Campbell Johnston Clark

CJC EXCHANGE

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CJC Exchange is a weekly newsletter from **Campbell Johnston Clark**, incorporating with kind permission from **Gibson Shipbrokers** the most recent issue of the Gibson Sale & Purchase Market Report. A blend of market intelligence and relevant industry news, CJC Exchange is distributed free of charge to parties on the CJC mailing list who have given permissions to receive S&P updates from CJC. CJC Exchange is available to new subscribers here.

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Gibson Sale & Purchase Market Report

GIBSON SHIPBROKERS

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DRY CARGO – A Fine August

The market took a bit of a breather this week, though with dry rates continuing to hit new 10-year highs, this is likely to be only a momentary respite. Given the high number of inspections and negotiations rumoured to be ongoing we should expect that second-hand bulkers should continue to be traded actively in the weeks and months ahead. With many owners now deeply in the money on tonnage acquired in recent years, the incentives for profit-taking are clearly there.

On the cape front, Safe Bulkers are said to have concluded a rare one-year BBHP deal for the **"YUMETAMOU"** (181,407 dwt/blt 2012 Koyo) for a reported notional purchase price of US$32.3m. The sellers, a division of UK lenders Standard Chartered called Marina Leasing, are said said to also have offloaded the **"AQUA SPLENDOR"** 175,000 dwt/blt 2012 Jinhai) for a price of around US$27.5m, though it is uncertain if this was on straight sale basis or also on a leasing structure.

Beyond that, the main focus of activity has been on Ultramaxes and Supramaxes around the ten year old mark, with five sales reported for the week to a variety of mainly European and Asian buyers. There continues to be upward pressure on prices, unsurprisingly perhaps considering spot TCE rates are still hovering well over US$30,000 per day.

NEWBUILDING – Cost Pressure Continues

Activity at the yards remains subdued due to holiday season, however we believe a number of ultramax/kamsarmax orders in China are being finalised with the focus on remaining, prompt 2023 deliveries. Tanker newbuilding enquiry remains flat as owners grapple with the ongoing poor market as evidenced by Euronav's Q2 results of a loss of US$90m. The IEA's recent announcement that they expect oil demand growth to fall for the remainder of 2021 due to renewed COVID restrictions in parts of the world (notably China) may exacerbate the current bad run here. However, a counter cyclical argument remains and a delayed recovery would arguably be better for a newbuilding ordered today and delivering in later 2023.

Newbuilding pricing remains a challenge. One of the major problems, for tankers, is that current tanker newbuilding pricing has been determined by factors outside the tanker market. Steel plate pricing continues to remain high and despite some falls in iron ore pricing in China, such reductions have not been passed on to yards via the steel mills. The Chinese government is also trying to reign in steel production which would support current pricing and there are already export controls in place. Japanese/Korean governments have no plans in place to address the current high steel plate price. Taking a wider view, the IMF expects that the pricing of non-oil commodities such as metals and primary commodities to rise by 30% over the remainder of 2021 and remain around such levels across 2022. There is also a massive global fiscal stimulus for construction/ infrastructure and accommodating monetary policy that will likely further increase demand/ pricing for raw materials. Further ahead we also have the effect of "going green" and the demand for construction to do this. Put simply, everything is expensive right now! and therefore it is unrealistic to expect tanker newbuildings to be "cheap". However, looking ahead to when a tanker market recovery takes hold this will likely increase already high second-hand pricing and make newbuildings a comparable alternative as we have just seen demonstrated in the dry market. So on balance, we do see reason in ordering a newbuilding today against these various supporting factors.

TANKERS – HumDrum

At least we've had Olympics, some cricket and holidays to distract us from this incredibly unexciting tanker market. Listed tanker owners are hoping that everyone is away sunning themselves rather than reading their devastatingly bad 2nd quarter results. The second-hand market has little to show for, but interesting to note that one vintage VLCC, **"MAYA VN"** (318,778 dwt/blt 2003 Hyundai Samho) has been flipped for a small profit; the vessel was sold for scrap in December 2020 and has now gone for US$27m; a rising demo market has surely helped here.

Two sister LR1s, the **"CABO KAMUI"** and the **"CABO MISAKI"** (74,215 dwt/blt 2016/2017 Sungdong) have been sold to their charterers for US$31m and US$32m respectively; showing no price movement from Nisshin's sale of a sister back in June.

RECYCLING – Bullish Bangladesh

The weakening of Iron Ore prices by about 20-30% over the past few weeks has started to play on the minds of the cash buyers and ship-breakers. Although prices have not dropped so far, there lingers a sense that we could see a correction soon. Having said that, the demand for steel is still outweighing the supply despite a large number of ships having been sold in the past week or two.

Local markets in India have been stable this past week as the end of the monsoon is around the corner. Alang still continues to remain the favourable destination for specialized ships and, of course, for Green Recycling.

The strict lockdown in Bangladesh has ended despite cases still on the rise. The end of the lockdown has been beneficial to local steel markets as prices of steel plates have increased this past week, boosting the confidence of breakers. Chittagong still continues to pay highest prices for most vessels.

The Pakistan market has stagnated for a few weeks now as local markets are neither improving nor weakening.

Gibson Sale & Purchase Market Report

S&P SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						

YUMETAMOU	181,407	2012	Koyo (JPN)	Safe Bulkers	32.3	SS psd 6/20. Basis 1 yr BBHP.
AQUA SPLENDOR	175,428	2012	Jinhai (CHN)	Undisclosed buyer	mid-high 20	SS due 6/22. Prompt dely.
LOWLANDS BEACON	61,400	2011	Iwagi (JPN)	Vietnamese buyer	21	SS due 4/22.
SANTA BARBARA	61,381	2013	Iwagi (JPN)	Undisclosed buyer	24.5	DD psd 10/20.
ADITYA	55,496	2008	Oshima Zosen (JPN)	Norwegian buyer	16.5	Dely 9-10/21.
MARATHA PROMISE	37,187	2012	Saiki (JPN)	Undisclosed buyer	16.5	SS+BWTS due 3/22. Dely 11/21.
TANKERS						
MAYA VN	318,778	2003	Hyundai Samho (KRS)	Chinese buyer	27	DD due 8/21.
CABO KAMUI + CABO MISAKI	74,215	2016+2017	Sundung (KRS)	Chilean buyer	31+32	Coated. Trading dirty. SS due 11/21 + 3/22.
MAERSK ERIK	40,083	2008	SLS (KRS)	French buyer	reg 12	Deepwell.
TIGER SINGAPORE	13,052	2009	21C Shipbuilding (KRS)	Chinese buyer	reg 6	Epoxy. IMO II. DD due 2/22.
GENERAL CARGO / MULTI PURPOSE						
AREL 1	10,560	1993	Selah (TRK)	Undisclosed buyer	3	DD due 6/22.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
Huachen Leasing	Post-panamax	85,000 dwt x 2+2	Shanhaiguan (CHN)	2023		
Santoku Shipping	Kamsarmax	82,300 dwt x 2	Yamic (CHN)	2022-2023		Trading house resales.
Asia Pulp & Paper (APP)	Panamax	70,000 dwt x 4	Oshima Zosen (JPN)	2022-2023		Woodchip carrier. Ordered previously.
TANKERS						
Enesel	LR2	114,000 dwt + 1	Daehan (KRS)	2023	51*	*Declared option. Scrubber. Tier III. EEDI phase 3.
Enesel	LR2	114,000 dwt + 1	SWS (CHN)	2024	50*	*Declared option. Scrubber. Tier III. EEDI phase 3.

Samos Steamship	Aframax	112,000 dwt x 2	Sumitomo (JPN)	2023		LNG ready.

Newbuild and Second Hand Values *($ million)*

	Newbuild	5 Year Old	10 Year Old
Tankers			
VLCC	102	72	48
SUEZMAX	72	49	33
AFRAMAX	58	41	26.5
MR	38.5	28	19
Bulkers			
CAPESIZE	60^	37.5	31
KAMSARMAX / PANAMAX	35^	31k	22.5k/20.5p
ULTRAMAX / SUPRAMAX	33.5^	28u	19.5s
HANDYSIZE	28^	22.5	15.25

^=Chinese price (otherwise based upon Japanese / Korean country of build)

Indices

	C.O.B Friday
BDI	3566
$/Yen	110.23
VLCC AG/East TD3 (WS)	31

CJC Market News

Campbell Johnston Clark (CJC) is a medium-sized international law firm advising on all aspects of the shipping sector, from ship finance to dry shipping and comprehensive casualty handling, and all that happens in between. Today, we have offices in London, Newcastle, Singapore and Miami.

Lack of investment in ports adds further disruption to supply chains

Real time data from logistics company Kuehne+Nagel shows there are currently 353 container ships stuck outside ports around the world, more than double the number from earlier in the year when ports faced disruptions due to the Covid-19 pandemic.

Ports in Los Angeles and Long Beach in the US currently have up to 22 ships waiting for a berth, but it will be up to 12 days before the ships are able to drop anchor and unload their containers, ready to be distributed across the country.

According to IHS Markit Port Performance Data – in North America, the average time container ships spent waiting on an anchor for berth jumped to 33 hours in May compared with just eight hours in 2019.

The disruption to supply chains caused by the pandemic have been exacerbated further by new, larger ships being introduced to the market as ship owners target economies of scale to reduce transport costs. Some of the biggest ships carry up to 20,000 twenty-foot containers at a time, and to appropriately accommodate these vessels, changes to port infrastructure are required, including deeper docks and bigger cranes.

New infrastructure takes time to deliver, in some instances a crane can take up to 18 months from being ordered to installation, making it hard for ports to respond to changes in demand.

Some shipping companies have taken matters into their own hands and are investing in ports so their own vessels can get priority treatment. For example, HHLA, terminal operator in Hamburg said it was in talks with Cosco Shipping Ports, a subsidiary of a broader Chinese shipping conglomerate, over a minority stake.

Individuals and entities penalised by the Maritime and Port Authority of Singapore

The Maritime and Port Authority of Singapore (MPA) recently reported that 47 individuals and 7 companies operating in the maritime sector in Singapore were found to have contravened safe management regulations contrary to the COVID-19 (Temporary Measures) Act 2020. These breaches involved the operation of pleasure crafts, harbourcrafts and ocean-going vessels throughout an eight month period spanning from November 2020 to June 2021.

Of the 47 individuals and 7 companies, it is reported that 52 of them were fined between SGD$300.00 and SGD$3,000.00 each. In addition, two out of the 52 had the licences of their pleasure craft and harbourcraft suspended by the MPA.

Some cases involved agents failing to submit the mandatory notifications required to the MPA on the boarding of shore-based persons. Other instances involved cases where a shore-based personnel was found to have contravened safe management regulations by consuming stores onboard a vessel and for failing to don the appropriate level of personal protective equipment, and cases where the maximum group size permitted for social gatherings were exceeded aboard pleasure crafts.

The MPA further stated that the authority is currently carrying on investigations on several other incidents of non-compliance with safe management regulations. In the news release, the MPA reiterated that a person who commits an offence under the COVID-19 (Temporary Measures) Act 2020 can be found liable, on first conviction, to a maximum fine of SGD$10,000 and/or imprisonment of up to 6 months. On a second or subsequent commission of an offence, the maximum fine is increased to SGD$20,000 and/or imprisonment up to 12 months. Additionally, it is stated that a craft or vessel may also have its licence suspended by the MPA for up to 30 days.

Green future for Stockholm's ferries

Green City Ferries ("**GCF**") has launched the BELUGA 24, a revolutionary zero emission passenger ferry which is set to service the Swedish city from 2023. The aerodynamic, twin-hulled catamaran will have a capacity of 150 passengers and 30 bicycles.

GCF have partnered with Teknicraft Design of New Zealand and Studio Sculli of Italy to design a vessel capable of travelling at 30 knots, while costing less to operate than diesel-fuelled fast ferries. While travelling at this speed, consumption is expected to be around 30 kWH per nautical mile, which is around half the consumption of a conventional catamaran travelling at that speed.

These energy savings are down to the unique vessel design, which is based on proven air-foil technology. Once the vessel reaches a specific high speed, the midship placed foil lifts the vessel halfway out of the water. This significantly reduces water resistance and consequently the amount of energy required for the vessel to maintain high speeds.

Such a design is possible in part due to the carbon fibre construction of the vessel, but also the superior power source(s). These will be Japanese LTO batteries and/or Canadian fuel cells, which are renowned for their high performance, in addition to their long life and short charging times.

This project looks to take advantage of the growing market for emission-free vessels, which stood at USD 5.2 billion in 2019 but is expected to increase to USD 15.6 billion by 2030.

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