HARTLAND
SHIPPING SERVICES

21 July 2023

WEEKLY COMMENTARY

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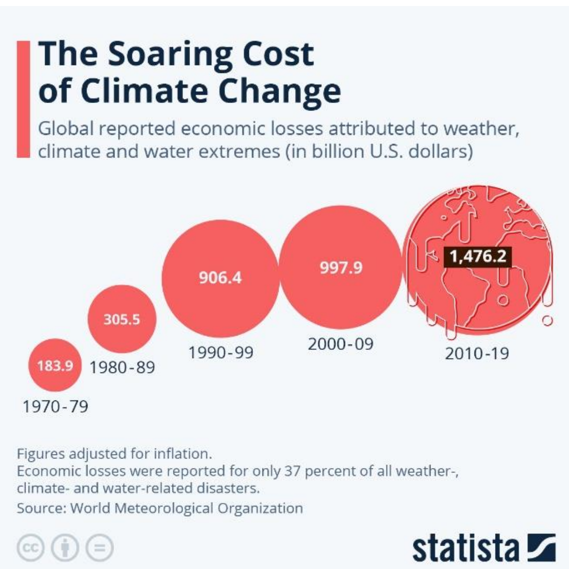

Source : Statista

* Until CII's flaws are rectified, e.g. punishing short-haul trades, the system will have little credibility, whilst EEXI is a one-time measure of little consequence. The IMO have pledged to review both.

^ Maersk signed agreements in 2022 to take ~2mt/year of e or bio methanol by 2025 and are targeting 5mt/year by 2030.

** A $100/tco2 tariff adds ~$320/t to the cost of fuel oil. Even optimistic estimates do not put e-methanol or e-ammonia costs at below $800/t any time soon and their energy densities are ~50% lower. VLSFO at $580/t with a $100/tco2 carbon tax ($900/t all-in) is still $700/t cheaper than e-fuels priced at $800/t. Carbon taxes in this case would need to be ~315/tco2 to equalise costs.

^^ FuelEU Maritime, a similar policy, has been agreed and will reduce the GHG intensity of fuels used in EU shipping by 2% from 2025, 6% in 2030 and 80% by 2050 and mandate some use of e-fuels.

*** This not just a European issue, many developing nations have suffered blackouts or shortages during the current energy crisis.

^^^ Green projects of ~2,000GW in the US and >150GW in each of the UK, Spain and Italy await grid connections (FT & BloombergNEF), causing years of delays. Most will not be built, but dysfunctional planning systems create a process of ask first and cancel later.

POINTS OF VIEW

It is now a fortnight since the 80th IMO MEPC (Marine Environment Protection Committee) and the dust is starting to settle. All eyes were on a new timeline for decarbonisation, with several reports during the meeting stressing the difficulties and disagreements. Some tangible progress was made though, with an agreement to reach net zero "*by or around*" 2050, "*taking into account different national circumstances*". This is a significant milestone; the previous target was to only halve total emissions by 2050 against 2008 levels. There are also ambitious (but non-binding) checkpoints; 20-30% by 2030, 70-80% by 2040. However, the ambiguous wording, whilst necessary to bridge the gap between environmental groups and developing nations, clearly creates room for wriggling out of the commitments. So, there was some modest progress on the "when" but the bigger issue remains "how". How does shipping reach such targets? Which policies will enable this? The IMO have pledged to review an emissions pricing scheme (carbon tax) and a fuel standard, but there is no guarantee these will be implemented soon, this could be more can-kicking. Even as heatwaves scorch the northern hemisphere, there is still no IMO policy in-play, carrot or stick, which actively encourages decarbonisation. The toothless CII and EEXI are at present neither use nor ornament*.

Container lines will lead the way, with cash to burn they can build the next generation of ships and fund the supply of new fuels (whether that is e-fuels or biofuels)^. Clearly, there will be a market from some of their customers for low carbon supply-chains. For car carriers, some green ships moving EVs seems viable too. Typically though shipping and commodity markets are brutally competitive on price, a Vietnamese power plant or Brazilian farmer will likely struggle to pay a freight premium. No one will use new fuels at scale unless the costs are passed on. The introduction of a carbon tax would bridge some of the gap and the upcoming inclusion of shipping in the EU Emissions Trading System will offer a useful demonstration. In theory, carbon taxes promote fewer emissions and allow the market to find the best way there via the invisible hand. However, the level at which tariffs would need to be set to equalise the cost of low-carbon fuels is unrealistically high. The higher-end of proposed levies is ~$100/tco2, broadly in-line with current EU ETS prices. This would not make e-fuels or biofuels anywhere near profitable against fuel oil, except if shippers pay extra for green freight.** For bulk shipping, the likely outcome would be fewer emissions via efficiency and slower speeds (if possible), but no major uptake of new fuels; not a bad outcome but not a long-term net zero solution. The other policy being considered is a fuel standard, capping a level of GHG intensity of fuels, which would fall over time^^.

Decarbonising shipping is daunting but not impossible; fuel standards can mandate some consumption of renewable fuels to develop the technology and logistics. This should be done alongside ramping up carbon taxes, which will initially cut emissions through efficiency, but at a sufficiently high price, they will encourage uptake of clean fuels. Many remain sceptical of the IMO's competence and its wider usefulness, to prove them wrong the IMO must ensure these policies materialise properly and soon. If they do, the IMO and more notably the firms pioneering new fuels will deserve to be met halfway by governments. E-fuels are expensive, but beyond hoping for advances in alternative technologies they are the best solution. They can only become remotely affordable though, if there is cheap and abundant renewable energy. Affordable and constant energy, from the water-wheel through to LNG, has powered industry, trade and human progress for millennia, but today energy is prohibitively expensive or intermittent for many***. New capacity is often blocked by NIMBYs and exhaustive bureaucracy, despite the IEA estimating the world needs 3x more power generation by 2050. Without a herculean effort to reach this, there will be far greater bang-for-the-green-buck in using scarce renewable energy to power the grid onshore than using it to make synthetic fuels for use at sea. It is not just new capacity that is needed but also connecting this capacity through investment in grid networks and storage. This is perhaps an even greater problem and largely neglected^^^. So far governments are talking the talk but not walking the walk. Shipping is one of the trickiest industries to decarbonise, the IMO needs to do more, but it will be in vain if governments and grids don't pull their fingers out and remove the obstacles to decarbonisation and progress.

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

This past week saw a consistent softening of **Capesize** markets before a small uptick on Friday. Overall time charter averages were down by $1,764 to end at $11,958. The Pacific saw quite muted activity. Rio Tinto chartered several ships for 170,000 mtons 10% iron ore from Dampier to Qingdao for the start of August. Freight prices ranged from $7.45 pmt to $7.75 pmt. They also fixed a larger 190,000 mtons 10% stem at $7.50 pmt again for early next month. From RSA, we heard that *Europe* (179,448-dwt, 2010) was fixed by Anglo-American for 170,000 mtons 10% Saldanha Bay-China at $14.70 pmt. There was more activity reported from South America. Vale reportedly fixed *CSE Preeminence* (208,801-dwt, 2020) for 185,000 mtons 10% iron ore Tubarao/Qingdao for the end of August at $18.95 pmt, along with two other TBN vessels for 170,000 mtons stems at $19.10 pmt each. Elsewhere, Ardent were linked with fixing *Pontotriton* (177,947-dwt, 2007) delivery Cape of Good Hope for a trip via Itaguai to the Far East at $18,000pd plus $250,000 bb, while Richland took *Ocean Confidence* (174,333-dwt, 2005) delivery Yantai for an Aussie round-trip at $11,000pd.

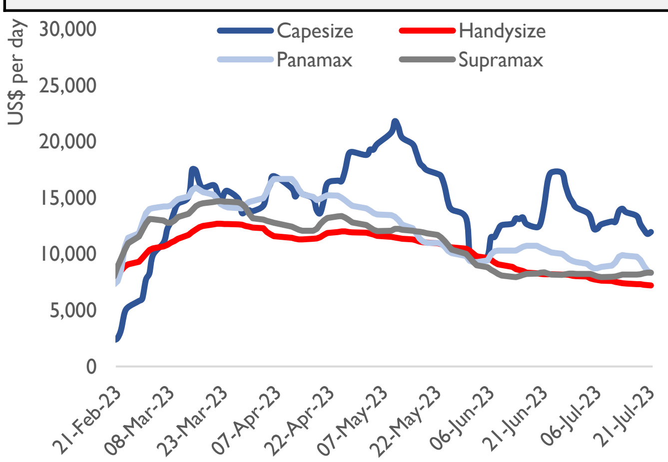
Despite a mini push observed at the end of previous week, the **Panamax** market experienced a further downturn with continuous tonnage overhang and reduced demands across both basins. P5 TC closed at $8,320 down by $1,533 since last reported 14 July. In the Pacific, ACB secured *Chinook* (93,266-dwt, 2012) from Taboneo to South Korea in the low $12,000s and *Ocean Treasure* (92,667-dwt, 2009) open Liuheng, Zhoushan was seen fixed for an Indonesian round trip at $4,500pd but no other details surfaced. JFE was linked to scrubber fitted *Yong May* (84,338-dwt, 2020) delivery Hong Kong to Japan via Indonesia at $8,400pd. In the Atlantic, *Ariana* (81,011-dwt, 2019) was heard fixed from East Coast South America to Skaw-Gibraltar range at $16,000pd. On the front haul, scrubber fitted *Bulk Croatia* (81,621-dwt, 2020) open East Coast South America was fixed for a trip to Singapore-Japan range at $15,500pd plus $550,000 bb with scrubber benefit heading to the owners. Similarly, Pacbulk took *Rose* (76,619-dwt, 2008) open Amsterdam for a trip via North Coast South America for redelivery in Singapore-Japan range at $15,800pd. On voyage, SAIL fixed TBN for their 75,000/10 coal lift Abbot Point / Visakhapatnam 11/20 Aug at $13.35.

Supramax markets finally showed a little positivity with the index increasing throughout the week. This is as a result of an increase in cargo volume most notably in the SE Asia basin. The S10TC closed at $8,333 up by $155 since reported last week on the 14th July. In the Pacific, Oilmar fixed *Garnet Eternity* (63,591-dwt, 2020) delivery Kemaman prompt dates for a trip via Indonesia to West Coast India at $9,500pd, whilst *Kuai Bang Hai* (53,414-dwt, 2011) fixed delivery Singapore 25th July for a trip via Indonesia to China at $9,500pd and *Ocean Fleet* (52,345-dwt, 2005) covered delivery Manila 24-26 July for a trip with Nickel Ore to South China at $9,000pd with a North China redelivery option at $10,000pd. Whilst in the Indian ocean, *Jal Kalpavriksh* (66,337-dwt, 2021) fixed delivery Hazira prompt dates for a trip with slag to Mina Zayed at $6,000pd, whilst Norvic fixed *Darya Maya* (63,301-dwt, 2012) delivery Bangladesh 22-23 July for a trip via East Coast India to China at $8,600pd and *Pacific Constant* (61,450-dwt, 2016) covered delivery Chittagong for a trip via East Coast India to China at $8,400pd. And in the Atlantic, Swire fixed *Delphi Ranger* (54,271-dwt, 2009) delivery Barcarena 21st July for a trip with grains to Morocco at $9,500pd and Seacon covered *Newseas Jade* (52,409-dwt, 2005) delivery USG 20th July for a trip via USG with grains to EC Mexico at $10,250pd.

A pick up in **Handysize** sentiment within the Atlantic this week was driven by a surge in inquiry within the Mediterranean & Black Sea, while Pacific markets softened. The BHSI closed at $7,202 down $162 since last Friday. *Unity Star* (37,614-dwt, 2015) fixed basis delivery south Spain fixed for a fertilizer trip to the Continent at $7,250pd with Union Bulk. *Poavosa Wisdom VIII* (28,208-dwt, 2013) fixed delivery Alexandria via Iskenderun to ARAG at $7,000pd with Charterers, EFE. A 32k-dwt was heard fixed at $8,000pd passing Cankkale for trip via the Black Sea to East Africa. On the Continent it was reported a 32k-dwt fixed $8,500pd for a trip Rouen to Morocco as a replacement. *Polesie* (38,056 2009) open Rotterdam fixed delivery Santos for a trip redelivery Batum at $10,500pd with Cargill. South America remained flat, *Charles* (37,193-dwt, 2011) in ballast towards Fazendinha fixed a trip to the UK at $9,000pd, and *Densa Seal* (36,7940-dwt, 2013) open Pecem fixed via Barcarena for a trip redelivery Peru at $14,000pd. In the Pacific the market overall remained stable but softened in parts, *African Quail* (37,766-dwt 2015) open Geelong fixed trip via West Australia, redelivery Far East with grain basis dop in the high $8,000s with Norvic. *Aromo* (37,927-dwt, 2020) open Port Klang fixed via South East Asia, redelivery China mid $6,000's, similarly, *Summer Sea* (35,240-dwt, 2013) open Port Kelang heard fixed $6,000pd to China option redelivery Philippines at $6,500. *East Bangkok* (32,527-dwt, 2012) delivery Belawan fixed trip via Vietnam to United States West Coast at $8,350pd.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Lowlands Energy	95,719	2013	Nagoya	Ppt	Japan	$8,750	Jera	Via EC Australia
MSXT Emily	85,268	2022	Kashima	Ppt	China	$8,500	Cnr	Via Australia
Vita Unity	82,545	2021	NC South America	16/20 Aug	Skaw-Gibraltar	$16,000	Cofco Agri	-
Galaxy Globe	81,167	2015	Gibraltar	21 July	Singapore-Japan	$19,000	Trafigura	Via NC South America
DL Adonis	79,329	2010	Qinzhou	19/20 July	Philippines	$4,800	Klaveness	Via Indonesia
HTK Lavender	61,494	2010	Zhuhai	21 July	S.China	$8,200	Cambrian	Via Indonesia
Delphi Ranger	54,271	2009	Barcarena	21 Jul	Morocco	$9,500	Swire	-
Ocean Fleet	52,345	2005	Manila	24/26 July	S China	$9,000	Cnr	$10,000 redel N China
Flora Schulte	39,874	2019	San Lorenzo	Ppt	Santos	$8,500	Clipper	-
Atlas S	33,166	2011	Imbituba	Ppt	East Mediterranean	$9,000	Oldendorff	-



Exchange Rates	This week	Last week
JPY/USD	141.58	138.41
USD/EUR	1.1117	1.1235

Brent Oil Price	This week	Last week
US$/barrel	80.46	80.06

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	500.0	501.0
VLSFO	569.0	580.0
Rotterdam IFO	484.0	490.0
VLSFO	549.5	550.0

Dry Bulk S&P

Capesize transactions were the headline sales this week, with *HL Passion* (179,656-dwt, 2015 Dalian), receiving five offers and reports place her committed at $36.5m. This is in line with the last similar ship sold, when *Herun Zhoushan* (181,056-dwt, 2017 SWS) achieved $41.5m last month. Early suggestions are the Buyer is Greek, however this remains to be confirmed.

The premium price for eco tonnage is also reflected in the Panamax segment, with *Nord Hydra* (77k dwt, 2014 Imabari - Eco) being committed at excess $23m. Although we understand she is not sold yet, the same aged *Sunny Eternity* (77,211-dwt, 2014 Oshima), which has an MC engine, saw best offers on Monday at mid-high $19m - we expect to hear more on this next week.

In the non-eco tonnage, CTM continue their clear-out of capes with *Aquakatie* (174,142-dwt, 2007 SWS) securing a buyer at $15.9m. Last month, *Aquamarine* (182,060-dwt 2009 Odense) was off-loaded at $18.5m.

The first generation Kamsarmax bulker *Restinga* (82,551-dwt, 2006 Tsuneishi) has been sold to Bulkseas for mid-high $13m - there have been no recent sales to compare against, however *Cymonia Gemini* (82,992-dwt, 2006 Tsuneishi) was the last back in October at $16.2m.

We report *Jenny M* (56,058-dwt, 2007 Mitsui) as sold for $12.5m with docking due later this year - this is slightly firmer against last month's sale of *Tai Honesty* (55,418-dwt, 2007 Oshima) at $12m which had a better docking position.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
HL Passion	179,656	2015	Dalian	-	Greek	$36.50m	Eco Engine
Aquakatie	174,142	2007	SWS	-	NGM	$15.90m	DD freshly passed
Restinga	82,551	2006	Tsuneishi	-	Bulkseas	$13.70m	BWTS fitted
Jenny M	56,058	2007	Mitsui	4x30t	-	$12.50m	DD due Nov
Ben Rinnes	35,000	2015	Jiangdong	4x30t	Greek	$16.50m	2-year Index linked charter back to Cargill

Tanker Commentary

It has been a busy week with a number of larger tanker newbuildings coming to light. In the crude sector, Atlas Maritime have taken the plunge at DH Shipbuilding (formerly Daehan), with an order of 2+2 Suezmaxes. The Tier-III, scrubber fitted vessels are reported to have been ordered for $84m per vessel and due to deliver in 2H 2025 and Q1 2026. Earlier this month a large order was made at Zhoushan Changhong for 4+4 Tier-III, scrubber fitted LR2's. Kurow Shipping are reported to be behind the transaction. The price is believed to have been circa $61-62.5m each with deliveries from Q4 2025 to 1H 2026. It is worth noting that this is the first time Changhong has built LR2's.

Despite crude earnings remaining somewhat weak compared to the levels seen a month ago, there have been a couple of notable VLCC sales in the secondhand sector. Pantheon Tankers are reported to have sold the scrubber fitted, *Astro Chloe* (318,440 dwt, 2009 Hyundai HI) for $62m. This shows prices coming off a touch when compared to the last similar done, *Kassos I* (319,247 dwt, 2007 Hyundai HI, non scrubber) which sold in March for $60m.

Amongst the older VLCCs, prices have fallen more distinctly, SK Shipping have sold, *C. Champion* (314,000 dwt, 2003 Samsung) for $40m. The last similar done was *Yio* (302,482 dwt, 2005 Mitsubishi) which achieved $55m in June.

The DPP trading LR2, *Wellington* (108,940 dwt, 2009 SWS, BWTS on order) is reported to have sold for $40m. This falls in line with *Epanastasea* (109,647 dwt, 2008 Dalian) which sold earlier in the summer for $37m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Astro Chloe	318,440	2009	HHI	Chinese	$62.00m	Scrubber Fitted
C. Champion	314,000	2003	Samsung	-	$40.00m	Scrubber Fitted
Wellington	108,940	2009	SWS	FE based	$40.00m	Coated / Trading DPP
Yongkang Ocean	17,427	2020	Wuxi Hongqi	-	$18.50m	Marineline coated

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