Global Maritime Weekly Digest

Publishing Director: Prof Minghua Zhao   Editor: Richard Scott

06 February 2018   issue 107

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*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

Editorial comments

- Last year the ***world merchant ship fleet's capacity*** expanded by over 3% measured in gross tonnes, based on provisional figures (item 1). All the main sub-groups saw significant increases: around 3% for bulk carriers and container ships, slightly faster growth approaching 5% for tankers and a higher 7% in the gas carriers fleet.
- There were widely differing changes among the ***top shipowning countries*** in the past twelve months. While Japan's fleet increased only marginally, much higher growth rates were seen in Greece and China. Conversely, Germany's fleet shrank (item 1).
- Renewed interest in ***ordering new ships*** was seen during 2017, resulting in contracting jumping sharply from the very depressed levels seen in the previous year (item 5). When expressed by compensated gross tonnes (a measure of the shipbuilding work content involved) global orders last year rose by almost eighty percent according to one estimate.
- Prominent features of the ***markets for liquefied gas tankers*** (LNG and LPG) are highlighted in items 2 and 4. In the LNG sector, rapid fleet growth could hold back charter rates. In the LPG sector attention is focused upon major importers China and India.
- A call for ***more talented shipping professionals in China*** has been made by one of the country's senior shipping industry leaders (item 7). Further expertise is needed to enable China's maritime activities to become more sophisticated, on this view. Aspects including technology, shipping finance, and setting up shipping hubs could benefit from more professionals available.

Richard Scott MA MCIT FICS
editor (email: bulkshipan@aol.com)
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(1) Clarksons Research, 30 January 2018

The World Fleet In 2017: Keeping An Eye On The Trends

The global fleet continued to grow in 2017 even as markets remained challenging, albeit at a slower rate than during most of the last decade. Whilst overall fleet growth reached 3.3% in tonnage terms, up slightly from the previous year, there was significant variation in how quickly shipowners' fleets expanded across different sectors and countries.

Surveying The Sectors
After slowing in 2016, fleet growth increased marginally in 2017 to 3.3%, with the global fleet reaching 1,300m GT at the end of the year. This uptick was driven in part by 4.6% growth in the tanker sector in tonnage terms, despite an increase in tanker demolition activity to 6.2m GT. The gas carrier fleet also grew significantly in 2017, up 7.0% to 72.2m GT, with deliveries remaining firm following strong ordering in 2013-14. Containership fleet growth increased year-on-year, reaching 3.4% in GT terms in 2017, due primarily to a 40% decline in demolition volumes from record levels in 2016. Elsewhere, annual bulker fleet growth reached 2.9% in 2017, with bulker scrapping also down significantly year-on-year.

Owners Seeing Clearly?
Firm growth in the Greek owned fleet supported a 4.2% year-on-year increase in the volume of European-owned tonnage in 2017. This was slightly above the 3.8% rate of growth in the Asia/Pacific owned fleet, and European owners continued to account for the largest volume of tonnage of any region (582.5m GT, or 45% of the global total).
The Greek-owned fleet reached 216.1m GT at the end of the year, up by 6.3% year-on-year and accounting for 17% of the global fleet, in GT terms. This was supported by both deliveries and firm secondhand purchases, which reached a reported 12.0m GT, almost double the volume of buying activity of any other owner country. Japanese owners still held the second largest share of global tonnage (13% at the end of the year), but fleet growth remained slow, due in part to significant secondhand sales activity. In the five years to end 2017, the Japanese owned fleet grew by 4.1% in GT terms, compared to 34.8% growth in the Chinese owned fleet. In 2017, firm deliveries of 9.8m supported 8.8% growth in the Chinese owned fleet, which reached 152.9m GT at the end of the year.

Class And Flag In Focus
There was little change in 2017 to the shares of the global fleet classed by the major IACS member societies. DNV GL, NKK and ABS classed the largest fleets, representing a combined 57% of global tonnage as of the end of the year. Of these, the ABS classed fleet grew fastest in 2017, up 4.0% to reach 225.6m GT.
Meanwhile, the Marshall Islands became the second largest flag state globally in terms of tonnage flagged, with its fleet growing by 9.9% in 2017 to reach 147.5m GT at the end of the year. The Panamanian flagged fleet remained the largest globally at 219.1m GT, despite declining slightly by 1.9% during the year.

Looking Out To 2018
While fleet growth increased slightly in 2017 to 3.3%, it remained at a much lower level than in many recent years, with trends across sectors and owner countries varying significantly. Greek and Chinese owners continued to grow their fleets rapidly, in comparison to limited change in the Japanese owned fleet. With global fleet growth expected to slow further in the short-term, market watchers will be keeping an eye on whether these trends continue into 2018.

(detailed table on next page)
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2017 At A Glance

	2016	2017	+/- %	% Share
1. Global Fleet (m. GT), end year				
Tankers	322.3	337.0	4.6%	25.9%
Bulkcarriers	439.1	451.9	2.9%	34.8%
Containerships	217.2	224.5	3.4%	17.3%
Other Dry Cargo	63.7	63.3	-0.7%	4.9%
Gas Carriers	67.5	72.2	7.0%	5.6%
Other Specialised	41.8	42.3	1.1%	3.3%
Other	106.4	108.8	2.3%	8.4%
Total	1257.9	1299.9	3.3%	
Total ($bn, est.)	861.4	933.0	8.3%	
2. Global Orderbook (m. GT), end year				
Total	163.3	141.3	-13.5%	
Total ($bn, est.)	257.1	233.5	-9.2%	
3.Top Owner Countries (m. GT), end year				
Greece	203.3	216.1	6.3%	16.6%
Japan	163.2	164.9	1.1%	12.7%
China	140.5	152.9	8.8%	11.8%
Germany	82.8	80.7	-2.5%	6.2%
United States	63.5	65.2	2.7%	5.0%
Europe	559.0	582.5	4.2%	44.8%
Asia/Pacific	503.0	522.2	3.8%	40.2%
4.Top Flag States (m. GT), end year				
Panama	223.5	219.1	-1.9%	16.9%
Marshall Isl.	134.2	147.5	9.9%	11.3%
Liberia	137.9	142.5	3.3%	11.0%
Top 10 Flags	*933.0*	*964.1*	*3.3%*	*74.2%*
5.Top Class Societies (m. GT), end year				
DNV GL	271.1	273.4	0.8%	21.0%
NKK	245.3	248.1	1.2%	19.1%
ABS	216.9	225.6	4.0%	17.4%
IACS	1205.3	1238.0	2.7%	95.2%
6. Newbuilding Orders By Owner Country (m. GT)				
China	7.6	6.2	-18.6%	13.2%
Greece	2.4	7.0	190.0%	14.9%
Japan	2.7	3.7	36.8%	7.9%
Europe	6.3	19.4	207.9%	41.4%
Asia/Pacific	12.8	18.9	47.5%	40.3%
Total	22.5	46.9	108.3%	
7. Deliveries By Owner Country (m. GT)				
Greece	11.6	10.1	-12.5%	15.6%
China	8.3	9.8	17.9%	15.1%
Japan	6.5	8.1	25.6%	12.5%
Europe	28.3	24.8	-12.5%	38.1%
Asia/Pacific	24.5	28.6	16.9%	44.1%
Total	66.8	65.0	-2.7%	
8. Top Buyers Of Secondhand Vessels (m. GT)				
Greece	9.2	12.0	30.9%	20.6%
China	5.7	6.6	15.3%	11.3%
United States	0.6	4.5	670.7%	7.7%
Total	42.0	58.2	38.8%	
9. Demolition By Owner Region (m. GT)				
Europe	13.7	8.8	-35.6%	38.4%
Asia/Pacific	11.6	8.2	-28.7%	36.0%
Total	29.1	22.9	-21.3%	
10. Average Vessel Earnings, ClarkSea Index ($/day)				
Index	9,441	10,768	14.1%	
11. NB Price Index (Jan 1988 = 100), end year				
Index	123	125	1.6%	

All data from World Fleet Monitor.

Source: Clarkson Research Services Limited

(2) Hellenic Shipping News, 27 January 2018/ Drewry

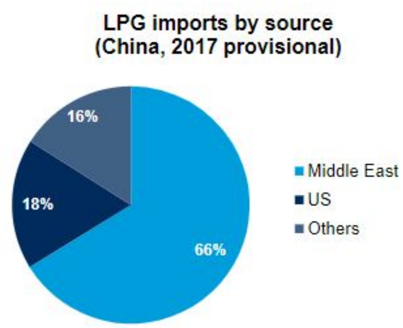
Will India dislodge China as the catalyst for LPG shipping?

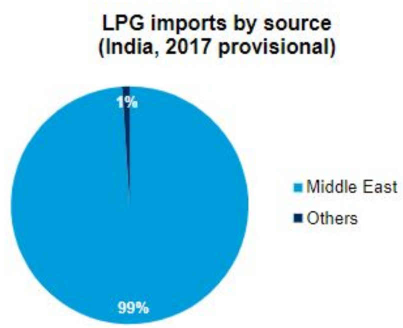
India's LPG market is receiving a lot of attention of late as provisional numbers for December 2017 put the country's imports to be around 2.4 million tonnes, marginally higher than the 2.3 million tonnes imported by China in the same month. This was the first time that India's monthly imports were higher than China's.

What does this mean for LPG shipping?

Despite the noise, India's total LPG imports in 2017 were substantially lower than China -13.1 million tonnes as opposed to 19.7 million tonnes respectively.

A key factor here is that China has a consumption base which is almost double that of India. Chinese LPG consumption is currently running at an annual level of 44 million tonnes compared with 23 million tonnes for India. As LPG demand in both the countries is set to continue growing, we do not see the import gap narrowing soon.





In shipping market China is a far more important player. China's LPG import sources are diversified, and the country is increasingly shifting towards US LPG, which generates high tonne-mile demand for LPG vessels given the long haul nature of the trade. In 2017, China imported 66% of its total LPG import requirement from the Middle East and 18% from the US. By contrast, India receives almost 99% of its LPG imports from the Middle East, a short-haul destination that does not create a lot of tonne-mile demand. The Middle East is the preferred source for Indian LPG buyers because (i) the short voyage distance keeps transportation costs down and (ii) Indian buyers prefer a higher proportion of butane, whereas the majority of LPG production in the US is propane.

To conclude, despite the bullish noises coming from the Indian LPG market, China will remain the most influential country in both LPG commodity and shipping market, at least in the medium term.

Source: Drewry

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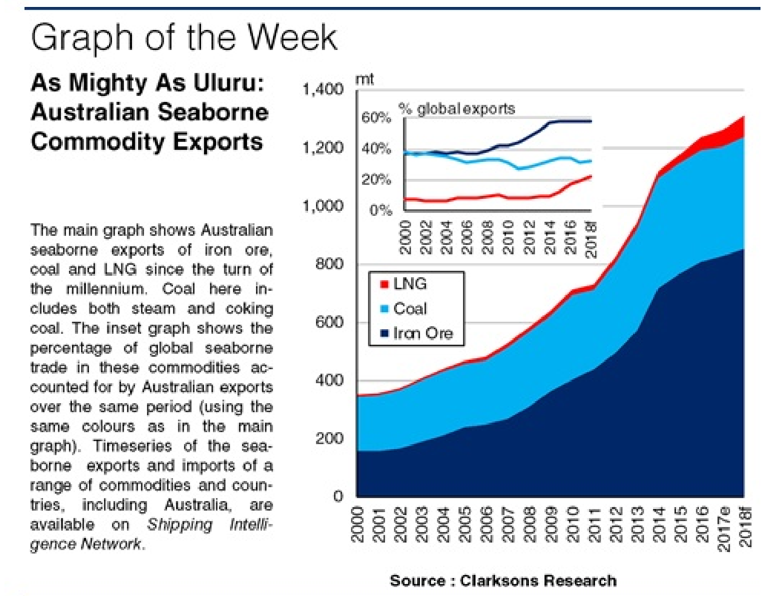
(3) Clarksons Research, 29 January 2018

Land Down Under: Exporting Australia To The World

January 26th is Australia Day, a chance to celebrate all things Australian: vegemite, sporting prowess, BBQs, surfing, unusual (and frequently lethal) wildlife, digeridoos, Uluru, Kylie, Mad Max and so on. But from a shipping and seaborne trade perspective, perhaps the most relevant features of Australia are literally from the land 'down under', namely iron ore, coal and natural gas.



Wizard Of Oz

Australia is, for the most part, sun-blasted 'outback': a vast area (about 5% of the world's land mass) inhabited by less than 0.4% of the world's population. And yet it accounts for about 20% of global seaborne exports of major wet and dry bulk cargo, and its 1.3bn tonnes of iron ore, coal and LNG exports alone account for 11% of the world's total seaborne trade. In fact, in 2017 Australia accounted for nearly 60% of all seaborne iron ore exports, a third of seaborne coal exports (second only to Indonesia) and 20% of LNG exports (outdone only by Qatar) – impressive!

Australia has achieved this position following over a decade of rapid export growth. For example, from 2001 to 2017 (i.e. since China joined the WTO), Australia's iron ore exports grew with a robust CAGR of 11%, rising from 160mt to 830mt and accounting for 65% of the increase in global seaborne iron ore trade over this period. Wizard of Oz indeed.

Neighbours

Australia exports to a range of countries, though most cargoes go to Asian importers, and to China in particular. China's voracious industrial appetite consumed more than 80% of Australian iron ore exports in 2017 (Japan came in a distant second at 8%), equating to more than 100% of Australia's net growth in iron ore exports since 2001. On a tonne-mile basis, this is perhaps not an unalloyed plus for shipping: at 11,000km, the distance between Tubarao (in ore exporting Brazil) and Qingdao is thrice that from Dampier. On the other hand, looking at coal, it is around 1,800km from Samarinda (Indonesia) to South China, about half of the distance from Queensland to China. Furthermore, with its massive and relatively high grade natural resource base and proximity to China, Australia has arguably played a facilitating role in China's economic rise and the increased demand for ship tonnage that has followed.

Can't Get You Out Of My Head

Nor is that it for Australia and the process of globalisation. For example, growth in Australia's LNG exports in recent years is one factor helping to knit together a global natural gas market out of still regionalised trading patterns. Although slippage risk at onshore and offshore gas projects such as Prelude FLNG

needs to be borne in mind, Australian LNG exports are projected to grow to over 70mt in 2018, close behind Qatar's steady 80mt.
So then, Australian exports of iron ore, coal and gas have grown at a truly impressive pace in recent decades. And with demand for the country's fairly high quality resources holding up well, it seems that Australia is likely to remain a significant feature of the global seaborne trade network as it continues to develop. All the more reason for shipping folk to love Australia. Have a g'day.
Source: Clarksons
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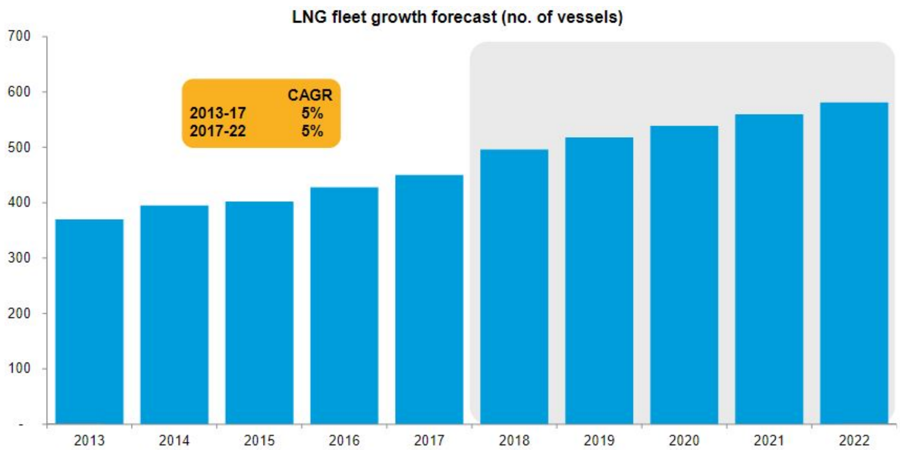
(4) Drewry Shipping Consultants, 30 January 2018

Slippages from 2017 to prevent recovery of LNG shipping charter rates in 2018

Increasing vessel supply will keep LNG charter rates under pressure in 2018, despite strong growth in trade, according to the latest edition of the LNG Forecaster report published by global shipping consultancy Drewry.
Drewry's short-term outlook for LNG charter rates remains pessimistic because of the high fleet growth rate compared with demand. The fleet is expected to expand by 11% because of high deliveries and low demolition activity. Low freight rates in the first three quarters of 2017 have resulted in a huge pile-up of deliveries in 2018, which will further put pressure on supply.



Source: Drewry's LNG Forecaster

In 2017, 43 vessels were scheduled for delivery, while just 27 were delivered during the entire year, and 16 were deferred to 2018. Taking into account the slippages from 2017, 69 vessels – aggregating 11 million cbm capacity – are scheduled for delivery in 2018. However, Drewry believes not all 69 ships will stick to schedule, and therefore, projects that only 45 LNG carriers, with 7.6 million cbm capacity, will be delivered (approximately 12% of the current LNG fleet). Drewry also expects demolitions to remain low. High slippages of vessels from 2017, along with low demolition activity, will further add pressure on the supply side. Average spot rates are projected to remain lower than charter rates were in 2017. The first quarter of 2018 will be weaker than the last quarter of 2017, and slide further in the second quarter on account of high tonnage availability. However, in the second half of 2018, charter rates will improve as high Chinese LNG imports will absorb the excess tonnage available in the spot market. Overall, the LNG market in 2018 will be marked by a high number of vessel deliveries, low scrapping activity, reactivation of idle fleet and strong Chinese demand.
2018 charter rates will average $45,000 pd, which is marginally lower than rates in 2017. The high slippages of vessels into 2018 will increase vessel supply and put pressure on charter rates. Strong projected LNG trade growth of 9% in 2018 will help to create a resistance level to prevent charter rates from falling to the lows seen in 2017.

“Spot vessel availability will remain high during the first half of 2018, leading to below average charter rates. However, we project a strong finish to the year, with increased residential heating demand from China taking charter rates to similar levels as the second half of 2017. We believe the conversion of coal-fired residential heating to gas-fired residential heating in China will be rapid, and thus, the base demand during winter will increase in 2018 as compared with 2017,” commented Shefali Shokeen, Senior Analyst at Drewry.
Source: Drewry Shipping Consultants
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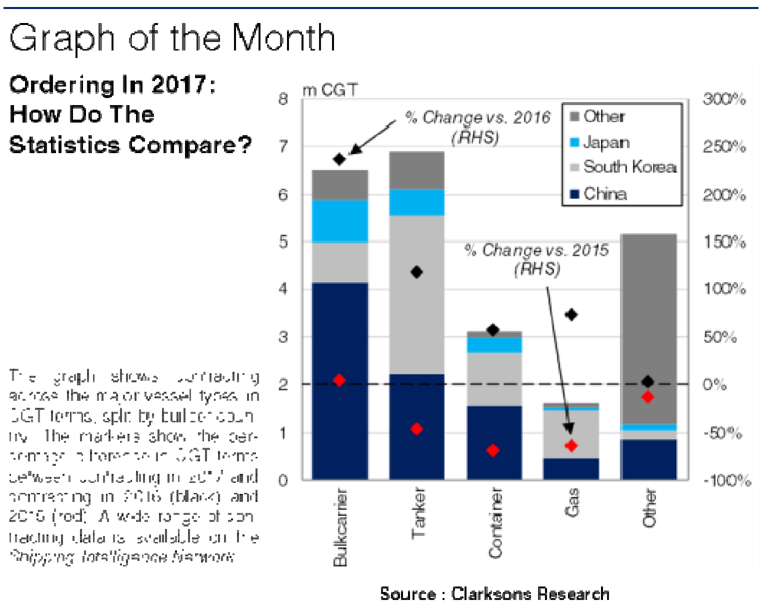
(5) Clarksons Research, 28 January 2018

2017: Difficult Conditions Again, But Some Improved Signals

In 2017, there were some positive changes in the contracting arena, with ordering in all of the major sectors surpassing 2016 levels. Bulkcarrier contracting increased significantly year-on-year, while ordering at the larger end supported improved newbuild activity in the tanker sector. However, overall contracting was still well below 2015 levels and remained subdued in historical terms.

What Was On The Radar?

In 2017, 902 units of 23.3m CGT were ordered (based on contracts reported up until 1st January), representing an increase of 49% and 79% year-on-year in numerical and CGT terms respectively; moreover newbuild investment increased by 57% year-on-year in value terms to an estimated $58.7bn. However, the increases follow record low contracting in 2016. Compared to 2015, there were 48% and 43% fewer orders in 2017 in numerical and CGT terms respectively.



A Clear Transmission?

Against a backdrop of improved market conditions, bulker ordering increased by 235% year-on-year in 2017 in CGT terms to reach 286 units of 6.5m CGT and 32.7m dwt. Bulker ordering also compared favourably to 2015 levels, up by 3% and 32% in CGT and dwt terms respectively. In numerical terms, 42% of bulker contracts were for Kamsarmaxes, with 119 units ordered in 2017. 67% of them were placed at Chinese yards, reportedly driven in part by the availability of Nox Tier II compliant units. Backed by CoAs with Brazilian miner Vale, 27 VLOCs of 325,000+ dwt were reported ordered in 2017, 20 of which were placed in Korea, following 31 orders in 2016.

In 2017, 271 tankers of 6.9m CGT and 30.0m dwt were ordered, up by 118% year-on-year in CGT terms. Encouraged by low newbuild prices, some owners invested in VLCCs, which accounted for 50% of 2017 tanker contracts in dwt terms. However, in CGT terms 2017 tanker ordering was 47% down on 2015 levels, remaining weak in historical terms.

Lots Of Noise

In the boxship sector, 108 units of 3.1m CGT and 0.7m TEU were ordered in 2017, a 57% year-on-year increase in CGT terms, but a 71% decline on 2015 levels. Overall, 71% of 2017 boxship orders in numerical terms were in the sub-3,000 TEU sector. A total of 29 units of 8,000+ TEU were also contracted, with 20 units of 22,000 TEU ordered in Korea and China, the largest boxships ever to be contracted.

Elsewhere, 39 gas carriers of 1.6m CGT were ordered in 2017, a year-on-year increase of 74% in CGT terms, while offshore sector contracting remained weak, with only 37 (ship-shaped) units ordered.

Contracting in the cruise sector remained firm, with 31 ships of c.80,000 berths ordered in 2017, compared to 34 units of c.61,000 berths in 2016.

So, in 2017 there was a significant improvement in contracting across a range of sectors, such as bulkcarriers and large crude tankers. However, despite an overall year-on-year increase, ordering remained limited, and well below 2015 levels. As 2018 begins, shipyards will be hoping for further improvement, although a return to historically firm contracting levels could still take some time.

Source: Clarkson Research Services Limited

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(6) Lloyd’s List, 22 January 2018

Chinese shipping needs more talent, says Shanghai Shipping Exchange

China aims to narrow its technology, financial and knowledge gap with the maritime sector of developed economies

CHINA is in dire need of more talented professionals who can help the country’s maritime industry move to the next level, according to Shanghai Shipping Exchange president Zhang Ye.

Speaking at a shipping event in Shanghai, Mr Zhang suggested the strong demand comes as the industry enters a new era amid president Xi Jinping’s call for a “great renaissance of the Chinese nation”.

This is the driving force behind the domestic maritime sector’s goal to catch up with its western counterparts in areas such as technology, shipping finance and the establishment of shipping hubs.

But the gap remains substantial, he told the audience, adding that human capital is a key element in this race.

The most valuable asset people possess is the ability to bring about ‘revolutionary’ change.

China’s shipping industry has always been a follower in this respect, said Mr Zhang. “For example, Maersk led the trends in slow steaming, the new bulbous bow and ultra large containerships.”

While foreign players previously took the lead in these areas, Chinese companies should take the opportunity to lead the pack this time in the unfolding realm of cutting-edge technologies, such as big data analysis and blockchain.

Blockchain can really help container shipping simplify the complicated documentation systems across the supply chain, which accounts for about 20% of the total shipment costs, Mr Zhang said.

Several carriers, including Maersk, Hyundai Merchants Marine and ZIM have launched blockchain-based pilot projects to use paperless documentation systems in shipping.

What is more, the Chinese shipping community needs more experts who can tackle technological challenges in vessel emissions and navigational safety. People with comprehensive knowledge of shipping, finance and management are also in short supply, Mr Zhang said.

He added that the lack of shipping finance experts in SSE was a key reason why trading of the organisation’s indices has yet to fully take off.

The remarks were made during the award ceremony of China’s 100 Most Influential Shipping People organised by ship.sh.

Mr Zhang was ranked 22nd on the list, while the top three spots were occupied by China Merchants Group chairman Li Jianhong, Cosco Shipping chairman Xu Lirong and chairman of the International Maritime Organization council, Zhang Xiaojie.
“I hope we will be taken down from the list in two to three years’ time and replaced by younger people who can ride into the new age of shipping.” Mr Zhang said.
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(7) UK Chamber of Shipping, 2 February 2018

Victory for UK seafaring as Government doubles funding for training

The annual intake of cadets is to grow by 60% thanks to the Government’s plan to double funding for seafarer training – a policy first proposed by the UK Chamber of Shipping and trade union Nautilus.
The investment will be offered through the Support for Maritime Training (SMarT) scheme, enabling the annual intake of UK cadets to rise from 750 to 1,200.
The funding will increase annually over seven years to fulfil demand, growing to £30 million from the current £15 million.
This will allow a greater number of SMarT cadets to gain internationally recognised qualifications and train to a higher level.
Places will be available at training colleges including Warsash Maritime Academy in Southampton, City of Glasgow College, Lairdside Maritime Centre in Liverpool, Fleetwood Nautical Campus, NAFC Marine Centre, University of Plymouth and the South Shields Marine School.
The training places are open to anyone across the UK who has an interest in becoming a navigation officer, engineer or an electro-technical officer.
Big-name multinationals like Anglo Eastern Group; BP Shipping, Shell Shipping & Maritime and Maersk Crewing are among the 40 shipping companies that have backed the policy and have pledged to create an extra 450 training positions on their ships, guaranteeing cadets their first job.
Enriching and enlarging this highly skilled seafaring workforce will benefit young people throughout their careers, and will add value to the UK maritime businesses in which they ultimately find employment, both at sea and on the shore.

The policy was announced today by Maritime Minister Nusrat Ghani, who said:
“We are building the maritime workforce of tomorrow and I want to encourage more young people to consider an exciting and rewarding career at sea.
“By doubling the funding for cadet training, we will help make sure that our engineers and captains of the future can access the right opportunities to reach their full potential.
“It will also strengthen the UK maritime sector’s position as a world leader and ensure people have the skills they need to help the industry flourish after we leave the EU.”

UK Chamber of Shipping Chief Executive Guy Platten said:
“Nothing will prove that the UK is open for business quite like seeing more British seafarers arrive in the world’s ports. We already recruit people from all backgrounds and all corners of the country, and with this new investment we will be able to create thousands of new opportunities in the years ahead.
“The taxpayer sees a £5 return on every £1 it invests in seafarer training, so this funding will see the economy and the workforce, as well as the industry better off.
“Seafarers are highly skilled and well paid, and have the opportunity to build a successful long-term career. We know this funding will help us to unlock the talents of more young people, and it goes to show what can be achieved when Government and industry work together.”

The UK Chamber has campaigned for SMarT Plus for the past year, working with the national media, Parliament and Government.

In November, the UK Chamber issued a detailed business case, asking the Secretary of State for Transport, Chris Grayling, to double the amount of funding available for seafarer training as soon as possible.
The proposal was was also sent to the Chancellor of the Exchequer, Philip Hammond and the then Minister of State, Department for Transport, John Hayes.
Source: UK Chamber of Shipping
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