18 June 2021

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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… The Climate Debate Heats Up …

Source : The FT

POINTS OF VIEW

Last week, we saw the G7 leaders descend upon the emptied out beaches of Cornwall's Carbis Bay to set out common policy on how to work together in the face of multiple threats, including Covid-19, recommitting to democracy and multilateralism, and launching Build Back Better to fund infrastructure in low and middle income countries. This week, delegates from 174 countries, plus industry observers, met at the IMO in London to face another threat, climate change, and to discuss measures that can reduce carbon intensity in shipping by 40% by 2030, and by 50% by 2050, compared with 2008. Maritime transport, that moves 90% of world trade in goods, emits about 2.4% of annual CO2 and faces a world class challenge to decarbonise as clean fuels - such as hydrogen, ammonia and methanol – are not readily available and cost much more than oil and gas. The key feature of the IMO agreement is to reduce the carbon intensity of existing ships by 1% to end 2022, 2% a year for 2023-2026, then set new targets for 2027-2030. The consensus is widely regarded as underwhelming and lacking in ambition and enforcement mechanisms. It fails to align with the Paris Agreement and it falls well short of calls by other nations for net zero or absolute zero by 2050.^

Big shipping and shipbuilding nations, and owners of non-eco ships, have been given a reprieve so, for now, it is left to others to take tougher action. The risk is that countries and regions adopt their own rules, leading to an unworkable patchwork of regulations unsuited to a global business like shipping. The largest charterers will be left to filter out non-eco ships to reduce their own carbon footprints and protect their own reputations. Prolonged unemployment is an alternative route to the scrapyard. The G7 singled out Russia for its cyber attacks and China for its neo-imperial Belt and Road Initiative.** Meanwhile, at the IMO, it was notable that China, Russia, Saudi Arabia and Iran supported the IMO's position, thus opposing tighter environmental rules for shipping as proposed by the US, UK and EU. At a broader less geopolitically-charged level, it is a problem when the developed world tells the developing world to suddenly stand still, sacrifice economic growth, and pay up to switch to a new regime: in this instance, low-carbon and carbon-free fuels. According to a Markets Insight article in the FT, decarbonisation will be accompanied by a rotation away from capital-light 'growth' companies, that invest in ideas, to capital-heavy 'value' companies, that invest in stuff. It all links up with what was discussed at the G7 and the IMO, with the West seeing that it is best served by regaining trade and security resilience.

As Ian Harnett wrote in the FT, the trend towards more capital-heavy companies is driven by four structural themes: 1) investment in reshoring; 2) shifting investment in information to infrastructure; 3) developing climate-transition technologies; and 4) investment in technologies needed to secure geopolitical leadership. Reshoring is an investment in resilience after the GFC and Covid-19 exposed the fragility of our supply chains which in turn diminishes our cyber, bio, financial and national security. The Global Infrastructure Hub estimates that $94tn needs to be invested over the next 20 years to keep pace with demographic change and replace ageing infrastructure. After decades of having our heads in 'The Cloud', we need to repair the neglected assets that physically connect us. Climate-transition technologies require investment in a range of areas. Broader electrification of transportation needs rapid advances in battery technology and hydrogen fuel cells but, as transport accounts for less than 20% of global CO2 emissions, innovation is needed across the economy, from steel production to agriculture. Finally, the race for geopolitical leadership. The military industrial complex was central to technological innovation and economic growth in the US during the 1960s, just as China's "Military Civil Fusion" programme delivers it the same leaps forward today in areas ranging from aero engines and semiconductors to quantum computing. It all enables China to challenge for global geopolitical leadership, so the US urgently needs to channel capital into these areas. You can see where this is going. It is all commodity-intensive and it will be shipping-reliant, and it will be long-term.^^ Biden is re-engaging with the world and with real world issues, unlike his predecessor, a unilateralist and a climate change denier.

*This G7 meeting comprised Canada, France, Germany, Italy, Japan, UK and US plus the EU and invited guests Australia, India, South Africa and South Korea.

^CII guidelines will see absolute carbon emissions increase to 2030. Supporters see these as a minimum, leaving ambitions to be raised from 2026. Decision on a carbon levy has been delayed to November.

**China played down the end-of-event G7 communique stating tersely: "The days when global decisions were dictated by a small group of countries are long gone."

^^The conclusion to Ian Harnett's article ("The coming regime shift towards capital-heavy companies") is as follows: "The shift towards capex-heavy business models will initially be driven by those sectors that have been starved of capital over the past 20 years as they benefit from reshoring and increased infrastructure spending. However, longer term it could be nascent technologies required for the climate transition and geopolitical "proxy wars" that deliver increased returns to investors from capital-heavy companies."

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Dry Cargo Chartering

The **BDI** closed this week at 3218 points, up 361 points from last Friday.

The **cape** market continued to climb again this week although a dip was seen in today's figures. Time-charter averages finished the week at $33,415 up $5,663 from last reported. Notable fixtures this week include Ultrabulk taking the *Mineral Noble* (170,649-dwt, 2004) delivery Yeosu for a prompt trip via South Africa with chrome ore to China at $34,500, while yesterday Swire fixed the *Star Polaris* (179,468-dwt, 2011) delivery CJK for the same trip at $38,000. This week's coal fixtures include a Ssangyong TBN vessel being chartered by Kepco for a 133,000 mtons 10% tender from Newcastle to Hadong for early July dates at $17.96 pmt. Additionally, a TBN vessel was fixed by Uniper for 120,000 mtons 10% from Quebec to Gijon at $18.50 pmt for 7/12 July. Rates for the usual Tubarao to Qingdao iron ore route seemed to increase at approximately $1 per day this week, but fell today to finish up just over $28.00 pmt. Fixtures along this route included Koch chartering the 2011-built *Korona D* for 170,00 mtons 10% for 1/5 July at $27.50 pmt. Further ore fixtures from this week include the *Pan Acacia* fixing 170,000 mtons 10% from Dampier to Qingdao at $11.65 pmt. On the period side of things, Classic took on the scrubber-fitted *Maran Vision* (171,810-dwt, 2007) delivery Luoyu for one year trading at $35,000.

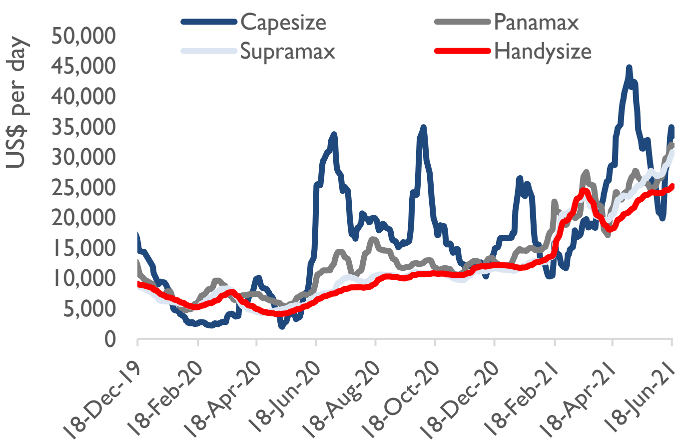
The **panamax** market further firmed this week as it closed today at $30,561 up by $2,179 (7.7%) since last reported on 11th June. In the Pacific, Refined Success fixed *Helvetia One* (92,737-dwt, 2012) delivery Fangcheng 15th June for a trip via WC Australia to China at $31,750 whilst the *Shun Fu Xing* (71,172-dwt, 2001) was fixed for delivery Fujian 16th June trip via Indonesia to South China t $28,800. In the Indian Ocean, Trafigura fixed the *AM Express* (82,245-dwt, 2010) delivery Hazira 12-13 June for a trip via EC South America to Singapore-Japan range at $31,000 and the *Melodia* (80,554-dwt, 2013) was relet basis retro sailing Jaigarh 8th June for a trip via EC South America to Singapore-Japan range at $33,250. Meanwhile in the Atlantic, Cargill covered the *Tinos* (81,391-dwt, 2011) delivery Barcarena 26/27 June for a trip to Singapore-Japan range at $28,000 + $1,575,000 GBB whilst Cofco Agri took the *Double Miracle* (95,444-dwt, 2014) delivery EC South America 18th June for a trip to Skaw-Gibraltar range at $41,000 with scrubber benefit for Charterer's account. Additionally, Koch Trading took the *Lyric Harmony* (81,290-dwt, 2012) delivery Manila beginning of July for 6-8 months with redelivery worldwide at $31,000. NYK fixed the *Dennisan* (78,095-dwt, 2012) delivery Sasebo 2nd half of June for 1 year with redelivery worldwide at $24,250 whilst a TBN vessel was fixed by SAIL for 75,000 mtons 10% coal from Gladstone to Visakhaptnam for 5-14 June at $31.20 pmt.

It has been a sterling week for the **supra** market, rates are rising steadily in all trade regions. The BSI closed at $30,819 up from last week's $28,514. In the Atlantic, the *Alberta* (62,985-dwt, 2016) was reported to be fixed for a delivery Ergeli with a redelivery around the Red Sea to Japan region at $28,000 inclusive of a $1.2 million ballast bonus. Another was the *Alexandra KPN* (61,644-dwt, 2019) was rumoured to have been fixed for a delivery towards the East Coast South America region with a redelivery to China at $22,750 with a ballast bonus of $1.275 million. In the Indian Ocean, *the Jahan Brothers II* (56,014-dwt, 2008) was fixed for a prompt trip with a delivery to East Coast India and a redelivery to China at $32,000. Also, the *Pacific Advance* (63,507-dwt, 2015) was fixed to carry sulphur with a delivery to Bin Qasim with a redelivery to the Persian Gulf to East Coast South America range at $31,000. In the Pacific, the *DZ Weihai* (55,751-dwt, 2005) was fixed for a nickel ore run with a delivery to Fangcheng to China via the Philippines at $29,000. While the *Fareast Honesty* (56,841-dwt, 2012) was fixed for a prompt trip with 2 laden legs to CJK with a redelivery around the Singapore-Japan range at $24,750

Another outstanding week in this remarkable market, the **BHSI** closed today at $25,270 up $825 from last week. The Continent stayed firm with Owners appetite for period ever increasing, a priority now over single legs. The *Cielo di Seto* (37,133-dwt, 2017) fixed delivery Gibraltar for two laden legs redelivery Singapore-Japan range at $25,000. A 35,000-dwt fixed delivery Rotterdam via Murmansk redelivery North Brazil with Ferts at $21,500. It was rumoured a 32,000-dwt fixed and failed a scrap trip to Turkey at $20,000 delivery ARAG.In the Mediterranean, the *Electra.GR* (37,323-dwt, 2019) rumoured fixed passing Canakkale via Black Sea redelivery Egypt at $28,000. Intra-Mediterranean fixtures were heard done at $20,000 dropping Outward pilot on 28,000-dwt vessels. Across the pond, the *Gdynia* (37,993-dwt, 2012) fixed delivery New Orleans for a trip redelivery Mediterranean with grains at $22,500 to LDC. The *Xing Zhi Hai* (34,443-dwt, 2015) delivery USG for a trip redelivery Black Sea at $19,000 with Ocean Base. In the East coast of South America, the *HTK Discovery* (37,322-dwt, 2007) open Vitoria fixed basis delivery Recalada for a trip to the Mediterranean with Grains $30,000. The *SSI Providence* (37,899-dwt, 2020) fixed basis delivery Vitoria for a trip with pig iron redelivery USG at $28,000. On longer period, the *Harvester* (37,842-dwt, 2017) open Veracruz fixed for a minimum of 12 months with redelivery worldwide at $20,000 to COLI Bulk Carriers. In the East, a 38,000-dwt open in Qatar was rumoured to have been placed on subjects for a trip to East Coast South America at $33,500. The *Fortune Lord* (45,600-dwt, 1997) was fixed basis delivery Hong Kong via Campha with redelivery in China with an intended cargo of Clinker at $27,000 to Fu Yuan Marine. The *DL Tulip* (33,694-dwt 2012) was fixed basis delivery Zhoushan for a trip via South Korea with redelivery Philippines at $19,250 also to Fu Yuan Marine.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Star Polaris	179,468	2011	CJK	PPT	China	$38,000	Swire	Via South Africa
Chariklia Junior	92,932	2011	EC South America	29 June	Singapore-Japan	$24,000	Cofco Agri	Plus $1,500,000 bb
Archon	82,084	2018	EC South America	2/3 July	Skaw-Gibraltar	$44,500	Cargill	
Tinos	81,391	2011	Barcarena	26/27 June	Singapore-Japan	$28,000	Cargill	Plus $1,575,000 bb
Shun Fu Xing	75,172	2001	Fujian	16 June	South China	$28,800	CNR	Via Indonesia
Yangtze 8	63,515	2015	Yangpu	PPT	Singapore-Japan	$30,250	CNR	2/3 Laden Legs
Chang Hang Han Hai	58,023	2012	Basuo	19 June	China	$29,000	CNR	Via Philippines Int Nickel Ore
DZ Weihai	55,751	2005	Fangcheng	22 June	China	$29,000	CNR	Via Philippines Int Nickel Ore
SSI Providence	37,899	2020	Vitoria	PPT	USG	$28,000	CNR	Int Pig Iron
Dl Tulip	33,694	2012	Zhoushan	PPT	Philippines	$19,250	Fu Yuan Marine	Via South Korea



Exchange Rates	This week	Last Week
JPY/USD	109.50	110.09
USD/EUR	0.8228	0.8391

Brent Oil Price	This week	Last Week
US$/barrel	72.59	72.75

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	410.0	402.0
VLSFO	530.0	520.0
Rotterdam IFO	391.0	392.0
VLSFO	501.0	507.0

Dry Bulk S&P

Momentum keeps building in the dry bulk S&P market with sales at high values being reported across the board.

Some market reports mentioned the eco engine *Nord Olive* (56,108-dwt, 2014 Oshima) was trading closely around mid 19s two weeks ago, we now understand she is committed at $22.05m. *Amami K* (58,613-dwt, 2012 Kawasaki) is reported gone to Greek Buyers for $19.50m, in line with the sister which sold last week.

The ultramax *White Hawk* (61,360-dwt, 2012 Oshima) is reported sold for 21m, a significant step up on the last comparable sale of *Neo Beachwood* (61,418-dwt, 2011 Iwagi) for $16.7m at the end of April. *Star Pathfinder* (61,298-dwt, 2015 Iwagi) looks cheap at $23m, however we understand this was a purchase option and is therefore not representative of the prevailing market as evidenced by ongoing negotiations on *La Lama* (61,305-dwt, 2016 I-S) which we understand is negotiating close to $26m with five Buyers offering above $25m.

There are suggestions the Greek owners of *Malen* (34,627-dwt, 2011 Shanghaiguan) have flipped her for a significant profit since they purchased her towards the end of last year for around $7m as another Greek is reported to have bought her for in excess of $14m. The sellers have paid to pass special surveys and install ballast water, however allowing for earnings the sellers will have almost doubled their money.

Volatility in the cape market continues as the paper and spot earnings fluctuate with significant gains early in the week partially making way as both spot and paper markets softened today, however there are units currently negotiating and we expect to have some new sales next week which will likely prove useful benchmarks.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Cecilia B	82,017	2012	Tsuneishi	Gearless	undisclosed	$23.50m	Scrubber fitted
Kagara	78,129	2013	Shin Kurushima	Gearless	Safe Bulkers	$22.00m	
Athina	76,635	2007	Sasebo	Gearless	undisclosed	$15.50m	
Atlantic Hero	75,804	2005	Sanoyas	Gearless	undisclosed	$14.50m	
Canberra	75,413	2001	Hitachi	Gearless	undisclosed	$9.50m	BWTS fitted & SS/DD due 09/21
Captain Stefanos M	70,529	1998	Sanoyas	Gearless	undisclosed	$8.00m	
White Hawk	61,360	2012	Oshima	C 4x30T	undisclosed	$21.00m	
Star Pathfinder	61,298	2015	Iwagi	C 4x31T	Belships	$23.00m	Execution of purchase options
Amami K	58,613	2012	Kawasaki	C 4x31T	Greek	$19.50m	BWTS fitted & Tier II
Nord Olive	56,108	2014	Oshima	C 4x30T	Turkish	$22.50m	Forward delivery & eco engine
Madonna III	53,390	2007	Chengxi	C 4x36T	undisclosed	$11.80m	
Lotus	48,913	2001	IHI	C 4x30T	Chinese	$8.50m	SS/DD passed & BWTS fitted
Malen	34,627	2011	Shanhaiguan	C 4x30T	Greek	$14.20m	SS/DD passed & BWTS fitted
CS Caroline	30,420	2010	Tsuji	C 4x30T	undisclosed	$11.25m	

Tanker Commentary

In the VLCC segment, the Ocean Tankers fleet has offered the market a plethora of 8 to 12 year old Chinese constructed units, dominating sales reports over the past 9 months. This week however, we've seen the Korean built *Athenian Victory* (317,441-dwt, 2009 Hyundai HI) being sold to the Gotsis-led Eurotankers for $42 mill. When comparing this to the sale of the *Jiu Hua San* (317,977-dwt, 2009 SWS) that achieved $38.5m last month, this weeks transaction highlights an approximate 9% premium against the Chinese built equivalent – both have dry docking due mid/end 2022.

Meanwhile Chinese interests are believed to be behind the purchase of Mercuria Energy's VLCC Jupiter (306,283-dwt, 2000 Daewoo) for $27m basis surveys freshly passed – a good example of asset play as the vessel was purchased in January this year for $19.5m. With a notable drop in crude imports into China and uninspiring rates, we are likely to see a drop in Chinese buyers hunting for tankers going forward.

In the LR1 segment, Sovcomflot have sold their *SCF Progress* (74,588-dwt, 2012 Hyundai Mipo) to Greek owners Alberta for an unknown price. The state backed Russian company sold sister vessels *SCF Plymouth* (74,606-dwt, 2011 Hyundai Mipo) and *SCF Prudencia* (74,565-dwt, 2012 Hyundai Mipo) en bloc in April for $39.5m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Athenian Victory	317,441	2009	Hyundai HI	Eurotankers	$42.00m	
Jupiter	306,283	2000	Daewoo	Chinese	$27.00m	SS/DD passed
SCF Progress	74,588	2012	Hyundai Mipo	Alberta	-	
Valle Di Andalusia	42,721	2001	Hyundai Mipo	UAE based	$6.50m	SS/DD due 2H 21

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Caribbean Energy	72,571	1980	General Dynamics	LNGC	31,143.06	626	Bangladesh
Dubra	35,930	1999	Daedong	TANK	8,391.20	585	Pakistan

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