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

DRY CARGO – China Contract

As freight rates continue to fall across all sizes, this is now beginning to filter through to the sale and purchase market with a marked reduction in the volume of sales being reported. China putting the brakes on its iron ore imports has had profound effects on the indices, but with its coal stockpiles at low levels, hence this contraction will be considered by many to be anomaly.

Most market protagonists feel that values are unlikely to fall but see more potential for prices to stabilise in this environment. Certainly, appetite for older tonnage will be tempered in this uncertain atmosphere and ideas may have to be adjusted downwards despite the firm recycling market.

RECYCLING – Diwali Dampens Demo

Diwali celebrations have taken place this week, which has muted an already relatively quiet ship recycling market. Following on from recent weeks of noticeable and continued improvements in price levels, Bangladesh breakers remain in pole position and appear to be able to outbid their contemporaries on most tonnage, but for the more specialised units, and especially those vessels containing a quantity of non-ferrous metals, Indian breakers will be the most competitive as they have proved in recent weeks by flexing their muscles and offering aggressively; not only on HKC Green Recycling which is where their expertise lies, but also on some market tonnage. The noticeable lack of units for sale, of all types, continue to drive-up prices. From all areas of the ship recycling industry there is increasing demand for tonnage, which is continuously pushing up levels and demand from the end users. Space on the actual yards may also now begin to play a role; as plots start to become free of inventory the breakers will be keen to find units to start work on, which again will likely see price levels firming as demand outstrips supply. At present it is clear not many owners are being tempted to sell by the very attractive price levels on offer. When this pattern changes is unclear, but is unlikely to happen in the short term, unless we see a substantial improvement (on already firm numbers). With the market back to normal next week after Diwali, we hope to see normal activity resume and no doubt prices from India firming again.

TANKERS – Bonfire of the Vanities

Bonfires will be burning and sparklers sparkling tonight, but the tanker market needs some more powerful incendiary devices to light up the skies. There are some welcome improvements in the spot market, but more of a flicker than explosions. As a result there are signs that values may be on the move upwards.

There is appetite for resale or modern tonnage in the product sector and we hear that Eastmed has picked up Hulls 1928 and 1929 (49,800 dwt/delivery Oct and Dec 2022 K Shipbuilding) for a price of US$37.8m each. These were ordered as a series of six for around US$36m each.

There is always a question over the value differential applicable for a deepwell MR2 over a pump-room unit, but this week we have good examples with the sale of the deepwell **"STAR EAGLE"** (51,202 dwt/blt 2007 STX Jinhae) compared to the pumproom **"STAR FALCON"** (53,815 dwt/blt 2007 Shin Kurushima). Tufton is reported to have taken US$11.25m vs US$9.75m, giving a differential of US$1.5m, although some of the surplus could be attributed to the 6 month better survey position of the **"STAR EAGLE"**. Also the one year younger deepwell MR2, **"HIGH VENTURE"** (51,088 dwt/blt 2006 STX Jinhae) has also gone this week for US$10.7m whilst the same aged pumproom unit, **"ANGEL 61"**, (48,635 dwt/blt 2006 Iwagi) has gone for US$9.8m, both with surveys passed and BWTS fitted; giving a differential of US$900k.

NEWBUILDING – Keeping the Powder Dry

The tanker market continues to digest the ongoing negotiation at Daehan with Eastmed for LR2. As we have outlined previously, the fleet supply situation looks favourable for tanker newbuildings (basis you believe in a market rebound) and there are few slots available at the reputable yards through to mid-2024. However, many await firm and significant movement in charter rates today and remain understandably distracted by OPEC actions.

On the bulker side there seems to be a reflection of the attitude on second-hand in that many feel the pricing is now quite high and many will wait to see how the charter markets play out in the short term. Orderbooks are not alarming high on the bulk side though, even after the recent order run, so if the bulker market remains buoyant we would expect further orders in the medium sizes for the last remaining second half 2023 slots.

Gibson Sale & Purchase Market Report

S&P SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						
MP THE HIGHTOWER + MP THE KRAFT	209,200	both 2020	Jiangsu Newyangzi (CHN)	Singaporean buyer	65 each	BWTS fitted.
OCEAN ROSEMARY	82,265	2013	Dalian No. 2 (CHN)	Undisclosed buyer	23.2	DD psd 8/21. No BWTS.
JIANGSU YANGZI-MITSUI YZJ2015-2686	82,300	2022	Jiangsu Yangzi-Mitsui (CHN)	Greek buyer	38.5	Dely 2/22.
KEY DISCOVERY	82,152	2010	Tsuneishi (JPN)	Swissmarine	24.75	BWTS fitted.
SHANDONG CHONG WEN	76,098	2011	Hudong Zhonghua (CHN)	Chinese buyer	19.64*	*Auction. Delivery 1/22

						basis SS passed 12/21.
SOPHIA N	56,868	2009	Qingshan (CHN)	Undisclosed buyer	17.75	DD due 10/22. BWTS fitted.
BERNA	21,964	1995	Saiki (JPN)	Undisclosed buyer	6	DD due 8/22.
TANKERS						
IRIS VICTORIA	74,905	2010	Minami Nippon (JPN)	Undisclosed buyer	17.8	SS psd 8/20. Uncoiled.
TAI HU	73,980	2007	New Century (CHN)	Undisclosed buyer	reg 10.5*	*Judicial sale. SS due 8/22.
STAR FALCON	53,815	2007	Shin Kurushima (JPN)	Undisclosed buyer	9.75	Pump-room. SS due 3/22.
STAR EAGLE	51,202	2007	STX Jinhae (KRS)	Undisclosed buyer	11.25	Deepwell. SS due 10/22.
HIGH VENTURE	51,088	2006	STX Jinhae (KRS)	Undisclosed buyer	10.7	Deepwell. SS psd 5/21. BWTS fitted.
K-SHIPBUILDING 1928 + 1929	49,800	both 2022	K Shipbuilding (KRS)	Eastmed	37.8 each	Dely 10+12/22.
ANGEL 61	48,635	2006	Iwagi (JPN)	Greek buyer	9.8	Pump-room. Uncoiled. SS psd 5/21. BWTS fitted. Cap1.
CELSIUS MACAU	20,768	2006	Shin Kurushima (JPN)	Chinese buyer	12	Stainless steel. SS due 12/21.
CHEM WOLVERINE	19,991	2006	Usuki (JPN)	Korean buyer	9.8	Stainless steel. SS due 11/21.
CRIMSON RAY	19,984	2007	Fukuoka (JPN)	Korean buyer	12.5	Stainless steel. SS due 7/22.
GENERAL CARGO / MULTI-PURPOSE						
MIGHTY BOSS + MIGHTY CHAMP	10,080	2004+2005	Shin Kurushima (JPN)	Undisclosed buyer	6 each	Tween. Geared.
CONTAINERS/RO-RO/REEFER/PCC						
CARTAGENA TRADER	42,057	2008	Shanghai Shipyard (CHN)	CMA CGM		3534 TEU. Gearless.
FS IPANEMA	25,903	2009	Taizhou Kouan (CHN)	European buyer		1794 TEU. Geared.
ASTURIANO II	16,866	2012	AVIC Weihai (CHN)	Safeen Feeders		1304 TEU. Geared.
LINK STAR	4,453	1989	Sietas (GER)	Norwest Shipmanagement.		Ice 1A. 405 LM.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
Navibulgar	Handymax	45,000 dwt x 4	Yangzijiang (CHN)	2024	33	EEDI 3.
GENERAL CARGO/MULTI-PURPOSE						
Guangxi Xinyi Supply Chain	MPP	5,400 dwt x 2+2	Taizhou Taichuan (CHN)	2023-2024		200 TEU.
CONTAINERS / RO-RO / REEFER / PCC						
Karnaphuili Group	Containership	2,900 TEU x 4	Fujian Mawei (CHN)	2023-2024	37-38	EEDI 2.

Recycling Activity

Vessel Name	BUILT	DWT	LWT	Delivery	Price ($/lwt)	Notes
TANKER						
ASIAN GLORY	1996 / Japan	10,130	3,413	as-is Batam	535	last weeks sale
CHEMICAL TANKERS						
OSTROV RUSSKIJ	1985 / Japan	7,041	2,396	Bangladesh	658	St-St content in her tanks
WIN LOTUS	1990 / Japan	6,676	2,871	India	695	St-St content in her tanks

Recycling Prices (US$/LWT)

	Bangladesh	Pakistan	India	Turkey
Tank/Cont/Ro-Ro/Capes/LPG/PCC	615/630	600/610	600/610	300/315
Dry Cargo/Bulk/Tween/Gen Cargo	600/615	590/600	590/600	295/305

Newbuild and Second Hand Values *($ million)*

	Newbuild	5 Year Old	10 Year Old
Tankers			
VLCC	108	70	46
SUEZMAX	75	48	32
AFRAMAX	59.5	40	26
MR	40.5	28	17.5
Bulkers			
CAPESIZE	60.5^	41.5	36
KAMSARMAX / PANAMAX	35^	34.5k/32p	25.5k/24p
ULTRAMAX / SUPRAMAX	33^	31u	23.5s
HANDYSIZE	29.5^	26	18.5

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

CJC Market News

Campbell Johnston Clark

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.*

No End in Sight to 'Gigantic Bottleneck' Warns Maersk

Maersk has warned that current conditions in regards to global supply chains are expected to continue until at least the first quarter of 2022.

Chief executive Soken Skou pinpointed the lack of lorry drivers worldwide as preventing ships from offloading goods at ports around the world, with 300 container vessels currently idle. The economic bounce back following the pandemic has contributed to a surge in demand to transport freight around the world, causing supply chains to buckle.

Looking forward, Maersk added that savings by consumers over the previous year would keep demand high. There is a fear that delivery times for orders will "*remain lengthy, and there is little visibility into when capacity constraints, including landside bottlenecks in trucking and warehousing, will abate*."

Currently, two-thirds of the company's revenue comes from container shipping. Maersk handles one in every five containers shipped worldwide and has added to its capacity in an attempt to tackle the demand. However, external factors continue to cause major problems for the industry. As a result, Maersk is looking to expand its services to more land and air-based freight in an attempt to tackle the current shipping climate.

This week, Maersk has announced it will acquire freight-forwarder Senator International, as well as two Boeing aircraft.

Port of Gothenburg Announces Plans for Hydrogen Production Facility

In The Port of Gothenburg announced this week that it is planning to construct a new hydrogen production facility in partnership with clean energy producers Statkraft. The Port of Gothenburg is Scandinavia's largest port and handles nearly 30% of Sweden's foreign trade, which equates to 39 million tonnes of freight per year.

Operations are due to commence in 2023 with an initial capacity of four megawatts, which should produce up to two tonnes of hydrogen per day. This is equivalent to 2,200 litres of diesel and could help reduce carbon emissions by at least four tonnes every day. The facility at the port will be used to power different types of freight-handling equipment, primarily heavy transport equipment that can be switched to fuel cell operation. The investment needed to facilitate the first phase of the project is approximately SEK 60 million (USD$ 7 million).

Per Rosenqvist, CEO of Statkraft Hydrogen Sweden AB, said "*Statkraft is the largest supplier of renewable energy in Europe, and we maintain that renewable hydrogen will be critical if we are to achieve carbon-free transport within the near future. This project will increase the potential for this development by contributing to the transition to a fossil-free transport sector on land and at sea.*"

The Gothenburg Port Authority and Statkraft are also planning to conduct an in-depth investigation of the potential for an interim storage facility and filling station at the Port of Gothenburg. A preliminary study is currently being conducted with the focus primarily on safety aspects. It is expected to be completed at the beginning of 2022.

Sweden’s goal is to reduce emissions from domestic transport by 70 per cent by 2030.

Union of Greek Shipowners’ Reports on Decarbonising the Shipping Industry

China’s According to the recent report of the Union of Greek Shipowners, the constituent elements to decarbonise shipping are investment in innovation, building the necessary infrastructure, and the availability of carbon-neutral fuels and technology. The reduction of emissions should be modelled with an exponential trajectory rather than a linear one and this is mainly because initially the uptake will be slow and then, once the related costs and technology risks are reduced, the shipping community will have greater access to the new technology which could lead to greater uptake.

The Union considers that the policy package ‘Fit for 55’, the FuelEU Maritime Regulation and the EU Emissions Trading Systems (EU ETS) Directive will play an important role in the decarbonisation of the maritime sector. ‘Fit for 55’ is an EU policy package with various initiatives, policies and measures, with ultimate target being the reduction of greenhouse gas (GHG) emissions for 2030 and beyond.

The FuelEU Maritime Regulation proposes the reduction of GHG intensity and the use of electricity for vessels whilst at berth, and is expected to apply to containers and passenger ships in 2030. Insofar as the global policies are concerned, the Union considers that through the IMO Marine Environment Protection Committee (MEPC), the IMO will assist towards decarbonisation of the shipping industry by adopting a package of technical and operational measures for CO2 emission reduction. More specifically, the Energy Efficiency Existing Ship Index (EEXI) will apply to all ships above 400gt and will measure their energy efficiency. The Carbon Intensity Indicator (CII) will apply to all ships above 5,000gt and will link their GHG emissions to the amount of cargo carried.

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