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Saudi-Qatar rift panics owners and brokers

Potential closure of sea routes raises fears about movement of Qatari vessels and cargoes

Traders are worried about the effect of a trade blockade on Qatar, the world's biggest LNG exporter.
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AT LEAST four Middle East countries severed diplomatic and some economic ties with Qatar on Monday, including sea and air routes, triggering a wave of panic among ship brokers and other market participants, *writes Eric Yep*.

While air travel appears to be the first segment to be disrupted, there are no reports of Middle East ports blocking Qatari vessels or those with Qatari cargoes yet, and markets are keeping a close watch on the movement of oil and liquefied natural gas in the region.

Saudi Arabia's government decided to "sever diplomatic and consular relations with the State of Qatar, close all land, sea and air ports, prevent crossing into Saudi territories, airspace and territorial waters," the country's state-run Saudi Press Agency said Monday.

It said Riyadh would ask all "friendly countries and international companies" to implement a similar blockade for all means of transport to and from Qatar, citing national security concerns and blaming Qatar for supporting terrorism.

Other countries that issued similar statements were the United Arab Emirates, Bahrain and Egypt, all members of the six-nation Gulf Cooperation Council that also includes Kuwait and Oman.

Bahrain's foreign ministry said it was withdrawing the Bahraini diplomatic mission from Qatar's capital Doha, gave 48 hours to all members of the Qatari diplomatic mission to leave the country, barred Qatari nationals from entering or passing through its territory and gave Qatari residents and visitors 14 days to leave.

It also announced "the closure of airspace, ports and the territorial waters for shipping to and from Qatar within 24 hours of this statement."

Similarly, the United Arab Emirates severed all relations with Qatar and announced the "closure of UAE airspace and seaports for all Qataris in 24 hours and banning all Qatari means of transportation, coming to or leaving the UAE."

Trade blockade

The UAE and Saudi Arabia, the two countries with the most clout in the GCC, are among the top exporters to Qatar accounting for around 15% of its total imports. But some of the main concerns are around Qatar's liquefied natural gas shipments, as it is the world's largest LNG exporter, and the movement of oil tankers and boxships between Middle East ports.

"This is certainly a very bold development," Ralph Leszczynski, head of research at Banchero Costa Group said.

He said Qatar had in recent years tried to run its own independent foreign policy, including allegedly supporting the Muslim Brotherhood in Egypt, and having a moderate stance towards Iran, which put it at odds with the Saudis. The Saudis are now pressuring Qatar to sever its ties with Iran.

"On a practical level, it could affect, in particular, the LNG market," he said. Hopefully, the situation will not degenerate into a prolonged conflict although any disruption to Qatari gas exports would open

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a window for more LNG exports from the United States.

Qatar also supplies LNG to the GCC countries of Egypt, UAE and Kuwait.

A Singapore-based LNG trader said the Egyptian Natural Gas Holding Co, or EGAS, had been importing most of its LNG cargoes from Qatar, and these could take a hit from any blockade. LNG traders were also worried that other Middle East countries such as Jordan and Pakistan that buy Qatar's LNG might fall in line under Saudi pressure.

In 2016, Qatar exported 78m tonnes of LNG, nearly 30% of global LNG supply of 265m tonnes. Around 50m tonnes of Qatar's LNG is sold into Asia-Pacific where its three largest customers are Japan, India and South Korea, according to Wood Mackenzie.

Shipowners have been flooding P&I clubs and lawyers with queries, and are still waiting for the situation to develop. On the tankers side, very large crude carriers regularly conduct multi-loads of crude at multiple Middle East ports, and if vessels that have called at Qatar are barred from entering other ports, it could create the same problems that emerged following sanctions on Iran, brokers said.

This would hit VLCCs, but potentially increase demand for aframaxes and suezmaxes.

Separately, ship managers said that with Doha being cut off from the rest of the region, they are finding it difficult to extract crew members and other personnel based in the Qatari capital.

Doha is a common maritime business hotspot, with Qatar Gas Transport Co, or Nakilat, being one of the world's largest LNG carrier fleets with 37 ships and Qatar Petroleum also controlling several oil and product tankers.

Rickmers keeps restructuring hopes alive

Insolvency lawyer appointed as board seeks to work out new proposal for creditors

Rickmers says business and shipping operations are continuing.

RICKMERS Group has submitted an application for insolvency under self-administration to Hamburg District Court with the aim of restructuring the ailing shipowner, *writes James Baker*.

The executive board has appointed Hamburg lawyer Christoph Morgen from insolvency specialist Brinkmann & Partner as chief insolvency officer, but the board remained in office and capable of acting, the company said.

Jens-Sören Schröder of the law firm Johlke Niethammer & Partner has been appointed as a temporary trustee by the Hamburg District Court.

"The aim of the executive board is to work out a new restructuring solution together with the creditors and making use of the tools of insolvency law," Rickmers said in a statement. "Banks, bondholders and the workforce will be represented on a temporary committee of creditors."

It added that the insolvency application applied solely to the holding company Rickmers Holding and that operating subsidiaries – in particular Rickmers Shipmanagement Hamburg and Singapore – were not affected and are working normally.

"Business and shipping operations are continuing," Rickmers said.

Is Frontline's faith in tanker scrapping misplaced?

Tanker giant has confidence scrapping will be big in 2017, but evidence thus far points to the contrary

FRONTLINE still has faith in scrapping as a saviour of the very large crude carrier freight market, despite relatively few of the big tankers having been scrapped so far this year, *writes Hal Brown*.

Data from Clarksons shows that just two VLCCs have been scrapped this year. The 1999-built, 299,984 dwt *Good News* has a demolition date of April 13, in India, the data shows. The 1993-built, 299,994 dwt *Varada Blessing* has a demolition date in Bangladesh of January 6.

Nevertheless, despite the meagre levels so far, John Fredriksen's Frontline

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expects scrapping to pick up. “We believe scrapping will outnumber new deliveries,” said Frontline Management chief executive Robert Macleod on a first quarter call to investors and analysts.

It is an extremely bold forecast, given that there have been as many as 25 deliveries of new VLCCs already this year, based on Clarksons data.

Mr Macleod’s confidence in scrapping is driven by imminent environmental legislation that he believes will force owners to get rid of older ships.

Removals will also come through converting VLCCs into oil storage vessels used in the offshore industry, he forecast.

In addition, the value of scrap “has come up significantly”, which should encourage demolition, he said.

On top of that, the $2m to $7m cost of a fifth special survey — taken when the ship is 15 years old — is a burden for owners, particularly when freight rates are weak. “It’s better to take the scrap value,” said Mr Macleod.

Moreover, charterers are increasingly reluctant to take older ships, he added.

If he’s right, there will have to be an unprecedented burst of scrapping activity in the coming quarters.

ICS commits to maritime sustainability at United Nations

Poulsson: The IMO needs to send a clear signal as to what shipping’s collective CO_2 reduction goals should be.

Chamber downplays impact of US withdrawal from Paris Agreement

THE International Chamber of Shipping will declare the industry’s support for sustainability development in the maritime sector during the United Nations Ocean Conference on Tuesday, in yet another showing of support for the treaty following the US departure from the Paris Agreement, *writes Anastassios Adamopoulos*.

The ICS claimed that US President Donald Trump’s decision to withdraw his country from the 2015 global climate treaty last week will not affect decarbonisation aspirations in the maritime sector, with the industry committed to the UN Sustainable Development Goal for ocean protection.

In the wake of the US policy reversal, China and the European Union reiterated their dedication to combating climate change, targeting the maritime sector’s decarbonisation through the International Maritime Organization.

The ICS’s upcoming public pledge comes after the organisation laid out its long-term CO_2 reduction goals earlier in May, which include keeping shipping’s total annual CO_2 emissions under 2008 levels, securing a minimum 50% average reduction in per tonne-km CO_2 emissions across the industry by 2050 compared with 2008 and slashing the total annual CO_2 emissions by an agreed percentage by 2050 based on 2008 levels.

Before 2050 however, the IMO needs to address the pathway to its short-term goals. Member states agreed in October 2016 to adopt a decarbonisation roadmap in the spring of 2018, with the goal of a 2023 measure to curb emissions.

With the roadmap’s form and content yet to be determined, the IMO’s Marine Environment Protection Committee 71 in July will be a crucial first battle ground for the committee’s stakeholders.

EU splurges $72m on largest ever maritime drone deal

Martek Marine snatches second contract with Emsa for pollution monitoring and security surveillance services.

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Panama Canal mulls toll cuts for containerships

Quijano: Proposed modifications safeguard the competitiveness of the waterway and the value of the route.

New alliance capacity spells trouble for Asia-north Europe rates

A near 10% increase in capacity on the Asia-north Europe trade in the coming months could trigger more freight rate turmoil, according to analysts.

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Proposed changes also revise tolls for LPG and LNG vessels and reclassify container/breakbulk vessels

THE Panama Canal Authority (ACP) is seeking industry feedback on the proposed changes to its current tolls structure, which is aimed at increasing traffic following the canal's expansion last year, *writes Abdul Hadhi*.

The proposed changes provide additional incentives to the containership segment — the largest user of the expanded canal; as well as revising tolls for liquefied petroleum gas and liquefied natural gas vessels, and reclassifying container/breakbulk vessels.

The changes are based on feedback from meetings with customers over the past few months and the current utilisation and productivity of the neopanamax locks.

"These meetings with customers in Asia, Europe and North America have been extremely valuable in providing us with a deeper understanding of the industry today, the challenges faced by individual market segments, and the projected demand for the neopanamax locks," said Panama Canal Administrator Jorge L. Quijano.

Mr Quijano added that the proposed modifications safeguard the competitiveness of the waterway and the value of the route.

Return voyage

For the containership segment, the proposal offers a more attractive rate per loaded container on the return voyage.

The modified rates are applicable only to neopanamax vessels using the canal on both the head and back haul legs, and when the utilisation rate of the northbound transit is at least 70%, and the time lapse between the northbound and the southbound transit is not greater than 25 days.

To promote the use of the services provided by the local transportation hub, any additional days that the vessel requires to perform port-related activities in the Panamanian terminals will not add to the 25-day period.

The proposed changes also modify the tolls charged to LPG and LNG vessels but keeps the units of measurement unchanged, as they have proven to be in accordance with industry standards.

In addition, vessels classified as "container/breakbulk" have been moved to the general cargo segment while they had been part of the "others segment" previously. Noting that such vessels operate in a manner similar to general cargo vessels, ACP said the changes would lead to more attractive tariffs for customers in this category, as general cargo tolls are lower.

The 30-day formal consultation period for the proposed changes to tolls ends on July 3.

The Panama Canal expansion included the construction of a new set of locks on the Atlantic and Pacific sides of the waterway, creating a third lane of traffic and doubling the cargo capacity of the waterway. While the expanded locks are 70 ft wider and 18 ft deeper than those in the original canal, they use less water due to water-savings basins that recycle 60% of the water used per transit.

Eight days of strikes and go-slows to cripple Spain's ports

Productivity slashed by up to 70% as unions add more strike days

Spanish stevedores plan eight days of strikes.

SPAIN's embattled ports sector is facing a tough next three weeks, with trade unions announcing additional strike days while engaging in go-slows, after negotiations with stevedore employers over reforms to hiring practices faltered again, *writes Anastassios Adamopoulos*.

Dockworkers went on strike on Monday and will strike again every other hour on June 7, 9, 19, 21 and 23. Unions will also hold a 48-hour work stoppage beginning on the morning of June 14.

While unions announced three days of strikes last week, the latest escalation follows a breakdown in negotiations between unions and Anesco, the stevedores' employer association, over the fate of the current stevedores.

Sources in Spain confirmed that stevedores have recommenced go-slows, a form of protest that has repeatedly been deployed by workers over the past few months as the struggle over the reforms unfolded.

Anesco blasted the go-slows as a way of exerting pressure on employers in the negotiations, and reported a reduction of up to 70% in productivity in certain ports. Citing these tactics, Anesco called on the government to intervene and protect owners and their customers.

The Spanish parliament ratified legislation last month that liberalises the stevedore sector, following the prospect of multi-million euro fines from the European Union for failure to comply with European law.

The legislation includes a three-year phasing out of Sagep, the stevedore pool from which employers could hire dock workers. Workers and employers were subsequently left to work out the regulatory framework. The negotiations broke off late last week as employers could not guarantee the subrogation of all current Sagep members.

Maersk Line diverted its biggest ship, *Madrid Maersk*, from Algeciras in Spain to Tanger Med in Morocco ahead of Monday's strike.

Spanish press reported that the government had ordered the full provision of transportation services for perishable goods and the provision of at least 50% of the normal service level for other goods during the strike days.

US west coast faces major containership size upgrade

Alliance reshuffle means the number of 13,000+ teu vessels from Asia has nearly doubled in 2017, putting pressure on terminals

THE number of containerships of 13,000 teu or above deployed on the Asia-US west coast trade has nearly doubled since the start of 2017, according to container analyst Drewry, raising questions about how well terminals will cope and how long it will be before the trade is regularly served by mega ships, writes Will Waters.

Back in late 2015, French carrier CMA CGM trialled a single 18,000 teu ultra large containership *CMA CGM Benjamin Franklin* on one of its Asia-US west coast services to the port of Los Angeles. But despite backtracking on a later plan to make the move permanent, CMA CGM and its rival carriers are increasingly trusting west coast ports with bigger ships, Drewry observed.

Drewry research suggests that the number of 13,000+ teu containerships has risen from 21 units in January to 36 in May.

"At the time of the *CMA CGM Benjamin Franklin* trial run, we questioned the ability of west coast ports such as the Los Angeles-Long Beach complex to handle the 18,000 teu ULCs on a regular basis, citing concerns over infrastructure, labour and the ability to efficiently move cargo to and from the port complex via truckers and intermodal railroad," Drewry said. "It would appear that carriers share some of the same fears as, thus far, they have resisted the urge to introduce mega ships, limiting their ambitions to 14,000 teu units for the time being."

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Drewry said the recent influx of 13,000-plus teu ships into the Asia-WCNA trade coincided with the April 1 alliance restructuring that reduced the number of weekly services in the lane by one to 37.

"As more cargo is squeezed onto fewer weekly services, terminals have to prepare for much greater peaks in container activity," Drewry noted. "This problem is exacerbated on the USWC as ships often only call at a couple of ports, unlike in Europe, meaning those US ports have to handle a higher ratio of boxes per ship call.

"Having a big import bias, as Los Angeles-Long Beach does — there were 2.4 times more loaded imports than loaded exports in 2016 — adds to the complexity as import moves require more exchanges between various equipment types, requiring more time, and more container terminal choreography than loading export containers."

Drewry said a swifter rise in exports of late will have helped smooth operations somewhat, but imports remain dominant. "After four months of 2017, total port handling at Los Angeles-Long Beach has thrived, growing by 8% to 5.1 million teu," the analyst noted. Loaded exports (1.14m teu) increased by 9%, while loaded imports (2.54m teu) were up by 6%, and empties (1.41m teu) rose by 10%.

Less than perfect

The container shipping analyst predicted that ULCs would eventually become a feature of the Asia-USWC container trade, "but the time is perhaps not now. While the sheer scale of the concentrated container moves generated by the mega-ships at the highly-fragmented Los Angeles-Long Beach complex may appear daunting under normal circumstances, conditions are currently less than perfect with major construction projects ongoing."

Drewry said the overnight alliance re-shuffle of services had once again changed the terminal landscape in Los Angeles-Long Beach, forcing importers to carefully consider their carrier choice if they had a preferred terminal.

"Alliance terminal calls are clearly skewed by the member carriers' equity holdings in certain facilities," it added. "Inevitably, carriers want their alliance to call at their affiliated terminal, but with so many competing lines wanting the same thing that means the calls are spread out across the complex so that different strings of the same alliance call at different terminals.

"Therefore, shippers regularly importing from Asia to Los Angeles-Long Beach will one week have to collect cargo from String 1 calling at Terminal A; the next week the cargo is on String 2 calling at Terminal B."

Analysis by Drewry shows that the 2M alliance, with Hyundai Merchant Marine, has five weekly services from Asia to Los Angeles-Long Beach spread over three terminals; the Ocean Alliance has nine services calling at four different terminals; and The Alliance eight loops over four facilities.

"While the revised alliance set-up appears not to have disrupted operations significantly at the outset, that doesn't mean there is no risk of future congestion," it added. "A combination of bigger ships, high-intensity terminal activity and construction work, particularly in the upcoming peak season summer months, could create some obstacles for importers delivering goods to their final markets."

Drewry said ULCs would come to the US west coast in time, but carriers should wait until the ports were completely ready for them. "Until then, importers would be wise to monitor the productivity of the various terminals and consider their terminal preference when selecting carriers," Drewry said.

Gener8 sells VLCC ahead of what may be a brighter future with Frontline

Two heads are better than one in an uncertain freight market

GENER8 Maritime is selling its 2002-built very large crude carrier Gener8 Poseidon for $22.5m, as the New York-listed company potentially embarks on a new future with tanker giant Frontline to protect itself from freight market uncertainty.

The two companies are said to be in talks about a merger, with the aim of creating a larger modern fleet that can grab a larger slice of market share.

Such acts of consolidation occur when the freight market is down, or disconcertingly choppy as has been the case over the last week.

The 2002-built, 305,795 dwt Gener8 Poseidon is being sold to undisclosed Indian buyers, according to online valuation service VesselsValue. The sale is said to include a leaseback element, and some subjects

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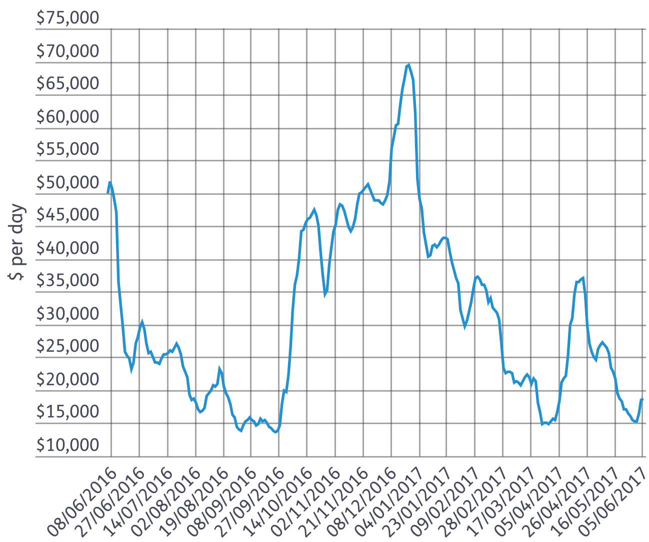
TD3

Baltic Exchange Middle East - Japan VLCC rate

June 5, 2017



Highest: $69,468 Lowest: $13,567 Latest: $18,663

20/12/16 23/9/16

Source: Baltic Exchange

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are outstanding, according to brokers.

Gener8 Maritime chief executive Peter Georgiopoulos has said his ship sales are necessary.

"We made a series of important decisions to provide us significant flexibility to manage our business," he said recently. "The resulting stronger financial platform will serve as a buffer through any extended market downturn and it also allow us to be opportunistic going forward."

Alongside older vessels, Gener8 has been selling 2016-built ships. Experts have told Lloyd's List that this is a clear sign of intent.

"By disposing of modern VLCCs, Gener8 effectively put up a 'for sale' sign on the whole business, and Frontline, having failed in its bid for DHT, is an obvious suitor," an expert said.

Two heads are better than one in a tough, volatile freight market.

And things are volatile. The last week saw the benchmark Middle East to Japan trade languish at a mere $15,000 per day before owners took a stance and caused earnings to rise to around $18,600 per day by close of trading on Friday, according to the Baltic Exchange.

Consequently, earnings did not dip to the lowest level this year of under $14,900 per day, which had been a fear last week.

Westports box volumes to peak in second quarter, says analyst

Volume loss from CMA CGM and UASC in second half will be partly offset by more demand from Cosco, OOCL and Evergreen

Westports accounts for 76% of Port Klang's box volume.

MALAYSIA-based Westports Holdings is expected to turn in a strong performance in the second quarter of 2017 but this should taper off in the second half of the year, AllianceDBS Research analyst Marvin Khor said, *writes Abdul Hadhi.*

He expects the port operator to show container volume growth over the first half of 2017 as empty box repositioning increases transhipment throughput briefly after the formation of new container shipping alliances in April this year. This should help to build on its first-quarter performance, when Westports' container throughput rose 1% year on year to 2.43m teu.

However, volume loss from bigger clients such as CMA CGM and United Arab Shipping Co is expected in the second half of the year. The former is shifting some port calls to Singapore while the latter is in the process of merging with Hapag-Lloyd, and thus cancelling certain Asia-Europe services. The impact of these developments will be partly offset by more demand from CMA's other Ocean Alliance members — Cosco, OOCL and Evergreen, Mr Khor said. In terms of trade lanes, continued growth in intra-Asia volumes should make up for weaker Asia-Europe and Asia-Americas traffic.

Operating profit margins for Westports improved to 37.4% in the first quarter of 2017 from 33.2% in the fourth quarter of 2016 but was still lower than the 44.4% seen for the first quarter of 2016, according to AllianceDBS estimates.

Westports moves 76% of Port Klang's container volumes and the number of calls at that port could fall from 11 to five due to the Alliance reshuffle, analysts said.

The port operator recently asked to join a consortium bidding to build Colombo Port's new terminal as part of expansion efforts beyond its home turf.

London shipbroker raises funds for UK victims of terrorism

Laying flowers at London Bridge yesterday. Coulson hopes to rally London's shipbroking community. © *2017 Tim Ireland/AP.*

Campaign aims to raise £2,000 for those affected by terrorism in Britain

FOLLOWING the terrorist attack in London on Saturday evening, one shipbroker has called on the London shipbroking community to come together and show their support for the victims of terrorism in the city.

Riverlake Shipping's Nick Coulson set up a justgiving page to funnel donations from London's shipbroking community to the British Red Cross Society's UK Solidatory Fund, which provides relief to those affected by terrorism in the UK.

Mr Coulson told Lloyd's List by email that the campaign was the result of him arriving at his desk this morning and wondering what he could to help in the wake of the attack.

"Borough market is a popular venue for London shipbrokers for entertaining and a meeting place for many of us. Any of us could have been affected by this awful event," he said.

"The British Red Cross provided me with exactly the vehicle to try and help through its Solidarity Fund. I just felt that we as a community may like the opportunity to help out the people as individuals and/or companies."

Mr Coulson said that a number of broker firms have pledged their support, and that he hopes to drum up further support for the London shipbroking community.

Donate to the campaign on justgiving here.

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