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Maritime intelligence | informa

Tuesday June 26, 2017

Daily Briefing
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Qatar crisis a stress-test of the new world order

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Qatar crisis a stress-test of the new world order

Maritime companies must increasingly get used to Middle East uncertainty

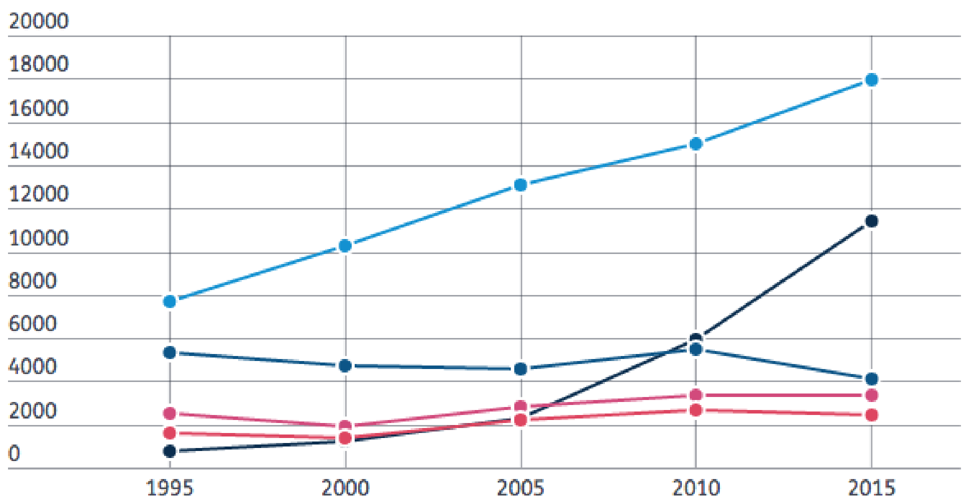
Eric Yep
Senior Reporter

THE Qatar crisis has confirmed many apprehensions the shipping industry had at the start of this year.

These include the fact that old pillars of geopolitical stability can no longer be counted upon; old alliances that kept the peace are losing relevance; and Washington can no longer be trusted to intervene actively to resolve a global crisis, irrespective of whether it has a 10,000-strong military base in the country or not.

The Qatar crisis has been called the worst in the Middle East since the Iraqi invasion of Kuwait.

It flared up right under the nose of US President Donald Trump, who had visited Saudi Arabia just a week earlier to sign a $110bn weapons deal with Riyadh.



> **“Mr Trump's little trip most likely emboldened Riyadh to make its move against Doha**

In fact, Mr Trump's little trip most likely emboldened Riyadh to make its move against Doha.

This week, Mr Trump sold $12bn worth of F-15 fighter jets to Qatar, confirming suspicions that his interests may not go beyond cutting major business deals.

Not only does the Trump administration lack a coherent foreign policy on the Middle East, but its decisions also seem to be driven by sentimentality, in this case an obsessive and perpetual dislike for Iran and its allies.

This is a less than ideal business environment, and one that maritime companies must increasingly get used to, not least because the threat of Iran sanctions looms again.

It is also worth considering how Washington would have handled the Qatar crisis had the US depended on Doha for its natural gas supply. In today's world, if Qatar's gas industry were to collapse, the US and

Australia can quickly step in to absorb the impact of supply disruptions, helping ensure global energy security.

At least for the oil and gas shipping industry, it appears that long-term shifts in energy markets are partly offsetting the uncertain geopolitics of the Trump era.

The hope is that progressive forces of change, such as climate change awareness, globalisation and cultural tolerance, will prove more resilient than a regressive Twitter-obsessed leader of the free world.

DSME gets $50m out-of-court settlement for axed order

Dong Energy and Technip France each paid $25m in decommissioning expenses to DSME

SOUTH Korea's Daewoo Shipbuilding & Marine Engineering has said it received a total of $50m in decommissioning expenses from an out-of-court settlement stemming from a contract termination dispute with Denmark-based Dong Energy.

A consortium comprising of the Korean shipbuilder and Technip France had been awarded an engineering procurement and construction contract for Dong Energy and Bayerngas's Hejre offshore drilling platform in February 2012, worth $560m.

DSME's share of the contract was worth $200m, according to a DSME official.

The Danish firm subsequently cancelled the contract in March 2016, citing "significant delays in the completion of the Hejre project", as both DSME and Technip France had not been able to meet contractual commitments.

DSME then took Dong Energy to the international arbitration court to seek a decommissioning penalty for the cancellation, claiming that Dong Energy had axed the order due to low oil prices.

Both parties subsequently decided on an out-of-court settlement, with Dong Energy paying $25m and Technip paying $25m for DSME to decommission the offshore project.

The official noted that since DSME had already received about 80% of payment, based on the project's progress and $50m to decommission it, it will incur no losses from the contract termination and looks to bring in some profit from the sale of key components of the platform.

Dong Energy noted in a statement that the parties had entered a settlement agreement regarding the dispute, including arbitration claims related to the project.

"According to the agreement, the supplier consortium holds full responsibility for the disposal of the Hejre platform, which will be dismantled by DSME. Dong Energy will have no further responsibilities or liabilities with regard to the platform," the company said.

“The settlement agreed will have a positive impact for Dong Energy on cashflow and will reduce provisions made in relation to the Hejre project with a positive [earnings before interest and tax] effect of DKr900m ($106.1m) within discontinued operations.”

The company had announced in its outlook for the 2017 financial year that it had discontinued operations in its oil and gas division and had put it up for sale.

It subsequently agreed to offload its entire upstream oil and gas business to Japan’s Ineos for a total of $1.3bn.

Separately, DSME’s key stakeholder, Korea Development Bank, came to an agreement with creditors last week to proceed with a much-needed financial aid injection despite a lawsuit from an investor who seeks to block the deal.

The agreement saw KDB and Import-Export Bank of Korea each inject Won200bn ($177.2m) in emergency funding to cover DSME’s operation costs.
As part of the debt restructuring deal, DMSE has also announced plans to issue around 19.6m new shares at Won40,350 apiece to its creditors.

KDB is set to receive about 6.7m shares, Hana Bank will get 9m shares, Woori Bank will receive about 2m shares and Kookmin Bank will get 2m shares.

DSME intends to carry out the transaction by June 28, with the shares to be listed on the Korea exchange by July 20.

The move will eventually see the shipbuilder exit its trading suspension, which is one of the goals of the debt restructuring deal.

Separately, Hanjin Heavy Industries & Construction has sold its real estate, including land and buildings in Busan to Samkang Metal and other parties for Won160bn ($140.7m) to improve its liquidity situation.

In US LNG we trust

Bountiful natural gas and increased liquefaction capacity in the US boost growth prospects for three marquee shipping companies, despite stark differences in business strategies

ONE underlying commodity, two critical links in the value chain, three distinct company strategies. This in a nutshell described the opening act of this year’s Marine Money Week, that featured the current state and prospects of liquefied natural gas and its maritime infrastructure.

Participating in the panel were Paul Wogan, chief executive of GasLog, Jonathan Cook, chief executive of Flex LNG, and Sveinung Støhle, president and chief executive of Höegh LNG.

They were joined by Meg Gentle, chief executive of Tellurian Investments, which is developing a new liquefaction plant in the US Gulf, and Kevin Young, partner of international law firm Allen & Overy.

The panel was moderated by Nicolay Dyvik, shipping analyst and head of shipping research at DNB Markets.

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The country’s vast new liquefaction capacity projects that will become operational in the coming years

It was fitting to put LNG in the spotlight given the emergence of USA as a large producer of natural gas, and more importantly a key exporter.

The country’s vast new liquefaction capacity projects that will become operational in the coming years, coupled with the multiplying tonne-mile effect they will have on ship demand gave the three shipping executives lots to smile about.

But that was where all similarities ended, since GasLog, Flex LNG, and Höegh own different assets, use different chartering strategies, and target different sources of capital to fund their growth.

GasLog

Starting with GasLog, it is the oldest company in the group.

It owns all three generations of LNG carriers, that use either steam, tri-fuel diesel electric, or the latest technology two-stroke engines for main propulsion.

GasLog employs its vessels predominantly on long-term charters.

It has also entered the floating storage and regasification segment, by acquiring a 20% stake in Gastrade, which aims to develop an FSRU project in Northern Greece.

Mr Wogan told the audience at Marine Money that GasLog funded its growth projects by raising capital on the New York Stock Exchange, where the company had been listed since 2012, and by “dropping-down” assets to daughter company GasLog Partners, a NYSE-listed master limited partnership since 2014.

GasLog Partners has acquired 10 LNG carriers from its parent.

Flex LNG

Flex LNG is the newcomer in the LNG shipping arena.

It has ordered six LNG carriers, all featuring the latest technology dual-stroke main engines.

Mr Cook claimed that dual-stroke engines could reduce fuel consumption by 25% compared to TFDE-powered carriers, and generate 50% fuel savings compared to steam-powered ones.

All six of the company’s carriers are presently uncommitted.

This could pay great dividends if demand for LNG carriers spikes, since only 13 carriers currently on order are without fixed employment.

Mr Cook, however, acknowledged that Flex LNG would prefer a more balanced strategy and identified FSRU as the area that could provide long-term stable cashflows to balance its spot exposure.

In fact, in December 2016, Flex LNG signed a Heads of Agreement with Texas-based NextDecade Global Solutions to jointly develop FRSU projects.

Flex LNG is part of the John Fredriksen Group, since Geveran Trading, a John Fredriksen family investment company, controlled 81.4% of shares outstanding as of December 31, 2016. Flex LNG is listed in Oslo.

In addition to strong support by its controlling shareholder, Flex LNG has used private placements this year to raise capital and diversify its shareholder base.

Hoegh LNG

GasLog and Flex LNG own primarily LNG carriers and have only recently diversified into the FSRU segment.

Höegh LNG, on the other hand, only operates FSRUs, having revolutionised the concept of using flexible hoses to tranship liquefied gas from a carrier to a floating terminal.

Höegh, Golar and Excelerate were the pioneers that developed the FRSU market, a market that in recent years has accounted for the bulk of new LNG demand.

It typically employs its vessels on long-term charters of up to 20 years.

However, Mr Støhle said that a unique feature of Höegh LNG was that it always had one unit under construction in advance of a new market order.

This allowed Höegh to reduce the lead time to deliver a fully functional regasification system.

He offered as an example the company's last project in Egypt, where it delivered a floating regasification unit within five months, as opposed to the five years that it would normally take to build a land-based regasification plant.

Höegh is listed in Oslo, but its daughter company Höegh LNG Partners is listed in New York.

The "dual" listing allows the company to tap diverse sources of funding.

It is all about the US

Despite the different business models used by the three companies, the three executives agreed on a common denominator: They all depend on increased natural gas production and liquefaction capacity in the US to accelerate their growth plans.

Converted VLOCs to face slow phase out

Stellar Daisy sinking leads to rethink on converted ore carriers

VERY large ore carrier conversions are being slowly phased out of the world fleet, following the high-profile sinking of the Polaris Shipping-owned Stellar Daisy in March.

The Stellar Daisy sinking had led to a "rethink" of these conversions, Genco Shipping and Trading chief executive John Wobensmith said, during a panel discussion at Marine Money in New York

He said Vale had likely tried to assess pretty closely how to get out of its contracts of affreightment with Polaris, which would not be an easy task. "You really need the other side to agree."

Cargo owners do not want to risk chartering converted VLOCs after the tragedy, and subsequent discovery of hull cracks in a second Polaris VLOC, Stellar Unicorn, Safe Bulkers president Loukas Barmparis agreed.

And classification society Korean Register, which handles most of the converted VLOCs in the Polaris fleet, could not afford another incident, Seanergy chairman and chief executive Stamatis Tsantanis said.

P&I and hull cover had also increased substantially for converted VLOCs.

As a result, there is a lot of work going on in the background to slowly phase out these vessels, Mr Tsantanis said.

Polaris owns 21 VLOC conversions, with a total capacity of almost 6m dwt. There are currently 50 such conversions in the world fleet.

The Polaris-owned Stellar Unicorn was put into cold layup ahead of potential scrapping in the past few days, Lloyd's List exclusively reported.

Mr Tsantanis said that the Polaris VLOC fleet is being targeted for extra attention. "We know from the inside that [authorities] are making their life very, very difficult, every time they have the loading anywhere in the world."

In the meantime, additional operating restrictions will be introduced to the converted VLOC fleet, Navios Corporation chairman Ted Petrone said.

Port authorities were cracking down on converted VLOCs worldwide, forcing them to undergo rigorous safety inspections ahead of berthing.

KR is also expected to demand some operational changes. "The classification society will slow the loading down, they will set a limit of 200,000 tonnes not 250,000 tonnes in terms of carrying capacity," Mr Petrone said.

Hapag-Lloyd bond issue raises €450m

Notes raise 50% more than expected on high demand

HAPAG-Lloyd has placed senior notes worth 50% more than the original €300m ($340.5m) it was seeking yesterday due to high demand for the bond.

"The successful placement is proof of the confidence Hapag-Lloyd enjoys on the capital markets," said Hapag-Lloyd chief financial officer Nicolás Burr.

"Now we can replace two existing notes with significantly more favourable notes, which will lower our interest burden."

The seven-year notes carry a 5.125% coupon and will be used to redeem the German carrier's existing 7.75% and 7.50% senior euro notes due in 2018 and 2019. The notes will be listed on the Luxembourg Stock Exchange.

Hapag-Lloyd has seen its debt burden balloon since it merged with United Arab Shipping Co, nearly doubling to $8.3bn.

But ratings agency Standard & Poor's recently held its rating for the company at B+, saying it should be able to retain its credit ratios over the next two years.

Hapag-Lloyd is also due to launch a further fundraising through a rights issue following the merger that is due to raise another $400m.

Jinhui Shipping parent subscribes to rights issue

Jinhui Shipping is seeking to cut its debt levels and boost liquidity amid market uncertainty

HONG Kong-listed Jinhui Holdings Company is to take up about 13.8m of its 54.8%-owned subsidiary Jinhui Shipping's offer shares as part of a rights issue.

The rights issue seeks to raise around NKr201.7m ($24.1m) before expenses with Jinhui Shipping issuing up to 25.2m offer shares which will be listed on the Oslo Stock Exchange in Norway as the company seeks to trim its debt levels.

Jinhui Holdings' stake purchase will be at NKr8 per share, worth a total of NKr110.5m.

Assuming all the offer shares under the rights issue are subscribed to, Jinhui Shipping will have an enlarged share capital of 109.3m compared with 84m before.

The public subscription period will start on Friday, July 7 and conclude on July 21.

Jinhui Shipping will deliver its offer shares to subscribers around August 2 this year and the securities will list and start trading in Oslo around August 3.

"The gross proceeds from the Jinhui Shipping rights issue... will be used to further reduce the overall indebtedness, including but not limited to the reduction of interest bearing bank debts, thus, putting Jinhui Shipping on an even sounder and stronger financial footing to operate in an expected slowly recovering market going forward," said its parent company.

It noted that Jinhui Shipping was a major unit of the group and it was committed to maintaining a sound financial position in order to navigate the difficult period in the shipping cycle.

"The directors consider that it is in the best interests of the company and its shareholders as a whole to participate in the Jinhui Shipping rights issue, where Jinhui Shipping will be able to further enhance its financial position."

Despite signs of an improvement in rates, Jinhui Shipping remained cautious over a recovery in the dry bulk market, with chairman Ng Siu Fai saying that several key factors would continue to determine the pace of market recovery, including demand and growth in importing activities from China, dry bulk commodity prices, a reduction in shipbuilding capacity and geopolitical risks that affect the world trading pattern.

As such, he added that it would be prudent to periodically reduce indebtedness and enhance liquidity when such opportunities arose.

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Managing Editor Richard Meade *+44 (0)20 7017 4636* richard.meade@informa.com

Europe Editor-in-Chief Helen Kelly *+44 (0)20 7017 4651* helen.kelly@informa.com

News Editor Gary Howard *+44(0)20 7017 4089* gary.howard@informa.com

Markets Editor Max Tingyao Lin *+44 (0)20 7017 5171* tingyao.lin@informa.com

Senior Markets Reporter, Dry Bulk Nidaa Bakhsh *+44(0)20 7017 4100* nidaa.bakhsh@informa.com

Finance Editor David Osler *+44 (0)20 7017 4628* david.osler@informa.com

Editor-in-Chief, Containers Janet Porter *+44(0)20 7017 4617* janet.porter@informa.com

Editor, Containerisation International James Baker *+44(0)20 7017 4624* james.baker@informa.com

Deputy Editor, Containers Linton Nightingale *+44(0)20 7551 9964* linton.nightingale@informa.com

UK Reporter *Anastassios Adamopoulos +44 (20) 337 73476 anastassios.adamopoulos@informa.com*

US Correspondent Lambros Papaeconomou *212-652-2637* lambros.papaeconomou@informa.com

Australia Correspondent Jim Wilson *+61 403 455 371* jim.wilson@informa.com.au

Greece Correspondent Nigel Lowry *+30 210 621 2340* lowry@otenet.gr

Asia Editor Abdul Hadhi *+65 650 82424* hadhi.abdul@informa.com

Northeast Asia Correspondent Cichen Shen *+852 3757 9704* cichen.shen@informa.com

Senior Reporter, Singapore Eric Yep *+65 650 82449* eric.yep@informa.com

Senior Reporter, Asia Wei Zhe Tan *+65 650 82434* weizhe.tan@informa.com

Dry Bulk, Singapore Inderpreet Walia *+65 650 82412* inderpreet.walia@informa.com

Production Manager Fred Williams *+44(0)20 7017 4656* fred.williams@informa.com

Digital Editor Bruce Williams *+44(0)20 7017 5677* bruce.williams@informa.com

Digital Manager, Maritime Intelligence Julian McGrath *+44(0)20 3377 3599* julian.mcgrath@informa.com

Creative Designer Divya Unadkat *+44(0)20 7017 4505* divya.unadkat@informa.com

Shipping Movements *+44 (0)20 7017 5280*

Casualties *+44 (0)20 7017 5205*

Subscriptions *+44 (0)20 3377 3792*

Editoral and commercial inquiries
Lloyd's List, Christchurch Court, 10-15 Newgate Street, London EC1A 7AZ
Tel: +44 (0)20 7017 5000 **Fax:** +44 (0)20 7017 4782
Email: editorial@lloydslist.com

Published by Informa UK Ltd.

"Ozzy Navigation Company is summoned, through Nejem Company Marine Services, headquartered in Lattakia, Karaman St., Harujn Building, Syria, based on the summons of 15 May 2017 in the case dossier no 2316/118/2011, to attend the official hearing of **19 June 2017,** 9:00 A.M., to the Constanta Court of Appeal, 35c Traian St., Constanta. In case of absence of parties, a written instrument may be sent, judging following to be proceeded in absence."

"Ozzy Navigation Company a été cite, par Nejem Company Marine Services, à l'adresse Lattakia, rue Karaman, bâtiment Harujn, Syrie, en base du mandat de comparution du 15 Mai 2017 dans le dossier du cas n0 2316/118/2011, pour comparaître devant la Court d'appel de Constanta, rue Traian n0 35c, en audience officielle, le **19 Juin 2017,** 9:00 a.m.

En cas d'absence des parties, on peut transmettre un document écrit, le jugement pourrant être tenu en absence"