Campbell Johnston Clark
CJC EXCHANGE

11/11/2022 – ISSUE # 98

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Gibson Sale & Purchase Market Report

GIBSON SHIPBROKERS

With over 125 years of expertise Gibson Shipbrokers is a leading provider of Sale & Purchase, Newbuildings, Recycling and Ship Valuation services.
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Tankers – Go Big or Go Home

It's been another busy week as second-hand tanker markets approach the final stretch of the calendar year. Market rumours have linked Vitol with the sale of two modern VLCCs, "**ELANDRA ELBRUS**" and "**ELANDRA DENALI**" (**300,000 dwt/blt 2020 HYUNDAI**) for US$112m each to Middle Eastern buyers. On the clean side, meantime, the focus seems to have firmly shifted to larger vessels, likely in anticipation of a fundamental shift in trade patterns looming for the coming months as the European bans on Russian crude and refined products come into play. Here again Vitol have been mentioned as the likely sellers of a Korean-built LR2 resale with delivery in mid-2023 is said to have been committed to Greek interests for ca. US$ 75m, with a 3-year charter reportedly already in place. On the LR1 front, interests affiliated with the veteran Greek tanker owners IMS are said to have paid a price of circa US$ 19.5m for the "**ORTOLAN COCO**" (74,992 dwt/blt 2009 Split) while elsewhere the "**NORDIC TRISTAN**" (73,604 dwt/blt 2007 New Times)has been reported as having changed hands for a relatively firm price close to US$ 20.5m.

While it is clear that we find ourselves in a liquid S&P market overall, the impression remains that it is an ultimately limited pool of buyers moving today's prices. We do continue to hear consistent reports from sellers with vessels in the market that the actual number of bidders lodging offers is surprisingly limited. It may be that prospective buyers are waiting to see just how substantial any fallout from the aforementioned oil bans may be before committing at today's (historically firm) prices. One could similarly conclude that the buyers currently active are buying with very specific intentions in mind, whether that be a specific lucrative charter or dedicated capital that needs to be invested within a certain time frame, with more value-focused buyers preferring to focus their attention elsewhere.

The truth is likely some combination of factors and unique to each vessel, but regardless it is clear that the market is set for an impressive end to what has been already been an exciting year.

Dry Cargo – Bulkers Back?

With the BDI being inspired by a little firming in cape rates, we have seen an increase in reported bulker sales and it's also interesting to note that cape buying interest has been spurred with this activity. It's been a few months since we last reported a sale of a 10 year old cape and as anticipated the levels are down from those achieved in September. The off-market sale of the Japanese controlled "**CMB PARTNER**" (81,805 dwt/built 2016 Tsuneishi Cebu (PHI)) represents a firm number at US$29m to Greek buyers when compared to last month's sale of the one year newer sister, namely the "**BULK HOLLAND**" at US$29.75m.

Supramax bulkers still continue to attract interest with buyers still willing to invest, even in the small sizes but given price levels are some US$3-4m less than where they were a few months ago one can understand the incentive to buy. There remains some uncertainly in the future expectations of the dry cargo freight market on how the various conflicting issues will affect the market going forward but let us not forget "faint heart never won fair maiden".

Newbuilding – Product Party…

Some newbuilding activity on tankers this week as further MR slots have been taken at Mipo and LR2 negos are ongoing in Chinese yards also. The product outlook remains quite bullish for well documented reasons mainly from the ongoing Russian invasion and coming further sanctions. With second-hand values already high, it would seem possible they could climb further if the product market continues its run. At the same time, we have negative fleet growth on the horizon for LR2s with all 2023/2024 slots booked out to other ship types and the coming CII/ EEXI regs, which should stimulate scrapping. There are therefore several factors favouring investment in LR2 newbuildings today. Pricing is not where many would like to see it but still approx 30% lower than all-time highs and can be offset by the reinvestment of record profits from vintage tanker sales. Shipyard pricing remains firm and yards are facing ongoing high equipment costs, increasing labour/ financing costs and efforts to get back in the black. For these reasons we do not see any significant relief on pricing coming any time soon.

On the bulker side, Economou's 10 firm order of kamsarmax/ capesize at the restarted Rongsheng has been the main topic this week. We do not however see a massive restart of yards here in general as many dormant/ bankrupt yards have been for some time leased by the active yards today and rebranded as their own. We are aware of some discussions going on at yards on the medium sizes but new price levels are needed from the yards to reflect ongoing uncertainty in the bulker market.

Recycling – The Waiting Game

Markets across the Sub-Cont, and indeed Turkey, have softened and sentiments have weakened quite considerably and as such the reduced price levels on offer from the Sub Cont markets which are now in the mid US$500's range, are not nearly attractive enough for most Owners to consider accepting, especially when trading buyers for almost all vintage tonnage (across nearly all sectors) are still able to acquire them by quite some margin. Coupled with ongoing currency and L/C issues making things even more challenging, we unfortunately are still finding the ship recycling industry facing the perfect storm. There are reports of some smaller units being sold, and indeed each week there tends to be the odd sale here and there being reported, but not enough to keep cash buyers and ship breakers sufficiently busy. The waiting game continues...

Gibson Sale & Purchase Market Report

S&P SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						
TRUE PATRIOT	180,967	2016	Imabari Hiroshima (JPN)	Undisclosed buyer	39.75	DD due 1/24. BWTS fitted.
EDWARD N	176,216	2011	SWS (CHN)	Eddie Steamship	25.25	DD due 4/24. BWTS fitted.
AQUAFORTUNE	174,725	2011	Namura (JPN)	Greek buyer	27	DD due 6/24.
CHS CREATION	174,110	2006	SWS (CHN)	Undisclosed buyer	15.5	DD due 3/23. BWTS fitted.
CMB VAN MIEGHEM	95,737	2011	Imabari (JPN)	Swiss buyer	21	DD due 8/24. BWTS fitted.
KEY LIGHT	83,027	2012	Sanoyas (JPN)	Japanese buyer	23	Internal/domestic sale. DD due 8/23. BWTS fitted.
OCEAN ROSEMARY	82,265	2013	Dalian No. 2 (CHN)	Capital Ship Management	21	SS due 4/23. BWTS fitted.
CMB PARTNER	81,805	2016	Tsuneishi Cebu (PHI)	Minerva Ship Management	29	DD due 11/24. BWTS fitted.
CERAFINA	74,759	2005	Hudong Zhonghua (CHN)	Greek buyer	12	DD due 9/23. BWTS fitted.
CARO PADRE	63,301	2012	Yangzhou Dayang (CHN)	Chinese buyer	21.1	SS due 12/22. Inc. BWTS on order.
BULK CARINA	57,819	2016	Tsuneishi Cebu (PHI)	Greek buyer	22	DD due 11/24. BWTS fitted. Prompt dely Taiwan.
JIAN DA	52,677	2005	Oshima Zosen (JPN)	Turkish buyer	13.2	DD due 5/23. BWTS fitted. Already renamed.
WORLDERA- 6	52,292	2005	Tsuneishi Cebu (PHI)	Chinese buyer	mid 12	DD due 12/23. BWTS fitted.
AZZURA	52,050	2004	I H I (JPN)	Undisclosed buyer	mid-high 12	DD psd 3/22. BWTS fitted.
MANTA CICEK	31,997	2011	Hakodate (JPN)	Undisclosed buyer	15.5	SS psd 11/22.
TRUDY	30,790	2009	Jiangsu Eastern (CHN)	Undisclosed buyer	12.5	Ice 1C. Laker. SS due 11/24. BWTS fitted.
BELLE ETOILE	28,050	2014	I-S Shipyard (JPN)	Undisclosed buyer	13.9	SS due 10/24. BWTS fitted.
TANKERS						
ELANDRA DENALI + ELANDRA ELBRUS	299,999	both 2020	Hyundai Ulsan (KRS)	Middle Eastern buyer	112 each	Tier III. Scrubber fitted.
HYUNDAI VIETNAM S510	115,000	2023	Hyundai Vietnam (KRS)	CM Lemos	75	Tier III. BWTS fitted. Scrubber ready.
ORTOLAN COCO	74,992	2008	Split (CRT)	IMS	20.5	Ice 1A. Deep-well. SS due 4/23.

LIBERTY	74,863	2009	STX Jinhae (KRS)	Fractal Shipping	23	Pump-room. SS due 7/24. BWTS fitted. Already renamed.
NORDIC TRISTAN	73,604	2007	New Times (CHN)	Undisclosed buyer	20.5	Pump-room. SS psd 4/22. BWTS fitted.
PSS ENERGY + PSS VITALITY	37,275	2001+2002	Hyundai Mipo (KRS)	Far Eastern buyer	xs 25 en bloc	Ice 1B. Deepwell. SS psd 5/22+8/22.
AVALON	24,035	2005	3 Maj, Brod (CRT)	Greek buyer	9.4	Ice 1B. Epoxy. DD due 11/23.
YU RU	16,686	2011	Taizhou Maple Leaf (CHN)	Indian buyer	12.5	Ice 1B. Marineline. DD due 11/23. BWTS fitted.
CHEM LUCK	11,564	1997	Fukuoka (JPN)	Chinese buyer	3.3*	*Auction. Stainless Steel.
GENERAL CARGO / MULTI-PURPOSE						
SUN GLORY	7,362	2000	Hakata (JPN)	Middle Eastern buyer	3.3	Single deck. Derricks. DD due 10/23. BWTS fitted.
GAS (LNG / LPG / LAG / CO2)						
METHANE HEATHER SALLY	79,084	2007	Samsung (KRS)	Shandong Shipping (Huaxia FL)	50*	*3 yrs BB back.145,000 cbm. Membrane. BWTS fitted.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
TMS Dry	Capesize	180,000 dwt x 4	SPS Shipyard (CHN)	2024-2025	62	LOI.
TMS Dry	Kamsarmax	82,000 dwt x 6+4	SPS Shipyard (CHN)	2024-2025	33	LOI.
TANKERS						
Stellar Shipmanagement	Bunkering	4,000 dwt x 1	Sasaki (JPN)	2023		Methanol trade.
CONTAINERS / RO-RO / REEFER / PCC						
CMA CGM	Containership	24,000 TEU x 4	Hudong Zhonghua (CHN)	2025-2026	xs 250	LNG dual fuel.
Sallaum Lines	PCTC	7,500 CEU x 2	Fujian Mawei (CHN)	2025	est. 90	LNG dual fuel.
GAS (LNG / LPG / LAG / CO2)						
Maran Gas	LNG	174,000 cbm x 1	DSME (KRS)	2026	252	Against TC to Woodside.
MOL	LNG	174,000 cbm x 3	Hudong Zhonghua (CHN)	2027		Against TC to QatarEnergy.

Recycling Prices (US$/LWT)

	Bangladesh	Pakistan	India	Turkey

Tank/Cont/Ro-Ro/Capes/LPG/PCC	560/575	560/570	550/560	250/260
Dry Cargo/Bulk/Tween/Gen Cargo	550/560	550/560	540/550	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	90	67	45.8	46.2%
SUEZMAX	80	63	46	32.6	41.1%
AFRAMAX	65	58	45	24.6	83.3%
MR	44	39	28.5	18.0	58.8%
Bulkers					
CAPESIZE	62.5^	47 eco	30	23.8	26.2%
KAMSARMAX	35.5^	31	23	16.2	41.6%
ULTRAMAX / SUPRAMAX	32.5^	29.5	21	14.0	49.7%
HANDYSIZE	29^	25	17	11.4	49.0%

^ = 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.

Plans for UK National Flagship Yacht Shelved

The British government have scrapped plans to build a £250 million yacht, which was due to serve as a “floating embassy” and the nation’s flagship. The decision to drop the project comes amidst a government spending squeeze, with Downing Street prioritising defense measures ahead of the shipbuilding venture.

Defense Secretary Ben Wallace announced on Monday that public funds will instead be put toward the procurement of multi-role ocean surveillance vessels, to boost Britain’s defenses against Russia and protect vital undersea pipelines and cables.

The flagship was commissioned by Boris Johnson during his tenure as prime minister and was due to succeed the Royal Yacht Britannia, which was in service for 44 years until 1997.

When first announced, the project had a price tag of £150 million and was championed as “the jewel in the crown of British shipbuilding strategy” by Ben Wallace. However, critics slammed the plans from the beginning, labelling them as the prime minister’s “vanity project”. The Commons defense committee estimated in a report last year that the vessel would require 50-60 personnel and cost north of £20 million annually to run.

In his latest statement to the House of Commons, Mr Wallace said that it was "right that we prioritise delivering capabilities that safeguard our national infrastructure" in the wake of the Russian invasion of Ukraine, and appears onboard with Rishi Sunak’s decision to do away with the flagship program.

The Dawn of the “Dark Fleet”

An unexpected consequence of the war in Ukraine and the sanctions imposed against Russia appears to be the growing size of what is now being referred to as a “dark fleet” of sanction-busting ships. These are vessels being used for illicit oil trades and industry watchers are concerned that such vessels are trading without insurance due to various bans in place or set to kick in.

Consequently, the International Oil Pollution Compensation Funds (IOPC Funds) have over the past year been voicing their concerns over the growing problem of uninsured, or inadequately insured vessels.

Under normal circumstances, the IOPC Funds, made up of a levy on oil exports, will step in to cover the cost of an oil pollution incident which goes above the shipowner’s liability pursuant to conventions that limiting liability. But in a situation where a vessel that has no insurance, as would be the case for many in the dark fleet, is involved in an oil pollution incident, then the IOPC Funds could find itself potentially exposed to various claims of hefty amounts.

An additional consideration is that the players involved in these illicit trades are likely to target older tonnage which may be less well-managed and maintained. This inevitably increases the risk of a serious casualty occurring.

As of yet, there is no simple solution to the dilemma facing governments. On the one hand, insurance, or indeed the withdrawal thereof, has effectively been used as a weapon in international sanctions against Russia. On the other hand, this approach has left a gaping hole as set out above. To date, there has not been a serious oil pollution incident involving such a vessel from the so-called "dark fleet" but the industry is undoubtedly concerned.

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