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 – And the Beat Goes On...

As the dry cargo market plays its merry tune, sales of dry cargo vessels continue aplenty. Further to our commentary on the **"PEAK PEGASUS" + "PEAK LIBERTY"** (82,000/blt 2013 + 2015 Tsuneishi, Japan) have exceeded our expectations by obtaining excess US$27m and US$29m respectively. It is interesting to note that the **"LOWLANDS NELLO"** (82,014 dwt/blt 2015 Sanoyas, Japan) is working at well over US$30m and the reason for the disparity in price with the **"LIBERTY"**, you may well ask, is that this vessel benefits from an electronically controlled main engine, which makes the engine more efficient and consequently will mean the vessel will have a better EEXI (Energy Efficient Ship Design Index) rating. This index is applicable from the first annual, intermediate or renewal of the International Air Pollution Prevention (IAPP) certificate or the initial International Energy Efficiency (IEE) survey from 1 January 2023.

Meghna Marine of Bangladesh continues its mega purchase run with the reported purchase of the supramax **"TRANS OCEANIC"** (56,168 dwt/blt 2012 Tsuneishi, Japan) at US$23m. This follows recent acquisitions of two 2014, one 2012 and one 2013 built supramax in the last few months.

## RECYCLING – Weaker Steel

Recycling markets have continued to soften two weeks in a row leaving cash buyers petrified, as most of them hold large inventories waiting to be delivered. Shipbreakers remain cautious on their purchasing and are still heavily inclined towards Green Recycling or specialized ships.

The local steel market in Alang stablized earlier in the week but has ended the week on a low, but is nonetheless holding up better than its counter-parts. Bangladesh has been in free-fall for around a fortnight now and the local steel prices continue to crash daily. Ships which were being discussed in region US$615-620/LT are now moving below the $590-595/LT mark. The situation is somewhat mirrored also in Pakistan, as their local currency against the Dollar has depreciated to an historic low of 169.6 Pakistani Rupees.

Overall market sentiments are weakened and cash buyers / breakers are uncertain in which direction prices may move in the coming months. So far this correction in prices has amounted to around US$30-40/LT.

## TANKERS – A Modern Touch

S&P market stakeholders seem to have benefited from taking some time off over the summer, with this week seeing a welcome resurgence of interest and activity in the tanker sector. While the most liquid segments continue to be older DPP/crude vessels, with the usual string of aframaxes and VLCCs being sold to Chinese buyers, we are seeing a definite interest from both prospective buyers and sellers in discussing modern tonnage; needless to say, pricing will be an issue, but with newbuilding prices having sky-rocketed in recent months, newbuilding parity pricing assessments will be looking somewhat more favourable for modern vessels. This jump in newbuilding prices is sure to add a further interesting dynamic in the coming months, as owners with existing tanker orders booked in the low (newbuilding) price period over 2019/2020 may well be inclined to sell the vessels for a decent premium today rather than face the current charter market.

## NEWBUILDING – Hidden Value

Further container and LNG orders continue to emerge from Chinese and Korean yards showing that the competition from these sectors still remains real for tanker slots especially given remaining 2023 deliveries are few. Shipbuilding cost remains very firm and yards are also reporting tightened supply from makers having their production slashed due to local Chinese government environmental pressure on energy/ emission use. As we have all seen this year, any turbulence in the supply chain simply leads to higher pricing! so we maintain our forecast that shipbuilding pricing will not come down any time soon (apart from, perhaps, for the few remaining early delivery slots).

Whilst we note the current poor state of the tanker market, we nevertheless see a number of factors that could lead to increasing newbuilding enquiry on the basis a tanker market rebound/ rally arrives from the short term onwards. 2nd hand pricing of modern/ resale vessels remains high and if these hold to a point of market recovery, levels will obviously firm further making current newbuilding pricing an alternative avenue of investment (this has happened recently in the dry sector). A delayed recovery is of course also good for newbuildings with the prospect of catching the back end of any rally now possible. Of significance also, tankers are the only segment to not have seen a rally (both in the freight markets and newbuildings) and we believe likely that money from other recently lucrative sectors (like bulk and container) will flow into tankers if a rally takes hold which will push up asset values generally. Lastly, on topic of environmental compliance, which is synonymous with newbuildings these days, major charterers like BP are now asking for the EEXI of vessels signalling clear intent that chartering prospects will be impacted by vessels' $CO_2$ emissions and of course newbuildings with phase 3 or 4 EEDI are best placed today meet these new requirements

# Gibson Sale & Purchase Market Report

## S&P SALES

| Vessel Name | DWT | Built | Yard | Buyers | Price ($/m) | Notes |
|---|---|---|---|---|---|---|
| BULKERS | | | | | | |
| NSS DYNAMIC | 233,584 | 2002 | Imabari Saijo (JPN) | Chinese buyer | 18.5 | SS due 6/22. |
| PROSPEROUS | 179,100 | 2011 | Sungdong (KRS) | Beks Shipmanagement & Trading | 30.5 | BWTS fitted. Tier II. |
| VIJAYANAGAR | 82,167 | 2010 | Tsuneishi (JPN) | Undisclosed buyer | 24 | SS psd 7/20. BWtS fitted. |
| PEAK PEGASUS + PEAK LIBERTY | 82,000 | 2013+2015 | Tsuneishi (JPN) | Undisclosed buyer | xs 27 + xs 29 | Both BWTS fitted. |
| SHAO SHAN 5 | 76,500 | 2012 | Guangzhou Huangpu (CHN) | Undisclosed buyer | 20.82 (A) | Auction sale. SS due 6/22. BWTS fitted. |
| MAHAVIR | 74,005 | 2000 | Imabari (JPN) | ASC Shipping | 11.8-12 | SS psd 3/20. |
| NAUTICAL RUNA + NAUTICAL LUCIA | 63,500 | 2015 + 2016 | Jiangsu Hantong (CHN) | Undisclosed buyer | 55 en bloc | Long subs. BWTS+Scrubber fitted. |
| NEW PRIDE | 58,761 | 2009 | Tsuneishi Cebu (PHI) | Undisclosed buyer | 18.8 | SS due 1/22.Dely 12/21. |
| TRANS OCEANIC | 58,168 | 2012 | Tsuneishi (JPN) | Meghna Marine | 23 | SS psd 5/21. |
| ATALANTI SB | 56,019 | 2006 | Mitsui (JPN) | Bangladeshi buyer | 16 | SS psd 6/21. |
| BAO ELLA | 53,468 | 2006 | Imabari (JPN) | Undisclosed buyer | 15 | SS psd 8/21. |
| KAIWO MARU | 50,806 | 2011 | Oshima Zosen (JPN) | Undisclosed buyer | 19 | SS psd 9/20. |
| KMARIN MUGUNGHWA | 37,013 | 2014 | Hyundai - Vietnam (VNM) | Undisclosed buyer | 21 | DD due 6/22.BWTS fitted. |
| HAMBURG PEARL | 35,921 | 2011 | Hyundai Mipo (KRS) | Undisclosed buyer | high 18 | Open hatch. SS psd 1+2/21. BWTS fitted. |
| SFL MEDWAY + SFL SPEY + SFL KENT + SFL TRENT<br>SFL CLYDE + SFL TYNE + SFL DEE | 34,000<br>31,700 | 2* 2011 + 2* 2012<br>2* 2012 + 2013 | Jiangsu Yangzijiang (CHN)<br>Guangzhou Wenchong (CHN) | Asian buyer | reg 100 en bloc | |
| NIKI C | 30,036 | 2011 | New Century (CHN) | Chinese buyer | 12 | SS due 9/21. |
| LUCKY TRADER | 23,522 | 1996 | Saiki (JPN) | Egyptian buyer | 6.7 | SS psd 2/21. |
| FSL LONDON | 19,966 | 2006 | Usuki (JPN) | PT Samudera | 10.2 | St.Steel. SS due 9/21. Inc. TC @ $12k pd for 3-5 yrs. |
| OCEAN GULL | 9,500 | 2012 | Nanjing Tianshun (CHN) | Undisclosed buyer | 3 (A) | Forced sale. SS due 6/22. |
| TANKERS | | | | | | |
| KHK VISION | 305,749 | 2007 | Daewoo (KRS) | Chinese buyer | 32.5 | SS due 3/22. |
| KOS | 299,987 | 2001 | Daewoo (KRS) | Ukranians | 27 | SS due 10/21. |

| | | | | | | |
|---|---|---|---|---|---|---|
| MINERVA NIKE | 105,470 | 2005 | Hyundai Samho (KRS) | Undisclosed buyer | 14 | Old off-market sale. DD due 4/22. |
| MINERVA ZOE | 105,330 | 2004 | Hyundai Samho (KRS) | Undisclosed buyer | 14 | DD due 5/22. |
| YELLOW STARS + GREEN STARS | 50,000 | 2021 + 2022 | Hyundai Mipo (KRS) | Hafnia Tankers | 35 each | Deepwell. Inc. existing 5 yrs TC to Clearlake. |
| OCEAN SUNRISE | 49,999 | 2004 | Shina (KRS) | Undisclosed buyer | 6.8 (A) | Auction sale. Pump-room. BWTS fitted. |
| ANGEL NO. 5 | 46,829 | 2009 | Jiangsu Jinling (CHN) | Undisclosed buyer | 11.8 | Deepwell. DD due 5/22. |
| **GENERAL CARGO / MULTI PURPOSE** | | | | | | |
| MERMAID STAR | 14,026 | 1999 | Hakata (JPN) | Undisclosed buyer | 4.2 | Geared. |
| **CONTAINERS / RO-RO / REEFER / PCC** | | | | | | |
| E. R. SWEDEN | 68,025 | 2002 | Samsung (KRS) | Mount Street | low 40 | |
| ACACIA REI | 23,328 | 2010 | Guangzhou Wenchong (CHN) | Chinese buyer | 32.5 | |
| BOSTON TRADER | 12,930 | 2004 | Damen Okean (UKE) | Undisclosed buyer | 17 | |

**NEWBUILDING ORDERS**

| Ordering Client | Vessel Type | Size / No. of units | Shipyard (Country) | Delivery | Price ($m) | Notes |
|---|---|---|---|---|---|---|
| **BULKERS** | | | | | | |
| Ciner Shipping | Kamsarmax | 88,800 dwt x 3 | Chengxi (CHN) | 2024 | est. 34 | Conventional fuel. Tier III. |
| Nisshin Shipping | Kamsarmax | 85,000 dwt x 7 | Nantong Xiangyu (CHN) | 2023-2024 | est. 42 | LOI. LNG dual fuel. Type C tank. |
| Ciner Shipping | Ultramax | 63,000 dwt x 4 | New Dayang (CHN) | 2024 | | |
| **TANKERS** | | | | | | |
| Louis Dreyfus Co | MR (Chemicals) | 50,000 dwt x 1 | K Shipbuilding (KRS) | 2024 | 52 | IMO II. LNG dual fuel. Type C tank. |
| Vitol | Bitumen | 37,000 dwt x 1+1 | Chengxi (CHN) | 2023 | est. 39 | |
| **CONTAINERS / RO-RO / REEFER / PCC** | | | | | | |
| Hartmann Group | Containership | 3,500 TEU x 3+3 | Taizhou Sanfu (CHN) | 2024 | est. 62 | LNG dual fuel. Type C tank. |
| TS Lines | Containership | 2,900 TEU x 2+2 | Fujian Mawei (CHN) | 2023 | est. xs 40 | Tier III. EEDI Phase 3. |
| Blystad Shipping / Songa Box | Containership | 1,800 TEU x 2` | Huanghai (CHN) | 2022-2023 | | Bangkokmax. |
| Nordic Hamburg | Containership | 1,380 TEU x 3 | Penglai Zhongbai Jinglu (CHN) | 2023-2024 | 30 | Against 10 yrs TC to BG Freight Line. |
| USC Barnkrug/Elbdeich Reederei | Containership | 1,380 TEU x 4 | Penglai Zhongbai Jinglu (CHN) | 2023 | 30 | |
| **GAS** | | | | | | |
| MOL (against TC to Novatek Gas & Power Asia) | LNG | 174,000 cbm x 4 | Daewooo (KRS) | 2024 | | Me-Ga engine. Reliquefaction. Shaft generator. |

**Newbuild and Second Hand Values** *($ million)*

**Indices**

| | Newbuild | 5 Year Old | 10 Year Old |
|---|---|---|---|
| **Tankers** | | | |
| VLCC | 105 | 70 | 46.5 |
| SUEZMAX | 72 | 48 | 32 |
| AFRAMAX | 58 | 40 | 26 |
| MR | 40 | 28 | 17.5 |
| **Bulkers** | | | |
| CAPESIZE | 60^ | 40 | 33 |
| KAMSARMAX / PANAMAX | 35^ | 32.5k | 25k/23.5p |
| ULTRAMAX / SUPRAMAX | 33.5^ | 31s | 21.5s |
| HANDYSIZE | 28.5^ | 25 | 17 |

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

| | C.O.B Friday |
|---|---|
| **BDI** | 4275 |
| **$/Yen** | 109.99 |
| **VLCC** AG/East TD3 (WS) | 36 |



# 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.*

## Triple Point Technology Inc v PTT Public Company Ltd [2021] UKSC 29

This decision is significant as it provides clarity with regard to liquidated damages. First, it establishes that an Owner's right to liquidated damages will not be lost due to an Owner failing to accept a piece of work or by the termination of the contract. Second, the use of the word "negligence" shall include negligent breach of contract. Third, any overall cap is likely to include liquidated damages.

Triple Point ('Tripple') and PTT Public Company Ltd ('PTT') entered a contract under English law (the 'Contract') in which Triple Point were due to design and install particular software for PTT. A daily rate of liquidated damages was agreed for failure to deliver work on schedule. Article 5.3 of the contract provided that these were to run "from the due date for delivery up to the date PTT accepts such work".

A limit on Triple's overall liability was also capped to the contract price via article 12.3. However, a carve out stated that the limitation of liability did not apply to Tripple's liability resulting from fraud, negligence, gross negligence or wilful misconduct.

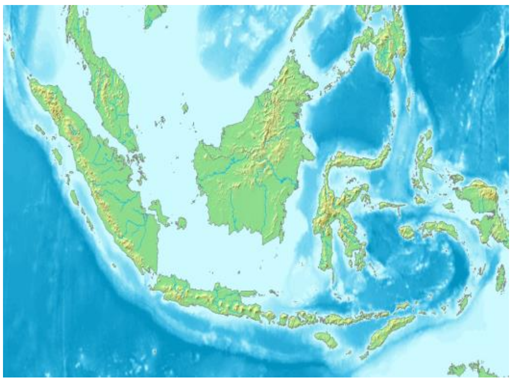
An issue arose between parties when there was a delay in production and Triple was unable to deliver work on time. When payment of invoices was required by PTT, it refused, claiming such invoices were not payable. Tripple then stopped work and PTT subsequently terminated the contract. Tripple commenced proceedings seeking payment of the invoices and PTT counterclaimed for damages due to delay. The matter made its way to the Supreme Court.

The Supreme Court had a number of questions to contend with. Firstly, were liquidated damages payable with regard to work Triple never completed or which was never accepted by PTT? The court of appeal had agreed with the argument by Triple that "up to the date PTT accepts such work" in article 5.3 meant PTT was not entitled to liquidated damages concerning work which was not completed or accepted. The Supreme Court allowed the appeal and found that the wording of article 5.3 meant that liquidated damages would indeed apply to the delay even if the work was never completed. Liquidated damages stopped running upon termination of the contract, with any accrued liquidated damages still payable. Owners then have a claim for damages generally.

Secondly, the court considered the meaning of the word negligence in the context of article 12.3 of the Contract. More specifically, whether the word negligence covers a negligent breach of contract or a separate independent tort of negligence outside the contract. The Supreme Court again allowed the appeal, ultimately finding that it was not appropriate to depart from the already accepted meaning of 'negligence' in English law. No justification, and no realistic example of an independent tort had been provided, therefore the ordinary meaning of the word could not be stretched to mean that damages for a negligent breach are not covered by the liability cap. As per Lord Leggatt in his judgement, "a further reason for giving the word "negligence" its straightforward and ordinary legal meaning is that clear words are necessary before the court will hold that a contract has taken away valuable rights or remedies which one of the parties to it would have had at common law".

Lastly, on the issue of whether the overall cap on liability (i.e. to the contract price) included any liquidated damages incurred. The Supreme Court dismissed the appeal and concluded that liquidated damages were to be included in the cap established at 12.3 of the Contract.

## Increase in Vessel Detentions for Illegal Anchoring in Indonesian Waters



The Indonesian authorities have long campaigned against illegal anchoring in their waters, and the Indonesian Navy have in the past detained vessels for anchoring without the requisite permissions. Criminal charges are also capable of being levied against the vessel and its crew for engaging in such illegal activity.

Recent cases indicate that there is now an increased enforcement focus on vessels anchored off Bintan Island and other Riau Islands. These waters are close to major shipping lanes and are also sometimes mistakenly taken for the outer port limits of Singapore. Further confusion is caused by the fact that the boundaries of Indonesian waters and designated anchorages are often not marked on navigational charts.

Shipowners are therefore being advised to contact local agents before anchoring vessels in the area. Any vessel anchoring in Indonesian waters must be cleared by the authorities prior to arrival and upon departure and must also pay any applicable dues. This applies to all vessels even if there is no other intended activity beyond anchoring, for example cargo operations, crew changes, taking on stores or supplies.

It is also worth noting that all transhipment activities in Indonesian waters, including the operation of launch boats carrying stores or crew, are restricted to Indonesian-flagged vessels with Indonesian crews. The Indonesian Navy strictly upholds the law in this respect. It can be a lengthy process to get a vessel and its Master released from detention and the time taken can be anything from a few weeks to a few months.

## Mediterranean Shipping Company Commits to Net Zero by 2050


Mediterranean Shipping Company (MSC), the second largest container shipping group in the world, announced its commitment to reach net zero carbon emissions by 2050 at London International Shipping Week on Wednesday. Chief executive Soren Toft said the privately owned Italian-Swiss conglomerate aimed to achieve carbon neutrality within 30 years following pledges by peers such as Denmark's Maersk and France's CMA CGM.

Shipping contributes almost 3% of global $CO_2$ emissions but the sector is difficult to decarbonise because alternative fuels such as hydrogen, ammonia and methanol cannot yet be produced at scale without generating emissions.

Pressure is mounting on the industry to raise its commitment to decarbonisation beyond the current aim set by members of the International Maritime Organization of at least halving the industry's greenhouse gas emissions by 2050 from 2008 levels.

MSC said in 2020 it recorded a 44.3 per cent reduction in relative $CO_2$ emissions compared with a 2008 baseline. Critical months lie ahead for decarbonising shipping, with world leaders gathering for COP26 in Glasgow and the next large climate change meeting at the IMO in November. The global regulator plans to revise its global emissions reduction target by 2023.

Zero emission ship technologies look likely to be developed by the middle of the century, but governments need to agree on a global carbon tax to make the cost of green fuels competitive with heavy fuel oil.

MSC is set to overtake Maersk as the industry's largest company by vessel capacity. It is the sixth largest emitter of carbon dioxide in the EU, according to Transport & Environment, a European campaign group.

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