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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Tankers – Tankers Ticking Up

Sales this week very much follow precedent with teenage aframaxes (and dirty trading LR2s) and MR tankers changing hands at high frequency.

After only a short time on the market the "**ALMI SPIRIT"** (105,571 dwt/blt 2007 Hyundai) has reportedly secured US$18.25m from undisclosed interests, with the "**FSL HONG KONG"** (115,940 dwt/blt 2007 Samsung) going to Chinese buyers at US$19.4m, accounting for the larger deadweight. Equally the two year older "**SOPHIE SCHULTE"** (115,583 dwt/blt 2005 Sanoyas) and "**HELGA SPIRIT"** (115,514 dwt/blt 2005 Samsung), while the latter already delivered, offer broadly aligned value around US$17 and 17.5m respectively.

Of the MR sales, the pump-room type "**MAERSK MESSINA"** (48,056 dwt/blt 2010 Iwagi) has scored an impressive US$16.5m given her lack of coils and ahead of dry-docking in June, comparatively bettering the two year younger and coiled "**SUNLIGHT EXPRESS"** (45,931 dwt/blt 2011 Shin Kurushima) sold a month ago for region US$17m. Not to be outdone, the handy/MR1 segment has seen "**LUGANO"** (37,159 dwt/blt 2007 Hyundai Mipo) leapfrog last week's sale of the "**ISOLDE"** (37,527 dwt/blt 2008 Hyundai Mipo) at US$11.2m with Special Suvey due 7/2023, achieving US$11m from Greek interests in spite of being a year older and with her Special Survey due next month.

Newbuilding – Newbuildings Back in Dry Fashion

There is a welcome benchmark of activity in bulker newbuildings with Thenamaris reported to have an LOI at region US$35.5m for 3 x 64k dwt ultramaxes at Hyundai Vietnam. Against rising second-hand pricing (a 2018 blt has been sold at region US$37m) and a strong charter market (BSHI at excess US$30k p/d T/C average) we once again see the historical pattern of owners favouring newbuildings as a better long term investment. We expect more orders to emerge here as strong rates continue.

The tanker markets continue to build in confidence, with the exception of VLCC, and LR2 is the latest sector to spike. We are already seeing second-hand pricing increase, candidates for sale withdrawn and if healthy rates continue we expect the same pattern on newbuildings as we are seeing in bulkers right now (and has been seen in tankers previously). There is a strong disbelief in current newbuilding pricing but to be frank, everything in the world is expensive right now!, from the inflation/commodity crisis so it is arguably unrealistic to expect bargain tanker newbuilding pricing now even more so given various sectors are rebounding (products). The shipbuilding price is also unlikely to fall any time soon as yards face increased costs from the commodity crisis, rising labour costs and the comfort of a forward orderbook. An extensive "wait and see" policy on acquisitions may well therefore lead to facing higher prices at the yards and on comparable second-hand.

Dry Cargo – To Infinity and Beyond

Despite the marked decrease in the volume of sales there seems to be no let-up in the upward trajectory of prices. This week's buzz is surrounding the sale of the two kamsarmax bulkers namely the **"BTG OLYMPOS"** & **"BTG KAILASH"** (abt 81,000 dwt/blt 2015 JMU, Japan) and after receiving six offers they are reportedly committed at US$35.6m each. These levels represent another great leap when compared to the last reported sale of a modern kamsarmax, which was the **"ALAM KUKUH"** (81,750 dwt/blt 2019 Oshima Zosen, Japan) reported sold in March for US$38.75m. These sales would effectively push this value well into the 40's. It seems Norwegian syndicated investors have little fear of firming values and are keen to get involved even with small timecharter coverage with the ultamax **"BELPAREIL"** (63,800 dwt/blt 2015 Jiangsu Hantong, China) being reported sold at US$29.5m basis 11-14 months T/C back at US$27,250 pd and the supramax **"SERENE JUNIPER"** (57,185 dwt/blt 2011 STX Dalian, China) being reported sold for US$19.2m basis 12 months T/C back at US$26,000 pd.

Recycling – Recycling Reset

The scrap markets have collapsed this week with prices appearing to be in free fall at the moment, with many ships being delivered from cash buyers inventory currently being renegotiated by the end buyers. Price levels of US$685-690/LT are now being discussed closer to US$620 and perhaps even lower. As such, the ship breakers in Bangladesh & Pakistan in many cases are reluctant to even give a price for fresh tonnage at the moment. The post Eid period has turned out to be completely opposite to what most anticipated as the Rupee and Bangladeshi Taka has weakened tremendously against the dollar. The demand for finished steel is very low; largely due to the cheap steel being exported out of Russia and most Chinese mills/factories having stopped imports due to heavy lockdowns.

The sentiments are pretty bad amongst the recyclers and cash buyers are struggling to deliver their vessels despite booking heavy losses. There have virtually been no sales in the month of May except for a couple private deals and it is likely to remain so until markets settle at the certain level. With Monsoon on the horizon and another US Fed rate hike expected in June it is inevitable that prices will most likely come down even further. We may even see below US$600/LT if this continues.

Gibson Sale & Purchase Market Report

S&P SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						
BTG KAILASH + BTG OLYMPOS	81,085	both 2015	JMU Tsu (JPN)	TMS	35.6 each	DD due 9/23. BWTS fitted.

CHAILEASE BLOSSOM	77,684	2004	C S B C Kaohsiung (TWN)	Chinese buyer	14	Dely China mid-end 7/22.
BELPAREIL	63,800	2015	Jiangsu Hantong (CHN)	Undisclosed buyer	29.5	Basis 11-14 mths TC back at $27,350 pd. SS due 5/23.
NORD BALTIC	62,625	2018	Oshima Zosen (JPN)	Undisclosed buyer	37	BWTS + Scrubber fitted. SS due 11/23.
SERENE JUNIPER	57,185	2011	STX Dalian (CHN)	Undisclosed buyer	19.2	Basis 12 mths TC back at $26k pd.
AMOY DREAM	56,873	2010	Xiamen (CHN)	Chinese buyer	17	DD due 5/23. BWTS fitted.
HUA RONG 3	56,467	2013	Zhejiang Zhenghe (CHN)	Chinese buyer	17.85*	*Auction sale. BWTS fitted.
THERESE SELMER	55,682	2006	Mitsui (JPN)	Undisclosed buyer	17.5	SS psd 11/21. BWTS fitted.
AM OCEAN PRIDE	53,553	2003	Iwagi (JPN)	Chinese buyer	14.25	SS psd 4/21.
AQUATA	46,685	1999	Sanoyas (JPN)	Undisclosed buyer	10.5	DD due 6/22.
TANKERS						
DHT FALCON + DHT HAWK	298,950	2006+2007	NACKS (CHN)	Undisclosed buyer	38+40	Scrubber fitted. SS due 11/24 + 7/22.
FSL HONG KONG	115,940	2007	Samsung (KRS)	Chinese buyer	19.4	SS+BWTS due 4/22.
SOPHIE SCHULTE	115,583	2005	Sanoyas (JPN)	Undisclosed buyer	17	DD due 12/22.
HELGA SPIRIT	115,514	2005	Samsung (KRS)	Undisclosed buyer	17.5	DD due 11/22. Already delivered.
WONDER ARCTURUS	106,149	2002	Hyundai Ulsan (KRS)	Middle Eastern buyer	13.15	Coated. Trading dirty. SS due 5/22.
ALMI SPIRIT	105,571	2007	Hyundai Ulsan (KRS)	Undisclosed buyer	18.25	Coated. Trading dirty. SS due 5/22. BWTS fitted.
MAERSK MESSINA	48,056	2009	Iwagi (JPN)	Undisclosed buyer	16.5	Pump-room. DD due 6/22. BWTS fitted. Uncoiled.
TORM HORIZON	46,955	2004	Hyundai Mipo (KRS)	Castle Ships PVT	9.5	Deepwell. DD due 6/22. BWTS fitted. Sold in April.
LUGANO	37,159	2007	Hyundai Mipo (KRS)	Greek buyer	11	Deepwell. Ice 1A. SS due 6/22.
ORKIM WISDOM	9,220	2008	Dongfang (CHN)	Indonesian buyer	3.6	Epoxy. IMO II, trading IMO III. SS due 3/23.
GAO CHENG 5	9,108	2011	Zhejiang Taitong (CHN)	Chinese buyer	3.9	Marineline. Out of class.
SANTA PAWLINA	5,717	2005	Torlak (TRK)	Undisclosed buyer	4.6	Epoxy. IMO II. DD due 11/23.
NEWOCEAN 6	4,679	2014	Chongqing Chuandong (CHN)	Taiwanese buyer	4.6	Bunkering. Twin M/E. DD due 9/22.
CONTAINERS / RO-RO / REEFER / PCC						
XIN FENG YANG PU	68,383	2006	Hanjin HI (KRS)	Chinese buyer	70	5089 TEU. Gearless. SS due 5/22.
SEASPAN MELBOURNE + SEASPAN MANILA	50,700	2005+2007	Samsung (KRS)	Euroseas	18+19	4250 TEU. Gearless.Inc low TC to 19k pd to 2025 /20.25k pd to 2024.
GAS (LNG / LPG / LAG / CO2)						
SCF BARENTS + SCF TIMMERMAN	93,026	2010+2011	Hyundai Samho (KRS)	Eastern Pacific	reg 200	174,000 cbm. XD-F. Inc. TC to Shell.

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SCF MELAMPUS + SCF MITRE	93,550	both 2015	STX Jinhae (KRS)	Eastern Pacific	reg 150	170,200 cbm. TFDE. Inc. TC to Shell.
BW LIBERTY	54,975	2007	Daewoo (KRS)	Vietnamese buyer	45.75	82,905 cbm. SS due 11/22.
EUPEN	29,121	1999	Mitsubishi Nagasaki (JPN)	UAE buyer	15	38,156 cbm. Fully ref.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
Globus Maritime	Ultramax	64,000 dwt x 1	Nihon (JPN)	2024	37.5	
Taiwan Navigation	Handysize	40,000 dwt x 2	Namura (JPN)	2024	32.3	Logger. EEDI 3.

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

Historical Average Values *($ million)*

Vessel Type	New Building	5 Year Old Vessel (Built 2017)	10 Year Old Vessel (Built 2012)	10 Year Old Vessel~ (10 Years Average)	% Difference Present Vs Historical
Tankers					
VLCC	117	74	51.5	44.9	14.8%
SUEZMAX	79	51	37.25	32.0	16.4%
AFRAMAX	61	48.5	32	23.6	35.5%
MR	42	32.5	21	17.4	20.9%
Bulkers					
CAPESIZE	63^	51.5 eco	36	23.1	55.7%
KAMSARMAX	37^	38.5	28.5	14.3	96.4%
ULTRAMAX / SUPRAMAX	34.5^	35	23.5	13.7	71.5%
HANDYSIZE	30.5^	29	20	11.0	82.6%

^ = Chinese price (otherwise based upon Japanese / Korean country of build)
~ = Basis standard contemporaneous DWT/spec for each type.

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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.

Bunker Quality – Buyers Beware

Time charterers who supply vessels with bunker fuel oil must ensure that they meet the contractual specifications. Commonly, those specifications state that the fuel must be fit for purpose, but also ISO:8217 compliant. Clause 5 of ISO:8217 provides that bunkers shall not contain material that adversely affects the performance of machinery.

The issue faced is that the Table 2 requirements under ISO:8217 are commonly met, and suppliers place reliance on this to contend that bunkers are on-specification. This was the case recently in Singapore where only MC-MS enhanced testing located the presence of materials that should not be present, rendering the fuel off-specification.

Sellers routinely place limitations on their liability by way of time bars and exclusion clauses which render it difficult for buyers to bring a claim against them. These time bars can be as short as 14 days and it is often the case that defects in machinery are only identified following the expiry of the notification period and sellers refuse to cooperate. Short time limits also make it difficult to obtain test results and notify suppliers in the good time. Further, bunker supply contracts also commonly contain law and jurisdiction clauses adopting the location of supply as the jurisdiction, which can prove a tricky hurdle to overcome for buyers wishing to bring a claim, as there may be competing clauses which need to be thrashed out.

As well as the above, sellers often question whether it was the quality of the bunkers which caused the defects or whether there are other explanations, such as vessel management or handling of the fuel, which caused the problems encountered.

Buyers must therefore carefully consider the terms and conditions which relate to the supply of bunkers and attempt to negotiate where possible, for example on short time limits. However, given the bargaining power of some suppliers, this may be easier said than done.

If engine deficiencies are detected following the consumption of a new stem, owners or charterers should ensure that test results are obtained efficiently and as quickly as possible in order to combat what are often one-sided supply terms.

UK Launches Legislative Response to P&O Ferries Firing Seafarers

In the Queen's Speech this week, the Government unveiled its Harbours (Seafarers' Remuneration) Bill.

The legislation will ban ferries that flout the pay rules from docking at UK ports. Talks are continuing with EU countries including France, Germany and Ireland to ensure routes between the countries become "minimum wage corridors", guaranteeing minimum pay to seafarers operating them.

Ministers have already applied the National Minimum Wage to all seafarers working on domestic ferry services and on offshore support vessels serving oil and gas installations in the UK continental shelf.

P&O admitted earlier this year that their actions had broken employment law, with staff having made redundant without carrying out the necessary consultation with trade unions.

US to Suspend Tariffs on Ukrainian Steel for One Year

The US has this week suspended its 25% Section 232 tariffs on steel imports from Ukraine for one year. The tariffs were imposed by then-President Donald Trump in 2018, citing national security.

In making this decision, the US is recognising the importance of the steel industry to Ukraine's economy as the country defends itself against Russian aggression. A key target of Russia's war on Ukraine in recent weeks has been a steel plant in the city of Mariupol, one of the largest steel facilities in Europe.

It is estimated that 1 in 13 Ukrainians are employed by the steel industry. Ukraine is the 13th largest steel producer worldwide and typically exports about 80% of its domestic produce.

Gina Raimondo, the Commerce Department Secretary for the US, stated:

"We need to have their backs and support one of the most important industries to Ukraine's economic well-being. For steel mills to continue as an economic lifeline for the people of Ukraine, they must be able to export their steel. Today's announcement is a signal to the Ukrainian people that we are committed to helping them thrive in the face of Putin's aggression."

The European Commission also recently proposed to suspend its import duties on all Ukrainian exports to the bloc for one year. However, an official move has not yet been made.

It's worth noting that the US has not traditionally imported a significant volume of steel from Ukraine. In 2021, US steel imports from Ukraine equated to less than 1% of the US' overall steel import volumes for that year.

AGCS Releases Safety and Shipping Review 2022

Allianz Global Corporate & Specialty ("**AGCS**") have released their safety and shipping review for 2022. The review covers the year 2021 and analyses losses and incidents over 100 gross tons. AGCS reports that there were 54 reported total losses in 2021 compared with 65 a year earlier. The statistics show that annual shipping losses have declined 57% in the last 10 years since 2012, where 127 total losses were recorded. AGCS further states that the rolling 10-year loss average was 89 which reflects, amongst other things, the increased attention on safety, regulation and advancements in ship design.

The numbers show that the region of South China, Indochina, Indonesia and the Philippines is the main global loss hotspot. These regions accounted for one in every five losses – a total of 12 last year. Even so, the number of losses has declined in these regions as well compared to the previous year. The Arabian Gulf and the East Mediterranean and Black Sea came in second and third in loss counts respectively. AGCS notes that South East Asian waters are the major loss location in the past 10 years accounting for 225 out of 892 losses. As mentioned in the press release, the insurer attributes these figures to the high levels of local and international trade, congested ports, older fleets and extreme weather conditions.

In terms of vessel types, it is reported that cargo ships accounted for 50% of all vessels lost in 2021. The predominant cause of total losses during 2021 was vessels foundered (60%) followed by fire/explosion (15%), and then machinery damage and/or failure (11%). The report also states that May and December were the most frequent months for losses occurring.

Moving to shipping incidents, the insurer notes that these have increased year-on-year. In total, there were 3,000 shipping incidents in 2021. A significant number of these incidents occurred in the British isles (667 out of 3,000). Staggeringly, machinery damage and/or failure was the predominant cause of the incidents accounting for approximately one in three incidents. In terms of figures for the last decade, the East Mediterranean and Black Sea regions accounted for the most shipping incidents (18% of all incidents).

The review also covers the impact of Russia's invasion of Ukraine, the issue of fires on board vessels and the risks and challenges of the post-pandemic world. It can be downloaded here.

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