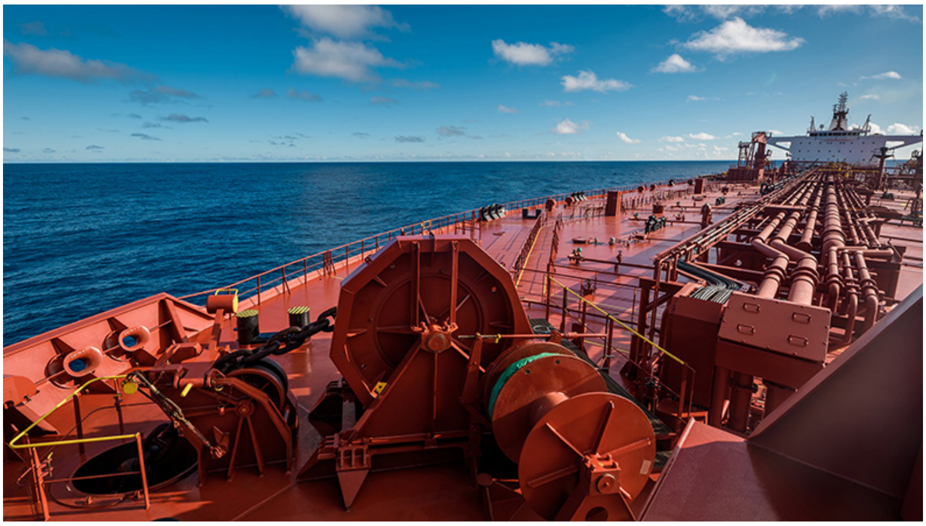
Wednesday August 26, 2020

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

Refined product data paints grim picture for tanker market



THE RELEASE OF global data for demand, production and export of refined products provides shows how the coronavirus pandemic has reshaped tanker markets for vessels shipping gasoline, jet fuel, gasoil and diesel.

New Joint Organisation Data Initiative figures show overall demand for transport, heating and industrial fuels plunged 20% in the first half of 2020 compared with the same period in 2019, to 41.7m barrels per day.

The largest global demand slump was predictably for jet fuel, with demand 39% lower, compared with gasoline which was down 20%. Diesel and gasoil registered the smallest fall, at 15.9%, reflecting its broader industrial use beyond cars and trucks.

Half-year exports of gasoil and diesel also showed the smallest fall compared with the same period in 2019.

Exports were down 10%, to just under 7.4m bpd, Jodi data showed. Gasoline exports fell 20% and jet fuel by 52%.

Large reductions in middle distillates, which incorporate diesel, gasoil and jet fuel were noted from Saudi Arabia, the second-biggest exporter after the US. Shipments of gasoil and diesel from the kingdom fell by 33.7% over the six-month period.

However, the fall is partly explained by low export volumes in February and March, when the kingdom pumped record volumes of crude for export. Diesel and gasoil exports in June were reported at 553,000 bpd, which compares to 700,000 bpd for the same month in 2019.

Counterintuitively, Saudi diesel and gasoil exports in May reached the most since January 2019, at 754,000 bpd according to the Jodi data. That was when the country's crude production and exports slumped to the lowest in more than a decade as part of an agreement of Organisation of the Petroleum Exporting Countries and allies to curb oil output to restore falling prices.

The kingdom likely diverted crude to its middle distillate-producing refineries, which is also borne out in its output figures, which were the highest in 18 months in May and June.

The US, which is a key exporter of refined products to Europe, Latin America and also West Africa reported figures that revealed half-year exports of diesel and gasoil were down by 8.1% year on year.

China figures showed a 5.6% drop in shipments. While small, June figures were the lowest monthly export volume since 2013. Russia, the largest exporter of diesel for northwest Europe reported a fall in export volumes of 13.8%.

Gasoline demand fared best in countries where lockdown measures were least restrictive, which meant that countries in Europe, with refineries that already produce more of the transport fuel than they need, were the most affected.

France half-year demand figures for gasoline plunged 39% over January–June, with Spain slumping by 31%, and the UK by 26%. US demand was down overall by 15%, smaller than China's 18% fall.

Brazil, where the government has resisted lockdown policies, saw demand 6% lower.

Gasoline demand has quickly risen month on month in both China and the US.

The US figures for June, at 8.3m bpd, compared with 7.2m bpd for May, and 5.6m bpd for April. Chinese demand for gasoline is reported in June at 2.7m bpd, the highest since January.

That is probably why global gasoline export figures show the smallest, 15% fall over the half-year period. China, which imported record volumes of cheap crude during June and July and record refinery output actually saw gasoline volumes rise by 16% in 2020's first six months.

Chinese exports of gasoline were reported to Jodi at 369,000 bpd for the first six months of 2020, compared with 318,000 bpd for the same period a year earlier.

Exports from the Netherlands, from where several major refineries supply the US east coast and West Africa, dipped 20% over the half-year period, to 479,000 bpd. Exports from the US, which are mainly shipped from the US Gulf coast, were also down 20%, to 724,000 bpd.

The most striking statistics were seen for jet fuel. Globally, refinery output was cut by a third, demand plunged by 39%, and exports were 52% lower.

The demand collapse was strongest in Europe where refineries in the Mediterranean and north west Europe saw half-year numbers that were as much as 70% below the same period of 2020. US imports were 66% down.

Demand has yet to rebound, with Saudi Arabia, a key supplier to northwest Europe and the Mediterranean seeing June figures hit the lowest since November 2015. China's May figure was the lowest export volumes for jet fuel since September 2012, data shows.

If there are any bright spots, it is for diesel demand and exports, where June figures in some of the key production and exporting countries are showing a rebound from moribund numbers seen from April and May. US exports returned to 1.23m bpd in June.

WHAT TO WATCH

Seadrill shareholders could lose all in debt-restructuring

SEADRILL, the loss-making rig operator, has yet to agree a restructuring strategy but is warning shareholders of the likely outcome.

The Oslo-listed company, which is controlled by John Fredriksen, said it is considering its restructuring moves, following its inability to secure full consent from its lenders to amend credit facilities, and stressed the potential fallout for its shareholders.

"We continue to evaluate capital structure proposals from our financial stakeholders," the company said. "While no agreement has been reached at this point, it is expected that potential solutions will lead to significant equitisation of debt, which is likely to result in minimal or no recovery for current shareholders."

Seadrill incurred a $183m net loss in the second quarter, compared with a $206m loss in the year-earlier period. The relative improvement came down to lower operating and financial expenses. Revenue declined by almost 14% to $277m for the three months.

"Global market sentiment for the quarter has been poor, as the real impacts of coronavirus and reduced demand have begun to crystallise," said chief executive Anton Dibowitz.

After recording a $1.56bn loss during the first quarter of 2020, Seadrill decided to drop its New York-listing and move forward with a comprehensive restructuring.

Shortly after, it announced it would reduce its workforce by 1,400 as part of that effort.

Seadrill added $41m to its backlog between April and end of June, raising the total to $2.3bn. The company has 35 floaters and jack-ups, 21 of which were idle in the second quarter.

"We will be prioritising our cash preservation and efficiency plan to prepare ourselves for the challenges that our industry faces in the short to medium-term. From a capital structure perspective, we continue to engage with our financial stakeholders to ensure we create a debt structure appropriate for the new market environment," Mr Dibowitz said.

He believes that the $1bn cash balance Seadrill had at the end of the quarter gives it the necessary flexibility to manage the process.

"Our business operations remain unaffected by the negotiations and related contingency planning efforts, and we expect to meet our ongoing customer and business counterparty obligations as they become due," the company said.

Zim said to have hired banks for possible share sale

ZIM, the Israeli shipping company, is reported to be reviving its plans for an initial public offering following its most profitable quarter in a decade.

The Haifa-based carrier, which ranks 11th in terms of deployed capacity, has instructed investment banks Barclays, Citi and Zacks to investigate a listing in either London or New York, according to reports.

Zim did not reply to requests for comment.

In the past, it has indicated it would seek to partially list the business when the time was right.

Efforts to go public in 2016 were put on the backburner during the fallout of the Hanjin Shipping collapse and the reorganisation of the alliances.

Zim chief executive Eli Glickman, speaking in 2017, said that the company's focus had to be on profitability first.

"The financial situation of the company in general and the market are connected to each other," he said. "We have to check ourselves daily to see how we can create a better financial situation for Zim, but we are looking at a first positive quarter so it is too early to talk of an IPO."

Since then, Zim has allied itself with 2M partners Maersk and Mediterranean Shipping Co through a "strategic operational agreement" that sees the Israeli line sharing vessels and slot exchanges on several services.

The IPO speculation comes days after the company reported a second quarter of the year net profit of $25.3m, marking a 394% increase on the same period a year earlier. Revenue fell 4.7% to $795.1m.

Zim's shareholders include New York and Tel Aviv-listed Kenon Holdings, in which Idan Ofer is understood to hold a major stake, which owns 32% of the carrier, and many financial institutions and shipowners, according to Zim.

Kenon Holdings was itself spun off from Mr Ofer's majority-held Israel Corp, which was formerly a majority shareholder in Zim.

Israel's government holds a "golden share" arrangement under which it has the right to veto any transaction involving more than 35% of the company's holdings, so any sale of shares above this amount would require its support.

OPINION

Digitalisation critical to logistics chain shake-up

ON the face of it, the digitalisation of businesses has accelerated amid the coronavirus backdrop because it offers an alternative to face-to-face communication. But for container shipping at least, its role as a solution to the shake-up in the supply chain has been the most important.

That is the argument put forward by Zhou Shihao, founder and chief executive of Shanghai-headquartered YQNLink, an online logistics platform that aims to provide one-stop services.

The coronavirus situation, which has struck yet another blow to already souring US-China relations, is disrupting cargo demand, thereby forcing suppliers to take an increasingly short-term view on their production and logistics schedules. As a result, more shipment bookings are placed or cancelled at short notice.

"Digitalisation has a greater implication on those out-of-the-blue events that are likely to become part of the new norm of the future logistics chain," says Mr Zhou. "Players who cannot cope with the changes will see their costs climb and be eliminated by the market."

The container line shipping sector now appears to be moving in the right direction, with the maturing of online slot reservation systems, cargo tracking solutions and the slow but growing adoption of electronic documentation, among other efforts.

And carriers, particularly those that have put these modernising processes at the core of their strategy, deserve some credit, Mr Zhou tells Lloyd's List.

"The industry has made great progress in recent years, but more efforts are needed if we want to claim success."

For example, the introduction of online booking deposits and fixed prices has brought many benefits to container shipping, he says. It reduces the problems of carriers' cargo rolling and shippers' no-show, the two sides of the same coin, leading to an overall increase of logistics efficiency.

That said, booking services for many other parts of the logistics chain, such as trucking and warehousing, are still largely provided in the traditional offline fashion.

Even among the parts which have been standardised and digitialised, customers might feel uneasy about adopting in some cases.

Following the digital booking protocols of some carriers also means a shipper will need to bear the costs of changes or cancellations, which they may not have been liable to in the conventional shipment process.

A small exporter, for example, might well be stuck in a situation, where his cargo has entered the port area, but the buyer suddenly wants to scrap or delay the order for some reason, such as foreign exchange fluctuations, Mr Zhou says.

"And then you will be required by the carrier to pay penalties that did not exist before. That'll raise the question for some shippers about whether they deserve a better digital product."

That shows carriers and other service providers in the sector must further improve their digital standards and processes to offer better services, while shippers also need to adapt themselves to the new trends, he adds.

The complexity of the B2B supply chain is of course one of the reasons behind these setbacks. The lack of data is another big reason.

Slow uptake

The problem goes even beyond the shipping business and is seen in the entire B2B trade, whose pace of digitalisation is much slower than that of the B2C market.

In the latter market, the track record of both suppliers and buyers has been well logged through billions of deals and can be easily acquired.

With an increase in the number of transactions and better use of data, the day will come when we will see a leap in the predictability of the supply chain in the B2B sector.

"For now, carriers and forwarders need to strike a balance between the digital and traditional models to better cater to different customers' demands," says Mr Zhou.

For YQN, a specialist in small and medium-size shippers, its online platform claims to provide a wide range of logistics services from shipping and trucking to customs clearance and cross-border warehousing. Its business network also reaches beyond just China to overseas markets, including Southeast Asia, South America and South Africa.

"We want to apply the internet and digital technologies to visualise and optimise cross-border supply chain logistics," says Mr Zhou.

At the same time, the company also keeps a service team on the ground to assist clients with unexpected events.

One of the surprises was the recent rebound of US demand despite the effect created by the coronavirus backdrop and the resulting upsurge in transpacific freight rates.

This has led to complaints filed by some shippers, which blamed carriers for profiteering through their control of capacity, and has even drawn the attention of Chinese regulators.

Mr Zhou recognises that the wave of liner industry consolidation in recent years has strengthened carriers' performance in capacity discipline, although the higher rates partly reflects the additional uncertainty facing the shipping lines from shippers' no-shows.

The issue should be eventually solved by accumulation and analysis of data.

Mr Zhou says: "Again, we need more data to see the ability of carriers as well as shippers to fulfil their contracts. When the certainty increases, the cost will drop.

"Fortunately, I think the industry, including carriers, ports and customs, are now driving in the fast lane of digitalisation."

ANALYSIS

Beirut port blast puts Tianjin lessons to the test

AS BEIRUT tries to make sense of an unprecedented humanitarian and economic disaster following the massive explosion at the city's port on August 4, the extent of insured losses remains unclear.

The governor of Beirut has projected an economic impact of $10bn to $15bn and comparisons are inevitably being drawn to the 2015 Tianjin port explosion in China, which resulted in insured losses of more than $3bn, according to Swiss Re.

"Could this be another Tianjin? Based on early reports and the differing natures of the ports, it seems unlikely," according to Benedict Burke, chief client officer of Crawford & Company, which already has adjusters on the ground in Beirut making initial assessments.

The Beirut explosion was more powerful and had a bigger blast radius than Tianjin, according to Guy Carpenter, but consensus is forming that the Beirut loss will be lower because the goods and vessels at the port had lower values than those in Tianjin, where thousands of vehicles were destroyed.

Furthermore, Tianjin also highlighted accumulation exposures in ports for international insurers and reinsurers and the risks associated with single-location dependency in the global supply chain. While modelling risk aggregation in a port remains a complicated and evolving process, the lessons from Tianjin should have further reduced the exposure from the Beirut disaster.

Understanding of supply chain interdependencies has "moved on rapidly" since 2015 and alternative routing is now in widespread use, according to Burke. Covenants and conditions were also introduced into insurance wordings to further strengthen supply chain resilience.

"Assuming practices have been honed and refined, and risk management undertakings have been complied with, this loss should be mitigated as a consequence," Burke said. "The lack of rush of claims coming through suggests that's the case — but it's early days."

At least one carrier in the London market is exposed via a ports and terminals policy. However, based on the initial claims seen by Crawford, "limits will be much less than people might anticipate", Mr Burke added.

Hannover Re and Munich Re have both declared the incident a major loss — though this only means a loss of more than €10m ($11.8m) — and spokespeople from Munich Re and Swiss Re said it is too early to determine specific values or carriers' shares of the exposure.

In addition to major European carriers and London syndicates, the nascent Dubai International Financial Centre (DIFC) re/insurance market is also likely to play a role in this loss. However, it will take at least two to three months before there is enough information to get a clear picture of the extent of the loss and which carriers are most exposed, Mr Burke pointed out.

Safety concerns

Investigations and safety restrictions make some of the blast zone inaccessible for physical inspection, while coronavirus restrictions and flaring social unrest in the city further complicate the adjusting process, but the loss adjusting process is under way.

"It's logistically challenging to ensure we are compliant and keeping our people safe," Mr Burke said. "However, we can do so much more remotely now. Our people on the ground — and there are several there already — are doing a lot of triaging, taking photographs where possible and sending them to technical teams outside Lebanon that can make assessments remotely."

Adjusters are also working with carriers and insureds to find alternative ways of keeping businesses operational and supply chains open in an attempt to mitigate the loss. There is no doubt, however, disruption to supply chains in the Middle East will be significant and for Beirut itself the economic effect will be felt for many years to come.

Insured losses from this event can be broadly split into two main categories: local property and business interruption losses, and international marine cargo, hull and business interruption.

Property damage to the port and its infrastructure is extensive, with damage reported up to 9 km from the blast epicentre and thousands of businesses out of action for the foreseeable future.

Much of this insured risk is placed domestically, with many international businesses in Beirut operating on a franchise basis and using local insurers.

Given the location of the blast, with a high concentration of the city's most valuable property and international firms, the incident will "weigh on Lebanon's already challenged insurance sector", AM Best said. Clyde & Co partner Simon Konsta warned the domestic insurance sector may struggle to absorb the losses.

Large risks relating to fire, marine and liability insurance are typically highly reinsured, suggesting international re/insurers will be taking a "significant share" of the losses, Johannes Bender, director at S&P Global Ratings, said.

However, insurance penetration is still relatively low in Lebanon. Property accounted for 6% of total gross written premium in 2018, according to AM Best, S&P pegs property/casualty (P&C) penetration at 2% and the Association of Insurance Companies in Lebanon has suggested around 70% of the local losses are likely to be uninsured. Uptake of business interruption policies by local companies is therefore likely to be limited, as will global carriers' exposure to Lebanese risks.

The bigger concern for global reinsurers is their exposure to international marine hull and cargo losses and the contingent business interruption losses that will ripple through regional and global supply chains.

Guy Carpenter projected a marine market loss of $250m loss based on the present levels of damage reported from the vessels in port, with at least one vessel known to have sunk and several reporting damage and casualties. Ten vessels, it said, were within 1.6 km of the blast and likely to have been damaged, and 40 within the 9 km blast radius — although there is still "substantial uncertainty" over the extent of losses.

At the port itself, a number of international shipping companies' premises have been damage or destroyed, including several warehouses and many cargo containers.

"The nature of the cargo under storage at the port will significantly impact the total insured losses," Mr Konsta said, pointing out in Tianjin overall insured losses crept higher than initial predictions, despite relatively low insurance penetration, because of the value of cargo at the port — particularly the expensive motor vehicles.

However, many of the vessels in the port in Beirut at the time of the blast were old and/or of smaller tonnage, so losses are expected to be at the "lower end of the scale", he added.

Business interruption

We are still many months from assessing the extent of business interruption losses in the global supply chain, although global programmes may be triggered on a contingent business interruption basis for businesses affected by the disruption, said Mr Kosta. Some policies contain "goods in transit" extensions that would cover losses suffered because of damage to goods being shipped through the port.

Another big unknown is the nature of the liability claims that will follow. Investigations are under way to determine who is ultimately responsible for the blast and it may eventually be possible to identify potential targets for subrogated recoveries. However, this process is often very slow. "It is likely it will be a number of years before all liability claims are resolved and/or recoveries concluded," he said.

Furthermore, if recovery targets are identified as entities that have liability insurance in place, the scale of the damage is likely to far exceed any policy limits, he added.

Most international marine/cargo policies should pay out regardless of who is responsible for the explosion, Mr Burke said, as they are often all-risks policies or would at least cover "explosion non-terrorism", which this event appears to be.

This incident comes with reinsurers' underwriting performance already under intense pressure and major renewals still being finalised. With so much uncertainty still evident, the explosion could be yet another factor pushing rates upwards at the next renewal.

S&P has already revised its global reinsurance sector outlook to negative, projecting the sector would again fail to earn its cost of capital in 2020. However, the sector is benefiting from increases in P&C rates and remains well positioned to absorb major losses.

"Although the explosion is a large human and economic tragedy for Lebanon, we assume the impact on a standalone basis for the global re/insurance industry will be manageable," said Mr Bender. "The Beirut explosion may further reinforce a hardening market in marine and business interruption but may not be the single main driver."

It may also reinforce just how much has been learned in the wake of the last human catastrophe of this nature — or how much work remains to be done.

Container carriers collaborate over carbon concerns

CONTAINER shipping has a unique role to play in the decarbonisation of shipping.

A small number of very large companies dominate the sector. Moreover, through alliances and slot-sharing agreements, lines already work together closely.

They also have strong links to their customers, the shippers and beneficial cargo owners. Many of these want to show their own green credentials to their end-customers and so are looking to collaborate with carriers to promote cleaner shipping.

This collaboration is starting to gain traction, with container lines launching or joining consortia to push forward shipping's decarbonisation plans.

Maersk, the largest container shipping line in the world by capacity, has been a pioneer. In 2018, it announced plans to have a carbon-neutral vessel on the water by the end of the decade.

The rationale for the move was that a ship built in 2030 would still be operational in 2050. If the industry wanted to reach carbon neutrality by mid-century, it had just over 10 years in which to find a solution.

Although it conceded that its zero-carbon target was aspirational, Maersk said the time for action was now.

It also said it wanted to work with all the constituents in the supply chain, be they current manufacturers, suppliers or competitors, and was seeking to tap into new innovations and work with governments around the world.

The seeds of those initial ambitions have resulted in the Maersk Mc-Kinney Moller Center for Zero-Carbon Shipping.

The centre, launched with the backing of the AP Moller Foundation, the Maersk Mc-Kinney Moller family-run fund, is a coalition of seven maritime groups, including Maersk and NYK, that will see some of the biggest names in the sector collaborating through an established institution rather than via a coalition or for the purposes of a single pilot project.

Other founding members of the Copenhagen-based institution are ABS, Cargill, MAN Energy Solutions, Mitsubishi Heavy Industries and Siemens Energy.

Maersk chief executive Søren Skou, who sits on the organisation's board, said the group was a "quantum leap" for decarbonising the shipping industry.

"This joint initiative will fast-track the maturation of solutions and strengthen the basis for decision-making among industry players and regulators and hence accelerate investments and implementation of new technologies," he said.

Bo Cerup-Simonsen, a former Maersk executive who has been appointed chief executive of the centre, said that once up and running, the organisation would effectively work along two lines: research and development; and regulatory and practical measures.

Research and development

The first would to seek to establish a research and development portfolio to investigate the number of different options for decarbonising shipping, both on the energy and technology sides.

"On the other hand, we are going to work with regulatory, commercial and financial means to actually make the transition happen," he said.

Launching on the back of the AP Moller Foundation donation, Mr Cerup-Simonsen was confident that the organisation could attract similar fund interest and bring in new members, as well as establishing partnerships with companies and institutions that would contribute to it in some way.

"You have to commit resources one way or the other to become a member — because the point is, we want leadership. We want companies that are committed to drive the transition. And it means we want real commitment," he said.

Rival French carrier CMA CGM was an initial supporter of Maersk's moves to seek industry collaboration on carbon emissions. While it did not join Maersk's venture, it has since launched a similar programme with the same goals.

CMA CGM has teamed up with 10 partners to form a coalition that seeks to accelerate the development of energy sources and technologies to address the challenges posed by "sustainable mobility in the transport and logistics industry by reducing emissions, fighting global warming and protecting biodiversity".

As with Maersk, it is looking beyond the shipping sector. Its members include customers, financial institutions, energy company Total and engineering group Wärtsilä.

"We have big ambitions as far as greenhouse gas emissions are concerned and we are convinced that no one will find a solution alone," CMA CGM senior vice-president Joël Gentil told Lloyd's List as the coalition was launched in July.

The key to both Maersk's and CMA CGM's efforts is the realisation that the decarbonisation of shipping is not a problem that shipping can solve on its own.

Future fuels — whichever comes to dominate the market — will require co-operation and collaboration with the energy sector that develops them.

Engine makers will need to develop new technologies to burn the fuels. Bunker suppliers will need to source and deliver fuels — which, in the case of hydrogen or ammonia, may require entirely different bunkering techniques.

Organisations like those supported by Maersk and CMA CGM will be vital to bringing the various parties together to turn the theory of decarbonisation into practice.

MARKETS

Swedish Club premiums jump despite coronavirus

THE Swedish Club saw a substantial jump in gross premiums for the first six months of 2020, although the marine mutual is losing money.

Its half-year report revealed a pre-tax deficit of $3.4m. However, business wins and firmer rates, after a 5% general increase after a four-year price freeze, led to premium income growing by 18% in comparison to the same period a year earlier.

Investment income has been volatile, in line with markets, with a loss in the first quarter of the year offset by second-quarter gains that culminated in a return of 0.5% for the six months, leaving free reserves standing at $225m by June 30.

Underwriting performance was within forecasts for this part of the insurance cycle, with sizeable claims in the current year and run-off bringing the combined ratio to 107%.

The financial statements in the report show that claims in the period net of reinsurance were $58.3m, compared with $47.6m in the same period a year earlier.

Some of the claims were linked to the economic impact of coronavirus, but limited exposure to the cruise sector meant that this factor had limited impact on the profit and loss account.

Stronger market pricing is likely to make a positive contribution to an improved balance going forward, the club said.

"These exceptional circumstances have given us all time to consider, to reflect on what we do and what we are able to deliver," said managing director Lars Rhodin.

"The half-year results have demonstrated that we will come out of this situation as a more efficient organisation."

IN OTHER NEWS

Wakashio: Deadline set to remove remaining section

AUTHORITIES in Mauritius have set a deadline of November for the dismantling and removal of the aft section of the Japan-owned capesize, which split in two after running aground on a reef spilling thousands of tonnes of fuel oil.

The announcement came after completion of an operation to remove the forward section of the 203,130 dwt Wakashio and sink it.

That process was completed on August 24, according to the Mauritius National Crisis Committee. The larger section of the broken vessel was towed 15 km out to the open ocean on August 21.

Condor cuts ferry services and sheds jobs

CONDOR Ferries, which operates Channel Islands services, is to run a limited schedule for the rest of the year and cut an unspecified number of jobs due to the impact of the coronavirus pandemic.

The plans are set out in a blog post on the company's website, published over the signature of chief executive Paul Luxon, which leaves the details unspecified. One media report says a third of all jobs are at risk.

The employment shakeout has been condemned by seafarer unions, who were already at loggerheads with Condor after it imposed pay cuts, unpaid leave and reduced rosters on crews in April.

CSSC Shipping signs leaseback deal for Ciner Shipping suezmax duo

CSSC (Hong Kong) Shipping has signed a sale and leaseback deal for two suezmax tankers with Turkish owner Ciner Shipping.

The Hong Kong-listed shipyard-backed leasing house has agreed to buy the 158,000 dwt pair for $127m, subject to adjustments based on terms of the shipbuilding contracts, according to an exchange filing.

It will then bareboat charter the tonnage to Ciner Shipping for 10 years at almost the same price, including estimated lease interest of about $29.5m.

HMM to test carbon-neutral promise of bio-heavy oil

SOUTH Korean shipping line

HMM has teamed up with shipbuilder Hyundai Heavy Industries and three other local partners to test the use of bio-heavy oil on an ocean-going container ship.

The pair penned a memorandum of understanding last week for the research and development project with Korea Shipbuilding & Offshore Engineering, Korea Register of Shipping and Korea Bio Energy Association.

The project will see HMM test-run one of its 13,100-teu container ships that is now in operation on a bio-heavy oil blend.

Lawsuits filed after Port of Corpus Christi blast

ORION Marine Group is facing claims for compensation following an incident at a US port which resulted in the deaths of four men.

The company owns the 2007-built 270 dwt *Waymon L Boyd*, a dredging vessel which struck a subsea propane gas pipeline causing an explosion and fire that last week at the Port of Corpus Christi, Texas

Officials said Orion, which had a crew of 19, was conducting work for a customer at the port at the time. The explosion ignited a fire on the *Waymon L Boyd* and spread to a nearby grain elevator.

Oakland port cuts emissions after move to hybrid cranes

Port of Oakland is moving ahead with long-standing plans to improve air quality with the announcement that its leading container terminal has cut diesel emissions by 95% after retrofitting cranes with hybrid electric engines.

The announcement came as environmentalists recently criticised the Bay Area's ports for not being "better neighbours" in the community for failing to curb diesel emissions from port vehicles and cargo handling equipment.

"The Bay Area's ports need to be better neighbours to their surrounding communities, and they must move forward with its initiative to electrify cargo handling equipment and port vehicles," said Margaret Gordon of the West Oakland Environmental Indicators Project.

Zhejiang Satellite doubles down on VLEC fleet

CHINA'S Zhejiang Satellite Petrochemical has moved to double the size of its very large ethane carrier fleet, having already chartered six vessels from Malaysian owner MISC Group.

The Shenzhen-listed company revealed in an exchange filing the contracts to build four more VLECs, worth $441m, shared by Hyundai Heavy Industries and Samsung Heavy Industries, two leading builders in South Korea.

These gas tankers will be used to import US ethane for the phase two project of cracking facilities in Lianyungang, a city in China's Jiangsu province.

Classified notices