Campbell Johnston Clark
CJC EXCHANGE

14/01/2022 – ISSUE # 57

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

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DRY CARGO – Dry Dichotomy

The slide in the freight market has had dampening influence on activity in the dry sale and purchase market. The volume of reported sales has fallen and some vessels that were inviting offers this week remain uncommitted, such as the capesize bulker **"SOUTH TRADER"** (181,343 dwt/blt 2014 Koyo, Japan) and the post panamax **"SICILIAN EXPRESS"** (93,076 dwt/blt 2013 COSCO Dalian, China). This could be a result of a dichotomy of ideas, with sellers still living in the world of last year's firm freights/prices and buyers taking their influence from the current falling rates and general pressure on values.

With more vessel offer deadlines looming in the coming weeks it will be interesting to see if they are eventually sold or not. For instance, next week, offers are invited for the Japanese controlled **"ENERGY TRITON"** (82,122 dwt/blt 2012 Tsuneishi, Japan) the same aged sister was sold in December namely the **"KING BARLEY"** basis SS/DD freshly passed and BWTS fitted at US$22.7m and it will be interesting to see if she will achieve something close to this level, current indications would suggest not.

RECYCLING – Slow Start to 22

With 2022 now well under way we are yet to see any major changes impacting the Recycling markets, especially in terms of the availability of tonnage. There is clearly demand out there but, as yet, we are not seeing competition driving prices up, but if there is a prolonged period of just a slow and steady supply continuing then speculation and eagerness to acquire tonnage may well start to take effect and we could see rates begin to firm if the scarcity of tonnage continues. The breakers and cash buyers, as has happened so often before, will be forced to compete aggressively driving prices up. This is not something we are currently seeing, but may occur. Although not too many sales are being reported, we do understand there are some Tankers under negotiation, therefore hopefully next week we can establish some much-needed benchmark values. For now it's still Bangladesh and to a lesser degree Pakistan recyclers that are keenest to acquire tonnage and pay the best prices. Indian breakers seemingly unable to compete and will wait and hope for more specialised units and green recycling tonnage to become available which is where their expertise lies.

TANKERS – New Year New Gear?

The start of the year is always tricky with S&P transactions, with buyers expectant of a 'year older' discount and sellers meanwhile holding onto last year's pricing. In reality, there is no discount, the market is the market! There are a number of VLCCs in play. The Japanese owned **"TSUSHIMA"** (310,391 dwt/blt 2008 Mitsui) asked for offers this week and has gone for a reported US$37m, which could be considered firm when viewing the poor spot earnings, but there was competition with 7-8 buyers in the mix and that will definitely help levels, as well as having a good survey position and BWTS fitted. The last of the Xihe VLCCs has been sold at auction, the **"WU YI SAN"** (318,572 dwt, blt 2012 Jiangnan Changxing) has gone at US$38m with surveys due later this year, showing a dip (albeit an auction sale) from the October 2021 sale of the two-year younger **"E MEI SAN"** (317,952 dwt/blt 10 SWS) at US$36.75m.

There are plentiful older Aframaxes for sale, but limited buying interest and prices are definitely under pressure. This week we hear that Sovcomflot has managed to part with the **"KAZAN"** + **"KRIMSK"** (115,700 dwt/both 2003 Hyundai HI) at US$11.5m each.

MR2 pricing is difficult to follow. Buyers are looking for bargains, but many owners are resisting to sell and hoping for better markets. The **"PS LONDON"** (50,922 dwt/blt 2008 STX Jinhae) has gone at a low looking US$11.8m to Greek buyers, but some discount should be given for the vessel trading DPP. There are also whispers that the same aged sister, **"PS MILANO",** has been tied up somewhere in the mid US$11.2m range with Special Survey due this May.

NEWBUILDING – Who Blinks First?

Many owners only recently returned from Christmas holidays so no big movement in the newbuilding markets. For tankers, it's a mixed outlook in terms of opportunities with a number of yards there to offer 2024 deliveries for aframax but few for suezmax and VLCC. The tanker orderbook will be around 5% of the fleet from the mid of this year onwards and many expect a rebound in the tanker market at some point this year (perhaps even Posidonia will go ahead in June providing momentum, rightly of wrongly!) so we expect some newbuilding demand at some point as the fleet supply situation comes into focus. Dramatic falls in current newbuilding pricing levels are unlikely and we notice a number of non-tanker players eyeing the tanker market (container owners) and they may well move quicker than traditional tanker owners for opportunities once the trading market improves.

On bulkers there remains a reasonable supply of 2nd half 2023 slots on the medium sizes however yards continue to hold their pricing. Orderbooks remain at manageable levels and this combined with the substantial increase in modern 2nd hand values and a still good trading market (indexes down but still very profitable) would point towards some increase on newbuilding enquiry coming we believe.

Gibson Sale & Purchase Market Report

S&P SALES

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

ASL JUPITER	87,052	2005	IHI (JPN)	Chinese buyer	13.15	SS due 8/23. BWTS fitted.
EL SOL SALE	75,894	2002	Kanasashi (JPN)	Chinese buyer	11.5	SS due 10/22.
OCEAN DOTEY	70,153	1995	Sumitomo (JPN)		7.8	SS overdue 4/21 - passed???
DIAMOND STARS	55,427	2011	Bulyard (BUL)		low 17	SS psd 6/21. BWTS fitted.
SPARROW	53,459	2005	Imabari (JPN)		13.5	SS psd 7/20.
LONGSHORE	34,399	2010	SPP Tongyeong (KRS)	European buyer	15.8	SS psd 3/20.
UNIVERSE ALLIANCE	28,510	1994	Kanda (JPN)		4.5	SS due 7/23. BWTS included, due 7/22.
UNIVERSE HONESTY	28,250	2000	Imabari (JPN)		6.8	SS psd 2/20. Sale inc BWTS (due 7/22).
BAO TENG	20,086	1997	Saiki (JPN)		5	SS due 7/22.
TANKERS						
WU YI SAN	318,572	2012	Jiangnan Changxing (CHN)		38*	*Xihe forced sale. SS due 10/22.
TSUSHIMA	310,391	2008	Mitsui (JPN)		reg 37	SS psd 9/21. BWTS fitted.
KAZAN + KRIMSK	115,700	both 2003	Hyundai HI (KRS)		11.5 each	SS due 10/23.
TORM EMILIE	74,999	2004	Hyundai Ulsan (KRS)	Union Maritime / Union Petrochemical	13.5	DD due 10/22. Deck heaters.Scrubber fitted.
STENA PRESIDENT	64,999	2007	Split (CRT)	Nigerian buyer	11.2	Deepwell. Ice 1B. Trading dirty. SS due 9/22.
PS LONDON	50,922	2008	STX Jinhae (KRS)	Laskaridis Shipping	11.8	Deepwell. Ice 1A. Dirty trading. SS due 2/23.
PS MILANO	50,554	2008	SPP Sacheon (KRS)		11.2	Deepwell. Dirty trading. SS due 5/22.
BOWMORE + ARDBEG	34,700	both 2008	Fujian Mawei (CHN)	Pioneer Tankers	23.5 each	Twin engine. SS psd 10+11/21.
GENERAL CARGO / MULTI-PURPOSE						
GLORY ATLANTIC	19,633	2006	DP Shipbuilding & Eng. (IDA)	Swiss buyer	16.5	Cement carrier.
CONTAINERS / RO-RO / REEFER / PCC						
CHESAPEAKE BAY	50,786	2003	Samsung (KRS)	Hapag-Lloyd	55	4051 TEU. Gearless.
ST EVER	33,407	2011	Naikai Innoshima (JPN)	Wan Hai Lines	46.5	2553 TEU. Gearless.
MOUNT GOUGH	23,673	2016	Zhejiang Ouhua (CHN)	CMA CGM	42.2	1730 TEU. Geared.
GAS						
CAPTAIN NICHOLAS ML	58,690	2008	Hyundai Ulsan (KRS)	MOL India	47	80,645 cbm. SS due 7/23.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
NYK Line	Capesize	180,000 dwt x 2	Nihon Shipyard (JPN)	2024-2025		LNG fuel.
NYK Line	Capesize	180,000 dwt x 1	Namura (JPN)	2024		LNG fuel.

NYK Line	Capesize	180,000 dwt x 1	SWS (CHN	2024		LNG fuel.
Sumitomo Corp	Kamsarmax	81,000 dwt x 1	Oshima (JPN)	2025		Ammonia duel fuel.
Hua Xia FL	Ultramax	64,000 dwt x 2	NACKS (CHN)	2024		
CONTAINERS/RO-RO/REEFER/PCC						
MSC	Containership	15,000 TEU x 6	Hyundai Samho (KRS)	2024	182.4	LNG dual fuel.
Sinolines	Containership	2,400 TEU x 2	Yangzijiang (CHN)	2024	40	
Cosmoship	Containership	1,000 TEU x 2	Daesun (KRS)	2023-2024	22	
Namsung Shipping (Dong Young Shipping)	Containership	1,000 TEU x 2	Daesun (KRS)	2023-2024	22	
GAS (LNG / LPG / LAG / CO2)						
Maran Gas	LNG	174,000 cbm +2	DSME (KRS)	2025	210*	*Declared options.
NYK	LNG	174,000 cbm x 1	Samsung (KRS)	2024	203.5	
China Merchants	LNG	174,000 cbm x 1+1	Hudong-Zhonghua (CHN)	2025		LOI.
CNOOC+MOL (Joint Venture)	LNG	174,000 cbm x 6	Hudong-Zhonghua (CHN)	2024-2026	196	
SK Shipping	LNG	174,000 cbm x 1	Hyundai Samho (KRS)	2024	217.9	Against TC to Mitsui & Co.
Hartmann Schiffahrts	LPG/LEG	7,200 cbm x 3	Nantong CIMC (CHN)	2024		Ethylene capable. LNG duel fuel.

Recycling Activity

Vessel Name	BUILT	DWT	LWT	Delivery	Price ($/lwt)	Notes
TANKER						
PROSPERITY	1997 / Korea	19,481	5,341	India	930	Incl 740 tons of St-St (515 of solid)
EXPRESS	1999 / Japan	8,821	2,99	India	830	Incl 380 tons of St-St (280 of solid)

Recycling Prices (US$/LWT)

	Bangladesh	Pakistan	India	Turkey
Tank/Cont/Ro-Ro/Capes/LPG/PCC	605/620	595/610	575/585	340/355
Dry Cargo/Bulk/Tween/Gen Cargo	590/605	585/595	565/575	330/340

Newbuild and Second Hand Values *($ million)*

	Newbuild	5 Year Old	10 Year Old
Tankers			
VLCC	113	73	48
SUEZMAX	76	49	31.5
AFRAMAX	60	43.25	28.5
MR	42	31	20
Bulkers			

CAPESIZE	60.5^	42	34
KAMSARMAX / PANAMAX	35^	33k	23.5/21p
ULTRAMAX / SUPRAMAX	33^	30u	21
HANDYSIZE	29.5^	26	18.5

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

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.

Argentum Exploration Ltd v The Silver and All Persons claiming to be interested in and/or to have rights in respect of the Silver (The "SS Tilawa") [2020] EWHC 3434

As **Background.** The Claimant is a UK, Argentum Exploration Ltd ('Argentum') whose business is to locate and salvage lost and sunken valuables. This matter centres around the recovery of silver bars from the wreck of the *SS Tilawa.*

On 24 November 1942, the *SS Tilawa* was sunk in the Indian Ocean by Japanese torpedoes. She was carrying 2364 bars of silver, a cargo which is today valued at nearly USD $43 million. In 2017, Argentum retrieved these silver bars from the wreck and transported them to Southampton, where they were declared as the Receiver of Wreck pursuant to section 236 of the Merchant Shipping Act 1995.

Initially, Argentum laid claim to the cargo as unclaimed wreck. However, on the 14 September 2018 the Government of the Republic of South Africa (the 'RSA') claimed ownership of the bars. The claimant commenced an action in rem on 1 October 2019, seeking a declaration that it was the rightful owner, and failing that, a salvage reward for recovery of the property. On 25 March 2020 the RSA issued an application to the court for immunity, pursuant to the State Immunity Act 1978 (the 'SIA') and Article 25 of the Salvage Convention.

Held. The Republic of South Africa is not entitled to immunity under the SIA.

The SIA establishes that "*a State is immune from the jurisdiction of the courts of the United Kingdom except as… [for] an action in rem against a cargo belonging to that State if both the cargo and the ship carrying it were, at the time when the cause of action arose, in use or intended for use for commercial purposes*".

The SIA defines commercial purposes in section 17, in conjunction with section 3(3), as being for the purposes of transactions or activities including any contract for the supply of goods or services, any loan or other transaction for the provision of finance and any guarantee or indemnity in respect of any such transaction; and any other transaction or activity into which a State enters or in which it engages otherwise than in the exercise of sovereign authority.

The claimants argued that at the time of salvage in 2017, the *SS Tilawa,* along with the silver bars, retained the same status they had at the time of sinking in 1942. As the vessel was in use for commercial purposes at that time, and the silver bars were a cargo in use for the purposes of a commercial contract for the carriage of goods, the RSA is not entitled to the immunity it seeks.

The RSA argued that the status of the vessel and bars at the time of sinking is irrelevant. At the time the cause of action arose for salvage, in 2017, the property had been sitting at the bottom of the Indian Ocean for more than 70 years so were not in use or intended for use for commercial purposes. Further, if the status in 1942 is relevant, the RSA submitted the bars were intended for use by the South African mint for coinage; not a commercial purpose but a sovereign one.

Upon considering evidence put forward by both sides, the court decided that the status of the vessel and her cargo at the time of sinking was relevant, and was the pivotal issue before the court. The court found that the *SS Tilawa* was being used for commercial services in 1942 as the silver bars were being transported from India to South Africa pursuant to a contract of carriage. The bars had been purchased by the South African government on terms of a fob contract of sale. In conclusion, the court decided that the evidence before it clearly showed that the silver bars were intended for a commercial purpose in 1942, and nothing had changed their status over the 70 years until their salvage in 2017.

Regarding the RSA's claim that the bars were intended for a sovereign purpose, the court recounted the details of the *Altair [2008] 2 Lloyd's Reports 90.* This case involved a grain vessel which grounded in 2006, carrying grain intended for public distribution by the Grain Board of Iraq. The resulting salvage award was challenged by the Iraqi government on the grounds of state immunity pursuant to the SIA. The immunity challenge failed on the basis that the Grain Board was a separate entity from the Iraqi Government. However, in addition, when the Grain Board entered an LOF contract for the salvage of the vessel it did so outside its sovereign authority and was therefore not entitled to immunity under the SIA.

Applying the *Altair*, the court found that although the silver bars were intended for government mint upon arrival, this did not change the status of the cargo as commercial cargo during shipping. The goods had been bought commercially and were being shipped commercially.

EU to Block $2bn Daewoo-Hyundai Shipbuilding Merger

EU competition officials are preparing to block the proposed merger between two of the world's biggest shipbuilders in South Korea - Daewoo Shipbuilding & Marine Engineering (DSME) and Hyundai Heavy Industries (HHI).

This will be the first time Brussels has decided to veto a corporate tie-up since 2019, when a proposal to merge India's Tata Steel and Germany's Thyssenkrupp was rejected over concerns that it would drive up prices for consumers.

The proposed partnership between DSME and HHI was first announced in 2019, at which point the EC launched an in-depth investigation into the proposed merger under the EU Merger Regulation. As part of this process, Brussels had demanded that the companies provide solutions to the concerns that the merger would reduce competition in different cargo shipbuilding markets across the globe. The investigation had been suspended a number of times due to delays as a result of the covid-19 pandemic and also insufficient information being provided by the parties within the requisite timeframe.

The final decision on the merger is likely to be announced this week. Regulators in Singapore, China and Kazakhstan have approved the merger. However, the deal will need approval from the EU, South Korea and Japan for completion.

The two South Korean shipbuilders are known in the market for manufacturing ships that carry super-chilled liquefied natural gas (LNG). Blocking the merger is expected to help protect European consumers from paying higher prices for LNG.

Technology to Transport Hydrogen to be Ready by 2025

In a major breakthrough in the supply of clean energy, the shipbuilding arm of Hyundai Heavy Industries Group, Korea Shipbuilding & Offshore Engineering (KSOE) has stated that it expects to have the technology to transport hydrogen by ship by 2025.

As the shipping industry comes under increasing pressure to deliver a supply of clean energy and have the first net-zero ships ready to enter the global fleet by 2030, the news comes at a welcome time.

Currently, the key issue with the transportation of hydrogen is the need to maintain a temperature of minus 253 degrees celsius, ensuring that it stays in liquid form whilst also preventing the risk that the transporting vessel could crack under such a temperature.

Yoo Byeong-yong, vice president with KSOE Energy System Research Institute stated: "*we already have developed a concept ship with a capacity of 20,000 cubic metres.*" As the technology develops, the capacity will expand, allowing for the transportation of greater quantities.

According to estimates in South Korea, the building of 20 ships with a capacity of 20,000 cubic metres is expected to be underway by 2030, with a further 200 vessels of 170,000 cubic metres after 2040.

"*We foresee the global hydrogen market will grow rapidly after 2030 and demand for ships will grow accordingly*" said Yoo in a video interview at the CES tech trade show in Las Vegas.

In the early stages, KSOE's Yoo Byeong-yong stated that the vessels transporting the hydrogen would be fuelled by LNG, but a move to hydrogen powered vessels could be possible once the market expands.

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