04 August 2023

# HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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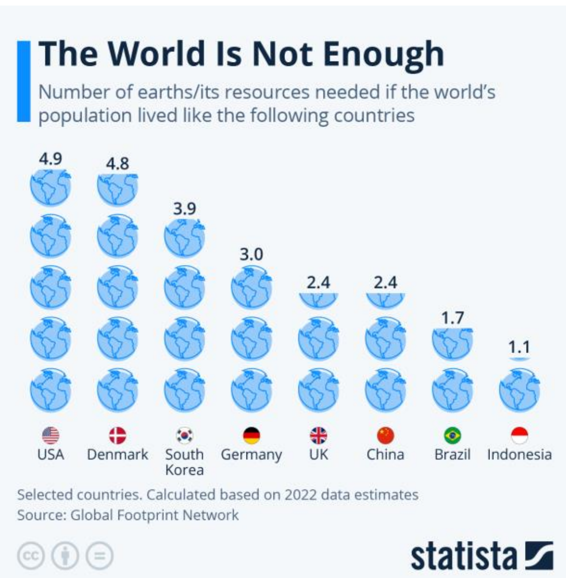
…Climate Challenge…




Source : Statista

*BP has an "and, not or" approach to renewables and carbon fuels having increased global investment into lower carbon and other transition businesses from c. 3% in 2019 to c. 30% in 2022.

^Vattenfall has stopped development of its 1.4GW British Norfolk Boreas offshore wind project due to rising costs. It was part of a plan to boost UK offshore wind from 14GW today to 50GW by 2030.

** Although there has been a temporary resurgence in coal power generation in 1H-23, due in-part to a shortfall of hydro-output.

^^ That would be 42% of current £2.4tn UK GDP. However, the IMF and the IEA have concluded that decarbonisation will halve worldwide energy costs from 4% to 2% of disposable income by 2050.

*** A rapid switch to clean tech will raise global economic growth by 0.4% a year this decade and is therefore a gain, not a cost. It will cut average household energy bills from $2,800 to $2,300 p.a. by 2030 …

… in advanced countries and is even better for the world's poor as the cheapest way to reach 800m people without electricity. The UK must maintain its clean-tech leadership or miss the next revolution.

The Telegraph: "Britain's pathetic defeatists are cowering as China runs away with the clean-tech revolution." Ambrose Evans-Pritchard.

## POINTS OF VIEW

It is interesting to compare the green transition policies of the UK and China, the former aiming for net zero by 2050 and the latter carbon neutrality by 2060, each suitably ambiguous. First up, it is worth noting that the UK's carbon emissions are 3% of China's and, allegedly, China emits more CO2 in eight years than the UK has since the start of the Industrial Revolution. One view is that the UK was on track to burden its population with all the costs of its green transition, but this week it decided to walk back its net zero 2050 pledge while also reconsidering its ban on new petrol and diesel engine cars by 2030. Licences will be granted for hundreds of new oil and gas fields in the UK having only recently imposed windfall taxes on North Sea oil and gas profits. The reaction of BP* and Shell has been to rethink investment in the UK in favour of lower tax regimes overseas. Both have stated that they will reduce renewable investments, which are being severely tested by high and rising interest rates^, and invest more in profitable carbon fuels, aligning themselves more closely with Exxon and Chevron in the US. Harvesting profits from existing oil and gas fields is needed to subsidise the green transition while energy security concerns support greater investment in domestic carbon fuels in preference to importing LNG from Texas and Qatar or, in Europe's case, Russian pipelined gas. The first generates higher GHG emissions than domestic gas while the second was halted after sanctions led Russia to redirect gas flows east.

UK growth has flatlined and yet interest rates have been raised to 5.25%, crippling households with mortgages, all on top of inflation and a cost-of-living crisis. Base rates could still rise to 6% to press down on inflation. A key input is high energy costs not least because domestic energy production in 2022 was 14% below pre-pandemic levels while oil output last year was almost 30% lower than in 2019. Intermittent renewables, including wind and solar, generated 40% of the UK's electricity last year but they rely upon a large fleet of gas power stations being kept on standby to cover for overcast and windless days and weeks. Regardless of source, UK electricity prices are set by the marginal cost of generation, which is the spot price of gas, so already subsidised renewables do not work out to be as 'cheap' as is often claimed. On top of the windfall taxes on oil and gas profits, the government imposes windfall taxes on renewable profits that are boosted by the marginal cost energy pricing model. This all feeds into inflation and the high cost of living. We have extra costs imposed on vehicles in London and big cities, including congestion and ultra-low-emission-zone charges, dressed up as green policy when they are in fact just more tax on households. According to the Telegraph and the Office for Budget Responsibility, reaching net zero by mid-century would raise the UK's debt-to-GDP ratio by 21%, or by £500bn a year to 2050. Understandably, the people who pay the taxes in this country are pushing back. They cannot cope.

In China, run by a one-man, one-party system, it is easier to set long-term plans without the short-term flip-flopping of UK governments trapped in the 5-year election cycle. China's metal and energy intensive days are over, so its emissions will come down rapidly from 2025 just as it cranks up renewable delivery. The Telegraph quotes the IEA's estimate that China alone will account for 55% of the world's roll-out of wind and solar power in 2023 and 2024, and this year it will sell 8 million EVs, two-thirds of the global total. CATL, the world leader in lithium batteries, is building the largest gigafactory near Chengdu using zero-carbon hydro power. Benchmark Minerals says that China will soon have a 95% share of next generation heavier sodium-ion batteries that do not need lithium, cobalt or nickel. China is still using coal, but as a back-up. Xi Jinping has ordered 1GW of new coal plants for every 6GW of renewables as he builds redundant coal capacity as an insurance policy. China was traumatised by energy shortages and blackouts in 2021 and 2022 and is worried that seaborne LNG supplies risk being cut off by the West. S&P Global claims that China's coal capacity use was at 70% in the 2000s, at 53% last year, and will fall to 26% by 2050**. By then, they will be converted to 'peaker' plants harnessed to carbon capture. China is busy executing a long-term decarbonisation plan while the UK dithers and frets over its own estimate of a £1tn bill for net zero.^^ Others disagree, seeing it as a necessary trip that will add growth and lower costs by grasping new, and abandoning obsolete, technology.***

# WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

## Dry Cargo Chartering

A much more subdued week in the **Capesize** markets saw rates rise slightly before dipping and levelling out. This left timecharter averages at $15,080 down just $100 from last week. Fixture information was limited but we did hear that BHP covered 190,000 mtons 10% iron ore Port Hedland to Qingdao at $8.00 pmt for 19/21 August on a TBN basis. From Brazil, both Mercuria and Bunge were rumoured to have fixed 170,000 mtons 10% into China at around $20.20pmt. Bunge were linked with *Star Pauline* built 2008 for this voyage. *XH Sanmen Bay* (203,512-dwt, 2007) also reportedly fixed 185,000 mtons 10% Tubarao/Qingdao for end August dates at $19.99pmt. Elsewhere, *Nicolemy* (179,910-dwt, 2014) fixed 190,000 mtons 10% Kamsar to China for the end of August but the freight price was not disclosed. *Alpha Liberty* (179,276-dwt, 2011) fixed for a timecharter trip delivery Caofeidian for a round voyage via Australia at around $14,000-$14,500pd.

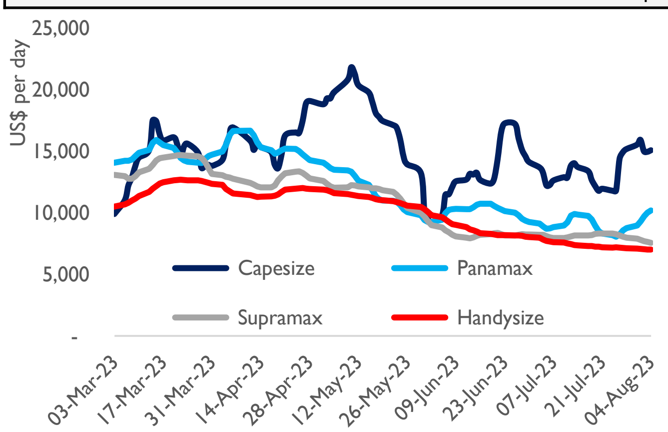
The positive energy and sentiment carried over from last week with all **Panamax** routes providing modest gains. Healthy demand, saw bid rates improve as the market continued to appear well supported, especially in the Atlantic with expectations for further gains. The market direction in Asia appeared less obvious although current rates appear to have stabilised, but yet again many felt a fresh injection of demand is required to support levels moving forwards. P5TC closed at $7,568 down by $421 since last reported 14 July. In the Pacific, *Ocean Pride* (82,399-dwt, 2021) Kashima 3/5 August was reported fixed for a trip via Australia redel South Korea at $9,000pd with Hanaro, *Yangze 22* (82,399-dwt, 2022) Hong Kong 7-11 August was heard fixed for a trip via East coast Australia redelivery South East Asia-South China at $8,500pd with Richland. In the South came talk of *Subarnarekha* (76,015-dwt, 2003) Hong Kong 3-4 August fixed for a trip via Indonesia redelivery South China, but charterers details were lacking. In the Atlantic, *Thalia* (81,031-dwt, 2016) Zhanjiang 26 July fixed for a trip via East coast South America redelivery Singapore-Japan at $11,500pd with Cargill, whilst details remained sketchy for now but rumours of *Darya Lachmi* (82,271-dwt, 2022) Qingdao early August rumoured fixed for the same trip at $11,000pd. Also, came news of *Seachampion* (82,032-dwt, 2022) retro sailing Tuticorin 25 July for a trip via East Coast South America redelivery Singapore/Japan at $14,000pd with Panocean.

The **Supramax** market continued to soften on average throughout the basins. Yet we noticed a slight push on levels in the Indian Ocean with a squeeze on tonnage ex-South Africa. East Coast South America and South East Asia remains modest, so we should expect a slight uptick for next week. The S10TC closed at $7,568 down by $421 (-5.27%) since reported last week on the 28th July. In the Pacific, *Ocean Venus* (61,464-dwt, 2012) fixed delivery Prai prompt dates for a trip via Australia to Singapore-Japan at $10,000pd, whilst *Star Lotus* (61,347-dwt, 2016) was taken delivery Port Kembla 1-3 August for a trip to Chittagong at $10,000pd + $200,000bb and *Akij Noble* (58,710-dwt, 2006) was covered delivery Singapore prompt dates for a trip via Indonesia to East Coast India at $9,500pd. Whilst in the Indian, XO Shipping covered *Nefeli* (63,466-dwt, 2016) delivery Mumbai prompt dates for a trip via Fujairah to Maldives at $12,250pd whilst *World Royal* (61,201-dwt, 2022) was fixed by MOL delivery Navlakhi 29-31 July for a trip with salt to South Korea at $11,750pd. And in the Atlantic, *Shanghai Bulker* (56,719-dwt, 2012) fixed delivery Brownsville 5-10 August for a trip with petcoke to the Far East in the low teens. Meanwhile on the period front, Crescent Bulk fixed *ETG Ubuntu* (64,195-dwt, 2022) delivery Philippines prompt dates for 3-5 months trading with redelivery worldwide at $14,000pd.

A slow and limited week for the **Handysize** sector. The BHSI38 closed at $7,020 down $103 since last Friday. Summer holidays perhaps playing their part in limiting fresh inquiry, as spot tonnage in the Atlantic builds. Continent and Mediterranean were flat, a 37k-dwt fixed $5,000pd delivery Morocco for a trip to the Baltic. Ultrabulk fixed their Iskenderun/Caribs-North Coast South America for mid $7,000s. A 33k-dwt fixed Morocco to ARAG at $5,000pd. Grains from the Black Sea has tightened. while interest in front haul has escalated. A mixed sentiment in the US Gulf, the larger Handysizes holding flat for trans-Atlantic trips around $7,000pd. East Coast South America inquiry picked up but was limited with an oversupply of tonnage. A 34k-dwt fixed delivery Santos for a trip to Black Sea at $8,500pd. Further East, a 35k-dwt fixed from the Red Sea to the Continent at $5,000pd. The negative sentiment continues with lack of visible activity across Asia market. In the North China & Japan region, an increase of tonnage availability can be observed which may lead to downward adjustment to levels in coming days. Little surfaced, but *Uni Wealth* (29,356-dwt, 2009) open prompt in Zhenjiang was fixed for a very short trip to Japan in the mid $6,000s. *Ken Sky* (28,930-dwt, 2011) opening with prompt dates in Zhoushan was heard to have been fixed for a trip via Australia back to China in the $5,000s but no further details. The *Shinsung Accord* (37,063-dwt, 2015) open Thailand have been fixed for a trip via Australia to China with Spodumene at $7,000pd.

### Representative Dry Cargo Market Fixtures

| Vessel | DWT | Built | Delivery | Date | Redelivery | Rate ($) | Charterers | Comment |
|---|---|---|---|---|---|---|---|---|
| Martine | 86,949 | 2009 | Kakogawa | 31 July | Indonesia | $8,000 | Cnr | Via NoPac |
| Climate Respect | 86,461 | 2022 | Longkou | 31July | Singapore-Japan | $10,000 | Atlantic Coal & Bulk | Via NoPac |
| Bora | 81,682 | 2014 | Xiamen | 2/3 Aug | South China | $7,000 | Cnr | Via Australia |
| Tahiti One | 81,291 | 2012 | EC South America | 3/10 Sept | Far East | $14,800 | Panocean | - |
| Wei Lun Ju Long | 79,421 | 2012 | Qinzhou | 27 July | Singapore-Japan | $7,000 | Bunge | Via EC South America |
| Sheng Ning Hai | 56,716 | 2014 | Zhanjiang | Ppt | China | $9,000 | Liyang | Via Philippines |
| KSL Hengyang | 53,410 | 2007 | Singapore | 5 Aug | CJK/N China | $8,700 | Naval Bulk | Via Indonesia |
| Alamo | 39,258 | 2019 | US Gulf | Ppt | WC South America | $8,250 | Cnr | - |
| Ocean Beauty | 38,246 | 2012 | Yeosu | Ppt | SE Asia | $6,000 | Cnr | - |
| Ince Point | 37,503 | 2015 | South Africa | Ppt | Singapore-Japan | $9,000 | Cnr | - |




| Exchange Rates | This week | Last week |
|---|---|---|
| JPY/USD | 141.69 | 140.40 |
| EUR/USD | 1.1016 | 1.1032 |

| Brent Oil Price | This week | Last week |
|---|---|---|
| US$/barrel | 86.35 | 84.14 |

| Bunker Prices (US$/tonne) | This week | Last week |
|---|---|---|
| Singapore IFO | 567.0 | 532.5 |
| VLSFO | 631.5 | 608.0 |
| Rotterdam IFO | 555.5 | 509.0 |
| VLSFO | 607.5 | 579.5 |

## Dry Bulk S&P

The August doldrums means just two ships to report in our tables this week, one of which, *Shikoku Island* (33,500-dwt, 2014 Shin Kochi) is sold on a BBHP basis with further details yet to be disclosed and which reveals nothing about market direction.

There is still however plenty of activity bubbling away under the surface with several Ultramaxes taking offers this week, including the two Parakou-controlled sisters *CP Shanghai* and *CP Guangzhou* (63,600-dwt, 2015 Chengxi) which we understand are in negotiations at levels in excess of $22m each, but at the time of going to press remain yet to be concluded.

The only straight sale comes from the Norden *owned Nord Everest* (60,436-dwt, 2016 Oshima) which we understand to have sold at $24m - another step down on last done, *Mona Max* (63,878-dwt, 2017 Tsuneishi Zhoushan) which sold as recently as mid-July for $27.5m. A flicker of life in the freight market this week, particularly in the larger gearless segments is unlikely to reverse the softening trend, but it may give a few holidaying buyers pause for thought. There are one or two bargains out there.

**Reported Dry Bulk Sales**

| Vessel | DWT | Built | Yard | Gear | Buyer | Price | Comment |
|---|---|---|---|---|---|---|---|
| Nord Everest | 60,436 | 2016 | Oshima | 4x31t | - | $24.0m | |
| Shikoku Island | 33,500 | 2014 | Shin Kochi | 4x30t | - | - | BBHP basis |

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## Tanker Commentary

Tanker newbuilding activity remains high, with fresh LR2 and MR2 orders coming to light this week. Transpetrol have sold out some of their older tonnage this year and are reinvesting with two LR2 tankers at Hyundai Vinashin. Meanwhile Jahldi have exercised options for two MR tankers at Yamic where they have one under construction currently - this explains the sharper pricing and deliveries compared to Schoeller's four MR orders at Chengxi.

With the European summer break in full swing, we only have a handful of secondhand transactions to report with no notable movement on product tanker pricing. *Tornado A* (105,411-dwt, 2003 Sumitomo) has been sold for a price of $24.75m, with docking due end 2023. This is step up against *Wonder Musica* (105,411-dwt, 2004 Hyundai) which back in June was sold at $24m, with a similar docking position.

In the LR1 segment, two deepwell units have been sold enbloc for $21m each, namely *Mandala* (65,000-dwt, 2006 Brodosplit) and *Donna* (65,100-dwt, 2006 Brodosplit). .

The epoxy coated *Cassiopeoia II* (50-696-dwt, 2008 SPP) has achieved a price of $23m - we understand the owners have had her under their control for only a few months, having purchased in March this year for $24m. Despite selling at a touch less that what they paid, it is in line with the most recent comparable sale from June, with *Gulf Jumeriah* (47,488-dwt, 2008 Hyundai) achieving $23.5m. She has a similar docking position but has Phenolic Epoxy coating.

### Reported Tanker Sales

| Vessel | DWT | Built | Yard | Buyer | Price | Comment |
|---|---|---|---|---|---|---|
| Tornado A | 105,411 | 2003 | Sumitomo | - | $24.75m | - |
| Mandala<br>Donna | 65,100 | 2006 | Brodosplit | - | $21.0m each | Epoxy, Ice 1B |
| Cassiopeia II | 50,696 | 2008 | SPP | - | $23.0m | Epoxy |
| Athenia | 8,828 | 2008 | Yangzhou | - | $4.5m | Epoxy Phenolic |
| Emin Reis | 6,623 | 2010 | Uno Gemi | - | $10.0m | MarineLine |

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