Global Maritime Weekly Digest

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

16 January 2018 **issue 104**

*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

- Looking back, ***was 2017 a good year for global shipping markets?*** Certainly there was an improvement although tankers suffered (item 1). The overall volume of world trade in cargoes moved by sea increased briskly, a much better result than seen in the previous couple of years, although over-capacity - albeit diminishing - remained an endemic problem.
- Encouragement for shipping markets is provided by the ***outlook for the world economy***. After last year's strengthening economic activity (as measured by GDP), a further slight acceleration is envisaged during 2018 as the recovery in investment, manufacturing and trade continues, but doubts are expressed about the longer term trend (item 5).
- Receding ***incidents of maritime piracy and armed robbery*** around the world are a welcome trend. Last year saw the lowest number experienced in over two decades, but there is still persistent danger in some areas (such as the Gulf of Guinea), while in Asian waters results are mixed (item 2).
- Prospects for shipbuilding in some countries have brightened. ***China's shipbuilders*** are benefiting as newbuilding prices climb and the order intake improves for ships which are seeing signs of freight market upturns and more positive expectations of the future trend (item 4).
- Pressure for a ***reduced carbon footprint in maritime transport*** worldwide is still a prominent focus of attention. A review of the reasons why this approach is justified is outlined in item 7.

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

(1) Clarksons Research, 5 January 2018

2017 Review: How Are The Year End Stats Looking?

After reporting on a range of gloomy statistics in 2016, has shipping been able to pick itself up from 'rock bottom'? Strong trade volumes, a record S&P market and improving bulker and containership markets have all provided some welcome relief. But challenges in the tanker, gas and offshore markets continue while uncertainty around environmental regulation builds. As ever, it's been an interesting year!

ClarkSea Pick Up…
After its all time low in 2016, the ClarkSea Index, our indicator of vessel earnings, rose by 14% y-o-y to average $10,768/day. Some welcome relief but still 10% below the trend since the financial crisis and compared to OPEX of $6,394/day for the same basket of ships. It was also a year of contrasting fortunes across markets, especially 'wet' and 'dry'.

Different Trajectories…
With overall earnings down 35%, the tanker market continued its 'wind down', struggling to absorb 5% fleet growth despite good developments in long-haul trades out of the Atlantic. Supportive fundamentals did flow through into an improving bulker market, with good first and fourth quarters helping rates jump by an impressive 77% y-o-y. The containership market seems to have picked itself up from the 'shock' of Hanjin's collapse, with consolidation, improved but volatile freight rates and increasing charter rates and S&P prices (see next week for more detail). The gas markets have had to 'tough it out' but perhaps there is some 'light at the end of the tunnel', especially for LNG where trade grew by an encouraging 11% in 2017. The cruise and ferry markets had 'solid' years but the car carrier market had to wait until the end of the year for only marginal improvements. In offshore, increased FID and rig tendering and an improved oil price have been helpful but deep challenges remain. Offshore owners in a position to do so have been eyeing consolidation opportunities, especially in the rig sector, and S&P 'bargains'. Overall some mixed trajectories but on balance encouraging signs.

Trade Surging…
After a sluggish few years, an improving world economy helped global seaborne trade to bounce back strongly in 2017, growing by 4.1% to 11.6bn tonnes, the fastest rate of growth since 2012. Demolition fell back to 35m dwt (tankers up 348% and bulkers down 50%) but trade still outpaced fleet growth (3.3%).

An S&P Record…
In our review of 2016, we reported it was 'buy, buy, buy' in the bulker market and during 2017 investors also placed containerships and tankers in their sights. In overall tonnage terms, 94m dwt represents an all time record, with boxships joining bulkers at record levels. Bulker S&P prices made excellent gains (a 5 year old Capesize up 38%), as did containerships but tanker gains were more modest. Greeks again topped the buyer (and seller) charts, followed by the Chinese (although German owners were the biggest sellers of containerships). Scrap prices moved up by over 40% to north of $400/ldt for the first time since 2013.

Watching The Yards…
After the 30 year ordering low of 2016, orders increased to 73m dwt in 2017, significant but still 24% below the average since the financial crisis. China returned to the top of the output charts, with a 39% share of deliveries, followed by Korea (32%) and Japan (21%). Delivery volumes were steady, although we expect them to decrease this year, while the overall orderbook declined 13% to 197m dwt of $233bn. As ever, it's been an interesting year.

(table on next page)

2017 At A Glance

Dwt	Built	2016	2017	+/- %
1. ClarkSea Index				
Index ($/day, average)		9,441	10,768	14.1%
2. World Trade, m. tonnes				
Oil		3,016	3,102	2.8%
Gas		355	386	8.6%
Dry Bulk		4,903	5,109	4.2%
Containers		1,733	1,821	5.1%
Others		1,132	1,182	4.4%
Total		11,139	11,599	4.1%
3. Tonnage Supply, M. Dwt				
Bulk Fleet (end)				
Tankers		555.2	581.8	4.8%
Bulkcarriers		799.9	817.2	2.2%
Global Fleet		1862.3	1924.0	3.3%
Orderbook (end)				
Tankers		77.1	68.2	-11.6%
Bulkcarriers		85.9	76.0	-11.5%
Global Orderbook		227.3	196.9	-13.4%
Scrapping				
Tankers		2.5	11.1	348.4%
Bulkcarriers		29.3	14.5	-50.3%
Global Total		44.5	35.2	-21.0%
Scrap Prices, $/ldt (end)				
Tankers		290.0	415.0	43.1%
Bulkers		290.0	430.0	48.3%
4. Revenue, Average Earnings, $/day				
Oil Tankers				
VLCC	c.2010	41,888	17,794	-57.5%
Suezmax	c.2010	27,567	15,829	-42.6%
Aframax	c.2010	22,965	13,873	-39.6%
Products (C)		12,124	10,213	-15.8%
Weighted Average (nos)		17,917	11,655	-35.0%
Bulk Carriers				
Capesize	c.2010	6,095	13,475	123.3%
Panamax	c.2010	6,712	10,570	57.5%
Supramax		6,750	10,680	58.2%
Weighted Average (nos)		6,218	10,986	76.7%
5. Asset Values, end period				
Newbuilding, $m				
VLCC		84.5	81.5	-3.6%
Suezmax		54.5	55.0	0.9%
Aframax		44.5	44.0	-1.1%
MR		32.5	33.8	3.8%
5 Yr old Vessel, $m				
VLCC		60.0	64.0	6.7%
Suezmax		40.0	43.0	7.5%
Aframax		29.0	32.0	10.3%
MR		22.0	25.0	13.6%
Newbuilding, $m				
Capesize		42.0	44.0	4.8%
Kamsarmax		24.5	25.5	4.1%
Ultramax		22.3	24.0	7.9%
5 Yr old Vessel, $m				
Capesize		24.0	33.0	37.5%
Kamsarmax		14.0	22.5	60.7%
Supramax		14.0	17.5	25.0%
6. Turnover, Volume M. Dwt				
New Orders				
Tankers		11.2	29.9	166.4%
Bulkcarriers		14.0	32.7	133.2%
Global Total		31.6	72.8	130.2%
Secondhand				
Tankers		18.4	28.6	55.7%
Bulkcarriers		45.0	47.5	5.4%
Global Total		71.4	94.2	32.0%

Figures subject to revision. Global totals include other ship types.

Source: Clarksons

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

(2) Hellenic Shipping News, 10 February 2018/ International Maritime Bureau

Maritime piracy and armed robbery reaches 22-year low, says IMB report

A total of 180 incidents of piracy and armed robbery against ships were reported to the International Chamber of Commerce's (ICC) International Maritime Bureau (IMB) in 2017, according to the latest IMB report.
It is the lowest annual number of incidents since 1995, when 188 reports were received.
In 2017, 136 vessels were boarded, while there were 22 attempted attacks, 16 vessels fired upon and six vessels hijacked.
In 15 separate incidents, 91 crewmembers were taken hostage and 75 were kidnapped from their vessels in 13 other incidents. Three crewmembers were killed in 2017 and six injured.
In 2016, a total of 191 incidents were reported, with 150 vessels boarded and 151 crewmembers taken hostage.
Beyond the global figures, the report underlined several takeaways from the past year.

Persistent danger in the Gulf of Guinea
In 2017, there were 36 reported incidents with no vessels hijacked in this area and 10 incidents of kidnapping involving 65 crewmembers in or around Nigerian waters. Globally, 16 vessels reported being fired upon—including seven in the Gulf of Guinea.
"Although the number of attacks is down this year in comparison with last year, the Gulf of Guinea and the waters around Nigeria remain a threat to seafarers. The Nigerian authorities have intervened in a number of incidents helping to prevent incidents from escalating," said Pottengal Mukundan, Director of IMB.

Sentencing Somali pirates
Nine incidents were recorded off Somalia in 2017, up from two in 2016. In November, a container ship was attacked by armed pirates approximately 280 nautical miles east of Mogadishu. The pirates, unable to board the vessel due to the ship's evasive manoeuvring fired two RPG rockets, both of which missed, before retreating.

Six Somali pirates were subsequently detained by European Union Naval Force, transferred to the Seychelles and charged with “committing an act of piracy” where they face up to 30 years’ imprisonment if convicted.
“This dramatic incident, alongside our 2017 figures, demonstrates that Somali pirates retain the capability and intent to launch attacks against merchant vessels hundreds of miles from their coastline,” said Mr Mukundan.

Mixed results in Southeast Asia
Indonesia recorded 43 incidents in 2017, down from 49 in 2016. The IMB report notes that Indonesian Marine Police patrols continue to be effective in the country’s 10 designated safe anchorages.
In the Philippines, however, the number of reported incidents has more than doubled, from 10 in 2016 to 22 in 2017. According to the report, the majority of these incidents were low-level attacks on anchored vessels, mainly at the ports of Manila and Batangas. Vessels underway off the Southern Philippines were boarded and crew kidnapped in the first quarter of 2017. However, alerts broadcast by the IMB’s Piracy Reporting Centre (PRC), on behalf of the Philippine authorities, have since helped to avoid further successful attacks.
Launched in 1991, the IMB PRC is a 24-hour manned centre that provides the maritime industry, governments and response agencies with timely and transparent data on armed robbery incidents received directly from the master or owner of vessels.
Source: IMB (International Maritime Bureau)
+++++++++++++++

(3) Hellenic Shipping News, 10 January 2018/ The Shipowners P&I Club

The Mayflower Autonomous Ship Project

The Mayflower Autonomous Ship project (MAS) is an innovative new venture to design, build and sail the world’s first fully autonomous vessel across the Atlantic Ocean.
The project’s name commemorates the anniversary of the Pilgrim Father’s voyage from Plymouth, UK to Plymouth in the New World (USA) on the original Mayflower in 1620. To mark the anniversary, marine tech company MSubs, Plymouth University and charitable research foundation Promare, are developing a 21-metre autonomous vessel based on a classic Oyster hull.
The vessel is expected to take two years to build, outfit and complete rigorous sea trials. In the meantime, a small six metre vessel, named Christopher Jones after the original Master of the Mayflower, is being used to develop and test the autonomy and supporting systems necessary to navigate safely and control the sailing rig.
The planned voyage is set to take place in 2020, to mark the 400th centenary of the original voyage. The project pays tribute to the pioneering spirit of the Pilgrims by embracing a raft of ground breaking technologies encompassing design, propulsion and control.
The Club spoke with Professor Jones of Plymouth University who explained that the project “has the potential to be a genuine world-first on multiple levels. It is not just a fully autonomous research vessel but also a vessel powered by clean energy, through its solar, sail and wave technology. The 2020 Mayflower voyage will demonstrate new navigation software and the effectiveness of alternative sources of power.”

The project leaders further stress their commitment to efficiency and sustainability in their mission statement:

To build an autonomous vessel capable of conducting scientific research with the endurance and reliability to operate remotely in all corners of the globe. The vessel is to be powered by renewable energy and where necessary compliant with maritime regulations. The vessel is to have undergone an extensive sea trial period and be ready to participate in the Mayflower 400 Commemorations in 2020.

Due to the physical absence of humans on board, the ship has been designed to an optimum performance level, to function purely as a machine. However, Professor Jones spoke of the intention for the Mayflower to be fitted with a limited number of life saving appliances, which will enable the vessel to render assistance to conventional manned vessels in the unfortunate event of an emergency at sea. This feature recognises the importance of traditional manned vessels to aid this period of technological transition.

Upon successful completion of the Trans Atlantic voyage it is intended for the vessel to circumnavigate the globe where the Mayflower will be used for completing scientific research in conjunction with Underwater Autonomous Vehicles (UAVs) which will be deployed from the vessel. The data will then be relayed ashore for analysis.

Over the course of its development, the Club will be providing periodic updates on the progress of the Mayflower build. Offering Members' real-time insight into the construction of an autonomous vessel.

Source: The Shipowners' Club

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

(4) Lloyd's List, 2 January 2018

Newbuilding market recovery set to continue in 2018

Dry bulkers orders will take the lead, but tankers lack support from freight markets

CHINESE newbuilding markets are expected to see more encouraging signs at the start of the new year, with ship prices continuing to climb, led by the dry bulker sector, based on last month's indications.

The monthly China Newbuilding Price Index, which tracks ship prices at Chinese yards based on inputs from 19 member broking houses, rose two points to 768 in December 2017.

The dry bulker sub-index increased four points to 787, while the tanker index edged up one point to 823 points. At the same time, the containership index grew three points to 789.

Strength in the underlying freight market, an attractive yuan valuation, as well as steel prices all played a role in the upward movement.

Additionally, higher interest rates have increased shipyards' funding cost, which, in turn, contributed to the rise in ship prices, according to CNPI brokers.

Dry bulker

Chinese shipbuilders have achieved good results in the sector over 2017. They took the lion's share by winning 59% of global new contracts in terms of compensated gross tonnage, according to Clarksons.

This indicated China's status as the world's largest dry bulker-building nation, despite dismal market conditions seen in recent years.

The newbuilding market was even bustling in December, when shipping activities tend to slow down.

Clarksons recorded 428,998 cgt in new tonnage – 20 ships – contracted over the final month of 2017.

The majority of these were ordered at Chinese yards by foreign buyers.

By comparison, only one ore carrier order of 48,447 cgt was won by Japan Marine United during the year-ago period.

Clarksons' data had not yet included orders for six 325,000 dwt ore carriers placed at Qingdao Beihai Shipbuilding by ICBC Financial Leasing. The vessels, compliant with IMO's Tier III emission regulations and equipped to be able to switch to using liquefied natural gas as fuel, are priced by brokers at about $70m apiece.

One CNPI broker described the December market as "a warm winter, just like the weather in China".

“On one hand, Chinese state-owned companies needed to nail down their investments by year-end; on the other hand, international shipowners were concerned about a further rise in ship prices in the new year ,” it added.
So, what will 2018 look like?
“With the market recovery set to continue in the coming new year, quite a few orders are expected to fall into the hands of Chinese yards,” another CNPI broker noted.
The broker added that competition between builders in China and Japan was likely to intensify, although the Chinese seemed to have gained an upper hand in terms of delivery schedule, as most slots at Japanese yards would not be available until 2020-2021.
However, having seen a substantial amount of new tonnage ordered last year for ultramaxes, kamsarmaxes and very large ore carriers, the broker warned that ordering momentum in these segments might decelerate this year, owing to the inflated ratio between their orderbook and the existing fleet.
Calculations based on Clarksons' data indicate that kamsarmax (80,000 dwt-89,999 dwt) newbuildings ordered in 2017 topped 9.4m dwt, accounting for more than 61% of the total orderbook of vessels in this class. The ordering wave pushed the orderbook-to-fleet ratio to about 18% as of end-December.

Tankers
In the tanker newbuilding market, South Korean builders won by a landslide, taking 60% of global orders in cgt terms for 2017, according to Clarksons.
By comparison, Chinese builders only secured 21% of orders, including 18 vessels contracted in December.
A major buyer was state-owned Cosco Shipping, whose tanker subsidiary ordered 16 tankers, including six very large crude carriers, three suezmaxes, four long range two tankers and two aframaxes, at three Chinese yards.
Looking at the year ahead, the second CNPI broker said newbuilding tanker prices will remain at low levels, a result of the dismal rates seen in freight markets.

Containerships
When it came to boxship new orders last year, Chinese yards outpaced Korean yards, with 48% of the global pie versus 36%.
Chinese yards’ strength in building feederships, as well as their success in winning the supersized-vessel orders placed by CMA CGM backed by compatriot financiers, were the main reasons for the dominance.
In fact, the newbuilding markets in 2017 were comprised of ships under 3,000 teu and above 20,000 teu, leading to an 'hourglass-shaped' ordering structure, according to SITC Broker, also a CNPI member.
“That is a reflection of the current competition focus of shipping lines: competing on the main lines via big alliances, while also vying for regional market share,” it added.
The broker expects ordering in 2018 to remain at the same pace as in 2017, with a slight increase in ship prices, considering the rise in shipbuilding and regulatory compliance costs.
However, it also warned shipyards not to pin their hopes on a significant recovery.
This is because the upcoming delivery of a large amount of ultra large containerships is likely to reignite heated price wars among carriers, while regulatory uncertainties, such as the 2020 sulphur cap, may lead owners to halt their ordering plans.
“These assumptions, if realised, will without doubt be major bad news for shipyards that did not perform well in 2017.”
+++++++++++++++

(5) World Bank, 10 January 2018

Global Economy to Edge Up to 3.1 percent in 2018 but Future Potential Growth a Concern

The World Bank forecasts global economic growth to edge up to 3.1 percent in 2018 after a much stronger-than-expected 2017, as the recovery in investment, manufacturing, and trade continues, and as commodity-exporting developing economies benefit from firming commodity prices.

However, this is largely seen as a short-term upswing. Over the longer term, slowing potential growth—a measure of how fast an economy can expand when labor and capital are fully employed—puts at risk gains in improving living standards and reducing poverty around the world, the World Bank warns in its January 2018 Global Economic Prospects.

Growth in advanced economies is expected to moderate slightly to 2.2 percent in 2018, as central banks gradually remove their post-crisis accommodation and as an upturn in investment levels off. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.5 percent in 2018, as activity in commodity exporters continues to recover.

“The broad-based recovery in global growth is encouraging, but this is no time for complacency,” World Bank Group President Jim Yong Kim said. “This is a great opportunity to invest in human and physical capital. If policy makers around the world focus on these key investments, they can increase their countries’ productivity, boost workforce participation, and move closer to the goals of ending extreme poverty and boosting shared prosperity.”

2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity. With slack in the economy expected to dissipate, policymakers will need to look beyond monetary and fiscal policy tools to stimulate short-term growth and consider initiatives more likely to boost long-term potential.

The slowdown in potential growth is the result of years of softening productivity growth, weak investment, and the aging of the global labor force. The deceleration is widespread, affecting economies that account for more than 65 percent of global GDP. Without efforts to revitalize potential growth, the decline may extend into the next decade, and could slow average global growth by a quarter percentage point and average growth in emerging market and developing economies by half a percentage point over that period.

“An analysis of the drivers of the slowdown in potential growth underscores the point that we are not helpless in the face of it,” said World Bank Senior Director for Development Economics, Shantayanan Devarajan. “Reforms that promote quality education and health, as well as improve infrastructure services could substantially bolster potential growth, especially among emerging market and developing economies. Yet, some of these reforms will be resisted by politically powerful groups, which is why making this information about their development benefits transparent and publicly available is so important.”

Risks to the outlook remain tilted to the downside. An abrupt tightening of global financing conditions could derail the expansion. Escalating trade restrictions and rising geopolitical tensions could dampen confidence and activity. On the other hand, stronger-than-anticipated growth could also materialize in several large economies, further extending the global upturn.

“With unemployment rates returning to pre-crisis levels and the economic picture brighter in advanced economies and the developing world alike, policymakers will need to consider new approaches to sustain the growth momentum,” said World Bank Development Economics Prospects Director Ayhan Kose. “Specifically, productivity-enhancing reforms have become urgent as the pressures on potential growth from aging populations intensify.”

In addition to exploring developments at the global and regional levels, the January 2018 Global Economic Prospects takes a close look at the outlook for potential growth in each of the six global regions; lessons from the 2014-2016 oil price collapse; and the connection between higher levels of skill and education and lower levels of inequality in emerging market and developing economies.

Regional Summaries:

East Asia and Pacific: Growth in the region is forecast to slip to 6.2 percent in 2018 from an estimated 6.4 percent in 2017. A structural slowdown in China is seen offsetting a modest cyclical pickup in the rest of the region. Risks to the outlook have become more balanced. Stronger-than-expected growth among advanced economies could lead to faster-than-anticipated growth in the region. On the downside, rising geopolitical tension, increased global protectionism, an unexpectedly abrupt tightening of global financial conditions, and steeper-than-expected slowdown in major economies, including China, pose downside risks to the regional outlook. Growth in China is forecast to moderate to 6.4 percent in 2018 from 6.8 percent in 2017. Indonesia is forecast to accelerate to 5.3 percent in 2018 from 5.1 percent in 2017.

Europe and Central Asia: Growth in the region is anticipated to ease to 2.9 percent in 2018 from an estimated 3.7 percent in 2017. Recovery is expected to continue in the east of the region, driven by commodity exporting economies, counterbalanced by a gradual slowdown in the western part as a result of moderating economic activity in the Euro Area. Increased policy uncertainty and a renewed decline in oil prices present risks of lower-than-anticipated growth. Russia is expected to expand by 1.7 percent in 2018, unchanged from its estimated growth rate in 2017. Turkey is projected to moderate to 3.5 percent this year from 6.7 percent in the year just ended.

Latin America and the Caribbean: Growth in the region is projected to advance to 2 percent in 2018, from an estimated 0.9 percent in 2017. Growth momentum is expected to gather as private consumption and investment strengthen, particularly among commodity-exporting economies. Additional policy uncertainty, natural disasters, a rise in trade protectionism in the United States, or further deterioration of domestic fiscal conditions could throw growth off course. Brazil is expected to pick up to 2 percent in 2018, from an estimated 1 percent in 2017. Mexico is anticipated to accelerate to 2.1 percent this year, from an estimated 1.9 percent last year.

Middle East and North Africa: Growth in the region is expected to jump to 3 percent in 2018 from 1.8 percent in 2017. Reforms across the region are expected to gain momentum, fiscal constraints are expected to ease as oil prices stay firm, and improved tourism is anticipated to support growth among economies that are not dependent on oil exports. Continued geopolitical conflicts and oil price weakness could set back economic growth. Growth in Saudi Arabia is forecast to accelerate to 1.2 percent in 2018 from 0.3 percent in 2017, while growth is anticipated to pick up to 4.5 percent in the Arab Republic of Egypt in FY 2018 from 4.2 percent last year.

South Asia: Growth in the region is forecast to accelerate to 6.9 percent in 2018 from an estimated 6.5 percent in 2017. Consumption is expected to stay strong, exports are anticipated to recover, and investment is on track to revive as a result of policy reforms and infrastructure upgrades. Setbacks to reform efforts, natural disasters, or an upswing in global financial volatility could slow growth. India is expected to pick up to a 7.3 percent rate in fiscal year 2018/19, which begins April 1, from 6.7 percent in FY 2017/18. Pakistan is anticipated to accelerate to 5.8 percent in FY 2018/19, which begins July 1, from 5.5 percent in FY 2017/18.

Sub-Saharan Africa: Growth in the region is anticipated to pick up to 3.2 percent in 2018 from 2.4 percent in 2017. Stronger growth will depend on a firming of commodity prices and implementation of reforms. A drop in commodity prices, steeper-than-anticipated global interest rate increases, and inadequate efforts to ameliorate debt dynamics could set back economic growth. South Africa is forecast to tick up to 1.1 percent growth in 2018 from 0.8 percent in 2017. Nigeria is anticipated to accelerate to a 2.5 percent expansion this year from 1 percent in the year just ended.

Source: World Bank

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

(6) Hellenic Shipping News, 10 January 2018/ Bloomberg

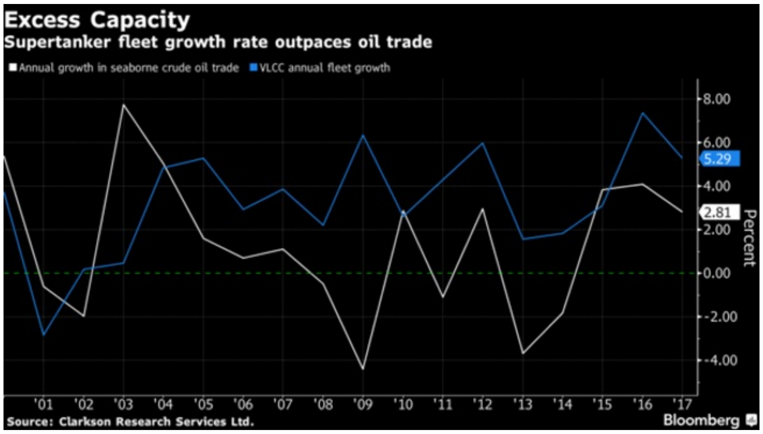
Tanker Shipping is the Big Victim From OPEC's Oil Cuts

OPEC's strategy to end a worldwide crude glut is causing havoc for a vital link in the oil industry's supply chain: the fleet of supertankers that shuttle fuel between continents.

The ships' average earnings plunged last year by more than half to levels not seen since 2009 and far below what shipping analysts had been predicting. Now, the producer group's extension of output cuts throughout 2018 is adding to the downturn.

"These cuts reduced the number of cargoes from the Middle East to Asia significantly at a time when a large amount of newly-built vessels are being delivered," Olivier Jakob, managing director at Petromatrix GmbH in Zug, Switzerland, said in a phone interview.

Oil supertankers, known in the industry as very large crude carriers, or VLCCs, can measure a quarter of a mile in length and haul about 2 million barrels of crude. Since the beginning of 2017, the Organization of Petroleum Exporting Countries and its allies have sought to reduce oil production by almost 1.8 million barrels a day, curbing exports and business for tankers on key trade routes. The group in June plans to revisit the cuts, which currently run through the end of the year.



Crude exports from OPEC's Persian Gulf members last month dropped below 18 million barrels a day for the first time since August, tanker-tracking data compiled by Bloomberg show. In particular, observed shipments declined to China and Japan from Saudi Arabia, Iran and the United Arab Emirates.

Meanwhile, the global supertanker fleet is expected to expand by 4 percent this year, after growing 5.3 percent last year and 7.4 percent in 2016, Clarkson Research Services Ltd. estimates. Shipping rates have tumbled in recent months, a time of year when they often strengthen.

"If OPEC lifts the output cut in its revision in June, the rates would improve as more oil will be pumped to the market," said Jakob. "But if it doesn't then the rates would suffer the whole year."

Rate Rout

Earnings for the vessels slumped by 57 percent to $17,794 a day on average last year, the lowest since at least 2009, Clarkson data show. Analysts surveyed by Bloomberg had anticipated an average of $25,000 a day for 2017.

Oil prices and tanker earnings often move in opposite directions. In 2013, a year when Brent crude reached almost $120 a barrel, supertankers earned an average $18,621 a day, according to Clarkson. Two years later, amid the oil-price slump, daily returns jumped to an average $64,846.

Since June, Brent futures have soared more than 50 percent to the highest level in more than three years. They traded at $67.92 a barrel as of 1:53 p.m. in London. Earnings on a key supertanker route from the Persian Gulf to Asia plummeted 69 percent in 2017 to end the year at about $16,000 a day, well below the December seasonal average, Baltic Exchange data show.

The rate rout has affected some of the world's largest tanker companies. Shares of Bermuda-based DHT Holdings Inc. declined to a 2017-low of $3.55 on Dec. 20, though they have risen slightly in recent days. Frontline Ltd.'s shares dropped 39 percent last year.

Fleet growth and inventory drawdowns, which reduce the amount of fuel for export, are "the dominant reason for the weak tanker market we have experienced during the last 12 months," Robert Hvide Macleod, chief executive officer of Frontline's management business, said by email. The OPEC cuts have been offset by an increase in trade flows elsewhere, including the Atlantic Basin and from the U.S. to Asia, he said.

Amid the market turbulence, Antwerp-based Euronav NV on Dec. 21 said it would acquire Gener8 Maritime Inc. of New York, creating an independent tanker operator with a fleet of 75 crude tankers, including 44 VLCCs. Euronav declined to comment because the transaction hasn't been completed yet. A Gener8 Maritime spokesman didn't respond to a request for comment.

'Double Whammy'

"The crude tanker market has a double whammy: reduced OPEC exports and too many new ships," said Burak Cetinok, head of research at Arrow Shipbroking Group in London. "We expect volatility in the rates this year but overall a challenging market."

In addition, crude is now trading in a structure called backwardation, when near-term contracts are at a premium to later-dated ones, an indication that the market is re-balancing and the attraction of storing oil — particularly at sea — is diminishing.

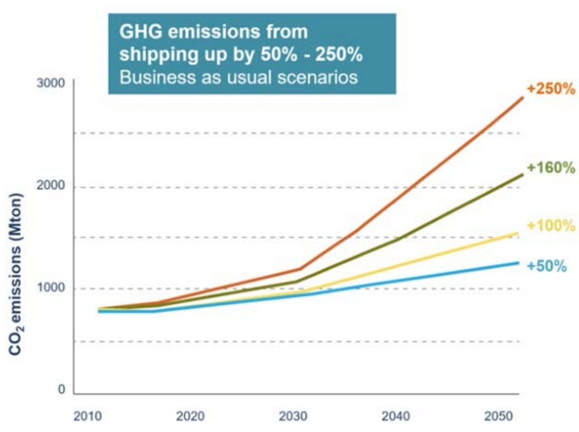
"That frees the ships tied-up for storing oil, adding to the vessel glut," Petromatrix's Jakob said.

The second half of this year may provide a turning point for supertankers as demand for OPEC crude increases and fleet growth slows, according to shipping analyst Eirik Haavaldsen at investment bank Pareto Securities AS.
"The first half will be weak though, and probably weaker than the first half of 2017," he said.
Source: Bloomberg
+++++++++++++++

(7) Hellenic Shipping News, 12 January 2017/ World Bank

Three reasons why maritime transport must act on climate change

For years, the transport sector has been looking at solutions to reduce its carbon footprint. A wide range of stakeholders has taken part in the public debate on transport and climate change, yet one mode has remained largely absent from the conversation: maritime transport.
Tackling emissions from the shipping industry is just as critical as it is for other modes of transport. First, international maritime transport accounts for the lion's share of global freight transport: ships carry around 80% of the volume of all world trade and 70% of its value. In addition, although shipping is considered the most energy-efficient mode of transport, it still uses huge amounts of so-called bunker fuels, a byproduct of crude oil refining that takes a heavy toll on the environment.
Several key global players are now calling on the maritime sector to challenge the status quo and limit its climate impact. From our perspective, we see at least three major reasons that can explain why emissions from maritime transport are becoming a global priority.
1. Stormy waters – the challenge of rising emissions
If the shipping industry was a country of its own, it would rank as the 6th largest greenhouse gas (GHG) emitter worldwide, right between Japan and Germany. While the sector's share in global emissions is currently at 2-3%, the demand for maritime transport is soaring – and so are emissions. From 2015 to 2016 alone, the slowest year in more than a decade, the world's fleet still grew by more than 3.5%. The result of this trend? Under a business-as-usual scenario, the International Maritime Organization (IMO) estimates that carbon emissions from shipping could increase by 50%-250%.



2. All hands on deck – the imperative of fairness
Neither international aviation nor international shipping were part of the climate change targets set under the Paris Agreement. As a consequence, these two specific industries were the only ones not included in any of the national climate action plans submitted by countries after the Paris agreement, often referred to as Nationally Determined Contributions.
Things finally started moving in 2016, when the International Civil Aviation Organization (ICAO) adopted its Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to address carbon emissions from international flights. If the shipping sector does not follow suit quickly, its carbon

emissions are forecasted to make up 10%-17% of global GHG emissions by 2050, posing a significant threat to the Paris Agreement's goal of keeping global warming well below 2°C.

From a political standpoint, holding major emitters like the shipping sector accountable is also tremendously important to the overall success of climate action: If powerful industries are not required to do their due diligence, how can we expect poor and vulnerable countries to understand that they, too, should be taking action? And how can we expect certain transport modes to act pro-actively on climate when others are exempt from any obligations?

3. Setting sail – the window of opportunity

Pressure on the international maritime industry to take action has been increasing in recent years. For instance, in February 2017 the European Parliament voted in favor of including shipping in its EU Emissions Trading System from 2023, unless the IMO proposes comparable climate regulation on its own. Within this context, the IMO has committed to adopt an initial GHG emissions reduction strategy in April 2018, the year when the United Nations Framework Convention on Climate Change will also conduct its first global stock-taking exercise to measure progress on climate action. This will be followed by a revised IMO strategy in 2023. As the momentum builds, there is a clear window of opportunity to create a greener future for international maritime transport.

The World Bank is part of two global initiatives that have recently joined forces to support the shipping industry on this journey: the Sustainable Mobility for All and the Carbon Pricing Leadership Coalition, whose work on maritime emissions is led by the University College London Energy Institute and the Global Maritime Forum. Building an alliance of progressive maritime stakeholders to explore, discuss, and evaluate the potential of possible emissions reduction strategies is key. As Roman philosopher Seneca once said: "If one does not know to which port one is sailing, no wind is favorable."

Source: The World Bank

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