Lloyd's List

Daily Briefing

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Dark fleet of tankers now comprises 10% of seaborne oil transport

THE DARK FLEET deployed in shipping sanctioned oil has more than doubled in the past two years to now cover about 10% of global tankers trading internationally, a Lloyd's List investigation has found.

More than 440 tankers above 30,000 dwt tonnes, with an average age of 20 years, have been identified as solely deployed in shipping Iranian, Venezuelan and Russian oil, with beneficial owners hiding behind byzantine corporate structures.

The number has increased by over 180 tankers in the past 12 months, as Western sanctions on Russian oil imports and shipments to third countries drive the expansion of shadowy and unregulated maritime transport.

Lloyd's List defines a tanker as part of the dark fleet if it is aged 15 years or over, anonymously owned, solely deployed in sanctioned oil trades, and engaged in one or more of the deceptive shipping practices outlined US State Department guidance issued in May 2020.

The figures exclude tankers tracked to government-controlled shipping entities such as Russia's Sovcomflot, or Iran's National Iranian Tanker Co.

Among the findings, some 110 very large crude carriers totalling 33.5m dwt and comprising some 12% of that sector are now deployed in dark fleet shipping, according to analysis by Lloyd's List, using Lloyd's List Intelligence data.

The practices and obscure ownership of these large tankers, which often are flagged with registries with little technical or regulatory oversight, has seen some countries raise safety concerns in submissions to the International Maritime Organization.

At least 15 of the VLCCs are flagged with Cameroon, with details about who is providing classification, insurance, and technical oversight unknown, along with ownership, hidden behind single-ship companies around the world using brass plate addresses.

These single-ship companies list registered ownership at places scattered around the world, including Suriname, British Virgin Islands, Seychelles and Vietnam.

Some 39% of tonnage, as measured by deadweight, lists the registered owner in the Marshall Islands, even though 3% of tankers in the dark fleet are flagged there. Hong Kong brassplate addresses were given for 10% of the fleet's registered owners.

Those ships with registered owners in Panama comprise less than 0.5% of the fleet, even though the country's government-controlled registry flags 45% of the 440-plus tankers.

Panama is the world's largest flag registry, followed by Liberia and the Marshall Islands. Liberia-flagged tankers accounted to 10% of the dark fleet, equal to Cameroon, with the Marshall Islands on 3%.

Liberia and Marshall Islands are managed by private registries on behalf of their respective governments and are incorporated in the US.

Geopolitics is weighing heavily on Russian oil exports, intensifying the focus on tankers in the dark fleet that are circumventing sanctions imposed by Western nations to curb revenues flowing to the Kremlin and President Vladimir Putin after invading Ukraine 12 months ago.

Outsized role

Data also revealed an outsized role played by India and the United Arab Emirates in facilitating the dark fleet.

The nexus between Russian oil shipping and the United Arab Emirates was already well established after Sovcomflot redomiciled its shipmanagement to Dubai from Cyprus in the first half of 2022, via Sun Management.

But now some 12% of tankers in the dark fleet report ISM managers or technical managers based in Dubai.

Research showed these addresses were at a variety of office towers in the financial district for which no further details were provided and where tenancy could not be confirmed.

Seventeen percent of the fleet's ISM and technical managers were tracked to India.

Anonymous owners-based companies there as part of crewing efforts, further placing distance between the beneficial owner and the registered owner.

Panama is also likely to come under further scrutiny from Western governments for its role in facilitating the Russian oil trades.

Many of the tankers previously engaged in shipping US-sanctioned Iranian and Venezuelan oil that have switched to Russian trades appear to have reflagged to Panama, after being kicked out of smaller registries. Sanctions on the two countries have been in place for nearly four years.

Tankers that have been anonymously bought over the past six months for dark fleet deployment also have reflagged to Panama.

As a result, there are now fewer tankers flagged in Cook Islands, Djibouti, Gabon, Tanzania and Comoros than seen two years ago.

However, St Kitts & Nevis's registry, privately managed by a UK-based company, is now the second-highest choice for dark fleets and exclusively used by one of the largest shipowners in Russian trades, Dubai-based Gatik Ship Management.

The company, whose beneficial owner is unknown, has 38 shipping Russian crude using the Caribbean island registry.

St Kitts & Nevis International Ship Registry declined to comment.

The dark fleet now includes some 167 aframax tankers, or some 12% of all tankers of this sector now trading, and 10% of suezmax tankers. These categories are most popular for Russian Baltic and Black Sea trades as larger VLCCs cannot call at these ports.

Many smaller tankers transfer cargoes on to VLCCs for consolidation and onward shipment to China, which along with India is the biggest recipient of Russian crude.

China is also the biggest importer of Iranian crude, with an 1m bpd estimated to be discharged at ports in the country each month.

WHAT TO WATCH

Ingosstrakh confirms P&I cover for sanctioned Russian shipping

INGOSSTRAKH, Russia's leading insurer, has confirmed that it is providing P&I cover for vessels that can no longer be insured in the West because of the sanctions imposed in the wake of the invasion of Ukraine.

The Russian National Reinsurance Company, a subsidiary of Russia's central bank, is reinsuring the policies, an unnamed Ingosstrakh spokesman told Russian news agency Interfax.

"We are indeed now studying how we should work on the international P&I insurance market in the current circumstances. The review of terms might affect both new and existing policies," Ingosstrakh was quoted as saying.

Effectively, the set-up marks a rerun of the tactics used by Iran to circumvent sanctions against that country, with the domestic private sector taking the first line and a parastatal acting as backstop.

Marine underwriters had widely assumed these arrangements, or something like them, to be in place, if for no other reason than that vessels need a P&I "blue card" as a ticket to trade.

But this seems to be the first time the company has spoken publicly on the matter. Previous attempts from Lloyd's List and others to elicit comment have not been met with a response.

How much depth Ingosstrakh's policies provide remains to be seen. Securing compensation after a future casualty — which potentially could include a significant oil spill, for instance — could prove extremely difficult for a range of practical reasons, underwriters have already warned.

Even Russian owners who have not been sanctioned are finding it hard to place cover in the Lloyd's, London and Nordic markets, as current banking restrictions on either receiving premiums or paying claims have created the perception that the business is not worth the trouble entailed.

Prior to the imposition of sanctions last year, Ingosstrakh is known to have provided both P&I and H&M for around 2,000 Russian vessels.

However, most of them were smaller vessels, including coastal shipping and inland craft, rather than the kind of tonnage that would typically place P&I with an International Group affiliate.

Until 2022, five of what were at that time the 13 IG members had tonnage entered by Sovcomflot, the Russian company that operates one of the world's largest tanker fleets, with more than 130 units.

But last April, both West of England and North of England confirmed to Lloyd's List that they would shortly be forced to drop SCF on account of sanctions. The remaining three declined to comment publicly but were reliably understood to have acted similarly.

The European Union last month extended sanctions to RNRC, described as "an entity supporting materially and financially, and benefiting from the government of the Russian Federation".

From the limited amount of information available online, RNRC's guarantee capital is in the order $10bn. That looks more than adequate on paper, although whether that is enough in the real world will depend on its other re exposures in the Russian market.

The health of the oceans is shipping's problem too

THE world has been debating the health of the oceans for the past two decades. By contrast, shipping companies seem to have been paying little attention.

Last weekend saw representatives of 193 states come together at the United Nations to finally sign off a legally binding agreement designed to ensure biodiversity in areas beyond national jurisdiction.

That such a framework is needed to tackle issues as unsustainable fishing, plastic pollution and climate change impacts such as increased acidification has long been common ground.

But diplomacy rarely proceeds with alacrity, and it has taken 20 years of talks and five rounds of formal negotiations over the past five years to conclude the High Seas Treaty.

Even now, its stipulations will not enter into force until 60 countries pass the necessary domestic legislation. Past precedent suggests that will take years.

The International Maritime Organization and trade associations such as the International Chamber of Shipping have provided all of us with a vital voice in these tortuous talks and deserve thanks for their role.

But at the level of individual shipping companies, it would be stretching a point to say the treaty has occupied too much bandwidth. Given the reliance of ships on the oceans as the medium in which they travel, that is remarkable. To put it bluntly, shipping hasn't treated them well, as recent history attests.

We all teach our kids not to drop litter. But until the entry into force of amendments to Marpol Annex V in 2013 — and here we are talking just ten years ago — it was the custom and practices of centuries for vessels simply to dump their garbage overboard when nobody was looking. Let's not pretend that this doesn't still sometimes happen.

Until the advent of the Ballast Water Management convention, which entered into force as recently as 2017, molluscs and micro-organisms alike were freely able to hitch lifts on merchant vessels, reimplanting themselves in places which evolution would have precluded, often with deleterious outcomes.

There are already local restrictions on routing based on the needs of marine wildlife. But the effects of underwater noise on aquatic fauna, especially in the Arctic, is a topic of debate, and demands for change grow ever more clamorous.

On top of everything, there is now a real prospect of a twenty-first century rerun of the goldrushes of the mid-Victorian era, with the widespread roll-out of deepsea mining expected in the coming period. We are the industry best placed to develop means of undertaking this task, and many shipowners will no doubt make a lot of money in the process.

Unregulated seas would effectively constitute a new Wild West, an appropriate enough location for a new goldrush. Two-thirds of the world's oceans are considered international waters, beyond the writ of any shore-based government.

One major upshot of the High Seas Treaty will be limitations on the scope of future human activity, designating large parts of then as Marine Protected Areas, in line with the "30 by 30" call to protect 30% of the oceans by 2030.

This would not ban ships from sailing through them, or trawlers from catching fish, or outlaw deepsea mining. But such pursuits will have to be consistent with conservation objectives.

IMO secretary-general Kitack Lim has pledged full IMO co-operation in meeting the deal's goals. The enforcement efforts will draw heavily on the IMO's experience of developing universal regulations applicable to those parts of the surface of the earth that are virtually impossible to patrol.

Shipping is already the subject of multiple Big Asks as part of the decarbonisation efforts. Whatever regulations emerge down the line because of the High Seas Treaty need to be reasonable, especially as compliance cannot be rigorously policed and will thus effectively be voluntary.

But the attitudes that prevailed in the past are simply no longer socially acceptable. You don't have to be a tree hugger to realise that the oceans provide vital functions to the ecosystem and are not a convenient receptacle for infinite amounts of whatever people chose to throw in it.

The health of the oceans should concern everybody. It's shipping's problem too.

ANALYSIS

Cruiseship sector advancing decarbonisation strategy

THE cruiseship sector appears to be on the road to recovery after the coronavirus pandemic saw the entire cruiseship fleet in lay-up and decimated the financial results of every operator.

Staggering financial losses have been incurred by the sector since 2020. The world's largest operator of cruiseships, Carnival Corporation posted a huge $10.24bn loss for 2020. But as fleet utilisation and passenger volumes returned to normality last year, the US and UK-listed company has been able to stem its losses even though they remain at eye watering levels.

As the industry has recovered, the cruiseship sector now faces several operational challenges with decarbonisation of the fleet being the most significant.

While the industry was an early adopter of scrubbers and liquefied natural gas fuel propulsion, for the main players in the industry all alternative fuel types appear to be on the table. They include biofuels, methanol, hydrogen and even nuclear power.

Michele Landro, director of global passenger ships at Lloyd's Register, which provides classification services for a third of the world's cruiseship fleet, told Lloyd's List: "Daily conversations are taking place between class and owners on the best alternative fuel solutions, but methanol seems the most feasible solution right now."

"Retrofitting the existing fleet is ongoing in an effort to hit 2030 decarbonisation targets with discussions involving all stakeholders — class is leading these conversations and LR is providing a strong contribution and support on the best direction for operators on energy transition."

Retrofits of existing ships are expected be to a key part in the cruise sector's route to decarbonisation. Lloyd's Register considers that the relative simplicity and safety of retrofitting vessels to carry and burn methanol makes it the most promising pathway to deliver that.

As well as retrofit of the existing fleet for methanol, operators are also considering the option of biofuel while some big players are looking at the potential of nuclear propulsion.

"Shipowners are asking for information on nuclear. We are at an early stage but a cruiseship utilising nuclear propulsion could be on the water in 15 years' time." said Mr. Landro.

As cruiseship operators consider their options, the industry also has to focus on acceptance of fuel types from its customers — the general public — which could cast doubt on the nuclear option.

Environmentally aware customers are more likely to be attracted to pay a premium on a cruise on a "green" vessel while the rise of carbon taxes will also narrow the price differential between green and conventional fuels.

Norwegian Cruise Line, the second-largest player in the cruise ship sector, recently told investors of its plans to switch vessels in its current newbuilding orderbook to be able to use methanol fuel.

Frank Del Rio, chief executive of NCL stated last year that methanol is its best chance of decarbonisation based on the "science they have today".

NCL said that it has agreed to changes to the propulsion systems of the last two of six, Prima-class, 3,300 capacity cruiseships ordered from Italian shipbuilder Fincantieri and which are scheduled for delivery in 2027 and 2028.

The fifth and sixth Prima-class vessels will be some 20% larger than the initial two ships in the series, the first of which was delivered last year, to facilitate modifications to their machinery spaces and add methanol tanks.

NCL has also stated that it is is planning to install methanol tanks on some of its existing fleet and is working with engine designer MAN Energy Solutions to retrofit a medium-speed MAN 48/60 engine to permit dual-fuel methanol operations.

Last year, the company concluded biofuel testing aboard three of its existing vessels.

While NCL's chief competitors, Carnival, MSC Crociere and Royal Caribbean Group, have already introduced liquefied natural gas-fuelled vessels, NCL has taken the decision to omit LNG and jump ahead to a future fuel strategy based around zero-carbon green methanol.

Methanol fuel

Meanwhile, Disney Cruise Line has stated that it will utilise methanol fuel for a 6,000-passenger capacity partially completed newbuilding, to be named *Global Dream* (IMO: 9808986). This ship was purchased last year following cancellation of the order by its original owner and the bankruptcy of its German builder, MV Werften. Global Dream is planned to be completed by the experienced cruise vessel builder Meyer Werft in Germany.

Other operators focusing on methanol include Germany's TUI Cruises which has stated that it is changing the specification of the 2,900 passenger capacity newbuilding *Mein Schiff 7* (IMO: 9851189) to be methanol-ready. Currently under construction at Meyer Turku in Finland, *Mein Schiff 7* is due for delivery next year.

A recent report by Lloyd's Register on the cruiseship sector stated that the greatest challenge to the uptake of methanol is an economic one. Based on a green methanol price of $850 per tonne, converting a cruiseship consuming 30,000 tonnes of very low sulphur fuel oil to operate on methanol would more than double fuel bills from $19.5m to $40.5m per annum.

"Though significant, it is also worth contextualising — in 2019 Carnival spent $1.6bn dollars on fuel against revenues of more than $20bn. Even doubling fuel spending would take costs to less than 15% of total revenues."

Further challenges to the adoption of methanol include the availability of fuels at major bunkering hubs for cruiseships, which often do not map well on to existing bunkering hubs for large cargo carrying ships. This is a crucial issue given the high fuel consumption of large cruiseships due to their large electrical "hotel" requirements.

"The shift to methanol will leave cruise liners needing to reconfigure sailing schedules, add bunkering locations and add infrastructure. This represents a significant challenge, and one which would best be addressed on an industry-wide basis," stated LR's report.

As the industry recovers from the pandemic, the cruise sector can look forward to the delivery of a newbuilding orderbook, numbering 57 vessels, which has faced delays caused by lockdowns.

Many newbuildings, mostly ordered before the pandemic, have had their delivery dates pushed back as cruiseship operators faced a lack of income at the same time that they needed to service loans on their existing fleets.

"To avoid having new ships delivered during lockdowns and going into immediate lay-up, which could cost an owner up to $4m per month, shipowners and shipyards worked together to come up with solutions, in general this has been managed in a really good way," said LR's Mr. Landro.

Disruptions to supply chains of raw materials, machinery systems, bridge, hotel services and vessel accommodation equipment have also pushed back delivery schedules for much of the orderbook.

"This has had a huge impact on newbuilding construction, but the delays have been well controlled. I would say the longest delivery delay has been 14 months, but deliveries are getting back on schedule."

Mr. Landro added: "The response of cruise industry stakeholders following these disruptions seems to say, 'we are stronger than before'".

Carrier customers seek reliability to reduce inventory costs

BENEFICIAL cargo owners are looking towards improved carrier reliability to help them reduce the high levels of inventory they are carrying, as the effects of the pandemic on box shipping begin to unwind.

"The biggest headache [of the pandemic] was a fatal combination of high rates and low reliability that we were facing, and of course the supply chain disruptions," said Carsten Weers, vice-president of logistics procurement at chemicals giant BASF.

"They were a game changer that took us away from the just-in-time philosophy that the whole chemical industry had. Reliability was so low that we had to look to other distribution modes, which caused additional work."

Mr Weers, speaking at a roundtable hosted by Hapag-Lloyd, said reliability had improved, but that BASF had to move away from JIT delivery and think about buffer stocks.

"Transport reliability is not where it was before the pandemic. The biggest burden right now is that for certain port pairs we still do not have the reliability we would like."

BIMCO chief shipping analyst Niels Rasmussen warned that people would have to learn from the experiences of the pandemic.

"I didn't expect that the supply chain was as sensitive as it was to very quick changes," he said. "The biggest challenge now is unwinding the ship delays, but that does seem to be progressing."

But holding buffer stocks to make up for unreliable supply chains is not a viable solution in the long run.

"This has led to higher inventories which we needed to cope with the lack of reliability," Mr Weers said. "But now with slower demand there is a huge pressure on stocks. Working capital is the topic, especially in the chemical industry as we fight high energy costs. This is putting pressure on the measures we set up to cope with the situation."

Hapag-Lloyd chief executive Rolf Habben Jansen said that the reliability was still not where it should be, but that it was going in the right direction.

"We are working hard on schedules and need to get back to pre-pandemic levels," he said. "Supply chain managers initially thought they should hold buffer stock to make sure they could take care of supply chain disruptions, but when they see interest rates go up by 300-400 basis points, then the pressure to reduce inventory becomes higher."

With reliability improving, BCOs could look again at inventory levels, Mr Weers said. "This is needed to reduce our stock and working capital, and that is combined with having higher stock due to lower demand. This is where we have a close eye on reliability picking up again."

But he warned the habits built up during the pandemic would not change quickly.

"The times that we knew before the pandemic when everything was always available just in time will never come back," he said. "The dynamic situation we experienced over the past couple of years is here to stay so in the future we will look more into these alternatives."

Nevertheless, the new capacity coming into the market may help ease customers' concerns to some degree. One response to having more supply than demand will be for carriers to slow services.

"When vessels have to slow down by a day or two, the effect is negligible compared to the impact of poor reliability," said Kuehne + Nagel executive vice-president Otto Schacht. "Every customer wants to have a punctual vessel so they can plan. Whether you have 22 days from Singapore or 24 days doesn't matter, particularly if the 22 days turns into 24 and you don't know when the cargo will come. If the system ran properly there would be far less inventory. It is not the speed of the vessel; it is the reliability that is far more important."

On the other hand, however, overcapacity can also lead to blankings, as carriers cancel voyages that lack sufficient cargo.

"Sometimes blankings are unavoidable," Mr Habben Jansen said. "The variable piece of the cost is 60%-65%. Instead of sailing two ships half empty you can choose to sail one ship full."

But he said carriers would seek to restructure their service networks rather than consistently rely on blanking. "We need to ensure that whenever we can that we restructure services rather than use blankings. Now that we are back to a more normal market that is something we are looking at intently. That will give our customers a better experience."

Investors price in carriers' change in fortunes

INVESTORS in container lines appear to have priced in the collapse in demand and freight rates, and the rout of carrier share prices appears to be over, according to Drewry.

"Barring a few players, most container shipping companies have recorded a positive stock return on year-to-date basis, compared to the double-digit declines in 2022," said Drewry Maritime Financial Research lead analyst Ankush Kathuria. "This gain in the equity valuations, which came in despite the continuous fall in spot freight rates, a slump in fourth-quarter profitability and a marked dropped in the 2023 industry outlook, suggests that the market participants have already accounted for the near-term weakness and the worst is behind us."

He warned that inflation had proved to be much more "stickier than anticipated", and much would depend on its trajectory.

The container sector had witnessed exceptionally high freight rates in the past two years, but full-year results published in the past month confirmed the end of the "purple patch" they had been through, he said.

The Drewry Container Equity Index fell by more than 40% in 2022, with major falls in the second and third quarter. But this reversed in the fourth quarter with an 11% gain, followed by another 15% in the year to March 8.

Results from listed carriers including Maersk and Hapag-Lloyd indicated that a sharp change in fortunes towards the end of year, despite overall annual results showing record earnings.

"The last quarter proved to be an inflexion point showcasing the weakness in the broader operating environment," Mr Kathuria said. "In line with dimming industry prospects, both these companies significantly reduced their 2023 profitability guidance."

But at its current level, the industry's price/book ratio was consolidating at a massive discount to its peak in the second half of 2021 and the long-term historical average and pre-pandemic level.

This meant that for investors there was now a significantly higher potential than downside risk, he said.

MARKETS

NYK puts ESG at core of $9bn growth plan

NYK Line will invest ¥1.2trn ($8.8bn) as part of a new strategy to sharpen its competitive edge and promote growth to the end of the decade.

Environmental, social and governance concerns have been put at the centre of the Sail Green, Drive Transformations 2026 plan, in which the Japanese conglomerate aims to continue expanding the shipping and logistics business, the mainstay of its operations, while creating new growth engine in other areas.

"The plan is positioned as an action plan to promote growth over the next four years with ESG at the core to achieve a new corporate vision for 2030," it said in a statement.

Of the total investment budget, ¥560bn will be used to grow its core business, including ¥300bn to liquefied natural gas shipping and ¥120bn to dry bulk shipping, suggesting the company will scale up its fleet in these segments.

The development of new technologies accounts for ¥460bn, including 290bn for the decarbonisation of ships and ¥140bn for the acquisition of related companies.

Another ¥100bn will go to new ventures, primarily in the renewable energy sector, with offshore windpower expected to receive ¥43bn and hydrogen/ammonia to get ¥32bn.

NYK said it wants to scale up its container shipping business via its joint venture One Network Express, the world's seventh-largest carrier. The company has a 38% stake in the Singapore-headquartered unit, with MOL and K Line each holding 31%.

One of the focuses put on its dry bull, energy and car shipping segments is the use of low/zero-emission vessels in operation.

NYK is betting on ammonia as the most promising solution to decarbonise its fleet, which sit on the top of its fuel transition agenda towards 2050.

Using this green fuel, its first tug will start service in 2024, followed by an ocean-going ammonia carrier in 2026 and a car carrier close to 2030. Then more of its vessels are expected to adopt the technology around 2035.

The use of LNG, seen as a bridging fuel, will expand from its vehicle carriers to other types of ships, including dry bulkers and tankers, until 2030, according to NYK.

Methanol, which has experienced an increasing uptake among major box shipping carriers, however, is not prioritised by the Japanese owner, which sees application only for "small ships that are difficult to convert to ammonia fuel".

NYK, which plans a ¥200bn share buyback plan in the next two years to improve its capital efficiency, forecasts a decline in full-year net profit for 2026 to ¥240bn, and ¥310bn in 2030, compared with ¥1,000bn for the 12 months ending March 31, 2023.

Global grains trades to offer some support to bulkers

GLOBAL grains trades are expected to offer some support to bulker demand, despite continuing challenges, according to shipping association BIMCO.

A strong soyabean export season from Brazil, which is heading for a record harvest, is expected to outweigh lower corn volumes from Argentina, which is a net positive for dry bulk shipping, said shipping analyst Filipe Gouveia.

While Argentina's corn exports are estimated to fall by almost 10m tonnes, Brazil's exports are estimated to grow by twice that amount.

For soyabeans, Brazil's production rebound will also more than compensate a weaker harvest in Argentina, he said, adding that Argentina is likely to import more from Brazil to supplement this year's weaker harvest.

Although soyabeans from Brazil had a slow start to the year due to rain-induced harvest delays, with exports down 31% in the first two months of 2023 versus the same period in 2022, a sharp increase is expected in the coming months, as the peak loading period has merely been pushed back a bit, he said.

The recovery in export volumes will aid panamaxes in the Atlantic basin, according to Mr Gouveia. He added that the biggest buyer will be China as its appetite for soyabeans is expanding following the end of its pandemic restrictions, with imports rising 16% in January to February this year compared with the same period a year earlier.

While that bodes well for dry bulk shipping, the greater issue lies with the global picture, where wheat and corn supplies remain strained, largely due to the war in Ukraine, he said. adding that in the case of corn, it remains difficult to replace Ukraine's pre-invasion volumes.

Although the Black Sea grain initiative has been in operation since July to enable safe passage to ships carrying grains out of Ukraine, it is subject to renegotiation every three months, leading to uncertainty over its continuation. It is unclear whether the grain deal will be renewed on March 18, though the UN secretary-general has called for an extension.

"We expect that the challenges in grain shipping felt during last year will continue in 2023. However, a strong outlook for soyabeans could drive a slight recovery in overall grain volumes," Mr Gouveia said.

The US Department of Agriculture noted that Argentina's corn exports from October 2022 to September 2023 are expected at 29m tonnes, the lowest level since 2017-2018, due to drought which has reduced supplies available for export.

Argentina primarily exports to South America, Southeast Asia, and North Africa, hitting places like Peru, Malaysia and Egypt, it said in a monthly report. "Tight global supplies offer limited options for substitution from other origins, although competitively priced feed wheat supplies could play a role," it added.

Of these three regions, Southeast Asia is forecast to contract the least, bolstered by exports from India, forecast at 4m tonnes, due to record corn production. "With strong exports to begin its marketing year, India will again endeavour to help fill the gap left by a key exporter experiencing dry conditions."

US exports have also been constrained by logistical problems and relatively uncompetitive prices, the USDA said, adding that since mid-January, although prices have become more competitive, export sales have been slow to respond, with the export forecast trimmed by another 2m tonnes this month.

While Brazil is forecast to harvest a record crop of 125m tonnes and export a record 52m tonnes during October 2022 to September 2023, global corn trade is forecast down 2.6m tonnes this month, the USDA said.

Weak global demand, apart from China, is supporting lower prices in all major exporters.

Egyptian corn imports are forecast at 9m tonnes, the lowest since 2017-2018, according to the USDA. This was most noticeable during October to December, the first quarter of the 2022-2023 season, when about 1.4m tonnes of corn was exported to Egypt, a 54% drop from the same period a year earlier, marking the lowest level for the period since 2008-2009.

For wheat, global production is forecast higher this month on larger crops in Kazakhstan, Australia and India, with global trade forecast up.

Higher exports, mainly from Kazakhstan, which are expected to reach 10.5m tonnes, up 2m tonnes from the previous year, along with Australia, and Brazil, will more than offset smaller volumes from Argentina and India, the USDA said.

Middle East oil and gas exports boosting economic diversification

GROWING demand for hydrocarbons from Middle East producers is said to be boosting the region's aggressive push for economic diversification.

Some Gulf Cooperation Council states are leveraging buoyant oil revenues to back a longer-term agenda of diversification through more supportive business regulations, investment in physical infrastructure and innovation in key non-oil manufacturing and services, according to Keren Uziyel, senior analyst at the Economist Intelligence Unit.

"Renewables and alternative energy sources are right at the top of the list," she told an EIU webinar, adding there had been a "notable acceleration" in efforts by Middle East and North African states to advance the production of renewable energy, both for domestic consumption, but also as a potential export stream, particularly to Europe.

Ms Uziyel said hydrocarbon producing countries in the region are looking to free up oil and gas for export, while demand remains elevated and to "future-proof against decarbonisation."

All the major economies in the region have set renewables targets of varying ambition, with GCC states and Morocco at the forefront.

The emphasis, she said, was around solar photovoltaics projects in the medium-term, but nuclear energy is also in the mix for some countries, along with blue hydrogen — which is derived from fossil fuel by-products — as the most technically and economically feasible and with a growing export market in Europe.

Middle East and Africa analyst Dominic Pratt picked out investment in the transport and logistics sectors for special mention.

"Middle East Gulf countries, particularly Oman and Saudi Arabia, are expanding [in this sector] to position themselves as key hubs on east-west supply chains in pursuit of their economic diversification objectives," he said, adding this would see the development of local and regional road and port infrastructure projects, together with the completion of the GCC railway, running from Kuwait City to Muscat, in Oman.

"This is likely to boost intra-regional trade flows in the long term, which will provide a significant boost to non-oil economic growth," he said.

The impact of China reopening its economy is likely to provide a significant boost in demand for Middle East hydrocarbons, which will be a great opportunity for Gulf states to finance their big-ticket projects.

Asked to identify key market trends in the Middle East/North Africa regions, Mr Pratt said a significant uplift to oil and gas demand from the region can be expected.

"Western sanctions on Russian oil and gas will see economies seeking alternative sources of hydrocarbon imports. This will strengthen existing relationships such as between Algeria and Italy and will also encourage regional actors to forge new relationships, such as was seen last year between Germany and Qatar and Oman, which spearheaded a number of export agreements," Mr Pratt said.

IN OTHER NEWS

Pricing power for Jones Act tanker owners 'strongest in a decade'
OVERSEAS Shipholding Group's financial performance was boosted by market conditions and a booming renewable diesel trade. The fundamentals will continue to be in OSG's favour as the supply of Jones Act MR tankers and articulated tug-barges will not grow for at least three and two years respectively, according to chief executive Samuel Norton.

BW Offshore gets DNV approval for floating ammonia production unit
BW Offshore has secured an approval in principle from DNV for its floating ammonia production unit.

The unit will use a very large crude carrier, or a newbuild vessel to produce ammonia onboard by electrolysis from offshore wind.

Oslo-listed BW Offshore and the Dutch company Switch2 will develop the floating storage unit, which can initially produce 450 to 600 tonnes of green ammonia per day with an overall electrolysis capacity of 200-300 MW.

MOL offsets emissions from iron ore sailing with carbon credits

MITSUI OSK Lines has offset carbon dioxide emissions during an ocean transport of iron ore from Australia to Japan with voluntary carbon credits from the Rimba Raya Biodiversity Reserve Rimba Raya Biodiversity Reserve project in Indonesia.

The offsetting was carried out on a voyage by dry bulk vessel *Shinzan Maru* (IMO: 9770581), which is exclusively engaged in a long-term iron ore transport contract with Kobe Steel, according to a statement.

Navigator agrees venture to boost ethylene exports

NAVIGATOR Holdings, the owner of a fleet of handysize liquefied gas carriers, plans to increase its ethylene export capacity through a joint venture export terminal with Enterprise Products Partners.

The expansion project at Morgan's Point, near Houston, will boost exports by 550,000 tonnes to 2m tonnes per year. It is also expected to triple the current instantaneous ethylene refrigeration capacity to 375 tonnes per hour.

Castor posts record profits as new tanker firm Toro rises

CASTOR Maritime, the US-listed owner that announced plans to spin off its tanker fleet into a separate listed entity, says it is positioned to further pursue its growth strategy.

The spin-off, which represents a dividend to Castor shareholders, has been completed and leaves the Cyprus-registered owner with a fleet of 20 dry bulk carriers, primarily panamaxes and kamsarmaxes, and two container vessels.

GSBN tests blockchain solution for safer shipping of chemical cargoes

GLOBAL Shipping Business Network, a non-profit technology group, has completed joint research to harness blockchain technology to enhance transportation safety for chemical cargo.

With COSCO Shipping Lines, Orient Overseas Container Line, and the Shanghai Research Institute of Chemical Industry Testing, the project achieved a first proof-of-concept in the shipping industry, which ensures safe transportation certificates are immutable, structured and can be verified from the original source, according to a statement.

US sanctions 'shadow' banking network linked to Iran

THE US has blacklisted a "shadow banking" network of 39 companies it accuses of moving billions of dollars for the Iranian regime.

The network granted sanctioned Iranian entities like petrochemical brokers Persian Gulf Petrochemical Industry Commercial Company and Triliance Petrochemical Company access to the international financial system and obfuscated their trade with foreign customers, the Office of Foreign Asset Control said in a statement.

Navios Holdings sees 'healthy growth' for logistics business

NAVIOS Maritime Holdings has said it is upbeat on prospects for its South American logistics business due to geopolitical developments.

"We believe that the global macro conditions support healthy growth in the Hidrovia region as China is coming out from the pandemic and demand for mineral commodities increases," chief executive Angeliki Frangou said in an earnings call. "Also, Ukraine is impacting demand for agricultural commodities. The focus on food security drives agricultural volumes."

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