Lloyd's List

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Oaktree sells ore carriers for conversion into VLCCs

Conversions prompted by robust crude tanker market, while dry bulk market struggles and looks less attractive for owners

Rosey R is one of the three remaining ore carriers in Oaktree's fleet following the sale of *Selma B* and *Camilla T*.

TWO vessels built to carry iron ore and oil have been sold for conversion into very large crude carriers, as interest mounts in the bullish crude tanker market while the dry bulk shipping market falters, *writes Hal Brown.*

Oaktree Capital, the private equity investor, has sold the 2010-built, 319,869 dwt combined ore and oil carrier *Selma B* and the 2011-built, 319,869 dwt combined ore and oil carrier *Camilla T*.

A spokesperson for online valuation service VesselsValue told Lloyd's List today: "We don't have sale prices for these vessels yet but they were both sold to Olympic Shipping."

The vessels will be taken to drydock before being converted into VLCCs, according to shipbrokers.

In addition, the 1997-built, 301,163 dwt VLCC *Universal Prime* is said to have been sold to Asian buyers for around $31m.

The bullish crude tanker market has seen owners order newbuildings and buy old vessels, such as Universal Prime.

Thus far, there has not been much sale and purchase activity for VLCCs in between those two extremes — meaning vessels of around 10-years-old, as reported recently by Lloyd's List.

Conversions of combined ore and oil carriers are an interesting new development in the VLCC story this year, according to a source.

Robust spot market

Owners are evidently keen to build up their fleets of VLCCs to take advantage of robust spot market earnings for the big 2m barrel tankers.

The dry bulk market, however, poses more of a risk at the moment, hence the conversions.

Last week, Ultrabulk chief executive Per Lange predicted a tough market for the dry bulk sector during 2015, suggesting it could be worse than 2014.

There is scope for further conversions if owners have the will.

There are 22 bulk/oil carriers in the world, including *Selma B* and *Camilla T*, according to data from Clarksons.

Oaktree Capital now owns three following its sale of *Selma B* and *Camilla T*: the 2010-built, 319,896 dwt *Elizabeth M*, the 2011-built, 319,869 dwt *Rosey R* and the 2010-built, 319,869 dwt *Abby*.

All Oaktree's bulk/oil carriers were bought from TMT, a company which in June 2013 sought bankruptcy protection from its lenders holding up to $800m of secured debt. The company filed in the US Bankruptcy Court in the Southern District of Texas.

In May 2014, the judge overseeing TMT's Chapter 11 case handed all authority over the company to a third-party financial adviser and gave lenders approval to start selling company vessels.

Oaktree bought *Selma B* (originally called *D Whale*) at auction for $60m on July 25 2014, according to data from VesselsValue.

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Oaktree bought *Rosey R* (originally *G Whale*) at auction for the same price on July 17 2014, Camilla T (originally *H Whale*) from a bank sale on July 4 2014 for $60m, *Abby* (originally *E Whale*) at auction for $61m on May 22 and *Elizabeth M* (originally *C Whale*) for $58.2m at auction on May 7 2014.

The other bulk/oil carriers in the global fleet of 22 are owned by Navig8, TMT, Cargoport Transport, KG Jebsen, Alcoa Steamship and Fednav.

Decisions to convert come as the VLCC spot market stays robust, having settled at slightly more than $50,500 per day by close of business on Friday for the benchmark Middle East to Asia trade, according to the Baltic Exchange.

BIMCO, the international shipowners' association, forecast today that VLCC earnings for March-May will be $30,000-50,000 per day.

Onassis can count the VLCC savings from seizing conversion deal

Oman Drydock said to be booked to convert former TMT 'Whales'

Onassis, which manages its fleet under Olympic Shipping & Management, has decisively renewed its industry presence.

THE Onassis Group has finally acquired two former Today Makes Tomorrow (TMT) combined ore and oil carriers in what looks like another smart deal in the recent restitution of its fleet, *writes Nigel Lowry*.

Lloyd's List understands that Onassis is paying hedge fund manager Oaktree Capital about $63m per ship for the 319,869 dwt pair of combined ore and oil carriers *Selma B* and *Camilla T*.

The vessels had been built for TMT in 2010 and 2011 respectively as D Whale and H Whale.

Onassis had bid for the vessels last year as they came up for auction under TMT's bankruptcy procedure in the US, but it was pipped by Oaktree acting as the lender.

Delivery is said to be prompt and it is believed that the Greece-based owner has already booked availability at Oman Drydock in the Middle East's new ports and logistics city of Duqm for converting the ships into straight very large crude carriers.

The Omani yard, which is partnered by South Korean builder Daewoo Shipbuilding & Marine Engineering recently completed the similar conversion of the *Olympic Luck*, formerly the 2010-built *B Whale*, another of the giant ex-TMT combination carriers that Onassis did acquire last year.

It was the first major conversion job undertaken by the new yard and was completed in about 80 days.

Onassis is thought to have been impressed by the Oman Dockyard operation which made it frontrunner for the two new conversions.

First voyages

According to market sources, the *Olympic Luck* has already completed its first two voyages since conversion and is already being issued with its Sire report, a key to wide acceptance by oil majors.

The two newly converted vessels, which bring the Onassis-owned VLCC fleet to 10 units, are expected to be ready for trading by the summer.

At an estimated $7m per conversion, an all-in investment of not much more than $70m per ship for Onassis would compare with current asking prices topping $80m in the secondhand market for good Korean-built VLCCs of five years old.

Onassis, which manages its fleet under shipping arm Olympic Shipping & Management, has decisively renewed its presence in the industry in the last two years and now has 15 tankers and nine bulkers as well as a participation in two publicly-listed shipping companies.

A number of modern secondhand acquisitions have also been retrofitted for increased fuel efficiency.

In January the owner had signalled its satisfaction with the *Olympic Luck* conversion, which included 3,000 tonnes of steelwork, removal of bulk head covers and installation of new swash bulk heads, making the vessel multi-functional for more efficient loading.

Dimitris Patrikios, general manager of Onassis company Springfield Shipping, had hinted that the yard's ability to deliver the project could lead to future cooperation.

"This was a unique project which helped to show the professional expertise of ODC," he said. "It was the first time ODC has taken on a project of this scale.

"We trusted ODC and we have been rewarded by its willingness to find efficient solutions. Trust requires hard work, the right attitude and a focus on the long term," Mr Patrikios said.

Apart from its repair and conversion work, the ambitious $1.5bn yard, which was launched as recently as 2011, is now gearing up to enter the shipbuilding sector.

Economou sells first 18-year-old VLCC

Chinese buyer takes Universal Prime for $31m and sister vessel seen as likely sale candidate

http://www.lloydslist.com/ll/sector/tankers/article458771.ece

Hapag-Lloyd disposing of 16 older containerships

Fourth-biggest boxship player moves to bring down age profile of fleet after CSAV takeover

HAPAG-LLOYD has sold four older ships in recent weeks and is putting a further dozen old ladies on the market over the next year or so, Germany's biggest boxship outfit has confirmed to Lloyd's List, *writes David Olser.*

The move stems from Hapag-Lloyd's takeover of Chile's Compañía Sud Americana de Vapores last month, which leaves it positioned to bring down the age profile of its fleet overall by taking out some of its longest-serving units.

Two of the vessels were sold last month and will be scrapped in certified green scrapyards, one in China and the other in Turkey.

Two others have been sold to another operator, which Hapag-Lloyd is not naming, but which is believed to be König & Cie. Consideration was undisclosed in all cases.

That leaves another 12 up for grabs over the coming period, although the names of the ships on offer have not been released to the media.

The developments were outlined in email exchanges with a company spokesperson.

Reports from Hamburg name the two vessels that will be scrapped as the 25-year-old 2,800 sisters *Bonn Express* and *Heidelberg Express*.

Similarly, the vessels understood to be acquired by König & Cie are *Atlanta Express* and *Hoechst Express*, panamaxes built in 1991 and 1992 respectively. "Background is the combination of our and CSAV's fleet which enables us to improve the structure of our fleet," the spokesman added.

Hapag-Lloyd's fusion with CSAV has brought into being the world's fourth-largest boxship player, with annual savings of at least $300m anticipated simply as a result of network optimisations, improvements to productivity and reductions in costs.

The merged entity had around 200 vessels with a total capacity of approximately 1m teu at the time of its launch, transporting some 7.5m teu every year, with revenue likely to come in in the order of $12bn per annum.

Integration is likely to be concluded by the end of the second quarter this year.

Bonn Express has been named as one of the vessels to be scrapped.

ER Offshore confirms single-ship insolvencies
Administrator to be appointed in next few days, says Koch
http://www.lloydslist.com/ll/sector/ship-operations/article458747.ece

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BIMCO expects fleet to grow 6.5% this year

Operator says the disruption is neither required nor deserved

SHIPOWNER association BIMCO is expecting the containership fleet to increase 6.5% this year and warns that there is unlikely to be a let up in orders for large new ships, *writes Damian Brett*.

BIMCO estimates show the boxship fleet growth will continue at last years' level of around 6.5%, with capacity delivered is just behind last year's level and vessel demolition also below the 2014 level.

It said that while the number of vessels due to be delivered in 2015 is lower than previous years, the orderbook is skewed towards larger capacity ships.

BIMCO pointed out that while the orderbook was down to just 426 units, a level not seen since 2003, the capacity on order is 50% more than the level of 12 years ago at 3.3m teu.

"The current container fleet is biased in many ways," BIMCO said. "Out of 5,121 ships, 45% ships have a capacity of less than 2,000 teu.

"However, those 45% in number only represent 13% in capacity.

"The ultra-large containerships with a capacity of 10,000 teu or more account only for 5% in numbers but 19% in capacity and 90% of publicity."

During the first three months of the year, BIMCO figures show that the fleet has "only" grown by 10 ships, once vessels demolished have been taken into account.

In total, 31 ships with a combined capacity of 224,139 teu have been launched, with 79% of vessels having a capacity of more than 8,500 teu.

The projected supply growth is slightly above that of Clarkson, which expects an increase in container capable

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The orderbook is down to 426 units, a level not seen since 2003, but capacity on order is 50% more than it was 12 years ago.

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supply of 5.8% in 2015, while it predicts demand will increase by 6.7%.

Maersk Line is projecting a lower level of demand increase of 3%-5% for the year.

Looking further into the future, the shipowners' association is not expecting a slowdown in orders.

It said: "Have we finally reached the point where the fleet is big enough? No, not at all, if you ask individual investors with their minds set on shipping, be it in containerships, tankers or bulkers.

"Shipping remains a game of 'prisoner's dilemma'.

"Everyone knows what is right for the industry, but a lot of investors defect from the optimal industry strategy as they seek to be better off individually than the rest.

"The game has been played and lost a long time ago, but the conclusion still haunts the industry as a glut of supply is making the sustainable business case difficult."

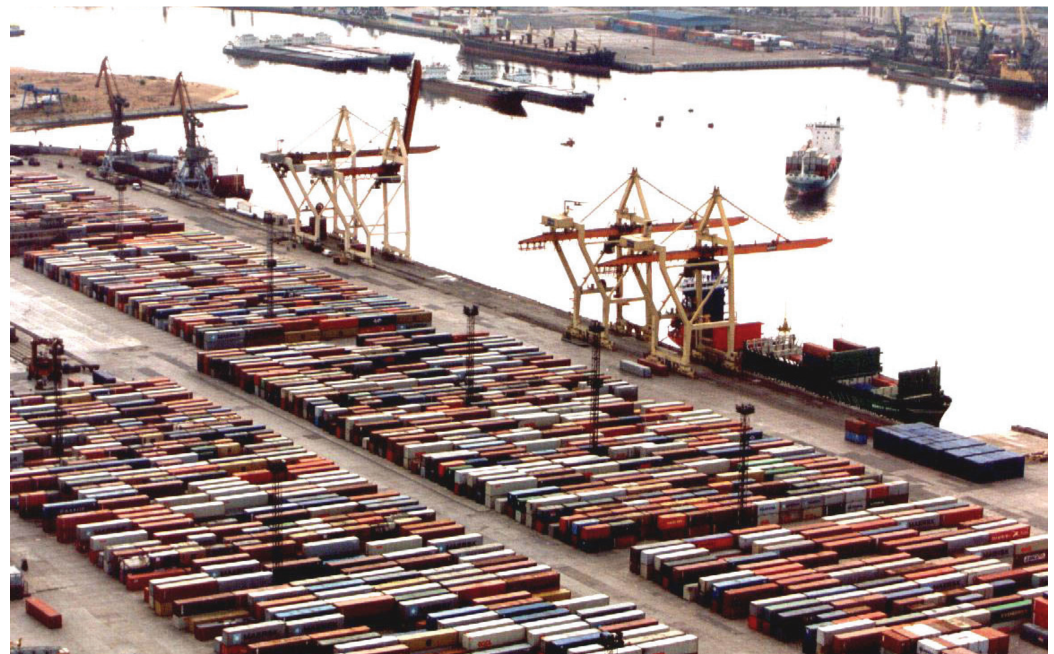
CMA CGM set for 20,000 teu order

Brokers report the French shipping line has singed a letter of intent for three of the ships from Hanjin Heavy Industries

http://www.lloydslist.com/ll/sector/containers/article458719.ece

Rouble's plunge takes toll on Global Ports

Tough conditions set to remain for the medium term



The largest declines came from the combined volumes of the three St Petersburg terminals in which Global Ports has a stake.

RUSSIA's leading box terminal operator Global Ports recorded declines in total throughput last year and conditions have deteriorated further in 2015, *writes Damian Brett*.

The London Stock Exchange-listed company saw volumes, including those of NCC which was acquired at the end of 2013, decline 5.7% year on year in 2014 to 2.4m teu as the weakening of the rouble took its toll on consumer spending.

The largest declines came from the combined volumes of the three St Petersburg terminals it has a stake in. Petrolesport recorded a 7.5% decline to 658,000 teu; First Container Terminal saw a 13.2% slide in throughput to 941,000 teu but Moby Dik recorded a 3.8% increase to 228,000 teu.

Total volumes

Its Vostochny facility in the Russian Far East saw its volumes remain at the 2013 level of 475,000 teu and its Ust-Luga Container Terminal, which opened in late 2011, continued to report a ramp-up in throughput, this year recording a 68.1% increase to 104,000 teu.

Overall, Global Ports saw total volumes, including its Finnish and inland terminals and taking into account the NCC acquisition, decrease by 4.3% year on year to 2.6m teu. The overall Russian market recorded a 1.3% decline last year to 5.1m teu, according to the Association of Commercial Sea Ports. Declines have worsened in 2015.

Global Ports chairman Tiemen Meester said: "2014 was a challenging year in a market environment that inevitably felt the effects of a weakening in the rouble exchange rate.

"This negatively impacted consumer confidence and the knock-on effect on imports has continued into 2015. The 23% volume decline experienced by the sector as a whole in January and February compared to last year attests to that."

Global Ports said that to combat the difficult market conditions, it has focused on improving operational efficiency and maintaining pricing discipline.

Dividend payments

It said this strategy had resulted in a 4% improvement in adjusted earnings before interest, tax, depreciation and amortisation to $375.9m.

Despite this, it would suspend dividend payments in the medium term to prioritise the deleveraging of its balance sheet in light of the difficult market conditions.

Financial results were affected by the NCC acquisition and a change in reporting method.

On an illustrative basis revenue declined by 4.5% in 2014 to $562.4m and at a reported level it increased from $332.2m.

Profit for the period on a reported basis went from a profit of $114.1m in 2013 to a loss of $197.3m last year.

The company's share price closed at $3.33 last Friday, compared with $12.28 a year ago. APM Terminals, which bought a stake in Global Ports in 2012, was last year hit by a $102m impairment charge related to the investment.

LA boss Seroka invites ILWU to the table

Top US port starts recovery work as outcome of union vote on proposed contract is awaited

Seroka: does not expect operations to return to normal until about mid-May, assuming the proposed deal wins a majority vote.

LOS Angeles boss Gene Seroka has issued an open invitation to union leaders to work with the rest of the port community on efforts to restore customer relations and protect cargo traffic after months of disruption that has driven business away, *writes Janet Porter.*

Mr Seroka, who was appointed executive director of the port last June, just as talks between the Pacific Maritime Association and the International Longshore and Warehouse Union on a new contract were starting, says labour "needs to be at the table with the other stakeholders to help develop better plans for tomorrow, and all the indications that I have received is that labour would be willing participants in this discussion".

Similar sentiments were expressed a few days earlier by Bobby Olvera, who has just been re-elected president of the powerful ILWU Local 13 covering Los Angeles and Long Beach, who said his members would welcome the chance to help on initiatives to improve cargo velocity through the two ports.

"In one of the first meetings I had with Bobby when I started here, he made it very clear that the union would like to be involved in the conversation, share suggestions on new solutions, and make this a better port in the future, and I subscribe to that 100%," Mr Seroka said in an interview.

Relations between the ILWU and PMA remain strained after nine months of negotiations on a new agreement covering longshore workers at 29 US ports, with a tentative deal only reached in late February after US Labor Secretary Tom Perez intervened. But the contract has yet to be ratified, with an ILWU caucus to be held later this month and a ballot of the rank and file membership in April. Only then will cargo owners, ocean carriers, forwarders, terminal operators, stevedores, railroads, truckers and others caught up in the chaos know whether they can plan on a few years of industrial peace.

In the meantime, 32 vessels caught up in the congestion were in anchorages off southern California waiting to berth in either Los Angeles or Long Beach on Saturday morning including a record 28 containerships, with just one fewer on Sunday. Mr Seroka does not expect operations to return to normal until about mid-May, assuming the proposed deal wins a majority vote.

"Based on the mathematics of what we are capable of doing here in the harbour, it is going to take us about three months from the time the tentative agreement was reached," he anticipates. By that time, the container lines should have returned to regular schedules and be able to offer customers reliable cut-off times in Asia that match supply chain requirements in the US.

PMA board

Mr Seroka, who spent more than 25 years with the liner company APL, had been on the PMA board before he stated his current job, and was involved in the preparations for the talks on a new contract to replace the last one that expired on July 1.

Like other senior industry figures, he had expected the negotiations to run fairly smoothly, instead of which talks between the two sides suddenly became deadlocked last October.

He admits that the severe congestion of the past few months, some of the worst in recent memory, has been "very damaging", but makes it clear the gridlock on the quayside that disrupted deliveries across the country could not be attributed to just to work slowdowns.

Like Long Beach chief executive Jon Slangerup, Mr Seroka believes the newly-formed global alliances are partly to blame, along with bigger ships.

Los Angeles has seven large container terminals on its property, while Long Beach has another six, most of which are affiliated to a container line.

In some of the super-sized consortia, ships in each service string might call at different terminals, leaving the cargo of alliance members spread randomly around the vast complex.

One innovation that would help, says Mr Seroka, would be the return of block stowage on ships at ports in Asia so that cargo could be offloaded in a more orderly fashion in LA-Long Beach, ready for onward transportation by road or rail.

The extra time taken in the two US ports to sort out the containers "is very costly for the terminal operators and also lessens velocity of cargo throughput".

The difficulties experienced by both ports can be traced back almost a year to a spike in volumes last May and June as importers brought forward cargo deliveries, ahead of the ILWU contract expiry date, as a precaution against the risk of disruption. That created logjams in container yards and warehouses that became progressively worse during the year until vessels began to back-up both inside and outside the breakwater in October, a problem that continues to this day.

But the inefficiencies appear to be far more entrenched. Mr Seroka has been told by consultants that the theoretical capacity of LA is around 14m teu a year, and yet the port was clogged when it handled a near-record 8.3m teu in 2014.

As the heads of landlord ports, neither Mr Seroka nor Mr Slangerup are members of the

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PMA which represents ocean carriers, terminal operators and stevedores who directly employ dockworkers.

Ports in the US are divided between landlords that grant concessions to independent terminal operators such as APM Terminals, or operating ports.

LA and Long Beach are the former, but both Mr Seroka and Mr Slangerup have talked about wanting their respective ports to play far more than just the traditional landlord-tenant role.

"I see our port operating more of a hybrid version of those two business models," says Mr Seroka. "The day of the Port of Los Angeles being a landlord port and not getting involved in supply chain issues is long past us, and I think today we have designed a department here that has very good strong institutional knowledge of the supply chain."

The prospect of the two ports extending their activities has alarmed some terminal operators who do not want their landlords getting involved in commercial matters, but Mr Seroka is quick to set his tenants' minds at rest.

"The terminal operators are our customers... but we have also seen that in the supply chain, the status quo is not going to be acceptable to the cargo owners and others who make their living in this business," he says.

"We have a great deal of respect for the individual business models of the terminal operators, but we have seen where the supply chain has broken down, and if there is value to add within that supply chain, we are willing participants. We will not dictate to the terminal operators how to run their business – our job is to enable their business."

That pledge is also being put to good effect, with a flurry of initiatives as the two largest ports in the US strive to repair the damage of recent months and stop cargo haemorrhaging to competitors.

They include a shared pool of chassis equipment, a new 'peel-off' system to fast-track cargo of high-volume shippers, and better use of web-based systems to provide real-time data that should speed up container pick-ups and deliveries.

The Federal Maritime Commission has also given approval for the two ports, which collectively handle 43% of US container imports, to work together on projects that address congestion issues, infrastructure and port-related pollution.

Overshadowing everything, though, is the ILWU contract that still has to be officially endorsed, and Mr Seroka will not be drawn on how concerned he is that it could be rejected.

"I am hopeful that it will be ratified," he says.

"We want labour to be successful, and have good middle class jobs. All sides are working diligently to reach a fair agreement for the betterment of the industry, the economy, and the jobs that this port and others along the west coast helped create."

Seven of the top 10 flag states unable to issue wreck removal certificates

With the Nairobi Wreck Removal Convention due in force next month, only 32.6% of the global fleet can secure compliance certification from their flags

Costs can be high: The *Costa Concordia* salvage and wreck removal is estimated at around $2bn. *© 2015 Luigi Navarra/ AP*

SHIPOOWNERS are being urged to make sure they have the required insurance cover to meet the demands of the Nairobi Wreck Removal Convention as seven of the top 10 flag authorities are currently unable to issue the required certification, *writes Craig Eason*.

The Wreck Removal Convention Comes into force on April 14, and at that time shipowners are expected to have the required certification from their ships' flag authorities. The certification proves the vessel has the required insurance cover, as owners will now be liable for wreck removal costs.

According to the International Maritime Organization, 17 IMO member states have ratified the Wreck Removal Convention. They represent 32.6% of the global fleet.

Of these signatories only Liberia, the Marshall Islands and Malta are among the top 10 shipping registers of the global shipping fleet.

The remaining top 10 registers that have yet to see their member states ratify the convention are Panama, which is the largest registry of commercial tonnage, Hong Kong, Singapore, Bahamas, Greece, China and Cyprus.

Shipowners with vessels under any flags that have not ratified the convention will currently have to seek certification from other flags. Currently that stands at 67.4% of the global fleet.

Lloyd's List believes Cyprus is in the process of pushing the wreck removal convention into national law, thus ratifying it and giving it the opportunity to offer certification of compliance for Cyprus-flagged vessels.

Panama has issued a circular stating it has the intention to ratify the convention soon, but in the meantime the flag would be recognising certificates issued by the UK, Palau and the Cook Islands.

At least eight of the 17 convention signatories have said they are willing to issue certificates for vessels that are not flying their flag, according to a report from the Norwegian P&I club Skuld. But it does come at a higher cost.

The Liberian Registry has launched an online service. Providing shipowners submit the relevant paperwork from their P&I Club to show they have the required insurance cover, commonly called the Blue Card, then Liberia will issue certificates of compliance with the convention. It will cost $100 per Liberian flagged vessel and $300 for a non-Liberian flagged vessel.

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Insurance is required as under the wording of the convention shipowners will be liable for the marking of any wreck and for any subsequent wreck removal. This cost will of course be passed on to the relevant P&I Club where applicable.

Costs can be high. The cost of the *Costa Concordia* salvage and wreck removal is estimated at around $2bn.

Michael Kingston, a UK-based insurance lawyer with DFW, said the definition of a wreck could be vague, and could include any part of a vessel or a vessel's cargo.

So, for example, the owner of a containership which loses a number of containers in a storm may find it is liable for the clean-up of the containers either at sea, or when washed ashore.

Mr Kingston also pointed out that under the convention it is unclear if there are any time constraints about liabilities. There is the possibility that a wreck may be deemed safe, but subsequently found to be liable for removal, if, for example, underwater commercial activity makes it imperative, or the area where a wreck is located is subsequently determined a site of special environmental interest.

One quirk of the wreck removal convention is that it applies to a signatory state's exclusive economic zone, which nominally means the waters extending from 12 nautical miles to 200 nautical miles from a state's coastline. When member states ratify the convention they are expected to tell the International Maritime Organization if they have extended the convention to include immediate coastal waters.

Most wrecks are found within the coastal areas. For example the Norwegian Maritime Authority found that during the 11-year period up to 31 December 2011, it had registered 140 groundings and collisions in its coastal waters, owing to crew members falling asleep on the bridge.

SIGNATORIES TO THE NAIROBI WRECK CONVENTION AND TOP TEN SHIP REGISTRIES' CURRENT POSITIONS

Wreck removal convention signatories	Convention covers territorial seas*	Flag authority	Signatory of the Nairobi wreck removal convention**
Antigua and Barbuda	Yes	Panama	No
Bulgaria	Yes	Liberia	Yes
Congo	Yes	Marshall Islands	Yes
Cook Islands	Yes	Hong Kong	No
Denmark	Yes	Singapore	No
Germany	No	Bahamas	No
India	No	Greece	No
Iran	No	Malta	Yes
Liberia	Yes	China	No
Malaysia	No	Cyprus	No
Malta	Yes		
Marshall Islands	Yes		
Morocco	No		
Nigeria	Yes		
Palau	Yes		
Tuvalu	No		
UK	Yes		

*Where a country has not included its territorial seas within the terms of the Nairobi Wreck convention, then the convention text stating shipowner liabilities may not be applicable

**Non signatories of the convention cannot issue certificates of compliance

Source: Skuld, P&I, IMO, Lloyds List intelligence

Pluto LNG shutdown recalls memory of delayed Australian projects

It may only be a blip, but Pluto's shutdown takes on importance because there are big hopes for Australian LNG cargo supply this year

PLUTO LNG export plant has been temporarily shut down following an incident with a drilling rig, throwing the spotlight on Australia's impact on global LNG cargo supply this year and whether it will have a big impact or will falter.

Woodside, the Australian energy company running the $13.5bn Pluto project, said the temporary shutdown was a precautionary measure, taken after a submersible drilling rig under contract to another party drifted near Pluto flowlines.

Woodside said underwater inspections have confirmed the integrity of the flowlines and production will restart when the rig has been moved away from Pluto infrastructure.

The company did not give a timeframe for the restart, only saying further advice will be provided in due course.

Anything that disrupts Australian LNG export projects, however minor, is enough to stoke some concern among the LNG community because Australia has a history of delayed projects due to cost overruns.

The Browse project in Western Australia was shelved in 2013 after costs spiralled to almost $50bn, but it is being resurrected as a floating LNG export project.

The Gorgon export project in Western Australia – the country's largest single-resource development in Australia's history – suffered massive cost overruns but is now 87% complete, according to Chevron.

This year is expected to be the year that will finally see a wave of new Australian cargoes hitting the market, offering cargo-carrying work for the ships at a time when there is not much new supply coming from anyone else until either very late in the year or early next year from the US.

Australia's ultimate ambition is to be the world's largest LNG producer and exporter, overtaking mighty Qatar with its roughly 80m tonnes per year.

This year started with a bang as cargo was loaded from BG Group's Queensland Curtis LNG export plant.

That project will expand further with the start-up of the second train in the third quarter of 2015. The project will have an output of around 8m tonnes of LNG a year when it is running at full throttle in 2016.

Around 53m tonnes per year of Australian LNG export

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capacity is under construction and could be online within the next three years, according to Poten & Partners LNG analyst Amokeye Adede.

Australian exports will require around 80 ships by the end of 2025, says Ms Adede.

Pluto LNG has been a positive story among all the delays, setbacks and cost overruns from other Australian projects. In March 2013, Pluto celebrated delivering its 50th cargo.

And last year, Woodside signed a deal to sell around 1.5m tonnes of LNG from the Pluto plant over three years to the Japanese utility company Chubu Electric Power.

Much hinges on Australian LNG cargoes this year, offering growth to LNG shipping and trading in the absence of other supply growth, which makes Pluto's current minor blip all the more significant, magnifying it to a greater importance than it would have under normal circumstances.

Woodside, the Australian energy company running the $13.5bn Pluto project, said the temporary shutdown was a precautionary measure.

Still too many capesizes despite lay-ups and accelerated scrapping

The market continues at a low, but owners are speeding up measures to reduce capacity

IT's tough out there, *writes David Sexton.*

The Baltic Capesize Index was 378 points late last week, well short of a month ago when it was 630 and well below a recent high of 971 points on January 21.

Fronthaul voyages in the Atlantic remained under pressure due to low demand, with the lack of cargo forcing owners to change plans, with rates decreasing from to $5.05 per tonne from $5.60 per tonne for the trip from Bolivar to Rotterdam.

All key trade routes last week either hit a plateau or trended south, according to the Baltic Exchange.

With the market still declining, the pressures of sustained depressed rates are taking tangible form. The first is the lay-up issue. Breathless reports about capesize ships going into warm lay-up in the Taiwan Strait and near Singapore aside, it is difficult to ascertain how many capes are actually idling. Peter Cremers, chief executive of Hong Kong-based shipmanager Anglo-Eastern, said that "all of our dry bulk owners are either considering or starting to lay up ships".

A broker in Australia said: "Definitely we are seeing a lot of vessels waiting and not taking lower rates — you could say they are being patient or stubborn."

A Singapore broker said he had heard about ships sent to idle off of Singapore, in the anchorage near Kaohsiung, and off South Africa. "If rates don't change, then we could see more owners looking to lay-up," he said.

Meanwhile, scrapping continues to run high, according Arctic Securities, which said that vessel demolition for all dry bulk in 2015 stood at 7.2m dwt. "The current rate is well ahead of last year's scrapping, which totalled 16.1m dwt."

Capesize demolition has been the lion's share of all bulker demolition, with 4.24m dwt sent for scrapping. Arctic says this has already surpassed the 2014 full-year figure for capes of 4.23m dwt. Average age of bulkers sent to scrap yards is 21 years thus far in 2015, down from 23.6 years last year.

"Paired with literally no new orders," said Arctic, "we argue that this will improve the market balance longer term and lift earnings in the dry bulk market."

Warm lay-ups and scrapping have yet to make an impact on freight rates.

One reason for the delay may be the effect of low fuel prices. In its annual earnings statement on Monday, Hong Kong's Jinhui Group, which owns bulker operator Jinhui Shipping, named "a much lower oil price which discourages slow steaming and effectively releases supply to the market" as one reason for the persisting overcapacity headache.

China's demand may be ebbing, but the big global miners are still in a war to claim market share by increasing production, which lowers the iron ore price.

At the Informa Global Iron Ore and Steel Forecast Conference, in Perth, Western Australia, Cliffs Natural Resources chief executive Lourenco Goncalves said much the same thing this week, suggesting tactics to increase market share employed by Australian miners could lead to "self-destruction", drive the iron ore price to as low as $30 a tonne and even draw the attention of the World Trade Organisation.

Rio Tinto and fellow Australia-based miner BHP Billiton have been criticised in recent times, with claims they are sinking the market by continuing to increase production and shipments of iron ore to China.

Andrew Harding, Rio Tinto's iron ore chief executive, was present at the conference and argued that despite rapid growth in seaborne iron ore volumes, Rio Tinto's share of sales has consistently remained about 20%.

"In short, reducing supply of high quality Rio Tinto tonnes or curtailing expansions would not be in the best interests of our shareholders, nor indeed of our communities and the Australian and Western Australian governments, particularly if the void is filled by overseas [ie Brazilian or North American] suppliers."

At least, then, one aspect of the capesize story holds a positive. The big Australian miners have no intention of reversing their flood-the-market strategy. That means that capes will at least have something to carry to China, even if freight rates are loss-making.

More bulk online
Jinhui sinks into the red for 2014
http://www.lloydslist.com/ll/sector/dry-cargo/article458724.ece

Shipping suffers from ‘experience deficit’, says tanker inspector

Aethon director Michael Neuhaus urges training action to prevent likely increase in accidents

SHIPPING is suffering from a serious experience deficit that, coupled with insufficient training of crew, may lead to a worsening accident record in the industry, an experienced tanker inspector has said, *writes Nigel Lowry.*

Aethon, a marine surveying and consultancy firm, undertakes tanker vetting for oil majors and activities include auditing inspectors for the Oil Companies International Marine Forum, Ocimf.

Other main clients include large insurance organisations, governments and law firms, it says.

“Government agencies and P&I clubs that we talk to identify a trend that accidents are increasing,” said Capt Neuhaus. “This only confirms what I see with my own eyes.”

The German-born certified inspector said that in vetting the tanker and offshore sectors, Aethon saw “a lot of problems... so you have to ask what the dry shipping sectors or heavylift are like”, he said.

Basic things missed

Analysing accidents, as many as three-quarters could be avoided, Capt Neuhaus believes.

“You see very basic things missed and this happens because crews are overloaded with following guidelines, new legislation and training. They can’t catch up.

“We see a large number of operations going on where experience is insufficient and training is undervalued.

“I wonder where the industry will get the necessary experience from in future. Now experience is at a very low level.”

Capt Neuhaus urged shipowners and operators to look at how they invest in training.

“There is not enough investment and not enough specialised training,” he said.

“We need to compensate lack of experience somehow, and train in a more efficient way. Something has to be done.”

He was speaking to Lloyd’s List following a recent marine assurance training workshop given to Greece-based tanker companies for the Piraeus-based KCL Group, which includes the QMS Maritime Training Centre. Working with an educational institution was the only way for him to reach out to owners and operators as he could not do do that directly without creating a conflict of interest in his capacity as an inspector.

“I want to share my experience and stir up debate in the market,” said Capt Neuhaus.

Lack of communication is among the industry’s biggest problems in his view.

“Lots of incidents come purely for lack of communication,” he said. “Because crew are overloaded, communication has stopped.”

He gave as an example cases where masters and pilots are an ineffective bridge team, failing to exchange information, so that the ship is in danger of grounding outside the port.

Other accidents reveal over-reliance on electronic equipment that when used incorrectly, or not set up properly, can by itself cause an accident.

“You see people switching off electronic navigation system alarms for shallow water but at the same time they lack positioning awareness,” said Capt Neuhaus.

A major area for crew injuries and fatalities is mooring, he said. Badly-managed mooring operations or substitution of poor-quality mooring ropes led to many of the accidents.

Capt Neuhaus alluded to estimates that up to 30% of accidents in Europe went unreported. “In certain areas of the world there is no transparency at all to share information on incidents,” he added.

An added problem is fake and lax certification.

It was “still possible” today to obtain certificates for “certain flag states” in a quick and easy manner, said Capt Neuhaus.

Michael Neuhaus (right) with KCL managing director Kalliope (“Popi”) Lyrintzis at the marine assurance training workshop.

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