Southampton SOLENT University

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

Editorial comments

- Events in the ***container ship market*** continue to provide news stories, which attract more attention because of their relatively high visibility compared with other shipping activities.
- The latest quarterly report on this sector by BIMCO points to a ***slow recovery*** unfolding over the next couple of years assuming, crucially, that the supply side of the market (global container ship fleet expansion) can be kept under control (item 1).
- Among significant port investments around the world, a number of ***ports in Africa*** are being upgraded to handle larger ships, improving connectivity and enabling the host countries to participate more effectively in international trade (item 3)
- Two themes for the UK's forthcoming ***Seafarers Awareness Week*** have been announced: 'Maritime Jobs at Sea and Ashore', and 'Sea Ports for Prosperity' (item 5). The focus is on promoting maritime career opportunities, both at sea and ashore, including in the port industry. Raising public awareness of what is happening is a key priority.
- In an era of lower oil prices the ***offshore sector*** has been struggling amid cutbacks in exploration activity. Market rates for term employment of offshore service vessels and drilling rigs declined last year (item 8) and steps are being taken to align supply more closely with reduced demand.

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(1) Clarksons Research, 3 February 2017

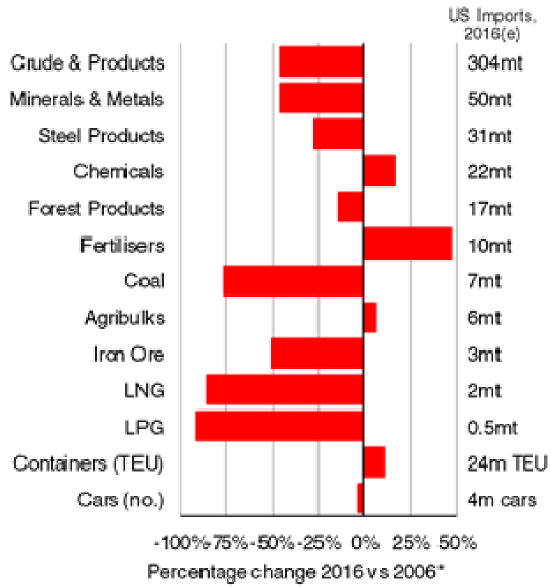
Once Upon A Time In America…

Once upon a time, before the Chinese economic boom captured so much of the attention of the world of shipping, the US was a more important demand source for seaborne trade. Its share of global imports is lower today, but the US still plays a key part in world seaborne trade. What's the detail behind this backdrop and how might the big changes in US politics impact the trends?

Graph of the Week

Taking A Closer Look At What's Gone West...

The graph shows the change in seaborne US imports of major commodity groups between 2006 and 2016. In some cases, losses came in the aftermath of the 2009 recession, in others (e.g. steel products) imports subsequently recovered but have since fallen back. Elsewhere, notably for the (shale oil-influenced) crude oil, oil products and LNG trades, the trend of imports over the last decade has been steadily downwards. *Estimated change based on 2016 vs 2006 except chemicals trade (2016 v 2007), container trade based on North American imports.



Source : Clarksons Research

In A Chinese Theatre
Looking back, in 2006, North American container imports accounted for 18% of world box trade, whilst 22% of global seaborne crude oil trade went to the US. In 2016, these figures were 13% and 12% respectively. Some of this change is relative: rapid growth in China and developing Asia has clearly reduced the US share of global trade. Nevertheless, US imports have actually fallen in many of the major categories of seaborne trade. The volume, however, is still highly significant, so changes in US trade patterns are of major importance. The import trades shown on the graph alone account for around 6% of global seaborne trade.

A Mexican Stand-Off
Looking forward, one key aspect is the clear scenario in which US policy under the new administration becomes more protectionist. The US is withdrawing from the mooted Trans-Pacific Partnership and there is the possibility of punitive tariffs. The focus is manufacturing: attempts to 're-shore' production which once upon a time would have taken place in the West. This could have a negative impact on certain import trades. The US accounted for 23% of all car imports by sea in 2016. Tariffs could harm this trade, as could a more aggressive approach against alleged dumping of cheap Asian steel products (the US imported more than 30mt of steel in 2016, 8% of the global seaborne trade). Meanwhile, efforts to promote US products could imperil the c.4% pa compound growth rate of eastbound transpacific container trade since 2010, although more jobs in manufacturing might also support increased US consumer activity.

Spaghetti Western
Another key aspect relates to energy. The US economy was once driven by cowboys; more recently shale oil has taken a key role. This has reduced energy imports, the US's largest import category. Crude

and products imports fell 45% in the last decade, whilst LNG imports dropped by 86%. Pro-energy industry policies of the new administration may have some further negative effects on hydrocarbon imports, though the set-up of US refineries means that some heavy crude imports are needed to ensure a balanced refinery slate. Conversely, oil industry-friendly policies could encourage exports, although additional LNG exports will partly depend on continued expansion of high-CAPEX liquefaction capacity.

Coming Up Next?

So, the backdrop is that seaborne trade is less dependent on the US than it once was, with some volumes that used to "Go West" increasingly heading to Asia. But, US seaborne trade does remain highly significant, and key elements appear potentially exposed to shifts in aspects of US policy. Though there may be pros as well as cons, looking ahead it's clearly going to be important to watch closely for the impact of the big change in the US.

Source: Clarksons

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(2) BIMCO, 31 January 2017

Container Shipping: Good Prospects For Market Improvement If Focus Is Kept On The Supply Side

Demand

The demand for container shipping grew steadily in 2016. It grew enough to improve the fundamental balance in the market in the second half of the year, though that was primarily due to decisive actions by shipowners selling excessive tonnage for demolition. An early assessment of the overall market demand growth rate for 2016 is 2.5%.

2016 saw increased demand on all trades.

Most importantly, trade grew on the Far East to Europe route that had experienced a decreased level of demand in 2015. The gap is still not closed, as nominal import volumes in 2016 failed to surpass those of 2014. The demand for containership capacity, on the other hand, as evidenced by the very low charter rate levels, showed a total mismatch between demand for and supply of ships for charter.

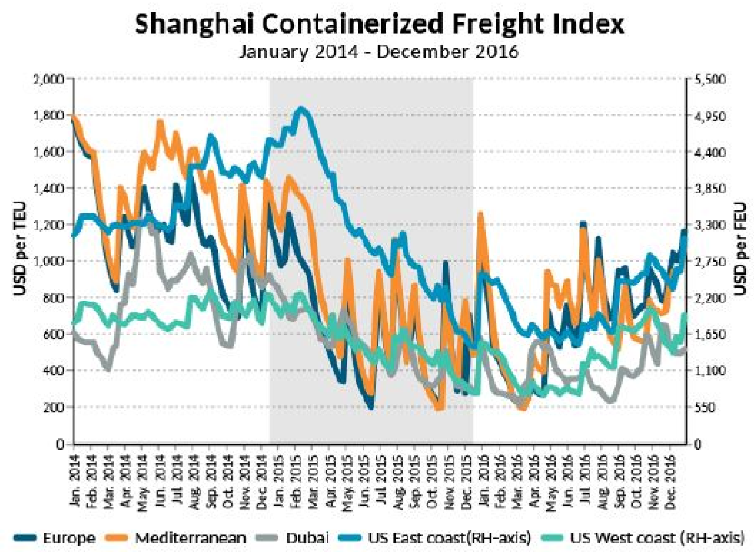
Charter rate levels since mid-November for ships with a capacity between 700 – 8,500 TEU have been between USD 4,700 – 8,000 per day, according to Harper Petersen & Co. Owners only seek short term charters (3-9 months) when market conditions are bad to avoid being locked into low rates for a longer term. Poor market conditions hit the panamax ships especially and they now stand completely isolated as the segment that got squeezed out of the market place between the feeder ships and the ultra large containerships. Rates for charters with a duration of 6-12 months dropped by 50% on average in 2016 from the levels seen in 2015. Asset values on the same ships dropped like a stone in September – all down to demolition value – where they remain. 26 panamax ship sales for ongoing trading took place in 2016 (VesselsValue).

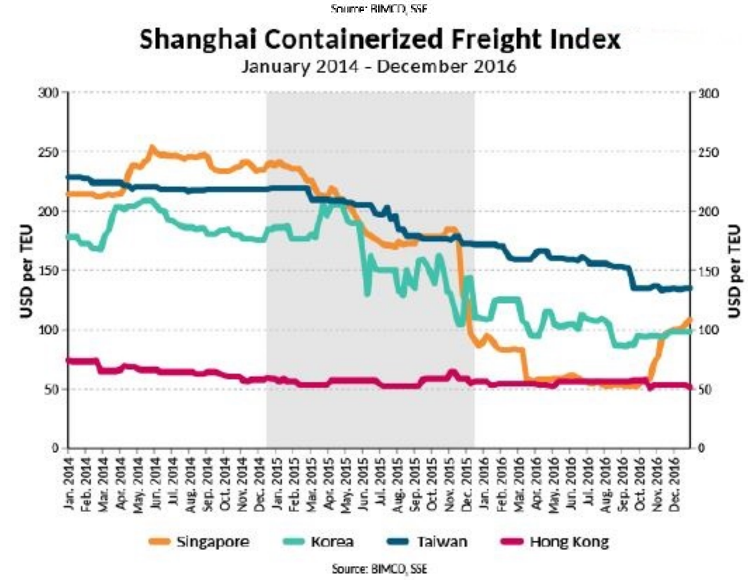
Half of them sold in one month from mid-November and all deals had a bank as the direct seller. Most of the 26 sales involved struggling or bankrupt German KG entities or the bankrupt South Korean owner and operator, Hanjin Shipping. In terms of spot freight rates out of China, as measured by the Shanghai Containerized Freight Index (SCFI), the first half of 2016 was particularly miserable. For some of the minor trades, 2016 was a year to be forgotten quickly. Freight rates from Shanghai to neighbouring Korea, Hong Kong, Taiwan and Singapore all fell further from the already poor levels in 2015.

On the trades going to both the West and East Coasts of the US, spot freight rates improved during the second half of the year, surpassing the levels of 2015. But this was only because 2015 saw such a poor run during the final quarter of that year. Inbound loaded containers to the US West coast grew by 2.7% in the first 11 months of 2016 compared to the year before. The US East Coast saw similar growth of 2.5%. The US-bound trades saw falling freight rates because of poor supply side management by the individual operators, not outright lack of demand growth.

On the trades from the Far East to Europe and specifically the Mediterranean countries, the month of May was the turning point after horrifically low figures in the first four months. At its worst level, a TEU container could transport a quarter of the way around the world for just USD 200.

Overall, the ‘peak’ season in 2016 was longer than normal: from August, right through to November. This caused some downward pressure at first, as tonnage was employed in anticipation of a regular season. Fortunately, the market imbalance in Q3 was not as severe as in January through to April, if judged by the spot freight rates.



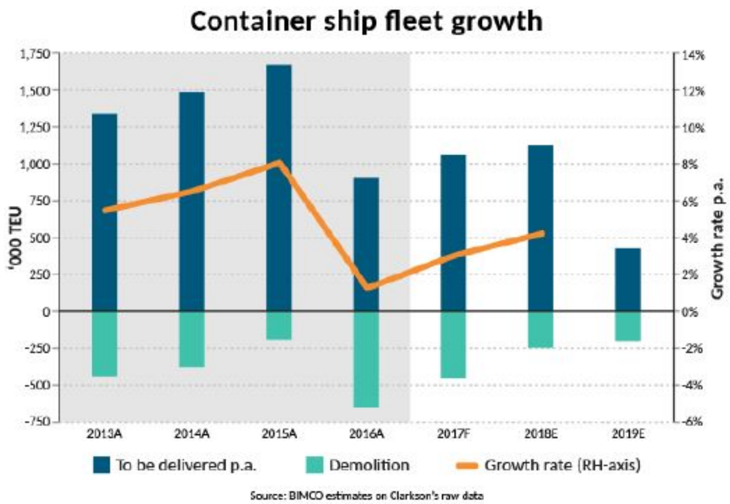


Supply

2016 will stand out as the year the container shipping fleet surpassed the 20 million TEU mark, only to go straight ahead and demolish excess capacity – starting with panamax ships. At the end of 2016, the fleet accounted for 19.98m TEU, up from 19.74m TEU at the start of the year, down from 20.04m TEU in early August. 660,000 TEU of container ship capacity was sold for scrapping, 60% of that during the final six months.

Container shipowners acted in the opposite way to the dry bulk shipowners, who, during the first half of the year, broke the previous year’s scrapping record level only to shy away completely from scrapping ships in the second half. As the lowest level of newbuild containership deliveries since 2004 was combined with record breaking scrapping levels, net inflow of capacity amounted to just 246,000 TEU – a growth rate of 1.2% – probably the lowest ever. As the year passed, it also became clear that the opening of the new locks in the Panama Canal was embraced by the liner operators. While the full capacity of the

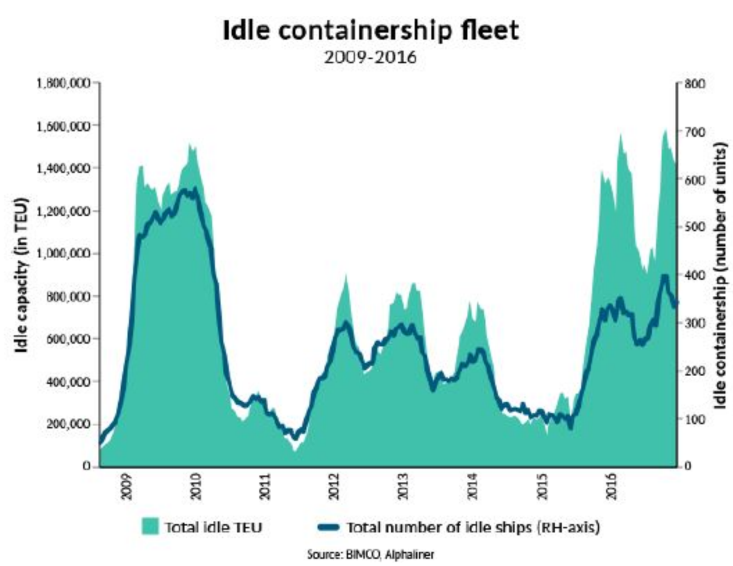
locks won't be available until later in 2017, there are already clear changes to the shipping routes with bigger ships from each operator's network transiting the canal.
Patiently awaiting the opening of the new locks, the industry was more than ready to deploy neopanamax (beam < 49m and capacity of 8,000-12,000 TEU) ships into the Panama Canal transit trades. In 2016 alone, 34 new neo-panamax ships were delivered, adding to the 75 that went into service in 2015, increasing that fleet segment by 25% in the past 24 months – now comprising a quarter of the total fleet.
While being at opposite end in terms of demolition activity, both dry bulk and container shipowners/investors were in the same corner when looking at signing new orders.
Only once in the past 20 years has the contracting of new capacity been so low. Leaving the extraordinary Japanese 5 x 14,026 TEU orders aside for now, 71 ships of an average 1,700 TEU – and not one larger than 3,300 TEU – were all that entered the shipyards' orderbooks during an eventful 2016.



A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2017-2019 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 idled capacity has been high since the end of 2015, reaching a new all-time high in Q4- 2016. In the final weeks of 2016, some idled ships were reactivated while others were sold for demolition. By 9 January 2017, the total idle fleet was 351 ships with a combined capacity of 1.4m TEU (source: Alphaliner), equal to 7.0% of the fleet.



As BIMCO forecasts a container shipping market where the nominal (excl. reactivated ships) TEUinflow of supply matches demand growth; keeping 1.4m TEU out of the active fleet going forward will be a minimum requirement to keep the pressure off freight rates. For the charter market and charter rates, it is a bad omen to have idled capacity at all since it illustrates that there is more than enough capacity in the market already. In terms of demand for charter-in tonnage terms, BIMCO expects 2017 to be another tough year on pure tonnage providers. This will be the shipowners who lack attractive options when seeking to put redelivered tonnage back on a charter in a market offering only much lower rates. While protectionism currently dominates the headlines as more trade restrictive measures are taken than trade facilitating, the CETA-agreement between EU and Canada stands out.

But was CETA the final big multilateral trade agreement before the closing hour? Or will the "Free Trade Agreement EU-Japan" make it to the finish line too? Even more uncertainty surrounds the intended agreement between the EU and US, known as the Transatlantic Trade and Investment Partnership (TTIP). As the new US Presidency settles in, we will hopefully become more informed about the future for trade agreements as seen in the eyes of Mr Trump. All the above has huge implications for globalisation – and on shipping of containers globally.

BIMCO expects US-bound exports out of Asia to grow slowly, as the economic growth weakens in the US. For the other main lane, European imports are expected to pick up pace, growing slightly faster than in 2016, as consumer demand is still on the rise. On the shorter-haul trade lanes we expect the "ever rising" intra-Asian trades to become even busier while deploying larger ships yet again. Cascading is still an issue as higher demand does not bring much higher freight rates. Handling the supply-side with care is the most important thing for the future.

Looking further, towards late 2017 and early 2018, the benefits of the mergers and newly established alliances in 2016 should become visible. Hopefully, by way of better profits and fleet utilisation, rather than just lower costs and cheaper offers to the shippers. It takes time to merge two companies into one, and make it work in a way that takes advantage of the economies of scale and broader offering into specific trade lanes.

Despite radical changes to the scenery of liner companies and shipping alliances in the past year, there is no entity large enough to dominate or even impact the global market. You must look at the individual trades to find any apparent impact from consolidation. The recovery is slow but if patience is applied and the supply-side handled with care for the years to come, it will happen.

Source: Peter Sand, Chief Shipping Analyst; BIMCO

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(3) Global Construction Review, 7 February 2017

Africa's ports revolution: setting the scene for economic take-off

By David Rogers

With its crippling deficiency in ports and overland transport infrastructure, Africa has been cut off from modern world trade. But over the next five years, thanks to international investment, much of the continent will be fitted with state-of-the-art deepwater container terminals able to handle supersized box carriers, plus modern transport networks to distribute them.

In this special *GCR* report, we chart how Africa, through the concerted push for the "million-teu port", is steering toward the path of economic take-off, similar to east Asia's post-war development.

The story that dominated the African construction sector at the end of 2016 was the commissioning of a standard-gauge electric rail line between Addis Ababa and Djibouti. This 750km line, built at a cost of $4bn, has given landlocked Ethiopia a much-needed outlet to the Indian Ocean. The previous link, a railway completed by the French in 1917, fell into dereliction in the 2000s. Its replacement is capable of moving freight at 120km/h (passengers travel at 160km/h), all the way to the microstate of Djibouti. The project “glows with the radiance of a prospectively multi-beneficial enterprise”, as a journalist writing for the *African Exponent* website described it.

On the other hand, Ethiopia had not really suffered from being cut off from global markets, because it has had almost nothing to take to them: in 2007, its largest trading partner was Germany, to which it exported $51m of goods, principally coffee beans. Most of the internal economy was taken up with subsistence farming.

By 2015 that picture had been utterly transformed. The country’s total exports increased eightfold in value, to just under $6bn, and China was its dominant partner, buying $275m of them and supplying $4.7bn of its imports. So, the lion’s share of the freight that the new line will carry will be boxes filled with Chinese manufactured goods, arriving at the Chinese-built container terminal of Doraleh and travelling east to west. It was not surprising, then, that the actors who financed and built the railroad were three Chinese banks and two Chinese contractors, all of them controlled and co-ordinated by the Chinese government.

The chances are good that, in another eight years, this picture will change again. Despite severe political difficulties with sections of its own population, Ethiopia has become the demonstration project for African economic take-off: as well as the railway, some of the continent’s most ambitious power schemes are being constructed, of which the best known is the Grand Ethiopian Renaissance Dam, which was paid for largely with indigenous capital. Once that is complete, other electrified railways will follow, and the basis will be laid for the growth of manufactured goods to replace coffee, oil seeds, gold and cut flowers as the country’s main foreign currency earners.

And this shift is the real point of the Djibouti railway: at the moment 100% of containers arrive in African ports full and 80% leave empty. If Ethiopia is to achieve middle-income status by mid-century, as the World Bank optimistically predicts, then the contribution of manufacturing will have to rise from the 10% level, where it is now, to the 30% that China has achieved, and those manufactured goods will have to find markets around the world. The same applies to all African countries who have set their sights on economic development. For that to happen, something will have to be done about Africa’s ports.

The inactive continent

Africa’s port sector is grossly deficient in both quantity and quality of harbours, quays, cranage, storage systems and hinterland transport. How deficient? Although China and Africa have similar populations (respectively, 1.4 billion and 1.2 billion), in 2015 the five largest Chinese ports moved more than 118 million twenty-foot-equivalent units (teu), whereas Africa’s top five moved less than 10 million. According to *Lloyd’s List*, the entire continent accounts for just 3% of world container traffic.

This partly reflects the fact that much of the continent’s exports consist of primary commodities such as oil, gas, mineral ores and tropical agricultural produce that are moved on breakbulk cargo ships or tankers, but it also indicates just how little Africa participates in global trade. Throughout its history, as a supplier of involuntary manpower to the Americas from the 16th to 19th centuries, and as site for colonial plantations in the 19th and 20th centuries, Africa has always shown a net loss in its dealings with the rest of the world.

It is a remarkable fact that 90% of Africa's total trade, including its internal variety, moves by sea. This is partly because it can't move any other way: road networks within countries are often inadequate and, outside South Africa and the Maghreb, rail systems are "a losing game", to quote a recent study by the African Development Bank. For example, Mombasa in Kenya is the largest port in east Africa, and last year succeeded for the first time in handling a million containers. However, the country's main railway, completed by the British in 1901 (dubbed the "Lunatic Express") has only enough capacity to move one in 20 of those boxes, so there is a continuous traffic jam of trucks trying to enter and leave the city.

Another factor is the inability of most of the continent's ports to deal with container ships built after the 1970s. Any vessel that carries more than 3,000 containers – that is, a Panamax or greater – requires a draft of more than 12m, meaning they'd get stuck some distance from the wharf in most African ports.

Then there is the question of whether ships are "geared", meaning whether they carry their own cranes to load and unload their boxes. Pretty much all modern container ships are gearless – cranes take up too much space and require too much maintenance. However, most African ports require ships to do their own lifting. The result is that, with the exception of the modern terminals such as those at Durban, Tanger Med, Doraleh and Port Said, Africa's manufactured goods are moved by slow, old "feeders" hauling around 1,200 boxes – the containerised equivalent of a tramp steamer.

As well as the difficulty of physically moving containers into and out of ports, there is the additional problem of getting them through customs and agreeing what import duty is to be paid – a process of unpredictable length, in which time is always on the port authorities' side.

This means that the average length of time between bringing a container to a port by ship and dispatching it into the hinterland by road or rail is much longer in African ports than elsewhere. A World Bank paper from 2012 noted that, that, with the exception of Durban, dwell times average about 20 days in African ports, compared with three to four days in most other international ports. This average conceals the extreme variability of the statistics. For example, figures for the Cameroonian port of Douala in 2009 show that 19% of containers were dealt with in fewer than six days, but more than 12% took between 20 and 30 days, and a further 12% took between one and three months to be processed. This is a serious matter under any circumstances, but when those containers are filled with goods required for, say, a construction project, the consequential costs are painful to contemplate.

Enter the dragon

The good news for Africa is that this crippling deficiency is beginning to be tackled. China's demand for oil and minerals, as well as its superabundance of capital for external investment, had led to a surge in economic activity in the east and west of the continent, particularly Nigeria, the Great Lake states and the Ethiopian highlands. To see how pervasive the influence of China has been over the past 10 years, consider the growth in the number of African countries who have China as their primary economic partner. Alongside trade, there has been a large number of other construction and civil engineering projects, as well as a transfer of Chinese managerial skill, capital, commercial networks, and often sizeable – and controversial – immigration flows.

This has led to an equivalent surge in port construction projects. Over the next five years, much of sub-Saharan Africa is going to be fitted with state-of-the-art deepwater container terminals that are able to handle supersized box carriers, as well as modern transport networks to distribute them. Alongside the ports, there will be tax-free special economic zones to stimulate foreign investment in manufacturing, and the chance to follow the post-war path of east Asia towards economic take-off.

source: Global Construction Review
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(4) Hellenic Shipping News, 13 February 2017/ International Maritime Organization,

IMO: Sub-Committee on Human Element, Training and Watchkeeping (HTW 4), 30 January-3 February 2017

Validation of model courses
Model courses have become increasingly important in supporting the implementation of IMO instruments, by providing relevant guidance which can be used globally by trainers and at institutes approved by national Administrations.
The Sub-Committee validated the following model courses:
New courses validated:
• Basic training for ships operating in polar waters
• Advanced training for ships operating in polar waters
• Ratings forming part of a watch in a manned engine-room or designated to perform duties in a periodically unmanned engine-room;
• Ratings as able seafarer deck;
Revised model courses validated:
• Engine-Room Simulator (2.07);
• Assessment, Examination and Certification of Seafarers (3.12);
• Training course for Instructors (6.09);
• Onboard assessment (1.30);
The Sub-Committee also approved the terms of reference for review or development for the following draft model courses, to be reviewed and validated at HTW 5:
New model courses to be developed:
• Use of Leadership and Managerial Skill;
• Crisis Management and Human Behaviour Training;
• Crowd Management Training;
• Passenger safety, cargo safety and hull integrity training;
• Safety training for personnel providing direct service to passengers in passenger spaces;
• Electro-technical Rating.
Revision of model courses:
• Liquefied Natural Gas (LNG) tanker cargo and ballast-handling simulator (1.36);
• Advanced Training in Fire-fighting (2.03);
• Radar, ARPA, Bridge Teamwork and Search and Rescue – Radar Navigation at Management Level (1.08);
• Automatic Identification System (AIS) (1.34);
• Proficiency in Personal Survival Techniques (1.19)

Progress with revision of Guidelines on Fatigue
Progress was made with the comprehensive review of the IMO Guidelines on Fatigue annexed to guidance on fatigue mitigation and management (MSC/Circ.1014), which was issued in 2001.
A working group which met during the session reviewed the draft revised introduction and several updated modules, but it was agreed more time was needed to complete the task. The revised guidelines on fatigue will be further considered at the next session.

Comprehensive review of STCW-F continued
The comprehensive review of the 1995 STCW-F Convention, which provides training requirements for fishing vessel personnel continued. The review aims to update and revise the treaty, taking into account the unique nature of the fishing industry, the fishing working environment and the need to prevent damage to the marine environment.
A correspondence group was established to further the work ahead of HTW 5.
The review will result in the updating of the International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel (STCW-F), 1995, which entered into force in 2012. The treaty sets the certification and minimum training requirements for crews of seagoing fishing vessels of 24 metres in length and above.
The review of the STCW-F Convention is particularly important since this is the only IMO instrument currently in force for the fishing industry. The review is expected to support wider ratification of the Convention.

Interim Guidance for STCW implementation approved
The Sub-Committee approved a circular giving advice related to implementation of the 2010 Manila amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), clarifying the requirements related to the provision of documentary evidence for port State control officers and other third-party inspection regimes; and clarifying the training requirements for Electronic Chart Display and Information Systems (ECDIS) required under the STCW Convention.
The advice will be issued as an STCW.7 circular on Interim Guidance for Parties, Administrations, port State control authorities, recognized organizations and other relevant parties on the requirements of the STCW Convention, 1978, as amended.

ECDIS "good practice" updated
The Sub-Committee finalized the revisions to section E on ECDIS training of the proposed updated ECDIS – Guidance for good practice (MSC.1/Circ.1503).
Source: IMO
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(5) Hellenic Shipping News, 11 February 2017/ Seafarers Awareness Week

'Maritime Jobs at Sea and Ashore' and 'Sea Ports for Prosperity': Two new themes launched for Seafarers Awareness Week (24-30 June 2017)

Announcing the themes 'Maritime Jobs at Sea and Ashore' and 'Sea Ports for Prosperity', Seafarers UK has launched this year's Seafarers Awareness Week campaign, with the focus on promoting maritime career opportunities, both at sea and ashore, including in the UK's thriving port industry.
More than 150 maritime professionals came together to celebrate the launch of the seventh Seafarers Awareness Week campaign, organised by the charity Seafarers UK. The week-long campaign will provide a platform for national and regional promotions and events intended to engage media and raise public awareness, with individuals, businesses and organisations working together to raise the profile of jobs within the whole UK maritime industry, including seafaring.

Addressing the official Seafarers Awareness Week launch event at sponsor Inmarsat's London HQ, Commodore Barry Bryant CVO RN, Director General of Seafarers UK, underlined that despite recent reports by the Department for Transport about declining UK seafarer numbers, there was cause for optimism following the UK Maritime Growth Study recommendations and Maritime UK becoming the promotional body for the whole UK maritime industry, bringing together for the first time shipping, ports, marine and business service sectors.
Said Commodore Bryant: 'Our island nation is dependent on a diverse range of seafarers:
Fishers, deep sea, offshore, and nowadays including those who take to the sea to farm fish.

Skilled workboat skippers and crews, whose services are in high demand in growth areas such as offshore wind power.
Maritime pilots and harbourmasters, providing an essential link between land and sea.
Merchant Navy Officers and Ratings on cruise ships, where the huge number of hospitality workers are now also counted as seafarers.
Superyacht captains and crew members, where our seafarers are a vital part of the UK's success story in that most buoyant of maritime markets.
'And finally let's not forget that the UK and London in particular has a huge requirement for maritime professional expertise, in law, finance, broking and insurance. Those professions need high quality British Master Mariners.
'So when we talk about promoting Maritime Jobs at Sea and Ashore, and Sea Ports for Prosperity, we see many diverse employment opportunities for men and women, especially talented young people, beyond our traditional Merchant Navy.'
Following presentations by David Dingle, Chairman, Maritime UK and Drew Brandy, Inmarsat Senior Vice President Market Strategy, Commodore Bryant continued by highlighting the importance of Seafarers Awareness Week:
'We believe it is good for the whole UK maritime world to benefit from raised public awareness of the contribution we collectively make to the UK economy. To do this we will disseminate positive messages about newsworthy maritime activities, from public events and school visits to ports, to college open days and other sources of information about maritime and marine job opportunities.
'Seafarers Awareness Week is a solid platform on which just about any positive news, campaign or PR activity can be promoted to a media audience that goes far beyond the maritime trade press.'
Maritime individuals, businesses and organisations were urged to support the week by sharing news, engaging on social media and organising events throughout the week.
Source: Seafarers Awareness Week
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(6) Clarksons Research, 27 January 2017

China Surprises With Record Iron Ore Imports

At the start of 2016 the outlook for Chinese iron ore import growth appeared challenging, given slower import growth in 2015, expectations of continued Chinese steel capacity cuts and China's ongoing gradual transition towards a more diversified, mature economy. However, Chinese seaborne iron ore imports went on to significantly outperform expectations in 2016 and break the 1bn tonne mark along the way.

A Surprising Response
Against a backdrop of moderating growth in China's steel consumption and Beijing's measures to reduce the country's surplus steel capacity, Chinese iron ore import growth performed at a level far higher than many had expected last year. In early 2016, expectations were shaped by both a 2% drop in the country's steel output and a five year low in Chinese iron ore import growth in 2015, as well as plans for continued cuts to steel capacity. However, Chinese seaborne iron ore imports outperformed expectations in 2016, increasing 7% to a record 1,008mt. This was the key driving force in total dry bulk trade growth in 2016 and was largely stimulated by three key factors.

Steel Output On The Up
The first key driver of record Chinese iron ore imports in 2016 was a stabilisation in the country's steel output, following a 2% drop to 804mt in 2015. The country's steel output continued to decline in 1H 2016, given limited domestic demand. While Chinese steel mills increased steel products shipments to foreign markets by 9% y-o-y in 1H 2016, the 57mt shipped in the period was insufficient to support overall Chinese steel output growth. Chinese steel products exports also dropped 14% y-o-y to 51mt in 2H 2016, following the introduction of tariffs by several importers, but also due to firming Chinese steel demand. Indeed, a government stimulus package launched in 1H 2016 boosted steel use and saw steel prices rise

sharply. This supported Chinese steel mills and stimulated an overall 1% increase in the country's steel output to 815mt in full year 2016.

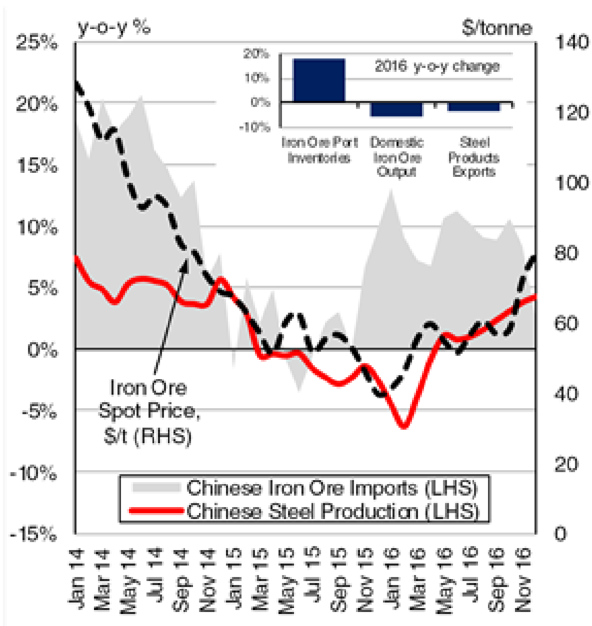
Domestic Iron Ore Mining Cuts
A further driver of Chinese iron ore import growth in 2016 was the drop in the country's domestic iron ore output. Financial pressure on Chinese miners from depressed iron ore prices throughout much of the year contributed to a 6% y-o-y decline in the country's domestic iron ore output, to a six year low of 1.3bn tonnes in full year 2016, according to NBS data.

Swelling Ore Inventories
Finally, Chinese iron ore stockpiling increased sharply in 2016, partly reflecting improved expectations for steel output at Chinese mills as the year progressed. By the start of January 2017, iron ore inventories at 41 Chinese ports reached 114mt, up 19% from the start of 2016 and the highest level in over two years. So, far from expectations of a difficult 2016 given China's wider economic developments and measures to reduce surplus steel capacity, Chinese seaborne iron ore imports recorded firm growth to hit a record 1bn tonnes last year. While the sustainability of this stronger growth may be questioned, in 2016 at least, China performed above expectations and overall was the bright spot for seaborne dry bulk trade once again.

Graph of the Month

Drivers Of Growth In Chinese Iron Ore Imports

The graph shows the three month moving average of y-o-y growth rates of Chinese seaborne iron ore imports (grey shaded area) and Chinese steel production (red line). The dotted line shows the monthly average iron ore spot price in $/tonne (62% FE CFR Tianjin, RHS). The inset graph indicates y-o-y growth in estimated Chinese iron ore mining output and steel products exports in full year 2016, as well as the growth in Chinese iron ore port inventories from start January 2016 to start January 2017.



Source : Clarksons Research

Source: Clarksons
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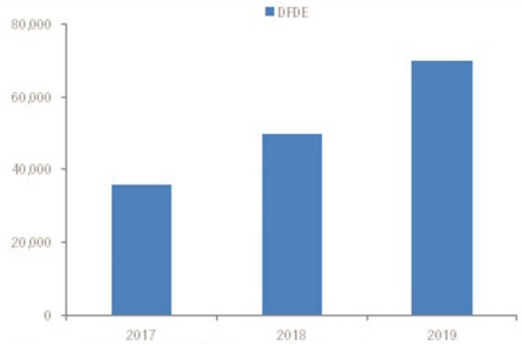
(7) Hellenic Shipping News, 31 January 2017/ Drewry Shipping Consultants

Strong fleet growth to keep LNG shipping rates in check

2017 will be a tough year for LNG shipowners as rates are expected to remain under pressure, according to the latest edition of the LNG Forecaster report published by global shipping consultancy Drewry.

This year has started on a positive note for LNG shipowners as spot rates have firmed up to the West of Suez because of seasonal demand for LNG. Many analysts have started writing positive stories about the LNG shipping market believing that the momentum in rates will continue. However, Drewry reiterates its outlook that the fundamentals of LNG shipping market are not strong enough to sustain this recovery for long. Soon rates will come under pressure as seasonal demand wanes from April onwards.

DFDE spot rate forecasts (East of Suez, $ per day)



Source: Drewry's LNG Forecaster report

Moreover this year the LNG fleet is forecast to grow at its fastest pace in five years at 13%, surpassing anticipated LNG trade growth of 7%. Therefore, Drewry believes that the worst is not yet over for LNG shipowners and spot rates will remain under pressure at an average of around $36,000 per day (East of Suez) in 2017.
"Although the short-term outlook for this year is weak, we remain bullish about the medium and long-term outlook because of expanding worldwide LNG export capacity," said Shresth Sharma, Drewry's lead LNG shipping analyst. "Fleet growth will eventually start to slow from next year while tonne-mile vessel demand will improve as US LNG exports pick up pace and Australian plants start operating at full capacity. We therefore expect rates to improve from next year," added Sharma.
Source: Drewry
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(8) Clarksons Research, 30 January 2017

The Offshore Markets: 2016 In Review

Expectations at the start of the year that 2016 would be a tough one for the oil industry, and in particular for offshore, were on the whole fulfilled. Overall upstream E&P spending globally fell for the second successive year, and was down by in the region of 27% year-on-year in 2016. Cost-cutting has been a key focus, whether that be through pressure on the supply chain, M&A activity, job cuts or other means.

Lower Spending
Offshore spending has been particularly reined back on exploration activity such as seismic survey and exploration drilling, although 2016 saw weakness spread further to areas such as the subsea or mobile production sectors which had initially shown some degree of protection from the downturn. This was not helped by a 32% year-on-year decline in sanctioned offshore project CAPEX in 2016, despite a small number of encouraging project FIDs, such as that for Mad Dog Phase 2 in the Gulf of Mexico in Q4

Dayrate Weakness
Dayrates and asset values in those offshore sectors with liquid markets showed further signs of weakening in 2016. Clarksons Research's index of global OSV termcharter rates declined by 27% in 2016, whilst that for drilling rigs was down by 25% year-on-year. Potential for further falls are, in general, limited, given that rates levels in many regions are close to operating expenses. Owners are doing what they can to control the supply side: just 81 offshore orders were recorded in 2016: for context, more than 1,000 offshore vessels were ordered at the height of the 2007 boom. Slippage has also remained evident,

either due to mutually agreed delays with shipyards, or owing to owners cancelling orders. Offshore deliveries were 34% lower y-o-y in 2016.

Despite the severe industry downturn, the oil price actually firmed during the year. Brent crude began 2016 at $37/bbl, before briefly dipping below $30/bbl. However, the price ended 2016 at $55/bbl, helped by a slow firming in mid-year, and then more rapid gains after the 30th November announcement of a concerted oil production cut by OPEC countries.

This is clearly positive news for oil companies' cashflow, and marks the abandoning of Saudi Arabia's policy of targeting market share by accepting low prices as a means to hinder shale oil production in the US. However, US onshore companies were already feeling more comfortable with slightly improved prices in Q3 2016. Early surveys of intentions for E&P spending suggest that onshore spending in the US could increase by more than 20% in 2017. It is likely that offshore spending will decline further in 2017

Some Way To Go

Nonetheless, it is important to stress that the offshore sector is far from dead. The expected multi-year downturn is occurring. However, important cost-control and consolidation has taken place. IOCs continue to consider strategic investments such as Coral FLNG or Bonga Lite. This shows that these companies are planning for better times. Decline at legacy fields will help to correct the supply/demand balance. Meanwhile, optimism is building in the renewables and decommissioning markets, with for example, announcements even in the first few days of 2017 that China is to make an RMB2.5 trillion investment in renewables over five years, whilst another North Sea decommissioning project plan has been submitted. Nevertheless, the supply/demand imbalance in many offshore vessel sectors will take time to recalibrate. However, the weakness of 2016 also put in place many longer term trends which could lay the groundwork for an eventual change in market fortunes.

(detailed table on next page)

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

2016 At A Glance

	2006-15	2015	2016	+/- %
1. Global Oil (m bpd)				
Supply*	*1.1%*	90.7	90.5	*-0.1%*
Onshore	*1.5%*	64.9	65.1	*0.3%*
Offshore	*0.2%*	25.8	25.5	*-1.2%*
Demand*	*1.0%*	94.7	96.0	*1.4%*
Brent, $/bbl		36.61	55.12	*51%*
WTI, $/bbl		36.53	53.28	*46%*
2. Global Natural Gas (bn cfd)				
Supply*	*2.0%*	341.4	348.7	*2.1%*
Onshore	*1.7%*	235.9	240.0	*1.7%*
Offshore	*2.9%*	105.7	108.6	*2.7%*
Demand*	*2.0%*	339.9	346.7	*2.0%*
Henry Hub, $/mmBtu		1.68	3.69	*120%*
LNG (Japan), $/mmBtu		7.50	7.00	*-7%*
3. Offshore Fields & Projects (end year/full year)				
Active Fields*	*1.1%*	3,016	3,053	*1.2%*
Development*	266	216	173	*-20%*
Discoveries*	159	116	79	*-32%*
<500m	103	67	53	*-21%*
>=500m	56	49	26	*-47%*
Start-Ups*	111	78	72	*-8%*
<500m	92	63	53	*-16%*
>=500m	19	15	19	*27%*
Offshore Investment Projects				
FIDs		60	51	*-15%*
Est. Project CAPEX, $bn		72	49	*-32%*
4. Offshore Fleet & Orderbook (end year/full year)				
Mobile Fleet*	*5.1%*	13,365	13,554	*1.4%*
Orderbook*	1,491	1,260	943	*-25%*
*OB/Fleet**	*14.1%*	*9.4%*	*7.0%*	*-26%*
NB Contracts*	681	256	81	*-68%*
Deliveries*	613	539	357	*-34%*
Removals*	86	162	165	*2%*
5. Rig Market (end year)				
Active Supply		749	710	*-5%*
Demand		561	456	*-19%*
Working Utilisation		*75%*	*64%*	*-14%*
Orderbook*	184	188	164	*-13%*
Rates $,000/day: SE Asia, US GoM & NCS				
Jack-Up, High-Spec		80-100	60-100	*-35%*
Floater, Ultra-Deep		200-275	130-225	*-38%*
Floater, Harsh		170-240	110-175	*-40%*
6. OSV Market (end year)				
OSV Index*	155	109	79	*-27%*
Fleet*	*6.7%*	5,434	5,524	*1.7%*
Orderbook*	728	546	395	*-28%*
North Sea Term Rates				
Large AHTS £/day		16,000	16,000	*0%*
Large PSV £/day		6,000	6,000	*0%*
7. Field Infrastructure (end year/full year)				
Subsea Trees*	*-5.0%*	5,723	5,912	*3.3%*
Awards*	317	215	107	*-50%*
Backlog*	866	966	808	*-16%*
Installations*	303	309	206	*-33%*
Platforms*	*1.9%*	7,685	7,763	*1.0%*
Orders*	166	58	18	*-69%*
Backlog*	273	196	129	*-34%*
Installations*	170	160	78	*-51%*

*2006-15: *denotes CAGR, *denotes 10-year average. Rates and prices, end year; oil/gas supply/demand, annual avgs.; remaining field and structure data, end year/full year as appropriate. Platform/subsea orders exclude units contracted under frame agreements.*

Source: Clarkson Research

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