui Engineering & Shipbuilding, the new cranes are part of a $1bn build-out of Matson's facilities, which also includes four new containerships.

Matson said the new cranes were equipped with fibre-optic cabling, enabling faster and more accurate communication of data from its container tracking system.

The new cranes will replace three of six cranes Matson currently operates on dockside rails at Sand Island, while MES will upgrade the remaining three with fibre-optic cables to improve crane cameras that read the numbers on containers.

Keppel Offshore wins integration and upgrade deals

KEPPEL Offshore & Marine has picked up a couple of small contracts to keep its yards ticking over, announcing integration and upgrading deals worth about S$160m ($118.2m).

Keppel O&M's Keppel Shipyard unit will carry out fabrication and integration work on a floating production storage and offloading vessel for a leading operator of oil and gas production vessels, the group said in a stock market announcement.

Work scope for the unidentified client includes the fabrication of several topside modules, the riser balcony, the spread-mooring and the umbilical support structures as well as installation and integration of associated equipment and all topside modules onto the FPSO. Work is expected to commence in the third quarter and delivery is scheduled for 2021.

For classified notices please view the next page.

NOTICE

IN THE HIGH COURT
OF THE REPUBLIC OF THE MARSHALL ISLANDS]
H. Ct. Civil No.2014-110, H. Ct. Civil No.2014-050 and H.Ct. Civil No.2015-194

mv "ELENI" – collision with mv "HEUNG-A DRAGON", Vietnam, 7 November 2013

NOTICE IS HEREBY GIVEN to all persons with CLAIMS against Eleni Maritime Limited, the Owners of the ship or vessel "ELENI" (IMO No.9460277), and Empire Bulkers Limited in respect of the collision between the ships or vessels "ELENI" and "HEUNG-A DRAGON", which occurred in Vietnam on or around 7th November 2013 that in the actions of H. Ct. Civil No.2014-110, H. Ct. Civil No.2014-050 and H.Ct. Civil No.2015-194 in the High Court of the Republic of the Marshall Islands between Chubb Insurance (Thailand) Co., Ltd., Tokio Maritime and Nichido Fire Insurance Co., Ltd., *et al.* and Eleni Maritime Limited (Marshall Islands Registration No. 62043) and Empire Bulkers Ltd., (Marshall Islands registration No.41792), Defendants, an order was made on 13 March 2019 that:

1. the Defendants are entitled to limit their liability, if any, in accordance with the provisions of the 47 MIRC §521 *et seq* in respect of damage to or loss of the mv "HEUNG-A DRAGON" and damage or loss caused to any goods, merchandise or other things whatsoever loaded on board her or loss or damage caused to any other property or other loss or liability arising as a result of the collision which occurred between the mv "HEUNG-A DRAGON" and the mv "ELENI" in or near the channel off the Vietnamese port of Phu My on the 7th day of November 2013;
2. the Convention on Limitation of Liability for Maritime Claims 1976 and the 1996 Protocol thereto have the force of law in the Republic of the Marshall Islands;
3. the order given in paragraphs 1 and 2 above is without prejudice to the exercise by the Defendants of their appellate rights with respect to liability ruling of the High Court of the Republic of the Marshall Islands dated 11 May 2018;
4. the tonnage of the mv "ELENI" for the purpose of these Actions is 23,494 tons;
5. the liability of the Defendants, if any, is limited to 4,006,998 Special Drawing Rights and no more, together with interest at the rate of 9 per cent per annum from 7th November 2013 to 21 March 2019 being the date of the constitution of the limitation fund in the Republic of the Marshall Islands;
6. persons with claims against the defendants Eleni Maritime Limited and Empire Bulkers Limited with respect to the collision referred to in paragraph 1 above have 90 days from April 22, 2019 or until 21 July 2019 to file their claims with the High Court of the Republic of the Marshall Islands.

Dated the 22 April 2019.

TC Law LLLC
804 Kainoa Pl.,
Honolulu, Hawaii 96821
info@marshallislandslawyers.com
Attorneys for Defendants
Eleni Maritime Limited and Empire Bulkers Limited

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  Nautical Surveyor: MCA Recognised STCW II/2 Chief Officer unlimited Certificate of Competency
- *Naval Architect Discipline*
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Department for Business, Energy and Industrial Strategy

THE TEES COMBINED CYCLE POWER PLANT 2019

THE PLANNING ACT 2008 AND THE INFRASTRUCTURE PLANNING (ENVIRONMENTAL IMPACT ASSESSMENT) REGULATIONS 2009

NOTICE OF A DECISION ON AN APPLICATION FOR AN ORDER GRANTING DEVELOPMENT CONSENT

The Secretary of State for Business, Energy and Industrial Strategy ("the Secretary of State") gives notice under regulation 23 of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 that a determination has been made on an application by Sembcorp Utilities (UK) Limited ("the application") for an order granting development consent under the Planning Act 2008.

The application was for the construction and operation of a Combined Cycle Gas Turbine ("CCGT") gas-fired generation station with a net electrical output capacity of up to 1,700 MWe (1,748 MWe gross) on land located within the Wilton International site, Teesside.

The Secretary of State has decided, following consideration of the report of the Examining Authority who conducted an examination into the application that development consent should be granted for the project, and therefore has decided to make an Order under sections 114, 115 and 120 of the Planning Act 2008.

The statement of reasons for deciding to make an order granting development consent prepared by the Secretary of State under section 116(1) of the Planning Act 2008 and regulation 23(2)(d) of the Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 containing the content of the decision, the requirements imposed in connection with the development, the main reasons and considerations on which the decision is based including relevant information about the participation of the public, a description of the main measures to avoid, reduce and offset any major adverse effects of the development, and information regarding the right to challenge the decision and the procedures for doing so, is published on the Planning Inspectorate's website:
https://infrastructure.planninginspectorate.gov.uk/projects/north-east/tees-ccpp/

It is also available at the following location:
The Planning Inspectorate
National Infrastructure Directorate
Temple Quay House
Bristol
BS1 6PN

To make an appointment for inspection of the documents contact the Planning Inspectorate on 0303 444 5000 or email NIEnquiries@pins.gsi.gov.uk .