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New Zealand port to test new cranes with largest bulker call

27 Sep 2021 Nidaa Bakhsh

NEW Zealand's port of Tauranga is preparing to welcome the largest bulker yet to load logs after installing new equipment.

The 92,759 dwt post-panamax *Clemens Oldendorff* (IMO: 9474618) has been fixed to load the cargo at the end of October or early November using the port's new mobile cranes.

The deal between South Pacific Shipping and Oldendorff Carriers was brokered by Braemar ACM.

"Not only will this be the biggest vessel to load logs from New Zealand, loading a gearless ship is also a first for the New Zealand log export industry," said South Pacific's chartering manager Cameron Mackenzie.

"Our objective is to make the supply chain as efficient as possible while maximising port throughput, as well as minimising the environmental footprint from the transportation of logs."

Since no logs will be carried on deck, fumigation with methyl bromide will not be required, he said, adding that a post-panamax can carry twice the volume of a conventional logger in its holds.

The opportunity to partake in the first post-panamax to load logs from New Zealand suited Oldendorff's flexibility and diversity, the company said in a statement. It has more than 700 vessels in its operated fleet.

"We are extremely pleased to have been able to combine our commercial, operational and technical expertise from our Melbourne office, with our large fleet, to bring new economies of scale to our clients," the German company's chief executive Peter Twiss said.

It has now concluded two deals that will bring post-panamax vessels to load logs from Tauranga, he said.

Meanwhile, if the post-panamax loading goes to plan, and freight rates remain proportionate to current levels, SPS will look to charter further vessels to capture ongoing gains obtained from supply chain efficiency and safety.

Boxship orderbook hits record high with 5.6m teu in pipeline

27 Sep 2021 James Baker

THE surge of newbuilding activity that started in the fourth quarter of 2020 is likely to tail off as fears emerge of a capacity glut when those orders enter service.

"Spectacular container shipping market conditions and extremely strong sentiment have seen a record breaking boxship investment surge,"Clarksons said. "Newbuilding contracting in the year to the end of September 2021 has exceeded all previous annual contracting records in teu terms."

By late September, 468 units comprising 3.9m teu had been ordered, exceeding the previous full year record of 2007, when 3.3m teu was ordered.

Figures from Clarksons now put the containership orderbook at 5.6m teu at the end of the third quarter, up 185% year on year and more than double where it stood at the start of this year.

“At 23% of fleet capacity, the orderbook was at its highest proportion since April 2014, though still moderate in the context of the period 2000-2009.”

In 2008, the orderbook peaked at 61% of the existing fleet.

While the orderbook was dominated by larger vessels, which accounted for 75% of capacity on order, recent contracting had also shown an uptick in demand for smaller, more flexible tonnage, the analyst said.

Recent contracting had pushed up the number of vessels in the 12,000 teu-16,000 teu size range on order, while the number of midsize units had risen to 89, comprising 600,000 teu by the end of September, and now accounts for 10% of the orderbook.

“Charter owners and operator owners have both been active in the containership newbuilding surge,” Clarksons said. “In the period between the start of the fourth quarter of 2020 and the end of the third quarter of 2021, 48% of the contracted capacity was ordered by charter owners and 52% by operator owners.”

In the 12,000 teu-16,999 teu segment, 46% had been contracted by charter owners and 54% by operator owners. For the 4,000 teu-7,999 teu segment there had been “notable interest” from charter owners, with 60% of the contracted capacity since September 2020 in this category ordered by a charter owner.

The orderbook also reflected increasing interest in alternative fuels and environmental technology, said Clarksons. “While there is no clear consensus on technology or fuel choice, LNG dual-fuelled containerships remain a popular option for containership owners, with 57 LNG-capable units of 700,000 teu contracted in 2021 to the end of September, taking the LNG capable orderbook to 85 units of 1.2m teu.”

This accounted for almost one fifth of capacity ordered this year, it added.

Nevertheless, scrubber-fitted vessels were still a popular choice among owners, accounting for just under half of capacity contracted by the end of September.

Clarksons warned, however, that the past year’s boom in containership ordering may now be coming towards an end in the face of concerns regarding overcapacity.

“Against the backdrop of a record-breaking surge in orderbook capacity, material supply side pressure from 2023 is now widely expected. At 2.2m teu, the current 2023 orderbook delivery schedule is equivalent to 8.6% of the 2023 fleet. 2024 will also see significant containership capacity delivered, with 1.9m teu scheduled for delivery, as at the end of September 2021.”

Tanker futures show freight rate rally on hold

27 Sep 2021 Michelle Wiese Bockmann

OIL prices hit a three-year high as demand strengthened, but tanker freight futures are showing that the long-anticipated fourth quarter of the year freights rates' rally for the global fleet of crude tankers remains on hold.

Freight futures for the fourth quarter of the year on key export routes are showing a value that is 18% higher than current prices, according to Baltic Exchange data.

The most frequently traded contract — very large crude carriers shipping 280,000 tonnes to China from Saudi Arabia — was valued at $8.84 per tonne for the October-December period, data showed on September 24.

That is 18% higher than the current September balance-month contract of $7.20 per tonne, the best comparison with the daily spot rate.

Forward freight agreements are an indicator of current sentiment and used by oil companies, traders, and shipowners to hedge the future price of freight for shipping crude and refined products.

The value of the FFA contract has not climbed significantly over the past three months in trading and showed a 6% week-on-week gain on September 24, suggesting sentiment that freight rates will rally alongside crude, gas and other energy prices remains muted.

Rates for VLCCs tend to lead the direction for smaller tanker sizes.

The FFA contract for VLCCs on the US Gulf-China route showed a 7.4% week-on-week gain, rising to $20.60 per tonne, according to the Baltic Exchange data.

Tanker owners and operators are hoping the traditional fourth quarter of the year seasonal lift from the crucial winter oil demand period will end a protracted period of loss-making spot rates that has left earnings on many key routes unable to cover operating expenses.

At this time last year, a third wave of coronavirus outbreaks dented demand for transport fuels for the fourth quarter, while tankers previously used for floating storage were released back into the market.

Rates have remained depressed since as the supply of tankers continues to outpace demand, as refineries used inventories built up during global lockdowns amid a patchy and uneven recovery in demand for diesel, gasoline, gasoil and jet fuel.

That has also dented exports from the Organisation of the Petroleum Exporting Countries, production has yet to fully return to pre-pandemic levels, after the cartel slashed output by 9m barrels per day in April 2020.

About three-quarters of Opec exports lifted from ports in the Middle East Gulf are on VLCCs.

Exports from Opec countries reached 16.2m bpd on 418 tankers in August, Lloyd's List Intelligence data shows.

That compares with 16.6m bpd for July and 14.9m bpd for the same period last year. It is 1.2m bpd below the pre-pandemic level of August 2019.

The FFA sentiment runs contrary to expectations that exports will increase significantly now the seasonal summer lull is over and there are also low crude and refined products inventories in key demand centres such as the US.

Inventories below five-year averages meant that at a certain point they would reach a level "where there is not much slack in the system", Evercore's shipping analyst Jonathan Chappell said in a weekly report.

"Not only does incremental demand require new production or output, which directly correlates to shipping tonne-mile demand, but the stockpiles also need to be replenished," he said. "This is not to say inventories will not trend even lower in the coming weeks, but at some point the spring will be coiled so tight that the tonne-mile response will be dramatic."

The failure of FFA rates to reflect any significant rise adds further to the narrative that the coronavirus Delta variant has deferred any tanker rates recovery to 2022.

Abating coronavirus cases in Asia was expected to add a further 1.6m bpd to global oil demand in October, according to the International Energy Agency's most recent report.

But outages in US Gulf production after Hurricane Ida in late August has wiped out any gains from Opec's supply additions, again curbing exports.

High crude prices historically result in lower purchases from China — the biggest importer of seaborne crude. At the same time economic growth forecasts for the country are being cut following widespread power supply cuts that have shut key industries including steel.

Chinese imports of crude and products on tankers above 55,000 dwt reached their highest since June 2020, at 11.9m bpd last August, according to Lloyd's List Intelligence, accounting for 24% of all seaborne trade tracked.

Brent crude traded as high as $79.87 a barrel on London's ICE Exchange on September 27, and is up 59% so far this year.

China's decision to make sell 7.4m barrels of crude in its first release from its Strategic Petroleum Reserve is seen as an attempt to cool rising oil prices.

Capesize rates continue to soar

27 Sep 2021 Nidaa Bakhsh

SPOT capesize rates continued to storm upwards because of increased enquiries combined with tonnage tightness.

The average weighted time charter on the Baltic Exchange gained 2.8% to hit $63,030 per day at the close on Monday compared with Friday's quote. That marks a 17% increase from a week ago and is the highest level for the 180,000 dwt assessment, which launched in 2014.

The Baltic Capesize Index jumped to 7,600 points, which the highest position since November 19, 2009.

"The main driving force for the market came from the Pacific, as West Australian charterers were caught early on in the week dealing with a slim selection of choices and troubled vessel schedules resulting from the previous week's weather in eastern China," the Baltic Exchange said in a note at the end of last week.

The C5 Western Australia to China route leapt up $3,759 at the beginning of last week to $20,145 before falling back on Friday to $19,082, while the C10 Transpacific route closed the week at a significant $67,000, despite being lower than the previous day's high of $70,742.

Meanwhile, the fronthaul C9 route commanded a $81,775 price tag, allowing owners to cash in on their premium position for the price of repositioning to the Pacific, the London-based exchange said in the note.

Given the high rates, some owners such as Norway-based Golden Ocean were said to be staying exposed to the spot market for now but were looking to cover the traditional weaker months in the early part of next year with either floating or fixed rates.

Belships chief executive Lars Christian Skarsgård said his company had recently fixed a newbuilding for six months at $41,000 per day.

Earlier in the year, one-year charters had been concluded at the $21,000-$22,000 per day range, while a two-year deal had been conducted at about $23,000-$24,000 per day, he said on a recent Arctic Securities' webinar.

For 2020 Bulkers, its index-linked charters provide flexibility, always "capturing the market", said its chief executive Magnus Halvorsen.

Box freight rates plateau ahead of Golden Week

27 Sep 2021 James Baker

SOME containerised freight indices are showing signs that the period of rapid freight rate gains may be coming to an end.

Figures from the Shanghai Shipping Exchange showed little change in freight rates last week, with the Shanghai Containerised Freight Index up just 0.5%.

Rates on the transpacific were little changed at $6,322 per feu, while there was even a slight 0.2% fall on the Asia-Mediterranean trade.

It was the second consecutive week that the SCFI had registered no change on the transpacific and sub-2% changes on other key routes.

Drewry's World Container Index also remained steady at $10,377.19 per feu, with rates on Shanghai to Rotterdam, Rotterdam to Shanghai, Shanghai to Los Angeles and Rotterdam to New York all remaining stable at the previous week's level.

Freightos noted a flattening in prices this week, judging that in part this was due to lowered risk from typhoon Chenthu as the weather system shifted east before making landfall near Shanghai and causing any logistics disruptions.

Judah Levine, head of research at Freightos, said that the recent cap on spot rates from some carriers had contributed to the stabilisation of rates, but warned that demand for freight slots remained strong.

"Transpacific demand remains in high gear, and carriers continue to add capacity in response," he said. "To do so when basically all of the globe's container ships are already active, carriers are moving capacity from secondary lanes to the transpacific, complicating things for shippers on those lower-profile routes."

Moreover, with inventory levels low, there is unlikely to be any easing of demand, particularly in the US, following the traditional slowdown for Golden Week in October.

While holiday season volumes are reaching their final cut-off dates, particularly due to the increased transit times for inland distribution, restocking is likely to continue well beyond the traditional peak season.

Another trade to see a later, but equally significant increase, has been the transatlantic, which has seen a sharp rise in rates.

"For almost three months now, the spot freight rate for containerised goods shipped by sea from northern Europe to the US east coast has been 210% higher than last year," said BIMCO chief shipping analyst Peter Sand.

This rise had been caused by the "ripple effects" from globally stretched supply chains and by strong US demand, that had seen volumes increase 18.5% year on year and 14.5% since 2019.

Spot rates had risen from $2,329 per feu to just shy of $6,000 per teu before easing back again, said Mr Sand. And any plateau for freight rates will be at an uncomfortably high level for shippers putting volumes on the spot market.

This time last year, the SCFI was at a less than a third of its current level. On the Asia-northern Europe trade, base spot rates were $1,079 per teu. These have now broached $7,550 per teu.

On the transpacific, where the rate increases emerged earlier, late September 2020 rates were still under $4,000 per feu. These are now over $6,300 per feu.

But these indices only reflect the base freight rate element, with shippers paying substantially more in surcharges to secure equipment and slots.

Tanker market may gain from LNG's price pain

27 Sep 2021 Inderpreet Walia

HIGH liquefied natural gas prices in Europe and Asia are likely to encourage firms to look for alternative energy sources providing support to the tanker market.

Oil is likely to come to the rescue of gas this year as LNG inventories remain at exceptionally low levels ahead of peak winter demand.

According to Gibsons shipbrokers, many utility firms been forced to burn more coal despite the environmental consequences, while oil-based fuels have also received a demand boost in regions where oil-fired power capacity still exists.

Depending on the scale of the demand increase, Goldman Sachs estimates demand to equate to a near 1% uptick in global oil consumption.

That would depend on a "cold winter" and likely be focused east of Suez where oil fuels have greater potential to form part of the power generation market.

"Winter demand risks are further now squarely skewed to the upside as to the global gas shortage will increase oil-fired power generation," the investment bank said, adding that coronavirus vaccine programmes are allowing more countries to reopen international travel that will boost oil demand, leading to a spike in prices.

Brent oil prices have already reached new highs since October 2018, and Goldman Sachs forecasts that this rally will continue, with Brent forecast at $90 per barrel by the end of the year compared with $80 per barrel that it estimated previously.

High-sulphur fuel oil is expected to be the primary beneficiary of the oil-based fuels, according to Gibsons.

“Countries including Pakistan and Bangladesh, as well as some Middle Eastern players have already been more active in the spot HSFO market as LNG prices began to rise in the second quarter of the year,” the shipbroker said.

HSFO consumption is also likely to increase in parts of East Asia, such as Japan where oil-fired capacity is still available.

Meanwhile, higher HSFO prices could also potentially increase refining run rates, supporting crude demand, Gibsons noted. It expects Asian refiners to boost HSFO output through changes to refining slates and configurations if prices continue to find support from the gas market.

“Relatively stronger demand for HSFO in power generation in the East compared to the West should also offer some support for arbitrage flows.”

For tankers, any increase in oil demand is positive.

If demand continues to find support from firm gas prices, then tanker owners can expect to benefit from increased oil trade, be it greater HSFO trade, higher refining run rates or a boost in the Opec-plus oil producers group’s output, said Gibsons.

Still, any increase in crude direct burn in the Middle East could offset some of the benefit.

“Any gas related demand increase is unlikely to be enough to return oil demand to pre-coronavirus levels but could at least provide a temporary boost.”