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How to read Opec: When the cartel doesn't matter to tanker owners

by Max Tingyao Lin

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When it comes to medium- and long-term earnings, fleet growth matters more than the 'all-important' producers' talks

Middle Eastern trades tend to have a disproportionately large impact on overall market sentiment.

Source: © 2017 Hasan Jamali/AP

MAYBE, just maybe, the time is nigh for tankers owners to look beyond the Organisation of the Petroleum Exporting Countries for their earnings prospects. Since reaching a supply cut deal with several non-Opec oil producing countries, led by Russia, the cartel has been feeding the wider world numerous headlines to underline its efforts. Official figures showed those countries achieved a high conformity level of 98% for their reduction target of 1.8m barrels per day in the first half of this year, when the total reduction amounted to 351m barrels.

As an essential part of the oil supply chain, tanker market participants have understandably been paying great attention to those production levels. But more and more of them are coming to realise that, except for short-term freight market movements and emerging vessel demand opportunities, fleet growth may have a much bigger impact on medium- and long-term earnings.

This is partly because the Opec cuts are not directly linked to its actual supply level, which has been higher year on year based on export data. Oil traders have to some extent ignored the Opec rhetoric: benchmark crude prices have mostly been below $50 a barrel since May, lower than the end-2016 level. Perhaps tanker players can learn from them.

'Potemkin village'

The first step to demystifying the Opec supply figures would be looking into seaborne trade data, which is more directly related to tanker demand.

According to Lloyd's List Intelligence, Opec exported 25.2m bpd in the first half of this year — which was, indeed, much lower than the 27.4m bpd seen in November 2016, when the supply reduction was announced.

But oil exports tend to involve strong seasonality, in response to higher demand during summer in the Middle East's production nations and more fuel consumption in the northern hemisphere's consuming countries. If this factor is taken into account, the Opec exports were actually 110,000 bpd higher than the year-ago level.

Court Smith, an independent tanker analyst who has worked for MJLF & Associates and Poten & Partners, told Lloyd's

List he observed cargo counts out of the Middle East Gulf — where most of the Opec production is based — were higher than expected. The weakness in very large crude carrier markets was driven by the growth of the fleet, Mr Smith said.

Like VLCCs, suezmax and aframax markets were also plagued by higher newbuilding tonnage hitting the water, data from Maritime Strategies International suggested. The consultancy predicted the global VLCC fleet to grow by 13m dwt this year, the suezmax fleet by 8m dwt and aframaxes by 9m dwt.

“Tanker demand has been growing at maybe 2%-3%,” said Christian Waldegrave, research manager of Teekay, one of the world’s largest energy shipping groups, in a webinar. “The fleet has been growing at a much higher rate than that.”

The meeting between Opec and its Russia-led allies in July might be the best example of how the producers fail to take action that really matters. They hinted at possible production restrictions for Libya and Nigeria, the two Opec member exempted from the supply cut, with the latter already voluntarily unveiling an output ceiling of 1.8m bpd. They said the reduction deal, which runs from January 2016 to March 2017 as it stands, could be extended. But no concrete measures were announced.

Barclays said those meetings were like “a Potemkin Village”, referring to the 18th-century Russian nobleman Grigory Potemkin’s phony settlements intentionally built to deceive his lover Catherine the Great and others. “[They] were aimed at saving face and diverting the market’s attention away,” the bank said.

Ignore the cartel at your peril

Does Opec’s failure suggest tanker owners can just disregard the cartel? No, far from it.

Even as Opec’s output changes might not be the most important factor for long-term earnings, the dynamics of the supply picture will determine sources of vessel demand. And that is important for owners that want to keep their vessels employed — earnings are not yet weak enough to prompt widespread idling.

The most obvious example would be the US’ rising shale production and exports, which are grabbing market share at the expense of Opec and its allies. According to the Energy Information Administration, US crude production is to average 9.3m bpd in 2017, up 500,000 bpd from the 2016 level. The EIA predicted that US production would hit a fresh record of 9.9m bpd next year.

This development has excited many owners and analysts, including MSI and Teekay, despite their admission that those exports fail to lift earnings.

The supply dynamics have also been changing within Opec. Some countries get more leeway where output has been negatively impacted by social unrest or sanctions. Libya and Nigeria are exempted from the cut, while Iran is allowed to raise its output marginally before hitting a cap of 3.8m bpd.

These were showing in the LLI export data: Iran raised exports by 420,000 bpd on average in January-June from the year-ago level; Libya increased exports by 370,000 bpd, and this more than made up for the 320,000 bpd fall in exports of Saudi Arabia, which committed to the largest output reduction.

In the case of Nigeria, the West African country’s exports were down 180,000 bpd year on year in the same period, as its production woes emerged from the second quarter of 2016. But Nigerian output and exports are growing this year from the end-2016 level, and the narrow spread between benchmark Brent and Dubai crude prices has pushed more Atlantic barrels to Asia on VLCCs. “This helped tonne-mile demand,” Mr Smith said.

Moreover, Middle Eastern trades tend to have a disproportionately large impact on overall market sentiment. The Baltic Exchange’s TD3, which looks at the VLCC trade between Ras Tanura in Saudi Arabia and Chiba, Japan, remains the most referenced freight earnings benchmark for crude tankers.

The Saudis have vowed to push ahead with the supply cut rigorously and so far have kept their word. In August, Opec’s top producer has planned exports of 6.6m bpd, which Ocean Freight Exchange analyst Rachel Yew, citing Jodi data, said would be a six-year low. The United Arab Emirates has also pledged to cut exports of three grades by 10% in September.

Ms Yew estimated those reductions may potentially lead to an on-month fall of 6%-7% in Middle Eastern Gulf fixtures.

“The effect of the drop in exports is already being felt,” Ms Yew said.

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Yard Talk | The hidden risks in CSIC

by Cichen Shen

Chinese policy banks can learn from South Korean peers to assess order probability before granting refund guarantees

CSIC might well be able to learn a lesson from its South Korean peers. *Source: SLdesign/Shutterstock.com*

BEING the top shipbuilding company in the newly released Fortune 500 list of top businesses has probably won China Shipbuilding Industry Corp a big round of patriotic applause.

The state giant climbed 48 spots from last year to the 233rd position on the annual snapshot of the world’s largest companies, with $42.2bn in revenue at the end of 2016. It outstripped the $36.1bn recorded by Mitsubishi Heavy Industries (294th) and the $33.8bn of Hyundai Heavy Industries (313th).

But behind the grandstanding of a ranking list, the largest shipbuilding conglomerate in China is facing thorny problems, including its haemorrhaging offshore engineering business and management misconduct detected by China’s National Audit Office.

Offshore pain

Last week, CSIC Ltd, CSIC’s flagship unit listed in Shanghai, proposed an equity-to-debt swap and unveiled two key government-backed investors — China Cinda Asset Management and China State-owned Capital Venture Investment Fund.

The involvement of Cinda, the country’s largest distressed asset manager, is directly linked to CSIC’s debt-ridden offshore sector, according to banking and analyst sources in Beijing.

One of the sources said that the shipbuilder had even requested the Export-Import Bank of China to swallow up a chunk of its offshore liabilities, which seems yet to be approved by the state-owned policy lender.

As per the debt swap proposal, the investors will get a stake in two of the major shipyards now wholly owned by CSIC

Ltd — Dalian Shipbuilding Industry Co and Wuchang Shipbuilding Industry Group. Both yards are heavily exposed to the offshore drilling market, where buyers have been shying away from taking delivery of newbuildings they ordered.

The move came only a few weeks after the listed parent disclosed a plan to write down Yuan715.1m ($106m) in assets for two offshore building units of DSIC, namely DSIC offshore and Shanghaiguan Shipbuilding Industry Co, due to contract terminations of one semi-submersible and one jack-up rig.

The reduction in value is in addition to nearly Yuan1.7bn of impairment losses already recorded in CSIC Ltd's inventory between 2015 and 2016.

Yet this might just be a tip of the iceberg. According to Clarksons, DSIC Offshore and SSIC have a combined offshore backlog worth $4.4bn, consisting of 15 jack-ups, three other drilling rigs and one accommodation platform. At the same time, WSIG's offshore orderbook stands at $700m, mainly consisting of support vessels.

The China Association of the National Shipbuilding Industry flagged up the concern in its recent report, saying the delivery conundrum of offshore projects had drained cash flows and increased Chinese shipbuilders' cost burdens, affecting their operational sustainability.

Management issues

The conglomerate's headache is more than just a stack of non-performing offshore newbuildings.

Having reviewed CSIC's 2015 annual results, in June the National Audit Office published an array of accounting and management irregularities.

To give some noteworthy examples:

In 2006, CSIC deliberately misreported the investment in a low-speed diesel engine project — it recorded just Yuan780m rather than the Yuan1.2bn actually needed — in order to escape examination from the National Development and Reform Commission, resulting in a Yuan756m loss at the end of 2014.

In 2015, WSIG proceeded with a vessel retrofitting contract without gaining approval from CSIC's risk control department, leading to an overdue receivable of Yuan313m as of June 2016.

More significantly, perhaps, 94 of the 200 newbuildings completed at DSIC between 2006 and 2015 suffered cost overruns, while 195 of those vessels did not have cost analysis reports as required.

A lesson can be learnt

While all these problems are probably still pestering CSIC's top management and its main creditors, such as Cexim, there might be a lesson to be learnt from their South Korean peers.

Korean shipbuilders fared little better in 2015-2016, when the industry was met with an unparalleled down cycle. And the top players, including HHI, posted eye-watering losses from constructing offshore projects, which also burned a large hole in the pocket of their creditors, led by Korean Development Bank and the Export–Import Bank of Korea.

But as part of the remedial action, in May 2015 the policy banks began to implement a mandatory process to assess the profitability of new orders before they granted refund guarantees to the country's builders.

The so-called Marine Finance Centre, set up by Seoul with ship finance experts from Kexim, KDB and Korea Trade Insurance Corp, is responsible for evaluating newbuilding projects worth more than $500m. But some shipbuilding sources suggested smaller deals were now also reviewed by the centre on a regular basis.

This measure is set to ensure that yards can make a living on their own and policy banks can slow down, if not halt, the burning of taxpayers' money.

Cexim and other Chinese state-backed financiers obviously have a much deeper pocket than their South Korean colleagues. However, applying a more prudent approach in the country's shipbuilding industry is probably not a bad idea, especially in today's fiscal environment, where soaring debt is widely considered as one of the biggest risks to China's economy.

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Capital Product eyes new acquisitions after refinancing

by Nigel Lowry

Sponsor's fleet includes various drop down candidates but significant charters preferred

Candidates for drop-down from Capital Maritime & Trading include VLCCs, product tankers and containerships.

CAPITAL Product Partners, the Greece-based tanker and containership owner, will focus on growth after sealing refinancing of existing debt.

After drawdown of a newly agreed $460m HSH Nordbank- and ING Bank-led credit facility that will be used to pay off five of the company's six existing credit facilities, debt to book value will fall to about 36%.

"We believe that this transaction will further strengthen our balance sheet and it will be an important cornerstone as we turn our attention to growth," said chief executive Jerry Kalogiratos.

"We aim, subject to market conditions and the availability of financing, to further increase the long-term distributable cash flow of the partnership by pursuing additional accretive transactions including a number of acquisition opportunities from our sponsor," he told analysts in a call to discuss second-quarter earnings reported last Friday.

Currently, the Nasdaq-listed partnership has options to acquire five 50,000 dwt Eco-type product tankers owned by sponsor Capital Maritime & Trading.

However, Mr Kalogiratis also said that a number of other vessels in the Capital Maritime fleet could become potential drop down candidates "subject to the right conditions".

Two young aframax tankers that Capital Maritime has chartered out for five years at daily rates of $26,400 were among

these.
Other possibilities could include three modern very large crude carriers owned by the sponsor, and five 9,954 teu container vessels recently acquired from the fleet formerly owned by Hanjin Shipping.
According to Mr Kalogiratos, long-term chartered vessels such as the two aframaxes were "definitely preferable" due to the importance of providing unit-holders with visibility regarding future cash flow.
But product tankers, a sector where Capital Product expected to see "more upside", could also be attractive even if dropdowns came with shorter charters of, say, one or two years, he said.
It was important to complete the major financing transaction and, once that was done, the company could think about further dropdowns. but the market could "rest assured" that would be management's focus.
The main criterion for a drop down was how accretive it would be to earnings and this would also determine what, if any, additional capital would be raised to fund acquisition.
"We are of course mindful that the unit price is not what it used to be and it makes accretive drop downs more difficult. But that’s the criterion," Mr Kalogiratos said.

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Asia-Europe trade lane sending positive signals to container lines

by James Baker

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Rates and volumes rise as carriers eye return to profitability

Conditions are improving on the Asia-Europe trade lane.

THE beleaguered Asia-Europe trade lane may be about to return to profitability, according to two new reports that see improving conditions in the container shipping sector on the back of better economic indicators in Europe.

Analysis by SeaIntel shows improved freight rates on the Asia-Europe, particularly when compared with 2016. However, given the precarious condition of container shipping in 2016, SeaIntel has compared rates with 2015, before the time container lines entered a ferocious rates war and when bunker prices were similar to those found today.

Looking at the combined headhaul and backhaul rate based on the World Container Index, SeaIntel said the the roundtrip rate has improved in 2017, whereas the head haul rate had “merely” stabilised.

“Of course, in the perspective of the freight rate war in 2016, the stabilisation of the head haul rate in 2017 is a victory for the carriers in itself, but it is clear that the backhaul is contributing to the round-trip increase.”

This had helped raise roundtrip rates by $324 per teu since 2015, SeaIntel said.

While the figure only applied to spot rates, SeaIntel said there was strong correlation between spot and contract rates, although contract rates had been less volatile.

“This means that with the roundtrip development we have seen year to date — and if we assume the development is maintained for rest of 2017 — we can estimate the full year positive effect for the carriers versus 2015,” SeaIntel said.

“If all cargo moves on spot, the upper estimate becomes an added revenue — and de facto added profitability — of $1.7bn for the Asia-North Europe trade. However, part of the cargo is contract cargo, and if we apply the volatility dampening effect, we arrive at a lowerbound estimate of an improvement in revenue, and profitability, of $1.2bn.”

The improvement in rates and revenues is supported by increasing volumes in and out of Europe, according to a report from Hackett and Associates, whose North Europe Global Port Tracker forecast for 2017 projects a 5.9% increase in total laden imports to Europe, taking the total to 24.4m teu. Northern Europe is projected to increase by 3.7% to 15.4m teu, while the Mediterranean-Black Sea region is projected to surge by 10% to 9m teu.

Exports in 2017 are projected to rise 6.8% to 20.6m teu, with northern Europe increasing by 4.2% to 12.8m teu and the Mediterranean-Black Sea region growing by 11.4% to 7.8m teu.

“Finally and unequivocally we can say that the [European Union] economy has recovered and appears to be on the road for strong growth for this year and possibly into 2018,” said report author Ben Hackett.

He warned, however, that there were still risks for European export levels.

“There are some risks on the horizon, one of which is the excessive government expenditure and debt in China, which if dealt with will cause that economy to grow closer to 5%, down from nearly 7% this year. That would impact European exports.”

Second-quarter results, which will begin to be announced this month, will indicate whether carriers are making a sustained return to profitability.

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Container terminal MA deals point to improved outlook

by James Baker

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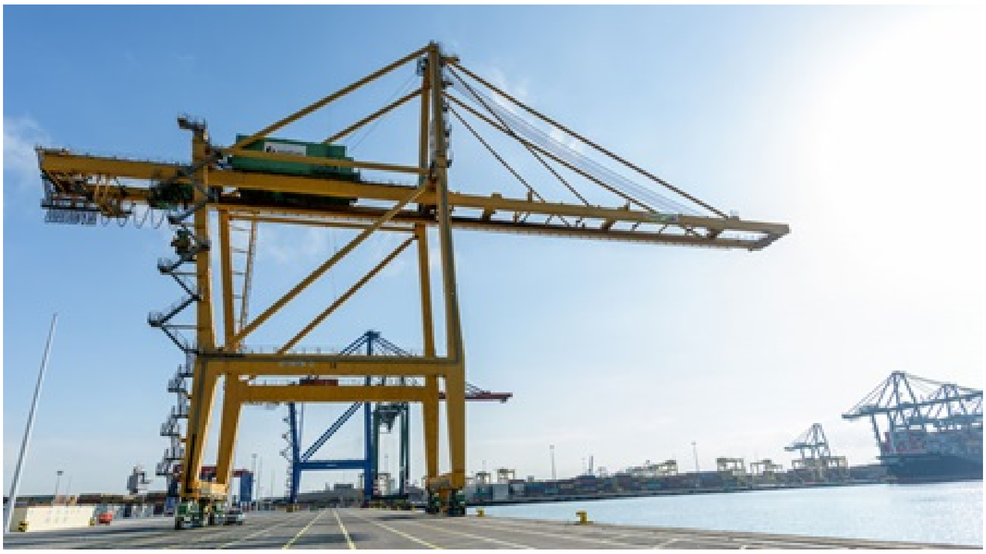
Chinese operators take advantage of improved global container port demand growth prospects



Cosco's acquisition of Noatum's port assets is just one of many deals this year.

MAJOR merger and acquisition deals are changing the face of container terminals, with more to come as Chinese operators look to increase their footholds both at home and abroad.

According to analysts at Drewry, the outlook for global container port demand growth is now more optimistic and Chinese players are on the acquisition trail in an aggressive and highly confident manner.

This comes at a time when port demand is forecast to be more positive than last year, exhibiting a 4% compound annual growth rate and adding a further 152m teu of port throughput to the global total by 2021, according to Drewry.

"This is a consequence of improved port throughput growth rates in the second half of 2016 and into 2017, and a more positive general global economic outlook," Drewry said.

Nevertheless, there remain numerous risks and uncertainties, including tensions in the Middle East and Korean peninsula, the protectionist and unpredictable stance of the US administration, and the impact of Brexit.

"This is perhaps one reason why the global container port capacity is projected to increase by 2.7%, based on confirmed additions only," Drewry said. "This is markedly lower than the forecast demand, and hence, average utilisation levels are expected to rise."

Drewry senior analyst for ports and terminals Neil Davidson said: "While there are certainly some encouraging signs for the demand growth outlook, the risk profile for terminal operators has increased and most of the traditional global/international players remain cautious. The exception to this is the Chinese port companies who are pursuing expansion and investment both at home and overseas in an unprecedentedly aggressive manner."

Merger and acquisition activity in the port sector was at a high level, with around $3.1bn worth of deals struck so far in 2017, driven by Chinese companies such as Cosco Shipping Ports and China Merchants Ports, Drewry added. In the last year, more than half of the acquisitions by global/international terminal operators have been made by Chinese players. The valuations of port and terminal businesses demonstrated that Chinese companies were typically prepared

to pay a premium.
“The Chinese players are more comfortable with risk than the established international operators right now, and have a geo-political strategy rather than a purely financial one. They are snapping up assets and opportunities and have the appetite and financial clout to take many more in the coming years,” Mr Davidson said.

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Vitol orders up to eight VLGCs from HHI

by Wei Zhe Tan

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Deal for two firm orders and six options worth up to $600m

Firm vessel orders scheduled for delivery over the first half of 2019 at HHI's Ulsan yard

SOUTH Korea's Hyundai Heavy Industries has received an order for a pair of 84,000 cu m very large gas carriers from energy and commodities trader Vitol. Including options for another six vessels, the deal will be worth a total of $600m, a HHI official told Lloyd's List.
The two VLGCs will be constructed at HHI's Ulsan yard and are expected to be delivered by the first half of 2019.
HHI will incorporate environmentally sustainable technologies into the vessels such as a hull optimised for fuel-efficiency, a ballast water treatment system, and a scrubber to cut sulphur oxides from ship exhaust emissions, the official said.
With the latest order, HHI has clinched 22 vessel options and deals in the letter of intent stage valued at $3.2bn. These comprise 12 liquefied natural gas carriers, two floating storage and regasification units and eight liquefied petroleum gas carriers.
"We'd like to appreciate Vitol for trusting our technologies and ordering new ships," said a HHI official. "We will make all

efforts to deliver the high-quality ships on time."

The official noted that this was the first time Vitol, which operates around 250 vessels, has directly placed VLGC orders with the yard.

Separately, three of HHI's affiliate yards have secured 81 vessel orders to date worth $4.5bn, compared with 16 orders worth $1.7bn clinched in the year ago period.

The group, which has carried out a major reorganisation of its divisions said that it had raised about Won1trn ($892.7m) in liquidity so far this year as of last week as part of its Won3.5trn management improvement plan which commenced in June 2016.

HHI achieved this through the sale of all its shares in Hotel Hyundai to private equity firm Hahn & Company for Won200bn. The firm manages about Won4trn in assets.

Affiliate Hyundai Samho Heavy Industries in June raised about Won400bn through a pre-initial public offering share sale to IMM Private Equity, while Hyundai Mipo Dockyard raised about Won350bn through the sale of its shares in Hyundai Robotics, which has been restructured to be a holding company for all of the spun off, separate companies under the HHI Group.

HHI in April spun off two of its divisions into separate corporate entities, Hyundai Construction Equipment and Hyundai Electric & Energy System.

These moves, which had been executed since June last year, helped slash HHI's debt-equity ratio to about 90% from 134% at the end of the first quarter of 2016.

The sale of Hyundai Hotel shares means the group has secured about Won3trn in liquidity since the start of its management improvement plan which works out to be roughly 90% of the Won3.5trn target figure.

Looking into the second half of the year, HHI Group plans to further consolidate its core businesses by liquidating overseas units that are not performing well, and incorporate companies such as Hyundai Cummins, which is in the construction equipment engineering business, and Jake, which is in the wind power gear box business.

It will also continue with the sale of non-core assets such as Hi Investment & Securities.

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Paris and Tokyo MOUs to launch joint inspections for 10,000 ships

by Anastassios Adamopoulos

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Three-month campaign to aim at enforcing Solas compliance

The campaign will run from the beginning of September until the end of November. *Source: Tom Wang/Shutterstock.com*

PARIS Memorandum of Understanding and the Tokyo MOU, two leading port state control organisations, will launch a three-month campaign to ensure vessels comply with the Safety of Life at Sea Convention, particularly targeting the safety of navigational equipment and competence of crew using and maintaining it.

Solas, an International Maritime Organization convention that has been in effect since 1980, is aimed at enforcing safe construction, equipment and operation of vessels.

The main target of the campaign will be safety of navigation. The campaign will last from the beginning of September until the end of November, with around 10,000 inspections expected to be carried out. Each vessel will be subject to only one inspection under the concentrated inspection campaign.

The two organisations' campaign represents co-ordinated efforts in carrying out port state control inspections in different regions; the Paris MOU includes 27 European signatories and the Tokyo MoU consists of 19 members in the Asia-Pacific region.

During the three-month period, inspectors will ask vessel crews 12 questions to verify that the onboard navigational equipment is Solas compliant and is maintained appropriately. Inspectors will also check whether the relevant crew know how to use bridge equipment.

"If deficiencies are found, actions by the port state may vary from recording a deficiency and instructing the master to rectify it within a certain period of time, to detaining the ship until the serious deficiencies have been rectified. In the case of detention, publication in the monthly detention lists of the Tokyo and Paris MoU web sites will take place," the organisations said.

The two organisations claimed that between 2009 and 2016, navigation safety deficiencies accounted for 15.27% of all vessel deficiencies, with 174,559 such incidents occurring.

The digitalisation of navigational systems has become mandatory over the past few years through the installation of electronic chart display and information systems. All large and medium-sized cargo sized vessels constructed before July 2013 must already have an Ecdis in place, while vessels between 10,000 gt and 20,0000 gt must have them by their first surveys on or after July 1, 2018.

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V.Group names Ian El-Mokadem as new chief executive

by Anastassios Adamopoulos

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Shipmanager fills operations role with former APMT boss

Mr El-Mokadem will replace interim chief executive Hanne Sorensen.

SHIPMANAGER V.Group has named Ian El-Mokadem as its new chief executive and Martin Gaard Christiansen as the chief commercial officer from autumn 2017, ending the overhaul of the company's leadership.

Mr El-Mokaden currently serves the chief executive of Exova, a provider of testing, calibration and advisory services, a role he has occupied for the past six years.

Mr Gaard Christiansen served as APM Terminals chief commercial officer and chief executive officer of the Asia Pacific region before becoming Asia chief executive for shipping and offshore storage provider Wrist Ship Supply.

Mr El-Mokadem will replace interim chief executive Hanne Sorensen. Ms Sorensen, who was with Maersk Group from 1996 to 2014, was brought in to lead the company in May 2017 ahead of new permanent leadership following Clive Richardson's departure.

With a fleet of over 700 fully managed vessels, London-headquartered V.Group is among the among the largest shipmanagers in the world, on the back of two company acquisitions in 2016.

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NYK and K Line back in the black while MOL profits grow

by Wei Zhe Tan

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Japanese trio see better results on improved US and Europe trades

The three lines are preparing for the start of joint container shipping services from April 1 next year.

IMPROVED economic conditions in the US as well as stable spot rates in the European trades helped NYK Line and K Line rebound from year-ago losses and further grew MOL's profits during the three months ended June 30, 2017.

For that period, NYK Line reported a profit attributable to shareholders of ¥5.4bn ($48.8m) compared with a ¥12.8bn loss in the 2016 quarter, while revenue increased 10.8% to ¥521.7bn.

The shipping line noted that box shipping spot rates in the period were mostly favourable despite the reorganisation of shipping alliances and the capacity overhang.

Focusing on its liner shipping division, the Europe trades saw stable spot rates while other routes, including those in Central and South America, recovered.

Although volumes were brisk on the transpacific routes, an increase in tonnage delayed any market recovery.

The group was making efforts to stem fleet growth and control operating expenses via increasing cargo loading efficiency, switching to more fuel-efficient 14,000 teu boxships, and the optimisation of vessel deployments.

"By implementing measures for cutting freight costs, particularly the efficient operation of containerships, the group improved profitability and its resistance to market fluctuations," said NYK.

Additionally, overall throughput at box terminals across the globe has grown on a year-on -year basis.

"Owing to these factors, results in the liner trade segment as a whole improved substantially, with the segment posting a profit and higher revenues than in the same period of the previous fiscal year," said NYK.

In lieu of this and other promising developments in the other segments, NYK Line revised its revenue forecast for the fiscal year ending March 31, 2018 up 5.2% to ¥2.1trn.

K Line

Compatriot K Line saw profit attributable to shareholders for the three months ended June 30, 2017 recover to ¥8.5bn versus a ¥26.8bn loss in the year-ago period, while operating revenue grew 17.5% to ¥287.4bn.

The company said that the US economy was seeing robust private consumption, higher capital investment and real estate investment, while the European economy on the whole continued to see a recovery led by capital investment.

In Japan, economic growth continued to pick up amid increased exports on the back of stronger economic activity worldwide.

These events translated into better freight rates on the East-West trades and intra-Asia container shipping services.
Zooming in on the container shipping division, the company saw handling volumes grow 6% year-on-year for the Asia-North America route, 9% for the Asia-Europe trades, and 17% for the intra-Asia trades. Volumes handled, however, fell 5% in the north-south routes as it culled the South America east coast services.
Overall volumes handled as a result increased 7%.
"The freight rate market recovered, reflecting steady cargo movements, and profit rose year on year, with the containership business regaining positive earnings," said K Line.
However, K Line remained pessimistic over the prospects for the global economy in the days ahead and thus trimmed operating revenue forecasts by 0.7% to ¥1.12trn for its current fiscal year.
It cited changes to the business environment due to the increased pace of mergers and consolidations in shipping as well as the impact of geopolitical risks in key markets on consumer trends and cargo movements, as reasons behind its forecast.

MOL

Finally, MOL posted profit attributable to shareholders of ¥5.2bn for the three months ended June 30, 2017, a 274.7% jump versus the year-ago period, while revenue increased 12% to ¥403.2bn.
The group cited the recovering trend in US personal consumption due to stronger domestic and overseas demand and the improved employment situation as part of the reason for the better results.
Another factor was stable European economic growth and personal consumption levels.
"In Japan, meanwhile, consumer sentiment is showing a trend of improvement, and while personal consumption is picking up, business activity continued on the track of moderate recovery," said MOL.
Similar to K Line, MOL said cargo trades from Asia on the Asia-North America routes were at record-high volumes as the US economy continued to recover, while volumes on the Asia-Europe routes were stable and backhaul cargo volumes from Europe-Asia rose.
The Asia-east coast South America routes also saw recovering cargo volumes.
"Under this business environment, the ordinary loss in the containership business was reduced year on year, also thanks to efforts through cutting operation costs by reducing the expenses of repositioning empty containers through improved yield management," said MOL.
With the encouraging outlook, MOL revised its revenue forecast for its 2017 fiscal year up by 0.3% to ¥1.61trn.
NYK Line, K Line and MOL previously announced the integration of their container shipping businesses to boost market competitiveness and to ensure sustainable operations.
"The three companies jointly established Ocean Network Express on July 7, 2017, and are now carrying out preparations for it to commence services from April 1, 2018," said NYK Line.

Related Content

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- Jeremy Nixon picked as chief executive of new Japanese container line
- Japanese trio fail to establish liner shipping joint venture on July 1
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- ONE set to become world’s fifth-largest box carrier

31 Jul 2017 | **Opinion** | **Europe** | **United Kingdom** | **Ship operations**

V.Group appointments have a distinct taste of Danish blue

by Richard Clayton

Former Maersk executives take lead roles at shipmanager

New V.Group chief commercial officer Martin Gaard Christiansen served Maersk for 25 years. *Source: V.Group*

LAST December, private equity investor Advent International stepped in to take a majority stake in shipmanager V.Group from Canadian pension fund OMERS. It can hardly be a coincidence that within a month of the transaction being completed in March, V.Group chief executive Clive Richardson walked away. Until a successor could be found, Mr Richardson was replaced by AP Moller-Maersk executive Hanne Sørensen. She had served as chief executive of Maersk Tankers and Damco, the logistics division, and joined a V.Group board that included Jesper Kjaedegaard, who was with Maersk for 30 years.

It has now been announced that Ms Sørensen is to hand over to Ian El-Mokadem — whose management experience with Exova, the testing and calibration business, and Accenture, a consultancy business, includes no maritime background.

However, Mr El-Mokadem will be working alongside new chief commercial officer Martin Gaard Christiansen, who joins V.Group from running the Asia region for Wrist Ship Supply. Prior to Wrist, Mr Christiansen served Maersk for 25 years, rising to chief commercial officer and chief executive officer of APM Terminals' Asia Pacific region.

It might be claimed that this is less a takeover by Advent International than by senior executives of Maersk, who see the writing on the big blue wall. Much the same has been happening at Nisomar, a new maritime service business set up by ex- J.Lauritzen master mariner and head of Inchcape Shipping Services Claus Hyldager. Capt Hyldager has pulled seven ex-ISS colleagues into his team, at least one of whom is ex-Maersk.

Shipmanagers, agencies, brokers, and stores and provisions suppliers have suffered as their customers struggle to align their business to dwindling revenue. V.Group's expansion under Mr Richardson saw the underwhelming acquisitions of Bibby Ship Management and Selandia Holdings. The recent merger of Columbia Shipmanagement and Marlow Navigation in Cyprus has raised the stakes for V.Group. It's time for the company to, in the words of chairman John Pattullo, "shape the future of shipmanagement".

Related Content

- V.Group names Ian El-Mokadem as new chief executive

- V.Group hires former Maersk boss as interim chief
- V.Group adds to management team
- New owner for V.Group

INVITATION TO TENDER
IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
ADMIRALTY JURISDICTION

RE: HCAJ 47 of 2017
The ship or vessel **"KY VENUS" (**the "Vessel")

Pursuant to the order for sale of the Vessel made by the High Court of the Hong Kong Special Administrative Region on the 16 June 2017 and 26 July 2017 respectively tenders are invited for the purchase of the Vessel (a general description of which is set out below) upon the following terms.

1. The Vessel is offered for sale as she lies in the waters of Hong Kong in her "as is" "where is" condition at the date of delivery without any warranties or guarantees. The Vessel is sold free from incumbrances, with everything on board belonging to her but excluding any equipment on hire.

2. No error or misdescription in this invitation or otherwise by representatives of the Government or the High Court of the Hong Kong Special Administrative Region shall entitle the successful tenderer ("the Buyer") to annul the sale.

3. Tenderers are advised to make all and any such enquiries as they think fit. Permission to inspect the Vessel may be obtained from the Chief Bailiff.

4. Tenders for the purchase of the Vessel must:
   (a) be in writing addressed to the Registrar of the High Court, Hong Kong Special Administrative Region;
   (b) be in a sealed envelope so addressed and marked **"HCAJ 47 of 2017 – CONFIDENTIAL";**
   (c) be accompanied by way of deposit by a cashier's order or bank draft drawn by a Hong Kong bank or a bank having a branch office or banking correspondents in Hong Kong or certified cheque drawn on such a bank of 10% of the offer payable to **"Registrar, High Court"** and crossed in **"HCAJ 47 of 2017"** (the "Deposit");
   (d) be expressed to be irrevocable until 23 August 2017;
   (e) reach the Registrar c/o Chief Bailiff (Administration & Admiralty) at Bailiff Office, LG 3/F, High Court Building, 38 Queensway, Hong Kong not later than 2:00 p.m. on 16 August 2017, otherwise such tenders will be treated as invalid; and
   (f) be expressed in Hong Kong Dollars or United States Dollars with payment of the Deposit being made in the same currency as the tender.

5. The Registrar is not bound to accept the highest or any tender.

6. If a tender is accepted the balance (plus the sum payable for bunker fuel) of the purchase price also in the form of a cashier's order, bank draft or certified cheque payable as aforesaid must be paid within 7 days of the acceptance of the tender and if not so paid the deposit of 10% will be forfeited in which event the Registrar will be at liberty to sell the Vessel to any other party or parties.

7. The Buyer shall within 7 days of the acceptance of the tender pay by the aforesaid methods the Hong Kong market price for the bunker fuel remaining on board on the date of delivery, such quantity and price to be determined by the Chief Bailiff or his agent.

8. Upon payment of the balance of the purchase price, a bill of sale will be duly executed on behalf of the High Court of the Hong Kong Special Administrative Region in favour of the Buyer.

9. The Registrar may in his discretion agree that the Vessel be sold to a nominee of the Buyer. Such nominee and the Buyer shall sign an addendum to this Invitation to Tender in such form as the Registrar may require. Any nomination shall be made no later than 3 working days prior to the delivery of the Vessel. Any nomination made by the Buyer shall be irrevocable. No further nomination is permitted.

10. Deposits will be refunded to unsuccessful tenderers.

11. Any tenderer who does not receive notice by 23 August 2017 that his tender has been accepted may assume that such tender has been rejected.

12. Should the Vessel become a total loss (or be accepted by underwriters as a constructive total loss) before delivery of the Vessel to the Buyer the sale shall be null and void and the Deposit will be refunded to the Buyer.

13. The Buyer shall be liable for any fees duties taxes or dues of whatever nature which may become payable upon the purchase and transfer of the Vessel.

14. On completion of the sale the Buyer will assume all responsibility for complying with all Hong Kong Marine Department directions regarding the Vessel.

15. This invitation and the sale of the Vessel is made and effected without any liability of whatsoever nature of the High Court of the Hong Kong Special Administrative Region or its officers, employees or agents.

(K. W. LUNG)
Registrar
High Court
26 July 2017

PARTICULARS OF THE VESSEL

NAME:	"KY VENUS"
IMO NO.	9478107
REGISTRY:	Jeju, Republic of Korea
TYPE OF VESSEL:	Oil & Chemical Tanker (IMO II)
BUILT:	Kwang Sung Shipbuilding Co., Ltd. Mokpo, Republic of Korea.
DATE OF BUILD:	06 May 2010
CLASSIFICATION:	Korean Register of Shipping + KRS1 Oil/Chemical, +KRM1-IGS
LENGTH:	128.60 m. (OA) 120.40 m. (BP)
BREADTH:	20.40 m. (M)
DEPTH:	11.50 m. (M)
GRT:	8562
NRT:	4095
LIGHT WEIGHT:	4450 mt.
SUMMER DEADWEIGHT:	13049 mt.
SUMMER DRAUGHT:	8.714 m.
CRANE:	SWL 5.0 t.
MAIN ENGINE:	STX-MAN B & W 6S 35 MC 4440 kW
AUXILIARY ENGINES:	Hyundai Himsen 5H 17/28
BOILER:	Miura Co., Ltd. HB-12T, Vertical Water Tube
BOW THRUSTER:	400 kW
CARGO CAPACITY:	14315.708 M3 12 tanks + 2 slop tanks
CARGO PUMPS:	FRAMO, Carso 12 x 300 M3/h, slops 2 x 100 M3/h, Portable 1 x 70 M3/h.
SERVICE SPEED:	13.5 knots

SECTION 48, PLANNING ACT 2008

REGULATION 4, THE INFRASTRUCTURE PLANNING (APPLICATIONS: PRESCRIBED FORMS AND PROCEDURE) REGULATIONS 2009

NOTICE PUBLICISING A PROPOSED APPLICATION FOR A DEVELOPMENT CONSENT ORDER (DCO) TO CONSTRUCT, OPERATE, MAINTAIN AND DECOMMISSION AN OFFSHORE WIND FARM KNOWN AS THE HORNSEA PROJECT THREE OFFSHORE WIND FARM

1. Notice is hereby given that DONG Energy Hornsea Project Three (UK) Ltd, of 5 Howick Place, London, SW1P 1WG (hereafter referred to as 'the Applicant') intends to apply to the Secretary of State for a DCO under Section 37 of the Planning Act 2008 for the construction, operation, maintenance and decommissioning of an offshore wind farm generating station, with a generating capacity of up to 2.4 gigawatts, and associated development to connect the wind farm to the national grid ('Hornsea Three').

2. The proposed generating capacity of the offshore wind farm will exceed 100 megawatts and therefore it will be a nationally significant infrastructure project and will be authorised by a DCO.

3. The proposed application for development consent for Hornsea Three is being compiled by and consulted upon by the Applicant.

4. Hornsea Three is an "EIA development" for the purposes of The Infrastructure Planning (Environmental Impact Assessment) Regulations 2009. This means that the proposed works involved constitute development for which an Environmental Impact Assessment is required and the proposed application for a DCO will therefore be accompanied by an Environmental Statement (ES).

5. The offshore wind turbines will be located in the eastern portion of the former Hornsea Round 3 Zone (referred to as the "array area"), which has a total area of 696 km^2 and is located approximately 121 km northeast of the Norfolk coast and 160 km east of the Yorkshire coast.

6. The proposed DCO will, among other things, license and authorise:

Offshore:

6.1 the construction and operation of up to 342 offshore wind turbines, with a tip height up to 325 metres (above lowest astronomical tide) and their foundations;

6.2 the construction of up to 19 offshore platforms within the array area, accommodating either (depending on final design);

6.2.1 high voltage alternating current (HVAC) consisting of up to 12 transformer substations and up to 3 accommodation platforms, or

6.2.2 high voltage direct current (HVDC) consisting of up to 12 transformer substations, up to 4 offshore HVDC converter platforms, and up to 3 accommodation platforms.

6.3 offshore HVAC booster substations may be included at locations within the offshore cable route (either at the surface or subsea);

6.4 the construction of a network of subsea array cables connecting the wind turbines, offshore booster substations, offshore converter stations and offshore accommodation platforms;

6.5 the construction of a subsea electrical connection to the shore, the mode of transmission of which may be HVAC or HVDC, running in a south-westerly direction from the south-western boundary of the array area to the proposed landfall at Weybourne in North Norfolk, including cable and pipeline crossing works, consisting of up to 6 subsea export cables which may connect with the offshore HVAC booster station (if required); and

6.6 associated and/or ancillary works including: scour protection around the foundations of the offshore structures; cable protection measures such as rock placement and/or placement of concrete/frond; disposal of seabed sediment dredged during the installation of the foundations of the offshore structures.

Onshore in North Norfolk, Broadland and South Norfolk:

6.7 the construction of a foreshore connection consisting of an extension to the underground export cables comprising the subsea electrical connection to the shore, crossing underneath the beach and terminating at the onshore electrical cable transition joint bays;

6.8 the construction of jointing pits (including link boxes) along the underground export cables connecting the underground electrical cable transition joint bays to the electrical transmission substation;

6.9 the construction of up to 8 underground electrical cable transition joint bays, housing the connections between the offshore subsea export cables and the onshore underground export cables;

6.10 the construction of underground export cables buried in up to 6 trenches, running in a south/south-westerly direction for approximately 55 km. The export cables connect to Norwich Main National Grid substation, located between Swardeston and Stoke Holy Cross in South Norfolk;

6.11 the construction of an HVAC booster station (if required), connected with export cables to and from the onshore export cables running from landfall at Weybourne, and with export cables to the HVDC converter/HVAC substation;

6.12 the construction of an HVDC converter/HVAC substation, connected with export cables to and from the onshore export cables running from landfall at Weybourne or with export cables to and from the HVAC booster station, and with export cables to the Norwich Main National Grid substation;

6.13 in relation to the HVAC booster station, HVDC converter/HVAC substation and connection works within the Norwich Main National Grid substation, the construction of auxiliary equipment, support buildings, private roads and hardstanding;

6.14 the construction of temporary haul roads and temporary access tracks, both alongside and separate from the export cable route used for the purpose of constructing the underground export cables connecting the underground electrical cable transition pits to the Norwich Main National Grid substation;

6.15 associated and/or ancillary works including: archaeological and ground investigations; drainage works; improvements to the verges, highways and private access roads; works to alter the position of apparatus, including mains, sewers, drains and cables; works affecting non-navigable rivers, streams or watercourses; landscaping and other works to mitigate any adverse effects of the construction, operation, maintenance or decommissioning of the authorised project, including but not limited to ecological monitoring and mitigation works;

6.16 such other works and apparatus, plant and machinery as may be necessary or expedient for the purposes of or in connection with the construction of the authorised project;

6.17 if required, the temporary stopping up, alteration or diversion of any street;

6.18 if required, the permanent and/or temporary compulsory acquisition of land and/or rights for Hornsea Three; and

6.19 as required, the application and/or disapplication of legislation relevant to Hornsea Three.

7 Documents, plans and maps showing the nature and location of Hornsea Three and including the Preliminary Environmental Information Report (with a non-technical summary) for Hornsea Three, will be available for viewing free of charge during Phase 2 Consultation from 27 July 2017 until 20 September 2017 at the places and times set out below:

Venue	Opening hours
North Norfolk District Council, Council Offices, Holt Road, Cromer, Norfolk, NR27 9EN	Monday, Tuesday and Thursday: 8:30am-5pm, Wednesday: 10am-5pm, Friday: 8:30am-4:30pm
Broadland District Council, 1 Yarmouth Road, Thorpe St Andrew, Norwich, NR7 0DU	Monday-Friday: 8:30am-5pm
South Norfolk District Council, South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE	Monday-Friday: 8:15am-5pm
Broads Authority, Yare House, 62-64 Thorpe Road, Norwich, NR1 1RY	Monday-Friday: 9am-5pm
Breckland District Council, Elizabeth House, Walpole Loke, Dereham, NR19 1EE	Monday-Thursday: 8am-6pm
Great Yarmouth Borough Council, Town Hall, Hall Plain, Great Yarmouth, NR30 2QF	Monday-Friday: 9am-5pm
Norwich City Council, City Hall, St Peters Street, Norwich, NR2 1NH	Monday-Friday: 8am-5pm, Customer Centre: Monday, Tuesday, Thursday and Friday: 8:45am-5pm, Wednesday: 1pm-5pm
Norfolk County Council, County Hall, Martineau Lane, Norwich, Norfolk, NR1 2DH	Monday-Friday: 9am-5pm
Holt Library, 9 Church Street, Holt, NR25 6BB	Monday-Wednesday: 9.30am-1pm, Friday: 9.30am-6pm, Saturday: 9.30am-1pm

Reepham Library, Bircham Institute, Market Place, Norwich, NR10 4JJ	Monday: 2pm-7pm, Wednesday: 9.30am-1pm & 2pm-5pm, Friday: 10am-1pm & 2pm-5pm, Saturday: 9.30am-12.30pm.
Hethersett Library, Queens Road, Hethersett, Norwich, NR9 3DB	Monday: 8am-5pm, Wednesday: 8am-5pm, Thursday: 8am-7pm, Friday: 8am-5pm, Saturday: 8am-1pm.
Taverham Library, 9 Sandy Lane, Taverham, Norwich, NR8 6JR	Monday: 9am-1pm & 2pm-5pm, Tuesday: 9am-1pm, Wednesday: 2pm-5pm, Thursday 2pm-8pm, Friday: 9am-1pm & 2pm-5pm, Saturday: 9am-1pm
Poringland Library, Overtons Way, Poringland, Norwich, NR14 7WB	Monday: 9am-5pm, Tuesday: 2pm-5pm, Wednesday: 9am-1pm, Thursday: 2pm-7.30pm, Friday: 2pm-5pm, Saturday: 9.30am-1pm
Norfolk and Norwich Millennium Library, The Forum, Millennium Plain, Norwich, NR2 1AW*	Monday-Friday: 10am-7pm, Saturday: 9am-5pm

**Printed copy of the Preliminary Environmental Information Report available at this location.*

8 The aforementioned documents will also be available at public exhibitions to be held as follows:

Date	**Venue**	**Time**
Swardeston Village Hall, The Common, Swardeston Common, NR14 8DX	Monday 4th September	3pm to 7pm
King's Centre, King Street, Norwich, NR1 1PH	Tuesday 5th September	4pm to 7.30pm
Corpusty and Saxthorpe Village Hall, Heydon Road, Corpusty, NR11 6QQ	Wednesday 6th September	4pm to 8pm
Weybourne Village Hall, Beach Lane, Weybourne, NR25 7AH	Thursday 7th September	3.30pm to 7.30pm
Reepham Town Hall, Church Street, Reepham, NR10 4JW	Friday 8th September	3.30pm to 7.30pm
Hall for All, Church Street, Weston Longville, NR9 5JU	Tuesday 12th September	4pm to 7.30pm
Holt Community Centre, Kerridge Way, Holt, NR25 6DN	Wednesday 13th September	4pm to 7.30pm

9 Where a copy of the documents is requested from the Applicant, this can be provided free of charge on a USB card. The documents can be made available in hard copy format on request at a cost of:

- Non-Technical Summary of Preliminary Environmental Information – £10;
- Preliminary Environmental Information Report Volumes 1-3 – £200;
- Preliminary Environmental Information Report Annexes – £600;
- Other documents including Draft Report to Inform Appropriate Assessment and supporting Annexes – £350; and
- Total cost for all documents – £1,160.

Further details in relation to Hornsea Three and the aforementioned documents can be found on the Hornsea Three website www.dongenergy.co.uk/hornseaproject3 or requested from the email or postal addresses below or by phone on 0800 0288 466.

10 Any responses to, or other representations in respect of, Hornsea Three should be sent to the Applicant, care of DONG Energy, by email to HornseaProjectThree@dongenergy.co.uk or by post to Hornsea Project Three Offshore Wind Farm, DONG Energy, 5 Howick Place, London, SW1P 1WG.

11 Any response or representation in respect of the proposed DCO must (i) be received by the Applicant no later than **20 September 2017**, (ii) be made in writing, (iii) state the grounds of the response or representation, (iv) indicate who is making the response or representation, and (v) give an address to which correspondence relating to the response or representation may be sent.

12 Responses and other representations may be made public.