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

Tankers – Suez Corral

Breaking with the weekly predominance of VLCC and aframax sales, herd mentality seems now to be shifting to suezmaxes, as they have been faring well in contrast to VLCC rates softening. However, more predictably buying interest still shows a strong penchant towards vintage tonnage, as on display with "**VALTAMED**" (158,609 dwt/blt 2004 Daewoo) sold to European interests for US$26m, followed surprisingly closely (given the Chinese build) at US$25m for the "**LILA SHENZHEN**" (159,549 dwt/blt 2004 Bohai) to a Chinese buyer. Rumours suggest the fifteen-year-old "**RIDGEBURY NICHOLAS A**" (159,395 dwt/blt 2007 Universal) has achieved US$33m from undisclosed interests, broadly in line with benchmark expectations basis Special Survey and BWTS due but offset by having a scrubber. Meanwhile, a rare modern sale of Chinese buyer "**RS AURORA**" (159,812 dwt/blt 2018 SWS) at around US$64-66m to Delta Tankers looks a firm price given existing five year old Japanese/Korean benchmarking in the low US$60m range, but perhaps unsurprising given realistic modern sale candidates are a rare beast.

Dry Cargo – Tricky but no Treat

The second-hand sale and purchase market seems to have been spooked by the continued decrease in the Baltic Exchange Dry Index, in line with the Halloween spirit but without a treat and only with a tricky market to contend with. The BDI fell 15% during the last week, which is not insignificant and if this kind depreciation is maintained earnings will be severely affected.

Less transactions reported in Week 42 of 2022 in comparison with the previous week, with the "**ORIENT ANGEL**" (176,859 dwt/blt 2007, Namura, Japan) that fetched region US$19m to Turkish buyers seems to be the only transaction for capesize bulkers. In the ultramax sector, the sale of "**NORD YUCATAN**" (63,500 dwt/blt 2019, Nantong Xiangyu) is the youngest vessel to be sold to this week at US$28.4 m to undisclosed interests, which could be considered slightly down on last done. Meanwhile, the “**NAVIOS TAURUS**” (76,596 dwt/blt 2005, Imabari) apparently achieved US$14m, which can be considered to be in line with last week’s sale of “**PAN DIVA**” (76,830 dwt/blt 2004, Sasembo) at US$13.1m taking into consideration the one year age difference.

Recycling – The Price is Right

Some welcome orders on MRs to benchmark the current bullish sentiment in the sector, as we understand K Shipbuilding has taken four firm and two firm orders from Indian and US buyers respectively at just below the US$44m level with end 2024/early 2025 delivery. However, there remains however debate amongst owners about current newbuilding pricing with many prepared to wait until this comes down. However, ongoing inflation/high main equipment costs and the fact that many yards are still financially in the red (from steel price shocks in 2020) makes it hard to get pricing down in the short term in our view. We also note the coming historically low orderbooks/negative fleet growth for tankers which at some point may well encourage orders (thus supporting or increasing current price). Further out still, demand may increase as alternative fuel designs become ready and the tanker sectors moves to catch up the rest of the industry in adopting these.

Bulk markets remain in flux partly from the uncertainty over the Russian/ Ukrainian grain deal. We are aware of some newbuilding discussions restarting on medium sized vessels.

Recycling - Tough Times

The recycling markets this week have witnessed a slight fall in price levels as most end buyers seem reluctant to pay levels above US$600/LT. Local steel markets in Alang have also seen a drop in prices further leading to weaker sentiments. Nonetheless, speculative cash buyers out there would probably still be happy to compete for tonnage, and in view of the continuing lack of available candidates we would doubtlessly still see stiff competition and aggressive bidding, if indeed a market vessel were to be negotiated. Meanwhile, the L/C (Letter of Credit) situation has deteriorated in Bangladesh as breakers continue to struggle with foreign currency issues. This has led to many cash buyers having to keep their ships waiting outside Chittagong yards without knowing when their ships will be beached.

Gibson Sale & Purchase Market Report

S&P SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						
ORIENT ANGEL	176,859	2007	Namura (JPN)	Turkish buyer	reg 19	DD due 6/23.
NAVIOS TAURUS	76,596	2005	Imabari (JPN)	Undisclosed buyer	14	DD due 4/23.
NORD YUCATAN	63,500	2019	Nantong Xiangyu (CHN)	Undisclosed buyer	28.4	SS due 10/24. BWTS+Scrubber fitted.
PAN CROCUS	57,269	2009	STX Dalian (CHN)	Undisclosed buyer	14.7	SS due 5/24. BWTS fitted.
PORTHOS	56,825	2010	Jiangsu Hantong (CHN)	Undisclosed buyer	16	SS due 8/24. BWTS fitted.
JIN FENG	52,686	2004	Oshima Zosen (JPN)	Chinese buyer	13.3	SS due 12/24. BWTS fitted.
WAAL CONFIDENCE	33,387	2009	Shin Kochi (JPN)	Undisclosed buyer	15.2	Open hatch. SS due 6/24. BWTS fitted.

TANKERS						
RS AURORA	159,812	2018	SWS (CHN)	Delta Tankers	reg 65	SS due 1/23. BWTS fitted.
RIDGEBURY NICHOLAS A	159,395	2007	Universal Ariake (JPN)	Undisclosed buyer	reg 33	SS due 1/23. Scrubber fitted.
LILA SHENZHEN	159,549	2004	Bohai (CHN)	Chinese buyer	25	SS due 12/24. BWTS fitted.
VALTAMED	158,609	2004	Daewoo (KRS)	European buyer	26	SS due 9/24. BWTS fitted.
HOUSTON STAR	74,999	2004	Hyundai Ulsan (KRS)	Turkish buyer	13	Deepwell. SS due 2/24. BWTS due 10/22.
ATLANTICA BELL	50,844	2006	STX Jinhae (KRS)	Undisclosed buyer	20.7	Ice 1A. Deepwell. DD due 4/24. BWTS fitted.
MTM TOKYO MTM FAIRFIELD	20,857 20,585	2003 2002	Kitanihon (JPN) Fukuoka (JPN)	Undisclosed buyer	reg 22 en bloc	Stainless steel. SS due 1/23. BWTS fitted. Stainless steel. SS psd 9/22. BWTS fitted.
BRO ANNA + BRO AGNES	16,800	both 2008	Turkter (TRK)	Undisclosed buyer	13.5 each	Ice 1A. Epoxy. SS due 2+3/23.
BERNORA	13,148	2008	Shin Kurushima (JPN)	Norwegian buyer	7.8	Epoxy. SS due 3/23. BWTS fitted.
STO CAMELLIA	11,679	2000	Higaki (JPN)	Indonesian buyer	5.6	Stainless steel (304). DD due 9/23. BWTS fitted.
CONTAINERS / RO-RO / REEFER / PCC						
PAGLIA	11,368	2010	Yangfan (CHN)	Gram Car Carriers	49	4900 CEU. On TC to 5/28.
GAS (LNG / LPG / LAG / CO2)						
HYUNDAI SAMHO 8196 + 8197	96,000	both 2025	Hyundai Samho (KRS)	CoolCo	234* each (option price)	170,520 cbm. *Declarable by end 2Q'23.
KOOL BALTIC + KOOL BOREAS KOOL FIRN + KOOL ORCA	93,586 93,026	both 2015 2020+2021	STX Jinhae (KRS) Hyundai Samho (KRS)	CoolCo	660 en bloc	167,156 cbm. Ice 1C. DFDE. BWTS fitted. DFDE. Tier III. BWTS fitted.
TRADER	75,109	2002	Samsung (KRS)	Capital Gas	26-28	LNG (136,135 cbm). ST. Membrane. SS due 11/22.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
NYK	Post-Panamax	95,000 dwt x 2	Oshima Zosen (JPN)	2025		Coal carrier. LNG fueled.
Tamai Steamship (T.S Central Shipping)	Supramax	58,000 dwt x 1	Oshima Zosen (JPN)	2025		
TANKERS						
Orient Overseas Container Line (OOCL)	Containership	24,000 TEU x 7	NACKS / DACKS (CHN)	2026-2028	239.85	Methanol dual fuel.

COSCO Shipping Lines	Containership	24,000 TEU x 5	NACKS / DACKS (CHN)	2026-2028	239.85	Methanol dual fuel.
Matson Navigation Company	Containership	3,600 TEU x 3	Aker Philly (USA)	2026-2027	333.33*	*Jones Act trade. LNG fueled.
GAS (LNG / LPG / LAG / CO2)						
NYK + K Line + MISC + China LNG Shipping	LNG	174,000 cbm x 5	Hudong Zhonghua (CHN)	2025-2026		Against TC to QatarEnergy.
Shandong Shipping	LNG	174,000 cbm x 2	Jiangnan (CHN)	2027	230	LOI. Inc. reliquefaction.

Recycling Prices (US$/LWT)

	Bangladesh	Pakistan	India	Turkey
Tank/Cont/Ro-Ro/Capes/LPG/PCC	590/620	590/620	585/600	250/260
Dry Cargo/Bulk/Tween/Gen Cargo	580/590	580/590	570/585	240/250

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	120	89	66	45.4	45.4%
SUEZMAX	80	63	45	32.4	36.0%
AFRAMAX	65	57	42	24.1	74.0%
MR	44	39	28.5	17.7	61.0%
Bulkers					
CAPESIZE	63.5^	47 eco	30	23.5	27.4%
KAMSARMAX	36^	30.5	22.5	16.1	39.7%
ULTRAMAX / SUPRAMAX	33^	29.5	21	14.0	50.5%
HANDYSIZE	29.5^	26	17	11.3	50.4%

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

~ = Basis standard contemporaneous DWT/spec for each type.

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.

IMO Carbon Intensity and Rating Systems enter into force

On 1 November 2022, the amendments to the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI entered into forced. The amendments were made under the framework of the Initial IMO Strategy on Reduction of GHG Emissions from Ships as agreed in 2018 (the "**2018 Initial Strategy**"). As such, and from 1 January 2023, it will be compulsory for vessels to calculate their attained Energy Efficiency Existing Ship Index (EEXI) to measure energy efficiency and to start the collection of data for reporting of their annual operational carbon intensity indicator (CII) and relevant CII rating. What this means is that the first annual reporting will be done in 2023, with initial CII ratings provided in 2024.

The amendments are part of the IMO's commitment under its 2018 Initial Strategy to reduce carbon intensity from all vessels by 40% by 2030 compared to 2008. The EEXI will indicate a vessel's energy efficiency compared to a baseline. Once EEXI is attained, this will then be compared to a Energy Efficiency Existing Ship Index based on an applicable reduction factor expressed as a percentage relative to the Energy Efficiency Design Index (EEDI) baseline. EEXI will need to be calculated for all vessels of 400gt and above, in accordance with the different values set for ship types and size categories. In summary, the attained EEXI value for each vessel will need to be below the required EEXI, which will ensure that the vessel meets a minimum energy efficiency standard.

Separately, the CII will establish the annual reduction factor required to guarantee continuous improvement of a vessel's operational carbon intensity within a specific rating level. The IMO states that the actual annual operational CII attained must be documented and verified against the required annual operational CII. This will enable the operational carbon intensity rating to be determined. In essence, the CII will measure the efficiency of a vessel transporting goods or passengers (CO2 per cargo-carrying capacity and nautical mile) and will apply to all cargo, ropax and cruise vessels above 5000gt and trading internationally. Vessels rated D or E for three consecutive years will need to submit a corrective action plan of how an index of C or above can be achieved. The IMO has encouraged administrations, port authorities and other stakeholders to provide incentives to those vessels rated A or B.

As stated by the IMO, the IMO's Marine Environment Protection Committee (MEPC) will review the effectiveness of the implementation of CII and EEXI requirements by 1 January 2026 at the very latest and if required, will develop and introduce further amendments as required.

Currently, MARPOL Annex VI has 105 parties representing approximately 96.81% of world merchant shipping by tonnage.

More information about this topic can be sought at the IMO website here.

Black Sea Grain Shipping Corridor Re-opens for Business – For Now

The Russian Federation announced their return to the Black Sea Grain Initiative (BSGI) on Wednesday, the 2nd of November 2022, after previously suspending its backing of the United Nations-led scheme.

The Russian Ministry of Defence announced the country's withdrawal on the 29th of October following a number of drone attacks on Russian warships based at the port of Sevastopol. In a statement made the same day, Moscow accused Ukraine and her allies of having used the UN safe corridor to approach its ships in order to carry out the attacks.

Prior to the suspension, figures from Clarksons suggested that the scheme has facilitated the export of 9.73m tonnes of grain and allowed Ukraine to re-established a vast percentage of its pre-conflict seaborne export levels.

On Wednesday, announcing the change in a statement on its website, the Russian Ministry of Defence said that it had received satisfactory guarantees from Ukraine that the corridor would not be used for military purposes.

The longer-term outlook is however uncertain with the deal subject to renewal on 22 November and warnings from Russia that it may call it off should sanctions against it not be dropped.

Clarksons: The 2022 "Alternative Fuel" Orderbook

With the minimum 20-year life-span of commercial vessel's and the continuing "ramp up" of emissions regulatory and policy decisions across maritime industry, a key question for those ordering today their vessels is what will fuel these vessels. Alternative fuel capable newbuildings appears to be the logical response to the conundrum.

Steve Gordon, the Managing Director of Clarksons Research, commented on the latest trends in technology uptake and fleet renewal from their Fuelling Transition report and monthly data series:

"In January-September 2022, a record 59% of all newbuild orders by tonnage has been alternative fuel capable (basis non-LNG carriers: 43% of tonnage), while 54% (288 orders of 27.0m GT) have been LNG dual fuelled), 2.9% methanol fuelled (19 orders of 1.4m GT), 0.7% ethane fuelled (8 orders of 0.4m GT) and 1.3% include battery hybrid propulsion. In addition, a further 12.7% of orders were "ammonia ready" (73 orders of 6.3m GT), 1.2% of orders were "LNG ready" (20 orders of 0.6m GT) and 0.1% of orders have been "hydro-gen ready" (3 orders of 15k GT)."

Comparing this with 2021, 31.5% of newbuild tonnage ordered was for alternative fuel capable vessels (479 up from 211 orders in 2020 and 46 orders in 2016).

Reportedly, there are now over 320 "LNG ready" ships in the fleet and 99 on the orderbook, while there are 130 "ammonia ready" and 16 "hydrogen ready" vessels on order. Obviously, the optionality over fuel choice is continuing to gain traction.

He also reported that scrubbers have been now fitted to over 4,838 ships in the fleet (including pending retrofit), equivalent to 24.9% of total GT, whereas energy saving technologies have been fitted on over 5,550 ships, accounting for 24.5% of fleet tonnage. Such technologies include propeller ducts, rudder bulbs, Flettner rotors, wind kites and air lubrication systems.

As reported, ports too do not stay behind. “Green” port infrastructure is continuing to expand. There are currently 154 active LNG bunkering ports and 98 planned facilities. Further, over 1,700 vessels are fitted/set to be fitted with shore power connections.

Clarksons believe that as more pressure builds to find solutions to address climate change, this will cause fundamental changes in shipping as well as in offshore and energy, as seen above.

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