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Hurricane Ida wipes out Opec crude supply gains

14 Sep 2021 Michelle Wiese Bockmann

GLOBAL oil demand is forecast to rebound by 1.6m barrels per day in October and keep rising as coronavirus cases abate in Asia, lending support to very weak tanker freight rates over the final quarter of 2021.

Increased travel in Europe, which has lifted fuel transport demand, alongside disruptions to production and oil refining on the US Gulf coast after hurricane Ida may also extend arbitrage opportunities as buyers seek alternative oil and refined product supplies.

The extended shutdown of 1.7m bpd of output by Gulf of Mexico crude producers from hurricane Ida on August 29 removed 30m barrels from the market, the International Energy Agency said in its monthly oil report.

Three Gulf coast refineries with 700,000 bpd total combined capacity remained shut down as of September 12, down from nine plants with 2.3m bpd capacity offline at the end of August, according to the IEA.

As a result of the hurricane and reduced refinery activity in China, the IEA has revised lower its third-quarter refining throughput, to 78.5m bpd. This is still 1.5m bpd higher than the second quarter.

Both the US and China have released strategic oil reserves in the past two weeks to deal with any crude shortfalls.

The outages have also wiped out any benefits of a supply boost from countries signatory to an agreement made by the Organisation of the Petroleum Exporting Countries to control output.

Opec is meant to add up to 400,000 bpd of supply this month.

“We have revised down our world oil demand forecast for August and September by nearly 600,000 bpd as China and a number of other Southeast Asian countries enforce more mobility restrictions,” the IEA report said.

“Strong pent-up demand and continued progress in vaccination programmes should underpin a robust rebound from the fourth quarter of 2021.”

Opec’s monthly report, published yesterday, expects 2022 demand to surpass pre-pandemic levels, at 100.8m bpd, compared to the IEA’s forecast of 99.4m bpd.

Tanker time charter indices show many crude and product shipping routes assessed at daily rates equivalent to operating expenses – or lower – so the trade dislocation may help push freight costs higher

US Gulf coast refiners supply more than half of oil products consumed on the US Atlantic east coast, and almost half of diesel and gasoline to Mexico and central American countries, the IEA said.

The exporting region is the biggest after the Middle East Gulf for refined products and ships some 3.5m bpd of crude.

Gasoline losses were estimated at 6m barrels — equivalent to about 10 medium range tanker cargoes — and diesel at 4.2m barrels.

“US Gulf coast shutdowns are reverberating in global crude markets, with force majeure being invoked on export crude loadings and tightening differentials for sour crudes,” said the IEA report.

“Unlike US shale, most Gulf of Mexico output is of medium-sour quality and buyers are scrambling to replace those volumes with spot sour grades from Russia and the Middle East.”

Month-on-month global oil demand contracted in July, August and September, the IEA estimates, led by falls in China, Malaysia, and Indonesia.

Third-quarter demand was estimated to be 2.1m bpd higher than the prior quarter, to 97.2m bpd on the back of “strong pent-up demand for travel,” the report said.

European oil demand over the summer holiday rose to 13.6 mb/d in July, its highest level since the start of the pandemic, the IEA said.

In China, the biggest importer of seaborne crude, demand declined month-on-month in August and September because of the Delta Covid variant, but 2021 demand was likely to recover and be 1.1m bpd higher than 2020, according to the IEA.

What should be the next green fuels?

14 Sep 2021 Cichen Shen

THE perception has emerged in recent months that the use of liquefied natural gas as a marine fuel is now “a thing of the past,” Braemar analyst Anoop Singh has told Marine Money Asia conference.

“We used to get three or four requests from clients for our LNG dual fuel briefing every month, and we hardly see that at all. Generally, the interest is now drifting towards methanol and ammonia,” he said.

On the shoreside, the switch from coal to gas empowered by a carbon market has been the main contributor to European Union's emission reduction—a pattern those other economies, such as China, try to follow.

So will shipping, the backbone industry for sea-borne trade, “skip that gas phase”? Mr Singh asked.

Too early to tell. But the doubt might well cast a shadow over those owners who have spared no cost and gone down the LNG fuel path.

Whether their investment will pay off largely depends on the number of their followers. The bigger the crowd, the better the chance to improve infrastructure and lower costs.

Some speakers believe that Maersk's recent blockbuster orders has made methanol a game changer.

Chris Chatterton, chief operating officer at the Methanol Institute, described the move as “a significant strategic initiative”.

“It has already driven lots of interest in methanol across all vessel types, not just [containerships]. And it’s going to significantly forward the business case for clean fuels,” he said.

Not all are convinced, however.

“Maybe it’s a game changer for [Maersk], but two years from now, who knows,” said Sim Keat Lim, managing director of bulker operator G2 Ocean.

Even the Danish giant itself admits the limit of methanol despite all the merits, with the biggest problem being the lack of supply of the fuel.

That suggests methanol could face the same risk as LNG: turning from a pioneer green fuel into “a thing of the past” in a faster-than-expected manner.

“Methanol is definitely not the only solution. We are also looking at ammonia and lithium,” said Rene Piil Pedersen, head of Maersk Singapore.

And it is widely reckoned that there will be multiple fuel technologies being explored and developed neck and neck over the next five to 10 years before they will be converged into one or two final solutions.

But Mr Lim then raised another interesting question: does it have to be this way?

Indeed, the development of zero-emission marine fuel is a complicate process, requiring a broad involvement of various stakeholders — not least the shipowners and the fuel producers — let alone the regulators.

Yet surely it would help to hammer out a more efficient approach if the owners, especially the leading ones, can first reduce their craving for the first-mover advantage and increase collaboration.

It is arguable a mission impossible for the highly fragmented dry bulker and tanker sectors.

But what about the liners which have become much more consolidated in recent years?

“There is an opportunity for the containers carriers if the top five, which controls 65% of the market share, would come together and work out a solution,” said Mr Lim.

Chinese ports reopen as weakening typhoon moves toward Japan

14 Sep 2021 Cichen Shen

TERMINALS at the ports of Shanghai and Ningbo have started to resume operations as the impact of typhoon Chanthu subsides.

China’s National Meteorological Centre moved the weather system down a rung of the alert level to yellow, the third-most serious, after it turned eastwards before making landfall in China’s Zhejiang province.

Hovering over the sea off Shanghai, it is expected to head northeast and approach the coasts of northern Japan via the Korea Strait.

Shanghai International Port Group said in a customer advisory that it plans to restore the pickups and deliveries of laden containers at its terminals from September 14.

The recovery of services for empty containers is pending further notice.

Notifications about similar plans were also issued by major container terminals in Ningbo, including the Meishan Container Terminal and Daxie China Merchants International Terminal.

These facilities were forced to close over the past two days in anticipation of extraordinary weather conditions.

Trained crew best defence against hackers of shipboard system

14 Sep 2021 David Osler

TRAINED crew that know how to handle back-ups is the best line of defence against those who would hack into a ship's IT systems, according to security experts.

Business functions of shipboard IT systems are most likely to be accessed, said Philip Ponsford, deputy chief cyber officer of maritime cyber risk insurer [Astaara](#).

Unauthorised access to business functions can be destructive and cost money to fix, but is not really life threatening, he told the International Union of Marine Insurance conference.

"The most threatening attacks are those that affect the vessel's safety; navigation systems, electronic charting, GPS and automatic identification system."

Risk mitigation is achieved through back-ups, and seafarers are generally well-trained in these things.

However, unfamiliarity or fatigue could impact on their performance.

"If fate intervenes with vital systems such as steering or propulsion compromised by a hacker, they might shut them down, but they are unlikely to be controlled remotely and it's definitely unlikely to be beyond the ability of the crew to intervene," he told the conference's workshop on loss prevention debate.

"Nearly everything that has ever happened at sea is the result of a chain of errors. You look back and think, how on earth did those 20 things line up? But they do, and cyber can be two or three of those 20 things that cause a major incident."

By reducing resilience, cyber attacks can make it harder to deal with what Mr Ponsford called a real emergency, such as fire, flood or piracy.

"It's people, people, people. Ninety-five percent of cyber incidents are on account of people not doing the right thing, not following the correct procedure."

His most important advice to anybody on the bridge of a ship is, if in doubt, simply to look out of the window rather than rely overly on staring at screens.

May Jensen, director of risk management at Canada Steamship Lines, also put the emphasis on the human element.

"People, for me, are the biggest risk, funny as it might sound when we start talking about cyber security," she said.

Kevin Adams, a cybersecurity specialist with the US Coast Guard, told attendees of two specific incidents, one involving a large shipowner and the other a US bunker supplier, who have requested assistance from USCG.

In both cases, Microsoft Exchange vulnerabilities seem to have been at the heart of the issue.

The latter case — which involved an unnamed petroleum facility which held over 5m gallons of heavy bunker and petroleum distillates for distribution to maritime industries — put the port of New York at significant environmental and economic risk.

“They were not comfortable with what they were hearing from their IT staff, so they engaged with the Coast Guard,” said Mr Adams.

“After discussions with me and working through their risk model, discussing their risk tolerance, their risk appetite and their risk mitigation strategies, they were able to go back and say, hey, nobody’s going home tonight until you’ve done every bit of patching that needs to be done.”

Novatek charters four LNG carriers with MOL

14 Sep 2021 Cichen Shen

MITSUI OSK Lines, the Japanese shipping group, said it has signed time charter contracts for four liquified natural gas carriers with Novatek Gas & Power Asia Pte.

The 174,000 cu m vessels are scheduled for delivery by Daewoo Shipbuilding & Marine Engineering in 2024, according to a press release.

The South Korean shipbuilder said in a stock exchange filing that it had won orders from Asian owners for a quartet of LNG carriers worth Won990bn (\$846m) in total, or around \$211.5m per ship.

MOL said in a separate email response to Lloyd’s List that the tonnage would be ice-class LNG carriers that will serve the Arctic LNG 2 project operated by its counterparty’s parent company Pao Novatek, Russia’s second-largest natural gas producer.

The newbuildings will be owned by a subsidiary of MOL, it added.

The release said the newbuilding LNG tankers would be equipped with the newest MAN Energy Solutions engines, which improve fuel efficiency.

They will also adopt a new design, generating less boil-off gas from cargo tanks through the use of the re-liquefaction unit on board, and a shaft generator system using the rotating propeller shaft for power generation.

“These vessels are considerably more environmentally friendly than current LNG carriers,” said MOL, which has been engaged in transporting LNG using three ice-breaking LNG carriers for another Novatek project, the Yamal LNG since 2018.

Earlier this month, it signed an agreement with Novatek to develop the arctic LNG transshipment projects, after a deal with with Russian state leasing firm GTLK to acquire a 49% stake in LNG floating storage units.

The pair of 360,000 cu m vessels, also to be delivered by DSME, will be used to help reload cargo on conventional LNG carriers from their ice-class counterparts at transshipment terminals to shorten the voyage and reduce the shipping costs for exports from the LNG export facilities in northern Russia.

CARNIVAL INSPIRATION (Bahamas)

Vessel experienced windlass failure with disconnected rope during dismantling operation in Aliaga breaking yard, Turkey on 12 Sep 2021. Two workers lost their lives. Shipbreaking process temporarily suspended

13 SEP 2021 Istanbul, Sep 13 -- Passenger (cruise) Carnival Inspiration (70367 gt, built 1996), during dismantling operation, at Aliaga breaking yard, Turkey, experienced windlass failure along with disconnected ropes on Sep 12. Two workers were heavily injured and despite doctor's further efforts both of them lost their life. Incident investigations have been commenced by harbor master for the technical side and by the public prosecutor for the legal side. The shipbreaking process has been temporarily suspended till the completion of the incident investigation. -- Correspondent.