HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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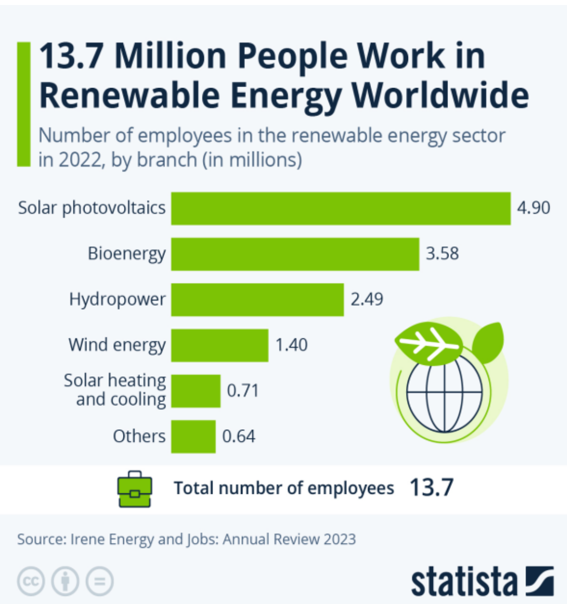
… Sun beats Wind …



Source : Statista

POINTS OF VIEW

COP28* is only a month away and the question in many people's minds is whether it will be a good cop or a bad cop. One could argue that the optics got off to a bad start with it being held in Dubai and chaired by H.E. Dr Sultan Ahmed Al Jaber, CEO of ADNOC and chairman of Masdar, both state-owned. ADNOC does oil and gas while Masdar does renewables. This epitomises the two-handed approach to the energy transition. ADNOC is believed to have ambitions to exploit its oil and gas reserves well into the future, but it also has a keen eye on the shift to carbon-free renewables under the mantra "Maximum Energy. Minimum Emissions" and a Net Zero 2045 target. As with many IOCs - such as BP, Shell and Total - it is addressing the paradoxical dilemma of continuing to produce oil and gas while also ramping up investments in renewables. Just Stop Oil advocates would like to flick a switch to turn off all fossil-fuelled power generation before inevitably being asked why the country is left freezing in candlelit darkness. The challenge is how to manage a multi-decade transition in which carbon fuels are managed down while green alternatives are powered up.** In contrast to their peers, Exxon and Chevron seem to be unashamedly committed to further oil and gas investments in their respective announced takeovers of Pioneer and Hess. These are the largest consolidation moves in the energy sector in 25 years when mergers created the supermajors BP-Amoco, Exxon-Mobil and Chevron-Texaco. Further moves may be afoot as IOCs and NOCs seek to squeeze the last drops out of their portfolios to help subsidise their considerable investments in the green energy future.

Dovetailing with the above developments, all is far from smooth sailing in the wind energy sector. Danish utility Orsted, the world's largest offshore wind developer, saw its shares fall 20% this week, to their worst level in six years, after it dropped two US wind projects off the New Jersey coast, Ocean Wind 1 and 2, booking a $4bn impairment that is expected to rise above $5.5bn. Orsted is also reviewing the financial viability of its Hornsea 3 wind farm off the east coast of England.^ BP booked a $540mn pre-tax write-down in Q3 in relation to an offshore US wind project after New York regulators rejected a plea for higher prices to offset inflation. Equinor took a $300mn impairment on a similar US project for similar reasons while Spain's Iberdrola has cancelled power contracts for offshore wind farms in the US after surging costs. These represent significant setbacks in the US renewable sector. High interest rates, soaring supply chain costs and engineering challenges have rendered many wind projects unprofitable, leading BP to state that "offshore wind in the US is fundamentally broken. There is a fundamental reset needed." Of note, the UK government failed to attract any bids from offshore wind developers in a contract auction in September.^^ Out east in China, on the equipment production side, the top wind turbine maker, Xinjiang Goldwind Science & Technology, saw its Q3 profit tumble 98%. These factors might begin to explain the energy sector's reluctance to exit fossil fuels with unseemly haste.

The renewable sector faces other headwinds as energy security climbs up the hit list of public priorities. Wars in Europe and the Middle East, in which Iran is a common denominator, could flare up into wider conflicts. They focus the mind on an immediate need for oil and gas with the supply of each being threatened by both. In reply to Saudi-led oil supply cuts, the Biden administration was quietly working on easing sanctions on three of the world's largest oil and gas producers in Iran, Russia and Venezuela. The first was linked to getting a nuclear deal back on track, the second to facilitating the seaborne transportation of oil under G7 price caps, and the third to free and fair elections. All three initiatives have gone south. Iran supports opening multiple fronts against Israel: Hamas in Gaza, Hezbollah in Lebanon, Houthis in Yemen and Shia militias in Iraq and Syria. This is dangerously escalatory. Russia continues to pulverise Ukraine while Putin gets to retreat from the limelight and regroup. Italian leader, Giorgia Meloni, said that world leaders are tiring of the Ukraine war and want to cut a deal with Moscow.+ Venezuela's top court suspended the results of last month's opposition primary, diminishing the chance of an open election.++ These developments have scuppered western plans to counter OPEC+ cuts and ease sanctions. Under these circumstances, the world is taking comfort in the energy we have rather than the energy we want.

*This will be the 28th session of the Conference of the Parties, UN climate meetings aimed at limiting future climate change.

**The UK imposed a windfall tax (Energy Profits Levy) of 25% on oil and gas production in May 2022, set to run to March 2028.

^In July, Vattenfall pulled the plug on its 1.4GW Norfolk Boreas UK offshore wind farm after a 40% surge in project costs, losing $537mn.

^^The UK government recently pushed back the ban on the sale of new petrol cars to 2035 from 2030, aligning itself with Europe.

+It happened on 18 September during a telephone call with Russian pranksters, although such rumours were already in open circulation.

++Market-friendly Maria Machado had won 93% of the primary vote, lining her up to take on incumbent president Maduro next year.

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03 November 2023

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Capesize markets were generally subdued this past week until a significant uptick boosted rates once more on Friday. Overall, this left time charter averages at $17,690, a decrease of $771 from last reported. In a repeat of the previous week, Rio Tinto were again the most active major as they covered five mid-November positions for their 170,000 mtons 10% Dampier/Qingdao route with freight ranging from $8.00 pmt to $8.50 pmt. Elsewhere we heard that *Linda Hope* (181,458-dwt, 2011) was chartered by Koch for 170,000 mtons 10% bauxite loading Kamsar bound for China at $20.35 pmt, and *Maran Grace* (180,391-dwt, 2010) fixed 160,000 mtons 10% coal Puerto Drummond to Taean, Korea for 5/15 December at $26.00 pmt. Other notable fixtures included Ore and Metal taking *Maria D* (179,232-dwt, 2016) for a Saldanha Bay/Qingdao run at $14.65 pmt, and Vale fixing *Angel II* (176,697-dwt, 2012) for Teluk Rubiah/China at $6.60 pmt with a laycan of 10/13 November. Additionally, Costamare were linked to *Frontier Unity* (181,415-dwt, 2012) for 160,000 mtons 10% Bolivar/Zhoushan at $29.00 pmt.

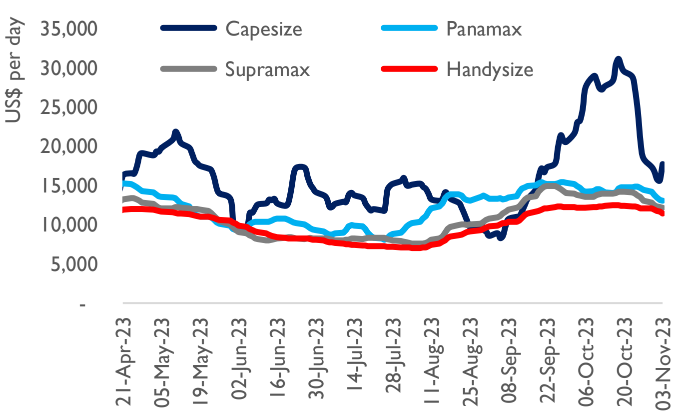
The **Panamax** market witnessed an uninspiring week with the index closing today at $13,034 down by $1,414 since reported last friday. In the Atlantic, the Navios *Magellan II* (82,037-dwt, 2020) open Hamburg 1/3 November was fixed for a trip via East Coast Canada redelivery Singapore-Japan at $23,250. In the Pacific, limited enquiries have caused further pressure on the rates across the basin. We heard NoPac voyages are fixed around low teens basis Busan. The *Smirni* (81,834-dwt 2020) CJK prompt dates was fixed for a NoPac round trip at low $12,000, down from last week. In the South, the *Princess Grace* (75,455-dwt, 2011) Hongkong 4 November fixed for a trip via Indonesia redelivery Malaysia at $8,500. It was slightly quiet on the period front, but we did hear the *Taho America* (81,788, 2019) has been fixed delivery next January for 1 year at $15,500 to Aquavita.

The **Supramax** market fell sharply globally this week, except in the US Gulf. This was due to a rare scarcity of cargo supply in mid-November, which led to a glut of ships and falling rates. The S10TC closed at $12,111 down by $913 (-7.01%) since last reported on the 27th October 2023. In the Pacific, *Federal Iris* (63,498-dwt, 2015) fixed delivery Gresik prompt dates for a trip via Bontang to East Coast India at $15,000 and *Fareast Honestly* (56,481-dwt, 2012) delivery Manila prompt dates for a trip via Indonesia to Thailand at $9,000. Whilst in the Indian, *Kiran China* (63,549-dwt, 2014) covered delivery South Africa for a trip with manganese ore to China at $15,500 plus $155,000 bb and Norden fixed *Sheng Xin Hai* (57,291-dwt, 2009) delivery Krishnapatnam prompt dates for a trip to Arabian Gulf at $9,500. In the Atlantic, XO was rumoured to have taken *Pac Ankaa* (63,103-dwt, 2021) open New Orleans 17 November for a trip via US Gulf with petcoke to India at $33,750 and Norden fixed *Karpathos Dawn* (56,600-dwt, 2010) delivery Charleston for a trip via US East Coast with wood pellets to Continent at $22,000. On the period front, Western Bulk fixed on period *DSI Aquila* (60,309-dwt, 2015) open Indian Ocean with redelivery minimum 10 November 2024 until maximum 10 January 2025 at $12,500.

The **Handysize** market remained inactive due to a scarcity of fresh cargo across Asia. As a result, tonnage lists lengthened and rates came under further pressure, with owners seeing further reductions. This trend is expected to continue into next week with a holiday in Japan. BHSI closed this week at $11,409 down $671 since last Friday. A 28k-dwt was rumoured to have been fixed for a trip from East coast India to South China around $6,500 but further details had yet to surface. Despite a drop in rates, an encouraging number fresh inquiry entered the market from the North Continent and the Baltic. A 39k-dwt open Immingham was fixed from Germany to US Gulf at $13,000, reportedly with 8 waiting days. The Mediterranean market was very quiet, with owners having little choice but to sit on their hands and wait for fresh orders or drastically come off from last week's levels to compete. *Gant Yria* (37,983-dwt, 2016) open Piraeus fixed delivery Constantza with grains to Spain/Portugal range at $9,000 with Langlois. The US Gulf was this week's star performer, with levels picking up close to $20,000 since Monday. *Argo B* (34,314-dwt, 2010) fixed delivery Panama City for a trip redelivery UK-Continent at $20,000 with PCL. The South Atlantic cooled quickly, trans-Atlantic trips on smaller 32k-dwt type are now fixing around $11-12,000 levels. *Agia Fotini* (38,140-dwt, 2012) open Rio Grande was fixed delivery Santos for a trip to Morocco at $15,000 with Sucden, while a 34k-dwt was rumoured fixed delivery Santos to Casa at $13,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Guo Yuan 82	86,433	2020	Tanjung Bin	3/4 Nov	China	$17,000	Enesel	Via South Africa
Grampus Charm	82,937	2013	CJK	2 Nov	Singapore-Japan	$12,500	Cofoc Agri	Via NoPac
Alpha Hero	82,052	2018	CJK	3 Nov	India	$14,000	CNR	Via EC Australia
Vassos 2	81,603	2019	Reydarfjordur	5/8 Nov	Continent	$17,000	Cobelfret	Via US East Coast
MP Hamsarmax	81,190	2017	PMO	PPT	PMO	$13,500	Al Ghurair	Via EC South America / Arabian Gulf
Kiran China	63,549	2014	South Africa	Mid Nov	China	$15,500	CNR	Plus 155,000 bb
Federal Iris	63,498	2016	Gresik	PPT	EC India	$15,000	CNR	Via Bontang
Great Progress	63,377	2015	Bahodopi	9/10 Nov	India-Bangladesh	$15,000	CNR	Via Indonesia
Agia Fotini	38,140	2012	Santos	PPT	Morocco	$15,000	Sucden	-
Argo B	34,314	2010	Panama City	11/16 Nov	UK-Continent	$20,000	PCL	-



Exchange Rates		This week	Last week
	1 USD	149.63 JPY	149.60 JPY
	1 USD	0.9337 EUR	0.9452 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	84.87	88.92

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	484.0	484.0
VLSFO	707.0	678.0
Rotterdam HSFO	522.0	557.0
VLSFO	600.0	603.0

Dry Bulk S&P

Another week and another fistful of older Capesizes sales to report, which suggests the second-hand market is unphased by the rollercoaster physical market. However, a couple of vessels reported in the last few weeks have resurfaced in the second-hand market which suggests that not everyone has the stomach for the big dipper.

Three of the four sales are sold at last done figures while the fourth unit, *Xin Bin Hai* (180,086-dwt, 2010 Dalian) was reportedly fixed at something excess $22m last month but is now supposedly done at $20.7m. Turkish buyers Densay have dipped their toe in the Cape market with the purchase of *Satori* (177,456-dwt, 2007 Mitsui) at $18.5m. Chinese buyers are reportedly behind the purchase of both *Ocean Corona* (180,220-dwt, 2009 Koyo) at $20.4m and her 2005 built sister *Cape Flamingo* at $15.4m.

In addition, a couple of handies are sold. The Chinese-owned, eco-engined *TS Alpha* (39,000-dwt, 2015 Shanhaiguan) is reported sold for a very modest $16.8m. Sometimes you get what you pay for. The Korean built *Ria* (34,039-dwt, 2012 Dae Sun) is sold for $14.2m.

Overall, the market remains active but wary, and we expect a number of sales to reach the market next week.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Ocean Corona	180,220	2009	Koyo		Chinese	$20.4m	
Cape Flamingo	180,201	2005	Koyo		Chinese	$15.4m	
Xin Bin Hai	180,086	2010	Dalian			$20.7m	
Satori	177,456	2007	Mitsui		Densay	$18.5m	
Pan Eldorado	77,598	2004	CSBC			$9.0m	
TS Alpha	39,000	2015	Shanhaiguan	C 4x30t		$16.8m	
Ria	34,039	2012	Dae Sun	C 4x30t	Greeks	$14.2m	

Tanker Commentary

The wet market remains firm as we head into the winter months. This week we saw VLCC and Suezmax rates rapidly rise on certain routes whilst the product market remained steady with MRs continuing to command firm rates well into the $20k's per day.

Unnamed Greeks are understood to be the buyers behind two modern VLCCs from SK Shipping. The *C. Spirit* (314,000-dwt, 2013 Hyundai - scrubber fitted) and *C. Challenger* (314,000-dwt, 2013 Dalian - scrubber fitted) have been committed for $67m and $65m respectively. The modest prices reflect the significantly below market TCs attached.

After selling out an eco MR tanker to Pertamina earlier this year, Scorpio have let another go in the form of the *STI Amber* (49,937-dwt, 2012 Hyundai Mipo) which has changed hands for $33.9m, a great price for a first generation eco vessel, however, it is worth noting that she is scrubber fitted. By comparison, we reported Norden's Eco sales (a year younger but non-scrubber fitted) *Nord Steady* (49,994-dwt, 2013 STX) and *James Cook* (49,995-dwt, 2013 STX) at the end of last month for $34m per unit.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
C. Spirit	313,998	2013	HHI	Greeks	$67.0m	TC attached: Min October 2024 Max February 2025 at $36,625 pd
C. Challenger	313,918	2013	Dalian	Greeks	$65.0m	TC attached: Min April 2024 Max July 2025 at $31,000 pd
STI Amber	49,937	2012	Hyundai Mipo		$33.9m	Scrubber Fitted, Epoxy, ME Engine
Chem Lyra	17,055	2009	Ningbo Xinle	Seacon	$14.6m	BBHP, MarineLine

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