Lloyd's List

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Top maritime regulators prepare for second summit to review alliances

Competition authorities from the US, Europe and China to get together in coming weeks to review changing industry landscape

GLOBAL alliances between container lines will be the central issue of debate when maritime competition regulators from the US, Europe and China meet in a few weeks' time, *writes Janet Porter.*

Brussels is expected formally to announce the date very soon, and will host the top-level gathering.

This will be the second summit of the world's most powerful maritime competition authorities, all three having been represented at the first event in December 2013, at the invitation of the Federal Maritime Commission in Washington, as the new-style alliances were just starting to take shape.

At last year's European Maritime Law Organisation annual meeting in London, they all agreed that a follow-up appraisal would be helpful.

News that the trio were planning to meet again in the coming weeks emerged as industry leaders arrived in Hamburg for Containerisation International's Global Liner Shipping conference, at which the FMC's Richard Lidinsky is expected to repeat his concerns about the anti-competitive nature of some of the big alliances.

Although the big four — 2M, Ocean Three, CKYHE and G6 — have all received clearance from regulators, either directly or tacitly, concerns have nevertheless been raised about whether they have exacerbated industry problems encountered recently.

In particular, alliances are thought to have added to the quayside congestion in Los Angeles and Long Beach over the winter, which forced ships to wait at anchor for days and sometimes weeks, disrupting sailing schedules and supply lines.

The FMC is keen to hear from shippers about whether felt they were financially penalised by ocean carriers and terminal operators for the delays, which were not of their making.

Critics also claim the lines have brought unsuitably large ships to the US west coast, which have added to the gridlock. That charge has been publicly dismissed by several leading container line bosses, including Maersk Line chief executive Søren Skou, Zim's Rafi Danieli and Rodolphe Saadé of CMA CGM.

In his speech to the Global Liner Shipping conference, Mr Lidinsky is expected to repeat his concerns about alliances and whether they are providing US shippers with a good level of service.

Lidinsky: expected to repeat his concerns about the anti-competitive nature of some of the big alliances.

The FMC, EU and China's Ministry of Transport all have quite different competition regimes for maritime transport. In the US, for example, proposed alliances have to be filed with the FMC for approval, while in Europe, member lines have to conduct a self-assessment to ensure there is no competition abuse, and could still be subject to an antitrust probe if Brussels suspects there has been a breach of the rules.

The Chinese authorities famously banned the planned P3 network between Maersk Line, Mediterranean Shipping Co and CMA CGM after the FMC had given the go-ahead, having reviewed what would have been the world's largest alliance under its merger rules.

Although the three authorities plan to share views on the impact of these huge alliances, they will not be considering a global regulatory body. While that has been proposed by some lawyers, others counter that such a step would undermine national jurisdictions.

China's state-owned shipping giants seek to shoot down merger talks

China Cosco, CSCL and CMES says no consolidation between them and Sinotrans & CSC has been initiated

SEVERAL listed subsidiaries of China's state-owned shipping conglomerates have sought to shoot down the speculation that they or their parents could merge to counter overcapacity, *writes Max Tingyao Lin*.

Securities Times, one of the designated disclosure channels of stocks listed in Shanghai, Shenzhen and Hong Kong, reported on Thursday that China Cosco Holdings, China Shipping Container Lines, Sinotrans & CSC Holdings and China Merchant Group could consolidate amid persistent weak market conditions, citing views of analysts.

As the report trigged speculation that a merger could be imminent, China Cosco told the Shanghai and Hong Kong bourses that the company and its parent Cosco Group have never initiated or been informed of such consolidation.

"We promise that we will not be planning such consolidation within three months," Cosco Group said in a letter re-published by its subsidiary on the Shanghai Stock Exchange.

CSCL and its sister firm China Shipping Development — both of which are also listed in Shanghai and Hong Kong — made similar announcements, as did China Merchant Energy Shipping, the Shanghai-listed bulker and tanker arm of CMG.

Push for consolidation

The speculation came amid growing expectation that Beijing will push for more consolidation of state-owned enterprises in the industries plagued by overcapacity, following the proposed merger of China CNR and CSR Corp — China's two largest trainmakers — unveiled in late 2014.

In shipping, talks of a merger between Cosco Group and China Shipping Group — the parent of CSCL and CSD — have emerged from time to time.

But Sinotrans & CSC and CMES are the two firms making actual progress, having injected their very large crude carriers into a joint venture named China VLCC.

Newbuilding orders collapse but shipbuilders are not in price war mode

Quarterly figures show the shipbuilding industry is in the middle of a downturn

LATEST quarterly newbuilding figures suggest the shipbuilding industry has formally entered a down cycle, with order collapses being witnessed across most sectors and nations, *writes Max Tingyao Lin*.

Yet against the bearish sentiments, yards appear to be seeing few incentives in cutting newbuilding prices with their decent-sized orderbooks.

According to Clarksons' data, orders for 211 vessels totalling 16.6m dwt were placed in January-March, a huge drop from 832 ships totalling 50.6m dwt during the same period of last year.

Except for the liquefied natural gas sector, where 14 ships with 1.9m cu m were booked against the year-ago level of seven vessels of 1m cu m, newbuilding orders for all types of vessels dropped year on year.

Not surprisingly, the biggest

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NEWBUILDING DEALS REPORTED FROM March 13

Yard	Buyer	Sector	No.	Capacity	Delivery period	Price per unit
HHIC Phic	CMA CGM	Box	4	20,600 teu	2017	$145m
SHI	OOCL	Box	6+6	20,000 teu	2017	$158.6m
HHIC	Costamare	Box	1	11,000 teu	2017	$88m
Cosco Zhoushan	Maersk Line	Box	7+2	3,600 teu	2017	$39m
JMU	Meiji Shipping	Tanker	1	320,000 dwt	2018	NA
DSME	Maran Tankers	Tanker	2	319,000 dwt	2016	$97m
HHI	Arcadia	Tanker	2	160,000 dwt	1H 2017	$52.2m
SHI	Cardiff Marine	Tanker	2	160,000 dwt	2016-2017	$67m
SHI	Delta Tankers	Tanker	2	160,000 dwt	2016	$66m
New Times	Dynacom	Tanker	2	160,000 dwt	2017	$60m
SHI	Unisea Shipping	Tanker	2	115,600 dwt	2017	NA
SHI	Cardiff Marine	Tanker	4	115,600 dwt	2016-2017	$57.5m
Hyundai Samho	Transpetrol	Tanker	2	115,600 dwt	2016	$55m
STX O&S	BW Pacific	Tanker	2	74,000 dwt	2016-2017	$47.7m
Taizhou Sanfu	Precious Shipping	Bulk	4	64,000 dwt	2015-2016	$27.5m
Sinopacific	White Sea Navigation	Bulk	2	63,000 dwt	2015-2016	NA
Yangzhou Guoyu	Solstice Shipping	Bulk	2	63,000 dwt	2016	NA
Imabari	Orix	Bulk	2	38,000 dwt	2018-2019	$22m-$23m
Onomichi	Orix	Bulk	5	38,000 dwt	2018-2019	$22m-$23m
Tsuneishi	Orix	Bulk	6	38,000 dwt	2018-2019	$22m-$23m
Oshima	Orix	Bulk	8	38,000 dwt	2018-2019	$22m-$23m
AVIC Weihai	MST	Bulk	2	38,000 dwt	2016	$22m
Shin KurushimDockyard	MT Maritime	Chem	2	35,650 dwt	2018	$50m
Kitanihon	MT Maritime	Chem	2	21,000 dwt	2018	$36m-$37m
Jiangzhou Union	Sloman Neptun Schiffahrts-AG	Chem	1	16,000 dwt	2016	NA
HMD	KSS Line	LPG	1	38,000 cu m	2017	$52m
HMD	Ray Shipping	PCTC	2	7,700 ceu	2017	$78m

Sources: Company announcements and sources, Vesselsvalue.com, Lorentzen & Stemoco and Asiasis.com

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fall was in the dry bulk sector, where freight rates were around a 30-year low. Only 21 vessels totalling 1.2m dwt were ordered in the three months, compared to the year-ago level of 365 vessels of 31.6m dwt.

Overcapacity worries might ease for liquefied petroleum gas carrier owners. With an already-large orderbook in the sector, nine ships of 440,700 cu m were booked in the first quarter, versus 41 vessels totalling 2.5m cu m during the year-ago period.

What may come as a surprise is newbuilding orders also fell on year in the two relatively optimistic sectors of containerships and tankers, though their full-year orders this year will likely end up higher than 2014, based on recent newbuilding interest.

Orders for 30 containerships totalling 358,500 teu and 67 tankers of 9.7m dwt were placed, compared to 52 boxships of 410,290 teu and 126 tankers totalling 10.6m dwt in the year-ago period.

Industry and company data showed the downturn affected shipbuilders of different nationalities and tiers.

According to China Association of the National Shipbuilding Industry, newbuilding orders dropped 76.8% on year to 6m dwt in tonnage terms during the first quarter.

Japanese yards received export orders for 56 ships with 3.3m gt, against the year-ago level of 120 vessels totalling 5.3m gt, figures from Japan Ship Exporters' Association showed.

Of South Korea's Big Three, Hyundai Heavy Industries won orders totalling $3bn in January-March, nearly halved from the year-ago level of $5.9bn. Daewoo Shipbuilding & Marine Engineering saw the total value of its new orders fall to $1.4bn from $1.7bn. Only Samsung Heavy Industries recorded more new orders, at $2.3bn against $2.1bn a year ago, due to its strength in building ultra large container vessels.

Those dismal figures suggest shipbuilders are not in a hurry to launch price wars for their survival just yet. In fact, newbuilding prices reported by brokers have not shown much change over the past year. Clarksons' newbuilding price index showed a moderate fall only in bulker carriers, from 134 to 127.

There are multiple reasons behind yards' reluctance to cut newbuilding prices for more business. Most of all, shipbuilders in China and Japan generally have their slots covered over the next two years.

Owners request delays

Cansi figures showed the total orderbook of Chinese yards stood at 144.9m dwt at end-March, only down 2.5% on year. Shipbuilders in Japan held an orderbook of 632 export ships totalling 27.6m gt, compared to the year-ago level of 658 vessels totalling 27.7m gt, according to JSEA.

With their main products in the dry bulk sector, yards in the two countries have faced requests from owners to delay deliveries due to weak market conditions. This could stretch their coverage even further and might not necessarily be a bad development, according to Western Bulk chief executive Jens Ismar.

Ismar: Advantage for yards to stretch their orderbook.

"They are not getting any new orders. Instead of delivering... it's an advantage for them as well to stretch [their] orderbook and get more work in the longer term," Mr Ismar said.

Some South Korean yards can still offer 2016 slots, but their strength lies in building tankers and containerships — where newbuilding interest has been strong this year. They might see limited incentives to cut offers with a growing number of owners lining up for their products.

Moreover, newbuilding prices in most sectors have been depressingly low for years. In the previous ordering spree in 2013, many yards were chasing low-margin orders and suffered financially. Some, like Hyundai group of yards, saw heavy losses, while others, such as STX Offshore & Shipbuilding, needed financial restructuring or even went down altogether.

Using medium range tankers as an example, D'Amico International Shipping chief executive Marco Fiori suggested yards would be more careful about taking loss-making business nowadays. "Usually the price would be around $32m-$38m... much below that then yards are losing money," he said.

So, where should bargain hunters go? Data from Vesselsvalue.com showed steep on-year falls in bulker newbuilding contracts for 2016 and 2017 delivery and moderate drops in small-sized LPG and product carriers.

Perhaps purchasing newbuiling vessels from existing owners would be a better option economically, not to mention the benefit of not adding new capacity to the markets.

Giant boxships and tankers dominate newbuilding markets. The past month saw several long-anticipated orders emerge in the container megaship and tanker sectors.

OOCL placed firm orders for six 20,000 teu containerships at Samsung Heavy Industries, while CMA CGM booked four ships of similar capacity at Hanjin Heavy Industries & Construction's Philippine-based yard.

In the tanker sector, Greek owners remained active, with George Economou ordering two suezmax and four aframax at SHI via Cardiff Marine and Maran Tanker continuing its ordering spree of very large crude carriers, among others.

Hapag-Lloyd orders 10,500 teu quintet for South American trades

German line focuses on north-south trades after CSAV merger

HAPAG-Lloyd has placed an order for five ships of 10,500 teu capacity as it builds up its Latin American presence following the recent merger with the container arm of Chile's CSAV, *writes Janet Porter.*

The ships are to be built by Hyundai Samho Heavy Industries for delivery between October 2016 and May 2017.

While some of its G6 partners are investing in 20,000 teu-class ships, the German line is focusing on the north-south trades after teaming up with CSAV, which is now Hapag-Lloyd's largest shareholder.

The ships will be deployed primarily on South American routes. When the expanded Panama Canal opens next year, Hapag-Lloyd said it would therefore have the optimal fleet for this trade. "The expansion of the Panama Canal is one of the biggest civil engineering projects in the world, and will allow the passage of large vessels of up to 14,000 teu from what is known as the post-panamax class," Hapag-Lloyd said.

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The new vessels will have 2,100 reefers plugs and are therefore particularly suitable for transporting perishable goods such as fruit, vegetables, meat, fish or pharmaceutical products.

In addition, they are equipped with a highly efficient main engine, an optimised hull shape and an innovative lashing and loading system for greater loading flexibility.

"This order for five vessels underlines Hapag-Lloyd's leading role in the Latin American trade. Following our successful merger with CSAV, we are one of the market leaders in this attractive trade and offer our customers a variety of excellent connections to and from South America," said Anthony Firmin, chief operating officer at Hapag-Lloyd.

The line's chief executive Rolf Habben Jansen is expected to say more about the merger with CSAV, and discuss the pros and cons of alliances, when he gives the keynote speech at Containerisation International's Global Liner Shipping conference in Hamburg today.

More containers news online
MOL, APL and NYK launch joint Asia-Latin America service
http://www.lloydslist.com/ll/sector/containers/article460335.ece

Neptune buys Vroon car carrier duo

Expanding Greek operator expects to transport more than 1m units for the first time this year

Imola Express, one of the two modern pure car and truck carriers Neptune Lines has acquired from Dutch owner Vroon.

NEPTUNE Lines, the Mediterranean car carrier specialist, has acquired two modern pure car and truck carriers from Dutch owner Vroon, *writes Nigel Lowry*.

The vessels are the *Magny Cours Express* and *Imola Express*, both built by Hyundai Mipo Dockyard in 2009 and 2010 respectively.

The pair will be renamed *Neptune Hellas* and *Neptune Horizon* respectively.

With capacity for 3,700 cars each, they are among the largest vessels in the Neptune-owned fleet, which has now reached 15 units. They are near-sister vessels to the six Neptune PCTC vessels constructed in Hyundai Mipo during the past five years.

The duo has been previously chartered-in by Greece-based Neptune. However, it is understood that the acquisitions were not pursuant to any purchase option in the charter agreements.

There was no immediate confirmation of the price agreed for the deal.

The Melina Travlos-led company has steadily been acquiring larger vessels for its network which covers calls at more than 30 ports in almost 20 countries in the Mediterranean, as far east as the Black Sea.

Last year, the Greece-based operator took delivery of its own ordered 3,700-car PCTC vessels *Neptune Galene* and *Neptune Thalassa* from Hyundai Mipo.

Neptune has previously identified a need for 17 vessels in its operation — which is the size of the fleet being operated by the company now.

As well as the owned fleet, these include the Vroon-owned 3,700-car capacity Le Mans Express, another sistership of the two vessels being acquired, and the 2,000-car capacity City of Oslo, chartered-in from Norwegian owner PD Gram & Co.

Additional vessels, including the MOL-operated Nordic Ace, are chartered-in as required from the spot market. However, the company's business is growing at a fast pace and it is projecting that it will carry more than 1m vehicles for the first time this year.

In 2014, Neptune transported a record total of 905,000 units, a leap of about 100,000 units compared to the previous year.

A company spokesman told Lloyd's List: "Neptune Lines is currently exploring possibilities to expand its trade in niche markets and other areas of interest."

Torm secures more than 90% lender support for new restructuring plan

Support paves way for plan to be implemented

TORM has reached more than 90% lender support for its new restructuring agreement, paving the way for the restructuring to be implemented, *writes Hal Brown*.

The product tanker specialist said yesterday its agreement had been signed by Oaktree Capital Management and a majority of the lenders holding an aggregate 92% of Torm's existing loan facilities by value. Torm said it was confident it would achieve the support of all its lenders under the existing loan facilities for the implementation of the restructuring. However, if less than 100% support is achieved, Torm said it will implement the restructuring through an English law scheme of arrangement.

The latest developments follow the requirement for Torm to obtain minimum lender consent of 75% by value and a majority in number of the relevant classes of Torm's lenders.

Torm runs a roughly

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80-strong fleet, largely comprising product tankers, but also dry bulkers.

About a month ago, shareholders approved motions during Torm's annual general meeting to allow the company to push ahead with the new restructuring plan.

Failure to secure today's agreement would have likely resulted in an insolvency process occurring either in Denmark or another jurisdiction, or a contingency plan of transferring assets and liabilities to another entity, Torm chairman Flemming Ipsen warned about a month ago.

As of the start of this year, Torm had debt of $1.4bn, a big change from a year earlier, when it was 19% higher.

The fleet was valued at $859m by broker evaluations.

Latest tragedy shows why merchant shipping should not be main rescuer for Mediterranean migrants

It takes the worst-yet maritime accident of a similar nature for EU to mull further action

Rescuers helping migrant children to disembark in Pozzallo, Sicily, yesterday. © *2015 Alessandra Tarantino/AP*

THE latest maritime tragedy involving Mediterranean boat migrants serves as a case in point why merchant shipping should not be a primary rescue agency to deal with the ongoing humanitarian crisis, *writes Max Tingyao Lin*.

On Saturday night, *King Jacob*, a 12,850 dwt general cargoship with container capacity, received a request from the Italian Coast Guard to save migrants on an overloaded fishing boat spotted off its port side.

As the merchant vessel approach, the migrants rushed to one side of their 20 m boat, which was unstable and capsized.

Initial reports suggest there could have been as many as 700 people on the boat when the accident occurred 60 miles north of Libya, of which fewer than 50 have been saved as the rescue operations of Italian and Maltese authorities continue.

By accounts of human casualties, it is set to be the worst maritime casualty involving boat migrants in the Mediterranean.

This latest incident has drawn further concern from the secretary-general of the International Maritime Organization Koji Sekimizu who has been campaigning to get member states to look at finalising a long-term solution to the growing problem.

"The international maritime search and rescue system created through IMO instruments was not designed to handle the huge flows of migrants that are currently being seen in the Mediterranean," Mr Sekimizu said in a statement.

"In being compelled to embark these unsafe vessels, migrants are effectively being put into extreme danger as soon as they leave shore. The fact that migrants are drowning within sight of their would-be rescuers is testament to the dangers they face and every effort should be taken to find safer, managed routes for migrants."

Human trafficking in the form of migration to Europe has significantly increased since political turmoil spread over countries in North Africa and the Middle East, and merchant shipping has played an ever-growing role in humanitarian rescues.

Situation has deteriorated

In 2014, around 800 commercial ships diverted from their services to save the lives of 40,000 migrants attempting to reach European shores, frequently in small boats unfit for purpose, UN figures showed. Even so, more than 3,500 people lost their lives.

The situation has deteriorated this year, as the situation in those war-torn areas has not improved. Excluding the latest incident, more than 900 people are presumed dead in failed crossings.

Under international law and any cohesive code of morality, commercial shipowners are obliged to be engaged in rescue operation whenever necessary.

But merchant shipping has proved to be inept and insufficient for those missions, as stated by various industry groups, including the International Chamber of Shipping, many times in the past year.

In fact, the ICS, the European Community Shipowners' Associations, the European Transport Workers' Federation and the International Transport Workers Federation issued a joint letter in early April to all 28 European Union member states to warn

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that the crisis from human trafficking in the sea was spiralling out of control.

This rare united front of shipowners and seafarers called on the EU to respond to the crisis with greater urgency to avoid further catastrophic loss of life.

Therefore, the main reason for the worsening humanitarian crisis seems to lie with European politicians' lack of will to adopt adequate solutions, rather than an issue of awareness.

A step back

Many — including the ICS — have suggested that the EU will need to either take measures against human trafficking, possibly opening legal pathways to migrants, or invest more in search and rescue operations.

But anti-immigrant sentiment and the lack of financial capability have stood in the way.

Since last year, European politicians have actually taken a step back by replacing Italy's humanitarian Mare Nostrum operation with the EU-funded Triton operation, whose primary mandate is border protection and which operates with very limited resources.

The strategy came with an aim of deterring migrants due to the higher risks involved. Anecdotal evidence showed it has backfired terribly.

Following the latest accident, more calls for stronger EU measures to deal with the crisis are expected to be made, not least from the shipping side.

The International Organisation for Migration has called on the EU to at least re-establish life-saving operations on the scale of Mare Nostrum.

European summit

In a statement yesterday, the ICS said: "ICS believes the tragedy is potentially game changing and may at last spur all EU member states to take the urgent and immediate collective action needed to prevent further massive loss of life at sea.

"In the short term, EU member states need to agree funding for an EU 'Mare Nostrum' operation. ICS fully supports the call from the Italian prime minister for an immediate EU summit on the crisis, and we hope that EU foreign ministers meeting in Luxembourg today will make progress on developing solutions."

Italy has called for an emergency European summit this week to find some immediate solutions. It is unfortunate that only rapidly-rising death tolls can force politicians into action, but it would be even more unfortunate if nothing concrete can be done this time.

Additional reporting: Craig Eason and David Osler

ICS slates 'fanciful' claims that ship designs have not improved

T&E and Seas at Risk conclusions from CE Delft report are selective and unhelpful, says the International Chamber of Shipping

The EEDI aims to drive designers to make newbuildings progressively more fuel-efficient and therefore emit less CO_2.

THE International Chamber of Shipping has dismissed as fanciful claims by two environmental lobby groups that modern tonnage is less fuel-efficient than vessels built in 1990, *writes Craig Eason*

Last week, the two lobby groups, Transport and Environment and Seas at Risk, put forward research they commissioned from the Dutch research group CE Delft claiming that modern ships were less energy-efficient than those built nearly 30 years ago.

The paper is part of a push by the environmental lobby groups to get current mandatory rules on ship efficiency designs tightened.

They believe a rolling set of date and percentage improvements written into the energy efficiency design index are too easy to achieve and will not be creating improvements to international shipping's CO_2 footprint.

The aim of the EEDI is to push ship designers to improve their designs and make newbuildings progressively more fuel-efficient and therefore emit less CO_2.

"T&E bases its claims on a report it has commissioned from the respected consultancy CE Delft, but it has used the findings very selectively," the ICS said in a statement.

"It is not helpful for T&E to twist the results of the CE Delft study to imply that the [International Maritime Organization] EEDI, developed by the combined technical expertise of all the world's maritime nations, is somehow inadequate."

The ICS points to the latest Greenhouse Gas Study commissioned by the IMO and published last year. That

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report suggested a slight drop in overall CO_2 emissions by global shipping compared to a previous report a few years earlier.

Despite the IMO report demonstrating that the majority of the gain came from the impact of slow steaming, the ICS suggests that this still shows how shipping's overall fuel efficiency is improving and its CO_2 emissions are being controlled.

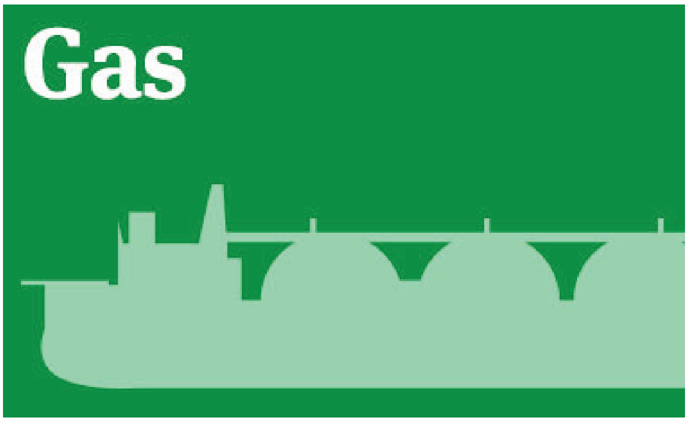
The ICS also suggests that ships are being operated a lot more efficiently than before and this all forms part of the impact of the two mandatory agreements already made at the IMO to control shipping's CO_2 emissions, namely the EEDI and the ship energy efficiency management plan.

In response to the ICS criticism, T&E clean shipping manager Bill Hemmings told Lloyd's List: "CE Delft's study for T&E and Seas At Risk found that ships can improve their design efficiency by about 5%-15% on average, just by going back to 1990 designs.

"Far from twisting the findings — which are based on the data and EIV/EEDI formulae, which the IMO itself used — we believe the ICS needs to take the results seriously and show us why the EEDI targets shouldn't be reviewed."

VLGC daily spot earnings forecast to top $80,000 in coming days

Such good spot market earnings make owners reluctant to sign longer-term charters



VERY large gas carrier spot rates are up and rising again, with further increases forecast in the coming days as the west to east trade picks up, *writes Hal Brown*.

Yesterday's rate of $86 per tonne on the benchmark Middle East to Asia route is expected to move into the $90s per tonne shortly, earning owners more than $80,000 per day.

It costs around $7,000 per day for an owner to run a modern VLGC on the spot market, so $80,000 per day leaves the owner with a lot of change to play with.

Brokers say the west-east arbitrage is widening, spurring spot fixture activity and driving those rates on the Middle East to Asia trade higher.

One broker said Indian charterers are expected to quote for May cargoes in the coming days.

Delays to discharges on the east coast of India are helping to keep spot vessels tied up, supporting freight rate rises.

There are currently six or seven ships waiting to discharge on the east coast of India, following a heavy importing period in March and April that resulted in receiving tanks becoming full, said one broker.

There are few ships available in the Middle East Gulf to carry cargoes before the second half of May, therefore VLGC owners should expect earnings to rise well into the $80,000s per day, he added.

Another broker forecast that the outlook for this week is that chartering activity will start at a good pace as charterers try to secure tonnage before rates increase further.

Fresh inquiries

In the longer-term charter market, a number of fresh inquiries have occurred but owners do not appear motivated to lock in term deals unless at premium levels and with preference for 2016 start dates, observed one broker.

With the spot market still offering attractive returns, it is easy to understand why owners are reluctant to commit to these longer charters, said the broker.

Nakilat profit rises amid focus on long-term Qatargas and RasGas charters

Qatari LNG giant avoids vagaries of spot market, reflected by profit rise in first quarter

QATAR Gas Transport Company, known as Nakilat, made a first-quarter net profit of QR222.4m ($61m), up from QR206.5m in last year's first quarter, its 61-strong fleet of liquefied natural gas carriers largely immune to dips in the spot market freight rate due to the company's focus on long-term time charter agreements with Qatargas and RasGas, *writes Hal Brown*.

Other than net profit, Nakilat released very little information to the Qatar Stock Exchange regarding its first-quarter performance.

However, the recent review of 2014's performance throws light on the gas shipping giant and its priorities.

Profits have been rising mainly due to the addition of LNG vessels to Nakilat's wholly and jointly-owned fleet during 2014 and the remarkable improvement of the liquefied petroleum gas

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vessels' performance, said Nakilat managing director Eng. Abdullah Fadhalah Al Sulaiti.

Nakilat has four LPG carriers alongside its LNG carrier fleet.

In addition, the increase in operating activities at its shipyard facilities has contributed to positive results. Nakilat's three business divisions include the fleet, shiprepair and shipbuilding through Nakilat-Keppel Offshore & Marine and Nakilat Damen Shipyards Qatar.

Regarding its fleet, Mr Al Sulaiti said in the 2014 review that Nakilat enters into long-term time charter agreements to lock-in future cashflows from ships.

"This strategy is expected to result in a more stable stream of cashflows in the future and minimise uncertainties associated with shipping spot rate movements or interest rate movements," he said.

Long-term charters are with major Qatari LNG producers such as Qatargas and RasGas.

Spot freight rates for LNG ships are forecast by some experts to rise by the end of this year as new cargoes soak up tonnage.

Analysts at Fearnleys say the main issues in the LNG industry include: huge US export potential in the latter part of this decade; speculative newbuildings delivered in 2014 and 2015; and potential delays to new LNG projects.

Stena seals three-year charter for its LNG carrier Stena Blue Sky

Vessel will carry cargoes out of Australia's North West Shelf project, as that country makes a big impact this year on new cargo supply

STENA Bulk, part of Sweden's Stena Group, has chartered out its liquefied natural gas carrier *Stena Blue Sky* to haul cargoes out of the North West Shelf project in Australia, *writes Hal Brown*.

The charter will last up to three years with a possible extension, Stena said on Monday.

The contract was signed at current market freight rates and the vessel will sail between Australia and Japan, as well as other countries in the Far East.

Stena pointed out that the North West Shelf project is Australia's largest oil and gas development and has delivered more than 4,000 LNG cargoes to customers, mainly in the Asia Pacific region, since 1989.

The 2006-built, 145,500 cu m *Stena Blue Sky*: Stena only became an LNG carrier owner in 2011.

Stena Bulk chief executive Erik Hånell said he views the North West Shelf project as "a key strategic partner" in a market with "tremendous growth prospects".

Stena only became an LNG carrier owner in 2011, buying three LNG carriers from Taiwan-based TMT, amid a wave of interest in LNG shipping as new exporters and importers came on to the global scene.

The industry is forecast to grow further on attempts to replace coal with gas in the energy sector. Gas gives off 50% less carbon than coal, say energy experts.

Stena says it has already found its feet in the expanding LNG shipping industry.

"We have very quickly become established... and we have developed a good reputation in the market where quality and safety are paramount," said Mr Hånell. "We regard the LNG segment as a continuing and long-term investment where, additionally, our successful technical management plays a prominent role."

As well as he 2006-built, 145,500 cu m *Stena Blue Sky*, Stena Bulk owns two modern tri-fuel diesel electric LNG vessels: the 2011-built, 173,000 cu m sisterships *Stena Crystal Sky*, on a medium-term charter until this autumn, and *Stena Clear Sky*, recently redelivered from a three-year charter.

This year is all about Australia, in terms of new cargo supply hitting the market.

Queensland Curtis export project started shipping out cargoes at the start of the year. This is the first of four Australian production plants expected to start over the next 12 months and Australia has a further six plants under construction, say gas shipping experts.

Australia Pacific LNG saw first gas arrive at its plant on February 11 and expects to start exporting LNG cargoes in the middle of the year.

The plants will build up exports slowly, the ultimate aim being to turn Australia into the world's largest LNG producer and exporter by 2020, at more than 80m tonnes per year from around 30m tonnes per year now, say gas shipping experts.

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