27 January 2023

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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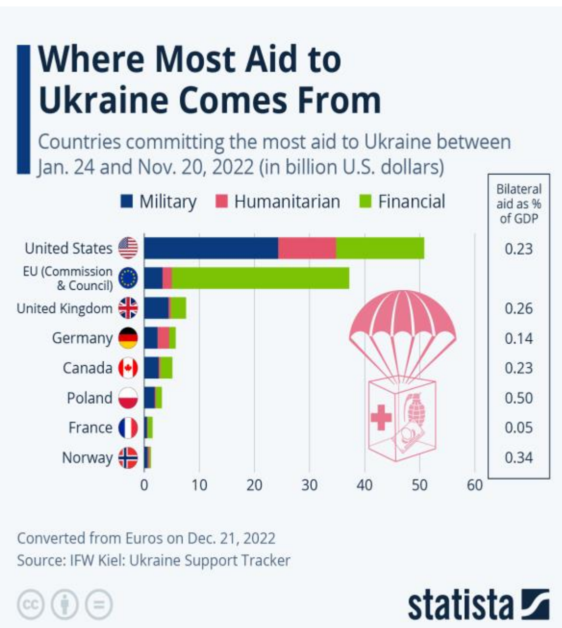
… NATO : aiding but not fighting …



Source : Statista

POINTS OF VIEW

The EU and UK ban on Russian seaborne crude oil imports came into effect on 5 December 2022 and was accompanied by an EU/G7/Oz $60pb cap on Urals crude. If the price is at or below the cap then European tanker owners can still carry Russian crude from Baltic and Black Sea ports to third countries typically being Turkey, the MEG, India and China. At above the price cap, these same owners would be in breach of sanctions and lose access to European insurance, financing and other services. Since the ban, Urals has generally traded well below the cap and up to as much as $30pb below North Sea Brent. Greek owners were quite prominent in trades to Asia prior to the ban but have since stepped back. This opens up the trades to the dark fleet of over 300 large tankers that has expanded since Russian sanctions some of which were, and still are, carrying sanctioned crude from Iran and Venezuela. Western sanctions remain active against Iran but have been eased against Venezuela and many tankers have switched across to the more lucrative Russian trades. The workhorses of Baltic and Black Sea crude exports are Aframax and Suezmax tankers. Pre-war in the Baltic, 50% of ship-to-ship transfers (STS) to larger VLCCs took place off Skaw (Denmark) but shifted to off the Azores post-war and then to the more protected waters off Ceuta (Spain) in winter months. From there half-laden VLCCs can route via Suez to India and fully-laden VLCCs can go the long way round the Cape of Good Hope to China.*

The VLCCs provide economies of scale for long-haul shipments but also have tended to trade at large freight discounts to smaller Aframax and Suezmax tankers,** hence the viability of loading a 1mb half-size cargo to India via Suez on a VLCC. Black Sea exports often do STS operations off Kalamata (Greece) before onward trips.^ Vortexa reports that offshore Ceuta and Kalamata are emerging as key hubs for STS transfers of Russian Urals, involving 9% and 11% respectively of Russian Urals exports in December. Only 3% of such exports used other STS locations last month. It further comments that VLCCs involved in offshore Ceuta STS ops tend to be older than those operating off Kalamata, with most of the former going to China and most of the latter going to India. Thus, the west Med transfers appear to have a higher risk profile and these look set to increase going forward. Next up, we have the EU/UK ban on seaborne Russian oil products from 5 February. It looks as if the price cap will be set at $100pb for CPP (e.g. diesel) and at $45pb for DPP (e.g. fuel oil). Intercontinental Exchange European diesel futures closed at c. $130pb yesterday, permitting a greater pool of ships to legally carry Russian oil products to third countries and still access European insurance, finance and other maritime services. There has been enough lead time for Russia to develop non-EU export markets and for the EU to source non-RU products.

Europe imported an average of c. 700kbd of RU diesel in 2022 and was still at close to this level in December, leaving the switch all a bit last minute. In December 2021, Europe imported c. 400kpd from non-RU sources, about 70% of which came from the MEG. By Dec 2022, it had doubled its non-RU imports to c. 800kbd, with about 45% coming from Asia, 40% from the MEG and over 10% from the US. Europe still has large volumes of Russian diesel imports to substitute when the 5 Feb ban comes along, and maybe refineries in the MEG, India, China and other Asia will be able to oblige, failing which there will be a big call on the dark fleet of product tankers. Over the same time frame, December 2021 to December 2022, Russia doubled its diesel exports to non European destinations to 400kpd with about 55% going to Turkey and around 35% of the balance roughly evenly split between South Korea, Libya, Morocco and Tunisia. Most of the rest went to China, Taiwan and Brazil.^^ Last year, South America imported c. 700kbd of oil products from the US and c. 400kbd from the rest of the world (mainly India, Holland and Russia). This opens up the prospect of Russia trying to partially replace US sales into South America leaving the US to divert those displaced barrels to Europe. As the MEG, India and China have their own massive refining hubs, there will not be much demand for Russian products east of Suez. If Russia's extra product barrels cannot be absorbed in Africa and Latam, or should its refinery margins turn negative, then maybe Russia will simply export more cheap crude oil to the East. Whatever actually happens, we should soon witness a structural shift in tanker demand which bodes well for the second half of 2023.

*These VLCCs would often go to China and then ballast back, usually not having approved access to backhaul cargoes.

**According to SIN, a 2010-built VLCC has averaged $33,347pd in 2023 YTD vs $67,872pd for Suezmax and $75,100pd for Aframax.

^This is the preferred STS location for cargoes going to India given the proximity to the Suez Canal.

^^These figures and percentages are taken from Vortexa bar charts and thus are approximate numbers.

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Dry Cargo Chartering

Another week of steady decline saw **capesize** time charter averages slump more so to end up at only $4,433, a fall of $2,096. However it should be noted, that while still a significant drop, this figure is half of that seen between weeks 2 and 3. Average freight prices from Brazil hovered around the $17.00 pmt mark and around $6.00 to $6.50 pmt for Australia shipments. As a result of the CNY holidays very few reported fixtures emerged. On Wednesday a Daiichi TBN vessel fixed 170,000 mtons 10% coal from Puerto Bolivar to Rotterdam loading 19/28 January at $8.50 pmt (charterers were Oldendorff), while on Tuesday a TBN vessel was chartered by LSS for 150,000 mtons 10% Tarahan to Mundra loading early February at $4.60 pmt. On the iron ore side of things Rio Tinto fixed 2 shipments from Dampier to Qingdao, one lifting of 190,000 mtons 10% at $6.25 pmt and another of 170,000 mtons 10% at $6.45 pmt. Additionally, Ore and Metal took *Maria D* built 2016 for a Saldanha Bay to China voyage at $11.60 pmt.

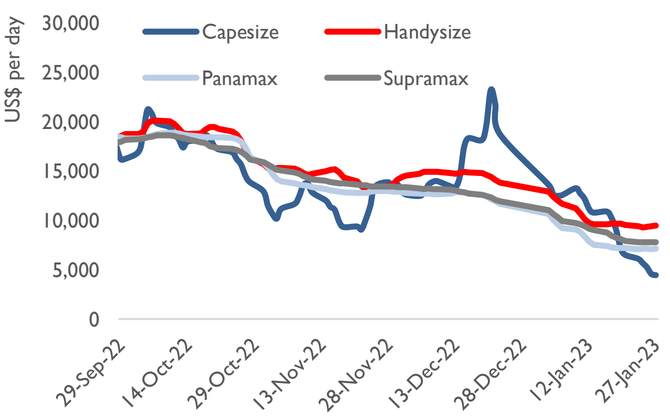
P5 TC closed at $9,487 down by $57 since last reported 20th January. In the Pacific, scrubber fitted *Eleni* (86,949-dwt, 2008) open Onahama was fixed for a trip via West Coast Canada for redelivery in South Korea at $7,000, with scrubber benefit to owners and it was reported that *Taho America* (81,788-dwt, 2019) open Kashima was fixed for a trip via East Coast Australia to South China at $9,000. Moving over to the Atlantic, Cargill was rumoured to have fixed *Huayang Spirit* (75,784-dwt, 2013) open Fos for a trip via North Coast South America for redelivery in Singapore-Japan range at $15,250. Similarly, down South, Damico had fixed *Star Altair* (81,106-dwt, 2019) open Kandla for a trip via East Coast South America for redelivery in Far East at $12,500. For a trans-Atlantic round trip, there came talks that Kline secured *Fraternelle* (82,086-dwt, 2016) open Skaw for a trip via US East Coast for redelivery in Japan at $17,500. On voyage, SAIL fixed TBN for their 75,000/10 coal lift HPCT-DBCT/Visakhapatnam 8/17 Feb at $15.55.

Supramax markets showed further signs of bottoming out, as the index remained flat throughout this week. The S10TC closed at $7,150 down by $27 (-0.38%) since last reported on the 20th January 2023. In the Pacific, Fullinks fixed *Pacific Achievement* (61,414-dwt, 2016) delivery Singapore 24-27 January for a trip via Indonesia to China at $9,100 whilst *Castle* (53,477-dwt, 2009) was covered delivery Bahodopi prompt dates for a trip via Indonesia to India at $8,000. Whilst in the Indian, Swire fixed *ND Aristeia* (61,272-dwt, 2015) delivery Port Elizabeth end January dates for a trip to the Far East at $14,000 plus $150,000 bb whilst *Akij Moon* (55,953-dwt, 2005) was taken delivery Port Louis 23-28 January for a trip via South Africa to the Far East at $11,000 plus $120,000 bb and Ardent covered *Corinthian Emerald* (57,592-dwt, 2012) delivery Paradip prompt dates for a trip with Iron Ore to China at $6,000. And in the Atlantic, XO Shipping fixed *Oracle* (58,018-dwt, 2009) delivery Rio De Janeiro 26-29 January for a trip to the US Gulf at $10,000 whilst Olam took *Aquaprosper* (61,208-dwt, 2015) delivery Ventspils prompt dates for a trip with grains to Nigeria at $13,000.

Market on the turn was the sentiment calling from Owners in the Atlantic and the Pacific, with period interest beginning to pick up, perhaps the market has hit the bottom. The **BHSI** closed at $7, 763, down $163 from last week. The Continent was busy, although levels remain low. A 38k-dwt fixed from the Baltic to Turkey with grains at a tick under $8,000. Similar vibe in the Mediterranean, a 32k-dwt fixed from the East Mediterranean to the US Gulf in the 8's and a 32k-dwt fixed intra-Mediterranean in the 7's. The US Gulf was still margins behind the Continent, It was rumoured a large handy fixed around $7,000 for a trip to the Continent. *Luzon Strait* (33,517-dwt, 2007) fixed delivery US East Coast for a trip to Greece at $8,750 with Sims. East coast South America remained soft, *Sikinos* (37,400-dwt, 2022) fixed Recalada to Algeria with Grains at $10,000. Sentiment in the East was up post New Year celebrations in China, A 34,000-dwt fixed from China to West coast Australia with steel at $5,600. *African Osprey* (34,697-dwt, 2012) open Chiba fixed via South Australia, redelivery East Coast India with Grains at $6,000 and *Queen Island* (37,802-dwt, 2018) fixed Sabang via Onslow redelivery Taiwan with Salt at $7,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Eleni	86,949	2008	Onahama	23 Jan	South Korea	$7,000	Cnr	Via WC Canada, Scrubber benefit to owners
Cosmar	82,025	2016	EC South America	5/7 Feb	Singapore-Japan	$16,000	Oldendorff	+600,000 bb
Taho America	81,788	2019	Kashima	23/27 Jan	South China	$9,000	Cnr	Via EC Australia
Parea	80,594	2012	Canakkale	6/11 Feb	Port Said	$15,000	Cargill	Via Novorossisk & Jeddah
Africa Graeca	74,133	2002	Singapore	14 Jan	Singapore-Japan	$7,250	Bunge	Via EC South America
Bei Lun 17	63,150	2014	Owendo	27/31 Jan	Far East	$13,000	Oldendorff	Via West Africa
Heroic Striker	56,820	2010	Aratu	Ppt	Algeria	$10,000	Cnr	-
Ellie M	52,510	2001	Skaw	Ppt	East Mediterranean	$8,000	Cnr	-
Western Paris	38,737	2015	US East Coast	19/30 Jan	Continent	$12,500	Union Bulk	-
Christina Selmer	33,660	2011	Richards Bay	Ppt	Inter South Africa	$8,250	Allianz Bulk	-



Exchange Rates	This week	Last week
JPY/USD	129.94	130.32
USD/EUR	1.0856	1.0813

Brent Oil Price	This week	Last week
US$/barrel	88.56	85.95

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	430.0	418.0
VLSFO	701.0	677.0
Rotterdam IFO	413.0	405.0
VLSFO	612.0	582.0

Dry Bulk S&P

Large numbers of owners are actively enquiring on the availability of 'eco' tonnage from handies up to capesizes. The volume of enquiry is not matched however by the number of sales candidates. Given the limited number of ships for sale and the high demand for them some Sellers feel prices should rise and are marketing ships at well above last done levels. With no bulk category above USD 10k per day (according to Baltic Exchange indices) Buyers are pointing to earnings and arguing prices should fall. Given some contrasting opinions it is no surprise that many players are taking stock to see which direction asset prices start trending in, particularly for modern, eco tonnage and we have no sales to report of Bulkers with electronic engines.

Some non-eco ships are holding their value. The Ugland controlled *Bonita* (58,105-dwt, 2010 Tsuneishi Zhoushan) is reported to be tied up in the high 15s, the same price she was fixed and failed about a fortnight ago.

The Chinese market returns from Lunar New Year holidays next week, leading to a sense of expectation and optimism. If earnings do pick up quickly it would be no surprise to see sales volumes increase and some eco tonnage realising healthy levels.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Aquamarie	170,000	2012	Sungdong	-	Greeks		BWTS fitted
Aquagenie	177,346	2003	Namura	-	Undisclosed	$14.35m	
Ocean Domina	76,225	2005	Tsuneishi	-	Greeks	$10.50m	Includes payment for BWTS
Bonita	58,105	2010	Tsuneishi	4x30	Undisclosed	$15.80m	BWTS Fitted
Kotor	32,474	2014	Korea Yanase Tongyeong	4x30	Turkish	$13.75m	BWTS Fitted

Tanker Commentary

Even with a fairly sideways or some could even say slightly nervous crude market sales still in the headlines and tonnage changing hands at stunning levels. Middle Eastern Buyers have paid a handsome price for Embiricos *VLCC Poros* (318k-dwt, 2008 SWS), she is BWTS and scrubber fitted but still an impressive number at $66m which has certainly moved benchmarks.

Greek Owners further leading the way with asset plays on tonnage. Polembros is reported to have sold the *Kythira Warrior* (115k-dwt, 2006 Sanoyas) to Far Eastern interests for $38m, around $4m more than the Owners paid for the vessel back in 2015. One would assume a very healthy profit taking into account not only the sale, but trading of the vessel since owned and especially over the last year.

Avin are in the black also with the sale of their aframaxes. The *Kriti Warrior* (110k-dwt, 2006 Mitsui) sold for $38m and the *Kriti Basion* (106k-dwt, 2003 Hyundai) for $30.5m. These had been purchased by the Vardinoyiannis family for region $13m early 2021 and $12.5m end 2018 respectively.

As discussed last week despite the downturn in the product market Buyers still remain positive, low orderbook and second hand levels holding in line with months gone by. The seven 2011-2013 built LR1s have now been confirmed purchased by Torm for $233m in total, taking the Danish product tanker Owners delivered fleet to 85.

It will be interesting to see what happens to the *Dong-A Triton* (50k-dwt, 2015 HMD) should the Owners stick to their plans of revisiting the idea of a sale after CNY. We are seeing a bit of momentum on the MR segment in the Continent and Africa which might well help the Korean outfit achieve a tempting number. The older units *High Mercury* (51k-dwt, 2008 STX) has gone for $21m which fits the sale of the slightly older sister, *Proodos* (48k-dwt, 2005 STX) reported to have been picked up for $18.5m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Poros	318,068	2008	SWS	Middle Easterns	$66.00m	BWTS Fitted, Scrubber Fitted, Coiled
Arcadia V	298,920	2000	Kawasaki	-	$40.00m	
Kythira Warrior	115,338	2006	Sanoyas	-	$38.00m	BWTS Fitted
Kriti Galaxy	110,802	2006	Mitsui	-	$38.00m	
Kriti Bastion	106,074	2003	Hyundai Ulsan	-	$30.5m	
Petali Lady	71,830	2004	STX	Middle Eastern	$18.75m	Epoxy
High Mercury	51,501	2008	STX	-	$21.00m	Epoxy
Proodos	47,120	2005	STX	-	$18.50m	BWTS fitted, DD Passed, Epoxy
Dreggen	19,994	2008	Fukuoka	Ding Heng Shipping	$19.50m	STST, BWTS fitted

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