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Russia key to global seaborne coal market

RUSSIA IS GRADUALLY taking a larger share in the seaborne thermal coal market, challenging the dominance of Indonesia and Australia.

In the first nine months of 2019, Russia exported 132.7m tonnes of coal, Banchero Costa data shows. This was an increase of 7.1%, or 8.8m tonnes, as compared with the same period last year, making Russia the third-largest seaborne supplier.

Russia's exports to Asian countries alone surged by 14% to 71.2m in the period.

While Indonesia increased exports to Asia by 9.9% in the first nine months of 2019, and Australia by 4.4%, both trailed Russia in terms of percentage gains.

The emergence of Russia as a potential low-cost supplier and the country's central geographic position has helped boost exports to both the Atlantic and Pacific basins, supporting dry bulk freight rates.

"Coal mining has been a key industry in Russia for a long time and its role will be no less significant in the future as the world changes to renewable power generation. Nevertheless, the structure of Russia's coal trade is evolving," Banchero Costa said in its latest weekly report.

During the first three quarters of the year, Russia shipped 19.1m tonnes to China, up by 26.5% year on year, with the Asian powerhouse accounting for 14% of Russia's total coal shipments this year.

In the same period, 10.9m tonnes of coal were exported from Russia to Japan, an improvement of 16% as compared with the year before, as coal accounts for about one third of Japan's electricity generation,

and was the destination of 6% of Russia's coal shipments

Meanwhile, volumes to Taiwan and the UK decreased this year

Although the UK is racing to increase renewable energy sources by slowly shutting down coal-fired power stations as it aims to phase out coal-powered electricity by 2030 or earlier, Russia is positioning itself as the lowest cost producer.

Bigger slice of the pie

Australian coal exporters are being challenged by Russia, as the country eyes a bigger slice of the global seaborne coal market. This is largely because Australia also produces higher quality thermal coal, while Indonesia predominately ships lower grade fuel.

Russia plans to increase shipments to the Far East, with major exporter Carbo One planning to boost Vostochny port's capacity to 40m tonnes in 2020 from its current 29m tonnes.

Meanwhile, Russia and India are forging closer ties with Russia expanding its largest coal terminal in the far east region to send cargoes to India, as steelmakers look to lower their production costs.

Russia to overtake Indonesia

Russia is expected to overtake Indonesia as the biggest exporter of coal by 2040, as the Southeast Asian country's thermal coal production stagnates, the International Energy Agency said in its latest Southeast Asia Energy Outlook.

The agency said that with stagnating investment in coal mines in the 2020s, Indonesia will likely see its output decrease up till 2030.

Indonesia is the world's largest thermal coal exporter and accounts for almost 90% of Southeast Asia's coal production.

The IEA stated that in its outlook scenario, Indonesia's exports are likely to decline from 350m tonnes of coal equivalent to 210m tonnes of coal equivalent in 2040.

The outlook scenario is based on the present-day policy framework, the report noted.

"A growing share of production is destined to serve increasing domestic demand, while output declines by 14%," it said.

However, the report highlighted that Indonesian suppliers may also respond rapidly to price signals from international markets and ramp up production and exports when seaborne prices become more attractive.

Russia's thermal coal production is set to grow by more than 100m tonnes to 550m tonnes by 2035, as the country looks to invest in new coal infrastructure and focus increasingly on the growing Asia-Pacific region.

While the trend for global coal demand is expected to stay flat, the IEA report highlighted that Southeast Asian demand for coal is robust, doubling to nearly 400m tonnes of coal equivalent by 2040, at an annual average growth rate of 3%.

WHAT TO WATCH

Misdeclared cargoes accounting for more container fires

CONTAINER fires are reaching a critical level and must addressed, heard a forum on hazardous cargo in London.

Current statistics show that serious fires — categorised as requiring external assistance — are occurring every 30 days, according to TT Club's risk management director Peregrine Storrs-Fox. That compares with a previous frequency of 60 days.

The statistics, however, do not take into account near-misses, he told the Lloyd's List hazardous cargo forum held in London.

At least one fire per week is being doused by containership crews themselves.

"That is not acceptable," he said, adding that solving this issue requires collaboration by all stakeholders, including the International Maritime Organization.

The reasons for the serious fires are largely misdeclared cargoes, either intentional or not, combined with a lack of adequate training or awareness regarding compatibility of different cargo types in holds.

Other issues include lack of sufficient fire-fighting equipment.

Laurent Audaz, head of insurance and legal at Mediterranean Shipping Co, said his company deals with 19,000 claims per year from 21m containers carried, 10% of which are related to cargo inaccuracies.

Cargoes are usually misdeclared to avoid extra freight charges, or to circumvent rules on carriage of dangerous goods, he said.

Some solutions could be to share information, but anti-trust laws make it difficult for a container line to alert competitors about rogue shippers or shipments, he said.

Other initiatives could be digitalisation or technology such as using infrared scanners at the load port.

Some difficulties faced at port state level is an inadequate number of inspectors, according to Jack Westwood-Booth, the International Maritime Organization's senior deputy director of maritime safety and marine technology.

It is up to member states to raise any safety issues with the UN group, he said.

OPINION

Viewpoint: A life of crime

THERE have been more warnings recently about "interference" to navigational, communication and timing equipment in the eastern Mediterranean, which is the last thing you want when approaching the Suez Canal in heavy traffic and trying to precisely plan your anchorage, *writes Michael Grey*.

There is a more-or-less-permanent warning around the Korean peninsula, while anywhere from Perim to the top of the Middle East Gulf, it is advisable to be very particular about verification of the ship's position, through reliable alternative means.

I suppose you can think of this as just another reminder that while navigation is more precise than it has ever been, you cannot completely rely upon your electronics and other checks are advisable.

Such an attitude of "creative suspicion" is not that new — I recall attending a radar course in the 1960s, when we were told of all the false assumptions it was possible to make when peering at a cathode ray tube. It scared us to death, which clearly was the purpose of the dreaded warnings about false echoes and the like.

But people using their instruments on ships in the past did not have to contend with the presence of malign forces trying to mislead the navigator or interfere with the vessel's electronics.

Nobody issuing the warnings is entirely clear whether this interference is generated by agencies of nation states, people who have been licenced as third-party cyber criminals by governments, or independent low-life creatures operating from almost anywhere.

I am told that it could be teenagers in their bedrooms. I was reading recently that it could be "experimental", with several electronic warriors just testing their capabilities, secure in the knowledge that nobody can identify them and shoot back.

As far as the recipient of all this crime is concerned, it scarcely matters who is responsible, when the GPS co-ordinates are placing the ship several miles inland, or several instruments are issuing plaintive alarms, just when you want to be precise about your position.

You must ask what sort of mind thinks that it would be a great idea to spoof a navigational signal and put a ship on the rocks. It is not as if there was any sort of monetary gain from their crime, only the "buzz" perhaps, from perpetrating it.

The old wreckers, with their supposed use of false lights to lure a ship to its doom, were probably no more than myths of the coast, but at least the wreckage that came on shore from a stranded ship was some sort of reward for their dishonest toil on the beach.

Crime, like the poor and the weather, has always been with us, but never before has it become such a universal menace, facilitated by the wonders of electronics and communications.

You may look back fondly to an age when crime was something you read about in the newspapers; now it is popping up on your screens hourly, as electronic criminals of every kind attempt to break into your bank accounts, beguile you with extraordinary tales of riches to be gained at the touch of a few keystrokes, or use simple blackmail and extortion.

That is without straying into the poisonous world of social media, or the criminals attempting to persuade elderly folk to reveal their bank details over the phone.

As the sophistication of our devices increases, so they offer fresh opportunities for the cyber criminals. I am told that you can purchase "smart" TVs which actually have the powers to spy on you, which is also a pretty good reason not to get yourself an "intelligent" fridge that tracks your food purchasing.

A granddaughter showed a smartphone app that would listen to our conversation and then suggest purchase opportunities based on what we had been talking about. We had been chatting about the Melbourne Cup and her phone started offering us Australian holidays.

You must be foolish to get involved with a conversation with an algorithm and goodness knows what opportunities all this offers the smart electronic criminal. Then we have facial recognition...

In the days of the ordinary criminal, there was, at least in civilised parts of the world, a reasonable chance that law enforcement would intervene on the side of the honest.

At present, any retaliatory action against the forces of electronic criminality seems futile. Nobody is interested or has any capability of pursuing and eliminating these people. At least those at sea have been warned never to trust their instruments implicitly, while they all, in theory, have alternative means of navigation available. We on shore are not so fortunate.

Perhaps with a little more time and effort, clever people in the Pentagon, or GCHQ, or where Mossad reside, will have sorted the problem and made it possible to track down these blighters, deal with them in a judicial fashion or where this is not feasible, to explode their keyboards or instantaneously melt their laptops, preferably on their laps.

But in the meantime, we must worry that the criminals and cyber terrorists are improving all the time and hapless ships and the lives of those on board them, will be wrecked.

ANALYSIS

Lack of confidence among exporters hitting air and ocean freight

WITH the mix of geopolitical tensions undermining business confidence and contributing to a lack of visibility in export markets, many observers do not expect a significant rebound in cargo flows before 2020, according to Bolloré Logistics in its latest freight forwarding market report.

During the third quarter of 2019, a significant slowing of international trade generated only modest gains in air and ocean volumes, representing one of the weakest periods of expansion since the 2008 global financial crisis, the French global logistics group noted.

The causes of the current doubt and hesitation are numerous, the report underlined, with the US-China trade conflict, risks of additional tariffs between Europe and North America, the UK-European Union negotiations towards Brexit, and dramatic developments in the Middle East all weighing even more on business planning in the third quarter than they had the previous two quarters.

The resulting uncertainties that clouded the medium-term outlook led companies to scale back procurement, production and export activities.

For the situation to change and even a modest economic recovery to emerge, a resolution of some of these issues, first and foremost the US-China clash, is paramount, the report underlined. Until that happens, many businesses appear set to operate at

limited export capacity until they feel reassured re-investing in strengthened production has become less risky.

Claude Picciotto, Bolloré Logistics' procurement director for air freight, said: "Apart from luxury goods, whose markets remain stable despite changing global factors, virtually all exporters are waiting for signs that conditions for doing business are transparent and reliable before committing to new activity again.

"We're in an atmosphere of concern, and doubt tends to feed on itself, so it's difficult to see exactly how and when confidence will be restored."

He argues that the good news in this situation is that businesses maintaining or increasing export volumes are finding ample capacity available at reduced rates. "But the limited savings involved are small consolation," Mr Picciotto added.

"Everyone would rather have somewhat higher cargo costs in a generally booming business scenario that generates higher activity and income all around."

On the ocean freight side, exporters of maritime cargo are facing additional questions arising from IMO 2020 rules requiring shipping lines to cut sulphur emissions next year.

Anne-Sophie Fribourg, Bolloré Logistics' procurement director for sea freight, said the lines have yet to produce transparent pricing schemes establishing how much of the costs incurred in adopting cleaner marine fuels will be passed to customers.

As a result, their clients are presenting arguments which claim that these costs should not have an inordinate effect on rates, insisting that the latter should continue to reflect the balance between supply and demand.

Despite the generally slowing export picture, however, Ms Fribourg highlights the relatively robust volumes on Asia-Europe, Europe-North America, Asia-Africa and intra-trades, an indication that exporters can still find markets and opportunities if they are ready to adapt to shifts in cargo flows.

"Identifying and building upon trades which are resisting the wider slowdown is a good way to ride out the lull in a way that also creates new business once global activity picks up. Worldwide growth may have shrunk of late, but there are bright spots out there," Ms Fribourg added.

MARKETS

Epic Gas sees positive fundamentals in LPG sector

EPIC Gas is seeing positive supply-demand fundamentals in the liquefied petroleum gas sector.

Seaborne demand is expected to rise to 103.5m tonnes this year, with a further 4.7% increase in 2020. Volumes are expected to hit 124m tonnes by 2025.

That compares with low or negative fleet growth, given the number of scrapping candidates that are more than 20 years old and that newbuilding orders are predicted to be at 1% for the next two years.

"The global LPG market has continued to gather pace," the company said.

"While oil price uncertainty, trade tensions and sanctions have affected trade flows on some longer haul routes, the underlying availability of and demand for LPG —especially US supply — and demand growth in Asia, remain key drivers of seaborne trade."

Chief executive Charles Maltby noted a rise in imports into Bangladesh, which is heading for the 1m tonnes mark this year.

"We have enjoyed a positive quarter, with further improvements to operational utilisation and revenue per calendar day," he said. "We have continued to optimise our debt structure, with cost savings and no loan expiry until mid-2023."

The company posted a net loss of $2.9m in the third quarter of the year, which includes extraordinary costs of $3.2m related to fleet refinancing. Excluding the one-off costs, underlying profit was $300,000.

"As we come to the end of the year, we are finalising our preparations to be fully IMO 2020-compliant

and turn our attention to IMO 2030 and IMO 2050," added Mr Maltby said.

The company has 44 vessels in its fleet with an average age of 8.4 years.

During the third quarter of the year , it had six vessels operating in the Americas, 26 in the Europe/Middle East/Africa belt and 12 in Asia. Its vessels performed 77 ship-to-ship transfer operations with increasing activity in the Indian Ocean, it said.

Hapag-Lloyd profit increases on higher freight rates

HAPAG-Lloyd, the German container shipping line, cited improved performance in volumes and freight revenue and confirmed its full-year outlook.

The world's fifth-biggest container shipping group reported it more than doubled earnings before interest and taxes to €643m ($707m) in the first nine months of 2019. Net profit was €297m, compared with €13m in the same period a year earlier.

"Despite geopolitical tensions and trade restrictions, we benefited from higher transport volumes and better freight rates and also kept a close eye on our costs," said chief executive Rolf Habben Jansen.

In the first nine months of the year, freight rates rose 4.2% to $1,975 per teu compared with $1,032 in the year-earlier period. Transport volumes rose 1.2% to 9,011 teu.

The company said ebitda in 2019 is expected to rise to a range of between €1.6bn and €2bn from €1.14bn in 2018, with 2019 ebit for the year expected at €500,000m to €900,000m.

Ebitda in the nine months to September 30 was €1.5bn after €812m for the same period in 2018.

Total transport expenses were up 3.5% compared with the previous year, because of higher bunker prices, a stronger US dollar compared with the euro and an increase in charter costs. But this was modified by the first-time application of IFRS 16, which lead to a reduction in transport expenses

"The increase in transport volume was slightly lower than had been expected at the start of the year," the company said. "The main reason for this development is the general deterioration of the global economic climate, in particular due to geopolitical uncertainties.

"The development of earnings in the 2019 financial year will continue to depend largely on the growth in transport volume, as well as the development of freight rates and the price of bunker fuels."

HMM's bulk shipping helps reduce losses

HYUNDAI Merchant Marine has narrowed its deficits for the third quarter of the year and expects to benefit from a cargo volume pickup ahead of the Chinese New Year in January.

But the result was largely lifted by its bulk shipping business, which runs a fleet that includes seven capesizes and five very large crude carriers, among other smaller ships.

The South Korean company reported an operating loss of Won46.6bn ($40m) in the three months of 2019, compared with a loss of Won123.1bn during the same period of last year.

The result pushed its combined operating losses for the first nine months in 2019 to Won265.2bn, a 46.2% reduction of the shortfall for the same period a year ago.

The Seoul-listed carrier, the world's 10th largest container shipping line, did not specify its container lifting volume with its results as it had done previously. Revenue in July-September edged up 1.5% year on year to Won4.2trn.

It added its bulk business turned an operating profit of Won26.6bn in the third quarter of the year "attributed to strong freight rates and optimal utilisation of five VLCCs delivered this year".

Looking ahead, HMM expected an increase in liftings ahead of an earlier Chinese New Year in 2020 to smooth out the traditional slack season for boxshipping in the fourth quarter of 2019.

But it noted risks brought by the worldwide geo-political uncertainties, including the US-China trade conflict, unrest in the Middle East, Brexit and Hong Kong protests.

It added that it would continue its efforts to improve finances and services, having agreed to join The Alliance as a full member. It would also try to secure more cargo before the delivery of the 20 mega boxships ranging from 15,000 teu to 20,000 teu.

The three existing alliance members — Hapag-Lloyd, Ocean Network Express and Yang Ming — said earlier HMM would join the group from April 1 and that the partnership would be renewed until 2030, subject to regulatory approval.

IN OTHER NEWS

Yang Ming losses widen on weak cargo demand

YANG MING Marine Transport said demand in the third quarter was "softer" than expected, and "container shipping remains vulnerable to trade uncertainties and geopolitical tensions".

The company's bottom line was also weighed down by T$1.4bn in losses booked from not exercising the buy options for certain vessels that it sold and leased back earlier. Those losses would not affect its cash flows and operations, the carrier added.

Looking forward, Yang Ming warned of continued world economic and trade volatility. But it argued the supply-and-demand imbalance situation next year may improve.

AG&P invests in Kanfer Shipping to boost LNG access

ATLANTIC Gulf & Pacific has said it is investing in Kanfer Shipping, a Norway-based developer of small-scale liquefied natural gas transportation, to unlock liquefied natural gas demand in emerging markets.

The two companies will offer project owners and customers a fully integrated solution comprising LNG supply, LNG transportation, and floating storage and unloading as well as onshore logistics.

"AG&P's goal is to bring LNG to new markets,'' said Karthik Sathyamoorthy, president of LNG Terminals and Logistics at AG&P. "One of the missing links has been the capability to break-bulk LNG affordably. Kanfer's designs unlock these new markets and solve a critical gap in the LNG supply chain for nascent and growing markets.''

CSSC Shipping funds Golar FSRU conversion

CSSC (Hong Kong) Shipping has agreed on a $159.7m sale and leaseback deal for a liquified natural gas carrier owned by New York-listed Golar LNG.

The 140,000 cu m ship is believed to be the 2005-built Golar Viking that will be converted into a floating storage re-gasification unit by Hudong-Zhonghua Shipbuilding, an affiliate of the Chinese lessor.

CSSC Shipping, a subsidiary of state conglomerate China State Shipbuilding Corp, said in an exchange filing that it had entered into a memorandum of agreement and three-year bareboat charter with the Oslo-based owner.

MOL Chemical Tankers in Ulsan port tank storage tie-up

MOL Chemical Tankers is emerging as a major player in the petrochemical arena after it signed a deal to develop a tank terminal at the Port of Ulsan, and ultimately aims to be a multi-modal chemical logistics company.

The Singapore-based company said in a press release it has agreed to work with Korea National Oil Corporation and SK Gas to develop a petrochemical terminal at the South Korean port.

MOL Chemical Tankers will co-invest with SK Gas in tank terminal development joint venture Korea Energy Terminal, which is building a Won616bn ($526m), 2.7m-barrel tank terminal for petroleum products, natural gas and petrochemicals, which is scheduled to start operations June 2024.

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- Increased vessel tracking data granularity with improved AIS capabilities
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