Please note: this publication is intended for academic use only, not for commercial purposes

Global Maritime Weekly Digest

Publishing Director: Prof Minghua Zhao **Editor: Richard Scott**

3 October 2017 **issue 90**

....

*The **Global Maritime Weekly Digest**, based at **Southampton SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

Contents

(1) Another slight improvement in shipping confidence recorded

(2) New annual report published by Human Rights at Sea

(3) Ships' fuel options available as emissions tightening approaches

(4) Vessel operating costs decreased again last year

(5) Trends in China's share of global exports examined

(6) A bulk carrier freight market rebound during recent months

(7) Northern Sea route's usefulness questioned

Editorial comments

- According to a quarterly ***survey of shipping confidence***, respondents have become steadily more confident over the past year or more, including a small uptick in the latest three-monthly period (item 1). The most recent improvement largely reflected the increased confidence of shipowners; in other categories - brokers, managers and charterers - there were declines.
- How will shipowners cope with the approaching ***tightening of emissions regulations***? There are a number of potential options. But, for both ship operators and bunker fuel suppliers, major investments may be hard to justify, perhaps leaving the shipping industry exposed to shortages of, or price increases for, alternative fuels (item 3).
- A fifth consecutive decline in ***ship operating costs*** was recorded last year, based on an annual survey just published (item 4). However, signs of increases in several components are already evident and may start to reverse the downwards trend.
- Analysis of ***China's role in global exports*** shows that recently there has been a slight reduction in the country's share of the global market (item 5). Nevertheless, according to some economists, this change does not signify a change of trend, and more advanced manufacturing could lead to a resumed expansionary trend.
- During the third quarter of this year a notable ***rebound in the dry bulk market*** was seen amid sturdy trade and demand for tonnage against a background of limited growth in the world bulk carrier fleet (item 6). Is this just a short term improvement?

Richard Scott MA MCIT FICS
editor (email: bulkshipan@aol.com)
+++++++++++++++

Please note: this publication is intended for academic use only, not for commercial purposes

(1) Moore Stephens, 25 September 2017

Shipping confidence continues to edge upwards

Shipping confidence reached its highest rating in the past three years in the three months to end-August 2017, according to our latest Shipping Confidence Survey.

The average confidence level expressed by respondents to the survey was up slightly from the 6.1 out of 10.0 recorded in the previous survey in May 2017 to a three-year high of 6.2. The improved rating was attributable mainly to increased confidence on the part of owners, up from 6.1 to 6.5. Confidence levels on the part of brokers, meanwhile, fell from 6.4 to 6.3, while managers and charterers recorded more substantial drops – from 6.2 to 5.8 and from 6.4 to 4.7 respectively, the lowest levels in both cases since May 2016. The survey was launched in May 2008 with an overall confidence rating of 6.8.
Confidence levels were significantly up in Asia from 5.6 to 6.4, their highest level since May 2014. Confidence was also up in Europe, from 6.2 to 6.3, but down in North America, from 6.4 to 5.8.

Despite familiar concerns about excess tonnage capacity in many trades and continuing uncertainty over Brexit, several respondents saw reasons for optimism over the coming 12 months, not least as a result of what one described as “some green shoots of a relatively broad-based rebound in economic activity.” This helped maintain, at a three-year high, expectations of major investments being made over the next 12 months. Concern, however, persisted over political instability, the incipient cost of increased legislation, and the probable entry into the market of low-cost newbuildings.
One respondent said: “The future of the maritime industry will certainly be interesting, but will it also be enjoyable?”

The likelihood of respondents making a major investment or significant development over the next 12 months was unchanged from the previous survey at 5.4 out of a maximum possible score of 10.0. This represents the highest level achieved since August 2014, and this despite a slight fall this time (from 5.9 to 5.8) in the expectations of owners, and a much larger one (from 6.3 to 4.0) by charterers. The expectations of respondents in Asia were up, from 5.1 to 5.9, but down in Europe, from 5.4 to 5.2.

As was the case in the May 2017 survey, 50% of respondents expected finance costs to increase over the coming year. Owners’ expectations were unchanged at 48%, but both managers and charterers (where the figures were up from 57% to 62% and from 57% to 67%, respectively) were anticipating dearer finance. Brokers were alone among the main categories of respondent in recording a fall (from 63% to 42%) in the numbers expecting finance costs to go down.

Business performance factors

27%
Demand trends

17%
Competition

15%
Tonnage supply

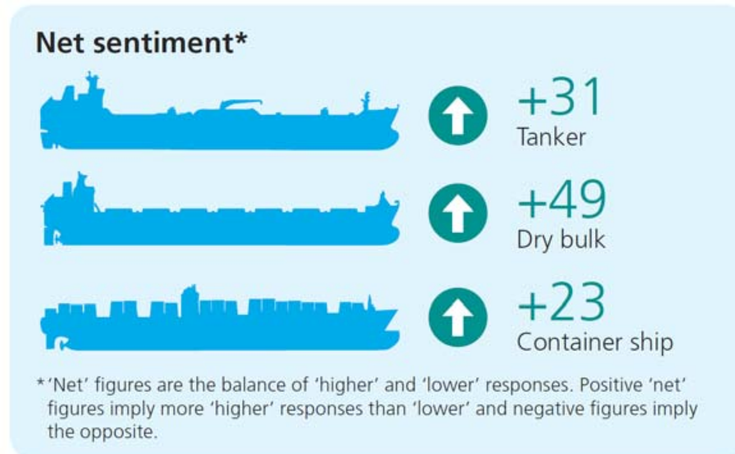
Demand trends continued to be the factor expected to influence performance most significantly over the next 12 months, followed by competition and tonnage supply, the latter displacing finance costs in third place.

Demand trends, cited by 27% of respondents, continued to be the factor expected to influence performance most significantly over the next 12 months, followed by competition (17%) and tonnage

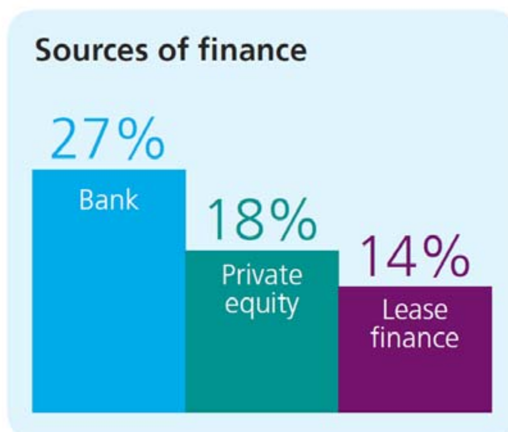
Please note: this publication is intended for academic use only, not for commercial purposes

supply (15%), the latter displacing finance costs in third place. One respondent said: “Confidence is impaired by the inexperience of investment houses resulting in over-liquidity in the market, which feels that it has to spend just for the sake of it – a ‘greed-eats-brain’ mentality.”

The number of respondents expecting higher rates over the next 12 months in the tanker market was up on the previous survey, from 32% to 45%, while there was a 2% fall, to 14%, in those anticipating lower tanker rates. Meanwhile, although there was a two percentage-point fall, to 56%, in the numbers anticipating higher rates in the dry bulk sector, this was still the second-highest figure in three-and-a-half years. In the container ship sector, the numbers expecting higher rates dropped by six percentage points to 40%, while there was a five percent increase, to 17%, in those anticipating lower container ship rates.



Net sentiment was positive in all the main tonnage categories, and up in the tanker market from +16 in May 2017 to +31 this time. There were meanwhile small declines in net sentiment in the dry bulk and container ship trades, from +50 to +49 and from +34 to +23 respectively.



In a stand-alone question, respondents were asked to rank in order of priority what they considered to be the most significant new sources of finance for shipping over the next 12 months. Bank finance emerged as the first choice of 27% of respondents, followed by private equity (18%). Lease finance (14%) featured in third place, one percentage point ahead of shareholder funds. One respondent said: “Banks are being a lot tougher with owners, and it is good to see the demise of the CV and KG systems which generally did little to help the long-term viability of the industry.” Another observed: “For good owners, there is still capital available. But the worry is for the second and third-rung owners.”

Please note: this publication is intended for academic use only, not for commercial purposes

Richard Greiner, Partner, Shipping & Transport, says: "Another three months, and another rise in confidence in the shipping industry, albeit a small one. Confidence has been increasing steadily over the past 15 months, and industry players are more confident of making a major investment over the coming year than they have been at any time in the past three years. Moreover, net sentiment in all three main tonnage categories is positive, having almost doubled in the tanker sector over the past quarter.
"This welcome boost in confidence comes at a difficult time for the industry, beset by overtonnaging in many trades, the current and impending cost of regulatory compliance, and more widely by geo-political pressures. Clearly, shipping still has a lot to offer existing and new investors alike, both traditional and external.

"To some extent, success in the shipping industry is a question of being in the right place at the right time. But there is a lot of skill, knowledge and experience involved, too. It is good to see that confidence is still on the increase. They do say that it's the hope that kills you but, in truth, the lack of it is likely to be far more damaging."
Source: Moore Stephens
+++++++++++++++

(2) Hellenic Shipping News, 27 September 2017

Human Rights At Sea Publishes Third Annual Report

Human Rights at Sea publishes its Annual Report for the year ending May 2016 today.
The 40-page report comprehensively lays out the development and achievements of the UK-based charity's third year of operation.
Founded in April 2014 by CEO David Hammond, the charity raises awareness and accountability for human rights in the maritime environment. Hammond says: "This third publicly available Annual Report ably demonstrates the efforts of our team in investigating, educating and advocating about on-going human rights abuses at sea around the world.
"Once again, I am hugely proud of the team's efforts in consistently delivering high-quality advocacy materials. Achieved on a very limited budget, they put into perspective just what can be done with a value-for-money business model that focuses on the frontline."
Source: Human Rights at Sea
+++++++++++++++

(3) Clarksons Research, 22 September 2017

Choices For Shipping As 2020 Approaches?

Historically, the fuel of choice for the vast majority of large cargo ships has been heavy fuel oil. But in 2020, sulphur oxide emissions will be capped to 0.5% by IMO convention, ruling out current standard grades of HFO. Both fuel consumers in the shipping industry and producers in the refining industry have now had a little time to consider the potential options to deal with the imminent regulatory change…

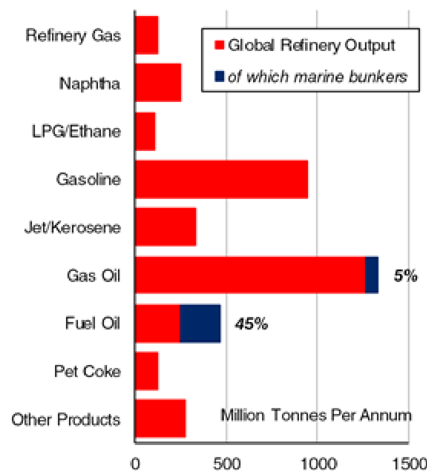
SOx Appeal
Nearly a year on from the confirmation that the IMO would proceed with the 2020 global sulphur cap, there is still little certainty as to how shipping market players will react. There are options: either the demand side reacts, and owners fit SOx scrubbers, or investigate alternative fuels, or the supply side (i.e. the refining industry) finds a way to supply low sulphur compliant fuels.
So far, there appears limited take-up of scrubbers by owners (232 vessels recorded). Capex estimates for retrofits range from $1-8m, and until January 2020, such costs represent expenditure with no economic benefits outside ECAs. Similarly, potential LNG fuel retrofits may be complex, expensive and limit refuelling options. Only 369 ships are recorded as LNG fuel capable, 70% of which are LNG carriers; another 263 are on order.

Please note: this publication is intended for academic use only, not for commercial purposes

Refining Marine Fuel Demand
Most bunkers (circa 80%) are heavy fuel oil. Roughly 5m bpd, or 45% of world fuel oil output, ends up as marine bunkers. In general, refineries are designed to produce as little fuel oil as possible, and may use cracking/coking units to achieve this. But much of what is produced ends up as bunkers: shipping consumes a lot of the least-valued fraction (for example, a 14,000 TEU containership, spending 70% of its time at sea at 18 knots, might burn more than 23,000t of HFO per annum).
The choice for ECAs has been gasoil (MGO) to achieve 0.1% sulphur, and 5% of gas oil production ends up as bunkers. However, gas oil, kerosene and gasoline are priced higher because they have uses as land/air transportation fuels. It is unlikely that come 2020, there would be sufficient volumes available of gasoil to fuel the global shipping industry. At a time of weak prices, oil companies are cutting both up and downstream capex, and appear to have little incentive to build new infrastructure to desulphurise fuel oil. Even if new refinery investment was made, refiners would be likely to prioritise additional gasoline production.

Graph of the Week

The Global Refining Industry And Marine Fuels Production



The graph shows the split of products output by refineries globally (in 2014), according to the IEA's latest *World Energy Statistics 2016*. The graph also shows the share of production consumed by marine bunkers, according to estimates produced for IMO's *Third Greenhouse Gas Study (2014)*, which used 2012 as a reference point to assess fuel supply to and emissions by the shipping industry.

Source : Clarksons Research

Distilling The Issue Down
So, it seems unlikely that there will suddenly be large amounts of new 0.1% LSFO produced by refineries, nor enough distillates available for ships to run on MGO. Diverting additional gasoil to shipping would imply the payment of similar prices as onshore uses. Hence, the most likely outcome is that low sulphur compliant fuels will be achieved by blending a partial amount of gas oil into HFO, to reduce it below 0.5% sulphur content.
So, it is still not fully clear what the state of play will be in 2020. For both bunker suppliers and owners, investment with over two years to go may be hard to justify, but an unprepared industry in 2020 might be exposed to price spikes. It may well be that a mixture of solutions initially prevails, at least until a consensus emerges over the most economic solution. Have a nice day.
Source: Clarksons
+++++++++++++++

(4) Moore Stephens, 28 September 2017

Moore Stephens: Fifth successive year of decline in shipping's operating costs

The findings are set out in OpCost 2017 (https://www.opcostonline.com), our unique ship operating costs benchmarking tool, which reveals that total operating costs for the tanker, bulker and container ship

Please note: this publication is intended for academic use only, not for commercial purposes

sectors were all down in 2016, the financial year covered by the study. On a year-on-year basis, the tanker index was down by 3 points, or 1.7%, while the bulker index also fell by 3 points, or 1.9%. The container ship index, meanwhile, was down by 1 point, or 0.6%. The corresponding figures in last year's OpCost study showed falls of 6 points in both the bulker and container ship index, and of 4 points in the tanker index.

There was a 0.4% overall average fall in 2016 crew costs, compared to the 2015 figure, which itself was 1.2% down on 2015. By way of comparison, the 2008 report revealed a 21% increase in this category. Tankers overall experienced a fall in crew costs of 1.8% on average, compared to the 1.3% fall recorded in 2015. All categories of tankers reported a reduction in crew costs for 2016 with the exception of Aframax Tankers and Suezmax Tankers, which recorded increases of 0.8% and 0.2% respectively, compared to reductions for 2015 of 1.9% and 2.6%. The most significant reductions in tanker crew costs for 2016 were the 2.8% and 2.7% recorded by Tankers 5,000 to 10,000 dwt and by Handysize Product Tankers respectively.

For bulkers, meanwhile, the overall average fall in crew costs in 2016 was 0.6%, compared to 1.1% recorded 12 months ago. All categories of bulkers reported a reduction in crew costs, the biggest fall being the 1.2% reduction in spending by the owners of Capesize Bulkers.

Expenditure on crew costs in the container ship sector, meanwhile, was up by 1.1% compared to the fall of 3.3% recorded for 2015. The biggest increase in this category was the 2.1% recorded for ships of between 2,000 and 6,000 teu, which in 2015 led the reductions in the container ship crew costs category with a fall in expenditure of 3.6%.

Expenditure on stores was down by 2.9% overall, compared to the fall of 4.3% in 2015. The biggest fall in such costs was the 5.1% recorded by owners of container ships of between 100 and 1,000 teu. In the same tonnage category, the fall in stores costs for owners of container ships of between 1,000 and 2,000 teu was 4.9%, the same figure as that recorded in the tanker sector for Aframax Tankers. Other significant reductions included Handysize Bulkers (4.8%) and Panamax Bulkers (4.4%).

For bulk carriers overall, stores costs fell by an average of 4.2%, compared to a fall of 7.7% in 2015, while in the tanker and container ship sectors the overall reductions in stores costs were 2.2% and 5.2% respectively, compared to the corresponding figures of 4.3% and 5.5% for 2015. The only rise in stores expenditure by any category of vessel was the 0.3% increase recorded by Coastal Tankers.

There was an overall fall in repairs and maintenance costs of 0.8% in 2016, compared to the 4.3% reduction recorded for 2015. The biggest fall in such costs was that recorded by Panamax Bulkers (3.2%), closely followed by Capesize Bulkers (3.1%). All vessels in the bulker category recorded reduced repairs and maintenance expenditure, but there were increases in the tanker sector, most notably the 2.4% additional outlay by Panamax Tankers compared to 2015. There were examples of small increases in repairs and maintenance expenditure in the container ship sector, while for RoRo's the increase amounted to 2.2%.

The overall drop in costs of 3.0% recorded for insurance compares to the 3.2% fall recorded for 2015. No vessel types in any of the tonnage and size categories included in OpCost paid more for their insurance in 2016 than in 2015.The biggest reduction in such costs was the 5.2% recorded by container ships of between 2,000 and 6,000 teu. Not far behind were Handysize Bulkers and Panamax Bulkers (4.7% and 4.6% respectively), while in the tanker category it was Aframax Tankers which led the way in terms of reduced insurance expenditure (4.6%). Ro-Ro owners, meanwhile, paid 4.0% less for their insurance in 2016 than in 2015, in which year they spent an additional 2.4% in premiums compared to the previous year.

Richard Greiner, Shipping & Transport Partner, says: "This is the fifth successive year-on-year reduction in overall ship operating costs, although the reduction this time is less than half the figure recorded 12 months ago for 2015.

"The biggest cost reductions were those in the Insurance category. Insurance is a major item of expenditure for all owners and operators, without which most would not be able to operate on an international basis. The fact that such costs continue to fall may be due in part to a reduction in the incidence of major casualties. Most of the larger reductions in insurance costs tracked by OpCost, however, were recorded by bulk carriers, which are no strangers to the pages of the casualty reports. So cheaper insurance must also say much about the fierce competition for business which exists throughout marine underwriting markets worldwide.

Please note: this publication is intended for academic use only, not for commercial purposes

"The next biggest cost reduction was in the Stores category, where the slower than anticipated improvement in world oil prices doubtless had a continuing beneficial knock-on effect on lube oil costs in 2016.

"The reduction in Repairs and Maintenance costs in 2016 was 3.5% down on the figure for the previous year. This confirms that maintenance can only be postponed for so long by owners and operators who accept the need to invest in their ability to compete for business in a highly competitive market which is more tightly regulated than ever before. Strategic short-term lay-up is a waypoint rather than a destination.

"Over the years, the OpCost study has recorded annual average crew cost increases of more than 20%, but there was a reduction in such costs this time of less than half of one percent compared to the figure for 2015. The continuing challenging shipping markets are doubtless a significant factor.

"Although 2016 was another difficult period for shipping, the year closed on a note of rising confidence, according to the Moore Stephens Shipping Confidence Survey. Owners and charterers were more confident, than for some time previously, of making new investments, and there were improved expectations of higher freight rates in all three main tonnage categories. The expectation, too, was that oil prices and the Baltic Dry Index could only go up.

"That increased confidence, which has carried over into 2017, should logically lead to greater activity, which will mean higher operating costs. When freight rates allow owners to absorb such increased costs, the numbers start to look healthy. At present, however, owners and operators are not earning what they should be, or would like to be, from most of the markets in which they operate. Positive net sentiment is good, but it is not enough. Something has to change.

"It is also true that in shipping – as elsewhere – what goes down must come up. For example, OpCost records that, at year-end 2008, the average daily operating cost for a Capesize Bulker was US$ 7,512. In 2016, it was US$ 6,691. For a VLCC, the comparable figures are US$ 10,812 and US$ 9,950 respectively.

"Future OpCost studies are likely to reflect the start of spending – or planning for – the introduction of the likes of the Ballast Water Management Convention, the new global limit on SOx emissions from 2020 and initiatives to contain cyber-crime, which are assuming increasing importance in the industry. The results will also reflect, albeit subtly, the effect of geopolitical developments, which can seldom have been in a greater state of flux than they are today.

"Shipping can certainly find encouragement in a fifth successive annual fall in operating costs. But nothing is for ever, and nothing is more certain than that the shipping industry will continue to be characterised by uncertainty, which can be both its strength and its weakness."

Source: Moore Stephens

+++++++++++++++

(5) Hellenic Shipping News, 26 September 2017/ Bloomberg

China's Slipping Export Crown Could Be Saved by Technology

After decades of relentless gains, China's share of global exports is now edging down. Whether that continues hinges a lot on how fast it can shift into higher-technology shipments.

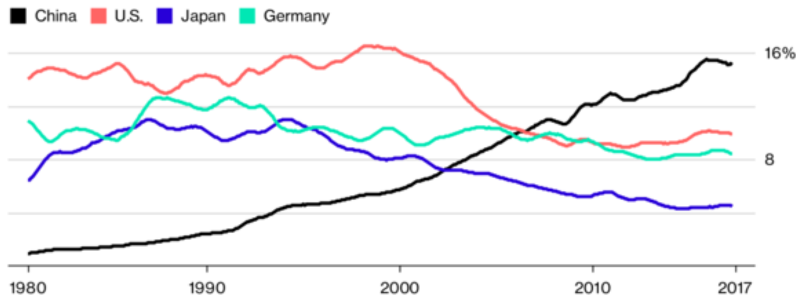
China's portion of the global export pie has shrunk from a high of almost 17 percent reached in December 2015, International Monetary Fund data show. The pullback is driven mainly by the growth of shipments from commodity-exporting nations like Brazil and Australia amid rising prices for staples like iron ore and bauxite, according to economists from Oxford Economics and TCW Group Inc.

Another factor is global demand tilting more to advanced machinery and cars, segments where China is just beginning to emerge as a competitor, says HSBC Holdings Plc.

Beijing's drive to create national champions, subsidize emerging industries, and force technology transfers from foreign firms in the country has prompted U.S. Trade Representative Robert Lighthizer to say it's an unprecedented threat to the world trading system. Despite the smaller share of global exports, the "Made in China 2025" policy blueprint envisions global competitiveness by that year across 10 key industries from robots to medical devices.

Please note: this publication is intended for academic use only, not for commercial purposes

"Declining export market share of late is more likely a blip, rather than the start of a lasting trend," said Frederic Neumann, co-head of Asian economics research at HSBC in Hong Kong. "As China's share in global gross domestic product continues to rise, it's likely that its share of global exports will expand as well, with products stretching from mass manufacturers to increasingly more sophisticated products as well."



A rebound in global car demand has lifted German and Japanese exports, while China runs a large semiconductor trade deficit, says Neumann. That will reverse as industrial policy pushes for more advanced manufacturing, taking share from developed economies, he says.

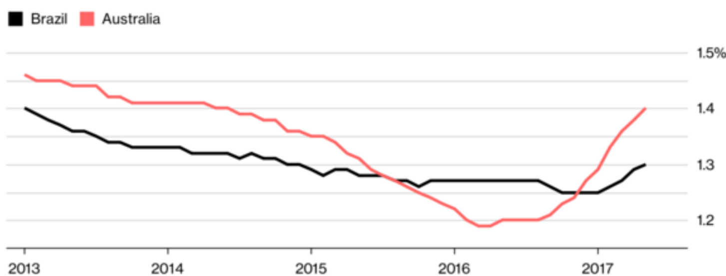
It's in low-end industries like textiles and furniture where market share is pressured most. That's in keeping with the nation's policy of shifting to higher value-added industries from electric vehicles to robots. A recent pollution crackdown has raised costs for industries such as dyeing companies and paper producers, pressuring their competitiveness.

Low-end manufacturers also face rising wages, a shrinking workforce, and rising competition from lower-wage nations like Bangladesh and Vietnam in cheaper products such as T-shirts.

Although China remained the world's biggest textile exporter of last year, accounting for 37 percent, shipments fell 3 percent to $106 billion, World Trade Organization data show. Nations like Vietnam and Pakistan are winning larger shares, with Vietnam breaking into the top 10 exporters with 7 percent of global textile shipments last year, the WTO says.

Some market-share losses are being offset because more components of exports are made at home, not imported, said David Loevinger, an analyst at TCW Group Inc. in Los Angeles and a former China specialist at the U.S. Treasury Department. The domestic value added of gross exports has risen to 71 percent in 2014 from 62 percent a decade earlier, according to the most recent data from the Organisation for Economic Cooperation and Development.

Because China is a manufacturing exporter, it's not surprising that its market share peaked when global commodity prices were bottoming out, Loevinger said. "With commodity prices rising, commodity producers have been clawing back market share," he said.



Please note: this publication is intended for academic use only, not for commercial purposes

Meanwhile, the economy is also the victim of its own surging imports, which by definition increases the share of global exports for other countries, according to Andrew Polk, co-founder of research firm Trivium China in Beijing.
“China’s biggest problem is that it can’t export to the second biggest economy in the world — itself,” says Polk. “The real beneficiary here has been other emerging economies, especially in Asia, and raw-materials exporters.”
Source: Bloomberg
+++++++++++++++

(6) Hellenic Shipping News, 30 September 2017/ Platts

Asia shipping Q3: China iron ore, coal, grain demand light up dry freight rates

The dry bulk market made a blistering rebound during the third quarter on the back of sustained demand for iron ore, thermal and metallurgical coal along with grains. The bullishness was mainly sparked by China driving up the demand for raw commodities with the country starting to focus on higher quality iron ore and coal that had to be met by seaborne imports.
Demand for moving raw commodities has brought about an imbalance in the tonnage availability in the Atlantic and the Pacific regions. This was despite a net fleet expansion to 21.6 million dwt in the first eight months of 2017. The Capesize fleet had registered the largest net increase of 7 million dwt, followed by Supramaxes at 6 million dwt and Panamaxes at 4.7 million dwt.

Capesize market powered by strong iron demand
On the bigger Capesize vessels, a bullish market was witnessed during the third quarter with freight rates on the key iron ore routes from Australia, Brazil and South Africa touching a three-year high.
While the rate levels have seen a correction since late September, many market participants are fairly still optimistic about this segment’s prospects for Q4 on the belief that demand for iron ore into China will stay strong.
In the Asia Pacific market, the Port Hedland, Western Australia, to Qingdao, China, key iron ore route had hit a 33-month high on September 22 at $8.35/wmt, a level which was not seen since December 4, 2014.
The front-haul key iron ore route from Tubarao in Brazil to Qingdao had also touched a three-year high on September 25 at $19.75/wmt, which was last seen on November 20, 2014.
The key Saldanha Bay, South Africa, to Qingdao 170,000 mt (plus/minus 10%) route, too, reached a 34-month high on September 22 at $14.50/wmt, a level not seen since November 20, 2014.
The strong showing for Q3 was in line with the market’s seasonal trends and was further bolstered by burgeoning tonnage demand and a firming freight derivatives market.
“Most market participants have a positive outlook of the market, cargo volumes look quite good, and there have been very little new buildings added since July [2017],” a Tokyo-based shipbroker said. “As long as China’s demand for iron ore remains strong and iron ore prices hold firm, the market should not have any issues sustaining at these levels,” the shipbroker added.
Also, aiding the Capesize market was a strong Panamax segment that discouraged charterers from splitting their Capesize cargoes.
“I would say the spike in the iron ore prices and the healthy steel market definitely has something to do with the bolstering Capesize freight rates,” said Ralph Leszczynski, research director at Banchero Costa, a Genoa-based shipping consultancy and brokerage.
According to Banchero Costa, there were only three Capesize vessels delivered on average per month in July and August compared to the average of 8.8 vessels per month from January to June 2017.
Leszczynski added that a recent statement from Chinese Prime Minister Li Keqiang that it was necessary to shut down more “low quality” and illegal steel mills had raised expectations of stronger high quality iron ore imports. However towards the end of the quarter, with the looming Golden Week holidays in China in early October, the frenzy was starting to fade with the forward freight agreement market and commodity prices weakening.

Please note: this publication is intended for academic use only, not for commercial purposes

"The true test to see if the market will continue to remain strong will be how the market performs during the holiday period in China," a Singapore-based shipbroker said.
The key Port Hedland, Western Australia, to Qingdao, China, Capesize route averaged $13,995.64/day on Platts time charter equivalent in Q3. This route also saw a low of $3,463/day on July 6 and a high of $22,396/day on September 22, during the quarter.
On the Tubarao to Qingdao, the Q3 TCE fluctuated in a similar fashion, as it ranged between a low of $7,091/day and a high of $22,362/day. The Q3 TCE averaged $14,049.39/day.

Panamax market riding the grains growth
Demand for Panamax ships from the various grain export regions continued to set the tone for the market during Q3. The TCE rates assessed by Platts across the major coal routes in the Asia Pacific saw rates increase day on day for 60% of the trading days during the quarter.
According to an India-based ship operator, most of the owners and operators who were long on tonnage were trying to use the vessels controlled by them to move their own cargoes and were not looking to arbitrage their ships. Also, most were unwilling to "short" the market by fixing in cargoes on voyage basis without the backing of a tonnage.
"The period rates are dropping slower compared to spot time charter rates. There is hope of firmer spot rates looking ahead and as with most years, we can expect Q4 this year too, to be volatile," a Singapore-based chartering source with a western trading house said.
Although the rates had moved lower towards the end of the quarter, market sources are optimistic of a rebound in the rates once the holiday period in the Far East is over.
"Ships opening in early October have the option to ballast out for North Pacific and the US Gulf Coast grain cargoes," said a second ship operator source, adding that Q4 has always seen enough demand from these regions. "If vessels do start ballasting [out of the Pacific] the rates could bounce back very quickly," a third ship operator source said.

Supramax market fueled by coal rush
Supramax freight rates, after having risen steadily through Q3, have shed levels over the last few trading days. "While this drop might have been triggered by upcoming holidays, the quantum of drop is huge which is putting a question mark on how much firmer Q4 could be," a fourth ship operator source said.
The TCE for a 57,000-dwt vessel delivered at Singapore for a trip via South Kalimantan to east coast India reached the year's high of $15,984/day on September 19 and averaged close to $11,000/day during Q3 compared to $8,565/day during Q2.
Demand from spot coal cargoes within the region was one of the major factors that was spurring requirements for Supramax ships in the Pacific while various weather-related issues withheld supply, sources said.
Adding impetus to the Supramax market was Chinese coal and lignite imports, which have increased 14.3% year on year to 178 million mt during January-August, according to sources.
A firm Panamax market had resulted in charterers choosing to use Supramax vessels to reduce the total landed cost of their cargoes. A case in point is the Taboneo, South Kalimantan, to Paradip, east coast India, coal route, where the Panamax freight was cheaper than the Supramax by more than $1.50/mt for only 20 trading days during Q3.
Source: Platts
+++++++++++++++

(7) Lloyd's List, 29 September 2017

Northern sea route's importance to the industry may be exaggerated

IN spite of growing interest in Arctic shipping, especially in the case of the northern sea route to reduce travel times between Asia and Europe, certain factors may prevent the route from being fully utilised for now, according to Singapore Shipping Association president Esben Poulsson.

Please note: this publication is intended for academic use only, not for commercial purposes

“The current importance of the northern sea route may be perhaps slightly exaggerated,” he told the audience at a conference on international co-operation, research and business in the Arctic organised by Arctic Frontiers in collaboration with the Norwegian embassy in Singapore.

Conventional vessel transits are occurring through the passageway in the summer months when the ice has melted a little and depending on the destination, voyage times between the two regions can be halved, according to Mr Poulsson.

However, there are only on average 40 complete transits through that route on an annual basis and just 19 last year. This is compared to about 50,000 vessel transits through the Suez Canal per year.

Additionally, shipping companies will need to hire costly Russian ice breaking vessels and operate with specially designated ice class vessels at reduced speeds.

This “means that the northern sea route is probably only viable for ships trading to ports north of Shanghai,” said Mr Poulsson.

He said that although the situation may change, the industry's key focus for now was on increased destination shipping, meaning the transportation of oil and gas exports and raw materials such as iron ore, as well as any growth in offshore support vessel demand in the oil and gas sector.

In a subsequent presentation, DNV GL regional manager for Southeast Asia, Oceania & India maritime Cristina Saenz de Santa Maria noted that a voyage from Yokohama in Japan to Rotterdam in the Netherlands could take 40% less time with the northern sea route as compared with the usual transit through the Suez Canal.

“Of course the big question here is shorter yes, but is it cheaper, is it more environmentally sustainable? That's what we need to figure out.”

She said the industry needed to take a risk-based approach when it came to Arctic Shipping in order to identify possible obstacles and consequences, and then come up with preventive and reactive measures.

There needed to be harmonised mandatory regulations as well as efforts made to close the knowledge gap, meaning the industry might still be lacking the necessary information to make prudent decisions when it came to operating in such a climate.

Both Ms Santa Maria and Mr Poulsson emphasised the importance of adhering to the International Maritime Organization’s Polar Code so as to properly address hazards relevant to the type of ship operation, the vessel's location and the season of operation.

She also said that the industry needed to come together to close the knowledge gap. “We need to make sure that operators in the Arctic are experienced, meaning they have operational experience... and the knowhow to operate in Arctic climates.

“We believe that shipping in the Arctic is totally possible, but with a proper risk-based approach, harmonised mandatory regulations and efforts to close the knowledge gap.”
Singapore, which has Permanent Observer status at the Arctic Council and is also a key participant at the IMO, has been paying attention to shipping developments in the northern sea route that may poise a threat to its status as a key transhipment hub in the future, since vessels could opt to bypass the port, situated at the southern tip of the Malay Peninsula.

+++++++++++++++