Wednesday 2 December 2020 Lloyds List

Plea to remember stranded seafarers during holiday season

01 Dec 2020 Declan Bush

NAUTILUS International has urged governments not to forget the crew change crisis as Christmas approaches, with thousands still stranded on land and at sea.

The officers' union said a survey of 350 of its members showed the toll of the pandemic on morale, with half of the respondents considering leaving the industry.

The group has launched a petition calling on governments and industry to class seafarers as essential workers, declaring: "Seafarers deliver Christmas. This Christmas, deliver seafarers home."

Nautilus general secretary Mark Dickinson said despite "exceptional" industry co-operation, "you do detect that all of our nerves are getting frayed … just because of the longevity of the crisis".

"It does feel as if things are starting to move in the right direction … but there is still a lot to be concerned about," he said in an interview.

While progress has been made in Europe, India and elsewhere, there were still about 400,000 seafarers unable either to sign on or off ships, although this includes some churn from crew changes taking place.

Mr Dickinson said aftereffects of the crisis were also starting to appear, such as the high number of returned seafarers wanting to take accrued leave, making it hard to find relievers for those still on board.

He said the "shocking" number of crew considering leaving the industry would cause "immense problems" for shipping to attract and keep new talent.

But Mr Dickinson said bodies such as the United Nations and International Labour Organisation were engaging with the problem and recent news about vaccines was cause for optimism.

"The next discussion for us will be how do we make sure the seafarers get tested, get access to those vaccines," he said.

International Maritime Employers' Council chief executive Francesco Gargiulo said there had been much progress on crew change, but the crisis was far from over.

Mr Gargiulo said the Philippines' backlog of about 200,000 crew would take time to resolve, especially since seafarers there did not want to deploy during Christmas.

Imec's Manila crew change centre was up and running, with 250 seafarers placed and another 500 booked to quarantine in employer-funded hotels. But progress with governments was slow, driving employers to find their own remedies at great cost.

"We have given up on waiting for governments. We are trying to do our thing," he said.

Mr Gargiulo said small island nations such as Madagascar, Samoa and Kiribati were a recent trouble spot, since they lacked the infrastructure to process seafarers and so had closed their borders to returning citizens.

“They cannot take any risks with the virus and I understand that,” he said. “But at the same time … we have got 20 stuck in Los Angeles, another 15 stuck in Valencia, another 110 on a fleet. They are all 15, 16, 18 months (at sea) and no chances of getting home for Christmas.”

Mr Gargiulo said hundreds of seafarers were also stranded on ships that China has barred from offloading Australian coal amid a political spat between the two countries.

“They are being held hostage, basically. These guys are stuck in limbo,” he said.

Crew-change crisis highlights fundamental industry problems

01 Dec 2020 Vincent Wee

THE coronavirus outbreak has highlighted some home truths about the shipping industry, according to a panel at the 2nd Capital Link Hong Kong Maritime Forum.

Plunging directly into the crew-change crisis that has haunted the industry for over six months now, International Transport Workers’ Federation general secretary Stephen Cotton unequivocally said: “The reality is our industry doesn’t get the attention it deserves, that is why seafarers are underappreciated.”

Anglo-Eastern Ship Management chief executive officer and Hong Kong Shipowners’ Association chairman Bjorn Hojgaard said the health crisis had made it very clear that when it comes to the crunch, many governments are not very willing to co-operate and basically just do not want to have to deal with the issue in their jurisdictions.

“A lack of a co-ordinated approach between governments who don’t value shipping enough” is largely behind the situation that has been described by the industry as a humanitarian crisis, he said.

Columbia Shipmanagement president Mark O’Neil said: “We are as an industry are immensely capable of blaming events for our inherent woes.”

Taking an opposite tack on the issue, Mr O’Neil said: “Here we are blaming Covid-19 for some fundamental issues that we should have addressed in the past.” He said these included boosting lines of communication with seafarers and providing more welfare.

Mr O’Neil claimed that crew morale has never been higher because the group has spent the time to address some of these fundamental issues.

He said the pandemic should be “a catalyst for bringing about long overdue changes across the industry”.

Putting the size of the problem into perspective, however, Mr Hojgaard pointed out that at an extra cost of about $30,000 per ship per year to get crew changes done, in the current situation this will end up costing the group a total of $80m extra to deal with the situation.

This however has meant that Anglo-Eastern now has just five ships with overdue crew out of its over 600 vessels under management.

“We are dealing with something that has a very simple solution; the only reason governments can take this beggar thy neighbour attitude is because shipping continues to deliver,” he said bluntly.

Meanwhile, in line with this and on one of the rare occasions the ITF aligns with shipowners, Mr Cotton agreed that the extra costs should be passed up the line to charterers. He also called out the charterers who have put in no crew change clauses in contracts as “outrageous” and urged them to work more collaboratively.

And regardless of better crew welfare and communication, there is no excuse for not getting seafarers ashore and back home, Mr Hojgaard emphasised. “We have to get people off because this what [the contract] they signed up for.”

Further highlighting other problems the crew change situation has shown up Mr Cotton said there had been "a lot of good noises" from governments but little in the way of action so far.

He urged governments to learn from the un-coordinated efforts that have created the current situation and warned: “Let’s get the protocols in place for next time so that nations can prepare for anything similar in future.”

Scorpio Bulkers’ selling spree continues

01 Dec 2020 Nidaa Bakhsh

SCORPIO Bulkers, the US-listed company that is exiting dry bulk to set up in offshore wind, is continuing its fleet reduction programme.

The company sold three more ultramaxes in two separate deals this week.

On Tuesday, it said it has entered into an agreement with “an unaffiliated third party” to sell the 2016-built *SBI Poseidon* and *SBI Apollo* for a combined total of about $38.4m.

On Monday, it announced the sale of the 2015-built *SBI Gemini* for $16m.

Delivery of the vessels is expected to take place in the first quarter of 2021.

This week’s announcements follow the sale of four ultramaxes to Pacific Basin at the end of last week.

The company will have sold 20 vessels since the end of September, leaving it with an operated fleet of 34 bulkers, five of which are chartered-in kamsarmaxes.

Scorpio Bulkers is in the middle of transitioning to the offshore wind sector in which it sees plenty of opportunities.

Greek shipowner lifts Venezuelan crude after sanctions deletion

01 Dec 2020 Michelle Wiese Bockmann

A TANKER operated by Eurotankers has loaded its third cargo of Venezuelan crude off Malaysia, five months after the US administration removed sanctions on another vessel owned by the same Greek family.

The 2012-built aframax ship, *Eurostrength* (IMO9543524), received an 80,000-90,000 tonnes cargo of Venezuelan crude via ship-to-ship transfer from the suezmax tanker *Cape Bella V* (IMO9232929) on November 30 in waters off the Sungai Linggi anchorage, according to Lloyd’s List Intelligence vessel-tracking data.

Cape Bella V loaded about 1m barrels via ship-to-ship transfer off Venezuela's coast between September 27 and October 15, before sailing for the Malaysian waters, arriving on November 23. The suezmax loaded at the new Los Monjes ship-to-ship area, data show.

Another aframax tanker in the fleet, beneficially owned by the Piraeus-based Gotsis shipping family, was among six earmarked by the US for breaching Venezuelan sanctions over May and June.

The 2002-built aframax *Euroforce* was deleted on July 2, renamed *Nabiin* (IMO9251585) and registered a change of ownership before it resumed shipping Venezuelan crude.

Five other tankers linked to NGM Energy (Moundreas family), Chemnav Shipmanagement (Coronis family) and Dynacom Tankers Management (Prokopiou family) were also removed after being briefly sanctioned.

The selective targeting of single-purpose shipowning shelf companies was viewed as a warning to the wider community of Greek shipowners who collectively transported 80% of sanctioned Venezuelan crude until then.

The vessel *Eurostrength* has shuttled at least two other cargoes of Venezuelan crude vis ship-to-ship transfers off Malaysia to China.

The first cargo discharged at a terminal near Sinopec's Qingdao refinery in early October, and the last shipment arrived at the Longkou oil terminal around November 10, vessel tracking data show.

Eurotankers did not respond to Lloyd's List requests for comment. There is no suggestion that any shipments breached US sanctions, or that vessels were engaged in deceptive practices.

At least five tankers in the Eurotankers' fleet have been resold since June and resumed trading Venezuelan crude, data compiled by Lloyd's List show.

US sanctions imposed on Venezuela's oil and shipping sector from January 2019, alongside mismanagement and lack of maintenance, have decimated exports and oil production, estimated at 367,000 barrels per day in October. Production was nearly four times higher in 2017.

The US withdrew exemptions for non-US companies to undertake diesel-for-crude swaps in October, ending shipments to Indian and European refineries and further cutting off key markets to national oil company PDVSA.

Sanctions on trading companies operated by Russia's Rosneft that were selling crude on PDVSA's behalf, mainly to China, have also restricted sales.

That has pressured shipowners and buyers from chartering tankers to lift crude from Venezuela, with many ships instead resold to anonymous owners who then undertake the transaction.

Numerous changes in name and registry as well as tankers undergoing ship-to-ship transfers further obfuscate the origin and destination of cargo.

Yemen rebels hold the key to avoiding a maritime disaster

01 Dec 2020

YEMEN’s Houthi rebels stand to gain more by helping prevent a huge oil spill on their rusting Red Sea tanker than by blocking such efforts, a security expert says.

The Houthis have withheld United Nations access to the 1976-built floating storage vessel *Safer* (ex-*Esso Japan*) which authorities say risks spilling its 1.1m barrels of oil if it is not repaired.

Such a spill could be four times worse than the 1989 *Exxon Valdez* disaster and threaten shipping, the environment, and Yemen’s food security.

The rebels have used the tanker as a bargaining chip in their war with Yemen’s Saudi-backed government despite repeated UN pleas to inspect the ship.

Hans Tino Hansen, chief executive of Risk Intelligence, a Danish security firm, told a maritime security webinar the Houthis would gain more if they were seen to do the right thing to avert a spill.

“It will be a very good signal to have a very clear determination to get rid of this problem,” he said, adding the Houthis could leverage international support to help their cause.

A suspected mine blast last week on the Greek-owned oil tanker *Agrari* resembled recent Houthi attacks on Saudi oil infrastructure.

But Mr Hansen said the *Safer* itself was unlikely to be the target of such “hybrid warfare” attacks, since that was in none of the combatants’ interest. He said the ship was “a disaster in waiting that needs to be solved quickly”.

Last week, the Houthis indicated they would grant UN access to the Safer, which the UN hailed as “an important step forward”.

Ian Ralby, chief executive of security consultancy IR Consilium, told Lloyd’s List that implementation of the agreement was unlikely before February at the earliest.

Mr Ralby said the Houthis had granted the UN permission several times before, only to rescind it at the last minute.

“We are not in any way confident that anything physically meaningful will come of this, even as much as we hope and pray it does,” he said.

He also criticised US administration plans to designate the Houthis as a foreign terrorist group as part of last-ditch efforts to pressure Iran, saying this could make the *Safer* problem “almost impossible to resolve”.

Dissent in European shipping circles over EU’s green rules

01 Dec 2020 Anastassios Adamopoulos

EUROPE’s shipowners are not taking a uniform approach to the European Commission’s intention to include shipping in the Emissions Trading System.

Greek shipowners, the world’s biggest national owners’ bloc, have told the commission

that a European Union mandatory fuel levy payment would be preferable to its plan to include shipping in the bloc’s carbon market. They demanded that commercial operators, which would include charterers, pay for that levy.

Danish shipowners have instead asked that shipping in the trading scheme be given some free emission allowances, as aviation currently enjoys, and that the rules apply to only domestic voyages. There would be a potential for geographical expansion in a decade.

German shipowners were less receptive than their European peers. The closest they came in their intervention to endorsing a market-based measure alternative was recognising that a carbon tax or a fossil levy have been identified as being more effective in reducing emissions and fossil fuel use, indirectly echoing the Greek position. However, they did not go as far as agreeing to it.

The European Commission has said it intends to include shipping in the revised Emissions Trading System, with its proposal due to be unveiled in June 2021.

The European Parliament has its own legislative proposal for shipping's addition, starting in 2022, and for more stringent rules attached to the EU's shipping emission data collection system, the monitoring, reporting and verification system.

Although they are distinct and may end up having material differences in their content, the two-pronged campaign coming out of Brussels means some form of emission regulations on shipping are imminent. For it to happen, the council, which represents governments and where shipping interests hope they can exert the most influence, will need to agree.

Carbon tax or ETS?

The individual submissions by the shipping associations to the commission ahead of its impact assessment on the planned Emissions Trading System revisions show the discrepancies that exist today among owners over a policy that until only a few years was unequivocally rejected and condemned across the industry.

In its submission, the Union of Greek Shipowners reiterated its staunch opposition to shipping's inclusion in the Emissions Trading System, "a burdensome and unwieldy policy option".

The union criticised it for being impractical, especially for the tramp shipping sectors, warning it could undermine global decarbonisation progress, incentivise other unilateral measures from other regions and lead to carbon leakage, where ships chose other routes to avoid EU ports and therefore move their pollution elsewhere.

However, it also laid out its "minimum conditions" for an EU measure on shipping's emissions, should that happen, indicating some willingness to compromise.

If the bloc does decide to regulate shipping emissions, the Union of Greek Shipowners argued, it should not do it through the Emissions Trading System but rather through a mandatory levy payment, with the revenues redirected towards shipping decarbonisation research and development.

"At a later stage, the fund could be used to close the price gap between fossil fuels and the new sustainable ones by subsidising the latter. A mandatory levy / fund would have the added benefit of minimising the administrative burden, especially for small and medium enterprises," the union said in its submission.

The European Parliament's own legislative proposal for shipping's inclusion in the Emissions Trading System also called for part of the systems revenue from shipping to be diverted to a decarbonisation research and development fund for European shipping.

The German Shipowners' Association, known as VDR, also stressed that any market-based measure would make sense if the revenues went towards research and development and new bunker infrastructure endeavours, not to EU governments' coffers.

"The EU Emissions Trading System would merely be yet another regional regulation punishing a sector for not using zero-carbon fuels, which are not readily available for widespread use on the markets yet," the association said.

The Union of Greek Shipowners demanded that operators and charterers pay the cost of the market-based measure, reflecting tramp shipping's dependence on them for the operational performance of their fleet.

"An EU market-based measure should recognise commercial operators [charterers in bulk and tramp shipping] as having responsibility for a ship's operational energy efficiency and, consequently, as the entity responsible also for paying the carbon price," it said.

The EU monitoring, reporting and verification currently defines the responsible company "as the shipowner or any other organisation or person, such as the manager or the bareboat charterer, which has assumed the responsibility for the operation of the ship from the shipowner".

The parliament has suggested this change to the entity responsible for commercial operations and for paying the fuels of the voyage. Carriers have strongly opposed this change as it implies charterers should pay the bill.

Monitoring, reporting and verification also covers international voyages to and from the EU and the parliament has demanded in its own legislative proposal that both types of voyages be included in the Emissions Trading System.

The commission has said it would consider "including at least intra-EU emissions of the maritime sector" into it.

The carrier industry has called for a strictly intra-EU carbon market, with CMA CGM and Maersk doubling down on the point in their own submissions to the commission.

The Union of Greek Shipowners did not make the same explicit distinction in its submission, but it demanded that "the geographical scope of an EU market-based measure should be limited compared with the scope of the EU monitoring, reporting and verification".

Danish Shipping told the commission that it is "a firm supporter of international regulation for shipping as this alone will secure the needed CO2 reduction and create a global competitive level playing field".

However, if shipping is added to the Emissions Trading System, the commission should follow a pilot phase approach, beginning with an intra-EU system, according to Danish Shipping. The scope of the carbon market for shipping would be expanded in 2030 if there is not a global sectoral approach at the International Maritime Organization.

"This stepwise approach has been applied to the inclusion of aviation into the EU Emissions Trading System. Such an approach will encourage further efforts at an international level through EU leadership, while reducing risks of retaliatory action from third countries," Danish Shipping said in its submission.

Like Maersk, Danish Shipping also called on the commission to allocate free emission allowances to shipping companies based on efficiency benchmarks for operators in each sector, and not on historical performance, an option that they fear would penalise green shipping's first movers.

"Alternatives, such as grandfathering free allowances based on historic emissions or full or partial auctioning, risk discouraging efforts to make the breakthrough innovation in marine fuels needed to reach climate neutrality, while disadvantaging those who have made investments to reduce emissions before the introduction of the EU Emissions Trading System," Danish Shipping said.

Although the Emissions Trading System proposal does not leave room for free allowances for shipping, the commission has said that its impact assessment will assess free allocations and other tools to address potential carbon leakage.