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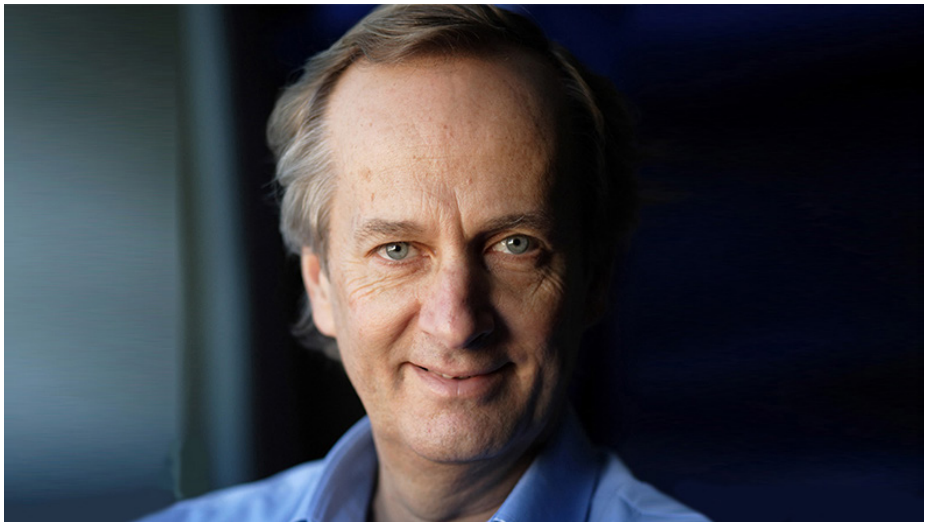
Economou leads Greek shipowners' increasing exposure to Russian oil trades



GREEK TANKER OWNERS increased their exposure to Russian oil trades by 41% over May and June, with nearly half of all crude and refined products exported from key Baltic or Black Sea ports shipped on vessels they beneficially own.

Athens-based billionaire George Economou is the second-largest shipper of Russian crude after Sovcomflot, the Russia-controlled shipowner that is subject to sanctions in Europe, the US and the UK.

Russia's invasion of Ukraine has upended oil markets since February as cargoes divert to India, Turkey and China and European buyers pare back purchases as sanctions are tightened.

Volumes from Russia still remain at pre-invasion levels as the 1.5m barrels per day of seaborne crude and 600,000 bpd in diesel previously exported to Europe finds new markets. Russia, one of the world's top three oil producers, exports some 7.5m bpd of crude and refined products.

Greek-owned tankers totalling 14.6m dwt made 151 port calls from Baltic and Black Sea Russian ports between May 1 and June 27, according to data compiled by Lloyd's List using Lloyd's List Intelligence. That compares with 89 calls totalling 7.8m dwt over the year-ago period, a 41% rise.

Calls made by Greek shipowners comprised 43% of all tankers over 15,000 dwt tracked at the ports of Novorossiysk, Primorsk,

Ust-Luga and St Petersburg over May and June, data show. That is a substantial lift in market share, which was measured at 33% over the same period in 2021.

Sovcomflot also increased its Russian business by 62%. Over May and June the Russian tanker owner comprised 15% (5.1m dwt) of all tankers that loaded oil from the four ports, compared to 8% last year.

Greek shipowners are acutely sensitive about their increasingly problemic role in shipping Russian crude amid an escalating and evolving patchwork of sanctions across Europe and the US, the UK, Canada and Australia.

The Union of Greek Shipowners defended tanker owners' rights to carry Russian cargo if it is not prevented from doing so by EU sanctions at a forum in Posedonia earlier this month.

European sanctions on seaborne Russian oil and products begin from December, along with bans on EU and UK marine insurers and reinsurers, including for cargoes loaded for third countries.

The UK stopped all Russian-linked vessels from calling at its ports several months ago, with an embargo on crude and products in place by the end of the year.

Europe has banned Russian-flagged vessels, while the US stopped receiving Russian oil cargoes in April and has a similar embargo as the UK on calls by Russian-linked vessels.

George Economou's TMS Tankers is the biggest Greek player in the Russian market and second overall, with 25 calls by his tankers of 3.1 dwt tracked at the ports over the last eight weeks. That is second only to Sovcomflot, with 45 on tankers totalling 5m dwt.

Mr Economou is followed by Constantinos Martinos via Thenamaris Ships Management.

Dimitris Prokopiou, the beneficial owner of tankers operated by Centrofin Management and Marine Trust, made 12 port calls, along with Andreas Martinos via Minerva Marine Inc. The Tsakos Group of Companies was also in the top six.

The data collected by Lloyd's List excludes those tankers engaged in ship-to-ship transfer operations off Kalamata, Greece, Malta and Cueta, south of Gibraltar.

A rising number of Greek-owned tankers are seen engaging in these trades, in which they transfer cargoes loaded at Russian ports for onward sailing to Asia. A series of suezmax tankers owned by NJ Vardinoyannis Group via Avin International are seen engaged in these shuttle trades.

Tankers from the Alafouzous Group, via Okeanis Eco Tankers Corporation, are also tracked lifting from Russian ports and also undertaking STS transfers for onward shipment to Asia, India or Turkey.

All shipowners have been approached for comment, as has the Union for Greek Shipowners.

WHAT TO WATCH:

Carriers face rising need to shore up freight rates

RISKS have increased that the pandemic-led liner shipping boom will backtrack, but carriers will not easily let that happen.

The overall Shanghai Containerised Freight Index, which tracks export shipping prices at the world's busiest box port, has dropped more than 17% from the previous apogee in January 2022.

Rates reported on June 24 continue to dip, especially on the main trades to Europe and the US, destinations for most of the goods from China.

The situation comes against the backdrop of reports about ebbing consumer demand in the inflation-stricken West and warnings of a global recession.

Rates will normally peak ahead of the Chinese New Year holiday as factories in the world's largest manufacturing nation rush their orders before the workers go on leave.

But this year, the subsequent mark-downs are going beyond what "normal seasonality" can explain, according to Sea-Intelligence.

Using spot rate data from World Container Index, the consultancy found that the corrections on the major east-west trade lanes over the past six months have exceeded the average levels around the same period between 2013-2020. (The years of 2015, 2016, and 2021 were seen as outliers with extortionary price movement during the periods and hence were excluded from the calculations).

"This is not 'proof' that the market will now go into the inevitable long downwards slide towards more normal freight rate conditions, but it is a clear indication that the likelihood of such a scenario has increased further over the past week," said Sea-Intelligence.

Despite the decline in recent months, rates remain strong compared with historical levels. But carriers have enough reasons be vigilant about a persistent market retreat.

A survey by rates visibility platform Xeneta showed that more than 70% of the respondent companies said they would like to renegotiate with carriers on their existing contracts — which are extremely lucrative to the latter — should the spot market head further south.

Meanwhile, costs have also risen sharply. The Asia Feeder Index, an indicator of charter rates for feeder containerships composed by China-based SITC Brokers, for example has surged about fivefold over the past two years amid robust demand for fleet expansion.

Many carriers have hired vessels under long-term commitment of three to five years, while the chartering expenses now account for more than half of the total costs for some of them, said the broker house.

"The cost pressure will force them to stabilise freight rates, or reshuffles, mergers and acquisitions will emerge in the industry again."

Rates being brought into the effect this week by shipping lines have started to show signs of steadiness, according to forwarding sources

"Rates on China-US trade stand pretty firm versus last week," said one Shenzhen-based forwarder, adding that the blank sailings launched by carriers over the past two weeks to trim excess capacity seem to have worked. "If they can hold the rates steady through service cuts until mid-August, when shipments begin to load for the Christmas orders, a recovery can be expected in the following month as slot supply will likely be tight again."

A more disciplined capacity management helped carriers and shipping alliances navigate the volume plunge in the early days of the pandemic.

It remains to be seen whether they can repeat that success in the future.

Class treads carefully around Russian sanctions definitions

THE Indian Register of Shipping has sought to distance itself from Russian shipping entities, despite taking over the classification of at least 70 vessels controlled by Russian state-owned tanker giant Sovcomflot.

In the wake of sanctions against Russia issued by the European Union and the US and UK governments, Western classification societies started withdrawing class services from Sovcomflot in March.

However, as Lloyd's List first reported on May 12, the majority of those vessels were subsequently classed by IRS.

Sovcomflot moved the registered ownership of 113 of its vessels to SCF Management Services (Dubai) Limited over a 24-hour period starting on April 21, however the ultimate control and ownership of the vessels continues to lie with Sovcomflot, an entity now subject to multiple sanctions over several jurisdictions.

An IRS statement issued to Lloyd's List on May 12 said, "we have not classed vessels which are owned, flagged or managed by Russian companies," but remained silent on the beneficial ownership of Sovcomflot.

After mainstream media outlets last week followed up on Lloyd's List's original story, IRS yesterday reiterated its position that the vessels in question had not been flagged by Russia and the companies were not registered in Russia.

IRS also challenged the description of "international" sanctions against Russia, pointing

out that "the vast majority of countries around the world, including India, have not issued sanctions against Russia".

According to IRS the provision of class is a matter of safety, not politics.

"Our primary function as a classification society is to ensure the highest level of safety on board every vessel which is classed with us. We shall never neglect that responsibility," IRS said in a statement. "IRS intends to abide by international law including the observance of applicable international sanctions".

There are no rules or sanctions that would prevent IRS, an Indian registered international ship classification society, from providing services to Sovcomflot or any other Russian company.

IRS is also not the only class societies to continue providing services to Russian owned or controlled companies.

Italian society RINA has said it would not accept new Russian tonnage. "Provided that there are no impediments linked to the nature of the activities or to clients being included in the sanction lists, RINA will maintain ongoing operations with Russian clients."

Bureau Veritas has taken measures to withdraw vessels related to Russian interests from its register, but it has not confirmed how many vessels have been removed.

Other class societies have been quietly ensuring that all remaining Russian exposure is removed to avoid political fall-out and potential legal risk when dealing with third countries that do apply sanctions against Russian entities.

Lloyd's Register, ABS and DNV all gave notice to Sovcomflot that class would be withdrawn from its vessels alongside other Russian controlled vessels.

That process, however, has taken several weeks to work through and to date no class society has issued final figures of how many Russian vessels have been withdraw or detailed publicly the criteria that is being applied to withdrawals.

Lloyd's List understands that a "due diligence process" is underway within major societies to identify vessels where it is suggested that companies could be operating under Russian control but have not yet been identified.

The International Association of Classification Societies has stated that decisions on providing cover for individual Russian shipping companies rests with each class society.

"IACS is not involved in the operational and commercial activities of its members, including appraisal, approval surveying and testing of vessels and equipment and the issuing of classification and statutory certificates where authorised. As such, these developments do not get discussed within the association," it said in a statement.

ANALYSIS:

Digital solutions are here to stay — but not through disruption

TECHNOLOGY companies and ship managers must work more closely to find the right scope and timing for a successful digital transformation of the maritime sector.

A Posidonia seminar earlier this month heard how a rising tide of digital solutions targeting the industry has become extraordinary over the past five years.

In a short period, owners have gone from selecting technology from a handful of providers to an almost constant flow of new technology providers knocking at their door.

"Covid has turbocharged digital transformation by more than half a decade – it has helped traditional thinkers recognise that this new technology works pretty well," Barry Authers told the the event — titled Eating the Elephant: digital transformation in maritime — which was hosted by the digital intelligence company Ninety Percent of Everything.

Mr Authers, commercial director of the industry cloud platform Veracity by DNV, said decarbonisation and sustainability are the biggest issues, with around 10,000 vessels globally submitting operational data to the platform.

The need for digital-driven decarbonisation coupled with the supplier-led narrative of an emerging disruption has left some owners bewildered and concerned.

Richard Buckley, founder and chief executive of Ninety Percent of Everything, warned that the term disruption is being misused by the tech industry to foster a fear factor.

“Shipping is about moving physical goods from A to B, and it will remain as such. New tools, new technologies enable operators to do the core business in a smarter way. But it is not facing disruption.”

Elena Matzaridou, of Dalex Shipping, representing the perspective of shipowners and operators, agreed.

“The goals are always about being more efficient, to save money, and make fewer mistakes,” she said. “Digital transformation for us is therefore about better decision-making to achieve these goals.”

At the same time, there is real pressure to achieve those goals.

Karan Bhawinska, from DTN, a provider of operational intelligence and a global weather authority, said: “We need to be clear on the value we bring. Regulation and the competitive market are driving the need, not the vendors.”

There was also agreement that vendors have a responsibility to make the process as user-friendly as possible, which means putting a premium on compatibility between systems.

“If we don’t collaborate then customers will face different solutions that can’t easily work together,” Kongsberg Digital’s Nikolaos Stefanis said. “They will have data in different and incompatible formats and their daily jobs will be disrupted rather than improved.”

Mr Authers was optimistic on this score, recalling that: “When the OEMs started launching platforms and DNV launched Veracity, some believed there would be a conflict of platforms. The reality is that the new technology landscape for maritime will be formed from many platforms all working together.”

The consensus was that few of the countless new entrants in tech for maritime will survive, but collectively they will transform the way the industry operates.

The most successful players will be those who understand the needs of end users and provide tangible benefits.

“When the industry matures there will be a handful of services or platforms that bring that data together and bring the real benefits,” said Leigh Steed-Middleton, vice president of product at SEDNA. That will mean providing value in terms of shipping companies’ own strategy and goals.

For Mr Stefanis, that in turn means that people whose daily jobs will be impacted by the new technologies need to be part of the review and evaluation.

“We need the new generation as well as the top-level management to be part of the decision-making process on technology,” he said. “The risk is that many new technologies are looking to reduce human interaction, to automate and support remote working. In shipping it’s totally different, interaction and relationships are critical, you cannot succeed without having a good partner with you.”

Mr Buckley agreed. “People shouldn’t consider that they are buying software,” he said. “They are buying into a long-term relationship with a technology company that will work with them.

“Never find a technology that looks interesting and then find a fit for it within your business. Start with your business needs, and work with a partner who understands them.”

All of the speakers agreed that the quality of data is key, but that data must also meet a clear business need. That means a well-defined digital strategy is essential to successful digital transformation.

Moreover, since the needs of a business will evolve over time, it is important that the technology is flexible and able to do many different things.

The successful adoption of new technologies will require co-operative relationships, both between competing suppliers and between those suppliers and their customers.

Shipping might not be facing disruption, but those operators willing to ‘eat the elephant’ of digital transformation will reap the benefits.

IN OTHER NEWS:

Danish survey into abuse at sea welcomed by union
A DANISH officers' union has welcomed a decision by the Danish government to investigate sexual abuse and harassment at sea.

Business minister Simon Kollerup ordered the Danish Maritime Authority to investigate after allegations of abuse and harassment on Maersk ships.

Danish Maritime Officers secretary-general Helle Andsbjerg said the union had called for a survey to map the extent of abuses at sea for four years. "It's a subject most of the victims are not keen on talking about," Capt Andsbjerg said. "If we don't bring it up in the open, it will be like an underlying cancer in the entire industry."

New TMC chief exec addresses challenges of consultancy
BV GROUP's consultancy subsidiary TMC Marine has promoted chief operating officer Simon Burthem to the role of chief executive.

Mr Burthem, who returned in 2018 to the UK from Singapore where he served for eight years as managing director for the Asia region, will replace Stephen Tierney, who has spent 32 years with the company.

TMC, which was acquired by BV in 2016, provides specialist marine consultancy to clients including ship owners, insurers, charterers, law firms, cargo interests and stakeholder authorities. It offers services from emergency response and salvage and wreck removal to marine accident investigation and expert witness legal work.

CDB Leasing returns to New Dayang yard for dry bulker order
CHINA Development Bank Financial Leasing has ordered four ultramax dry bulkers at domestic yard New Dayang Shipbuilding.

The Hong Kong-listed lessor, a subsidiary of policy lender China Development Bank, said the market value of the vessels was approximately $138m, according to a statement.

However, it has negotiated a lower price, of up to $132m, due to long-term stable co-operation between the parties. While the lessor did not disclose vessel specifications, they are likely to be 63,000 dwt newbuildings based on the current market price.

First Ship Lease agrees sale of freed chemical tanker
FIRST Ship Lease Trust has agreed the resale of a chemical tanker that was detained for several months in India.

The Singapore-listed company has received a 15% deposit in escrow for the sale of the 2006-built *FSL London* (IMO: 9340465), according to a statement.

The vessel is expected to arrive in Singapore this week following its release earlier this month, according to Lloyd's List Intelligence.

Malaysia's Tanjung Pelepas adopts AI to improve port efficiency
MALAYSIA's Tanjung Pelepas port will deploy an artificial intelligence system to boost efficiency and optimise scheduling.

The MarineM system, from Singapore's Innovez One, will allow agents to register their vessels and order services to support arrivals such as supplies, logistics and marine services.

It will automatically manage schedules and dispatch resources — assigning pilots and tug boats to the various jobs in the most optimal way, and handling the logistics required to transport pilots to boarding grounds, according to a statement.

Classified notices follow