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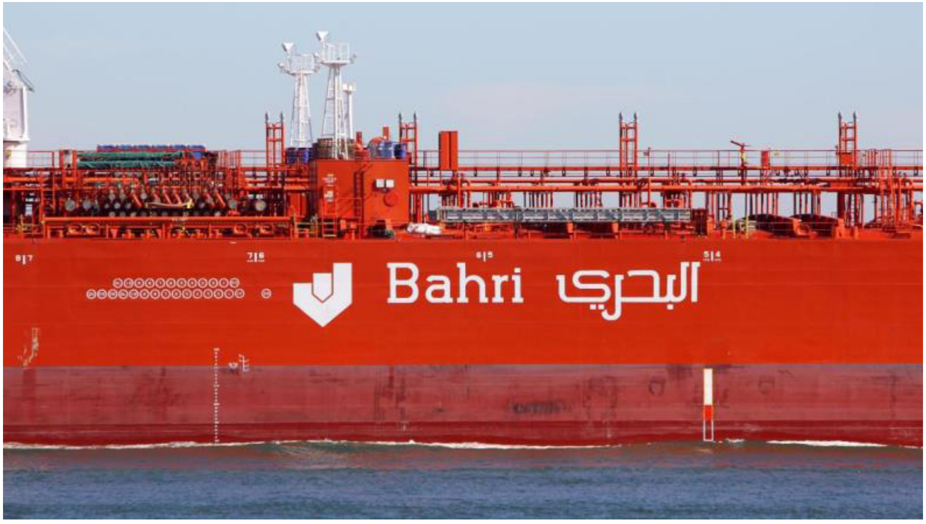
Bahri brings in more VLCCs as Saudi oil cargoes head out



BAHRI HAS ADDED to its armada of very large crude carriers shipping oil from Saudi Arabia for deliveries to Egypt, the US Gulf and Asia as the kingdom pushes on with plans to flood the market with oil amid its ongoing price war with Russia.

The country's national oil company has chartered a further two VLCCs since March 27, paying as much as $326,000 daily. This is in addition to an estimated 25 units of the largest type of crude oil tankers chartered over a five-day period in mid-March.

Bahri provisionally chartered the 2011-built *Island Splendor* for Worldscale 250 on Tuesday, which equates to a daily rate of $326,220 for a Middle East Gulf to Red Sea voyage, Tankers International data showed.

A further two vessels provisionally chartered for Red Sea voyages to Ain Sukhna have since failed because of restrictions at the port of discharge, the commercial tanker pool said. These were the 2020-built *Sea Jade* at $288,386 per day and the 2011-built *Ithaki* at $304,967 per day.

Saudi Arabia has land-based storage at Ain Sukhna, which is also where the 200-mile Sumed pipeline is located to ship crude northbound from the Red Sea to the Mediterranean Sea. The deals' failures suggest either no further storage is available, or that there is no capacity for the pipeline to take these shipments.

Last week, Bahri chartered *DHT Bronco* for $181,589 per day for a Middle East Gulf-US Gulf trip.

The kingdom slashed its crude official selling price in March as it sought to lift exports above 10m barrels per day in a battle to maintain market share after Russia refused to endorse an agreement with Organisation of the Petroleum Exporting Countries producers to curb output.

Saudi Arabia has lost out to non-Opec producers such as Brazil, the US and Norway, while keeping output steady to maintain price stability. The move coincided with the coronavirus pandemic decimating land and air transport demand, dragging crude consumption lower by an estimated 20%, or 20m bpd, in March and April.

Nearly all the Bahri-chartered VLCCs are heading for either Ain Sukhna or the US Gulf. At least nine of the 19 Bahri fixtures listed by Tankers International are chartered for voyages around the Cape of Good Hope to the US, taking the fight against shale producers right to their shores. That equates to some 18m barrels of crude arriving over the next 31 days, equivalent to 580,000 bpd. That would be the highest monthly volume since April 2019, data from the US Energy Information Administration show.

Another five VLCCs were discharging at Ain Sukhna, with the remaining three reported heading east, likely for South Korea. Not all of the 25 VLCC charters were listed by Tankers International as some were kept private and confidential, shipbrokers told Lloyd's List.

Bahri has its own fleet of tankers including 41 VLCCs, with moves to take additional tonnage rarely seen in the market. Saudi March preliminary crude export figures tracked by Lloyd's List Intelligence totalled 241m barrels on 172 tankers, equivalent to 7.79m bpd.

The chartering frenzy helped lift overall VLCC rates to record heights in mid-March, with the oil market contango also promoting the chartering of tonnage for floating storage.

With the coronavirus pandemic crippling economic activity across the globe, International Energy Agency executive director Fatih Birol said last week global oil demand could drop by 20%. However, oil output is expected to rise by 3m bpd.

Brent oil prices dropped 55% through March, closing the month at $22.74 per barrel, while West Texas Intermediate fared even worse, losing 56.6% in value and hitting $22.10 per barrel on March 31.

With oil prices at these levels, commodity traders such as Shell, Vitol and Trafigura are chartering VLCCs as floating storage to hedge against future increases.

WHAT TO WATCH

Capacity crunch risks return of rolling and no-shows

WITH carriers rapidly cutting capacity to meet reduced demand, there is a risk those cargo owners with products still in demand may face shortages of available space.

Christos Chamberlain, general manager of Flexport UK, said that while demand was falling, not all importers were facing the same issues.

"The impact we're seeing in the UK is very sector-specific," he told Lloyd's List in an interview to mark the opening of his company's "virtual" London office.

"Clearly there's been a reduction in demand in the fashion and apparel sectors but alongside that there have been surging e-commerce sales. Sectors like electronics, home and garden, and DIY are seeing 15%-40% growth in online so we're seeing a different story."

Flexport vice-president Jan van Casteren said the supply chain had got out of balance over in the first quarter when the company saw a supply crunch with Chinese factories not operating.

"All UK importers were highly eager to get their imports in," he said. "Then we had a four- to five-week window where factories were coming back online and all the importers had placed a lot of purchase orders, so we saw an uptick in bookings."

But now importers were facing a demand crunch, with demand going down and orders being cancelled.

"We will continue to see ocean carriers continuing to reduce capacity dramatically," Mr van Casteren said. "We've already seen nearly 40% of capacity taken out of the Asia-Europe trade. That is going to have an impact on the number of sailings per week and on pricing. You will see fewer sailings, so will need more flexibility in the supply chain."

This meant that there was a risk that those with goods to sell may not be able to find capacity.

"Everybody should prepare for more volatility in terms of equipment availability and blank sailings. Shippers should look at the portfolio of carriers they can work with and think about contingency plans for sourcing. Mid-term they should be looking at supplier diversification and what their back up options are."

The shortage of space could also see the issue of no-shows and rolling return to container shipping.

"There are a few signals in the market already that the amount of no-shows is going up," Mr van Casteren said. "As a result, carriers are going to overbook their vessels, which in return will lead to higher rolling rates. But this will exacerbate the situation. It is a vicious spiral."

But with carriers having announced their blanked sailings for up to six weeks ahead, it should be clear to shippers how much capacity was available, he said.

"Ideally, people will avoid going down the path of making multiple bookings."

At the destination side, the four-week period of production resumption would mean there will be a lot of goods coming into the UK and filling up warehouses.

"The first question is where do you actually put it," Mr van Casteren said. "Ideally you find ways of storing it that don't affect our customers' cashflow that much, because the next issue is going to be that there is little revenue coming in, but at the same time you have your goods on your balance sheet."

China issues crew change guidance amid port resistance

CHINA'S Ministry of Transport has issued guidance on repatriation of Chinese crew amid lingering reluctance from local governments and port authorities to make the move.

The policy drive only targets Chinese seafarers working on internationally-trading ships.

In a notification yesterday, the ministry requested shipping companies and crew agencies to "assume primary responsibility for crew changes" and at the same time take effective virus-control measures during the process.

It also asked the local transport and maritime authorities to help improve the preventive work at ports to stop infections from being imported into the country.

Additional protocols in relation to monitoring seafarers' health status are included in the guidance to minimise the risks of the crew relief operations.

The move comes after the MoT said last month that it would co-ordinate an effort with all relevant parties to solve the issue on an ad hoc basis, and it was targeting about 10,000 Chinese crew members whose service agreements or contracts will expire by end-May and are due for shore leave.

In a recent letter, the International Maritime Organization also called on its members states' governments to facilitate crew changes and to exempt seafarers and maritime personnel from travel bans imposed to prevent the spread of pandemic.

China had strictly banned crew embarkment/disembarkment at the country's ports until recently, when it managed to get the public health crisis under control and started to allow such operations on a case-by-case basis.

Ports and their governments at local administration level have been on the frontline of battling the epidemic. They fear that lifting the restrictions would risk what they have achieved.

It is hoped that the new MoT guidance will help overcome such resistance.

One crewing manager at a Chinese shipping firm said that changes of crew were still discouraged at many domestic ports in the face of complicated paperwork and prolonged responses.

"The request needs to be approved by different authorities comprising of maritime, customs, port as well as immigration. But these departments are siloed," the person said. "If one of them rejects you, it'll kill the plan."

On the other hand, shipowners' financial burden has also increased. Commissions charged by agents for crew changes are now five to10 times more expensive than in the pre-virus period, while there are extra expenses for seafarers on their nucleic acid testing, health certificates, transportation and quarantine fees, according to the manager.

Even so, he said that the costs were still lower than shifting the Chinese crew at foreign ports.

"So we still prefer to do it in China."

A Chinese shipmanagement executive said the government was in a dilemma.

"If they ease the policy too much, all the vessels will flock to ports and that will overwhelm the testing and quarantine capacity," he opined. "There will be more crew changes but a wholesale relaxation in short time is unlikely."

Scrubber cheerleader Scorpio postpones retrofits where possible

SCORPIO Tankers, one of the biggest cheerleaders for scrubber technology, has signalled it will delay their installation on any remaining vessels in its fleet where possible, but only because current earnings for long range tankers are so high.

"Short term, you're just trying to do what you can to maximise the revenue intake you're taking," the company's chief executive Robert Bugbee told the Capital Link institutional investors conference.

"So, if you had the choice to postpone a scrubber fitting, I think most companies would do that at the moment, just simply because of the rate strength in the big ships."

Some 51 tankers in Scorpio's fleet of 137 product tankers have yet to have scrubbers installed as of March 27, the company said in a filing on Wednesday. The shipowner has agreed to install scrubbers on 98 ships at a cost of $2.5m each, with not all of the $245m cost yet financed.

Scorpio's investment hinged on a bet that the spread — or difference in price — between the more expensive 0.5% very low sulphur fuel oil and the cheaper 3.5% sulphur fuel oil that vessels fitted with scrubbers can use would result in savings, boost earnings and quickly pay back the investment.

The price for VLSFO now used by some 70% of the international global fleet has plunged by 278% in Singapore since the beginning of 2020, according to assessments compiled by price reporting agency Argus Media. The spread is now some $60 per tonne above high sulphur fuel oil, down from levels above $300 per tonne earlier this year, destroying the economic rationale for installing the technology.

Asked whether these prices had changed his perspective on installing the remaining scrubbers, a clearly uncomfortable Mr Bugbee said: "Let's actually change the perspective, which is simply the massive strength in the market right now. You know, when you have ships fixing where they are, you will do what you do to respond, scrubber fitting regardless, to take those levels. Where you have compulsory drydocks you'll continue mostly likely with the scrubbers."

Rates for long range two tankers on the Saudi Arabia-to-Japan route are at nearly $60,000 per day, according to the London-based Baltic Exchange, while medium range tankers on the transatlantic route are averaging just under $25,000 per day, data show.

Frontline Tankers, which also invested in scrubber technology, has signalled that the payback seen from earnings on scrubber-fitted vessels in its fleet had diminished to $100,000 per day from $400,000 daily seen in December and January. The company also part-invested in a company that produced exhaust gas cleaning systems.

"The factory that we owned part of, we're not getting many orders, we're not going to get any new orders," said the company's chief executive Robert MacLeod, speaking at the same conference at an earlier session.

Like Mr Bugbee, he quickly diverted, saying "the current market is what we should have the main focus on".

Scorpio has been one of the most vocal supporters for scrubbers, which have been installed on about 4,000 of the biggest ships in the 60,000-strong commercial fleet, ahead of global regulations that came into force on January 1 mandating the use of 0.5% lower-sulphur bunkers. About one in five very large crude carriers and more than a quarter of the global containership fleet have the sulphur abatement technology installed.

Yildirim backs CMA CGM as box line sector prospects worsen

CMA CGM shareholder Robert Yildirim has voiced firm support for the French group, which faces a downgrade by a major credit-rating agency amid growing concern about prospects for the whole container shipping industry as consumer demand slumps across Europe and North America.

Mr Yildirim, who came to the rescue of CMA CGM a decade ago, said he would "of course" pump more money into the group if required, but stressed that there was no need for such help right now.

CMA CGM has ample cash reserves, he said, after the recent sale of some of its port assets to Terminal Link, the group's joint venture with China Merchants. This will generate an eventual $1bn, while more money has been raised through ship sale and leaseback transactions. The group has also negotiated a three-year extension to the maturity of $535m worth of credit lines due in 2020.

"There is no cashflow problem at the moment," he said. Profit-wise, "January was slow, but February went well and March is going to be good". Ships loading in Asia are now about 80% full as factories in China reopen.

Looking ahead, though, numerous industries are going to suffer badly from the lockdowns in Europe and North America, Mr Yildirim acknowledged. However, he expects shipping to be less hard-hit than many "because goods will still have to move from one continent to another".

Mr Yildirim's comments came a few hours after Moody's placed CMA CGM's B2 corporate family rating on review for downgrade, and downgraded the rating of the group's CEVA Logistics subsidiary.

That reflected the rapid spread of the coronavirus outbreak, the deteriorating global outlook, falling oil prices, and declines in asset values, with CEVA also suffering from its exposure to the automotive and consumer goods sectors, Moody's said.

Mr Yildirim, who is chairman of the Istanbul-headquartered Yildirim Group of Companies and also chief executive of its Yilports division, said that shipping was in much better shape fundamentally than the aviation industry, which now faces a very bleak future.

The same goes for seaports, which are likely to fare better than airports in the coming months and further ahead.

Even if there is a global recession, the world will still need food provisions and other supplies, he pointed out in a telephone interview with Lloyd's List.

"If shipping stopped tomorrow, the world is dead," said Mr Yildirim.

He described CMA CGM as "a very good company", while conceding that the investment in CEVA Logistics was proving difficult.

Nevertheless, he echoed the views of CMA CGM chief executive Rodolphe Saadé that the group needed to provide end-to-end logistics services, and not just port-to-port deliveries. CEVA is central to that ambition.

Mr Yildirim now has a 24% shareholding in CMA CGM after pumping $600m into the French group in 2010 and 2011 as it accrued huge losses. The French state also provided financial support.

Mr Yildirim's original investment through convertible bonds was only meant to be a short-term arrangement but has now turned into a much more permanent commitment.

Although all container lines face some challenging months, he said the situation now for CMA CGM was very different from a decade ago when the group lost heavily through oil price hedging that backfired, and financial institutions were reluctant to provide a bailout.

Should CMA CGM need to turn to its banks, the group was likely to find a more sympathetic ear this time, said Mr Yildirim, particularly with shareholders from outside the Saadé family, including himself and the French sovereign fund.

CMA CGM's debt has jumped from $7.7bn at the end of 2018 to almost $17.7bn a year later, but Mr Yildirim noted that this partly reflected new global accounting rules that had inflated the figure.

He also pointed out that group earnings before interest, taxes, depreciation and amortisation more than tripled to $3.8bn in 2019.

Even though the pandemic will have far-reaching consequences for businesses the world over, Mr Yildirim said that overall, he remained "very optimistic for shipping".

OPINION

Seafaring should be considered an essential service

SHIPPING still does not rank as high up as it should on the agenda of many policymakers, *writes Hwee Hwee Tan*.

This stark reality is once again made apparent by how policies have been crafted to contain the coronavirus pandemic.

Last Friday, Singapore moved to relax a ban that was incrementally enforced on crew changes during the now months-long pandemic.

The Maritime and Port Authority of Singapore has said that seafarers on board incoming ships would be allowed to disembark under these circumstances:

- He or she has served maximum time on board and no further extension of employment contract is granted by the flag state;

- He or she is no longer medically fit to work on board the ship; and

- He or she has compassionate grounds, such as a death of family member, for having to disembark from the ship.

Shipping players generally view this as one small step taken to alleviate the plight of many stranded seafarers and they have asked for more to be done, not least taking in the special provision extended to one adjacent industry.

Singapore has granted waivers from serving stay-home notices to pilots and cabin crew provided they have observed precautions, including not leaving their hotels when abroad.

This brings forth the age-old debate of how one transport sub-sector is perceived as more essential compared to another.

Shipping players speaking to Lloyd's List have made clear they are not seeking exemptions from home quarantines. Singapore, as with other sovereign states, has enforced this regulatory measure to protect the greater public health and safety.

Still, they have questioned the logic of extending exemptions to airline crew put on at most days-long rotations compared to the months-long rosters observed by seafarers, not least considering the relative public health risk one group may pose over another.

The one issue truly bothering many industry players is that those with higher jurisdiction powers beyond just maritime matters often do not view seafaring as essential to a functioning world economy.

Yet the fact is that commercial ships manned by millions of seafarers transport about 90% of global trade.

Each month, around 100,000 seafarers need to change over but most found themselves stuck on board for longer because they are denied the right to do so at many ports.

In this respect, the UK stood out for having classified seafaring as an essential service.

Calls on Singapore and other maritime nations to do the same are likely to get louder as the battle against coronavirus drags out in the coming months.

What if coronavirus teaches us to consume less?

DURING the Lloyd's List Qatar Maritime and Logistics Summit in mid-February, speakers identified three critical issues that would disrupt the industry in the coming year. One of these was climate change, another was cyber security, the third was coronavirus, *writes Richard Clayton*.

No doubt vessel overcapacity and geopolitical tension would be high on some agendas, as IMO 2020 was in 2019, and piracy was a decade ago.

This week, Capital Link offered a digital forum for a cool reassessment. And what a range of views it was.

The panel sessions focusing on market segments appeared to believe that, when the virus is defeated, it would be "business as usual". The advocates of decarbonisation argued fiercely that not even the coronavirus interruption should delay the pace of change. The financiers debated the merits of risk and stability. Not surprisingly, shipowners among the panellists didn't seem to have much steer in any direction.

Among all this conversation, one thought — which is rarely raised in the open but must surely be considered around private dinner tables — stood out. In his dialogue with Shell vice-president Grahaeme Henderson, Citi's Michael Parker pondered about "the risk to shipping of people learning to consume less."

It's the ultimate fear for shipping, even trumping the concern that near-shoring or protectionism would significantly reduce the demand for tonne-miles. What if rich consumers in Asia, North America and Europe suddenly decided they no longer needed to replace their smartphones every two years? What if they saw the damage to the environment in upgrading their clothes every six months? What if the coronavirus lockdown taught us to eat less meat and drink less wine?

The consequence could be that the upward trend of globalisation would be stopped. In combination with governments needing to find local employment and opting to manufacture goods that were — pre-coronavirus — sourced overseas, people learning to consume less would feed through to fewer ships and lower emissions.

Coronavirus will inevitably bring disruption to employment. The United Nations' Sustainable Development Goal 8 promotes inclusive economic growth with productive employment; SDG 9 promotes inclusive industrialisation; SDG 10 aims at reduced inequality within countries. None of these is attainable through a return to business as usual.

On the other hand, shipping brings affordable energy (SDG 7), enables food availability (SDG 2), and carries around the world the elements that ensure sustainable manufacturing, healthy eating, and good jobs. In other words, shipping is both part of the problem and part of the solution.

So a reduced demand for shipping would help to meet some of the SDGs while preventing others to be met.

But can lower consumption, however that is defined, be said to be a risk to shipping? A risk to corporate revenues, perhaps; a risk to the finance available for innovation, certainly; a risk to jobs and prospects — but no more of a risk than digital disruption.

There is no silver bullet in achieving shipping's obligation to cut emissions by 2050 to half the 2008 level. New technologies are vital in this effort, both big and small. New fuels, new designs, new ways of working. However, there is one disruption that could make all the difference for shipping, and it's a simple change no one wants to think about: what if coronavirus taught us to consume less?

ANALYSIS

Is Vitol deal the start of an M&A wave in Singapore's bunkering industry?

VITOL'S recently announced renaming of the bunkering business it bought out has raised expectations that merger and acquisition activity may ramp up in Singapore's thriving marine fuel industry — possibly with some help from a regulatory overhaul.

The trading giant took almost one month after completing the buyout of Singapore-based Sinanju Tankers to officially announce the deal and unveil the entity ultimately holding the bunkering licence acquired via the transaction.

News about the acquisition broke much earlier even — industry sources pointed to rumours circulating way back in March 2019 when Vitol was said to have made the first approach.

One unique feature of Singapore's marine fuel sector is believed to have contributed to the marked delay in the official announcement — the deal needs to win a regulatory stamp of approval from the Maritime and Port Authority of Singapore because, as it turns out, Vitol wants its name reflected on the bunkering licence.

The trading group is said to have tried for some time to secure a licence from the MPA before extending its offer for Sinanju Tankers.

Sinanju Tankers, which was set up in the 1990s by three friends who eventually sold out of the business, holds two separate licences with the MPA — one for bunker supply and the other for bunker craft operations.

Vitol made mention of only one bunkering licence, which is now held by a newly incorporated private entity. But Lloyd's List understands the ownership of the 15 tankers acquired with the business still sits with Sinanju Tankers, now 100% owned by the trading giant.

In between Vitol making the first offer and finally completing the acquisition, the MPA revised the licensing rules late last year.

The regulator requires those seeking new licences to operate bunker tankers so that they have better oversight and control over bunkering operations.

It requires new applicants to demonstrate the ability to operate liquefied natural gas dual-fuelled bunker tankers or tankers running on cleaner fuels that comply with the International Maritime Organization's 0.5% sulphur limit.

Vitol would have ticked both boxes by buying out Sinanju Tankers.

The owner and operator of a 15-strong fleet now active in Singapore, has already taken delivery of one LNG dual-fuel tanker that subsequently went on hire with ExxonMobil.

Still, this is where observers are left wondering aloud whether the licensing regime would have been or is being updated to pave the way for more M&A activity in Singapore's bunkering scene.

Bunkering industry veteran Simon Neo pointed out that one long-standing rule prohibits the transfer of existing bunkering licences.

Choong Zhen Mao, executive director of Equatorial Marine Fuel Services, however, flagged the possibility that Vitol may have secured a brand new licence instead of a transfer of the existing one held by Sinanju.

The exact details of the licensing arrangement remain privileged information as at the time of writing between the regulator and the two parties involved in the deal.

But any leeway the MPA may grant on this rule is seen as opening one other avenue to tap opportunities in Singapore's thriving bunkering industry.

Trafigura, Mercuria are two other trading giants reportedly seeking bunkering licences from the MPA.

Mr Neo argued that by taking over Sinanju Tankers, Vitol has fast-tracked its bunkering capacity, gaining access to crew and staff capable of running a ready and fully operational fleet.

He viewed control over both the quantity and quality of the bunkers supplied as one chief motivation for Vitol to seek a licence to operate in Singapore.

As the leading bunkering hub by marine fuel sales, Singapore is the first port to mandate and regulate the use of mass flow meters in assessing the bunker volumes delivered — a move that has helped to cut disputes over quantities of fuel delivered.

What is more, buying out an existing, operating fleet puts Vitol in a better position to mitigate the risk of fuels becoming commingled during delivery at the world's top bunkering port.

Concerns about fuel quality have heightened as bunkers of wide-ranging specifications have made their way into the world's bunkering stream.

Trading giants such as Vitol would also want control over fuels supplied to vessels in their own fleet, Mr Neo added.

The aforementioned factors make up a compelling business case to acquire a licensed bunkering business in Singapore.

It's little wonder that the industry at large would have regarded Vitol's recently completed deal as another glimmer of hope of regulatory support for increasing M&A activity.

Cargo owners warned of ocean freight disruptions

CARGO owners should expect significant further ocean freight service disruptions this year with more blank sailings and likely service suspensions, as volatility linked to coronavirus worsens.

In its latest Container Insight briefing, Drewry also suggested that shippers “should consider adding a few ‘backup carriers’ to their list of vendors if their primary service providers ration capacity or stop loops”.

It warned that despite the unexpected reduction in fuel costs, shippers prioritising transit times “need to watch out for slower service speeds as some carriers may be tempted to extend round voyages to absorb capacity”.

Drewry noted the only certainty currently was “supply and demand volatility”, as “each passing day brings more grim new statistics that make it clear that our early assessment of the crisis and its likely impact on the container shipping market was too optimistic”.

It said what started out as an isolated supply shock “has rapidly mutated into a global demand crisis as governments across the world are implementing social distancing measures, to varying degrees, in a bid to contain the virus”.

“China is nearing full production activity, but its position as the factory of the world won’t mean much if its trading partners are not making purchases while in lockdown. Production outside China is also starting to be hit.”

Drewry said it was too early to say precisely how coronavirus will impact the container shipping world and how it will measure against the container market’s nadir of 2009, due to the uncertainty surrounding the virus.

Instead, the approach taken in its latest quarterly Container Forecaster report is to outline three potential scenarios and their implications for the market.

It said the main difference between the three scenarios is the timing of the recovery.

“If China is a reliable guide, countries can expect that containment will take a minimum of three months, although because different regions are on different curves and there is a lack of uniformity in containment methods, it seems that China’s example is a best-case that few, if any, will replicate.

“For our base-case scenario, we have taken the view that global containment will not be achieved for at least six months.”

While the direct public health impact might vary from region to region, Drewry expects that view all countries will suffer economic hardship as a consequence of coronavirus.

“Countries with relatively few cases will still experience a fall in container handling due to the interconnected nature of world trade,” it noted. “A finished goods shipment from China to the US, for example, is only possible because of numerous other prior movements of primary and intermediate inputs from elsewhere in the world.”

Ocean carriers’ capacity management would be tested in the coming months, it added.

“It is their daunting task to judge how much containership capacity is needed during the demand pullback, and also to be ready to service the market when the recovery begins, whenever that may be.”

In its baseline demand scenario that foresees a demand collapse in the first nine months and recovery from the fourth quarter, Drewry said it had “assumed that carriers will have to be even more pro-active on the supply-side”.

It highlighted that void sailing notices from carriers for April “are coming in thick and fast and while rapidly decreasing fuel costs might tempt carriers to persist with this tactic as the primary defence for a little while longer, the need to preserve cash will soon force lines to suspend loops and park ships up”.

Drewry said carriers “should prepare action plans for supply-side retrenchment across a wide range of demand scenarios in order to maintain an acceptable supply-demand balance”, noting that all service plans should be well communicated to customers with as much advance warning as possible in order to maintain business relations when the recovery arrives.

To mitigate the elevated risk of operating losses, it suggested that lines “should consider off-hiring chartered tonnage wherever possible and laying up owned units to preserve cash in the event of a prolonged demand downturn".

"Without any co-ordinated response, carriers will not always get it right when it comes to vessel deployment."

Investment banks eye greater shipping consolidation

SHIPPING companies are currently shut out of the capital markets and may struggle to raise fresh equity after markets recover from the coronavirus shock, but consolidation is expected to help the industry's cause, according to an online forum this week.

US-listed shipping stocks have sunk in value by between 25% and 60% so far this year, according to Christa Volpicelli, managing director, global transportation group at Citi.

"The equity markets are just not open," she told a capital markets panel discussion. "This is not a sector where you will see companies try to issue equity any time soon."

She believed that investors could start looking at shipping investments again once the wider economic picture became clearer, but "smaller cap sectors tend to underperform" and "there are a lot of other places where investors can find value right now."

Ms Volpicelli was confident that "the trend for consolidation among public shipping companies will continue after we finally get through this.

"I think there will be more ships-for-shares deals and more consolidation," she said. However, the circle of companies in which sellers might be prepared to accept paper could be restricted, she added.

Ships-for-shares deals were "a challenge right now," said Nicolas Duran, director and partner at Fearnley Securities, citing share price volatility and overall market uncertainties. However, these could become more common again, depending on market recovery.

Expectations that private equity firms that invested in shipping a few years ago would be a driver of consolidation had largely been disappointed, said Mr Duran.

"What we see is that none of them want to take any kind of equity from a shipping firm, even if you only take half in shares," he said.

"People are very sceptical towards that. In the M&A space some of these players are just not moving. They would rather have control than sit as a passive shareholder in a listed entity that they can't get out of."

Mr Duran also said that falling asset values were making investors pause when considering investments that purportedly offered a steep discount.

"It's a bit early. People want to see how values play out when the dust starts to settle a bit," he said.

Consolidation, or "larger corporate entities", could be a "catalyst that can pull things in the right direction... and lead to supply-demand balance that will be sustainable and give a long-term solid recovery".

Theodore Jadick, chief executive and president of DNB Markets, noted that "high-yield bond markets are as bombed-out, if not more so, than equity markets" and were "not a place to raise money today."

He, too, expected to see more consolidation among shipping companies. "It has been a theme consistent for shipping for a very long time and I don't think it's going to be efficient or economical for small owners to stay in the business," he said.

"My experience says that this industry really has to harbour their liquidity very carefully," Mr Jadick added. "Shipping companies will not obviously have the easiest time in tapping markets [after the crisis ends]."

In terms of which sectors could command more investor interest than others when markets emerge from the coronavirus crisis, a number of shipping specialists at investment banks picked the dry bulk sector.

"We actually feel that dry cargo could be in a good position," said Doug Mavrinac, global head of maritime investment banking at Jefferies, who cited China's record of economically stimulating its economy when necessary.

"If it does that, it could be the recipe to get investors to look at our space," said Mr Mavrinac.

"Shipping has always been a sector that has found it challenging to attract investors. If there is a reason to get excited it is a China focus and raw materials focus."

Mr Duran at Fearnley said: "We completely agree. We think the first sector to benefit from stimulus is dry cargo.

"With tankers, you have essentially just borrowed from the future right now and you will have to pay for it down the line," he said.

MARKETS

New dry bulk safety standard launched

A NEW Dry Bulk Management Standard was launched yesterday, spearheaded by RightShip, to improve dry bulk vessel and fleet safety.

The standard, which is still in a draft format, was created to help drive collaboration and conversation in the dry bulk sector, with a view to "ultimately improving standards for managers and crews".

The guidelines are voluntary and require further input from industry players, according to a statement issued on Thursday.

The draft guidelines focus on 30 areas of management practice across the four most serious risk areas during vessel operations — performance, people, plant and process.

The programme, which has been months in the making, is designed to allow shipmanagers to measure their Safety Management Systems against agreed industry standards.

"The DBMS will grade the excellence of a company's SMS against measurable expectations and targets without involving the burdens of excessive inspections," the statement said.

"While the DBMS won't be a replacement for the ISM Code, it will build upon industry standards and provide a systematic approach to encourage shipmanagers to move from minimum compliance to operational excellence."

The project's lead Luke Fisher said: "Improving safety standards is an ongoing and constant area of focus for the dry bulk segment. DBMS will help to accelerate an increase in standards, and also provide an attainable benchmark for maritime excellence."

He added: "Importantly, this voluntary scheme is based on the principle of comparisons and collaboration. Designed by the industry, for the industry, we are confident that the new standard creates a clear pathway of actions for owners and operators who wish to go well beyond the compliance baseline."

India coal trade to keep supramaxes afloat

DRY bulk carriers can look forward to more employment opportunities on the coal trade from Indonesia and Australia to India in the coming weeks as the supply of thermal coal in India has been declared as an essential service.

The news is a welcome development for vessels looking to take advantage of the rising domestic demand in India as state-run Coal India's production fell for the first time in the past two decades.

In 2019, imports of thermal coal — mainly used for electricity generation — rose 12.6% to nearly 200m tonnes. This was the second straight year of growth.

However, the coal trades have been hampered recently by the nationwide 21-day lockdown from March 25 to combat the coronavirus pandemic, which saw many ports in the country invoking force majeure.

According to a broker in Singapore, the supramax market was quiet on key west coast India routes as coal demand during the lockdown period remained tepid. The only trade that thrived last week was coal going from Indonesia to China as the economy slowly re-opens.

"But declaring coal as an essential good in India will definitely boost imports," he said, while pointing out that logistical hindrances will still kill some of the demand.

"Other Southeast Asian ports were shy in terms of fresh cargoes. Hire rates will remain under pressure but coal movements to India should provide some support."

For cargoes originating in Indonesia, voyages to India's east coast stood at $6.70 per tonne as compared with $7.30 a tonne a week ago, whereas vessels were able to fetch $8.30 per tonne to west coast India.

Rates for the S8 South China trip via Indonesia to east coast India on the Baltic exchange stood at $3,931 on Wednesday, down 20.9% compared with the week before.

GasLog sees LNG spot market boost as China recovers

GASLOG has taken "extensive measures" to limit the impact of the coronavirus pandemic on its business at a time of increased activity in the spot market for liquefied natural gas carriers.

In an operational update, the Greece-based owner of 35 LNG carriers, including 15 owned by affiliate GasLog Partners, said that it had managed to deliver fleet availability of "close to 100%".

Measures included suspending shore leave and all crew changes for 30 days from mid-March.

For weeks, shipowners have been highlighting the difficulty of carrying out crew changes in light of national and international restrictions to combat the spread of coronavirus, but the potential benefits of keeping existing crews on board in terms of avoiding infection have also been pointed out.

Among other measures, the GasLog group has instituted a work-from-home policy for all onshore employees. It also "opportunistically" accelerated dry docking during a slowdown of LNG trade in February and March.

The docking of four vessels and the installation of ballast water treatment systems are expected to be completed by mid-April, it said.

All of GasLog's vessels not on longer-term contracts or in drydock are currently employed until at least May.

"There has been a marked increase in activity in the spot and short-term market in recent weeks, primarily driven by a resumption in industrial activity in China," the group said. "As a result, the company expects to secure additional employment for its vessels ahead of the conclusion of their current fixtures."

During the first quarter, the group's tri-fuel diesel electric vessels in the spot and short-term market averaged time charter equivalent earnings of about $44,000 a day.

"The coronavirus outbreak has presented many challenges to our business," said GasLog's chief executive Paul Wogan.

"I am very proud of the dedication of all our employees, whose health and safety remains our first priority," he said. "I especially thank our seafarers for their commitment and professionalism while apart from their families and friends," he said.

GasLog also announced that on Wednesday it took delivery of its latest newbuilding, the 180,000 cu m *GasLog Windsor*, from Samsung Heavy Industries.

It said that the vessel was delivered "on time and on budget", despite industrial disruption in South Korea due to the virus outbreak.

GasLog Windsor has gone straight on to an "attractive" seven-year charter to Centrica

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IN OTHER NEWS

Call for fair demurrage and detention charging during crisis

FREIGHT forwarders are calling for fair and equal demurrage and detention charging during the coronavirus pandemic.

The European Association for Forwarding, Transport, Logistics and Customs Services (Clecat), highlights concerns among members over the impact of different national rules on the periods of time containers will need to stay in ports before import or export during the crisis.

In a briefing paper building on several years of concerns among freight forwarders and work by international organisations, Clecat sets out a number of issues freight forwarders have encountered recently with detention and demurrage charges, including references to recent European court cases.

Greek shipping ramps up help for medical staff

PLANELOADS of emergency medical equipment have been arriving at Athens airport in the past few days as Greece's shipping industry has quickly ramped up contributions to help the country's health workers in their fight against coronavirus.

On Tuesday, a chartered Azerbaijan freight jumbo touched down at Eleftherios Venizelos International carrying the lion's share of a consignment of 13.5m protective masks for Greece's hospitals that have been donated by the Onassis Foundation.

The donation, which including the charter is worth close to €7.8m ($8.5m), is expected to cover the needs of a struggling Greek health service for masks until the early summer, by when it is hoped that national and international production of masks will have expanded to match the scale of the pandemic.

BCI's return to positive territory raises hopes

THE Baltic Capesize Index has moved back into positive territory for the first time in just over two months, a sign that a recovery may be on its way.

With China resuming work activities following a lockdown to contain the rapid spread of the coronavirus, its manufacturing index reached 52 in the most recent weekly data. That compares with a low of 35 during February.

"The improved manufacturing figure is an early indicator that China is improving, but the index needs to get to the 80 mark to show it is out of the woods," BIMCO's chief shipping analyst Peter Sand said, adding that it would take many more months to get back to the pre-virus levels.

Italian shipping and ports in line for stimulus package

SHIPPING and ports will benefit from the Italian government's emergency measures to keep the country's economy on the road during the coronavirus lockdown, according to local lawyers.

The package — known as Cura Italia, which translates as 'Italian Cure' — centres on rent reductions and a ban on employers laying workers off. But there are a number of stipulations that are specific to, or at least applicable to, the maritime industries.

State support is now a life-or-death question for Italian shipping companies, most of which have been losing money for at least a decade, according to Furio Samela, a partner at the Milan office of Watson Farley & Williams.

Port of Los Angeles terminal closes after positive coronavirus test

THE San Pedro Bay ports of Los Angeles and Long Beach were in a state of uncertainty as at least one longshore worker tested positive for coronavirus.

"Dispatch halls for ILWU Local 13 longshore workers at the ports of LA and Long Beach have been temporarily closed after a dispatcher tested positive for the coronavirus," Stephen Hennessey, chief operating officer of the Pacific Maritime Association, said on Tuesday evening local time.

He said the two halls were being sanitised on Tuesday night, with the goal of resuming dispatch operations on Wednesday morning.

Leading US LNG exporter tests market with Europe tenders

THE largest liquefied natural gas producer in the US has tendered for six shipments to Europe, prompting speculation that it may cut output in favour of sourcing cheaper spot cargoes to meet its contractual obligations.

Cheniere Energy has awarded four of the six tendered shipments at about 20 to 30 US cents off the European benchmark Dutch Title Transfer Facility, Bloomberg reported citing unnamed traders.

Poten & Partners global head of business intelligence Jason Feer viewed this recent move as signalling Cheniere's attempt at sizing up the supply glut in the liquefied natural gas market to "make a judgement on whether to shut down production".

IAPH issues guidance on health crisis response

THE International Association of Ports and Harbours, through its World Ports Sustainability Program, has set up a dedicated task force and online portal to offer support and information to port authorities about the coronavirus outbreak.

The move comes in response to a request from members of the IAPH, which combined handle more than 60% of global maritime trade and 80% of the world's container traffic, for further guidance surrounding the pandemic.

The task force, which will be led by Tessa Major, the association's vice-president for Central and South America, will see experts team up from eight ports from across the globe, including those in Guangzhou, Rotterdam and Los Angeles. Digital trade logistics consultancy Maritime Street will also lend its support.

Classified notices follow on the next pages

CORRIGENDUM

EXTENSION OF TIME FOR PRE BID MEETING AND SUBMISSION OF BIDS FOR INTERNATIONAL TENDER FOR PROCUREMENT OF THREE (03) NEW TUG BOATS

Tender No:PLG/22342/2020

1. With reference to the Invitation to Bids Notice for **INTERNATIONAL TENDER FORPROCUREMENT OF THREE (03) NEW TUG BOATS** published on 13th March, 2020 in Lloyd's List Daily Briefing and also on PNSC and PPRA websites, in view of developing situation with regards to **COVID-19**, the Pre-Bid meeting date has been extended from 30th March, 2020 at 1500 hours to 04thMay, 2020 at 1030 hours and last date for Bidders to apply for the clarification of bidding document has been extended to 29thApril, 2020.

2. Subsequently closing date has been extended from 16th April, 2020 at 1030 hours to 18th May, 2020 at 1030 hours.

3. Interested firm(s), may be obtain the same, free of cost from the address stated below from Monday to Friday during office hours OR download from PNSC's website www.pnsc.com.pk till 18thMay, 2020. This corrigendum is also available on PPRA website www.ppra.org.pk

4. International bidders can participate in the pre-bid meeting through video-link for which they will have to send an email at sandp@pnsc.com.pkat least 2(two) days prior to the meeting for coordination.

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