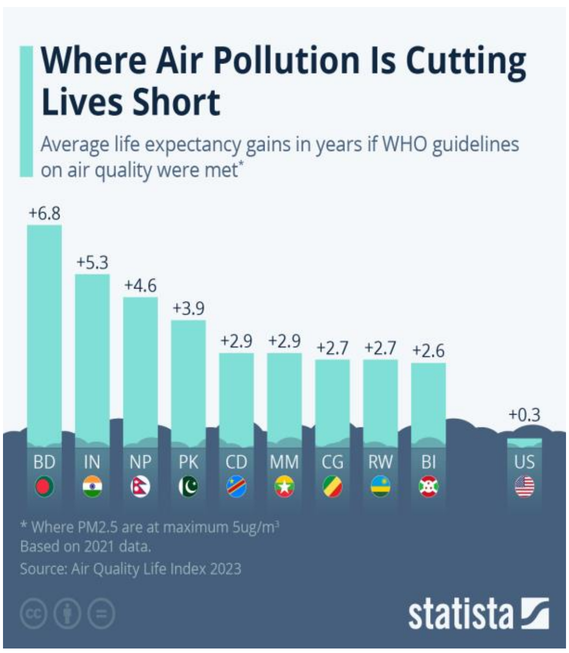
22 September 2023

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

… It is not all about carbon. In Africa, add waste burning, mining and cement production, etc. …



Source : Statista

*Most OECD countries are aiming for Net Zero 2050. Mervyn King, former governor of the BoE, suggested that rather than forcing all entities to go for the target, carbon taxes should permit some to exceed and others to fall short. But the net effect must still be zero.

**ICE = Internal Combustion Engine while NEV = New Energy Vehicles, encompassing fully electric and hybrids made in China.

^And possible counter tariffs on German car imports, whose share of total sales in China are VW: 40%. Mercedes: 37%. BMW: 33%.

^^At risk may be BMW's £600m investment in e-Mini production at its plant in Oxford, Tata's £4bn commitment to build a gigafactory in Somerset to supply EV batteries, and the Nissan/AESC's £1bn EV manufacturing hub in Sunderland.

+China's CATL & BYD, that produce over 50% of EV batteries globally, are investing heavily in European-based battery production.

POINTS OF VIEW

We have an actual war in Ukraine and virtual wars playing out in trade, commerce, technology and currencies. Our focus today is on electric vehicles (EVs) based upon an article published on Reuters expressing the views of writer, Clyde Russell, entitled "China's huge coal plant building has weird climate logic". It starts by stating that China is building two-thirds of coal-fired generation capacity currently under construction globally, 136.2 out of 204.2GW, which represents 12% of its existing capacity. Far behind, in 2nd and 3rd places, are India with 31.6 and Indonesia with 14.5GW. All three countries have huge domestic coal reserves and between them are building 89% of all new coal-fired capacity world-wide. In isolation, China's actions do not seem compatible with its carbon net zero 2060 target.* However, in context they make more sense and may not be a one-way ticket to climate disaster. First, China is the world's largest importer of crude oil. Second, it is the biggest investor in solar, wind, hydro and nuclear. Third, it is rapidly shifting away from ICE cars and trucks towards NEVs.** In August, 37% of China's total passenger vehicle sales were NEVs, 716k out of 1.94m, up from less than 5% in January 2021. The switch to NEVs will enable China to import less crude oil, which came in at 11.4m-bpd in the Jan-Aug period this year, at a cost of $250bn at today's prices. It wants to reduce its dependence on countries such as Saudi Arabia and Russia that have cut exports to raise prices, running counter to China's best economic interests at a difficult time. It is better to use domestic electricity, even if it is largely coal-derived initially, than to rely upon imported crude oil.

It is a long-term plan that seeks to transform electricity generation by dovetailing the retirement of old carbon fuels with renewables as they become more available. Meanwhile, carbon targets are falling like flies in the West. The Republicans are looking to unpick Biden's Inflation Reduction Act which dishes out subsidies to companies with Made in America green investment plans. Last Friday saw 12,700 workers from the three biggest US carmakers (Ford, GM and Chrysler) down tools, under UAW union direction. It is agitating for 36% pay rises over four years and a reduced 32-hour week with extra days off. These strikes are likely to escalate as the UAW fears that EVs are a threat to ICEs and jobs, and yet they are a key plank of Biden policy. Europe's Green Deal is also under attack as public approval in 2019 morphs into hostility once the costs become clear. Another complication is the EU's decision to launch an anti-subsidy probe into China's EV production and exports. If this leads to EU tariffs on Chinese EV imports then the backlash may extend to restrictions on EU access to rare earths, batteries and solar panels.^ In the UK this week, Downing Street rolled back its ban on the sale of petrol and diesel cars from 2030 to 2035, aligning itself with the EU, California, Canada and Australia but not without full-throated protests from the UK-invested automotive trade that was primed for the earlier cut-off date.^^ The West has been caught napping, trapped by short-termism and its 4 to 5-year electoral cycles.

Almost 20% of cars sold in Europe are electric with the IEA predicting that this will rise to 35% by 2030. German manufacturers have blindly clung onto their superiority in ICE production, allowing China 20 years to corner the supply chain in rare earths and battery technology. The battery is 40% of the cost of an EV, and Chinese companies already supply EU carmakers with their China-made batteries, but plan to build production capacity in Europe.+ Back to Reuters. China used coal for 63% of its electricity generation in 2022, with hydropower at 14%, wind at 9% and solar at 5%. It claims that using a predominantly coal-fired grid to charge NEVs is better from a climate perspective when considering total lifecycle emissions. The US DoE has shown that a Chinese built EV would have to drive 78,700 miles before being cleaner than its ICE equivalent. However, the average EV will have a 170,000-mile lifespan, so it wins eventually, validating this curious logic. It sources mostly domestic coal, alongside low-cost imports, for EV power and phases down imported crude oil, while swapping the ICE fleet for NEVs. Ergo, emissions trend down. China is commercialising the climate debate whereas the West is politicising it. Western actions are short-term and insular, and they only validate China's long-term plans, fuelling its ambitions. The West sees net zero as an obligation; China sees it as an opportunity. Shipping is next; lots to learn.

Dry Cargo Chartering

Capesize markets witnessed further significant gains this week. Time charter averages rocketed to $17,274, a surge of $3,990. This was primarily led by the South Atlantic where average freight for Brazil-China jumped from just under $20.90 pmt to $22.40 pmt, whilst South Africa saw freight rise from $15.00 pmt to $16.40 pmt into the Far East. From Australia, Rio Tinto were again active covering eight positions for early October with freight ranging from $8.95 pmt to $9.65 pmt for 170,000 mtons into Qingdao. From Canada, the same charterers fixed 190,000 mtons 10% Seven Islands-Qingdao at $27.00 pmt, while Arcelor Mittal covered 150,000 mtons 10% Port Cartier-Kakogawa at $31.00 pmt. Elsewhere, Bunge took *Star Claudine* (built 2011) for Tubarao-Qingdao for 15/20 October at $22.00 pmt and Cargill chartered *First Penguin* (built 2021) for 190,000 mtons 10% bauxite loading Kamsar for Yantai and Longkou for 15/20 October at $23.05 pmt.

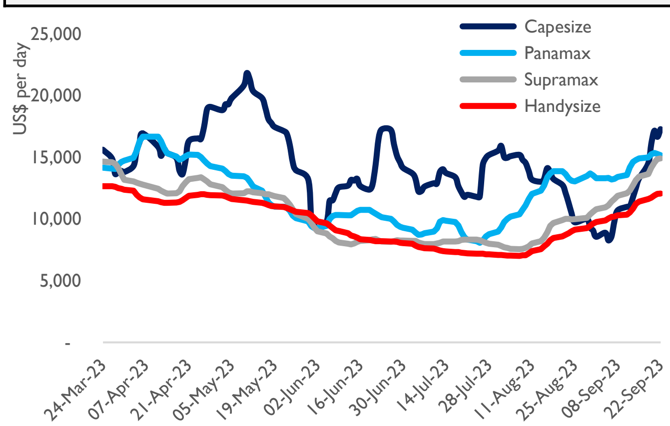
The **Panamax** market lost momentum from earlier in the week with mixed sentiment due to limited activity, and while fundamentals in the Atlantic seemed stable, Asia appeared nervous with reports of fixing and failing, and reduced offers failed to interest charterers. P5TC closed at $15,164 up by $263 since our report last week. In the Atlantic, the *Great Rich* (75,524-dwt, 2012) Rotterdam prompt fixed for a trip via North France redelivery China at $24,250pd. The *LMZ Francisco* (82,044-dwt, 2019) retro sailing Sundra Strait 27 August fixed for a trip via East Coast South America redelivery South East Asia at $16,500pd to Olam, whilst the *Kynouria* (81,354-dwt, 2012) retro sailing Gangavaram 29 August was heard fixed for a trip via East Coast South America option North Coast South America option US Gulf redelivery Singapore/Japan at a rate in the high $14,000s. In the Pacific, the *Great Trader* (82,231-dwt 2023) Zhoushan spot was heard fixed for a trip via Dalrymple bay redelivery China in the low $16,000s with MOL. The *Aster Ocean* (75,798-dwt, 2004) Fangcheng 22/26 September was heard fixed for a trip via Indonesia redelivery India at $10,500pd to Bainbridge. The *Evmar* (82,039-dwt, 2016) Zhoushan 20 September was rumoured fixed to Tata NYK for a trip via East Coast Australia redelivery at rates of $13,750pd and $14,000pd mentioned. On voyage, SAIL fixed 'TBN' for their 75000/10 coal lift Hay Point Coal Terminal / Visakhapatnam 15/24 Oct at $18.85 pmt.

Supramax market continued to strengthen this past week. The Far East led the way before the Continent carried the torch further. Cargo volume and sentiment is currently the main driver, whilst a few congestion issues and tonnage imbalances are also fuelling the fire. The S10TC closed at $14,906 up by $1,480 (+11%) this week. In the Pacific, *Ocean Applaud* (63,525-dwt, 2017) was fixed delivery South Vietnam prompt dates for a trip via Indonesia to South China at $20,500pd, MUR covered *Maximos* (63,400-dwt, 2020) delivery Yeosu 22-24 September for a trip via NoPac with wood pellets to South Korea at $16,000pd and *Wooynag Hermes* (54,296-dwt, 2008) was taken delivery Japan prompt dates for a trip with steels to Continent at $10,000pd first 65 days and $13,500pd thereafter. Whilst in the Indian ocean, *Rigi Venture* (63,500-dwt, 2015) fixed delivery Visakhaptnam 20-21 September for a trip via East Coast India to China at $15,750pd, LDC took *Copenhagen Eagle* (63,495-dwt, 2015) delivery aps Durban 8-15 October for a trip with grains to the Far East at $20,000 + $200,000bb with scrubber benefit for the owners and Lighthouse covered *Malak* (56,942-dwt, 2010) delivery Porbandar end September dates for a coastal trip with salt to West Coast India at $14,000pd. In the Atlantic, it was heard *Tai Splendor* (60,618-dwt, 2015) fixed around $18,000 + $800,000bb (some reports say on voyage at time charter equivalent) for a trip delivery East Coast South America early October to Chittagong. Meanwhile on the period front, XO Shipping took *ST Paul* (57,982-dwt, 2010) delivery Port Canaveral prompt dates for 4-6 months with redelivery Atlantic at $17,000pd.

The positive sentiment in the **Handysize** market remained this week due to limited tonnage available in Southeast Asia, charterers are looking to source tonnage from other regions to fulfil cargo loading from Australia and Indonesia. This resulted in further gains for owners. However, there have been some concerns about how long this positive momentum can be sustained, as activity slowed towards the end of the week. The *Tac Daytona* (40,217-dwt, 2022) opening in Manzanillo was rumoured to have been fixed for a trip via West Coast Central or South America to Singapore-Japan at around $14,000pd to Trafigura. Further north, The *Blue Alexander* (32,545-dwt, 2005) open Lanshan was heard to have fixed for a trip to the Persian Gulf at $9,500pd. The *Amidala* (34,443-dwt, 2015) open Rizhao was also heard to have fixed & failed for trip to Singapore at around $8,000pd aps and another 37k-dwt was rumoured to have been fixed for a trip from CJK to Southeast Asia in the $9,000s but no further details came to light. The Atlantic market continued from last week with the Continent and Med markets remaining the place to be. A 38k-dwt was reported to have fixed $21,500pd ex Iskenderun to the USG with bulk cement, as well as a 34k-dwt open Immingham fixing $22,000pd for a trip with steels to the Med. The USG also improved during the week with a 37k-dwt fixing a grains cargo ex USG to the West Med at $13,500pd. East Coast South America, which has driven the Atlantic in recent weeks, did not play ball and was in the red by Friday. We heard a 37k-dwt fixing on subjects in the low teens for a sugar run ex East Coast South America to Casablanca which is well down on previous weeks. Period activity was a little subdued except for the *Ariston Bulker* (37,594-dwt, 2020) which fixed a firm $15,250 for 4-6 months redelivery Atlantic.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Portaitissa	87,144	2006	EC South America	2 Oct	PMO	$17,200	Cnr	Via Saudi
Yasa Ruby	82,267	2023	Wilhelmshaven	21/25 Sept	Japan	$30,000	Kline	Via US East Coast
Phoenix Ocean	76,067	2014	Tianjin	21 Sept	Singapore-Japan	$12,000	Reachy	Via NoPac
Xin Wu Zhou I	75,668	2001	Shantou	20 Sept	South China	$12,500	Tongli	Via Indonesia
Shen Hua 805	75,437	2014	Guangzhou	29 Sept	South China	$12,000	Cnr	Via Indonesia
Ocean Applaud	63,525	2017	South Vietnam	Ppt	South China	$20,500	Cnr	Via Indonesia
Roberta	63,426	2015	Singapore	Ppt	China	$22,000	Cnr	Via Indonesia
Zhe Hai 525	57,283	2011	Ningde	Ppt	South China	$16,000	Cnr	Via Indonesia
NS Dalien	57,001	2010	Lanshan	Ppt	China	$16,000	Cnr	Via Philippines
Nikos N	53,815	2011	Kaohsiung	17 Sept	China	$13,000	Cnr	Via Indonesia



Exchange Rates	This week	Last week
JPY/USD	148.07	147.88
EUR/USD	0.9377	0.9376

Brent Oil Price	This week	Last week
US$/barrel	93.53	93.40

Bunker Prices (US$/tonne)	This week	Last week
Singapore IFO	528.5	564.0
VLSFO	626.0	676.0
Rotterdam IFO	588.0	604.0
VLSFO	665.0	630.0

Dry Bulk S&P

With rates firming up across the board it comes as no surprise that there are plenty of sales to report this week. The limited availability of younger eco ships means owners with money to spend remain busy transacting on ships aged 10-15 years old.

In the larger sized segment, *Blue Horizon* & sister *Clear Horizon* (207,867- dwt, 2012 NACKS) are reported sold for $30.5m each. *West Trader* (175,879-dwt, 2009 Jinhai HI) is reported sold from clients of Sinokor to unnamed Greek buyers for high $18m, a price more or less in line with *Mount Apo* (175,800 - dwt, 2012 Jiangsu Rongsheng) last month, which went for $24.5m.

Demand for Kamsarmaxes remains strong with a number of buyers competing this week on *Nord Sun* (82,146-dwt, 2013 Tsuneishi Cebu) when she called for offers, going on to find a new home for $21.6m to undisclosed Greek buyers. This was a price in line with the 1 year older *Port Star* (82k dwt, 2012 Tsuneishi Cebu) which went for $20.5m two weeks ago.

In the Supramax sector *Kouroupi* (56,047 - dwt, 2008 Mitsui, BWTS) is reported sold at a firm $14.2mill, a good tick up when compared to *Wave Runner* (56,676 - dwt, 2008 IHI, BWTS) which went for around $13m very recently.

Finally, *Copacabana* (37,202-dwt, 2011 Saiki HI) is under negotiations at low mid $15m, a price in line with other recent sales of the same size and vintage.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Blue Horizon	207,867	2012	DACKS		-	$30.5m	
Clear Horizon	207,867	2012	DACKS		-	$30.5m	
West Trader	175,879	2009	Jinhai Heavy Ind.		Greeks	$18.75m	
Double Pride	95,707	2012	Koyo Dockyard		Indian	$22.0m	
Nord Sun	82,146	2013	Tsuneishi Cebu		Greeks	$21.6m	
Sanko Fortune	74,940	2012	Sasebo Heavy Ind.		Astra	$20.0m	BWTS
Hanseatic Eagle	58,018	2010	Yangzhou Dayang	4x 30t	-	$12.2m	DD Passed
Kouroupi	56,047	2008	Mitsui	4x 30t	Greeks	$14.2m	BWTS
Purple Sea	35,214	2011	Nantong Changqingsha	4x 31t	-	$10.9m	
Uni Auc One	28,709	2007	Shin Kochi Jyuko	4x 31t	-	$7.8m	

Tanker Commentary

This week's tanker S&P market has been fairly subdued, but that is not to say the tanker market has been quiet. VLCC spot earnings have almost doubled on routes from the Middle East Gulf to China and have significantly increased on other routes. In addition, Russia's announcement that they were going to temporarily restrict diesel and gasoline exports with immediate effect on Thursday could have ramifications across the board.

Meanwhile, the newbuilding market remains busy, it was reported that Suezmax orders have reached their highest in a decade with an estimated 50 orders this year so far and counting, this narrowly beats 2015 where 48 orders were placed.

However, there are just three sales to report this week on the second-hand market with MRs dominating the table. *High Jupiter* (51,603-dwt, 2008 STX Jinhae) is rumoured to be sold to Indian buyers for $22m which shows a continuing drop in the prices when compared to the year younger sister *Falcon Sextant* (50,994-dwt, 2009 STX Jinhae) which also had BWTS due and was sold to Vietnamese buyers at the end of June for $25.8m. Elsewhere in the MR1 sector, the auction of Italian owned *Dominia* (40,174-dwt, 2009 SLS) is reported to have been concluded for $22m.

Finally, this week in the chemical tanker sector we saw the Harren and Partner's ice class 1A, *Patnos* (16,714-dwt, 2006 Qiuxin - Epoxy/Ice 1A/BWTS fitted) sold to as yet undisclosed buyers for $10.5m. This is a solid price when compared against the similar spec, one year older Turkish built, Ice 1A, Marineline coated, *Fionia Swan* (15,609-dwt, 2005 Deniz Endustrisi - Marineline/Ice 1A/BWTS fitted) which we reported sold to Greeks earlier this month for $8.9m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
High Jupiter	51,603	2008	STX	Indians	$22.0m	SS/DD Due
Dominia	40,174	2009	SLS	-	$22.2m	At Auction
Patnos	16,714	2006	Qiuxin	-	$10.5m	

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London
Tel: +44 20 3077 1600
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai
Tel: +86 21 2028 0618
Email: newbuild@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore
Tel: +65 8223 4371
Email: chartops.sg@hartlandshipping.com