12 Jul 2017 | **News** | Containers | Consolidation | Maersk Group

Cosco-OOIL marriage creates hard-to-beat competitor, says Maersk China chief

by Cichen Shen

Consolidation allows carriers to avoid destructive rivalry and compete on better services, according to Tim Smith

Smith: Maersk still views the industry as very fragmented and welcomes further consolidation.

CHINA Cosco Shipping Group taking over Orient Overseas (International) Ltd makes good sense, and the tie-up can create a formidable rival in the liner shipping industry, according Maersk China chairman Tim Smith.

"I think it's a good fit," Mr Smith, who is also a vice-president of the Copenhagen-based shipping giant, told Lloyd's List on the sidelines of the 2017 China Maritime Forum in Ningbo on Tuesday.

He added that while OOIL had an excellent reputation for customer value proposition, professional management and consistent profit performance, Cosco Shipping was equipped with mighty business scale and financial muscle.

"And they are already in the Ocean Alliance, [so the merger] is a natural extension of that."

The remarks came after Cosco Shipping Holdings, the container shipping and port arm of the state conglomerate, and Shanghai International Port Group unveiled their joint offer to acquire 68.7%-100% of the equity of OOIL for up to $6.3bn on Sunday.

The deal, if it goes through, will ramp up the Chinese carrier's fleet capacity to 2.4m teu, outstripping CMA CGM and making it the world's third-largest carrier, according to Alphaliner's statistics.

"I have to be a bit cautious, because I think they will become a formidable competitor. The combination of these two companies will be very tough to beat," Mr Smith said.

Drawing on experience from Maersk's purchase of Hamburg Süd, he also reckoned it was sensible for Cosco Shipping to keep OOIL's brand name. "It's a bit like our decision with the acquisition of the Hamburg Süd."

Dual-branding is a helpful strategy for buyers to retain clients of acquired carriers, and maintain a diversified choice for shippers, according to Mr Smith.

Nevertheless, as parent of the world's largest container shipping line, Maersk still views the industry as very fragmented and welcomes further consolidation.

"So I think [the OOIL acquisition] is a helpful development," Mr Smith said.

One step closer to liner shipping paradise?

With a string of positive factors — gradually improving world economies, trade stimulation efforts as well as the latest waves of consolidation — freight markets seem to have been moving into a more stable territory since late last year.

Mr Smith argued that an environment of strengthened rates is beneficial for all participants in container shipping, including shippers, as it allows carriers to compete on better services and global networks at still-low costs.

Despite being a “big fan of competition”, the liner shipping veteran admitted that some of the rivalries in the past few years have been rather destructive. “[The industry] has shot itself in foot many times in the past, where [things] could have been managed better.”

For Maersk, the main task lying ahead is to match its vessel capacity to the level of cargo demand in a new normal where the world’s trade growth has been largely decelerated against the pace of economic expansion. The Danish giant has various tools in its armoury to achieve the task, according to Mr Smith.

“If that means idling ships or selling ships earlier to the scrapping yard; if that means postponing or cancelling vessel orders, that’s what we will do in order to balance. And we’ve done all of those things in the past year or two.”

In a recent report, Drewry said the recent M&A moves among the major shipping lines, combined with much brighter market prospects and a halt on ordering activities, offered carriers “a golden opportunity for far greater profitability in the near future”.

The Cosco-OOIL merger signals “one step nearer to Liner Paradise”, the consultancy said.

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12 Jul 2017 | **News** | **Asia Pacific** | **Bangladesh** | **China**

Bangladeshi shipbreakers are back with a bang

by Inderpreet Walia

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Scrap prices set to improve as the Bangladeshi government withdraws tax, offering alternative destination to shipowners

Demolition brokers are already reporting a rise in scrap rates being offered by Chittagong breakers.

BANGLADESH has made a triumphant return to the demolition market after the reversal of the unforeseen tax hikes put in place by the recent budget.

According to cash buyer GMS, Bangladesh has postponed the punitive 15% value added tax introduced in last month's budget, which resulted prices falling by $40-$50 per ldt.

The return of Bangladeshi buyers — many of whom had been waiting for the tax to be withdrawn to re-enter the market — has raised expectations that demolition prices will pick up.

The reversal of the tax has also brought a much-needed alternative for shipowners, who have been limited to India and Pakistan for their demolition sales.

At present, rates for tankers are hovering at around the $350 per ldt level, with dry bulkers fetching some $30 per ldt less.

Demolition brokers are already reporting a rise in scrap rates being offered by Chittagong breakers. Several unsold vessels from various cash buyers, who had been waiting weeks for Bangladesh to reopen, were immediately concluded at higher levels, according to GMS.

“It is expected that demand and pricing should remain firm going into the remainder of July and it is likely that a number of high priced deals would be concluded at increasingly firm numbers,” GMS added.

However, this positive for Bangladeshi breakers might not be so encouraging for India and Pakistan, especially as the latter was still unable to accept tankers for scrapping, Intermodal pointed out.

“The momentum in the Indian market seems to have lost ground during the past few weeks and we don't expect this to particularly change, at least until summer is over,” the brokerage said.

But the gap between prices in China and the rest of the Indian subcontinent remained wide, it added, giving more reasons for owners to sell their vessels in the subcontinent and, in effect, increase the supply of demolition candidates in the region during the last quarter of the year.

Meanwhile, in Turkey, the market remains strong in the wake of dollar weakening against the Lira.

The coming weeks should see the scrap market pick up further, with freight rates in the capesize bulker market sliding in the past few weeks.

Compared with this point last year, when 67 units had been sold for recycling, just 19 capesizes have been reported as sold for scrapping so far this year, Clarksons data shows.

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Corpus Christi in the frame to lead US oil export blitz

by Eric Yep

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Large capital investments will remove restrictions and make port the hub of US crude exports, says Pira Energy

Changes being implemented will open new trades for the tanker segment.

THE port of Corpus Christi on the US Gulf Coast is set to become the primary export hub of US crude as billions of dollars are poured into capital projects to expand capacity and overcome logistical constraints, according to a study by Pira Energy.

Expanded capabilities at Corpus Christi will help offset the lack of economies of scale in shipping US crude. Most of the country's oil ports were designed to import, not export crude and the reconfiguration of oil terminal infrastructure is still in progress. For instance, very large crude carriers have to load US crude through reverse lightering using smaller vessels such as aframax tankers, as oil terminals cannot load VLCCs directly, leading to higher costs and weaker arbitrage for long haul oil trades.

There are four areas on the US Gulf Coast that can export crude — Corpus Christi (including Brownsville), Houston, Beaumont-Nederland and Louisiana.

Pira Energy, a research unit of S&P Global Platts, says it has identified 22 active oil export terminals in these four regions, and more are being developed as companies see the business opportunity in US energy exports.

"The US has not yet pushed the bounds of its export capacity, and Gulf coast infrastructure will not likely impede US light sweet crude oil from reaching the world's appetite," according to Pira Energy.

Out of the four regions, Corpus Christi has taken the lead with six facilities that have a loading capacity of 1m barrels per day, which is set to reach 1.2m bpd by 2019.

The Pira Energy study adds that the port is implementing the Corpus Christi Ship Channel Improvement Project to deepen and widen the channel, and increase the height of Harbor Bridge, to accommodate ships with a draught of 54 ft, compared to its current draught of 47 ft, by late 2020 or early 2021.

That will allow fully-laden suezmax tankers to pass through the channel and open new trades for the tanker segment.

The project cleared a major hurdle earlier this year when two congressional committees gave their initial approval, as a large portion of the funding will come from the federal government, Pira Energy says.

Port regions	Capacity (mbpd)	Active terminals	Avergae draught (ft)
Greater Houston	0.91	7	46
Nederland-Beaumont	0.51	4	40
Corpus Christi (inc. Brownsville)	0.93	8	47
Lousiana (incl. LOOP)	0.36	3	40
Total	2.71	22	

US Gulf Coast oil export capacity at four main ports

Lloyd's List
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Houston, Nederland-Beaumont and Louisiana

The greater Houston region, which covers the area from Galveston anchorage through the Houston Ship Channel and Freeport, has terminals with an oil export capacity of 900,000 bpd, but unreported projects could add several hundred thousand barrels more, Pira Energy says.

However, most of the Houston Ship Channel has a shallow draught of 46 ft that narrows to 42 ft in some parts, and there is no project to increase dredging, which is why it will lag behind Corpus Christi.

The Nederland-Beaumont area can export only around 500,000 bpd and is the termination point for the Dakota Access-ETCO pipeline system, and 675,000 bpd of pipeline capacity from the Permian Basin, but has an even shallower draught of 40 ft, which restricts the channel to only aframax vessels.

No infrastructure plans have been made public to dredge the area to accommodate larger vessels, and terminal projects are also fewer in the Nederland-Beaumont area, the Pira Energy study says.

The fourth area is around Louisiana port, whose Louisiana Offshore Oil Portor LOOP can berth VLCCs, but pipeline infrastructure to supply crude for loading ships has not been developed and the largest vessel that can currently be loaded is an aframax.

LOOP has the greatest potential among all terminals in the US to offer economic scale, Pira Energy said, adding that if LOOP were to go down this route it could increase exports but not before late 2019.

On the whole, there is already at least 2.7m bpd of export capacity for crude oil and condensate exports on the Gulf Coast, which will expand by at least 600,000 bpd by the end of 2018, Pira Energy finds.

It forecasts US crude oil exports to grow to 2.25m bpd by 2020, a fourfold increase from 2016, making the US one of the 10 largest exporters of crude oil in the world.

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Cosco Shipping Development buys used containers worth $200m

by Cichen Shen

Acquisition will help the leasing outfit expand scale and increase share of self-owned boxes

China Cosco Shipping Group recently offered $6.3bn for OOIL.

CHINA Cosco Shipping Group’s container leasing arm has agreed to buy 154,000 units of used containers for about $200.4m, in an effort to expand scale with an increased number of self-owned boxes.

Under the agreement, Florens Container Investment (SPV) — a wholly owned subsidiary of Cosco Shipping Development — will act as the buyer and CLC II Company the seller, according to an exchange filing.

Shanghai- and Hong Kong-listed CSD is the leasing and banking outfit of Cosco Shipping.

CLC II is incorporated in Bermuda with a registered capital of $1. The company is understood to be an investment vehicle of CLC Maritime Container Leasing, a Hong Kong-based vessel and container leasing service provider. CLC II and its ultimate beneficial owners are not affiliated parties of CSD, the filing added.

CSD said the acquisition was line with the its goal to expand and become a leading player in the container leasing industry. “In addition, the acquisition would increase the proportion of self-owned containers of the group and ensure that the group’s demand for containers is satisfied,” the company added.

Container shipping giant China Cosco Shipping Group earlier this week offered to buy Hong Kong-based Orient Overseas International Ltd for $6.3bn.

The enlarged company will operate more than 400 vessels, with capacity exceeding 2.9m teu. Cosco has a market share of 8.4% while Orient Overseas has 3.2%, according to Alphaliner. Their combined 11.6% would make the merged entity the third-biggest container shipping company, overtaking CMA CGM with an 11.2% market share.

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DryShips sees off investor's challenge to issuing more shares

by Inderpreet Walia

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Attempt to rein in company's repeated equity dilution fails in court

George Economou-led DryShips has raised $550m through several rounds of new share issues since December 2016.

AN attempt by an investor to block DryShips from issuing new common shares has failed, ending in a victory for DryShips and its chairman and chief executive George Economou.

DryShips said in a statement that an application for a temporary restraining order filed last week in the Marshall Islands high court against the company and its chief had been denied.

The temporary restraining order had sought to suspend any further issuances of new common shares by the company at a price per share below the price specified.

However, the New York-listed company said that the court had ordered the parties to submit written memoranda concerning the plaintiff's application for a preliminary injunction, and if necessary, the court should determine to hold oral argument on July 17.

Earlier this month, the company was accused of breaches of fiduciary duty and unjust enrichment.

Since November 2016, the company has raised a total of $550m via several rounds of new share issues.

The collateral damage of this unprecedented fundraising for a shipping company has been massive equity dilution and a collapse in the price of its stock.

To keep the share price above the requirements of the stock exchange, DryShips has been initiating reverse stock splits, with the seventh one completed on June 22 this year.

Following that announcement, the shipping company saw its share price drop by 25%.

Nonetheless, DryShips has been expanding and diversifying its fleet with the raised funds this year, recently taking delivery of five kamsarmax bulk carriers. It also acquired an aframax tanker vessel in May this year.

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Denmark to deploy aerial sniffers for emissions monitoring

by Anastassios Adamopoulos

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Helicopters are currently favoured, but drones could help monitor sulphur and nitric oxide emissions

Sniffers could be carried by drones in the future.

DENMARK will use a new sniffing technology to monitor sulphur emissions from vessels voyaging in its waters, through a new technology that could ultimately fit onto drones.

The Danish Environmental Protection Agency is employing Danish company Explicit from this month onwards to monitor emissions using what the company called a "unique new sniffer technology". While Explicit claimed the size of this sniffer allows it to be carried on a drone, manned helicopters will carry out at least the initial monitoring missions.

While the current global limit for sulphur content in fuels is 3.5%, the European Union has its own emissions control areas for sulphur emissions and introduced a fuel sulphur cap since 2015, mandating that vessels anchored or berthed at EU ports must use fuels containing a maximum of 0.1% sulphur.

Sniffers for monitoring emissions are not a new concept; a 2011 study conducted by several research institutions, including the European Commission's, reported that sniffers were the most effective remote surveillance option for sulphur and NOx emissions.

Denmark installed a sniffer under its Great Belt Bridge in 2015 to detect potential violations of ships passing through.

The sniffer collects a sample from a ship's plume and measures both sulphur and carbon dioxide levels to extract the

relative sulphur content.
Explicit argues that its approach is unique because its sniffers are very light, weighing around 500 grams, and are backed by advanced algorithms for reliably measuring sulphur and NOx content.
It also only uses rotary platforms to carry the sniffers, which it then co-ordinates with software to guide pilots toward the best position for more accurate sampling.
"This is important because plumes aren't clearly visible. Not even on infrared or in case of high emitting ships, so you need navigational support," chief executive Jon Knudsen said.
Manned helicopters are currently the most competitive option as sniffer carriers in long range missions, but drones have demonstrated they could also do the job, Mr Knudsen said. The biggest question when using them is where to deploy them.
Emissions monitoring drones are already being used by regulatory authorities. In March, the EU signed a two-year contract with UK-based Martek Marine, tasking the company with monitoring seaborne pollution using drones.
As the global 0.5% fuel 2020 sulphur cap approaches, one of the implementation challenges the International Maritime Organization must tackle is finding the best method to measure vessel emissions globally and monitor compliance, particularly in deep sea.

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Charter rates fizzle as summer hits home

by Linton Nightingale

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Market sentiment remains strong with an encouraging low idle fleet and fixture negotiations bubbling in the background

TIME charter rates are coming under increasing pressure amid the typical summer slowdown in activity — and with plenty of tonnage expected to return to the market over the coming weeks, the ominous sign for owners is that this could soon intensify.

After losing ground for the first time this year in May, rate indices have gradually weakened, with the exception of a temporary spike in late June on the back of a flurry of fixture activity. The only active sector come mid-July was the 1,500-1,800 teu class, but even here owners are beginning to feel the strain of the overall market softening, according to broker reports.

The Howe Robinson Containership Index and Braemar's BOXi, weighted against average rates fixed from vessels of 700 teu through to gearless 8,500 teu units, stood at 547 and 55.72 points respectively. The HRCI had climbed to more than 600 points in early June, while the BOXi had risen above 60 points, its highest level in more than 18 months.

Meanwhile, the Hamburg Shipbrokers' Association New Contex Index, covering ships of 1,100 teu to 4,250 teu on 24-month charters, dropped back to 383 points, having risen to as high as 400 points in early June, representing a fall of 4.3%.

This article includes an interactive data tool. Please click below to view it.

Click Here Although business has slowed, there have been plenty of fixture negotiations ongoing in the background, with demand healthier than many expected — so it stands to reason that brokers are perhaps not so downhearted as one might expect given the current plight of rates.

The market is also coming off the back of an extended renewal season driven by the fallout of the new liner alliances, which, being in their infancy, could also create further fixture openings as carriers continue to rejig respective networks.

Moreover, the limited fixtures being reported are not necessarily a fair reflection of the variety of different negotiations taking place across the sectors, according to Clarksons.

"What it does reflect is the assortment of periods that are being concluded, with some longer and shorter extra-loader type contracts being agreed," it says.

A major positive can also be taken from the idle fleet, which is still comparatively small. Having dropped to its lowest level since August 2015 in early June, it has risen only slightly through to the middle of July, even as the low season takes hold.

The latest data published by Lloyd's List Intelligence at the time of going to press shows that a total of 295 ships, comprising 439,031 tue of slot capacity, remain inactive. This represents just 2.2% of the overall containership fleet, down from a figure approaching 5% of total fleet capacity at the start of 2017.

An acceleration of vessels both old and relatively new being sent to the breakers has helped to rebalance market conditions in 2017, as has the uptick in container volumes on key liner trades. Healthy volume growth has also ensured numerous extension to existing fixture agreements, particularly in the larger segments.

Available post-panamax ships are still in short supply. LLI figures indicate that as of July 11 there was only one ship in the largest 13,000 teu+ class laid up, *MSC Daniela*, moored in Shanghai since the first week of June to undergo repairs after catching fire in the Indian Ocean earlier this year. More significant is how this ship represents one of only four units above 7,500 teu out of employment — the others also inactive in northern China, according to LLI data.

Despite a scarcity of readily available units, charter rates continued to weaken in the June/early July period, a factor that Alphaliner says shows the bargaining power of larger carriers is still clearly at play to keep rates under pressure.

There are, however, reports of larger tonnage being negotiated at prices above last-done levels. One London-based broker notes how Israeli carrier Zim has been linked to a charter for 10,000 teu *Asklipios* on the Asia-US east coast trade for a period stretching well into 2018 for $18,500 per day, up by around 25% compared with a sister fixing secured in June.

Elsewhere, Maersk Line chartered 8,500 teu *Gulf Bridge* from South Korea’s Sinokor for a period of between two and six months at levels in excess of $14,000 daily, according to the broker.

Feeling the heat

While vessels in the larger sectors may be in short supply, the same cannot be said for the former panamax, which is starting to feel the heat of the traditional low season more than most.

“Redeliveries of classic panamaxes continue to outpace demand for new business,” said one broker.

The HSA’s New Contex valuation for a 4,250 teu vessel in the first week of July stood at $8,988 per day on a 24-month charter, down 11.8% on the month-ago period. While the HSA’s traditional Contex, estimating values for 12-month fixtures, had fallen 13.8% to $7,511 per day. LLI data also showed that as many as 22 vessels in the 4,000 teu to 4,500 teu range had been out of employment for five days or more.

Open tonnage in the small to medium-sized sectors, meanwhile, remains generally low, but rates are still trickling in the wrong direction, albeit at a slow rate.

“All in all it looks like the market is doing some correcting, but as long as the rates remain better and healthier compared to 2016 we need to stay positive,” stressed one German brokerage house.

Rates in nearly all sectors still have some way to go before they hit the lows of last year, however, with only small feeders fixing at similar daily rates. Long term 24-month charters in the medium-sized bands are still up by around a third on 2016 levels, while for shorter charters they up by approximately 50%, according to the various indices.

But there are a number of uncertainties that linger large over the market that could drive rates downwards — and quickly.

The elephant in the room is the considerable number of vessels on the boxship orderbook. These will have to be put to water in due course, and a many are scheduled for delivery in the second half of 2017.

Drewry also recently noted how the shrinking of the idle fleet could well be a sign of the industry’s improving vitality, but it was a recovery that had been aided by the temporary demand for filler ships, a trend that it said would not last.

“While the idle fleet is a good barometer of the overall health of the industry, it is important to remember that last year’s peak and the recent toning down were skewed by one-off events, ie Hanjin’s collapse and the alliance restructuring,” it said.

At this stage the short- to medium-term outlook for the charter market is somewhat precarious, with the fundamentals finely balanced. Owners may well be more optimistic than this time last year, yet will be mindful that the market could easily be tipped out of favour.

It could prove to be a long summer.

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GulfNav to issue $250m of bonds to fund expansion

by Abdul Hadhi

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Dubai-listed group reports first-quarter profit up 39% and says it expects to double fleet size by 2020

Tanker operator GulfNav reported a $2.4m first-quarter net profit.

DUBAI-based Gulf Navigation Holdings intends to issue $250m of sukuk, Islamic bonds, to fund plans to grow its fleet as well as expand into other growth areas.

The listed tanker operator said it was currently taking the necessary measures to issue the sukuk through a public offering that is repayable at a profit rate of not more than 10%.

A sukuk is structured in such a way that it generates returns without infringing on Islamic law, which prohibits interest payments.

GulfNav said that after succeeding in rescheduling the debts of its vessels, it would focus on new areas to grow and expand in ship services and repair, specialised maritime transport and shipping.

To that end, the company has entered into several regional and international partnerships to provide services not only in ship ownership and management, but also in ship maintenance and construction, maritime agencies, technical consultancy and maritime project management, its managing director and group chief executive Khamis Juma Buamim said.

Mr Buamim said that as part of expansion plans, the company would receive six vessels, with a new vessel every four months starting from the second quarter of 2018. By the second quarter of 2020, the company's fleet would double to 20 ships, he added.

GulfNav saw net profit for the first quarter of 2017 rise 39% year on year to Dirham8.8m ($2.4m), mainly as it wrote back provisions made with regard to exposure to its liabilities.

During the quarter, it wrote back Dirham7.3m of provisions made after it engaged all counterparties to negotiate the best terms to settle, refinance or restructure its liabilities so that they can be paid off by the company's future expected cashflows.

At the end of March, the company had around Dirham495.8m in total liabilities compared with Dirham511m in total

liabilities on December 31, 2016.
Operating revenue for the quarter fell to Dirham29.4m from Dirham34.4m amid softer rates in the tanker segment, while operating costs decreased to Dirham19.7m from Dirham23.8m.
General and administrative expenses rose to Dirham6.7m from Dirham5.8m.

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12 Jul 2017 | **News** | **Asia Pacific** | **Dry Bulk** | **Panamax**

Panamax rates steady amid lower trading activity

by Inderpreet Walia

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Sentiment remains positive although inquiries appear limited and brokers split on outlook

THE pace of the panamax bulker market has slowed in the past week, particularly in the Atlantic basin, but brokers still held on to expectations of a rebound in coming weeks.
Based on the Baltic Exchange's assessments, the average weighted panamax time charter climbed to $8,575 per day as of the close on Tuesday, from $8,512 a week ago.
Meanwhile, the Baltic Panamax Index rose to 1,069 points from 1,062 points a week ago.
"Panamax rates inched downwards last week, on the back of soft declines in activity ex-South America," said Intermodal in its weekly report.
"At the same time, the North Atlantic region remained overall busy with good numbers being paid, while sentiment in the east was also positive on the back of a large volume of fixing throughout the week," the note added.
A Singapore-based broker said that the market was relatively quiet last week, but while there was a general lack of fixtures "it did not mean rates were heading for a fall."
"Essentially a steady market," said the Baltic on Tuesday, adding that even the North Atlantic market was showing signs of firming slightly while the Mediterranean and the Black Sea market remained firm.

Asia remained steady, with many owners still willing to head to east coast South America, which remained a pivotal market, it added.

On the contrary, Norwegian brokerage Fearnleys expects the market to slide, with negligible business in Atlantic and surplus of tonnage in the Pacific region.

Transatlantic and fronthaul rates are respectively at levels around mid-$8,000s and mid-$14,000s respectively, while a transpacific round voyage is below $8,000 per day, the brokerage reported.

The forward freight agreement market also remained steady, with July being priced at around $9,000 per day and the fourth quarter contract falling to mid $9,000s.

Clarksons reported 46 spot fixtures in the past seven days, ranging from $7,000 to $14,500 per day.

Spot fixtures included a coal cargo from the North Pacific region to Taiwan fixed at $9,250 per day, and another coal cargo fixed at $8,500 per day, loading in east coast Australia and discharging in South China, the data showed.

In the period market, Diana Shipping has agreed three new time charters for employment of its panamax bulkers. An 82,194 dwt vessel has been fixed at $10,000 per day, minus a 4.75% commission; a 76,942 dwt panama has been fixed at $9,000 per day, minus a 5% commission; and a 73,583 dwt vessel has secured $8,350 per day, minus a 5% commission. All the vessels were fixed for a period of 12 to 15 months.

At least three vessels were reported to have changed hands in the last week, aged between four and 16 years, VesselsValue data showed. The ships were sold for $7.5m up to $15.2m.

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Shell to drop $1bn on FPSO

by Anastassios Adamopoulos

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Conglomerate to adopt unit used in Gulf of Mexico oil and gas operation

Shell has had the unit under charter since September 2016.

SHELL will spend $1bn to purchase the world’s deepest floating production storage and offloading unit, *Turritella,* which it currently uses for one of its projects in the Gulf of Mexico.

SBM Offshore, one of the unit’s owners, said that Shell subsidiary Shell E and P Offshore Services would exercise its right to buy *Turritella* under the current charter agreement and expected the deal to be finalised in early 2018. Shell has chartered the unit since September 2016 for its Stones oil and gas project, which at 2,900m is the deepest in the world.

The unit is owned by a joint venture of SBM Offshore, with a 55% stake; Mitsubishi Corporation, with 30%; and Nippon Yusen Kabushiki Kaisha, with the remaining 15% share.

“FPSO *Turritella* is the deepest FPSO development in the world and has a turret with a disconnectable buoy, allowing it to weathervane in normal conditions and disconnect from the FPSO upon the approach of a hurricane,” SBM Offshore said.

Shell estimates that the Stones project, around 320 km southwest of Louisiana, is capable of producing up to 150,000 barrels of oil equivalent per day.

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