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Newbuildings cancelled over LNG uncertainty says Opec

28 Sep 2021 Michelle Wiese Bockmann

THE future of liquefied natural gas in marine bunkers “remains uncertain for the time being” and has resulted in some newbuilding orders being cancelled, according to the Organisation of the Petroleum Exporting Countries.

Opec’s World Oil Outlook, released today with forecasts of energy use through to 2045, estimated that LNG in maritime transport would expand in the medium-to-long term.

“Some have voiced doubt about [LNG’s] long-term sustainability in view of carbon dioxide emission reduction targets and have called for the increasing use of renewable hydrogen or ammonia instead,” it said. “Some orders of LNG-fuelled vessels have been cancelled amid these concerns.”

The report did not provide further details, nor provide forecasts about gas consumption in marine bunkers, though Opec said it would be the dominant fuel for ships by 2045.

Demand for conventional marine bunkers was projected to rise to 4.5m barrels per day by 2030, from 4.2m bpd in 2019 and remain flat thereafter.

“LNG vessels are expected to achieve sufficient penetration and combined with higher efficiency of oil-based vessels will counterbalance the still-growing trade”, the report said. LNG-fuelled vessels comprised some 10% of newbuilding orders, according to Opec estimates. “The shipping industry is at a technology crossroads in its search for alternative powertrains.”

International Maritime Organization efficiency and emissions reductions targets would not be met without some form of energy substitution, the report said, with LNG the alternative.

Other alternatives included hydrogen, ammonia for larger ships, and electricity as energy sources.

But Opec said that it was unlikely that “a significant penetration of these engines would be reached before 2045”.

“It is clear that technology will contribute to efficiency improvements for internal combustion engines used in maritime transport, though current engines are already quite efficient,” the report said.

Environmental groups have challenged claims that LNG-fuelled ships lower emissions by 20%, raising questions about the longevity of the fossil fuel amid concern that climate change targets cannot be met.

The Opec cartel excludes dominant LNG producers including Qatar, Russia and Australia.

Scrapping of tankers in sanctioned oil trading questioned

28 Sep 2021 Michelle Wiese Bockmann

US-BASED cash buyer GMS has questioned when the sales of four tankers engaged in sanctioned Iranian and Venezuelan oil trading for recycling can go ahead.

Panama-flagged very large crude carriers *Hapon* (IMO: 9102241) and *Peron* (IMO: 9102277), Palau-flagged *Spirit* (IMO: 9183348) and Tanzania-flagged *Penny H* (IMO: 9102239) were all reported as sold for scrap in past weeks. All are more than 18 years old.

Vessel-tracking data shows that they have been involved in shuttling sanctioned crude from Iran and Venezuela via ship-to-ship transfers in waters off Singapore, Malaysia or Indonesia to China for the past 18 months.

Penny H, formally known as *Wu Xian*, was blacklisted by US administration in October 2020 for its connection to Iran's national oil company.

The remaining tankers have not been targeted by the Office of Foreign Assets Control and have been undertaking shipments without penalty.

GMS said two of the four tankers were said to be fixed into Bangladesh and Pakistan.

"If true, it remains interesting to see just how these financial transactions will be eventually concluded via the banks or will these deals fail" it said in a report.

Under secondary sanctions on Iran's oil and shipping sector, transactions from non-US companies or citizens at banks would be difficult to conclude if the tanker's purpose and history were known without risking stiff penalties.

Vessel-tracking indicates that *Peron* last signalled its position off Colombo, Sri Lanka, while *Hapon* last signalled off western Malaysia on September 25.

Around 160 vintage tankers are estimated to be operating in US-sanctioned trades, bought by anonymous buyers in the past two years for the sole use in shipping Venezuelan and Iranian crude to China.

The subterfuge fleet has not been targeted by the US and uses deceptive and evasive practices to disguise the original and destination of cargoes.

Four were reported scrapped in May 2021. The continued trading of elderly tankers at a time when spot rates for the global fleet of crude ships are hovering around 20-year lows has skewed sale and purchase markets and curbed scrapping, adding to fleet supply.

Carrier schedules in disarray as congestion and delays continue

28 Sep 2021 James Baker

CONTAINER line schedule reliability dropped even further during August, reaching an all-time low of 33.6%, according to the latest figures from Sea-Intelligence.

"On an annualised level, reliability in August 2021 was 30.1 percentage points lower than August 2020, continuing the trend of declines of over 30.0 percentage points in each month in 2021 so far," said Sea-Intelligence chief executive Alan Murphy.

The average delay for late vessel arrivals continued to deteriorate, increasing by 0.58 days during the month to 7.6 days in August.

Separate research from supply-chain visibility outfit project44 showed that there were delays of up to 30 days on the worst-hit Asia-Europe routes, and 22 days on the transpacific.

"If current circumstances hold, we're going to see many more empty shelves heading into the holiday shopping season and beyond," said project44 vice-president Adam Compain.

The reports came as Maersk warned that continued congestion in the face of strong demand would lead to further service delays that would create headwinds for schedule reliability.

"Inventory levels in Europe and the US remain at their lowest levels on record, leading to stock outs on some products," Maersk said in a customer advisory. "This means even once retail demand declines, we will see cargo volumes continue to remain strong as inventory levels need to be rebuilt."

But increased vessel waiting times at ports required more ships to lift the same volumes.

"We expect strong demand to continue for the rest of the fourth quarter, but the overall North American ports situation has deteriorated recently," Maersk said. "We expect the loss of capacity from missed sailings to continue. We have deployed gap loaders and launched new TP-X and TP20 services on US west coast and US east coast to bolster capacity and improve schedule reliability."

It was the best-performing line of the carriers assessed by Sea-Intelligence, with a schedule reliability of 45.6%, but it warned that congestion at destination and origination ports was making it difficult to avoid blanking sailings.

"Maersk has taken measures to alleviate this by rationalising our schedules and repositioning the empty containers and we have tripled the number of dry freight containers in our fleet during the last few months to support our customers' export requirements," it said.

But there was unlikely to be any relief during the fourth quarter, it added.

"We expect strong export demand from Asia to continue for the rest of the year particularly into the US and Europe. Several upcoming holidays, including China's Golden Week and Christmas, will create seasonal volume rushes. We expect to see early signs of a pre-Chinese New Year rush in December."

Equipment availability would also remain tight during the fourth quarter.

"Our vessel schedules continue to be affected by port delays and we find it necessary to change some port rotations to reduce the total delays faced. Both the equipment and vessel schedule actions are specifically intended to improve reliability as far as possible."

None of this will offer much hope to shippers and cargo owners attempting to fill shelves ahead of the holiday season.

"The whole container shipping industry is under incredible stress right now, and it's going to keep building," said Xeneta chief executive Patrik Berglund. "A drop in rates is not in sight as overall capacity will remain very tight. The upcoming contracting season can be the toughest in ocean freight history for shippers."

Energy transition curbs medium-term oil demand

28 Sep 2021 Michelle Wiese Bockmann

THE Organisation of the Petroleum Exporting Countries paints a challenging outlook for global oil demand as energy transition accelerates and concedes that uncertainties about climate change could mean that consumption may have already peaked.

Even under the most optimistic reference case, crude demand in Europe, the US and Japan will not return to 2019 levels, carbon dioxide emissions from gas and oil will keep rising, and seaborne exports for refined products plateau from 2025.

Opec's World Oil Outlook forecasts primary energy demand to rise by 28% to 352m barrels of oil equivalent per day by 2045, from 275m boe in 2020.

That is 9m boe lower than it forecast last year, with Opec citing economic revisions, energy efficiency gains, and a slower-than-anticipated energy transition than the "Western" view for its figures.

Oil demand is forecast to rise to 108.2m barrels per day by 2045 in the Opec reference case, about 8% higher than 2019 levels.

But the report said that faster penetration of energy efficient technologies and wider adoption of climate change policies than its current reference case could wipe as much as 8m bpd from this forecast, eradicating all projected gains.

Demand for oil-based products is projected to reach 94.5m boe in 2025, rising to 99m boe by 2045.

Natural gas demand comes in at 85.7m boe by 2045, up from 64.2m boe in 2020. So-called "renewables" are estimated to provide 10.4% of primary energy supply by 2045, up from 2.5% in 2020.

Renewable energy sources such as wind and solar shows greatest demand growth over the next 24 years, followed by gas, according to the report.

Oil remains the largest share of the energy mix, at 28% by 2045. Last year, oil accounted for 30% of global energy requirements. Coal is the only energy source for which demand declines.

The report said that Opec's analysis "suggests that there are still considerable doubts" over whether climate change emissions targets outlined so far can be met.

If targets are met, the scenarios outlined by Opec — which include electric vehicles only comprising 20% of all cars in 24 years' time — will see demand for transport fuels lower than anticipated.

The transport sector accounts for some 70% of the additional oil demand growth forecasts with the outlook assuming internal combustion engines remain dominant in passenger and commercial road transport.

Opec raised its forecast for electric vehicles demand compared to last year and maintained that "all energies have a role to play" in the report.

The World Oil Outlook also assumed the European Union's Fit for 55 plan, released in July, has ample scope for being watered down, and did not say to what extent targets were incorporated into its reference case.

Unsurprisingly, Opec argues that the global pandemic has fuelled climate change uncertainties and that energy poverty eradication is more important than meeting climate change targets.

The report considered "currently enacted energy policies while also recognising their evolving nature", it said, citing hydrogen "a solution to some of the challenges".

The outlook also said that it “sees the continued dominance of renewables and gas in comparison to other fuels”.

“These advantages mean that gas witnesses the second largest growth from 2020 through to 2045, behind renewables.”

Energy demand in North America, Europe and Japan remained unchanged from 2020, according to the outlook. Oil demand for China, the world’s largest importer, grows by 3.1m boe between 2020 to 2045, with a plateau reached by 2030.

“Beyond 2025, global growth in primary oil demand is anticipated to decelerate,” the report said. Some 70% of all growth occurs between 2020 and 2025 driven by the transport sector.

Air and land transport fuels account for 69% of projected oil demand growth from 2019, figures show, while global gasoline demand peaks by 2030.

Opec also cast doubt on concerns of an oil supply crunch as investors shunned investment in new production to meeting rising demand. This was a “very Western or even European perspective”, the report said.

“It is so far mostly European major oil companies that have been most vocal about their environmental credentials — US-based integrated oil companies have been noticeably more reticent, let alone Asian, Latin American or Russian ones.

“Moreover, while publicly traded companies must adhere to their shareholders’ wishes, the same is not true for national oil companies, nor for privately held companies, such as US shale operators owned by private equity money.”

Under the Opec reference case, Asia-Pacific imports of crude and condensate rise to nearly 30m bpd by 2045, from 22m bpd in 2020.

Energy demand in US, Europe, UK and Japan grows by just 0.6%, to 102.1m boe by 2045, from 101.5m boe in 2020, a figure already below 2019 levels.

Oil-related carbon dioxide emissions from rise from 11.2bn tonnes in 2020 to 13.2bn tonnes by 2030. Emissions from coal fall to 14bn tonnes from 14.2bn. Carbon dioxide emissions from gas increase to 9bn tonnes by 2045 from 7bn tonnes in 2020.

Blue hydrogen — produced from carbon capture and storage — could play a pivotal role in the energy transition, the report said, noting that the push for “green” hydrogen (produced using renewable power) was not cost competitive.

Shipping feels impact of China’s power crunch

28 Sep 2021 Cichen Shen

THE power crunch in China appears to have a broad implication for the shipping sector.

The electricity squeeze has led at least 10 Chinese provinces, including some manufacturing hubs, to suspend factory productions and even household utilities in the past weeks.

The reason for this has mixed the country’s stricter emission rules and soaring coal prices.

The record high price of thermal coal, the use of which accounts for about two-thirds of China’s power generation, has made local power plants reluctant to ramp up output. As domestic electricity price is capped by the government, the more they produce now the more they will lose.

China's tension with Australia, the world's second-largest coal exporter, has certainly contributed to the situation.

Although Beijing has increased the imports from other countries, such as Indonesia and Mongolia, after an unofficial ban on Australian coal last year, it has failed to fill up the gap — especially amid a surge in demand driven by a strong economic recovery this year.

The demand for energy is expected to rise further as the winter peak season approaches. China will need to import more coal.

That has fuelled the expectation that the restrictions on Australian exports may be relaxed, which could change the trade patterns of many panamax dry bulkers.

"I believe that soon the government might be forced into easing the ban on Australian coal, as that would allow more coal to be imported and ease some pressure on domestic coal prices," said Banchero Costa head of research Ralph Leszczynski.

Meanwhile, the closed factories — including aluminum smelters, food processers and electronic component makers — are compounding concerns over a turn of the current container shipping supercycle.

Freight rate index from the Shanghai Shipping Exchange have already shown signs of stalling ahead of the Chinese Golden Week holiday in October.

In the real market, spot rates offered on China-US west coast trade has tanked to around $10,000 per feu from $15,000 per feu in early September, according to a Shanghai-based forwarder.

With the halt of factory activities shipments are being delayed, putting pressure on cargo demand, the person explained. "And some scalper agents are dumping the slots they have been hoarding before the Golden Week in fear of a sharp correction of an already inflated freight market."

Volumes were already slowing down because of the October holidays and the end of Christmas and New Year cargo cut offs, said Liner Research Services analyst Hua Joo Tan.

"The middle of October will be a key test if the rates will hold," said Mr Tan. "Although the headlines are all about the long queue of ships at Los Angeles, this is less important than the actual demand out of China."

The factory shutdowns could put another dent on the demand side, at least temporarily, he added.

However, the oil shipping markets — at least investors of tanker companies — seems to have been perked up by the Chinese power crisis.

The share prices of Shanghai and Hong Kong-listed Cosco Shipping Energy Transport surged 10% and 16%, respectively, on Tuesday.

Chinese power plants do not use crude oil in any form for power generation these days. But the headlines about the blackouts and suspended assembly lines became as an important reminder or catalyst to investors, according to Shanghai-based SWS Securities analyst Yan Hai.

That is the energy is in short supply and the production as well as trading for oil, a key part of it, will have to increase.

“So, the market thinks of the tanker companies, which are in the bottom of the cycle and bound to benefit [from the trade recovery],” said Mr Yan.

In addition, some factories might decide to install and use private diesel-fuel generators to provide electricity to continue operations should they expect the disruption of power supply to last, Mr Leszczynski added.

“We have seen this happen in previous periods of power shortages and is the norm in countries with chronically unreliable energy grids, such as Myanmar.”

This would give a boost to clean products imports before the momentum moves to crude oil, he said. But it will all depend on whether the crunch in China is “a short-term blip or to run for longer”.

Global oil demand to reach pre-pandemic levels in early 2022

28 Sep 2021 Inderpreet Walia

GLOBAL oil demand is expected to reach pre-pandemic levels by early next year as the economy recovers, according to industry forecasts.

The news is a welcome development for tanker owners as seaborne exports of crude and products slumped during the past year as the pandemic’s demand plunge built up inventories and led to significant cuts in crude production.

“Global oil demand is seen rising to 100m barrels per day by the end of 2021 or in the first quarter of 2022 and rising further to around 102m bpd next year from 98m currently,” said Hess president Greg Hill during Platts APPEC 2021 conference.

While a rise in coronavirus cases across markets has hurt recovery in demand for some refined products such as jet fuel, consumption trends of petrol and diesel indicate growth.

Equinor vice-president for crude, products and liquids Molly Morris said that it is “are seeing a lot of recovery happening on a daily basis, albeit slower in certain areas, especially places in Asia”.

“So, we do expect oil demand will return and also grow,” she added. “As we see restrictions are lifting, we see energy demand in general, is also growing. And we do not have enough forms of new energy to replace the crude oil demand.”

Yet, a potentially new coronavirus variant that renders vaccine ineffective may soften demand.

The Organisation of the Petroleum Exporting Countries sees global oil demand averaging 100.8m bpd next year, exceeding pre-pandemic levels, while the International Energy Agency expects it to average 96.1m bpd this year and 99.4m bpd next year, compared with 90.9m bpd in 2020.

According to Cleaves Securities, freight rates are finally starting to move for owners of large tonnage, as very large crude carrier rates increased by 268% over the week to reach $5,000 per day.

Freight rates have also been supported by the rise in natural gas prices, which have elevated the demand for oil as an alternative.

Vitol Holding chief executive in Asia Mike Mueller expects global oil demand to continue to grow to 110m bpd by early to mid-2030s despite forecasts of peak oil demand in 2019.

“The consensus among all commentators out there, and my company here included, is that the peak for oil demand is still ahead of us,” he said.

CLIPPER COMO (Marshall Islands) / LEVANTES (Marshall Islands)

Vessel c/w Levantes in lat 39 45 02N, long 025 47 03E, SE of Bozcaada, Turkey, 18 Sep 2021. Shifted S of Bozcaada anch. Breach in top port side tanks & water ingress noted. Heavy fore tilt & portside list. Berthed in Aliaga 26 Sep.

27 SEP 2021 Istanbul, Sep 27 -- According to reports, detailed damage survey including underwater inspection of bulk carrier *Clipper Como* was carried out by attending surveyor panel together with Coastal Safety diver teams. The temporary repairs were performed by Coastal Safety salvage teams together with divers and patch up repairs were done in side shell plating area to minimise water ingresses in ballast tanks and cargo compartment. Upon completion of temporary repairs, port of discharge schedule of *Clipper Como* changed to Nemrut Bay instead of Samsun, Turkey due to safety reasons of vessel and marine traffic. *Clipper Como* heaved up anchor and resumed voyage under towage and supervision of tugs from Bozcaada Island anchorage to Nemrut Bay on Sep 25. Subsequently, *Clipper Como* arrived and berthed in Nemrut Bay on Sep 26. After completion of custom formalities, the cargo handling and discharge operation commenced. Bulk carrier *Levantes* remains stationary at Nemrut Bay in Aliaga, Turkey, as of 1200 hrs, today. *Levantes* shifted from south of Lemmos Island to Chalkis anchorage, Greece and remains stationary as of 1200 hrs, today. -- Correspondent.

27 SEP 2021 London, Sep 27 -- According to Lloyds List Intelligence AIS, bulk carrier *Clipper Como* which came in contact with bulk carrier *Levantes* and had been in anchor at Bozcaada southern anchorage since Sep 18, berthed in Aliaga, Turkey, at 1454 hrs, UTC, Sep 26.

27 SEP 2021 Istanbul, Sep 27 -- Bulk carrier *Clipper Como* which came in contact with bulk carrier *Levantes* on Sep 18 around the Dardanelles and Bosphorus straits, Turkey, was reportedly rescued. -- Lloyd's Agents (Vitsan Mumessillik ve Musavirlik AS).

SPIRIT OF TASMANIA I (Australia) / SPIRIT OF TASMANIA II (Australia) -- MISCELLANEOUS

27 SEP 2021 Kiel, Sep 27 -- Passenger ro/ro *Spirit of Tasmania I* (29338 gt, built 1998) / passenger ro/ro *Spirit of Tasmania II* (29338 gt, built 1998): A Covid-19 outbreak was avoided after a Melbourne-based contractor working on the Australian flagged ferries passenger ro/ro *Spirit of Tasmania I* and passenger ro/ro *Spirit of Tasmania II* tested positive for Covid 19 on Sep 25. Sailings to and from Melbourne and Devonport were cancelled in the night, when the positive case emerged among a TT-Line employee. He had worked below deck on both vessels on Sep 21 and Sep 22, while infectious. Public Health identified all 17

people who were involved in that exposure. Eleven were in Tasmania and all have since returned negative results from rapid tests, while two of six in Victoria have also tested negative. Another 67 crew members were also undergoing precautionary testing, port-side in Devonport. Passengers have been able to disembark if they wished. The cancelled sailings disrupted the travel plans of about 150 passengers in Melbourne as well as 40 to 50 in Devonport, with almost all opting to stay in their cabins overnight. -- Correspondent.