25 September 2020

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… Orderly Transition or Disorderly Continuation? …

Source: BBC

POINTS OF VIEW

Patchwork sets of rules rarely work as well as universal rules directed from the centre, as we are finding out in transatlantic responses to Covid and regulatory actions on shipping. There are both similarities and differences when comparing the UK and US approach to the pandemic. Tactical similarities are evident as Boris is an admitted fan of Donald, but philosophical differences creep in as Boris remains fundamentally a believer in democracy. In the US, the federal government has largely left it to the states to tackle the virus, with help occasionally provided by the centre, but favouring red states over blue, consistent with re-election obsession. In the UK, latest attempts to have a common strategy among the component nations of England, Scotland, Wales and Northern Ireland have largely failed. Each is now setting its own, albeit quite similar, policy.^ Boris appears whacked by Covid and seems to have lost the power, and will, to lead. In the US, politics has prevailed over science, often in cringeworthy displays of truth suppression. In the UK, the politicians have kowtowed to the scientists, in a way that they did not to the economists, as if they are afraid to take ownership of this complex problem. The US and UK leaders are similar in their refusal to take responsibility as they lie, deny, obfuscate and switch blame as a means of countering accusations of failure, even as they congratulate themselves for a job well done. Surreal. In this tactic we can see Boris borrowing from the Donald and Roger playbook. In their overall initial and ongoing policy response to Covid, both the US and UK have done badly. In deaths as a percentage of population they are almost the same with the US at 0.061% and the UK slightly worse at 0.063%.*

The IMO (International Maritime Organisation) is recognised as the world's rule-setter in shipping, the only truly global business on the planet. Its problem is that it is often hobbled by its enormous membership which can make reaching a timely consensus a daunting task. This then plays into the hands of national and regional actors. Once again we are faced with a challenge as last Tuesday, 15 September, the EU flagged up its intention to bring shipping into the Emissions Trading System from 2022 as part of its decarbonisation programme. Shipping must reduce its carbon emissions by 40% by 2030 against a 2018 baseline, which differs from the IMO which set the baseline as 2008 when fewer eco ships were sailing. The EU proposals are thus more onerous. It is proposed that the ETS will be applied to all ships starting, ending or trading within the EEA which means that many ships coming from faraway will be penalised for emissions occurring well beyond European waters.^^ Intercargo has ventured that this will create a complex transhipment system just outside EU borders with smaller and more polluting ships being the short-sea connectors within Europe, potentially raising overall emissions. Clarksons Platou Securities estimates that the ETS proposal will add $4,000 to the daily operating costs of an aframax tanker. As usual, we are left to wonder who will pick up the final tab as beleaguered shipowners will want to avoid becoming the victims. We would guess that it will pass through to the consumer, eventually. In this duel to dictate shipping's carbon future, will the IMO prevail at the global level or the EU at the regional level?

This latest regulatory bombshell reinforces the existing debate around future propulsion systems and other green technology inputs. Slow steaming is already entrenched so not much more can be done there. There is the prospect of faster obsolescence and greater scrapping. But, before owners commit to building new ships, they need the shipbuilders to come up with new designs that can help shipping meet its decarbonisation goals. LNG fuelling is regarded by some as an interim solution,** despite its high cost and it being an effective swap of slightly lower CO2 for slightly higher CH4 (methane) emissions. Both of these are greenhouse gases that contribute to global warming. An Oxford University study suggests that burning LNG does not greatly reduce GHGs when compared to using LSFO or HSFO, only by about 20% and 23% respectively. However, the great advantage of LNG is that it almost entirely eliminates emissions of SOx, NOx and particulate matter. For others, investing in LNG as an interim solution is too risky. They want something safer and more enduring, nothing less than a brand new model. The pandemic has taught us the vulnerability of demand and the consequences of oversupply.

^Scotland and Northern Ireland have banned visits between households while England and Wales still allow them.

*Cumulative deaths to total population ratios. US: 200,807 / 328.2m and UK: 41,825 / 66.8m as of 22 September.

^^The risk is that other countries and regions will introduce their own competing rules, leading to a patchwork system of carbon taxes.

**It is generally considered that LNG fuelling is only appropriate for larger ships given its high cost and its physical space requirements.

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Dry Cargo Chartering

The **BDI** closed the week at 1,667 points up 371 points from last week.

The **cape** market closed the week at $24,178, this was up from last weeks close $15,761. On voyage, Trafigura fixed the Alpha Hope for Tubarao to Qingdao at $20. Pacbulk fixed the Olympic Hope for same at $18.60. Earlier in the week Swissmarine fixed the Phoenix 8 for Tubarao/Qingdao at $15.85. In the Pacific, Rio Tinto fixed a TBN for Dampier to Qingdao at $8.20. On TCT, HMM fixed the Maran Prosperity (174,240-dwt, 2006) delivery retro CJK for a trip via West Australia redelivery Singapore-Japan range at $19,500.

The **panamax** market closed the week at $12,483 up $648 from last weeks close of at $11,835. In the Pacific, Zheng Kai (81,877-dwt, 2012) fixed delivery Qingdao for a trip via North Pacific redelivery Singapore-Japan at $12,000. TataNYK fixed the Tomini Nobility (81,200-dwt, 2020) delivery CJK for a trip via East Australia redelivery India at $12,500. In the Atlantic, Hudson fixed the Ecopride GO (81,963-dwt, 2013) delivery USG for a trip redelivery Singapore-Japan range at $16,750 plus $675,000 ballast bonus. Atlantic Coal & Bulk fixed the Eptalofos (92,567-dwt, 2007) delivery passing Gibraltar for a trip via Baltic redelivery Turkey at $14,500.

The **supramax** market had a positive growth across most of the basins. The BSI closed at $10,910 up from last weeks $10,351

In the Atlantic, the *Bright Falcon* (63,487-dwt, 2019) fixed delivery East coast South America for a trip redelivery South East Asia at $14,500 plus 450,000 ballast bonus by Louis Dreyfus, the *St Pinot* (57,949-dwt, 2013) fixed delivery Baltic for a prompt trip redelivery Turkey with scrap at $19,500.

In Indian Ocean, the *Eships Progress* (56,557-dwt, 2012) was fixed for a trip delivery Hazira for a trip redelivery Bangladesh at $13,250 by Seaking, the *Milos* (56,988-dwt, 2010) fixed delivery West coast India for a trip redelivery Bangladesh at $10,500. In the Pacific, the *Yvonne* (56,557-dwt, 2008) fixed delivery passing Busan for a prompt trip via North pacific redelivery Indonesia intention soda ash at $10,000 by Cargill, the *Yan Dun Jiao* (50,077-dwt, 2001) fixed delivery Yangon for a trip via Indonesia redelivery West coast India at $8,500

The **handy** market remained strong, especially on the continent with little signs of easing. The BHSI closed at $10,528 gaining $479 from last week.

The Federica (36,612-dwt, 2012) fixed delivery Dunkirk for a trip redelivery Abidjan at $15,250 for the first 35 days and $14,500 thereafter with Sometra.

True Love (38,762-dwt, 2015) fixed delivery Dordrecht for a prompt trip redelivery US east coast at $14,750 with Clipper. Trips to the East saw BAI take the Sunshine (37,268-dwt, 2009) delivery Brake for a prompt trip redelivery India at $18,500.

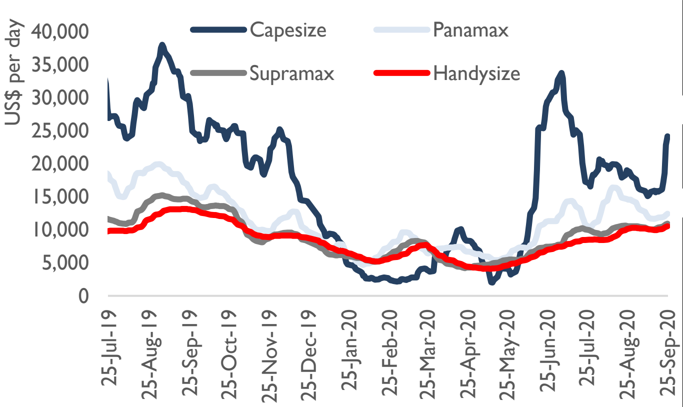
A 33dwt fixed delivery continent via Baltic to Brazil at $11,000. Perhaps most the most impressive fixture at the start of the week, *Aloni* (33,399-dwt, 2010) fixed a prompt trip via Baltic redelivery Morocco intention grain $13,500 with Sealift.

On period, a 38dwt open Continent fixed $13,000 for minimum 5 months trading redelivery Atlantic. In the East, The *Flying Buttress* (31,887-dwt, 2010) open CJK was fixed for 2 laden legs at $8,000 with the first leg having steel onboard.

The non-logger *Densa Puma* (36,722-dwt, 2013) open Campha was fixed for a trip to south China with limestone at $7,250. The *Strategic Endeavor* (33,078-dwt, 2010) delivery Busan prompt trip via CIS redel South Korea $7,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Maran Prosperity	174,240	2006	Retro CJK	18 Sept	Singapore-Japan	$19,500	HMM	Via W.Aus
Genco Claudius	169,000	2010	Jingtang	20 Sept	Singapore-Japan	$18,500	Oldendorff	Via E.Aus
Ecopride GO	81,963	2018	US Gulf	5/12 Oct	Singapore-Japan	$16,750	Hudson	
Medi Matsuura	81,788	2015	D/C Manila	PPT	Philippines	$13,000	Oldendorff	
Sea Hermes	81,708	2013	Seven Islands	15 Oct	Argentina	$16,250	Nordic	
Bright Falcon	63,487	2019	EC South America	Early Oct	S.E.Asia	$14,500	Louis Dreyfus	Plus $450,000 bb
St Pinot	57,949	2013	Baltic	PPT	Turkey	$19,500	CNR	
Yvonne	56,557	2008	Busan	PPT	Indonesia	$10,000	Cargill	Via NoPac Int Soda
True Love	38,762	2015	Dordrecht	PPT	US East Coast	$14,750	Clipper	
Densa Puma	36,722	2013	Campha	18/20 Sept	S.China	$7,250	CNR	Int Limestone



Exchange Rates	This Week	Last week
JPY/USD	105.44	104.6
USD/EUR	1.1643	1.186

Brent Oil Price	This Week	Last week
US$/barrel	41.61	43.53

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	266.0	275.0
VLSFO	328.0	349.0
Rotterdam IFO	255.0	262.0
VLSFO	295.0	317.0

Dry Bulk S&P

With temperatures dropping quite significantly across the UK, the end of summer is definitely here, although there has been no dampening of transactions in the sale and purchase market.

Gains in the Capes have taken headlines towards the back end of this week in the charter market; over a $4,000 pd increase seen yesterday on the BCI, with regular supply side chains coming back online to meet seasonally buoyant demand. As always, positive optimism can be taken from this as it trickles down into the smaller sub cape sectors.

In the Capesize sector, only one sale to report this week. The *Sideris GS* (174,187-dwt, 2006 SWS) has been sold for US$ 11.5 mill to undisclosed interests. The sale is line with last weeks reported sale of the *Cape Fushen* (177,890-dwt, 2008 SWS) at US$ 13.7 mill.

Only one Kamsarmax sale to report this week; the *Sunny Young* (81,967-dwt, 2011 DSME) has been sold at US$13.85 mill (SS/DD due), a tick down on the last similar Korean unit, the *Andante* (81,615-dwt, 2012 SPP) which achieved US$15.75 mill at the back end of August.

The majority of sales this week lie down in the Supramaxes where plenty of Japanese controlled tonnage continues to come on to the market for sale. Client of Kambara Kisen have sold the eco-type *Tenwa Maru* (57,763 dwt, 2017 Tsuneishi) sold for US$ 17 mill to Japanese buyers – although no similar like-for-like sales to compare to recently, the price seems a good deal for buyers if compared to 2017 Japanese built Ultramax which we would value in the low $20 mill today, taking into account dwt.

The box hold type *Global Majesty* (56,052-dwt, 2012 Oshima – BH) has been sold for US$ 11.7 mill to Indonesian interests and the *Sri Ganesh* (56,039-dwt, 2007 Mitsui) has been sold for US$ 7.6 mill to Chinese buyers – compared to similar aged Mitsui 56 under offer at the moment the price is light, perhaps due to a previous grounding incident. This is clearly seen in the *SSI Nemesis* (56,023 -dwt, 2005 Mitsui) which took offers this week, and we understand that best seen is region US$ 7.5 mill.

In the Handysize sector, the *Pacific Journey* (38,225 dwt, 2011 Imabari) has been committed for US$ 10.5 mill, a price more or less in line with the current prevailing market. Elsewhere the Chinese built *Jupiter Ace* (32,527-dwt, 2009 Zhejiang Hongxin) has been sold for US$ 5.8mill and the *Ocean Luck* and *Ocean Harvest* (both 32,040-dwt, 04 Hakodate) achieved US$ 4.8 mill and US$ 4.85 mill respectively to a Chinese buyer with delivery China

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Sideris GS	174,187	2006	SWS	-	Undisclosed	$11.5m	
Sunny Young	81,967	2011	Daewoo	-	Undisclosed	$13.85m	DD Due
Tenwa Maru	57,763	2017	Tsuneishi	C 4x30	Japanse buyers	$17.00m	
Global Majesty	56,052	2012	Oshima	C 4x30	Indonesian	$11.70m	
Sri Ganesh	56,039	2007	Mitsui	C 4x30	Undisclosed	$7.60m	Poor condition & had a grounding
SSI Nemesis	56,023	2009	Mitsui	C 4x30	Undisclosed	$7.50.	Offers invited today
Pacific Journey	38,225	2011	Imabari	C 4x31	Undisclosed	$10.50m	Committed
Jupiter Ace	32,527	2009	Zhejiang Hongxin	C 4x30	Undisclosed	$5.80m	
Ocean Luck	32,040	2004	Hakodate	C 4x31	Chinese buyers	$4.8m	Delivery China
Ocean Harvest	32,038					$4.85m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Gelasha	277,218	1992	Daewoo	Bulk	32,650	375	As is

Tanker Commentary

The tanker sale & purchase market remains unchanged with an ever increasing list of ships for being marketed sale and a dwindling list of buyers looking to acquire them. As such, one would imagine values can only be heading in one direction with the lack of crude sales has made valuing tonnage an increasingly difficult task. The forthcoming fleet sale by the Interim Judicial Managers of Xihe Holdings Pte Ltd is likely to reset values with inspections of the VLCCs taking place over the weekend. The situation is reminiscent of the Toisa fleet sale in 2018 where a large number of modern market candidates enabled values to be crystalised across all sectors.

The sale of most interest this week is that of the 17 year old suezmax A*ldus* (149,994- dwt, 2003 Universal) which has been acquired for a competitive looking US$ 16 mill by Edge Maritime Inc, the fifth suezmax addition to their fleet this year. The vessel was purchased in January by the current owners for US$ 21 mill who outsourced the technical and commercial management to World Carriers in Greece. The price illustrates a correction of almost 25% in values year to date and will not doubt leave many owners keeping a watchful eye over their covenant loan agreements. Elsewhere in the suezmax sector, Euronav are reported to have disposed of *Bastia* (159,155 dwt, 2005 HHI) to Indian interest. The vessel, which has surveys due imminently, is understood to have obtained US$ 20.8 mill.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Bastia	159,155	2005	HHI	Indian buyers	$20.8m	
Aldus	149,994	2003	Universal	Edge Maritime	$16m	

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