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Global Maritime Weekly Digest

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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

(1) Update on global offshore market developments: ships and rigs

(2) How the multi-purpose vessel sector is evolving

(3) International maritime shore-based employee survey reveals rising confidence

(4) Focus on the behemoths, the ultra large container ships

(5) The most popular newbuilding vessel types ordered recently

(6) Profile of products/chemical tanker fleet

(7) Global boxship market's improved performance

(8) Ship recycling: encouraging the improvers to progress

Editorial comments

- Last year saw improvements in the ***container ship market*** unfolding, after a difficult period in the previous twelve months (item 7). During 2017 charter rates and secondhand prices for these ships rose, and there was a more variable but still broadly positive performance in the box freight market. For the year ahead, there is cautious optimism for further advances.
- But the large number of ***ultra large container ship*** (ulcs) newbuilding deliveries scheduled in the current year is a cause of some anxiety about global fleet expansion, which could be colossal in this segment. Details of individual carrier's fleets and newbuilding orders are shown in item 4.
- A ***survey of maritime employees*** around the world was conducted recently, looking at attitudes to shore-based employment (item 3). This survey revealed a slightly more positive sentiment about employment prospects. Of particular interest for education provision was that the number of people working for employers providing, paying for, or just encouraging training and development amounted to less than half of the total.
- In the past year shipping investors ***commitments to ordering new ships*** were concentrated in a few, mainly large ship size, categories (item 5). Featured types were the very large ore carrier (vloc), very large crude carrier (vlcc), large container ship, liquefied natural gas (lng) carrier, and aframax crude carrier. But investment in cruise ships exceeded that of all other segments.

Richard Scott MA MCIT FICS
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(1) Clarksons Research, 2 February 2018

Ring Out The Old? Reviewing The Offshore Sector In 2017

After an extremely challenging 2016, parts of the offshore sector had a less harrowing year in 2017. Oil prices, though volatile, trended upwards, offshore project sanctioning picked up and there was a sense that perhaps some charter markets were starting to bottom out. That being said, it was still another very challenging year for the offshore fleet and owners will certainly be looking for improvements in 2018.

A Capital Effort!
Offshore E&P spend fell for a record third year running in 2017, though this was felt more in exploration (field discoveries declined by 31% y-o-y) than in development activity, with estimated offshore project CAPEX rising by 39% y-o-y. Project FIDs were supported on the one hand by higher oil prices (due to a range of factors, Brent ended the year at $64/bbl, up 17% y-o-y) and on the other by project cost deflation, as oil companies have sought to bring down project breakevens. These trends yielded FIDs at large projects such as Liza Ph.1 ($3.2bn) and at a number of developments delayed since the onset of the offshore downturn such as Coral FLNG Ph.1 ($7bn). This was beneficial for FPSOs, with eight contracts awarded, up from zero contracts in 2016, though FIDs have mostly not yet fed into potential work for most of the rest of the offshore fleet, as reflected in the continued erosion of the subsea tree and field development backlogs in 2017. But on the whole, the demand side of offshore does seem to have gained some momentum.

Any Silver Linings?
However, significant challenges persisted on the supply side. Looking at the rig sector, global utilisation ticked up a few percentage points to 66% over 2017. Due to persistent oversupply though, dayrates remained broadly flat y-o-y (outside of the harsh niche) and continuing pressure on drillers saw a rise in M&A activity. This could help speed up rebalancing, though the rig orderbook of 145 units (32% of the active fleet) still looks ominous.
Turning to the OSV sector, vessel oversupply was also a key theme in 2017 and at the year's end around 25% of the fleet was in lay-up. Even given this level of lay-up, dayrates generally remained depressed, with the OSV earnings index falling to 74 in 2017, half the 2007-16 average. On a slightly more positive note, the rate of deliveries into the fleet slowed as 2017 progressed and M&A definitely moved up the agenda. That being said, the enormity of oversupply situation remains daunting and a key uncertainty is just how many of the units currently in lay-up will eventually return to market versus being 'scrapped in place'.

Feeling Rather Low
Related to the continuing challenges in the charter markets was the historically low level of vessel contracting: just 75 units were ordered in 2017, down by 88% on the 2007-16 average (though as noted, high-value FPSO orders picked up significantly on 2016). Clearly this still leaves yards in a precarious position but at least it suggests owners are more cognisant of just how oversupplied offshore markets have become, while in the longer term, lower ordering since 2014 will hopefully help with rebalancing.

Happy New Year?
So then, challenges, risks and uncertainties clearly remain for offshore, and there are many factors to keep an eye on going into 2018: oil price dynamics, demolition, consolidation and so on. But the demand side has seemingly ticked up and on the supply side, at least things do not seem to be really getting any worse now. While things are far from rosy, the offshore sector possibly appears to be a little better placed at the start of 2018 than it was one year ago.
Source: Clarkson Research Services Limited

(detailed table on next page)

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2017 At A Glance

	2007-16	2016	2017	+/- %
1. Global Oil (m bpd)				
Total Supply*	*1.2%*	96.2	96.3	*0.0%*
Onshore Oil	*1.8%*	65.4	65.3	*-0.1%*
Offshore Oil	*0.0%*	25.5	25.5	*0.2%*
Demand*	*1.2%*	96.5	98.1	*1.6%*
Brent, $/bbl (end year)		55.12	64.33	*17%*
WTI, $/bbl (end year)		53.28	59.88	*12%*
2. Global Natural Gas (bn cfd)				
Production*	*2.1%*	343.7	351.0	*2.1%*
Onshore	*1.6%*	234.2	235.5	*0.5%*
Offshore	*3.2%*	109.4	115.6	*5.6%*
Demand*	*2.1%*	348.4	359.5	*3.2%*
Henry Hub, $/mmBtu		3.69	2.95	*-20%*
LNG (Japan), $/mmBtu		8.00	10.20	*28%*
3. Offshore Fields & Projects (end year/full year)				
Active Fields*	*1%*	3,009	3,047	*1%*
Development"	266	166	154	*-7%*
Discoveries"	152	104	72	*-31%*
<500m	97	73	48	*-34%*
>=500m	54	31	24	*-23%*
Start-Ups"	107	90	57	*-37%*
<500m	87	68	50	*-26%*
>=500m	20	22	7	*-68%*
Offshore Investment Projects				
FIDs		59	62	*5%*
Est. Project CAPEX, $bn		55	77	*39%*
4. Offshore Fleet & Orderbook (end year/full year)				
Mobile Fleet*	*4%*	13,014	13,075	*0%*
Orderbook"	1,519	989	812	*-18%*
OB/Fleet"	*14%*	*8%*	*6%*	*-18%*
NB Contracts"	605	102	75	*-26%*
Deliveries"	611	382	232	*-39%*
Removals"	150	212	170	*-20%*
5. Rig Market (end year)				
Active Supply		701	698	*0%*
Demand		442	459	*4%*
Working Utilisation		*63%*	*66%*	*4%*
Orderbook"	193	162	145	*-10%*
Rates $,000/day: SE Asia, US GoM & NCS				
Jack-Up, High-Spec		60-100	50-95	*-9%*
Floater, Ultra-Deep		130-225	140-200	*-4%*
Floater, Harsh		110-175	180-285	*63%*
6. OSV Market (end year)				
OSV Index"	147	78	74	*-5%*
Fleet*	*7%*	4,662	4,678	*0%*
Orderbook"	755	419	342	*-18%*
North Sea Spot Rates, Annual Avg.				
V. Large AHTS £/day		20,041	16,569	*-17%*
Large PSV £/day		5,636	7,672	*36%*
7. Field Infrastructure (end year/full year)				
Subsea Trees*	*5%*	5,921	6,089	*3%*
Awards"	303	122	142	*16%*
Backlog"	892	827	695	*-16%*
Installations"	297	286	182	*-36%*
Platforms*	*2%*	7,739	7,796	*1%*
Orders"	155	39	54	*38%*
Backlog"	281	175	163	*-7%*
Installations"	141	98	59	*-40%*

*2007-16: *denotes CAGR, "denotes 10-year average. Rates and prices, end year unless otherwise stated; oil/gas supply/demand, annual avgs., total oil supply inc. refinery gains; other field and structure data, end year/full year as appropriate. Platform/subsea orders exclude units contracted under frame agreements.*

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(2) Hellenic Shipping News, 3 February 2018/ Drewry

Global demand prospects are improving, so why is the MPV market yet to see that upturn?

All the economics suggest that the MPV market should be doing much better than it actually is. Demand growth is steady and significantly higher than fleet supply growth, so why are owners still chasing rates? It is all about the competition.
Drewry has analysed the correlation between global general cargo growth and GDP growth at about 90%, considering the statistics over the last seven years. This is considered a strong relationship. Yet the significant slowdown in general cargo trade growth over 2017 clearly has other factors at play. The previous year recorded growth of 2.5% (compared to 2015) but this dropped to 1.2% for 2017 compared to 2016, as the sector was squeezed by significant container (5.4%) and bulk (3.8%) growth.
The IMF's October report continues the positive trend set at the beginning of 2017. Economic activity continues to strengthen with global GDP for 2017 and 2018 up 0.1% to 3.6% and 3.7% respectively. Meanwhile, trade volume (goods and services) has also strengthened, with growth of 4.2% expected in 2017 and 4.0% in 2018.
Drewry's expectations for global dry cargo demand to end 2019 are for an average 3% growth per year. Within this figure, our expectation for container growth remains very strong at over 4% and dry bulk at 2.5%. This slight easing from the competing sectors, means we believe general cargo volumes and the multipurpose share will improve over the next few years. Figure 1 details our expectation for non-containerised volumes within the general cargo market and the MPV share of the whole sector.

Source: Drewry Maritime Research

Add to this the news that the Purchasing Managers' Index (PMI) recorded global services output expanding for its hundredth successive month over November 2017. The PMI is one of the drivers for project cargo, if only because it gives a suggestion as to the future possibilities for this sector. Optimism is currently positive here, and this along with renewed investment should improve the sector in the medium term.
All of which leads us to a positive scenario for MPV market share growth at an average annual rate of 1% to end 2019.
But competition for non-containerised general cargo is aggressive and crosses a number of sectors. Multipurpose vessels, container ships, Handy bulk carriers, Ro-Ro and PCTC, can all bid for very similar cargoes, albeit not always the very same parcel. In particular, the containership fleet is getting two bites of the cherry with the continued containerisation of breakbulk commodities and the aggressive marketing of their ability to carry project cargo in flat racks or open-topped containers. Meanwhile, the Handy bulk carrier is ideally placed to carry larger parcels of breakbulk commodities such as steel and timber.
These extra vessels effectively overbalance the supply side of the market equation and keep rates low.
Although Drewry expects both of the main competing sectors to see rates in their more traditional cargo base improve over 2018, it may take some time before they are strong enough to make the breakbulk / project cargo rates less attractive.

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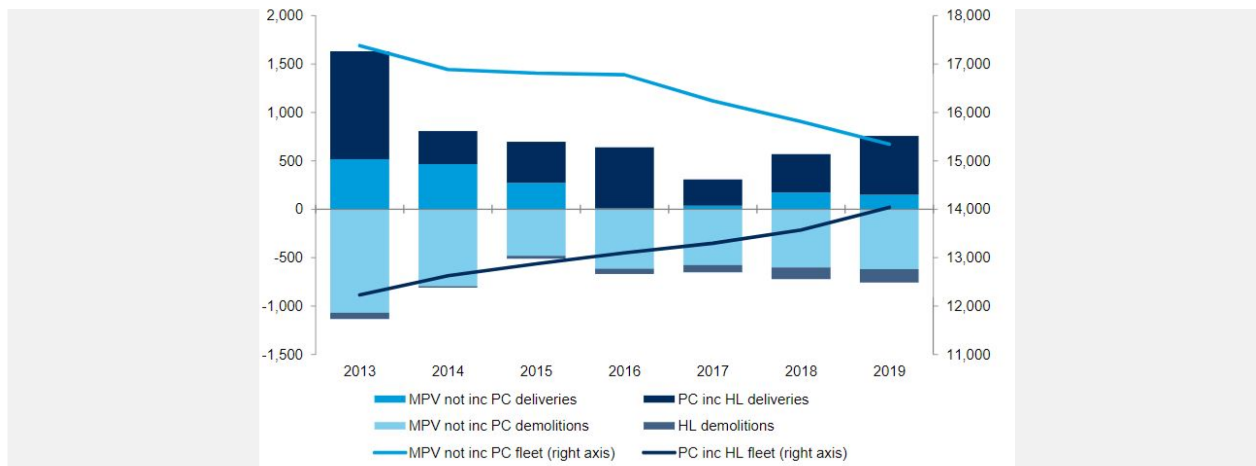

Source: Drewry Maritime Research

Figure 2 details our expectation of the development of the MPV fleet. We have split the fleet by lift capability, vessels with less than 100 tonnes combinable lift are simple MPV, whilst those with above 100 tonnes are classed as project carriers. It is clear that all the development is in the project carrier fleet, whilst the simple MPV (which are also the older vessels) are declining.
There are a large number of overage vessels with little or no lift capacity in this simple MPV fleet and they are competing with a whole host of small general cargo vessels or old bulk carriers for parcels of cheap breakbulk commodities. Until demolition prices or increased adherence to the latest IMO directives make these vessels financially unviable, they will continue to drag the market down.
However, on the plus side, our expectation of cargo demand growth is positive, and there is significantly more potential for the fleet supply to correct and rates to start improving in the second half of 2018.
Source: Drewry
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(3) Hellenic Shipping News, 9 February 2018/ Halcyon Recruitment

9th Maritime Employee Survey reveals rising confidence in shipping industry employment prospects

Shore-based shipping industry employees around the world feel slightly more positive about their employment prospects and are less likely to seek new positions in the near future according to research conducted by leading international maritime recruiter Halcyon Recruitment and online training provider Coracle. Just over half (56%) of the (2,863 respondents) indicated concern over job security whilst only 28% said that they were considering a job change in the next 12 months. This compares with the findings of the 8th Maritime Employee Survey published in late 2016 which found that 63% of employees were worried about job security and 37% were considering a change of job.

Heidi Heseltine, Halcyon Recruitment Chief Executive Officer, commented on the results:
"The results this year reveal more positivity within the shipping industry as a whole. Whilst there is nothing to suggest a dramatic increase in the number of jobs on the market, shipyard order books are healthier than they have been for months, secondhand vessel sale & purchase activity is up and there is more positive sentiment in the freight markets. This will be likely to have a trickle effect in new positions being created over the next 12-24 months. Interestingly, the results highlighted the ongoing lack of promotion and advancement opportunities – not helped by the flat organisational structure in many companies – as the leading reason for discontent."

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The report this year looked at the potential impact that the UK's impending exit from the European Union will have. Heidi Heseltine observed:
"The results revealed that 43% of respondents believe that Brexit will have a negative impact on the UK as an attractive location to work and 40% believe it will have a negative impact on the UK as a global shipping centre. The exact nature of the UK's departure remains uncertain but many organisations are presently either implementing plans or evaluating opportunities to move outside the UK."

Responses to the much-anticipated survey were drawn from all the key maritime centres and included respondents representing all the major trades working in both commercial and operational roles. The research was undertaken between July and November 2017.
Other key conclusions from the report include:

- 37% of respondents have received a salary increase and 47% have received a bonus in the last 12 months (both only slightly down from 2016 with the results showing 38% and 49% respectively);
- Those working in the dry cargo sector are faring best with 44% receiving a salary increase and 52% receiving a bonus;
- The tanker segment employees also did well with 52% receiving a bonus however only 35% reported a salary increase;
- 70% of respondents are happy with the bonus they received this year, which has increased from 69% in 2016;
- Those working in the vessel operations and technical/HSEQ markets were hit the hardest with only a third of respondents in each of these sectors receiving a salary increase;
- 77% of respondents will go to specialist maritime recruiters when considering a job change before considering other avenues such as LinkedIn, Facebook, etc.
- The relationships that individuals have with their line managers is the area employees are most content with, with 53% respondents putting this first;
- Only 48% of respondents work for employees that provide, pay for or encourage training and personal development;
- 45% of employees cited lack of promotion and advancement opportunities as the leading reason for dissatisfaction in their current role.

Source: Halcyon Recruitment

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(4) Hellenic Shipping News, 8 February 2018/ Dynamar

The Ultra Large Container Ship from a different angle

ULCS, short for Ultra Large Container Ship, is the generic name for container ships with a nominal container capacity of 10,000 TEU and over. For many, the ULCS is a fascinating ship, and the editors of DynaLiners Weekly, published by Dynamar of Alkmaar/The Netherlands, are no exception.
DynaLiners is keeping track of all ULCS operating and on order. Not only that, we also check the distribution of the ships over the individual operators, both by number, size and type. This, amongst others, reveals a carrier's flexibility of trading through the new Panama Canal with ULCS. If not, it would basically be condemned to serving the Europe-Far East trade only with such large tonnage.
As of 1 January 2018, 451 ULCS were operating, while another 129 were on order for delivery into 2020.
MSC deploys the largest number (ninety) and at the same time has the largest ULCS on order (11x 23,350 TEU).
Maersk Line, the inventor, initiator and developer of the ULCS with its 15,500 TEU "Emma Maersk" (initially rated at 11,000 TEU when launched in August 2006), comes second with eighty-six existing vessels, of which thirteen inherited from its recent Hamburg Süd acquisition. The Danes have eleven units on order, including six of 20,600 TEU each.

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Cosco Shipping Line currently uses sixty-seven ULCS, which will be joined by another twenty-nine units over the next two years. A total of twenty-two existing units and twenty-seven being built come from 2016 incorporated China Shipping.

Finally, of the biggest ULCS operators, CMA CGM presently deploys seventy-four such ships, including twenty originating from APL. Its orderbook comprises nine 22,850 TEU leviathans, which are bound to become the first ever LNG-powered ULCS.

Thanks to its takeover of UASC (twenty-two ULCS), Hapag-Lloyd is leading the next tier with forty-five ships (nothing on order), followed by ONE (the 1 April next coming together of “K” Line, MOL and NYK). Staunch loner Evergreen has thirty-one ULCS operating and in the pipeline (it is contemplating on twenty more), and its equally standalone compatriot Yang Ming twenty-one. Six units are being built for the account of non-operating owners.

Come February 2018, another ten or so ULCS will have been delivered and added to the existing fleet, with the total number remaining unchanged.

	ships			capacities	
Carriers	**Exist**	**Order**	**Total**	**Ø TEU**	**Total TEU**
CMA CGM	74	19	93	13,700	1,270,000
CoscoSL	67	29	96	14,900	1,427,000
Evergreen	20	11	31	16,200	501,000
Hapag-Lloyd	45	-	45	13,700	618,000
Hyundai	17	2	19	11,800	224,000
IRISL	-	4	4	14,500	58,000
Maersk Line	86	11	97	14,800	1,434,000
MSC	90	20	110	15,400	1,689,000
ONE	29	13	42	13,800	580,000
PIL	3	9	12	11,900	143,000
Yang Ming	16	5	21	13,900	292,000
ZIM	4	-	4	10,300	41,000
Non-Operating Owners	-	6	6	13,700	82,000
Grand Total	**451**	**129**	**580**	**14,400**	**8,361,000**

ULCS can be distinguished in five different types, of which the “names” speak for themselves. The large newPostPanamax types, the 18+ ones in particular may speak to everybody’s imagination, the two newPanamax ULCS kinds basically are the more much flexible vessels, able to trade worldwide:

– SNP – SubNewPanamax – 17 to 18 boxes wide across deck

– NP – NewPanamax – 19-boxes wide across deck – able to cross the Panama Canal

– NPP – NewPostPanamax – 20 to 21-boxes wide – cannot pass through the Panama Canal

– 18,000 TEU+ – 23-boxes wide across deck

– 22,000 TEU+ – 24-boxes wide across deck

The distribution per carrier of the various types appears from the below table:

	vessel types					ships			capacities	
Carriers	**SNP**	**NP**	**NPP**	**18+**	**22+**	**Exist**	**Order**	**Total**	**Ø TEU**	**Total TEU**
CMA CGM	28	28	25	3	9	74	19	93	13,700	1,270,000
CoscoSL	9	39	20	28	-	67	29	96	14,900	1,427,000
Evergreen	-	-	20	11	-	20	11	31	16,200	501,000
Hapag-Lloyd	-	28	11	6	-	45	-	45	13,700	618,000
Hyundai	1	18	-	-	-	17	2	19	11,800	224,000
IRISL	-	4	-	-	-	-	4	4	14,500	58,000
Maersk Line	13	36	17	31	-	86	11	97	14,800	1,434,000
MSC	4	43	32	20	11	90	20	110	15,400	1,689,000
ONE	-	11	25	6	-	29	13	42	13,800	580,000
PIL	-	12	-	-	-	3	9	12	11,900	143,000
Yang Ming	1	-	20	-	-	16	5	21	13,900	292,000
ZIM	3	1	-	-	-	4	-	4	10,300	41,000
NOO	2	-	4	-	-	-	6	6	13,700	82,000
Grand Total	**61**	**220**	**174**	**105**	**20**	**451**	**129**	**580**	**14,400**	**8,361,000**

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A last note: all ULCS larger than 18,000 TEU (also referred to as MegaMax ships) invariably operate in the high density North Europe-Far East trade. The average capacity of all ships of all sizes currently operating here is 15,000 TEU.
Source: Dynamar, Publishers of DynaLiners
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(5) Lloyd's List, 2 February 2018

The most popular newbuilding types in 2017

Capesizes and very large crude carriers lead the way as investors adopt risk-averse approach

IN TERMS of rebalancing supply-demand fundamentals, last year's newbuilding market development was perhaps a textbook example of how the industry should behave.
Total newbuilding investments amounted to $58.7bn in 2017, Clarksons data showed. That was up 58% on year, just enough to keep the first-tier yards alive.
But the annual figure was also the second-lowest this decade, reflecting shipowners' resistance to creating additional capacity despite improved rate environments in several main sectors.
True, tight financing conditions also restrained capacity, but for once the industry seemed to show prudence.
The cautious approach will limit fleet growth in many vessel classes in the next one or two years at least, leading to broad optimism in shipping. Were it not for state support, the shipbuilding industry may also see overcapacity ease further with more of the less-competitive yards going out of business.
Looking in more in detail, most orders were concentrated in large-sized segments, a large portion backed by long-term shipping contracts. Against the background of risk-averse investors, here are what we find the most popular newbuilding types of cargo carriers last year.

Capesize bulkers
2017: 75 ships, totalling 18.3m dwt, worth $4.1bn
2016: 35 ships, totalling 13m dwt, worth $2.8bn
Vale almost singlehandedly made this segment the most invested in 2017 with its shipping requirements. The Brazilian miner offered many long-term contracts of affreightment to Chinese, Japanese and South Korean carriers last year, in view of more shipping needs in the coming years as its S11D projects continued to ramp up production.
In turn, those companies booked one 400,000 dwt and 15 325,000 dwt vessels at compatriot yards, based on a Lloyd's List study of Clarksons data and company announcements.
Other than those industrial shipping requirements, general interest from investors has also been picking up amid the broad recovery in dry bulk shipping, as shown by orders from JP Morgan and Fredriksen Group.
The trend is likely to last as freight earnings are expected to stay healthy for at least one or two years, and Lloyd's List Intelligence has predicted 30 orders for 200,000 dwt ships and 60 orders for 100,000 dwt-200,000 dwt vessels in 2018.

Very large crude carriers
2017: 48 ships, totalling 15m dwt, worth $3.9bn
2016: 14 ships, totalling 4.4m dwt, worth $1.2bn
Investors were keen to build more VLCCs as many analysts were predicting a shallow bottom in the current market down cycle, aided by some financiers holding similar views.
But the interest gradually died down throughout the year as freight earnings failed to meet expectations — in fact, a majority of the orders last year emerged in the January-June period.
Still, the overall tally was too high for many owners to feel comfortable. While the bulls are not officially declared dead, the newbuilding tonnage ordered last year and the continuation of Organisation of the Petroleum Exporting Countries' production cut may well prolong the market downturn.
With weakening market outlook, newbuilding investments are likely to fall in this segment this year. In addition, yards seem keener to fight for large-sized bulker business, as the newbuilding price of $80m or

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below for a VLCC offers little margin amid a firming steel price. LLI is predicting only 10 VLCC orders for 2018.

Containerships of 8,000 teu or above
2017: 29 ships, totalling 10.1m teu, worth $3.8bn
2016: 9 ships, totalling 9.3m dwt, worth $900m
This segment showed a rise in newbuilding investments mainly due to the resumption of ordering ultra large container vessels.
The outburst of newbuilding deals came last September, when CMA CGM booked nine 22,000 teu vessels and Mediterranean Shipping Co ordered 11 ships of that size.
The CMA CGM order was particularly noteworthy, as these newbuildings will mainly be fuelled by liquefied natural gas when delivered — an industry first for this size of vessel. Moreover, the fact that two subsidiary yards of China State Shipbuilding Corp won the deal underscored how competitive first-tier yards in China have become on the technological front.
Those investments came against the background of a shrinking orderbook and improving market prospects on the back of optimistic global economic outlook, so don't be surprised by more orders being placed in the coming quarters. LLI has forecast 25 post-panamax orders for 2018 and 33 in 2019.

Liquefied natural gas carriers of 140,000 cu m or above
2017: 13 ships, totalling 2.3m cu m, worth $2.7bn
2016: 8 ships, totalling 1.4m cu m, worth $1.8bn
LNG tankers of 140,000 cu m or larger remained one of the five most popular newbuilding types last year. But that was mainly due to the high newbuilding price tag in this segment — in fact, the 2017 tally, while higher on year, was the second lowest in the past seven years.
To yards' dismay, even with booming global seaborne LNG trade and recovering freight rates, most owners were careful in not growing their orderbooks even as financiers had strong confidence in the segment.
That was mainly because the market is still absorbing the large number of newbuildings booked in 2014-2015. Based on LLI's orderbook data, 52 LNG carriers totalling 379,000 cu m are due this year and 41 ships totalling 346,800 cu m in 2019.
Still, the growth of LNG trade is expected to be sustained for years, or even decades, with the global shift to cleaner technology. If the freight market recovery continues and more post-2020 export projects are confirmed, don't be surprised if tanker orders in this segment come back in bunches simply based on speculators' optimism — nowadays many don't see a long term charter contract as a necessity before booking an LNG carrier.

Aframax crude carriers
2017: 54 ships, totalling 6.2m dwt, worth $2.4bn
2016: 18 ships, totalling 2.1m dwt, worth $800m
Not unlike its larger cousin VLCCs, the segment's orders last year were driven by earlier confidence in crude tanker markets. As the year went on, ordering momentum gradually lost steam as rates underperformed.
Compared to other sizes of tankers, this segment has some advantages, however.
It requires smaller amounts of investments and caters to regional trades, so owners can try some experimental initiatives without taking on too much risk. Sovcomflot's orders for LNG-fuelled ships is one example.
Moreover, US crude exports have continued to hit record highs since the export ban was lifted in 2015. With infrastructure for liftings by large tankers still being developed, aframaxes will disproportionally benefit from the emergence of the US as a crude-exporting powerhouse for the near term.
Still, these factors won't be able to offset the general rate softness, and aframax investments are likely to fall this year. LLI has predicted only 25 orders.

Special mention, again:
Cruiseships
2017: 31 ships, totalling 3.2m cgt, worth $19.5bn
2016: 34 ships, totalling 2.8m cgt, worth $15.8m

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While Lloyd's List focuses on cargo-carrying sectors, this segment deserves inclusion.
For the second successive year, cruiseship investments exceeded all other segments. Long live leisure shipping in a world with an ageing population!
Once again, a handful of European yards took the orders, as Asian players failed to enter this growing lucrative segment. Clarksons data showed 11 units were contracted at Fincantieri, five at STX France and seven between Meyer Turku and Meyer Werft.
The ordering spree may well continue amid growing interest from tourists in China, the US and many other countries. The Cruise Lines International Association expects 27.2m passengers on board this year, up from 25.8m passengers in 2017.
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(6) Hellenic Shipping News, 2 February 2018/ McQuilling Partners

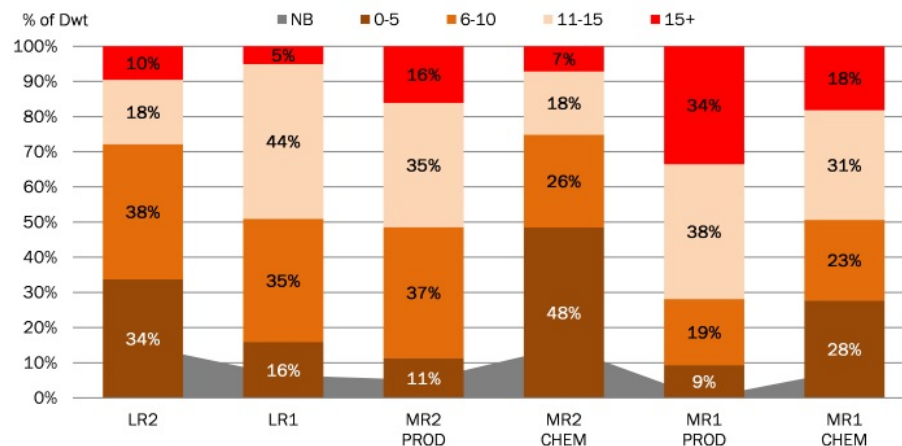
CPP/Chemical Fleet Profile

The product tanker and chemical tanker fleets reflect their more recent evolutions, particularly on the larger segments. Correspondingly, owners' interest is skewed towards LR2 (coated Aframaxes) and MR2 (Chemical) tankers with a surprising disinterest for new LR1 orders. As of January 2018, we calculate the orderbook percentage of LR2s and LR1s at 15% and 6%, down from 20% and 12% at the same time last year, respectively.

The LR2 segment is a very modern fleet with 72% of the fleet aged 10 years or younger while a notable ageing for LR1s has increased the 11-15 year range to 44%, with 51% 10 years of younger. In the MR segments, there is a clear preference by owners towards the chemical fleets, with traditional product tankers (along with IMO III designated vessels) materially older than the chemical tankers of the same size segments. By comparison, we note that 48% of the MR2 product tanker fleet is under the age of 10; with the current orderbook percentages showing a continuation of this trend.

As the clean and chemical fleets age over our forecast period, we expect an acceleration of deletion activity above historical levels, which supports a decline in net fleet growth through 2020 and leads us to forecast a better freight rate environment over this period when compared to 2017.

Figure 4.47– CPP and Chemical Fleet Profile
As of January 2018



Source: McQuilling Services
*** CPP includes Product Tanker and IMO 3 Chemical Tankers***
*****Chemical Tankers account for IMO 2 Classified Vessels***

Source: McQuilling Partners, Inc.
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(7) Clarksons Research, 2 February 2018

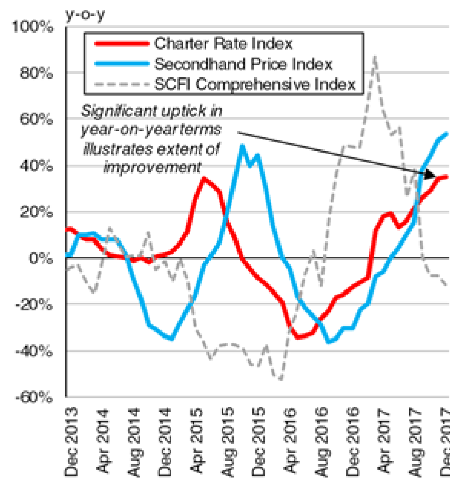
The Boxship Market In 2017: An Improving Performance

Following the difficulties of 2016, containership market conditions saw some improvements through 2017, and a number of key box sector indicators performed more strongly last year, alongside cautiously optimistic market sentiment. While there remains a long way to go to reach previous highs, comparing the year-on-year change in market metrics illustrates the extent of this improvement.

Graph of the Month

Measuring The Improvement: Year-On-Year Boxship Metrics

The red and blue lines on the graph show the y-o-y change in the containership charter rate index and secondhand price index over the last four years. Freight rates are illustrated by the grey line, which represents y-o-y change in the SCFI (Shanghai Containerized Freight Index) Comprehensive Index, which represents a basket of global freight rates ex-China. A wide range of container trade and market related timeseries are available on the *Shipping Intelligence Network*.



Source : Clarksons Research

An All Round Performer?

Following weakening market fundamentals in the second half of 2015, difficult boxship market conditions were experienced throughout most of 2016. During 2016, however, positive changes to the supply-demand balance did begin to be reflected in gradually improving freight market conditions, and in 2017 improvements in vessel charter rates and secondhand prices followed. While market indicators generally remain at fairly subdued levels, even compared to historical averages, the year#on#year variation in key indices serves to highlight the dramatic extent of the improvement seen across the last year or more.

Climbing Charter Rates

The year-on-year (y-o-y) change indicator for the boxship charter rate index (see graph) remained negative throughout 2016, with the index itself dropping to heavily depressed levels not seen since 2010. However, against a backdrop of stronger fundamentals, there was improvement in the rate of y-o-y change from 2H 2016 and through 2017, hitting positive territory in March. While containership charter rates at end 2017 still remained subdued in broader historical terms, there was a clear improvement compared to end 2016, and the rate index finished the year up 35% y-o-y.

Surging Secondhand Markets

On the S&P market, secondhand boxship sales activity reached record levels in 2017, the first year in which over 1m TEU of capacity was reported sold, against a backdrop of improving secondhand prices. Following a similar pattern to charter rates, though with a time-lag, the y-o-y rate of change indicator for the boxship secondhand price index turned positive in Q1 2017 too, and the index finished the year up 54% y-o-y.

Firmer Freight Rates

Meanwhile, a more mixed, but still largely positive, performance was seen on the box freight market during 2017. After appearing to 'bottom out' in 2016, on a y-o-y change basis spot freight rates rocketed in late 2016 and early 2017, with the SCFI Index in March 2017 reaching a level almost 90% above that

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seen one year previously. Although rates eased in the latter part of 2017 on some trades, pushing the y-o-y indicator downwards, full year rate averages generally stood materially above 2016 average levels.

Re-Balancing Act

So, while not yet reflective of a return to peak market levels, the year-on-year approach to boxship market metrics shows that the extent of improvement in 2017 was certainly significant. As market players look ahead with cautious optimism, further rebalancing of fundamentals could extend the trend, and maybe drive another year of improving conditions in 2018.

Source: Clarkson

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(8) Lloyd's List, 8 February 2018

The Shame Game

by Michael Grey

We need to show the world's biggest ship recyclers that we will encourage their improvements, not constantly bleat about their deficiencies

THERE is a new and nasty disease around this winter. Not the various strains of influenza, but more of a social phenomenon, that is both unpleasant and reprehensible. It is facilitated by social media, the technology that enables a small number of driven people to cause a great deal of noise and commotion when they perceive something with which they disagree.

To your average nose-ringed activists, it is as if all their birthdays have come at once, as they swarm around their prey.

It also spills into bullying and what is euphemistically called "direct action" which is not far short of violence, a modern derivation of the strategies employed in the 1930s, in certain parts of Europe. And sadly, it seems to be working, with even big corporations, quasi-governmental organisations and people you might think would have a stiffer backbone, cowed into submission by the noisy and persistent minority.

When the cause of the activists seems to be derailed by science, evidence or reason, that won't stop them as they will just shriek the louder, take to the streets and the various media platforms, to silence those who might disagree with them. Whether it is militant vegans persecuting pig farmers, the hunt saboteurs, organised anarchists terrifying small retailers, right through to the climatologists against oil, who seemed to have frightened the World Bank, it is collectively a testament to the powers of unreason and rage.

You might dispute the process, but I thought that the recent announcement by the Norges Bank and the Council of Ethics of the Norwegian Government Pension Fund Global to the effect that they would discriminate against shipping companies that had chosen to scrap ships in places they disapproved of, was a classic example of this nasty disease showing itself in northern climes. Norwegians like to regard themselves as terribly proper, happy to emphasise their environmental credibility (much of which is facilitated by their oil and gas riches) and offering an example to us all.

But in this case, it would seem that the proprietors of all this money have allowed themselves to be unduly influenced by activists who will stop at nothing to prevent ships being recycled on the beaches of Asia, who care nothing about the livelihoods of those that work in this industry and who refuse to accept the improving situation in many of these yards. In short, the fund managers have been bullied, persuaded by what has become known as "fake news", repeated ad infinitum by the activists of the NGO Shipbreaking Platform, which is doing its damnedest to discredit the Hong Kong Convention.

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Ignorance

You might suggest that the fund is free to do with its money as it wishes, but it is clearly acting out of ignorance in respect to the status of the Hong Kong Convention, which effectively deals with the ships, their materiel and the subsequent treatment of the land-based waste generated from this product. It deals with the environment and the working conditions of those in the recycling yards.

There is also no shortage of objective evidence of the incremental improvements that have been taking place in the three recycling nations of Asia. If they are trying so hard, is the discrimination of this fund against potential users of these yards either fair or just? Is it based on any real evidence, or merely the prejudiced views of an activist organisation, whose sole purpose is to prevent ships being recycled in places of which they disapprove?

I merely ask the question of this fund chairman, who seems to have been influenced without properly considering the situation on the ground. Is this action helping, or discouraging those yards which are working hard and spending a lot of money, to bring their facilities into a state of compliance? Or is this just "virtue-signalling", which is another modern phenomenon that is related to the above.

Of course, matters would surely be helped by a little more encouragement by flag states to bring the Hong Kong Convention into effect. Governments have all sorts of priorities, but if they have any sort of shipping industry, they have a vested interest in this convention and it surely would not be too much trouble. There may well be improvements that could be made, once the convention is up and running, but for goodness' sake give it a fair trial.

We need to show the world's biggest recyclers that we care and will encourage their improvements, not constantly bleat about their residual deficiencies. It is also time we started to see the loud noises made by the one-dimensioned as what they are, and weigh the evidence in a more mature fashion. Which is quite obviously what the Norwegian chairman failed to do, before issuing this ill-found edict. But the Fund is by no means the first to be influenced by the mob, in an era of shame.

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