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Dry bulk and containerships lead 'flood' of scrubber cancellations

DRY BULK AND containership owners are among the first to scrap plans to retrofit or install scrubbers, according to Alphatanker, which forecasts a "flood of cancellations" as cost-cutting and the erosion of marine fuel oil premiums render the sulphur abatement technology redundant.

The price of 0.5% very low sulphur fuel oil now used by some 70% of the international global fleet has plunged by 278% in Singapore since the beginning of 2020, when it was as high as $653.75 per tonne, according assessments compiled by price reporting agency Argus Media.

"Persistent low marine fuel prices will hit the fortunes of shipowners who have invested heavily to have their vessels equipped with scrubbers," said Alphatanker, a research division of Paris-based brokers BRS.

The difference in price between compliant VLSFO and 3.5% high-sulphur fuel oil used by vessels with scrubbers has shrunk to $50 per tonne, from more than $400 per tonne earlier this year, according to Alphatanker. Argus Media prices for Singapore yesterday assessed the spread at $64.50 per tonne.

That has reduced the earnings premium for scrubber-fitted vessels and extended the payback time for the $2.5m average investment to four years rather than four months for the largest vessels that have retrofitted the technology. Payback time will be even longer for smaller vessels, given the economies of scale.

"The question is now rightly being raised over whether scrubber installations will be cancelled," Alphatanker said in its weekly report. "Installations due to be carried out in Chinese yards were already being delayed in the wake of Covid-19 and now following stellar returns for tankers, some owners are reportedly delaying or even, where possible, cancelling installations.

"Reports suggest that owners of bulkers or liners struggling amid the global downturn are also cancelling scrubbers as they strive to cut costs. We fear that this is just the tip of the iceberg and as the global recession intensifies during the second quarter, this drip of cancellations could turn into a flood."

The premium is not expected to widen as VLSFO prices are unlikely to rise given free-falling demand across the oil complex.

Some 2,753 vessels totalling 328.7m dwt were trading and had scrubbers installed, according to the Lloyd's List Intelligence database at the start of January.

A further 580 newbuildings were to have scrubbers fitted. Some 16.4% of crude tankers, including one in five very large crude carriers, and 12.7% of containerships have the technology installed. Dry bulk scrubber penetration is just over 12%.

A backlog of about four months for scrubber retrofits evolved at the end of 2019 before the global introduction of low-sulphur marine fuel on January 1 as yard capacity and material shortfalls doubled installation times.

WHAT TO WATCH

Tanker freight futures spike on floating storage sentiment

NEW signals have emerged that oil traders anticipate shore-based crude storage to quickly fill up as the value of tanker forward freight agreement contracts for the next six months soared 22% overnight.

The spike in freight futures provides further insight into market sentiment as the scope of the oil demand collapse and the scale of a looming crude and products surplus begins to emerge. The spike suggests traders and oil companies expect floating storage to surge in coming weeks, pushing up rates for tankers even as global demand for crude falls.

The second-quarter contract for very large crude carriers shipping 280,000 tonnes from Saudi Arabia to China — the most frequently traded FFA — closed at $25.99 per tonne on March 25, according to the Baltic Exchange. The contract gained 24% from the prior day and is 260% higher than its value at the beginning of the month.

The third-quarter FFA contract on the same route is now at $16.42 per tonne, up from $13.56 on March 24. The less-liquid second-quarter FFA contract for suezmax tankers showed a smaller gain of 11% on the previous day.

The coronavirus-led collapse in crude demand now overshadows the oil price war that sparked a tanker rates rally in mid-March. Saudi Arabia led a VLCC chartering spree after a pledge to flood the market with oil and maintain market share, seeing VLCC rates briefly set records before falling as quickly as they rose.

Russel Hardy, chief executive of oil trader Vitol, estimated lost crude demand to peak at 15m-20m barrels per day over the next few weeks, averaging out to 5m bpd for 2020. The 20m barrels lost over the last month amounted to about 600m barrels in surplus, Mr Hardy said, with some 300m-400m barrels of shoreside capacity remaining for refined products. Paris-based analytics provider Kpler estimated total global storage capacity at 71% with 1.8bn barrels of space available.

"There's a lot of oil in the market and there's a lot of stocks we're going to have to build because oil isn't going to be consumed," Mr Hardy told Bloomberg TV. "Product inventories are building in North America, the US, Europe and India and refineries are going to have to cut runs."

The coronavirus shutdown has paralysed land and air transport, which comprises 55% of the 100m bpd of crude consumed globally. India's 21-day lockdown will further curb oil demand, with some 4.6m bpd imported in 2019, Lloyd's List Intelligence data show.

Global refinery runs are already down by 7m bpd, Mr Hardy estimated, and another 7m bpd will be cut, as further reductions are needed.

Crude storage is going to "fill up pretty quickly" he added, with a greater shortage of land-based facilities for refined products. Once the wall was hit "producers have to make a decision about whether or not they want to keep pushing oil into the market place," he said.

Refineries worldwide from India, the UK, France and the US have announced cuts in throughput while Chevron, Total, Shell and Equinor are among oil companies announcing capex cuts this week.

Permian shale producers that export via the US Gulf are hit hardest by the oil price slide, which has slashed prices for West Texas Intermediate crude to $23 per barrel, well below the accepted $50 per barrel figure needed for profitability.

Coronavirus: Paris MOU relaxes rules as UK suspends port state control

THE Paris Memorandum of Understanding on Port State Control has responded to the coronavirus pandemic by temporarily relaxing rules on vessel and seafarer certification, handing member states discretion on whether to conduct hitherto obligatory inspections.

The move is thought to be unprecedented since the organisation was founded in 1982, and marks just how seriously maritime regulators are taking the coronavirus crisis.

Meanwhile, the UK's Maritime and Coastguard Agency has issued a statement confirming the indefinite suspension of PSC inspections and vessel surveys in this country, as well as its willingness to extend both vessel and seafarer certificates where necessary to keep cargo and lifeline ferry services operational.

Britain's membership of the Paris MOU is unaffected by Brexit, as the latter — which groups 26 European countries including Russia as well as Canada on the other side of the Atlantic — is not a European Union organisation.

The stances adopted by the MCA's counterparts in other Paris MOU states could not immediately be ascertained.

A statement from the Paris MOU said that it acknowledged the difficulties facing both shipowners seeking to arrange vessel surveys and seafarers seeking to attend the training courses required to revalidate their certificates.

Member authorities are in any case implementing national measures that are affecting the region's PSC regime, it added.

The secretariat has accordingly developed temporary guidelines for member authorities, recognising the need for flexibility under these special circumstances.

These cover the impact of delays for surveys, inspections and audits; extension of validity for ship's certificates; extended periods of service on board; and delaying requirements for personnel certification of the Standards of Training, Certification and Watchkeeping convention and the Maritime Labour Convention.

The general underlying principle is described as a pragmatic approach, with decisions to be made on a case-by-case basis for periods up to maximum three months.

There is an expectation of active involvement of flag states, and where appropriate, recognised organisations.

This would include evidence that the ship has a plan covering how it will be brought back in compliance with the requirements.

Whether PSC inspections now take place remains the decision of the port state. A vessel can be considered self-isolating only if there are no ship to shore interfaces.

"The temporary guidance may be reviewed, as appropriate, to keep aligned with the rapidly successive developments of the coronavirus and future initiatives by relevant stakeholders," the Paris MOU added.

Katy Ware, the MCA's director of maritime safety and standards as well as UK permanent representative to the International Maritime Organization, confirmed that Britannia would also waive the rules.

"We're living in exceptionally challenging circumstances. None of us could have foreseen this

and at the moment, we can't see a definite end," she said.

"While we cannot compromise on safety, there are a number of temporary measures we have and are taking to ensure shipping does not come to a standstill and seafarers can keep working."

These include a temporary exceptional relaxation on certification rules, to allow to allow the extension of certificates where necessary, and emergency provisions for seafarers' certification "as a last resort" to keep freight moving and lifeline links operating.

Owners, operators and seafarers should not assume extensions or the granting of exceptions to regulations, and should still follow applicable guidelines. Queries should be referred to the MCA or local marine offices as soon as possible.

Asked for comment, a spokesperson for the Chamber of Shipping said: "While we appreciate the important work of PSC in upholding international rules and identifying sub-standard ships, we support the suspension given the extraordinary circumstances we currently face.

"Shipping is the lifeblood of the nation and it is vitally important we do everything we can to keep freight flowing to keep Britain's trading during this difficult time."

OPINION

Health crisis exposes need for LNG floating storage

THE coronavirus pandemic, in triggering a collapse in energy demand and prices, has made apparent one flaw in today's liquefied natural gas market, writes *Hwee Hwee Tan*.

Prices for both crude and LNG have fallen to record lows, bruised by demand destruction from the pandemic and an oil price war stoked by a face-off between Saudi Arabia and Russia.

A yawning gap in its supply chain clearly would not have helped cushioned LNG from this recent fall from grace.

One analyst estimate suggested that as many as 16 LNG tankers around the world were seen storing cargoes as of late February.

These are commonly, though inappropriately referred to, as one industry veteran argued, as floating storage for LNG.

Unlike the case for crude, storing LNG for a prolonged time on board a tanker is not feasible given that the boil-off loss cannot be mitigated adequately at present, said seasoned shipbroker and LNG Easy founding chief executive He Yiyong.

LNG evaporates when stored in and ferried by carriers over time, resulting in boil-off gas or loss in cargo volume.

That feature sets LNG apart from crude, which can and has been stored for months in tankers without having to contend with significant volume losses.

So it follows that whatever is held in the so-called LNG floating storage, would be regarded as distressed cargoes.

Owners of such cargoes face increasing pressure as time passes to let go of the volumes held in floating storage.

This is one situation cargo owners would want to avoid as far as possible. During the winter months from October through to this February, excess cargoes have thus sought refuge in large underground storage facilities found in Europe.

Mr He noted that in this respect, Europe serves as "the sink" absorbing excess supplies though the underground facilities available that are designed to store natural gas, meaning LNG needs to be regasified before going into storage.

China, Japan and South Korea, as the biggest LNG importing countries, have opted to invest in onshore LNG storage tanks.

However, Mr He argued that investing in any onshore storage there would not bolster arbitrage trade in light of energy security concerns.

Chinese national oil companies, for instance, would not want to store strategic LNG reserves in South Korea.

He counted only three onshore tanks in Asia — two in Singapore and one in Malaysia, both considered as politically neutral countries —offering "genuine" third-party access through which the largest LNG buyers in Asia may turn to for arbitrage opportunities.

Still, by his estimate, the cost of building each onshore tank easily ranges up to $500m, including the jetty for berthing LNG carriers.

On the other hand, easily more than 200 older LNG ships powered by steam turbines more active in spot trades these days can be mobilised to store cargoes with no designated buyers.

As the US further ramps up its liquefaction capacity, more LNG volumes with no predefined destinations would flow into the market.

Analyst estimates showed 40% or more of the export capacity in the US has been sanctioned in recent years without securing contracted offtake.

Mr He argued that for the long-term health of the LNG market, it is imperative that the industry invests in floating storage that comes equipped with boil-off-gas solutions.

ANALYSIS

Liquefied bio and synthetic methane could decarbonise shipping

LIQUEFIED biomethane and liquefied synthetic methane have the potential to be competitive zero-carbon fuels, but carbon pricing policies and greater renewable electricity supply will be necessary, according to a new study.

The report by CE Delft, commissioned by pro-LNG lobby group SEA/LNG, found that these two fuels have solid foundations to serve the maritime industry but will require additional support, as the race to develop commercially viable zero-carbon fuels continues.

Using existing literature, the independent research organisation analysed and projected potential availability and production costs for both sustainably produced LSM and LBM, focusing on 2030 and 2050, the two milestone years in the IMO initial greenhouse gas strategy.

LBM is based on biomass feedstocks while LSM is derived by combining electrolysis-based hydrogen with air-captured CO2.

Both fuels can use the existing LNG bunkering infrastructure and LNG-powered vessels would require only minor modifications to use them, something that LNG proponents point to in advocating for the long-term viability of investments into the fuel's infrastructure and engines.

Overall, LBM's production cost is expected to be cheaper than that of LSM because of the latter's reliance on renewable electricity.

LSM could only become cheaper than LBM if cheap renewable electricity was available and high electrolyser load factors could be achieved, the report said.

CE Delft warned that a carbon tax of $50 to $100 per tonne of CO2 would not be sufficient to stimulate a move from fossil marine fuels, including LNG, to LBM or LSM in 2030.

But if the world does indeed pursue policies to keep global warming to below 2°C, the 2050 carbon price imposed to attain this goal should be enough to enable that move to the two zero-carbon fuels.

CE Delft compared the potential costs of LSM and LBM to liquid green hydrogen and liquid green ammonia, two other sustainably produced zero-carbon shipping fuels, under optimistic and pessimistic scenarios.

In the optimistic scenario, the cost price at the plant in 2030 would be lowest for ammonia and highest for LSM, but LBM costs would be comparable to both ammonia and hydrogen. In the pessimistic scenario, LBM becomes the cheapest of the four and LSM remains the most costly one.

"Thus if costs of bunkering infrastructure and ships are comparable as well, LSM and LBM would be viable candidate fuels for a decarbonised shipping sector," CE Delft senior researcher Dagmar Nelissen said during a webinar on the report.

CE Delft suggests that to scale up the use of LSM and LBM, issueshave to be addressed concerning methane slip, which can happen in a ship engine during an incomplete combustion, and the fuel's broader climate impact.

"Policy measures like a fossil carbon levy, emissions trading or a low-carbon fuel standard could be implemented to shift the demand in the shipping sector from natural gas or liquid fossil fuels to LSM, LBM or other low- and zero-carbon fuels," the study said.

A group of non-governmental organisations have asked the IMO to include all GHGs, including methane, in future phases of technical design indices for new vessels. The IMO's Energy Efficiency Design Index currently only considers CO2 emissions.

The proposal was set to be discussed at the IMO's environmental meetings in late March and early April that have been postponed due to coronavirus.

LBM is already being produced today, albeit in small amounts as most of the biomethane goes into the gas grid, CE Delft manager for mobility & transport Jasper Faber said during the webinar.

CE Delft found that the maximum conceivable sustainable supply of LBM would be more than enough to cover the needs of the maritime sector in both 2030 and 2050, according to the study.

But LSM's reliance on renewable electricity complicates the fuel's potential; CE Delft found that renewable electricity supply today is insufficient for LSM cover the energy needs of shipping. However, if the sufficient investments in renewable electricity supply are made in line with global decarbonisation commitments, then LSM could meet the demand in 2030 and 2050.

LSM production today is close to zero, according to CE Delft.

SEA/LNG general manager Steve Esau said LSM is similar to other alternative fuels in its fundamental dependency on the amount of the renewable electricity capacity that develops.

"It all comes down to that capacity and the cost of the actual renewable electricity and that is the same for LSM, it is the same for green hydrogen it is the same for [green] ammonia. It all starts from the same source," he said during the webinar.

Mr Faber said that one of the key takeaways from this report for CE Delft was how much more renewable electricity is actually required to generate sustainably produced zero-carbon fuels for shipping.

"We basically need a lot more renewable electricity supply and also large production of hydrogen, which is a key input for any renewable synthetic fuel that you want," he said.

CE Delft recognised that the actual supply for both fuels may be quite different from the report's projections depending on whether the sources of the fuels are used for other purposes and on the level of competition maritime faces from other industries.

In the race to develop zero-carbon fuels for shipping, a question that is becoming ever more intense is how much responsibility for the lifecycle emissions, or well-to-wake emissions, should fall on the shipping industry.

The argument goes that simply having zero-carbon fuels is not enough if those fuels generate GHG emissions during their production, storage, delivery to the vessel or some other point in their supply chain.

Member states are discussing the issue at the IMO, with several countries putting forward guidelines for accounting for lifecycle emissions.

Mr Faber said the IMO should be adopting policies encompassing a well-to-wake perspective.

"Indeed, the assumption in this piece of work is that shipping would not be satisfied by shifting emissions on land by merely making a shift of the shipping sector to land based sectors — and that shipping would contribute to the overall Paris Agreement... to reduce GHG emissions caused by activities of mankind to zero as soon as possible in this century," he said.

Mr Faber argued that if the IMO does not adopt a well-to-wake approach of some kind , it would lead to "perverse incentives", such as the use of lignite-based hydrogen that serves the ends of the IMO GHG strategy but overall causes more pollution than using LNG as a fuel would.

"A tank-to-wake approach would be untenable given the goals of the Paris agreement and it is mere logic the IMO would adopt a well-to-wake approach."

The report did not focus on the actual GHG reduction potential of LBM and LSM, but CE Delft noted that under global definitions they both are considered zero-carbon fuels when dealing with the hull-to-wake emissions.

Mr Esau said SEA/LNG was planning to commission another study that examined the lifecycle emissions impact of LBM and LSM.

"It is not a trivial piece of work, I think. So consequently we decided not to bite off more than we could chew in this study," he said.

MARKETS

Box volume recovery may not last, says Cosco ports chief

SHIPPING has underestimated the threat of coronavirus, with greater impact soon to be felt by the industry, according Cosco Shipping Ports chairman Feng Boming.

Mr Feng said shipping companies were prepared for the virus impact from China buy did not foresee the disease turning into a pandemic, which can make the current recovery in container volume rather short-lived.

The cargo being shipped now was ordered in the pre-epidemic period and will drain in May, the chairman told an online press conference on Thursday as the company released its 2019 results.

"After that, exports to Europe and US will fall, and ports and carriers will be affected."

Lloyd's List Intelligence data show that port calls at Chinese ports have returned to around previous levels in recent weeks (see chart below) after China reopened its factories amid improved infection conditions domestically.

Nevertheless, carriers have already started another round of blank sailings with the big consumer countries tightening virus-control measures at the cost of economic activity.

The 2M Alliance withdrew two Asia-Europe services on Wednesday, both with first departure next week.

"It is a capacity reduction of 13% to north Europe and 22% to the [Mediterranean] for the week." said Sea-Intelligence chief executive Lars Jensen in a LinkedIn post. "Normally blank sailings are announced with three to four weeks of notice, but these are not normal times."

Leading Chinese investment bank CICC earlier estimated that China's exports this year will contract by 18%.

Mr Feng said that companies will need to find quick and effective solutions, including cost reduction, to tackle the possible shrinking in revenue.

As for the near-term impact on CSP, managing director Zhang Dayu said based on statistics from 15 main Chinese ports under its portfolio, the virus-led disruption was expected to cause a 14% hit on volume in the first quarter. Meanwhile, the situation at its overseas ports was better, with volume losses estimated at only 3% to 5%, he added.

The forecast comes as the company's total throughput increased by 5.5% to 123.8m teu.

However, Mr Feng said his company, the port arm of state conglomerate China Cosco Shipping Corp, was financially steady to weather the challenges lying ahead.

The Hong Kong-listed company's net profits stood at $308m for 2019, down 5.1% from 2018. But its net cash generated from operating activities jumped nearly 33% to $353.3m at the same time.

As of end-2019, it had a cash and cash equivalents of $924.2m, up 70% from the level a year ago.

CSP is also to receive $61m in proceeds from the disposals of two domestic terminal firms earlier this year.

"The group's strong [earnings before taxes, interest, depreciation and amortisation], cash on hand as well as cash received from the disposals so far this year could assure us to maintain our financial stability and sustainability," said the company in its results.

J. Lauritzen focuses on short-term trading

J. LAURITZEN, a Danish owner and operator in the dry bulk and gas carrier sectors, said it was focusing on short-term trading activities as losses in 2019 mounted.

It has reduced its long-term commitments in the bulkers unit, while changes were made to cargo cover to cut its exposure to the market, the company said in its annual report. As part of its asset-light strategy, it sold seven handysize bulk carriers during the latter part of 2019, leaving it owning only two.

It has also increased its short-term trading with contracts of up to four months. That change resulted in a contribution of $10m to the net result for the year.

It also increased use of forward freight agreements as a risk mitigation tool.

The company reported a net loss of $105m compared with a loss of $24m in 2018. The results were dragged down by weak dry bulk rates in the first half of the year and a subdued market for small gas carriers in the second part of the year.

While the company expects markets to fare better this year, effects from the coronavirus outbreak may significantly impact its results in 2020, it said.

Its sponsor Lauritzen Fonden is expected to inject a further $20m into the business before the end of June.

"Although poor market conditions in both bulk and gas carrier markets impacted our result for 2019, many strategic actions were taken to strengthen our business and reduce risk for 2020 and beyond," said chief executive Mads Zacho.

"We now have less market exposure and we have increased our commercial flexibility. With our businesses now established as two independent organisations, we can pursue consolidation in the small gas carrier industry and further develop Lauritzen Bulkers' digitally driven and asset-light business model in the handysize bulk carrier market," he added.

The company operated a total of 104 vessels last year compared with 109 a year earlier.

Beyond this year, negative fleet growth in handysize bulkers will support the market, while for small gas carriers the future looks promising, given modest supply growth and as cheap liquefied petroleum gas and ethylene becomes more available for transportation, according to the company.

Maersk to cut services as demand falls

MAERSK, the world's largest container line, is beginning to prepare itself for a slowdown in demand as the coronavirus pandemic hits global economic activity.

In a letter to customers this morning, Maersk ocean and logistics chief executive Vincent Clerc warned that the measures taken by governments to contain and mitigate the crisis would result in an economic slowdown.

There was now an expectation of lower volume demand in the coming weeks, he added.

"We are actively preparing our network to match a reduced demand level," Mr Clerc said.

"We believe that it is our responsibility to right-size in order to protect our cost position, both to be able to weather these storms but importantly also to ensure that you have a partner who cares for the integrity of your supply chain as we look to lifting the world out of this crisis."

The comments come as expectations of a quick recovery in volumes rapidly erode.

As Lloyd's List reported earlier this week, high inventory levels mean there is little expectation of an early return to normal volumes. With volumes set to fall, carriers are now concerned that this could be reflected in a decline in freight rates, which to date have held up as lines tightly managed the amount of capacity they had in service.

"Given their current financial position, carriers are likely to do what they can to shore up freight rates, but that will imply renewed disruption to sailing

schedules and available capacity," Maritime Strategies International Asia regional director David Jordan said during a webinar yesterday.

Mr Clerc said that goods continued to flow through Maersk's warehouses, terminals and network.

"Our crews and staff across all facilities are still there to make sure that you get access to your goods when you need them," he said.

But the decision to reduce capacity could soon lead Maersk, and others, to begin returning chartered in tonnage as demand falls, pushing the impact of the pandemic on to the non-operating owner sector.

Signs of the slowdown in volumes are already starting to emerge in China, despite the recovery in production as factories resume work.

Figures from Lloyd's List Intelligence show that the number of calls by container-related vessels to Shanghai and Yangshan dipped back down in week 12 following a period of recovery since the slump following Chinese New Year.

Wallenius Wilhelmsen lays off workers in US and Mexico

WALLENIUS Wilhelmsen says it will lay off about 2,500 workers in the US and Mexico because of the disruption caused by the coronavirus outbreak.

The privately owned Norwegian and Swedish shipping company said it would suspend operations at several land-based processing centres in line with auto plant closures, laying off just over half its production workforce in the two countries.

"While we work diligently to avoid reductions in our workforce, we have no choice but to respond to the disruption experienced by our customers and the effect it has on our operational throughput and income," chief executive Craig Jasienski said in an exchange filing.

The Oslo-based ro-ro and car carrier operator on Monday axed its dividend and mothballed vessels as it warned there was already overcapacity in the market before the pandemic.

The company said it would review its activities in line with customer decisions and market developments, "with a focus on returning employees to work when business rebounds".

"We recognise and remain sensitive to the challenges many employees and families are facing during these uncertain times," said Mr Jasienski. "Still, I remain confident that making some hard but responsible decisions today is a far better course than waiting and having to make bigger and harder decisions later."

Wallenius Wilhelmsen said it continued to focus on employees' health and safety, continuing operations and working with customers for the best possible solutions in difficult times.

Maersk Product Tankers says outlook is 'uncertain'

MAERSK Product Tankers said its posted outlook for 2020 is "uncertain", despite recovering from a loss last year amid better market rates, vessel sales and lower running costs.

The Copenhagen-based company said in its annual results that the coronavirus outbreak had created "extraordinary uncertainty" for freight markets as its impact on the world economy grew.

"The outbreak and spread of coronavirus and countries' containment measures have led to global reductions in transport, industrial and commercial activity," it said. "This has caused a decline in the demand for oil and could eventually affect product tanker markets and freight rates."

But the company said markets had benefited from growth in operational tonne-mile demand and slowing growth in operational capacity early in the year.

Trade flows had adjusted to the new sulphur cap rules, while Saudi Arabia's increased oil production had created more demand and potential need for floating storage, it said.

The lifting of some US sanctions had added vessels

to the market and fewer scrubber retrofits later in the year would also add to tanker supply.

But it added that coronavirus had reduced shipyard capacity, causing delays in the newbuild schedule, and limited vessel ordering was expected in the short term.

Maersk Product Tankers posted a net profit of $91.4m in 2019 on revenue of $727.7m, recovering from a $35m loss the year before. It put this down to growth in oil demand, sanctions limiting the supply of vessels, and higher transportation in preparation for the sulphur cap.

It said it outperformed the spot market on time charter equivalent earnings and cut its vessels' average daily running costs from $6,055 per day to $5,696 per day.

The company bought eight second-hand vessels and took delivery of six, along with four newbuilds, and sold 12 vessels with five to be delivered this year. It had 10 LR2s on order that are set to be delivered in the next two years.

"We are expanding our market position in the larger LR2 and MR segments to meet customers' demand for larger vessels as transportation distances increase," it added.

The company said it cut its fleet CO2 emissions by 5.4% and hoped to cut emissions by 30% of 2008 levels by the end of 2021 and 45% by 2030.

IN OTHER NEWS

EU block exemption extension draws industry fire

THE extension of the European Union's Consortia Block Exemption Regulation will probably have "detrimental effects" on the EU's logistics and supply chains, several industry bodies have warned the European Commission.

The warning comes after the commission confirmed earlier this week a four-year extension of the CBER, which allows vessel-sharing agreements, slot exchanges and other partnerships between ocean carriers, arguing it was still fit for purpose.

Groups representing EU seafarers, tug owners, terminal operators, shippers and forwarders sent a letter to European Commissioner for Competition Margethe Vestager expressing their discontent with the CBER extension.

CMA CGM completes first terminal sales

CMA CGM has completed the first transaction in the sale of eight terminals to its Terminal Link joint venture, as the French carrier seeks to shore up its finances and reduce its debts in the face of the coronavirus pandemic.

The deal, which was announced last November, will see 10 terminals transferred from the carrier's direct ownership to Terminal Link, in which it holds a 51% stake. Its partner, China Merchants Ports, holds the remaining 49%.

The initial deal will give CMA CGM an $815m cash injection, with a further $150m due when the final two terminal sales are completed, which the company said would happen in the first half of the year.

Forwarders call for Brexit transition extension

THE British International Freight Association has joined calls for an extension beyond the end of the year to the UK's Brexit "transition period" because of the difficulties posed by the coronavirus pandemic.

"In light of the massive disruption to supply chains being caused by the coronavirus crisis, it would be irresponsible of the UK government to try to abide by the timetable for ending its Brexit transition period," said its director general Robert Keen. `

With negotiations between the European Union and the UK stalled, he believes that if Britain does not seek to extend the transition period, it will not have the time to negotiate a deal that covers anything more than the bare minimum of trade arrangements.

Coronavirus: Maersk seafarers test positive on boxship

MAERSK has said several crew members on one of its containerships, the 9,000 teu *Gjertrud Maersk*, have been infected with coronavirus. This is thought to be the first time seafarers working on a boxship have tested positive, although there have been many infections on cruiseships.

They were diagnosed on March 23, the Danish company said in a statement to Lloyd's List. In line with established protocols, they were isolated when symptoms appeared, and treatment based on advice from medical professionals was provided.

The Denmark-flagged vessel is currently idle at the quayside in the Chinese port of Ningbo. The affected seafarers were evacuated ashore for medical treatment and care.

Pirate attack thwarted off Nigeria

A PIRATE attack on a Greece-owned bulk carrier off the west coast of Africa has been thwarted.

The 60,435 dwt *Scarabe* was approached by seven pirates travelling in a speedboat, according to Lloyd's List Intelligence. The pirates attempted to board the vessel as it made its way to Gabon from Nigeria.

But the vessel's master sounded the alarm, forcing the pirates to abort their mission. All crew on the bulk carrier were reported to be safe. Piracy in West Africa is rife and this is the third incident in the area this month.

US carriers seek approval for co-operation agreement from FMC

THREE US carriers have jointly applied to the Federal Maritime Commission for permission to implement an emergency co-operative working agreement that would partially exempt them from anti-trust regulations during the coronavirus pandemic.

Under the proposed agreement, the three firms — Crowley, King Ocean Services and Seaboard Marine — would be allowed to share information with each other and remove one or more vessels from their trades, as well as co-ordinate timetables, sailing dates, frequency of sailings and carrying capacity.

Crowley Logistics senior vice-president and general manager Steve Collar told Lloyd's List that the agreement was made so carriers can quickly react to manufacturer shutdowns and supply chain displacements.

Virus lockdown sees force majeure at Indian ports

MOST of the ports in India have declared force majeure as the country begins a three-week lockdown to prevent the spread of the coronavirus pandemic.

Although India's government issued an order declaring that the transportation of goods by water, including loading and unloading of cargo, is an essential service, all ports were advised by India's ministry of shipping that they may consider coronavirus as grounds for invoking force majeure.

The ports of Krishnapatnam, Dhamra, Mundra, Tuna, Gopalpur, Karaikal, Angre and Gangavaram have all reportedly acted to declare force majeure.

Wärtsilä trials ammonia fuel for ships

FINNISH technology company Wärtsilä has launched engine trials for ammonia, as part of an effort to develop supply chain services for the zero-carbon fuel.

The company announced on Thursday that it has begun testing ammonia on a combustion research unit, which has shown promising results so far.

"Based on initial results, the tests will be continued on both dual-fuel and spark-ignited gas engines. These will be followed by field tests in collaboration with shipowners from 2022, and potentially also with energy customers in the future," it said.

Hong Kong Maritime Museum closes amid coronavirus threat

THE Hong Kong Maritime Museum has shut its public galleries and switched to online mode amid worsening coronavirus infection conditions in the city, a major Asian shipping hub.

The cultural institution, founded by members of the Hong Kong Shipowners Association, said in a release on Thursday that it will be "temporarily closed" with effect from March 28, 2020 until further notice.

It added that the move was "in response to the [Hong Kong government's] recent announcements regarding the operation of commercial premises during the coronavirus public health threat".

Coronavirus spurs greater interest in remote vessel inspections

CLASS societies are predicting greater uptake of remote vessel inspections as technology improves, costs fall and the coronavirus increases the need for remote processes.

DNV GL said it hit 15,000 remote inspections since launching its remote service in October 2018, as the pandemic increases the need for shipping companies to move processes online.

"In these challenging times we are seeing the benefits of the full scope of digitalisation initiatives that we have been building up over the past few years," DNV GL maritime chief executive Knut Ørbeck-Nilssen said in a statement.

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