27 August 2021

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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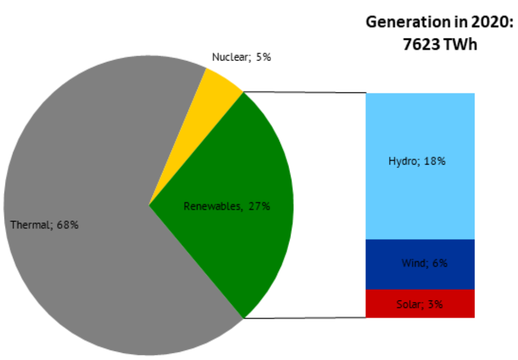

Source : Energy Brainpool

POINTS OF VIEW

The UK will host the 26th UN Climate Change Conference (COP26) in Glasgow between the 31st of October and the 12th of November. The Conference of the Parties will bring nations together "to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change." It all sounds very grand and, given the extraordinary weather events of this year, we can only hope that it turns out to be more than just a talking shop. One problem is that different countries have divergent targets and ambitions. Alok Sharma, COP President-Designate, points out that, in 2012, the UK generated 40% of its electricity from coal. Now that figure is less than 2% and it will fall to zero by 2024. In contrast, last year China generated 68% of its electricity from thermal coal. The share of nuclear (5%) and renewables* (27%) is rising but it will take decades for China to run down its coal use on the way to its target of carbon neutrality by 2060. In 2020, China generated over twice as much electricity as all European countries combined and its year-on-year output increase was more than 60% of Germany's total electricity generation. Aligning the ambitions of the developed world and the developing world will be a major challenge.

Returning to the UK, it will end the sale of new petrol and diesel vehicles by 2030 and take an estimated 12 years to replace the current fleet of internal combustion engines with electric ones. That gives the UK 12 years over which £30 billion a year of fuel duty will reduce to zero unless it is simply phased over to EVs. It reminds us of how we were persuaded to buy diesel vehicles until the awareness of life-threatening particulate matter reversed the advice back to petrol engines. A commercial fleet operator was asked why he did not convert his entire fleet to electric. He said that he could, but the thought of hundreds of white van men being able to do 0-60mph in 5 seconds was too alarming to contemplate. The UK is going to ban gas boilers in new homes from 2025 in favour of more expensive heat pumps; they may take up more space and be less efficient. The switch to greener forms of energy will be full of compromises and paradoxes with many unintended consequences. As we have said before, the path to green will be far from clean. BHP has just proposed to sell its oil and gas portfolio to Woodside in exchange for shares. It was promptly met with a 6% fall in its share price and a possible 2-notch credit rating downgrade from S&P for diluting its interest in what are competitive and accretive assets. BHP is also reducing its coal holdings in contrast to Glencore which will manage down its coal portfolio rather than sell it to a potentially less scrupulous and environmentally conscious buyer.

Finally, this brings us to shipping. We have high hopes that from 2023 EEDI, EEXI and CIIs^ will collectively reduce the engine power and sailing speeds of so many older and less economic ships and reduce harmful emissions. We are not yet sure how the IMO's plans will be implemented and enforced on a global basis. The implication is that enforced slower speeds will reduce effective tonnage supply and raise freight rates. In a weak market, the loss of speed and efficiency may drive marginal ships to the scrapyards, boosting the earning opportunities of the survivors. However, in a strong market, speeds tend to increase and voyages are prosecuted at greater pace. Old and inefficient ships may remain in service even at slower speeds, but it will be counter-intuitive to slow down in a period of high demand. While we await more detail on the IMO's advice we can expect a roll-out of greener fuels that will see decarbonised ships gradually replacing carbon fuel guzzlers as accelerated obsolescence crimps supply. The green revolution will support shipping all the way from the mines to manufactured wind turbines, solar panels, wave barriers and new fuels. The latter present a chicken and egg dilemma as someone has to make the first move. Euronav has opted for ammonia-ready VLCCs and suezmax** tankers while Maersk has gone for methanol dual-fuel 16,000-teu containerships.^^ These true market leaders are leapfrogging LNG dual-fuel ships which have their own issues and are only regarded as an interim solution. In taking the first steps, they are challenging the fuel manufacturers to scale up production. It is a refreshing contrast to western politicians, trapped in their 5-year election cycles, who leave all the hard decisions to the next lot.

*Renewable's 27% share is made up of Hydro at 18%, Wind at 6%, and Solar at 3%.

^Energy Efficiency Design Index, Energy Efficiency Existing Ship Index, and Carbon Intensity Indicators.

**3 VLCCs for $93.3m each and 3 suezmax for $66.4m each, all at Hyundai Samho, delivery from 4Q22 and 3Q23 respectively.

^^8-12 neo-panamax container ships for $175m each, all at Hyundai Heavy Industries, delivery from 1Q24.

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

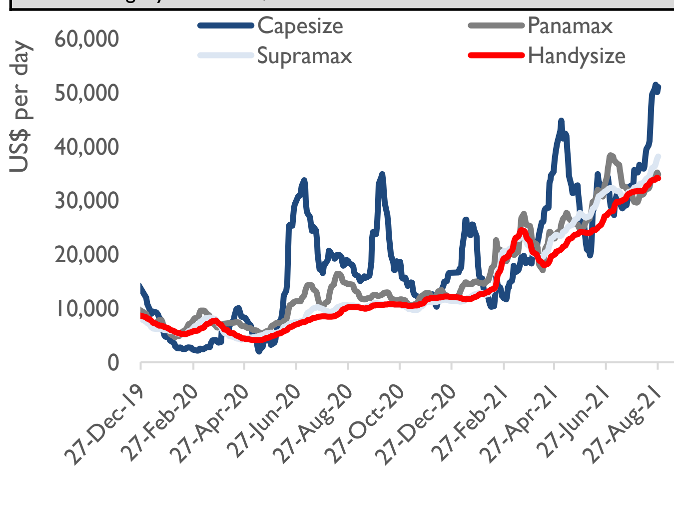
A calmer week across the **capesize** markets as rates continued to climb albeit at a slower pace. Time charter averages ended the week at $51,099, up by $1,368 from our last report. Kepco took on *Cape Sun* (171,746-dwt, 1999) delivery Huanghua for a Pacific round trip redelivery South Korea at $40,000, while the CCL relet *Mineral Gent* (175,181-dwt, 2011) was fixed by Ultrabulk delivery CJK ex dry dock for a trip via South Africa to China at $48,000. Iron ore voyage fixtures concluded this week include the 2012 built *Pan Emerald* being chartered by Rio Tinto for 170,000 mtons 10% from Dampier to Qingdao at $15.85 pmt, while Vale chartered *Ugo De Carlini* for 170,000 mtons 10% from Teluk Rubiah to Qindao for 9/10 September at $13.40 pmt. Freight rates for the usual Brazil-China route crept above $35.50 pmt as the week drew to a close. Additionally, a KCS TBN vessel was chartered for a 145,000 mtons 10% Kepco coal tender from Richards Bay coal terminal to Hadong for 21/30 September at $27.36 pmt, while another TBN vessel was put forward for a 150,000 mtons 10% LSS coal stem loading in Indonesia for Mundra at $12.75 pmt for 2/11 September dates.

The **panamax** market continued to climb again this week as it closed today at $34,870 up by $807 (2.4%) since last reported on 13th August. In the Pacific, Pacific Bulk fixed the *Alcor* (81,600-dwt, 2015) delivery Kakogawa 7th September for a trip via NoPac back to Singapore-Japan range at $35,250 p/day, whilst CSE took the *Atmosphere* (76,606-dwt, 2009) delivery Tokuyama 2/6 September for a trip via EC Australia to Taiwan at $34,350 p/day and Olam Intl fixed the *Ruth* (82,046-dwt, 2021) delivery CJK 26/27 August for a trip via US Gulf back to Singapore-Japan range at $34,750 p/day. In the Indian, Olam Intl fixed the *Fair Lady* (76,608-dwt, 2005) delivery PMO 1st September for a trip via the Black Sea & Iran with redelivery PMO at $40,000 p/day. Meanwhile in the Atlantic, the *Zeus* (93,119-dwt, 2010) was fixed delivery Port Said 2/5 September for a trip via Black Sea to Rotterdam at $39,000 p/day with scrubber benefits to the Charterers whilst Cofco Agri fixed the *MBA Future* delivery Port Said 25/27 August for a trip via Black Sea to the Continent at £35,000 p/day. Alternatively, Viterra fixed the *Scarlet Rosella* (82,235-dwt, 2015) delivery China end September for 3 years with redelivery worldwide at 116.5% of the BPI 74 index, whilst ASL Bulk took the *Selina* (75,598-dwt, 2010) delivery Zhanjiang 30th August for 10/12 months redelivery worldwide at $26,500 p/day and Suek fixed an *Oldendorff TBN* for their 75,000 mtons 10% coal from Murmansk to Rotterdam for 2/4 September at $13.50 pmt. An insanely impressive week for the supra market. Rates are still rising exponentially with no signs of slowing down and we are seeing immense rate indications from all trade regions. BSI closed at $38,169 up from last week's $36,036. In the Atlantic, *An Chang* (55,217-dwt, 2009) was fixed for prompt trip carrying scraps with delivery Rotterdam and redelivery in the East Mediterranean regions at $37,000. While *Lycavitos* (58,786-dwt, 2007) was fixed with delivery Nigeria and redelivery India at a whopping $54,000. In the Indian Ocean, *Newport Eagle* (57,970-dwt, 2011) was fixed for a trip with delivery Colombo and redelivery Pakistan via South Africa at $31,000 with a $720,000 ballast bonus inclusive. Another was *Shou Chen Shan* (56,624-dwt, 2013) which was fixed with delivery Chittagong and a redelivery in China via East Coast India at $42,000. In the Pacific, *Amoy Action* (56,874-dwt, 2010) was fixed for a nickel ore run with delivery Putian and redelivery South China via the Philippines at $42,500. While *Arcadia* (58,018-dwt, 2012) was fixed for a trip with delivery Merak and redelivery Bangladesh via Indonesia at $50,000

The **handy** market closed at $34,152 up $354 from last week, despite whispers of market cooling across major areas, notably the US Gulf. The sentiment in the Mediterranean and Continent remained positive, a 35,500-dwt open Husnes fixed arrival pilot station Antwerp for a trip into the Mississippi River with Fertilizers at $35,000. *Four Turandot* (34,428-dwt, 2012) open Dneprobugskiy fixed for a trip via Black Sea to Egypt at $33,000. Conti lines fixed the *Nanjing Confidence* (38,917-dwt, 2017) open Nemrut Bay for a trip into the Caribbean -north coast South America range at $39,000. The US Gulf appeared to cool considerably with a build up of tonnage in the surrounding area, likely becoming more apparent with rates dropping next week. *Kashing* (37,440-dwt, 2021) fixed basis delivery north Brazil with prompt dates for a trip to west coast Central America at $47,000. Further south, *Golden Bonnie* (32,279-dwt, 2009) fixed Recalada for a coastal trip to Brazil at $29,000 with Olam. In the Arabian Gulf, the Romandie (35,774-dwt, 2010) was fixed basis delivery Umm Qasr for a trip via Saudi Arabia to the east coast of India with an intended cargo of bulk harmless fertilizers at $52,500. In Asia, a 38,000-dwt open in China fixed recently for a trip to the US west coast with an intended cargo of containers at $46,000. *Jin Hai He* (44,591-dwt, 2014) open CJK fixed for a trip via CIS with redelivery China at $39,500. *Great Agility* (38,681-dwt, 2018) open Shanhaiguan fixed for a trip via Japan to Thailand at $40,000. On period, a 33,000-dwt logger open South Korea fixed for 4 to 6 months with worldwide redelivery in the region of $32,000, and, *Maria 1921* (35,013-dwt, 2011) open Bayuquan fixed for 2 laden legs with worldwide redelivery for about 120 to 140 days at $35,500 with the intended first left being a trip to the Americas.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Natural Gent	175,181	2011	CJK	3/4 Sept	China	$48,000	Ultrabulk	Via South Africa
Cape Sun	171,746	1999	Huanghua	25/30 Aug	South Korea	$40,000	Kepco	Via Pacific
Bottiglieri Giulio Borriello	93,258	2011	Taiwan	28 Aug	South Korea	$31,500	Panocean	Via Indonesia
Nord Auriga	81,795	2020	Singapore	25/26 Aug	Singapore-Japan	$38,000	Oldendorff	Via EC South America
Elena Ve	75,750	2010	Stade	20 Aug	Skaw-Gibraltar	$34,000	Cargill	Via Baltic
CL Zhuang He	63,500	2020	Panjin	26/27 Aug	China	$40,000	AMC	Via New Caledonia Int Nickel Ore
Thor Madoc	55,695	2005	Surabaya	PPT	Japan	$48,000	Kline	Via Australia Int Salt
An Chang	55,217	2009	WWR Rotterdam	PPT	East Med	$37,000	EMR	Int Scrap
Jin Hai He	44,591	2014	CJK	25/31 Aug	China	$39,500	CNR	Via CIS
Great Agility	39,681	2018	ShanHaiGuan	20/23 Aug	Thailand	$40,000	CNR	Via Japan



Exchange Rates	This week	Last Week
JPY/USD	110.21	109.76
USD/EUR	1.1743	1.1680

Brent Oil Price	This week	Last Week
US$/barrel	72.34	66.02

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	438.0	392.0
VLSFO	525.0	495.0
Rotterdam IFO	396.0	363.0
VLSFO	507.0	460.0

Dry Bulk S&P

With the BDI above 4000 it is understandable that business remains brisk at the height of the holiday season.

While most of the action seems to be centred on the geared half of the market, we start with a strong price being reported for *Frontier Phoenix* (181,356-dwt, 2011 Koyo). With surveys freshly passed and BWTS fitted she is reported sold at $33.75m to Greek buyers; N G Moundreas is widely rumoured. This is a substantial step up on last done and reflects heavyweight competition.

Elsewhere the supramax and handysize markets remain active. For the supras, while *Belcargo* (58,729-dwt, 2008 Tsuneishi Cebu) is sold at a last done $17.0m, a stronger price has been paid for *Spar Draco* (53,565-dwt, 2006 Chengxi) $14.0m. *Bulk Phoenix* (56,088-dwt, 2013 Mitsui) seems to be sold at a much weaker $19.2m but we suspect she might have been committed some time ago. The twenty year old *S'Hail Al Ruwais* (52,822-dwt, 2001 Onomichi) is sold for a solid $9.2m – but will not be handed to the buyers until May next year!

The handies continue their steep climb. It was thought *Hamburg Pearl* and sister *Houston Pearl* (abt 35,900-dwt, 2012 Hyundai Mipo) might have been sold at the end of last week for something in the mid 16s. It looks as if just Houston Pearl is now sold – for a significantly higher number. The sale of the week however is that of *Nicoline Bulker* (38,191-dwt, 2012 Naikai) at $20m – a large part of the premium is a prompt delivery.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Frontier Phoenix	181,356	2011	Koyo Dockyard	Gearless	NGM	$33.75m	SS/DD passed & BWTS fitted
Belcargo	58,729	2008	Tsuneishi Cebu	C 4x30T	Jin Hui Shipping	$17.00m	
Bulk Phoenix	56,088	2013	Mitsui	C 4x30T	Meghna	$19.20m	
Spar Draco	53,565	2006	Chengxi	C 4x36T	undisclosed	$14.00m	
S'Hail Al Ruwais	52,822	2001	Onomichi	C 4x30T	undisclosed	$9.20m	Delivery May 2022
Wan An	42,717	1998	IHI	C 4x30T	Chinese	$7.00m	
Nicoline Bulker	38,191	2012	Onomichi	C 4x30T	undisclosed	$20.00m	
Houston Pearl	35,914	2011	Hyundai Mipo	C 4x35T	undisclosed	$18.50m	

Tanker Commentary

VLCC earnings have remained in the red for an extended period of time, so it is no surprise that tanker scrapping is pegged to reach new highs. Over the last 18 months there have been various logistical problems with scrap yards being at limited capacity, coupled with high steel prices and depressed rates is brewing a perfect storm for high volumes of tanker scrappage. Should sanctions imposed by the US be lifted against Venezuela and Iran, then many of these older ships that are trading illicit routes are likely to head to the beaches in the sub-continent en masse.

Another Ocean Tankers vessel makes its way into the sales table this week, with *Chang Bai San* (318,445-dwt, 2012 SWS) changing hands with Cyprus Maritime for $41.5m. It's been several months since a similar sale was concluded, however the last done was in fact a sister ship controlled by Ocean Tankers – this was *Qi Lian San* (318,348-dwt, 2012 SWS) that fetched $ 44m back in April, with Turkish owners Yasa making a debut move into the segment. Although *Chang Bai San* (318,445-dwt, 2012 SWS) has better survey positions than the sister that was sold earlier this year, earnings are notably lower today.

Having reported *Katsuragisan* (311,620-dwt, 2005 Kawasaki) as under negotiations last week, she has now been concluded at $ 30m to unnamed interests. With only a handful of Buyers remaining active in this segment and scrap prices coming off, Buyers are taking advantage of lower residual values on older tonnage, lower levels of competition and the traditional Japanese style of 'selling at best'. In comparison, *Olympic Legend* (309,270-dwt, 2003 Samsung) achieved $ 31.5m last month with surveys passed.

Offers have been called today on the Japanese controlled *St Jacobi* (50,209-dwt, 2014 SPP) where several buyers have inspected and a handful are ready to offer waiving inspection. There has been very few modern MR sales in recent months so this will be a fresh benchmark that we hope to report in the coming days.

Finally the Thai controlled *TMN Pride* (48,676-dwt, 2006 Iwagi) has been committed in the low $8m to European buyers – note that she is trading dirty and has surveys and BWTS due in October. The last pumproom MR sale was back in June where the *Jasmine Express* (46,999-dwt, 2004 Onomichi) achieved $ 7.6m, with surveys due in 11 months time.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Chang Bai San	318,445	2012	SWS	$41.50m	Cyprus Maritime	
Katsuragisan	311,620	2005	Kawasaki	$30.00m	undisclosed	
TMN Pride	48,676	2006	Iwagi	$8.25m	European	DDP

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Sky Sino	45,375	1997	Dalian	TANK	12,235.70	undisclosed	Batam
Stolt Selje	36,778	1993	Kvaerner Govan	TANK	11,219.00	undisclosed	India
Gdansk	63,671	1984	Ishikawajima	BULK	13,124.30	495-505	Djibouti

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