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Global Maritime Weekly Digest

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The ***Global Maritime Weekly Digest****, based at* ***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.

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Editorial comments

- Recovery in the ***tanker freight market*** is being held back by unfavourable influences and, based on an updated quarterly analysis by shipping association BIMCO, some time may elapse before a rebalanced market is achieved (item 1). Global oil stockpiles and the sanctions imposed on Iran add to uncertainty about the period ahead.
- One trend which could assist this market to recover is very ***high tanker scrapping*** during 2018, which has already almost reached last year's annual volume, and could be the highest since the elevated levels at the beginning of the century (item 4).
- A detailed survey of ***ship recycling last year*** reveals that about two-thirds of the number of vessels was dismantled on the beaches of the three countries in south Asia - Bangladesh, India and Pakistan - which are the world's main recyclers (item 3). Around one-third of all ships sold for breaking originated from European shipowners.
- More demolition is required to support the global ***container ship market***, according to a recent assessment of the main influences affecting the sector (item 2). The fleet still seems to be growing too rapidly compared with trade and demand expansion, restricting any further moves towards a better market.
- The possibility of ***higher interest rates approaching*** is another cause for anxiety among global investors in shipping, an industry heavily dependent on debt-financing (item 5). The main interest rate benchmark, LIBOR, has been increasing at a faster pace in the past few months.

Richard Scott MA MCIT FICS
editor (email: bulkshipan@aol.com)
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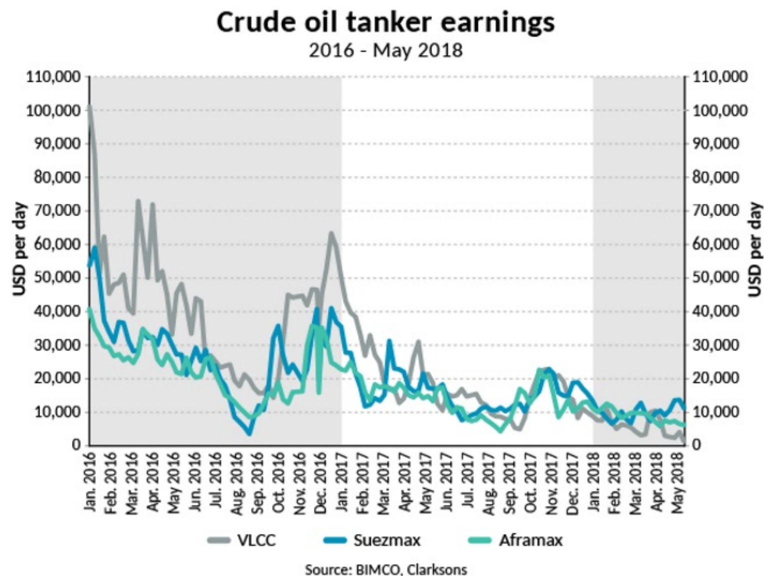
(1) BIMCO, 30 May 2018

Tanker Shipping: Added Uncertainty Is Not Helpful To The Struggling Tankers

Overview
The impact of the sanctions against Iran and global stockpile levels are two factors to watch out for.
Demand
Just when you thought it could not get any worse for the tanker shipping industry, the US is re-imposing sanctions on Iran coming into force after a six months wind-down period ending on 4 November 2018. The immediate effects are less tangible but sure to add more uncertainty to the whole shipping industry that has plenty of uncertainty to deal with already.
At the same time, freight rates for both crude oil tankers and oil product tankers are mostly in loss making territory. Hardest hit are the larger crude oil tankers. On 25 May, average earnings for VLCC, Suezmax and Aframax stood at USD 4,238; 18,073 and 17,930 per day respectively. In the product tanker sector average earnings were almost as miserable, ranging from USD 10,561 per day for a LR2 via USD 6,500 per day for a LR1 to USD 9,121 per day for a MR.



In its April Oil Market Report, the International Energy Agency (IEA) asked whether OPEC could claim “Mission accomplished” shortly, on rebalancing the global oil market after several years of oil supply being significantly higher than oil demand. BIMCO believes that the oil market still has some way to go before being balanced. As highlighted in our most recent tanker shipping report, global oil stocks still appear to be significantly above a “reasonable” target (same stocks/consumption ratio as before the building of stocks).
BIMCO believes that the tanker industry will enjoy a noteworthy higher level of demand when global oil stocks are drawn further down. Moreover, a better oil market balance may also cause a return to an oil price contango (contango is a situation where the future price of a commodity is higher than the spot price). An oil price contango is likely to indicate an increased demand for tankers for floating storage.
Supply
March 2018 was the busiest month for crude oil tanker demolition in general and specifically for VLCCs since 2003, with 10 units sold for demolition. Such hefty activity also prompted the crude oil tanker fleet not to grow during the first four and a half months of 2018.
Even though demolition of oil product tankers was high paced too – as 1.1m DWT left the fleet, the oil product tanker fleet size still grew by 0.9% from January through April.

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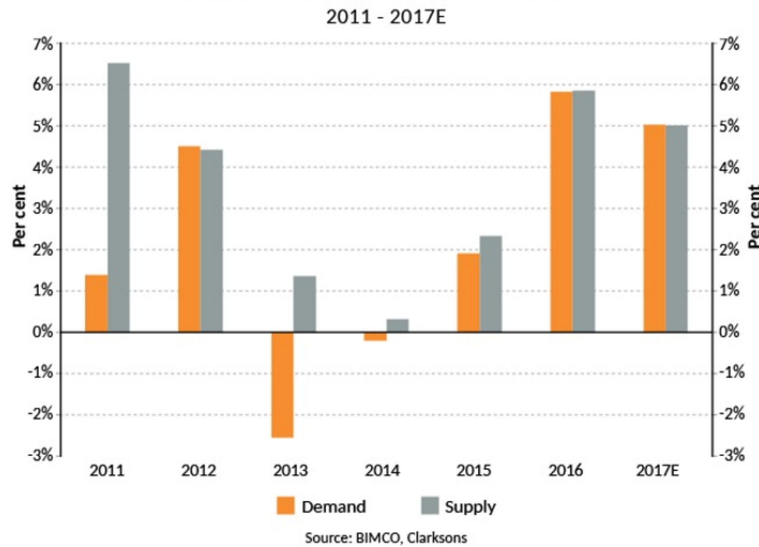
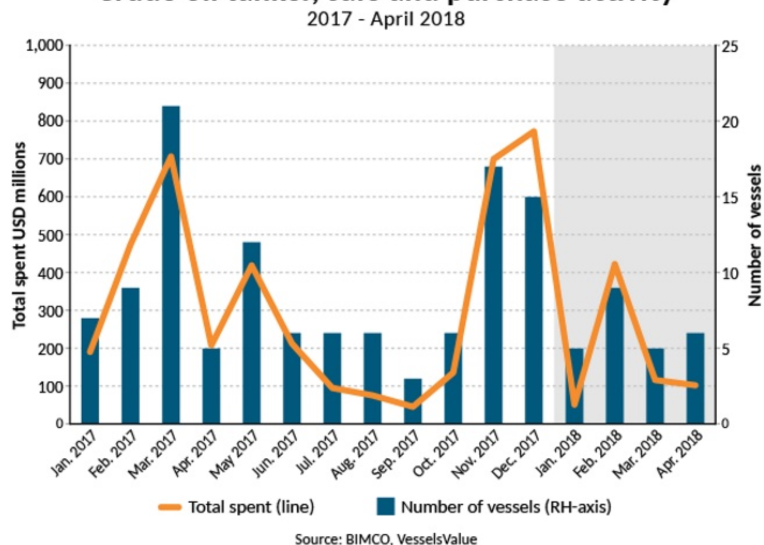


Whereas demolition is affecting the freight market balance right here and right now, ordering of new ships represents an omen of what is to come. Currently it seems that owners and investors who are starving in the freight market have little appetite for ordering new ships for future delivery. Crude oil tanker ordering is up by just 6% to 6.6m DWT (incl. 20 VLCC) during the first four months from a year before, whereas oil product tankers are down by 33% to just 1.4m DWT from a year ago.
Owners and investors have also cooled their interest for second-hand ships, with an average of only six ships changing ownership a month in 2018. This is 50% down on 2017-average monthly Sales and Purchase business. The degradation of the freight market conditions has also meant that less money is spent, even though asset prices have moved up since the low levels of 2017.



BIMCO revises its previous estimate for crude oil tanker demolition upwards, from 9m DWT to 13m DWT. The immediate effect of this is that our estimated fleet growth for 2018 comes down to 2.0% from 2.7%. During the first four months of 2018, 8.5m DWT of crude oil tanker capacity have been demolished.
2018 is a focus year for the crude oil tanker sector more than anything with a fleet growth below 2% – particularly, if 2019 turns out as forecasted with a fleet growth above 3%, due to lower demolition than in 2018. In an average crude oil tanker market, the fundamental conditions only improve if fleet growth is less than 2%.

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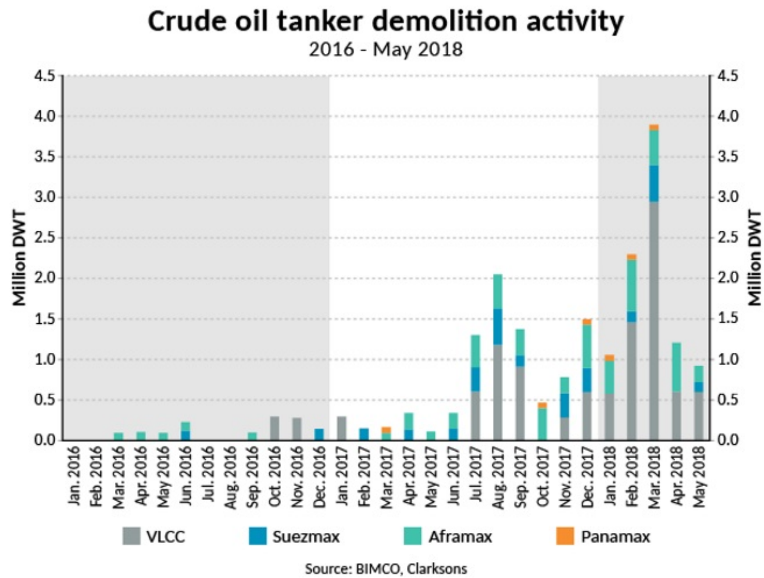
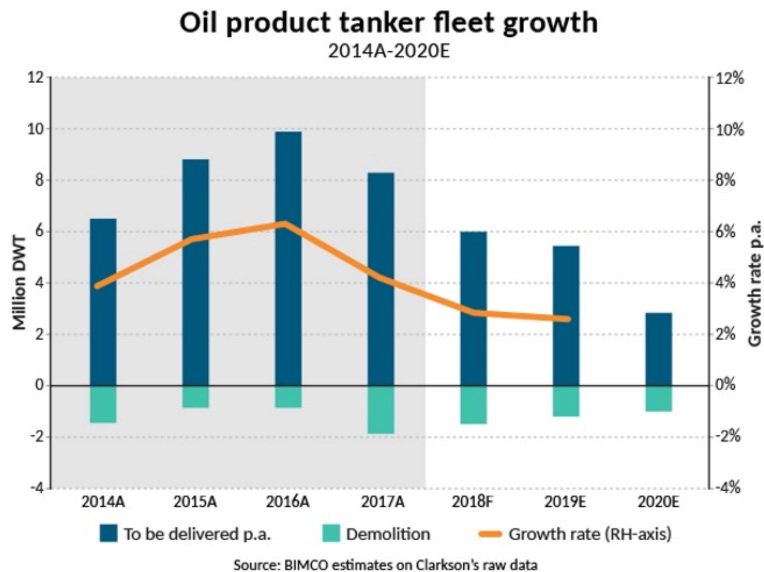


Amongst oil product tanker companies, patience is virtue. The fleet is growing slowly but earnings aren't improving. Quite a few new orders surfaced in November and December 2017, but interest have cooled somewhat since then. Staying away from the shipyards is essential for reaping the benefit that two years of tepid fleet growth (2018 and 2019 at 2.8% and 2.6% respectively) could bring around in the form of higher freight rates.



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2018-2020 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 30% of the remaining vessels on order are delayed/postponed.

Outlook

The level of global oil stocks, and not only OECD oil stocks, remains the only factor to watch out for. It is, however, also the one factor we have no hard data for. Nevertheless, indirect measures point to stockpiles still being too high for normal tanker demand to resume.

2018 has seen such a narrow focus on VLCC orderings in the crude oil tanker sector that the obvious question is: how much is too much? The developments in shipping in general and within the oil tanker sector specifically is focused on the larger ship sizes, but it remains important not to prepare too far in

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advance for what is forecasted to come. The better earnings that should come out of a stronger demand scenario, may end up disappointing if there is large overcapacity.
On another note, the sanctions against Iran have already had an impact on trade. But will we be able to single out the effect of US sanctions against Iran, when they come around? The answer is, "probably not to their full extent", because the tankers are impacted by so many other factors too – some more potent. For example, the ongoing crisis in Venezuela and Libya limits oil production in both places. Imagine if that situation was reversed? The world would then be awash with oil, something which is likely to keep the oil price in backwardation (a situation where the spot price of oil is higher than the expected future price of oil).
Additionally, more pipelines are built around the world, and they are all equally critical to the oil tankers – as they take seaborne demand away. Amongst the newer pipelines are the Sino-Myanmar pipeline to Kunming, the second Sino-Russian pipeline to Daqing and the East-West Petroline from Arabian Gulf to Yanbu in the Red Sea.
Another trend to keep an eye out for is the extent to which Europe is going to keep imports of oil products high. In recent years we have seen especially Middle Eastern refineries built for exports, with more to come online in the next couple of years. But will those refineries end up producing for domestic purposes?
Source: Peter Sand, Chief Shipping Analyst, BIMCO
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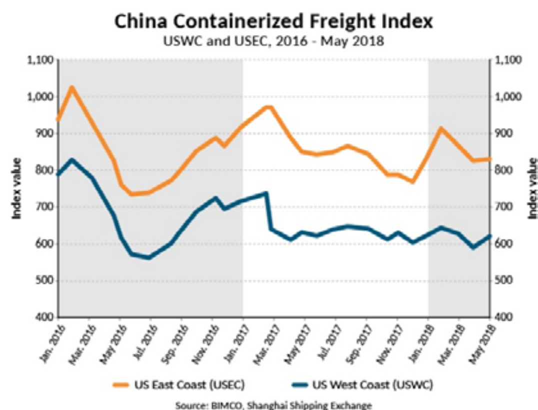
(2) BIMCO, 31 May 2018

Container Shipping: Change Required For Higher Rates

Overcapacity remains in the sector, where fleet growth is extremely uneven.

Demand

The growing imports of loaded containers into the US East Coast (USEC) continues to be a focal point for the container shipping industry. Growing by 10.4% in Q1-2018, the first three months saw 215,000 TEU more entering the USEC than in Q1-2017. Exports grew by 55,000 TEU in the same time span, growing outbound loaded containers by 3.8%.
This illustrates the constantly changing imbalance in US foreign trade. For every five containers entering the USEC in 2013, four were exported. In 2018, six containers are entering for every four leaving. The USEC trade lanes becomes more imbalanced by the day. This pattern is also seen on the US West Coast (USWC) trade lanes. For every ten containers entering the USWC in 2013, six were exported. In 2018, ten containers are entering for every five leaving. A clear sign of imports growing stronger than exports.
Despite the positive demand growth, freight rates have lost traction. The broad-based China Containerized Freight Index (CCFI) which covers ten major Chinese ports and includes not only spot rates, but also long-term contracts are down by 5% on average for China-USEC trades and down by 7% on average for China-USWC for the first 18 weeks of 2018. If singled out, the decline in spot rates alone is much deeper, as the USEC is down by 18% and USWC dropped 22% for the first 18 weeks of 2018 as compared to the same time last year.



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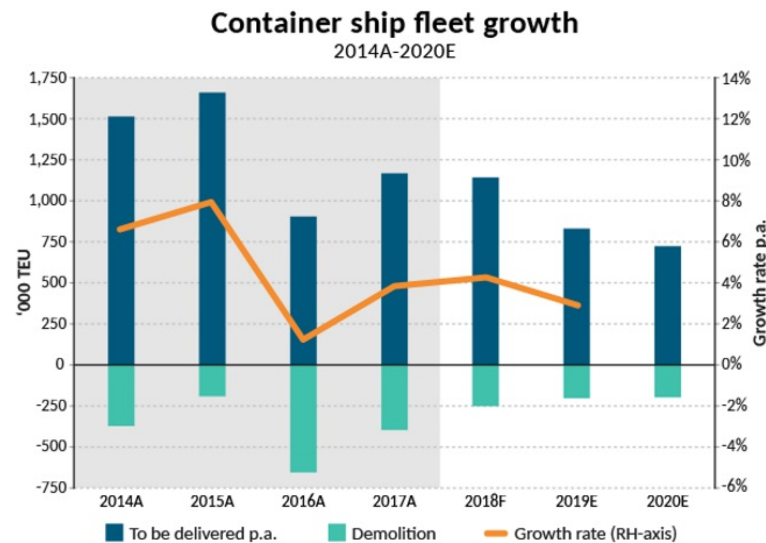
Similar worrying signs are seen in the Far East to Europe trade. CCFI is down by 3% on average as compared to last year, whereas the spot rates (SCFI) have slid 15%. The latter was quoted at USD 584 per TEU for the week ending 20 April but rebounded to USD 825 per TEU at the end of May.
It’s not just freight rates that are low, growth in shipped volumes are also weak. During Q1-2018, transportation grew a meagre 1%. Only, 36,572 TEU more was dispatched compared to last year. If we assume a roundtrip on the Far East to Europe trade takes 10 weeks, that kind of growth requires only two additional 15,000 TEU containerships at a utilisation rate of 95%.
Of lesser importance, but still significant, backhaul trades in Q1-2018 from Europe and North America into the Far East are suffering a lot, falling by 8% and 5% respectively. Partly due to very strong growth on those trade in Q1-2017. Over a two-year period, Q1 backhaul volumes are up by 6.4% for Europe and 7% for North America. (Source: CTS)
In general, backhaul volumes into China are negatively affected by the import ban of waste products that came into force on 1 January 2018.
As highlighted within our macroeconomic section, EU manufacturing PMI has lost pace in 2018, another reason behind the lost volumes.

Supply

The container ship fleet has now grown by 2.9% in the first four and a half months of 2018. BIMCO expects 1.1m TEU gross to be delivered for the full year and 250,000 TEU to get demolished with the fleet growing by 4.3%. By 1 May, 64 ships with a combined capacity of 534,000 TEU have been delivered. Out of which 35 ships were below 4,000 TEU in size and 10 ships were above 20,000 TEU.
In terms of demolishing containerships, January was weak and February even weaker. The months of March and April only had one containership each demolished. At such low pace we will not get to the 250,000 TEU in demolitions BIMCO expects. However, our estimate remains unchanged for the time being as when reality bites in selected places of the freight market, we expect demolition to pick up. Should demolition volumes only reach 100,000 TEU, the fleet would then grow by an estimated 5.0%.

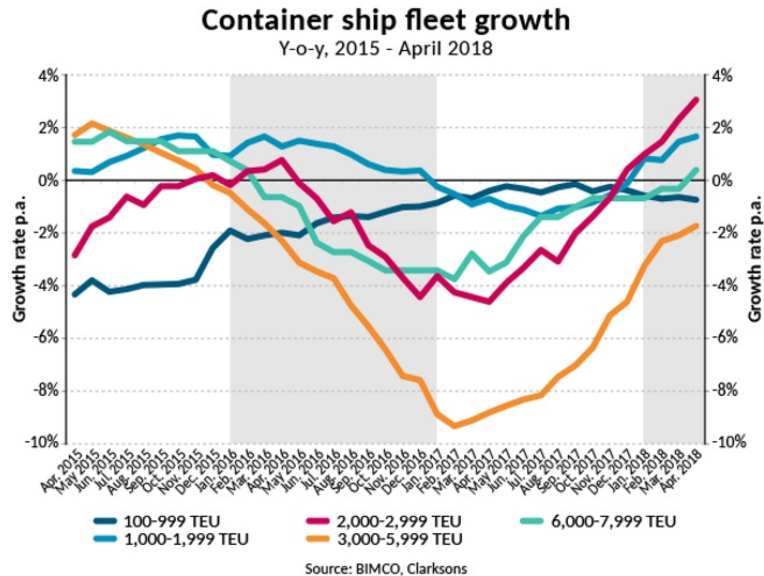


Source: BIMCO estimates on Clarkson's raw data

A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2018-2020 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 25% of the remaining vessels on order are delayed/postponed.

We continue to see no large containerships being demolished, with a 2018-average of 1,840 TEU for the 14 demolished ships, as the large containerships are still quite new. The average size of a newbuild ships is 8,350 TEU. Overcapacity remains in the sector, where fleet growth is extremely uneven.
Ordering of new capacity continues to fall below that of deliveries, bringing down the orderbook steadily. Currently 2.6 million TEU are on order, just 1/3 of the all-time-high level ten years ago, at 6.8 million TEU in July 2008.
Still, April had orders for ten 12,000 TEU (for 2020-2021 delivery) and four 14,300 TEU (for 2019-2020 delivery) Neo-Panamax ships ordered by Non-operating owners (NOO). The former ten ships are placed

against long-term time charter with an operating carrier, whereas the charterer of the latter four ships (options declared) are yet to be disclosed.
Looking into the sub-sectors of the container fleet, it's a fact that fleet expansion over the past ten years has exclusively been happening in the +6,000 TEU sectors. With the growth rates seen amongst the largest sectors. This gives reason to look at the feeder fleets and the decline amongst those sectors.



The fleet of containerships with a capacity 1,000-2,000 TEU has declined marginally over the past ten years. Whereas the fleet of 100-999 TEU and 2,000-3,000 TEU ships has declined by 17% and 14% respectively.
Amongst the 3,000-6,000 TEU ships, the fleet of "old" Panamax ships has declined by 12% over the past two years, and the by 24% over the past six years, following the opening of the third set of locks for the Panama Canal.
For the 6,000-8,000 TEU the fleet has grown by 34% from 2010 to 2016, but the past two years have seen the fleet size reduced by 4%.
Container lines constantly optimise their global networks and cascading continues across the board. Is there a limit to cutting capacity across the smaller sectors before the Ultra Large Container Ships can't be fed properly any more?

Outlook

2018 is off to a bumpy start. Demand is growing strongly into the US while import growth into Europe from the Far East is critically low. Overall, CTS reports a first quarter total container shipping demand of 40.6 million TEU, up by 4.8% on last year. This is in line with BIMCO's expectation for the full year, improving the overall market conditions, while at the same time highlighting regional difference at large.
Whereas overall demand growth is solid, it's weak on the Far East to Europe trade and freight rates in general are increasingly under pressure. Bearing that in mind, it seems premature to stop the demolition of containerships. Overcapacity is still around, and growth on high-volume trades is essential. Something has to change to turn the tide on freight rates.
Shedding a bit of light on trades other than the high-volume ones, over the past years, trades from Europe and the Far East to South & Central America has grown rapidly. For the full year 2017, the former grew volumes by 12% and the latter by 11%. Growth has stayed strong in Q1-2018, up by 13% and 15% respectively.
And putting it into perspective: the combined Q1-2018 imports into South & Central America from Europe and Far East accounted for 1.35 million TEU. For comparison, 1.34 million TEU went from the Far East into North America during the month of March only (Source: CTS).
Container shipping is also in the "line of fire" when it comes to the smouldering trade war between China and US. BIMCO see this as troublesome for the eastbound the transpacific trade.

In April, the International Monetary Fund adjusted its world trade volume forecast for 2018 up from 4.4% to 5.1% for advanced economies and up to 6.0% (+0.5) for Emerging Market and Developing Economies. Which is good news for container shipping, if it materialises. This is the result of expected higher GDP growth for Advances Economies which have a high trade multiplier for container shipping.
In our previous container shipping market overview & outlook, we advised to watch out for the New York/New Jersey (NYNJ) inbound loaded containers, as we begin to see the full effect of the elevated Bayonne Bridge that opened for transit of Ultra-Large containerships in September 2017. If judged by the first quarter of 2018, the effect is massive. NYNJ imports are growing by 12.8%, up by almost 100,000 TEU on last year.
Source: Peter Sand, Chief Shipping Analyst, BIMCO
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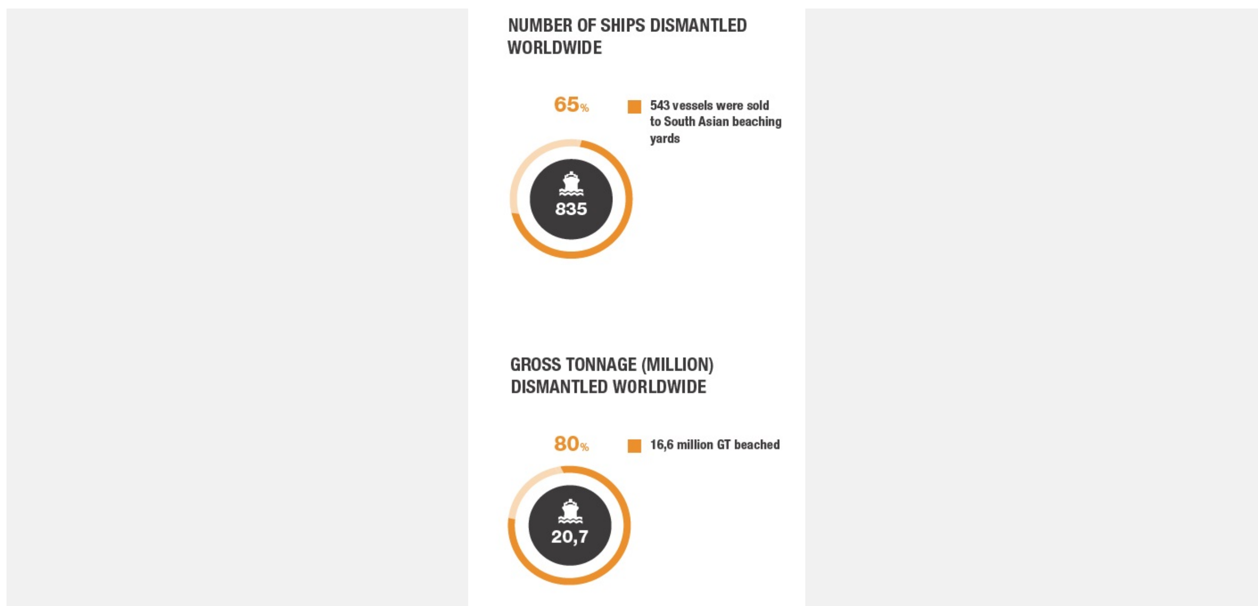
(3) Hellenic Shipping News, 8 June 2018/ NGO Shipbreaking Platform

835 Ships Scrapped in 2017: The Global Shipbreaking Facts & Figures

Each year the NGO Shipbreaking Platform collects data and publishes an annual list of ships dismantled worldwide.

In 2017, 835 vessels were dismantled. 543 of these ships were sold for dirty and dangerous breaking on the beaches of South Asia. Whilst ship owners are increasingly portraying themselves as conscious of the problems caused by shipbreaking, the Bangladeshi beach in Chittagong – where environmental protection and worker safety are particularly scant– remained the preferred scrapping destination worldwide in terms of tonnage dismantled.



Most vessels scrapped in 2017 were general cargo ships, followed by bulk carriers and container ships, oil and gas tankers, roll-on roll-offs, passenger vessels and oil platforms. Looking at the size of vessels scrapped on the beaches of South Asia, Pakistan received the largest vessels followed by Bangladesh, while Indian yards scrapped more medium-sized ships. China and Turkey tend to recycle smaller vessels on average. Thus, the larger the vessel the more likely it is that it will end up on a beach in Pakistan or Bangladesh – where the conditions are known to be the worst. In 2017 the Pakistani government introduced a ban on the import of tankers after a sequence of disastrous explosions between the end of

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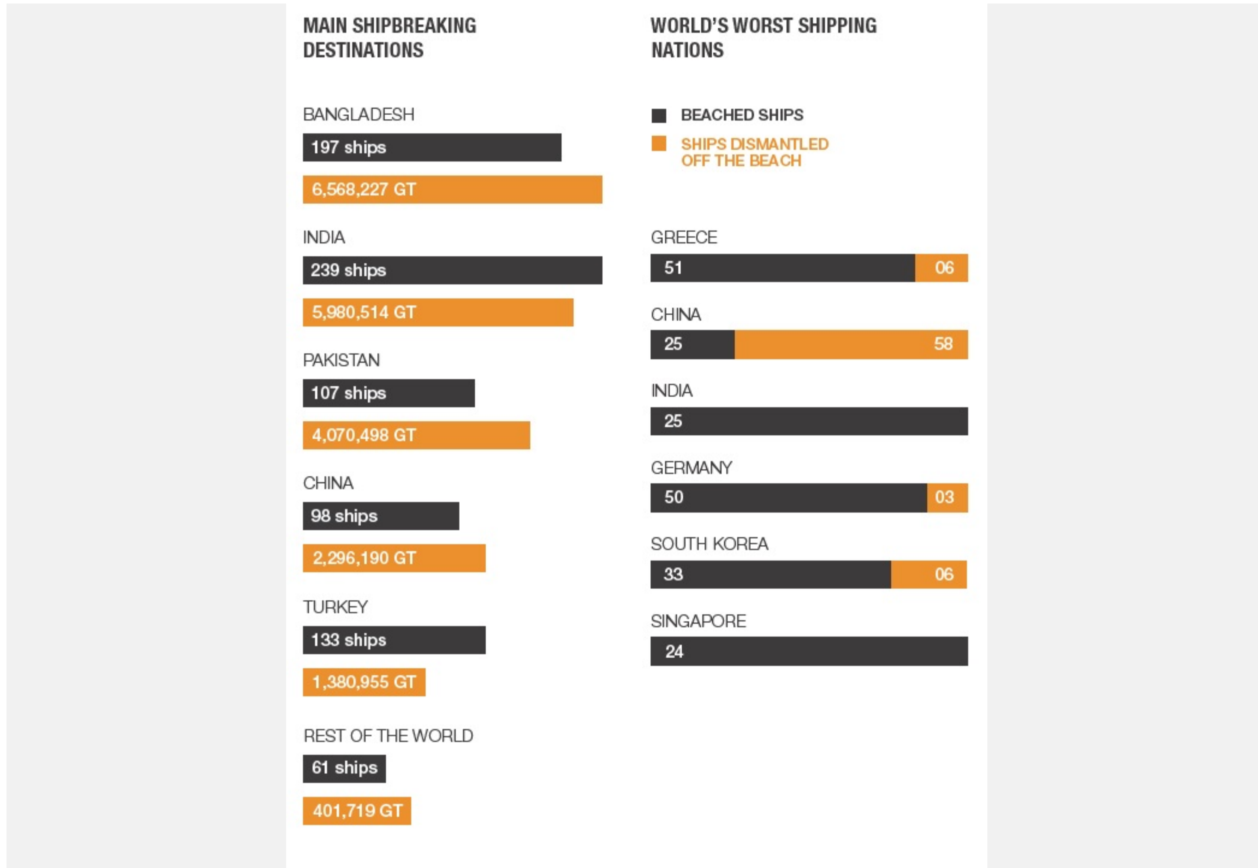
2016 and beginning of 2017, resulting in about 30 workers losing their lives. As a result, there was an increase in the flux of tankers going for breaking in India.

As in 2016, Germany and Greece top the list of country dumpers in 2017. German owners, including banks and ship funds, beached 50 vessels out of a total of 53 sold for demolition. Greek owners were responsible for the highest absolute number of ships sold to South Asian shipbreaking yards in 2017: 51 ships in total. Since the Platform's first compilation of data in 2009, Greek shipping companies have unceasingly topped the list of owners that opt for dirty and dangerous shipbreaking.



European ship owners, from the EU and EFTA states, are responsible for more than one third of all ships sold for breaking. The number of European-owned and/or European-flagged vessels dismantled in 2017 worldwide amounted to 260 ships: 181 of these ships, representing 70% of all European end-of-life ships, ended up on the beaches in either India, Pakistan or Bangladesh. In terms of volume, European owners were responsible for around 40% of the total tonnage scrapped on South Asian beaches. It is clear that the European fleet follows the trends of previous years and continues to be predominantly broken using the most unsustainable recycling method.

Out of the 181 European vessels that were beached, only 18 were still sailing under a European flag during the last voyage. 24 vessels that had otherwise been operating under a European flag, swapped flag to a non-EU flag of convenience just weeks before hitting the beach. The most popular end-oflife flags for vessels scrapped on the beaches in 2017 were Panama, Comoros, St Kitts and Nevis, Palau, Liberia and Togo. Palau, St Kitts and Nevis and Comoros are flags that are almost exclusively used by cash buyers at end-of-life, and in 2017 Comoros hit a new record as it held first position as a beaching flag together with the more widely used flag of Panama.
Source: NGO Shipbreaking Platform
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(4) Hellenic Shipping News, 4 June 2018/ Reuters

Abandon ship: Oil tanker scrappage to hit multi-year high as earnings sink

The shipping industry will this year scrap the largest number of oil tankers in over half-a-decade, driven by weak earnings, firm prices for scrap steel and the need to prepare fleets for strict new environmental regulations.

The surge in scrapping underscores how the sector is grappling with one of its worst-ever crises, hit hard after rates for transporting oil plunged to multi-year lows in the wake of excess tanker supply and tepid demand as OPEC production cuts bite.

“The tanker markets are definitely in a trough at the moment, with one of the worst years in a decade in terms of freight rates and returns,” said Ralph Leszczynski, head of research at ship broker Banchero Costa in Singapore.

The tough operating conditions are expected to persist until at least the second-half of 2019, analysts and industry sources said.

Estimates on the number of tanker demolitions vary between the four shipping analysts that Reuters spoke to, with the most conservative standing at a seven-year high in 2018.

About 10.3 million deadweight tonnes (DWT) have been sold for demolition from January to April this year, compared with 11.2 million DWT for the whole of 2017 and 2.5 million for 2016, said Erik Broekhuizen, head of tanker research and consulting at ship broker Poten & Partners Inc.

“OPEC production cuts are hurting the market, and as long as they are in place, the tanker market will remain challenged,” he said, adding that scrapping had picked up for large vessels in particular.

Since early 2017, members of the Organization of the Petroleum Exporting Countries (OPEC), Russia and other non-OPEC crude producers have curbed exports to fight a global oil glut.

The imposition of new U.S. sanctions against Iran looks set to further reduce oil flows later in 2018, although Saudi Arabia and Russia have discussed potentially raising output to fill the subsequent void.

Getting scrappy

More stringent environmental regulations to be implemented by the International Maritime Organisation (IMO) in 2020 will make operating old ships uneconomical, said Leszczynski at Banchero Costa.

Limited interest in using tankers to store oil, which has historically been a profitable option for shipowners during lulls in shipping volumes, is also curbing overall demand, analysts said.

Scrap steel prices in Shanghai, China – the world’s top consumer and producer of the material – have meanwhile nearly doubled from a year ago due to shutdowns of inefficient steel mills amid a widespread crackdown on industrial emissions.

Firms that have recently sent ships for scrapping include India’s Essar Shipping Ltd (ESPL.NS) and Oslo-listed Frontline Ltd (FRO.OL). The latter last month reported better earnings than analysts had expected, partly due to its increased scrapping.

Getting younger

The ships being scrapped are also getting younger, with the average age falling to 19.5 years in the first quarter of this year, compared with 2017’s average of 22 years, said Rajesh Verma, an analyst with shipping consultancy Drewry.

Most of the vessels are being scrapped in Bangladesh and India, although Pakistan has also returned to the demolition market after an 18-month ban, analysts said.

The uptick in demolition rates has come despite increased opposition from European regulators due to environmental concerns.

Despite the high scrap rate, tanker earnings will continue to be hit as fleet-growth is still too high, analysts said.

Banchero Costa’s Leszczynski expects the crude tanker fleet to expand 3.3 percent this year, following growth of 4.6 percent last year and 5.8 percent in 2016.

With tanker rates still a long way from being profitable, there’s little prospect of a broad industry improvement until the second half of 2019 at the earliest, said Peter Sand, chief shipping analyst at industry lobby group BIMCO.

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"Any recovery in rates in the tanker market will be hinged on the extent of scrapping in the coming years … we expect rates to start recovering in the second half of 2019 if scrapping remains strong," said Verma at Drewry.
Source: Reuters (Reporting by Jessica Jaganathan; Editing by Gavin Maguire and Joseph Radford)
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(5) Drewry, 1 June 2018

Are shipowners ready for higher interest rates? Rally in interest costs potentially dangerous for shipping companies

Shipping is a capital-intensive industry, which is heavily dependent on debt financing. LIBOR (the primary benchmark for short-term interest rates globally) has started to increase at a faster pace over the past five months compared to prior increases witnessed as of the end of 2015. In December 2015, 3-month USD LIBOR stood at 0.54%, reaching a level of 1.61% in December 2017, only to further increase to 2.35% at the end of April 2018. Typical mortgage-backed shipping finance transactions bear USD LIBOR plus a spread, which on aggregate constitute the main interest expenses of shipping companies.

Source: Drewry Maritime Research

The uptick in USD LIBOR is starting to show its colours in the financial performance of shipping companies and weighing in on their profit and loss statements. The ones with a clear disadvantage are the ones with high levels of debt -either due to borrowing from their banks at high points in the cycle or financing on the back of vessels with fixed employment which employment has discontinued. Smaller companies who do not enjoy fleet diversification are prone to concentration risk. If they are in an underperforming sector, the elevated interest cost amounts to a double whammy for their bottom line. Lastly, companies exposed to floating interest rates face a more immediate risk. Increases in USD LIBOR will also present additional problems on financially distressed shipping companies as vessel break-evens will again stretch vis a vis the earnings which they can command for their vessels, bringing them back to the drawing board with their banks for another round of difficult discussions.

Spreads: another source of the pain for borrowers?

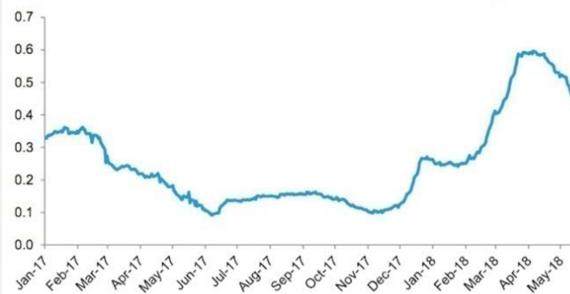
Rising USD LIBOR comes at a time where the cost of capital of the banks is also increasing due to impending regulations – resulting in changes in ship finance lending spreads. The number of ship finance banks with active lending portfolios have reduced significantly – each with their own different costs of funding, margin policy, minimum pricing criteria, and internal rating systems. Subject factors are deemed to make it difficult for ship finance banks to reduce margins. However, what should be noted is that even in today's ship lending environment the high calibre shipping companies with a proven track record can still command competitive pricing/spreads for their additional debt requirements from some ship finance banks (albeit fewer).

The emergence of various shipping funds in recent years has come in to fill the shipping banks' finance void, albeit at substantially higher spreads and therefore shipping companies again face increases in their overall interest costs. However, some of these shipping funds do offer the option of fixed interest rate finance throughout the agreed term, which provides some visibility of the outlays over the finance period.

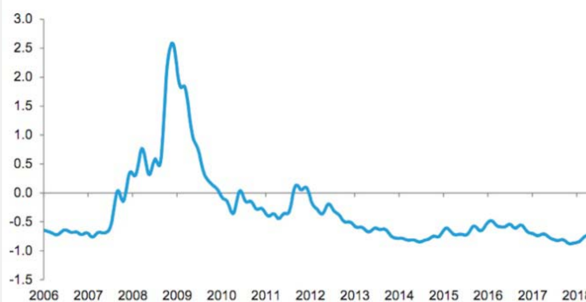
Similarly, another alternative which has become increasingly popular is lease financing. These structures also offer shipowners the option of fixed interest finance over the agreed lease period and again protect owners from potential fluctuations in interest expenses.

Rise in US LIBOR-OIS (Overnight Indexed Swap) Spread: What does it tell us?

The OIS Libor spread represents a certain country's central bank rate over the course of a certain period. For example, in the US an entity could potentially exchange a floating rate (the Fed Funds Effective Rate) with a fixed one, which is the OIS rate. The spread between USD Libor and the OIS rate has been widening since last year, causing some pressure on funding costs, a factor, which has triggered some concern in the market about a reminder of the financial crisis. Should this be cause for concern in the banking system? We don't believe this should be cause for concern (at least for the near term). If one looks at the US, there has been a significant increase in Treasury bill issuance in the three months ending February 2018 compared to the same period in 2017 – a factor that disrupted short-term funding markets and is causing the LIBOR-OIS spread to increase. What has also kicked in is the recent tax cut in the U.S., prompting U.S. companies to sell their short-term paper in order to buy back stock and/or pay out dividends. These trends have therefore contributed to the rise in short-term funding costs. If one looks at broader financial conditions, credit is, in fact, easier to obtain today. If one looks at the Chicago Fed's National Financial Conditions Index, one sees that financial conditions are easier currently despite the increase in USD LIBOR. Given that the aforementioned current supply and demand dynamics in short-term funding markets are the main catalysts of LIBOR-OIS spread we do not believe that this will have a wider impact on the ship lending market.



Source: Drewry Maritime Research



Source: Drewry Maritime Research

How are shipping companies being impacted?

Although the impact of high-interest cost is being felt across all shipping segments, this recent development from the LPG segment is a good example of what is happening in practice.

When Navigator Holdings published its first-quarter 2018 results, the company's interest expenses grew by 18% ($1.6 million, year-on-year), with 75% of this increase ($1.2 million) owing to the rise in the US

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Libor rate. The company had not hedged its interest exposure, however, has said that it might do so in the future.
What factors determine whether to hedge or not?
There are several factors to consider here, namely;
-There is also cost involved in hedging which could be an additional 5%-10% of margin.
-The expectation of future interest rates impacts a hedging decision. As interest rates have been quite low for the last several years, hedging has not been a priority.
-Stability in the cash flow also influences a company's ability to undertake to hedge.
-Highly leveraged companies who are feeling the impact of a rise in their interest expenses.
The outlook
Policy announcements by major central banks (especially by the US Federal Reserve) indicate that the interest rate is expected to rise in the future, which should further support the US Libor rate rise.
Moreover, if inflation surpasses current expectations, further increases could be expected in interest costs.
However, interest cost is just one of the several factors that impact the earnings of shipowners, and the freight market in each sector will be the principal determinant of how much cash owners generate. That said, one thing is clear that higher interest costs, will only reduce the earnings of owners and not augment them.
Source: Drewry
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(6) IMO, 31 May 2018

Global Industry Alliance brainstorms emission-cutting solutions for shipping

Which technologies will best support shipping's move to a low carbon future? How can first movers be incentivized to take-up emission reduction technologies? How can the effective implementation of "Just-in-Time" operation help ships optimize speed, avoid idle times outside ports and cut emissions? How can financial barriers related to implementation of new technological measures be overcome?

These and other questions were on the agenda when leading shipowners and operators, classification societies, engine and technology builders and suppliers, big data providers, and oil companies in the IMO-supported Global Industry Alliance to Support Low Carbon Shipping (GIA) met for the third meeting of the GIA Taskforce and an Ideas Generation Workshop (29-30 May), in Shoreham-by-Sea, United Kingdom.

The GIA Taskforce meeting progressed work on several on-going projects, including on the validation of performance of Energy Efficiency Technologies (EETs), the assessment of barriers to the uptake of Just-in-Time Operation of ships and resulting emission and fuel saving opportunities from its effective implementation, as well as work on the current status and application of alternative fuels in the maritime sector and barriers to their uptake. The GIA is also developing an E-Learning course on the Energy Efficient Operation of Ships which is expected to be completed and launched later this year.

The GIA, for the first time, held an Ideas Generation Workshop, to brainstorm further ideas and concrete actions the GIA could take to further support the shipping sector in its efforts to reduce emissions. This included discussions on disruptive technologies that can deliver the step-change required for shipping to decarbonize, as well as enabling technologies that have the potential to support shipping transition to zero emissions. The GIA also considered the short-term candidate measures contained in the Initial IMO Strategy on the reduction of GHG emissions from ships, and brainstormed concrete ideas on how first movers could be incentivized to develop and take up new technologies.

In a video message to the GIA, Mr Peter Thomson, the United Nations Special Envoy for Oceans, highlighted the importance of partnerships like the GIA in contributing to the solutions required to

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decarbonize the maritime transport sector, describing these types of alliances as "the right medicine, with the ability to provide great support to IMO in the implementation of the recently adopted Initial GHG Strategy".

The GIA Taskforce meeting and workshop were hosted by one of the GIA founding members, Ricardo UK Ltd, and attended by representatives of 14 GIA members, UNDP's Andrew Hudson, and IMO's Jose Matheickal, Astrid Dispert and Minglee Hoe.

The GIA is an innovative public-private partnership initiative of the IMO, under the framework of the GEF-UNDP-IMO Global Maritime Energy Efficiency Partnerships (GloMEEP) Project, that aims to bring together maritime industry leaders to support an energy efficient and low carbon maritime transport system. The Taskforce re-elected Mr Claes Berglund (Stena AB) as Chair for the GIA's second membership year.
Source: IMO
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(7) IMO, 7 June 2018

Seafarer's wellbeing at the heart of this year's Day of the Seafarer campaign

Seafarers' rights to be treated fairly and enjoy quality of life at sea is the focus this year's Day of the Seafarer campaign, under the theme: Seafarer's wellbeing. "Day of the Seafarer 2018 (25 June) will provide a platform to advocate for higher standards of welfare and enable shipping companies and others within the industry to show how they provide a good working environment for seafarers and thereby make a positive contribution to their wellbeing," said IMO Secretary-General Kitack Lim.
This year the campaign includes a short survey aimed at collecting seafarers' feedback on whether they know their rights at sea and whether those rights are being implemented into their operational reality. The collected data will be fed back to IMO Member States creating a direct line of communication between seafarers and governments. So if you are a seafarer,take the survey! And show your support online: #SupportSeafarersWellbeing
IMO has also launched a photo competition, targeted at seafarers, to show the world what a #GoodDayAtSea looks like. We invite all interested seafarers to participate and submit photoshere. The competition is being run by IMO together with the International Seafarers Welfare and Assistance Network (ISWAN). The judging panel will select the entries they feel best capture the spirit of the 2018 Day of the Seafarer campaign and the inspirational role that seafarers play in everyone's every day lives.
Source: IMO
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