Campbell Johnston Clark
CJC EXCHANGE

14/05/2021 – ISSUE # 24

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.

In this issue:

Gibson Sale & Purchase Market Report
Dry Cargo – Sales Express | Tankers – The Sage Favours the Age | Newbuilding – Fortune Favours the Bold | Recycling – Seeking Steel | Sale & Purchase Market Report |

CJC Market News
Navision Shipping A/S v. Precious Pearls Ltd and Conti Lines Shipping NV v. Navision Shipping A/S (m.v. Mookda Naree) [2021] EWHC 558 (Comm) | Suez Canal Authority to Reduce Claim Against Ever Given to $600m | Neptune Declaration Releases New List of Best Practices for Charterers |

Gibson Sale & Purchase Market Report

DRY CARGO – Sales Express

This week's sale of the **"TANGERINE ISLAND"** (82,265 dwt/blt 2012 Tsuneishi, Japan) clearly illustrates the continuing appetite in the dry sale and purchase market. The vessel was officially marketed for sale on 7th May 2021 and was reported sold on 12th May 2021 at US$20.9m; certainly a speedy transaction. Furthermore, the sale of the **"JAIGARH"** (82,166 dwt/blt 2010 Tsuneishi, Japan) at US$19m shows the relentless firming in values with vessels previous reported sale in March 2021 at US$16.9m having failed. It does appear that Japanese owners are drip feeding the market with kamsarmax bulkers with each sale surpassing the last.

It is interesting to note the sale of a kamsarmax resale from Japan with delivery in 2022 at US$ 33 m at what must be considered a firm price, although the fact remains that the 10 year old value of similar ships is well above the notional half the value of this sale. Historically 10 year old second hand values generally hover around half the newbuilding price, but with the current rampaging freight market and the prevailing optimism regarding future earnings this rule is no longer applicable.

TANKERS – The Sage Favours the Age

At the risk of sounding like a broken record, the tanker sale and purchase is very much stuck in the groove of a vintage tune. Save for the Xihe Group forced sale of **"JIN HAU SAN"** (317,977 dwt/blt 2009 SWS) at US$37m to undisclosed interests, the sales sheet is dominated with mainly Korean VLCC and Suezmax veterans changing hands at stoic prices. Noteworthy are the sales **"STARLIGHT VENTURE"** (318,285 dwt/blt 2004 Hyundai) and **"NEW CENTURY"** (299,031 dwt/blt 2004 Universal) concurring broadly on price at US$30.6m and US$31m respectively to undisclosed interests, showing a gain on April sales of same aged ships in the high 20s mill range. FGAS' purchase of suezmax **"SKS**

SPEY" (158,843 dwt/blt 2007 Hyundai) at US$24m is further indicative of appreciating values, given it paid US$500k less at US$23.5m for the two year younger "**MARVIN STAR"** (157,985 dwt/blt 2009 Hyundai) in early March. However, the "**SKS SPEY"** is technically a coated LR3 by definition, but does indeed have nearly exclusive history of carrying crude, negating much of any upside.

Broadly speaking, there is an air of mystery to the identity of many of the buyers this week, but what is certainly clear is the buying mood to capture attractive aged assets against a backdrop of creeping upward pressure on newbuilding pricing at the top end, bloated pricing of modern/mid-aged vessels (where even available), supported by firmer recycling prices underlying the residual values and holding some belief that the market is poised for a tangible rebound once global vaccination programmes start to pave the way for recovery, like a Covid-coiled unsprung.

NEWBUILDING– Fortune Favours the Bold

Newbuilding activity on tankers and bulkers remains subdued as owners try to interpret the current trading markets and how this will play out moving forward. The situation at shipyards, which is independent of the bulker/tanker market situation, also presents a challenge with prices now up and deliveries far forward generally at reputable yards.

On tankers, the current poor trading market is restraining owners, but it is clear there is strong belief in an upturn as there remain few second-hand ships for sale and prices are firm/rising. As the market improves buying appetite will also, which has traditionally led to further newbuilding enquiry as an alternative to expensive second-hand opportunities. However, the newbuilding situation at the shipyards for tankers remains volatile with building costs increasing regularly and deliveries being taken up by other ship types. Some owners note these developments and we believe there are a number of VLCC and afra discussions ongoing at the yards. It is worth noting also that despite today's price rises e.g. US$97/98m for a VLCC, these levels are not historically far from averages with the VLCC newbuilding price at US$99/104/92m 20/15/10 years ago respectively.

In the dry market, many are still assessing whether the current good run in dry is just that or if it is indeed likely to benefit from a commodity supercycle. Second-hand prices have risen as has newbuilding pricing now so we believe it will take a further period of strong earnings to tempt owners to order. However, it is worth noting that the dry market orderbooks are very low (5% for cape, 6% for kamsaramax and 6% for ultramax for example) so if the confidence in the current trading market continues, this (low orderbook) may be enough to persuade some to take a position at the shipyards.

RECYCLING – Seeking Steel

A fairly quiet week for the scrap markets with Eid holidays starting from mid week in Sub-Cont and Middle East. The Spread of Covid-19 in India is marginally slowing as cases are lowering with the vaccination drive now in full swing. Most states in India are still in lockdown as restrictions are likely to be eased from end May. Meanwhile, sentiments in the Recycling markets continue to remain positive as local steel prices throughout the Sub-Cont remain firm. Pakistan has been offering very strong levels as markets have now comfortably surpassed the US$550 per LWT. Similar is the situation in Bangladesh, as end buyers are optimistic for markets to further rise as demand for steel plates and finished steel continues to firm. Although steel prices in India are equally as firm like its counterparts, their end breakers are however a bit wary of acquiring tonnage at such firm levels and as a result have seen fewer sales into India during the past couple of months. There continues to be some issues being faced by cash buyers on 'as-is' deliveries due to travel restrictions, the result being more delivered sales are encouraged in recent weeks. Meanwhile, we are finally seeing tanker tonnage being scrapped as a result of weak markets, however with current demand the industry would ideally need to see more of these large units heading towards the beach soon. It will be interesting to see how buyers come back into action post Eid holidays - $600/ton seems well in sight!

Gibson Sale & Purchase Market Report

SNP SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						
FLAGSHIP	176,387	2013	Mitsui (JPN)	Cargill	20.5	DD psd 12/20. BWTS fitted. Basis 5 yrs BB back.
TANGERINE ISLAND	82,265	2012	Tsuneishi (JPN)	Newport	20.9	SS+BWTS due 1/22.
JAIGARH	82,166	2010	Tsuneishi (JPN)	Greek buyer	19	SS psd 9/20. BWTS fitted. Delivery 10-12/21.
TSUNEISHI FUKUYAMA HULL NO. TBN	82,000	2022	Tsuneishi (JPN)	HK buyer	33	
PEDHOULAS BUILDER + PEDHOULAS FIGHTER	81,541	both 2012	Zhejiang Ouhua (CHN)	Undisclosed buyer	22+22.5	Scrubber fitted.
COUNTESS I	79,234	2013	Jiangsu Eastern (CHN)	Chinese buyer	18.85	Ice 1C. DD psd 12/20.
WISDOM DIVA	76,606	2009	Shin Kasado (JPN)	Undisclosed buyer	17	SS psd 7/19.
LEGACY + OLYMPIC	57,034	2011+2012	Jiangsu Jinling (CHN)	Chinese buyer	13.5+14.5	Tier II. SS due 9/21 + 1/22.
PACIFIC BRIGHT	56,612	2012	COSCO Zhoushan (CHN)	Chinese buyer	14.8	BWTS fitted. Tier II.
SIKANIA	53,553	2001	Imabari (JPN)	Bangladeshi buyer	9.1	BWTS fitted. High address commission.
XING RU HAI + XING YI HAI XING RONG HAI + XING ZU HAI	38,800 38,800	both 2016 both 2015	Jiangmen Nanyang (CHN)	Undisclosed buyer	64 en bloc	BWTS fitted.
ULTRA CALBUCO + ULTRA OSORNO	37,981	2017 + 2018	I-S Shipyard + Shimanami (JPN)	Pacific Basin	45	BWTS fitted.
LADY C	32,790	2011	Universe Shipbuilding (CHN)	Chinese buyer	9.5	SS due 9/21.
FORTUNE BAY	29,092	2011	Shikoku (JPN)	Greek buyer	9.5	SS+BWTS due 11/21.
LOVELAND ISLAND	28,316	2010	Imabari (JPN)	Newport	9.25	SS psd 12/20.
CRYSTAL ISLAND	28,228	2011	Shimanimi (JPN)	Greek buyer	9.5	SS psd 11/20.
BEAGLE VII	16,822	2007	Kanasashi (JPN)	Undisclosed buyer	5.85	Logger. SS duen 7/22.
TANKERS						
STARLIGHT VENTURE	318,285	2004	Hyundai Ulsan (KRS)	Undisclosed buyer	30.6	SS psd 1/20.
JIU HUA SAN	317,977	2009	Shanghai Waigaoqiao (CHN)	Undisclosed buyer	37	Xihe forced sale.
NEW CENTURY	299,031	2004	Universal Ariake (JPN)	Undisclosed buyer	31	SS psd 5/19. BWTS fitted.
HUDSON	297,639	2017	Hanjin HI, Philpns (PHI)	Navigare	70.5	SS due 6/22.
SILIA T	164,286	2002	Samho (KRS)	Undisclosed buyer	15.8	SS due 6/22. Already renamed.

SKS SPEY	158,843	2007	Hyundai Samho (KRS)	FGAS Petrol	24	Coated. Dirty trade.
EUROFAITH	151,693	2004	Hyundai Ulsan (KRS)	Dubai buyer	18.4	DD due 4/22.
NISSOS HERACLEA + 'SCHINOUSSA + 'THERASSIA	114,300	all 2015	Hyundai Gunsan (KRS)	Torm AS	120.8 en bloc	Coated. Dirty trading. Scrubber fitted. Sale & leaseback.
MARATHA	105,995	2003	Hyundai Ulsan (KRS)	Undisclosed buyer	13.5	
INTEGRITY	46,803	2004	Hyundai Mipo (KRS)	Chinese buyer	9	Pump-room. SS psd 4/21.
MAREX EXPRESS	44,995	2013	Hyundai Mipo (KRS)	Pyxis Tankers	20	Deepwell. IMO II/III.
GENERAL CARGO / MULTI PURPOSE						
HAE JUNG	10,623	1996	Shina (KRS)	Korean buyer	low 3	Cement carrier.
CONTAINERS / RO-RO / REEFER / PCC						
NAVIOS DEDICATION	50,596	2008	Dalian No. 1 (CHN)	Oman Shipping	34.5	4250 TEU. Gearless.
HANSA AMERICA	47,069	2014	Shanghai Shipyard (CHN)	Danish buyer	30	3635 TEU. Geared. SS psd 8/20.
ST GREEN	33,380	2011	Naikai Innoshima (JPN)	Sinokor Merchant Marine	22.5	2553 TEU. Gearless.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
Safe Bulkers	Post-Panamax	87,000 dwt x 2	Oshima (JPN)	2023		EEDI phase 3. Tier III.
Reederei H Vogemann	Handymax	40,000 dwt x 4	Yangfan (CHN)	2022-2023	reg 26	Open hatch.
Reederei H Vogemann	Handymax	40,000 dwt + 2	Yangfan (CHN)	2022	23.5*	Open hatch. *Declared options.
TANKERS						
Sinokor	Aframax	114,000 dwt x 2+2	STX (KRS)	2023	50	Against TC to Exxon.
Ace Tankers	Chemicals	33,000 dtw x 4+4	DaeSun (KRS)	2023-2024	47	Stainless Steel.
Singfar International	Bunkering	7,000 dwt x 5+5	Lianyungang Shenghua (CHN)	2023-2024		LNG dual fuelled.
CONTAINERS / RO-RO / REEFERS / PCC						
Mingsheng Financial Leasing	Container	16,000 TEU x 2	Dalian (CHN)	2023-2024		Against BB to European charterer.
Green World	Container	2,700 TEU x 2+2	Huangpu Wenchong (CHN)		32	
Green World	Container	1,900 TEU x 2+2	Huangpu Wenchong (CHN)		26	
GAS						
KSS Line	LPG	86,000 cbm x 2	Hyundai Samho (KRS)	2023	81	LPG duel-fuel.

Fratelli Cosulich	LNGBV	8,000 cbm x 1+1	CIMC Sinopacific (CHN)	2023	45	LNG bunkering. Duel fuel.
Tianjin Southwest Maritime	LPG	5,000 cbm x 1	Huangpu Wenchong (CHN)	2023		

Recycling Activity

Vessel Name	BUILT	DWT	LWT	Delivery	Price ($/lwt)	Notes
AFRAMAX						
ELKA ARISTOTLE	1998 / Croatian	94,143	17,843	Pakistan		
ELKA VASILIKI	2004 / Croatian	94,143	17,843	Pakistan		
TANKER						
AZOV SEA	1998 / Croatian	47,363	9,755	India	535	HKC Green Recycling
NOLLA	1984 / Japan	4,990	1,880	Pakistan	510	
PALMYRA	1991 / Japan	5,428	1,944	Pakistan	510	
BULK CARRIER						
VIKA	1998 / Bulgaria	41,185	9,664	Pakistan	549	

Recycling Prices (US$/LWT)

	Pakistan	Bangladesh	India	Turkey
Tank/Cont/Ro-Ro/Capes/LPG/PCC	520/560	520/550	500/520	260/270
Dry Cargo/Bulk/Tween/Gen Cargo	500/525	500/520	490/500	250/260

Newbuild and Second Hand Values *($ million)*

	Newbuild	5 Year Old	10 Year Old
Tankers			
VLCC	94	70	47
SUEZMAX	63.5	47	32
AFRAMAX	52.5	41	26
MR	36.5	27.5	18.5
Bulkers			
CAPESIZE	55^	35	28.5
KAMSARMAX / PANAMAX	30^	27.5k	20k / 18.5p
ULTRAMAX / SUPRAMAX	28^	23u	15s
HANDYSIZE	25^	20	14

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

Indices

	C.O.B Friday
BDI	2939
$/Yen	109.29
VLCC	
AG/East TD3 (WS)	33

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.

Navision Shipping A/S v. Precious Pearls Ltd and Conti Lines Shipping NV v. Navision Shipping A/S (m.v. Mookda Naree) [2021] EWHC 558 (Comm)

Navision Shipping A/S ("**Navision**") chartered (the "**Head Charter**"), the MV Mookda Noree (the "**Vessel**") from Precious Pearls Ltd ("**Precious Pearls**") and sub-chartered the Vessel (the "**Sub-Charter**") to Conti Lines Shipping NV ("**Conti Lines**"). Conti Lines further sub-chartered the Vessel to Cerealis.

In December 2018, the Vessel called at Conakry, Guinea to discharge a cargo of wheat and was subsequently arrested by SMG, who alleged short delivery of a consignment of wheat that they had bought from Cerealis. SMG's cargo had, however, been shipped on another vessel. The cargo on board the Mookda Naree was destined for a different Cerealis buyer.

On 15 December 2018, Cerealis became aware of the arrest, but took the view that it was wrongful and denied any liability for the claim or for any loss of time resulting from the arrest. The Owners' subsequent attempts to get the vessel released were unsuccessful, until a guarantee (funded by Cerealis) was provided on 11 January 2019. The Vessel remained on arrest until 12 January 2019.

The Head Charter and the Sub Charter were on amended Asbatime terms. Clause 47 provided that the vessel would be off hire when detained or arrested "unless [the] arrest [etc] [was] occasioned by any personal act or omission or default of the charterers or their agents". The Head Charter also contained an additional clause ("Clause 86") that provided, inter alia: "When trading to West African ports Charterers to accept responsibility for cargo claims from third parties in these countries (except those arising from unseaworthiness of vessel) including putting up security, if necessary, to prevent arrest/detention of the vessel or to release the vessel from arrest or detention and vessel to remain on hire" (emphasis added). The Sub-Charter did not contain Clause 86.

The Arbitration Proceedings

The arbitrators found (i) that Clause 47 applied (it was common ground that Cerealis was a sub-charterer for the purposes of Clause 47) and that the Vessel was not off hire from 12:00 hrs on 17 December 2018. This was because the Vessel's detention from that point was caused by Cerealis' failure promptly to deal with or secure SMG's claim in order to procure the Vessel's release; and (ii) that in respect of the Head Charter, Clause 86 applied, meaning that under this clause the Vessel never went off hire. Navision accordingly was liable in damages to Precious Pearls for breach of Clause 86.

Conti Lines and Navision then appealed to the High Court under s69 of the Act on the following points of law:

The Conti Lines Appeal

Conti Lines argued that the tribunal had misconstrued Clause 47, arguing that "omission" by a sub-charterer occurs only when the sub-charterer fails to do something that it is obliged to do under its sub-charter (the "Clause 47 Construction Issue").

The Navision Appeal

Navision argued that the arbitrators had misconstrued Clause 47 for the same reasons advanced by Conti Lines and also argued that the arbitrators had misconstrued Clause 86 in finding that SMG's claim was a "cargo claim" for the purposes of Clause 86 (the "Clause 86 Construction Issue").

The Commercial Court decision

In relation to clause 47, the Commercial Court decided that the arbitrators had not erred in concluding that an "act or omission or default of . . . sub-Charterers" was not confined to conduct in breach of a contractual obligation under the sub-charter in question. Cerealis's failure to act as it reasonably ought to have acted to deal with the claim made by SMG was an omission by a sub-charterer within the meaning of the clause and had occasioned the arrest.

The Court also asserted that the arbitrators had misconstrued clause 86. SMG's claim against Cerealis was for a cargo carried to a West African port but was carried on a different ship altogether and under a different charter. That claim was not the present charterer's responsibility under clause 86. Instead of holding that the ship never went off hire, the tribunal should have held that when arrested she went off hire under clause 47 until such time as clause 86 took effect. They had erred in holding that Navision had a liability for damages to be assessed for breach of clause 86.

Suez Canal Authority to Reduce Claim Against Ever Given to $600m

The SCA arrested the vessel after it had blocked the Suez Canal for six days in March earlier this year, initially claiming $916 million for salvage and loss of reputation.

The authority has now adjusted its claim to $600 million in an effort to settle out of court, says SCA head Osama Rabie in an interview with private TV network MBC Masr on Saturday. However, an insurer of the vessel has indicated that the reduced sum was still "exceptionally high".

Rabie has said that there was no immediate prospect of settlement and that the SCA would be moving forward with court proceedings absent any response from the owners of the Ever Given, or its insurers.

Insurers of the vessel, UK Club, have said that the reduced amount proposed had not been reflected in SCA's claim filed at court, adding "the Ever Given's owners still have not been provided with evidence that would support a claim of this size, which remains exceptionally large. The Ever Given's interests continue to negotiate in good faith with the SCA".

A hearing with the Egyptian economic court has been scheduled for May 22 and the vessel remains anchored at Great Bitter Lake. It remains a possibility that the court would authorize the auction of the vessel if the owners rejected any ruling to compensate the canal authority and this has been indicated as an outcome by Rabie.

Neptune Declaration Releases New List of Best Practices for Charterers

Seafarer welfare initiative, Neptune Declaration, has this week devised a checklist for charterers looking to implement best practices on a global scale. The checklist is designed to address the COVID pandemic's impact on seafarers and provides guidance to help minimise disruptions to shipowners and help optimise crew changes.

Charterers from both the wet and dry bulk sectors contributed to the creation of the new framework and the Neptune Declaration itself has received over 800 signatories. Those behind the initiative aim to inspire other charterers to implement best practices onboard and to encourage them to openly share their own best practices.

The Neptune Declaration also seeks to address the use of crew change clauses, which aim to prevent the delays and cost associated with repatriating crew and having new seafarers join a vessel mid-charter. These clauses have been widely criticised by the industry for putting pressure on shipowners to extend crew deployments aboard vessels, far beyond what is normal.

The new guidelines published this week will encourage charterers to communicate and plan with shipowners to allow for crew changes to take place with minimal disruption. Establishing points of contact between charterer and shipowner is recommended, which should allow for the better sharing of information on crew and contract status, ultimately helping to develop long term crewing plans.

Charterers are also encouraged to work with stakeholders in ports where they have considerable operations to develop health protocols and procedures that should increase the likelihood of crew changes being permitted at regular ports of call.

For more information, please contact:

James Clayton
Tel: +44 (0) 207 855 9669
Email: jamesc@CJCLaw.com
www.cjclaw.com

Campbell Johnston Clark

Gibson Shipbrokers
Tel: +44(0) 20 7667 1000
Email: sap@eagibson.co.uk
www.gibsons.co.uk

GIBSON SHIPBROKERS